

The Soviet Economy and the Perestroika Years

Gregg S. Robins

ANDERS ÅSLUND. *Gorbachev's Struggle for Economic Reform*. London, Pinter, 1989.

ANTHONY JONES and WILLIAM MOSKOFF, Eds. *Perestroika and the Economy*. Armonk, NY, M. E. Sharpe, Inc., 1989.

JOHN E. TEDSTROM, Ed. *Socialism, Perestroika, and the Dilemmas of Soviet Economic Reform*. Boulder, CO, Westview, 1990.

OLIMPIAD S. IOFFE and PETER B. MAGGS. *The Soviet Economic System: A Legal Analysis*. Boulder, CO, Westview, 1987.

AS a result of the events of August 1991, the Soviet Union no longer exists. Among the many victims of the failed coup is Mikhail Gorbachev's prized possession—*perestroika*. The stability of the Commonwealth of Independent States, and indeed of the countries that comprise it, is presently open to

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PAUL R. GREGORY. *Restructuring the Soviet Economic Bureaucracy*. Cambridge, Cambridge University Press, 1990.

ERNEST RAIKLIN. *After Gorbachev? A Mechanism for the Transformation of Totalitarian State Capitalism into Authoritarian Mixed Capitalism*. Washington, DC, Council for Social, Political, and Economic Studies, 1989.

question. But the one thing that is clear at this point is that the economic deterioration and corresponding chaos of the former Soviet Union have remained and have perhaps increased in the months since the failed coup.

In writing an essay-review of books published during the *perestroika* period, we have the all-important advantage of hindsight. We know that *perestroika* failed. However, we must try to evaluate these works within the context in which they were written, and judge them not by whether they "got it right or wrong," but by how well they treated the period itself. After all, those who write reviews must subscribe to the same standards of

evaluation as do the authors. In this respect, the present reviewer makes no claim to possessing a crystal ball.¹

The vast literature on the *perestroika* period provides us with more than a glimpse of recent history.² It offers us a perspective on the current situation and—of equal importance—it encourages us to take a more critical approach when suggesting remedies to the economic problems left in the wake of the Soviet Union's collapse.

During the chaotic years of *perestroika*, Soviet citizens were able to survive and cope with the choices offered. Even without such fundamental building blocks of a market economy as clearly defined property rights, market-clearing prices, and labor and capital markets, to mention a few, Soviet citizens displayed entrepreneurial abilities by creating cooperatives,

¹ One point that is worth making is that the depth and breadth of the Soviet economic problems during the *perestroika* period were greater than was generally recognized.

² In this journal, two earlier reviews treated several other works on the subject. See Martin C. Spechler, "Gorbachev's Economic Reforms: Early Assessments," *Problems of Communism* (Washington, DC), September-October 1989, pp. 116–20; and Peter van Ham, "Soviet Economic Reform and East-West Economic Relations," *ibid.*, January-February 1991, pp. 144–49.

banks, and commodity and stock exchanges. In this respect, although much attention has been focused on the problem of creating a market economy, and destroying most of what had existed, we should not overlook the achievements of the *perestroika* period. Although major efforts will be required from policy-makers in the successor-states to introduce certain fundamental market reforms, the actual movers and shakers in the economy will be those who have been—and will continue to be—able to take initiatives and break away from the state structure; indeed, they are the ones who will compete with this structure.

It has also become clear that it is not possible to reform the state socialist system, and thus any plan for a workable “market socialism” must be dispensed with.³ Although many of the books under review focus primarily on the problems of improving the efficiency of the state structure—through enterprise reform, for example—the true, lasting progress of the *perestroika* years seems to have taken place outside this structure.

The books address the development of “*perestroika*” in different ways. Anders Åslund’s *Gorbachev’s Struggle for Economic Reform* offers a comprehensive account of the origins of the process,

³However, one attempt to salvage “market socialism” can be found in Włodzimierz Brus and Kazimierz Laski, *From Marx to the Market: Socialism in Search of an Economic System*, Oxford, Clarendon Press, 1989. The authors critically evaluate what socialism is and how it has been put into practice—with particular attention to Yugoslavia and Hungary—while exposing its many problems. They argue that two tenets must be maintained for a system to be called socialist: state ownership and the guarantee of full employment. Given these guidelines, they devise a scenario in which a capital market exists along with a labor market, the latter being maintained through state incentives rather than direct administrative orders to enterprises.

the actual policy-making apparatus, and a perspective through which to understand and evaluate the reforms that have already been instituted. The volumes edited by Anthony Jones and William Moskoff and by John Tedstrom look at various aspects of the economic reforms, while the works by Olimpiad Ioffe and Peter Maggs and by Paul Gregory address other significant factors influencing the economy, namely, the legal system and the bureaucracy. The title of Ernest Raiklin’s short monograph—*After Gorbachev? A Mechanism for the Transformation of Totalitarian State Capitalism into Authoritarian Mixed Capitalism*—suggests the prescriptive nature of this work, which contrasts with the primarily objective, analytical treatments of the other books.

