Gorbachev’s reforms

1985:
- Gross national product (GNP) 2%; despite 4.5% being estimated as the minimum to achieve soviet objectives:
  - Investment to improve industrialisation and modernisation
  - Military spending to maintain parity
  - Improve living standards for population
- Grishin replaced by Boris Yeltsin as head of Moscow party

→ Abel Aganbegyan: Estimated annual growth rate of soviet economy to be zero

→ Gorbachev + reformist wing wished to overcome economic stagnation by modernising the system; got certain amount of support BUT enormous resistance by conservative nomenklatura reluctant to make radical changes that would undermine their power and privileges

1985-86: Gorbachev followed uskorenie (accelerated growth) to achieve increased production by making the existing unreformed system work more efficiently

Perestroika:

1986:
- Perestroika officially launched; great reduction in detailed centralised planning + more self management at local enterprise level + end of subsidised prices
- 27th Congress of the CPSU = factory and form managers greater say in what they produced and who they employed
- Law on Individual Labor Activity = individuals in service sector allowed to start private enterprise (e.g. taxi services)
- Law on Joint Enterprises; supposed to encourage foreign companies to invest in joined schemes in USSR BUT resulted in confusion and corruption

1987-89: self financing phased in; enterprises paying for their operating costs out of their profits

→ Gorbachev’s reforms aimed to create a more modern and efficient socialist economy not to restore capitalism
→ Reduce 60 industrial ministries and state committees to 6-7 “super ministries”

1988:
- Law on State Enterprises; 60% of state enterprises were shifted from tight central control to control by their managements: