How I survived only you and I will know.
—Konstantin Simonov

On June 17, 1991, Mikhail Gorbachev signed the draft agreement “On the Union of Sovereign States” and sent it on to the Supreme Soviet of the USSR and the Supreme Soviets of the republics. After major changes, the final version was discussed in Novo-Ogarevo on June 23, 1991. Gorbachev, Russian president Boris Yeltsin, and Kazakh president Nursultan Nazarbayev decided in a meeting on June 29–30 that it would be signed by the heads of the Union republics on August 20.

On the eve of signing the agreement that outlined a peaceful and regulated dissolution of the empire, the vice president of the USSR, the prime minister, the minister of defense, the chairman of the KGB, and the commander of land forces, with the support of the chairman of the Supreme Soviet SSR, decided to do what they thought the president was too weak to do: use force, restore control, and preserve central authority. In three days it became clear that the issue was not Gorbachev but a changed country.

On August 19–21, 1991, what the authorities had feared for decades came to pass: the army shot at the people. It took only three days for the sociopolitical system of the superpower, which had always been prepared to use violence against its own people, to cease to exist.

The failed coup is remembered by many as being operetta-like. Yet its organizers had set themselves hard goals: in a developed, urbanized society, it is difficult to find officers prepared to order tanks to squash their fellow citizens or soldiers to execute those commands. The officers, who had learned in the 1980s that they, not the leaders of the coup, would be held responsible, did whatever they could to avoid taking action. The coup leaders had not come out of the revolution and civil war; they had lived through decades of stability. It was not surprising that they all tried to pass the buck. The GKChP (State Emergency Committee, as they called the group that took power) was not prepared to make decisions relating to bloodshed, hoping the Interior Ministry, KGB, or Defense Ministry would handle it; this is related in the memoirs of the late chairman of the KGB Vladimir Kryuchkov.1

The storming of the White House was supposed to start the night of August 20. The order to carry out the plan was given by Kryuchkov at 9:00 a.m. It was supposed to be a joint operation of the army, KGB, and Interior Ministry (MVD) troops under the code name “Grom,” or “Thunder.” The decision was discussed by the General Staff for most of the afternoon. The generals reported that from a military point of view taking the White House was not a problem. But mass civilian casualties would be inevitable. At first the operation was planned for 1:00 a.m., then postponed until 3:00 a.m., and in the end it did not take place. The main factor in rejecting it was the unwillingness of the coup leaders to take the responsibility for bloodshed. The army waited for the KGB to act, the KGB for the army, and the MVD for the other two. By night it was learned that the Alpha division of the KGB had refused to participate in the storming, the Tula and Dzerzhinsky MVD divisions had not left their positions, and the Teply Stan brigade was missing.2

Georgy Shakhnazarov wrote: “If the tanks brought into Moscow had opened fire on the barricades and had support from an air attack, it would have ended almost instantly. The republics would have given up, which is evident from their cautious reaction, hoping to gain time while they saw how things were developing in the capital. And if any bold fellows had called for resistance, they would have been strung up quickly.”3 But it was not that simple. In Petrograd in 1917 there were leaders who gave orders to shoot demonstrators.4 In August 1917 the commander in chief of the Russian Army, General Kornilov, was also ready to give such an order. It did not save the regime. In such situations, the question is not only whether there are people to give these orders but whether there are troops to obey them and whether there are troops prepared to go over to the other side.

During those three days in August, Gorbachev did not use force to save the regime not only because he personally did not want to, but because doing so would have been impossible. The well-known political observer Maxim Sokolov described the consequences of the failed putsch:

The last two days in Moscow have been funeral days: the idiotic regime died in an idiotic way. The putsch was stupid because the people had stopped being stupid . . . . A very important precedent was set—for the first time in seventy-three years the citizens forced the state, armed to its teeth, to capitulate. The
public began defining itself not through inertia caused by fear but through the momentum brought by fearlessness. . . . In other countries coups are usually the idea of a dozen villains who are then thrown in jail and life goes on, but our August coup was unprecedented. Almost the entire Union leadership has been charged under various articles of the criminal code: the power structures (army, MVD, and KGB), the executive branch (Cabinet of Ministers), the legislative branch (Lukyanov and the Union supporters), and the Party (the top of the CPSU). And when the entire top echelon of the state consists of either criminals or their accomplices and suffers a resounding defeat by the people, that government cannot remain. The entire leadership of the state falls into political oblivion, and a different state arises out of the political vacuum. It has, and not just one.\(^3\)

The harsh economic situation in the USSR in August 1991 limited the possible variants of development. Even if the coup organizers could have held on to power, it would not have changed the economic picture.