I want to discuss not only the problems of *perestroika* addressed by these books but also to elaborate on the progress that was made—despite the obstacles. Drawing upon the lessons of *perestroika*, I will then discuss Raiklin’s book within the context of radical economic change. Finally, I will offer my views on the current economic mess as we brace ourselves for the future.

THE book by Åslund is one of the finest works on the *perestroika* period.⁴ Although the book has much to recommend it, perhaps its most important contribution is the rich information it presents on the institutional background to *perestroika*. Åslund spent several years in the

⁴The other work requiring special mention is Ed A. Hewett, *Reforming the Soviet Economy*, Washington, DC, Brookings, 1988. Unlike Åslund’s book, which focuses primarily on institutional change and policy-making, Hewett’s book provides an excellent analytic framework that enhances our understanding of the initial Soviet reforms. Hewett examines the system as it is supposed to work in theory, and then describes how it actually operates.

USSR during which time he acquired a deep understanding of Soviet publications. The book provides a discussion of sources, with an excellent commentary on their usefulness. Moreover, because he had frequent interviews with members of the Soviet policy-making community, he is able to tell us not only what was happening, but also why, and who the relevant actors were.⁵

At the outset, we are given an overview of the 1965 reforms which, Åslund argues, failed due to the absence of:

- the highest political support (Aleksey Kosygin rather than Leonid Brezhnev proposed them);
- urgency (*zastoy* [stagnation] was still hidden);
- a favorable international environment;
- *glasnost*’;
- sound economic theory and competent economists;
- consistency;
- coordination of legislation; and
- any support from the party and state bureaucracy.

Against this background, Åslund observes that the *perestroika* process was—to a large extent—improvised along the way.

We gain a useful perspective on the radical nature of *perestroika* when we look at the section on “alternative programs” for reform, which also helps us to understand the conservative forces that were at work when the process began.

⁵Åslund continues to follow the Soviet institutional developments closely. For thorough discussions of recent events, see Anders Åslund, “The Making of Economic Policy in 1989 and 1990,” *Soviet Economy* (Washington, DC), No. 1, 1990, pp. 65–94; idem., “Gorbachev, *Perestroika*, and Economic Crisis,” *Problems of Communism*, January–April 1991, pp. 18–41; and idem., “The Soviet Economy After the Coup,” *ibid.*, November–December 1991, pp. 44–52.

Throughout the book, Åslund stresses the significant opposition to reform, which was particularly strong in the early stages.⁶ In particular, he believes that the failure to curb the Communist party's influence in the economy was a major if not *the* major obstacle to any successful reform. In all, the book continues to be an important tool for specialists in the economies of the successor-states. It teaches us to be more cautious in assessing the current situation and provides a foundation for understanding the origins of the current economic problems in the Soviet Union's successor-states.

OF the two edited volumes, the one by Jones and Moskoff focuses on the earliest stage of *perestroyka*. The book is a collection of essays by Soviet authors that have been translated and reprinted from Soviet sources. Among the contributors, we find some of the most influential economists who were involved in the genesis of *perestroyka*—Leonid Abalkin, Stanislav Shatalin, and Nikolay Shmelev, for example.

The book is particularly useful in depicting the tough ideological opposition to reform during its early stages. For example, it quotes Abalkin's qualification of his criticism of the old system:

[I]n the last 70 years, the Soviet Union has achieved enormous successes both in its economy and in other spheres of life. All our achievements can be attributed to the enormous advantages of the socialist system and the principles of planned economic management. (p. 4)

The chapter by Shmelev is a bit more critical of the economy than the others but lacks clear prescriptions for change, beyond arguing for a slightly more deliberate tinker-

ing process. At least within policy-making circles, ideological obstacles remained strong until they gradually broke down in 1990. Overall, these essays are less important for their contents than for providing a useful indicator of the thinking of Gorbachev's economic advisers, a group that by 1990 included Nikolay Petrakov and Grigoriy Yavlinskiy.

THE collection of essays by Tedstrom offers useful perspectives on the socio-political dimensions of Soviet economic problems by looking at the impact of public opinion on reform. One grand achievement of *perestroyka* was that it allowed the masses to voice their opinions on the state of the economy (and everything else for that matter!). The contributors rightly note that this popular participation both aided the reform process—in that it spurred the center to improve living conditions—and also hindered it—in that resentment developed toward the emerging “nonstate” sector. Even today, when the nonstate sector has gained considerably vis-à-vis the center, there still exists the phenomenon of *uravnilovka* (literally, leveling—the Russian distrust of the economic disparities brought about by the market and, more specifically, of those who are seen to have profited at the expense of their fellow citizens). Most Russians have found the high cooperative prices a hard pill to swallow.

The cooperative movement itself was an achievement of the Gorbachev years, as noted by Tedstrom:

Despite resistance at the grassroots level, petty bureaucratic foot-

dragging, and some all-Union legislation designed to thwart it, the cooperative movement is growing because people are able to free themselves from the traditional reins of the Soviet workplace, express their creativity and initiative, and earn a wage that is more commensurate with their marginal product. (p. 133)

Philip Hanson sees the development of cooperatives as the first step toward a mixed economy. He makes special reference to the need for a capital market, which he considers necessary for a mixed economy. Finally, Hanson provides a detailed examination of legal reform, particularly the issue of ownership. This issue was a particularly thorny one inasmuch as the principle of state ownership was the cornerstone of the centrally planned economic system.

WITH respect to the Soviet legal system, the volume by Ioffe and Maggs provides a complete picture of the law as it is written as well as how it is applied. Ioffe was a member of the Law Faculty of Leningrad State University for more than 30 years, and has written extensively on Soviet civil law. He has always managed to highlight the important features of the lawmaking process, as well as the political aspects of the laws themselves.⁷

Ioffe and Maggs have written an important work that provides us with detailed information about the legal basis of the command economy. In the Soviet Union, many economic transactions fell outside the scope of civil law, the primary regulatory mechanism for Western economies. Most Soviet transactions

⁶Here we can cite the June 1987 Plenary Meeting of the CPSU Central Committee as a dividing line. At this session, Gorbachev strengthened his position and introduced a new, radical economic reform agenda.

⁷Ioffe contributed his standard text, *Soviet Civil Law*, Dordrecht, Martinus Nijhoff Publishers, 1988, to the general series entitled “Law in Eastern Europe,” edited by F.J.M. Feldbrugge.

were, in fact, driven by administrative policy, not economic policy, and were thus covered by an enormous volume of administrative regulations.⁸ Ioffe and Maggs rightly observe that Soviet problems could not be solved by laws alone—in contrast to what Soviet policy-makers believed. Moreover, the authors note that the economic and corresponding legal dilemmas represent only part of the problem that confronted Soviet policy-makers: "Economic predicaments, economic stagnation, and even economic regression," they write, "no matter how substantial these may be, have never brought any system of human society to collapse in and of themselves" (p. 310).

As we are now aware, legal reform progressed rapidly in the winter of 1989–90 with the passage of laws on leasing (*arenda*), land (*zemlya*), and ownership (*sobstvennost'*).⁹ Still, demonstrating the continued influence of Marxism-Leninism, terms such as "private property (*chastnaya sobstvennost'*)"

⁸The debate over civil versus administrative law is not new. It stems from the legal debates in the 1920's when Yevgeniy Pashukanis proposed his "commodity exchange theory of law." In general terms, civil law concerns horizontal relations, protecting private property (and thus the individual) from the state. Administrative law concerns vertical relationships and thus strengthens the state's hand in commanding the economy.

In the past few years, because of the growth of private economic activity, there has been a large amount of new civil legislation. See Philip Hanson, "Re-inventing the Law of Contract," RFE/RL Research, *Report on the USSR* (Munich), July 17, 1991.

⁹The law on leasing, *Ekonomicheskaya Gazeta* (Moscow), No. 49, December 1989; the law on land, *Izvestiya* (Moscow), Mar. 6, 1990; and the law on ownership *Pravda* (Moscow), Mar. 10, 1990.