**The Political Economy of the Failed Coup**

In early August, Gorbachev signed a decree on urgent measures to increase production of goods and services for the populace. It commissioned the Union-Republic Currency Committee, the Ministry of the Economy and Forecasting, the Ministry of Foreign Economic Relations, and the Bank of Foreign Economic Activity to ensure that priority hard currency funding went for imports of grain, medicines, raw materials, and components needed to produce consumer goods.\(^6\) Comparing the stern directives in the decree with the interagency correspondence shows how far its tone was from reality.

Chairman of the Board of Gosbank Victor Gerashchenko wrote to Chairman of the Cabinet of Ministers Pavlov in June 1991:

> Decisions made by the government at various times, beginning in 1959, have directed Gosbank to implement budget expenditures by compensating for the price differences between agricultural raw materials and other products by using special accounts to regulate differences in prices . . . through credit resources to be repaid from the budget. Because of systematic delays in repaying this debt, the sum has grown from year to year, with a negative impact on money circulation in the country. Starting in 1991, the Ministry of Finance has moved the reimbursement of the pricing gap to the budgets of the republics. . . . Yet with the transition to the market and the uncontrolled growth of prices, banks are forced to pay ever-increasing differentials for agricultural and other products. Thus, in the first quarter this year credit resources of 29.2 billion rubles were needed to cover the gap, and in April 5.9 billion rubles. Including the sums paid last year, the debt of the budget to the banks over the period from the beginning of the year to May 1 has grown from 61.6 billion rubles to 96.7 billion rubles. For that reason, and also in connection with the growth of the total state debt, the centralized loan fund of Gosbank is directed completely to covering budget expenditures. If bank resources are automatically used to cover the reimbursement of price differences, then the only means of restoring resources is the expansion of credit and the printing of more money. If decisions are not made on this question the result will be ungovernable credit and cash emissions. We ask that you immediately do away with the above-mentioned manner of reimbursing price differences because it is destabilizing the economy and promoting uncontrolled inflationary processes.\(^7\)

And First Deputy Chairman of the Cabinet of Ministers Vladimir Shcherbakov wrote to the Federation Council on August 16, 1991, three days before the putsch:

> The country is rapidly falling into a deep financial crisis with the collapse of money circulation. These factors are determining the deterioration of the economic, social-psychological, and political situation. . . . For the most varied reasons, primarily related to the indecisiveness about taking unpopular measures, fear on the part of a number of leaders of a stronger Union government, a low level of coordinated organizational and economic work among various levels of the executive branch, and so on, the practical chances of implementing an anticrisis program decrease every day. The fundamental measures for stabilizing the country’s financial situation should have been realized on July 1. However, the endless conciliations, discussions, and so on have cost us two months. In that period, albeit belatedly, we managed only to decide on stabilization work in the base economic sectors and partially in production of consumer goods. . . . We must realize that in two to four months we will need completely different measures to normalize the situation and the anticrisis program can be tossed into the garbage. A paradoxical situation is forming. On one hand, the budget system is going to throw its deficit into circulation in the amount of approximately 310–320 billion rubles, and on the other hand, enterprise will add another 250 billion rubles. . . . It follows that the budget system is becoming an important factor in generating powerful inflationary processes. . . . In our opinion, with the agreement of the republic, there could be a Presidential Decree to implement an immediate (as of Sep-
tember 1) freeze on all Union and republic programs of a social character unfunded as of August 1 and a continuation of this measure at least into the first half-year of 1992. . . . In the second stage (after December 1, 1991) there will be a transition to mostly free pricing, including a new mechanism for forming wage funds. . . . It must be stressed that these approaches will not solve the problem of fiscal balance as a whole but will simply move its solution beyond 1991. . . . Thus these measures will keep the situation from getting worse, but they will have no cardinal effect on the true causes of the fiscal imbalance.