A recent detailed study on the development of property rights in the USSR with attention to the overall legal reform can be found in Philip Hanson, "Property Rights in the New Phase of Reform," *Soviet Economy*, No. 2, 1990, pp. 95–124. My article, "The Development of Entrepreneurialism in Gorbachev's USSR," *The Oxford International Review*, No. 1, 1990, pp. 24–28, also looks at the recent legislation.

did not appear in any of the new laws. The legal dimension only assumed greater complexity as the issue became not only what the laws actually said but who was bound by them. The so-called "war of laws" between the Union government and the republics and between the republic governments and local jurisdictions became ever more acute before the coup. In the end, new laws and decrees were printed almost as fast as rubles, and carried about as much value.

WHAT if bureaucracy rather than ideology were the main obstacle to reform? Paul Gregory discusses this issue in *Restructuring the Soviet Economic Bureaucracy*. Despite problems with its methodology,¹⁰ the book provides an insiders' account of the bureaucratic structure. Gregory argues that the bureaucracy has been a major obstacle to reform for the many reasons we have come to be familiar with. If this is the case, then the future of any economic change in the Soviet Union's successor-states will be wrought with difficulty. Though perhaps to a lesser extent and under a different name, the state sector and the *nomenklatura* still retain the resources and influence that ensure their continued domination of the economy. Moreover, privatization will be a far lengthier process than is generally acknowledged.

However, in a recent investigation of the development of financial markets in the USSR, Joel Hellman has concluded that bureaucrats are not opposed to change but are sup-

¹⁰The book draws its materials from the Soviet Interview Project—interviews with former Soviets who emigrated to the US in 1979–84. As a result, the results can hardly be seen as representative due to the (relatively) small number of interviewees and their obvious biases. Indeed, the author recognizes the limitations of the study, calling it a "personal account of the Soviet economic bureaucracy" (p. 11).

portive of reforms, since they possess the necessary means to take advantage of them.¹¹ If we look at the development of the commercial banking sector in the USSR, Hellman argues, we find that initially these banks were established by bureaucrats themselves, not by entrepreneurs interested in what in the West is considered true financial intermediation.¹² Hellman's paper is an important contribution to our understanding of why so much change was possible even given the pervasive nature of the Soviet bureaucracy.

ALTHOUGH the bureaucrats were the initial players in the creation of a commercial banking system, this system continued to grow rapidly during the *perestroika* years and came to be something more than what it was originally intended to be—an extension of large state enterprises. Commercial banks grew in size and in their ability to offer a wider range of services. By the end of 1990, there were 1,366 such banks in the USSR,¹³ and they had managed to take advantage of new joint-stock opportunities to substantially increase their assets.¹⁴ Thus, alongside the cooperative sector, which represented the beginning of a retail market to rival the state mechanism, there was an em-

¹¹Joel S. Hellman, "Breaking the Bank: The Political Economy of Banking Reform in the Soviet Union," discussion paper, Department of Political Science, Columbia University, February 1991.

¹²These banks were termed "pocket banks," since they were considered to be in the pockets of the agencies that created them.

¹³Vladimir Yevstigeiev, "The Banks Are Multiplying Like Mushrooms," *Rabochaya Tribuna* (Moscow), Mar. 5, 1991.

¹⁴Without the ability to sell stocks, the banks would have been dependent solely on appropriations from the state budget. By being able to sell shares, which resembled bonds, they gained access to private and enterprise capital. See Ivan Kokoshin, "Commercial Banks Go Joint-Stock in Droves," *Commerzant* (Moscow), July 22, 1991.

bryonic capital market and clear signs of competition between the commercial banks and the state banks. This growing competition was manifest in a vast advertising campaign—both in the official and unofficial press—undertaken even by the state banks, especially by the savings bank (Sberbank).

The rise of the commercial banks was due to the inefficiency of the state banking system. The state banking system, consisting of five specialized banks that were created as a result of the 1988 banking reform, were put on a *khozraschet* (cost-accounting) basis a year later, only to be slowly turned into joint-stock companies in 1991.¹⁵ The frequent policy changes with respect to the state banks demonstrated that the center was not satisfied with their performance vis-à-vis the commercial banks. The fragmentation of the specialized banks has been dramatic, leaving us to wonder whether it occurred despite or perhaps because of the center's policy initiatives.

The emergence of commodity exchanges in the USSR marked the beginning of a wholesale market, thus providing an opportunity for the commercial banks to expand their operations. The exchanges were an important development not only because they provided an alternative to the state allocation mechanism but because they proved capable of accomplishing what the state sector was no longer able to achieve: they were able to cooperate across republic lines—agreements were regularly made

¹⁵These banks were: (1) Vneshekonombank—the USSR Bank for Foreign Economic Affairs; (2) Promstroybank—the USSR Industrial and Construction Bank; (3) Agroprombank—the USSR Agro-Industrial Bank; (4) Zhilsotsbank—the USSR Bank for Housing, Communal Services, and Social Development; and (5) Sberbank—the USSR Savings and Retail Credit Bank.

between the exchanges, branches were established, and clearing arrangements were undertaken. The commercial banks quickly recognized the opportunities presented by this exchange activity. For example, a struggle emerged between the Russian National Bank, which gained the consent of some 25 exchanges to form an all-Union clearing mechanism,¹⁶ and the All-Russian Exchange Bank. USSR Gosbank meanwhile remained silent on whether it would permit such a large-scale nonstate mechanism to exist.

In short, during the *perestroika* period a new set of actors arose in the economic system to compete with the bureaucrats and party officials. Cooperatives, banks, exchanges, brokerage firms, etc., represented the beginnings of a market in the USSR. Moreover, these actors were also able to develop institutions to support their positions. For example, bankers formed two unions that not only regulated behavior within the commercial banking sector but also protected their interests vis-à-vis the state and the general population (let us not forget the anti-cooperative movement). The exchanges formed a congress that increased their power in a short period of time and even asked President Gorbachev to allow their representatives to be present at the 1991 G-7 meeting. The request was denied.

IN 1990, events were moving rapidly, and the agenda quickly became one of completely overhauling the economic system rather than simply reforming it. This is the central issue in Ernest Raiklin's book, which represents a brave attempt to tackle a complex, largely unresolved

¹⁶Alex Loktev, "Russian National Bank Hopes to Create Inter-Exchange Network," *ibid.*, May 20, 1991.

problem. To its credit, the book raises the issue of systemic transformation. Yet, the premise of the work seems fatally flawed. "The capitalist nature of the Soviet economy," writes Raiklin, "makes it no different from that of, for instance, the developed industrial countries" (p. 2). He argues that any situation in which goods are exchanged (what he calls "commodity production") constitutes capitalism. In addition, he believes that the goal of the Soviet institutional arrangement was the same as in a market economy—namely, "to provide a mechanism enabling sellers and buyers to translate their abilities and desires into actions" (p. 5). Raiklin is indeed referring to the state sector of the economy and not necessarily to the nonstate sector, in which, I have argued, certain signs of market-oriented activity were apparent. Westerners understand a market as a system in which agents interact with the freedom of entry and exit and exchange information on the basis of such signals as prices. Viewed in this way, the state economy was certainly not a market economy.

Raiklin also makes other assertions that are at odds with the reality of the Soviet system. For example, he says that "The USSR is already one of the most developed countries in the world" (p. 18). Such statements indicate that Raiklin has failed to understand the extent and depth of the task at hand. As a result, he frequently oversimplifies possible solutions, often basing them on false premises (for instance, assuming that the savings of the population are contained solely in the Sberbank, thus overlooking the rubles stuffed in mattresses, not to mention stashes of hard currency).

Whatever the shortcomings of Raiklin's book, he does offer a plan to transform the economy. A com-

mon (and indeed fair) criticism before the summer of 1990, and indeed one that is found in the books under review, was that Soviet policy-makers lacked a grand vision to reform the system, a "plan" of some sort. However, since Prime Minister Nikolay Ryzhkov introduced his plan to create a "regulated" market economy,¹⁷ there had been numerous plans for revamping the Soviet economy—the Shatalin "500-day" plan being the most widely discussed, although ultimately it was rejected. Indeed, a recent *Economist* article wryly notes that "The Soviet Union's extraordinary capacity for producing, revising, synthesizing, and discarding economic plans is causing blurred vision among Western observers."¹⁸

SINCE August 1991, we have seen a new phase of change in the economy, one that is more far-reaching than its predecessors.¹⁹ This new era of transformation economics will doubtless trigger a wave of publications similar to that which appeared during the *perestroyka* years. I would like to offer some concluding thoughts on the new era.

¹⁷N. I. Ryzhkov, "On the Economic Situation of the Country and the Conception for the Transformation Toward a Regulated Market Economy," *Izvestiya* (Moscow), May 25, 1990.

¹⁸"Free Fall," *The Economist* (London), Sept. 28, 1991, p. 107.

¹⁹Perhaps the best concise account of how this process of systemic change ought to unfold is János Kornai, *The Road to a Free Economy*, W. W. Norton and Company, New York, 1990.

First, if we have learned anything at all from the experience of *perestroyka*, it is that the task at hand is multidimensional, and will require a monumental effort to put the necessary components together. Laws in and of themselves will do little unless they are accompanied by enforcement mechanisms (enactment is the easy task), a population that is prepared to abide by them, and a government that is prepared to be bound by them. Moreover, while the existence of a coherent plan is a necessary condition for systemic change, it is not a sufficient condition. A plan that seeks to bring about stabilization and restructuring at the macro level will only be successful if it can affect the behavior of economic agents at the micro level.

Second, any systemic transformation must address the goals for the economy. In the Soviet Union's successor-states, the goals seem to be both short-term and long-term in nature. In the short term, stabilization requires feeding the population and beginning reconstruction—itsself a long-term task. The *perestroyka* years witnessed a rapid deterioration in the Soviet infrastructure with capital construction (and investment) declining dramatically. In the longer term, the structural reform could include the creation of full-scale markets. But we must remember that the short-term tasks are crucial and that a true market economy—despite the encouragement of Western institu-

tions and economists—is many years away.

The problem is that the destruction of the state allocation mechanism will likely prevent these immediate needs from being met. For example, the commercial banking sector has concentrated almost exclusively on short-term lending. Given the absence of established secondary—stock and bond—markets for obtaining long-term funds, the state allocative mechanism could fill the void and thus play a crucial role in the transition period.²⁰

Finally, the lessons gained from the books under review, and indeed from the *perestroyka* itself, are that those of us who study the Soviet Union and discuss policy issues should carry on with cautious optimism. Between 1985 and 1991, there were dramatic changes in the Soviet system, changes that would have been unthinkable not too long ago. Moreover, the Soviet population demonstrated its ability to respond to change by taking economic initiatives, albeit on less than a grand scale. In short, what János Kornai calls "The Road to a Free Economy" will be paved with many surprises. For better and for worse, they and will continue to present new challenges for those of us who seek to understand the changes under way.

²⁰The state allocation mechanism played a crucial role in the postwar German and Japanese economies.

China's Global Role

Steven I. Levine

A. JAMES GREGOR. *Arming the Dragon: U.S. Security Ties with the People's Republic of China*. Washington, DC, Ethics and Public Policy Center, 1987.

HARRY HARDING. *China and Northeast Asia: The Political Dimension*. Lanham, MD, University Press of America, 1988.

HARRY HARDING. *A Fragile Relationship: The United States and China Since 1972*. Washington, DC, The Brookings Institution, 1992.

IN August 1989, driving along Interstate 40 in eastern Tennessee, I passed an 18-wheeler bearing the message "Boycott Chinese goods!" spray-painted in two-foot-high black letters on the back of the trailer. Obviously outraged by the June 4 Beijing massacre, an unknown American trucker had felt

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RONALD C. KEITH. *The Diplomacy of Zhou Enlai*. New York, St. Martin's Press, 1989.

LO CHI KIN. *China's Policy Towards Territorial Disputes: The Case of the South China Sea Islands*. London, Routledge, 1989.

moved to write the slogan on the back of his rig. This was not long after US National Security Adviser Brent Scowcroft and Deputy Secretary of State Lawrence Eagleburger returned from the first of two top-secret missions to Beijing on behalf of President George Bush, who was trying very hard to prevent the total collapse of US-China relations. When I heard about the Scowcroft-Eagleburger mission, I recalled the truck and thought how interesting it would be to eavesdrop on a conversation between the unknown American trucker and the two high-ranking officials. Not very often does the subject of US-China relations penetrate the consciousness of the American people as it did back then. China has since receded from public view, but the annual battle between Congress and the President over the question of extending China's Most Favored Nation (MFN) trade status is proof that Washington's

DAVID SHAMBAUGH. *Beautiful Imperialist: China Perceives America, 1972-1990*. Princeton, NJ, Princeton University Press, 1991.

ALLEN S. WHITING. *China Eyes Japan*. Berkeley, CA, University of California Press, 1989.

China policy remains controversial.

Well before the upheavals of 1989, significant cracks had appeared in the foundation of US-China relations. Beginning in the mid-1980's, the rapid ebbing of the Soviet threat, which had provided the ideological basis for Sino-American relations ever since President Nixon's 1972 journey to Beijing, exposed a number of contentious human-rights and trade-related issues between the United States and China. Everywhere, not just in the United States, the transformation of the global landscape since 1989 raises the fundamental question of what role or roles China will play in the post-cold war world.

Given the enormous changes in world politics, is there any point in reading books on Chinese foreign policy that were published in or before 1989? Should all books on contemporary affairs perhaps bear an expiration date like the perishable