Currency reserves had been fully depleted by then.9 Mere weeks separated the country from bankruptcy and nonpayment of foreign debt—and then only if it stopped all payments due for imports. There would be no large Western credits if the GKChP succeeded. The new authorities would have to make decisions about further reduction of food purchases, cutbacks in cattle, reduction of imports of other foods, and stoppages in factories for lack of components. One of the organizers of the GKChP, head of the Soviet military-industrial complex Oleg Baklanov, wrote to Gorbachev in January 1991:

The economy at the present time is in crisis. . . . In addition, the country is becoming ever more dependent on the import of material-technical resources from capitalist countries. According to Gossnab, in 1991 the country physically lacks raw materials for the normal functioning of agriculture in the amount of approximately 9 billion rubles, which were mostly purchased abroad. . . . The inability to purchase resources is complicating the country’s debts to foreign companies for raw materials, food, and industrial goods for 1990. By late 1990, the lack of raw materials slowed the production of many products, including consumer goods, and in the first quarter of this year we expect mass stoppages in factories, plants, and enterprises. In light industry alone, more than 400 factories, one-third of existing ones, may shut down, and approximately 1 million people will be without work. The situation is getting worse, with the possible closing in the near future of production at ZIL, Rostsel’mash, the Chernovtsy footwear plant, the Cheboksary Kontur plant, the Altai tractor factor, the Vostochny mineral combine in Dnepropetrovsk, the Moscow Stankolit plant, and many other enterprises.10

The organizers of the putsch knew all this. Otto Latsis quotes materials from a memo prepared by the KGB near the time of the coup:

The program of capital construction for 1991 is totally unbalanced. According to forecasts, the funds to be used in 1991 will be 30–35 percent less than last year, residential housing will be down 20–22 percent, and other objects in the social sphere down by 15 to 70 percent. To keep the aviation enterprises working without stoppages, 1,938,000 tons of aviation kerosene and 53,000 tons of aviation fuel are needed. As of August 1, the delivery has been only a bit more than half, 1,005,000 tons of aviation kerosene and 28,000 tons of aviation fuel. The reduction of herds on kolkhoz, sovkhoz, and mixed farms, which began in 1988, is increasing. . . . Moscow: Definite difficulties are noted in energy supply. Some power plants have equipment exhaustion of 70 percent. Supplies of heating oil are down to 50–80 percent of what is needed. The city energy system is functioning at the limit of its capacity. The consumer market is in difficult straits. Meat deliveries to the stores in the city are on average no more than 80 percent of last year’s levels. Food deliveries are 60–70 percent, and supplies on hand will last only fifteen days. . . . The energy situation is difficult. All the power plants are working at capacity. The supply of coal and fuel oil is only at 50 percent of what is needed. Food distribution is disrupted. Thirty percent of the population was unable to use their coupons for June, July, and August for sugar, animal fats, and meat. Of particular concern is bread. The new norm is 250 grams per day per person.

(N. A. Savenkov, head of administration KGB USSR, September 2, 1991)11

The man who signed the document headed the administration of the KGB, which included economic security.

The budget deficit in the third quarter of 1991 was quickly approaching 30 percent of GDP.12 This meant that the situation on the consumer market would remain catastrophic. Without structural changes and a reduction in defense spending, agricultural subsidies, and capital investments, further price hikes would merely reproduce the deficit in consumer goods on a higher level. The unpopular and illegitimate regime would have to answer for all that. Considering what was happening in the Baltics, Georgia, Armenia, and Western Ukraine, its fate was easy to predict.

One of Gorbachev’s close aides, Vadim Medvedev, told Valery Boldin, a participant in the conspiracy: “The Pinochet variant with generous foreign aid will not work; on the contrary, domestic disorders and the inevitable shutdown of channels for foreign economic aid will quickly bring the economy to catastrophe. The coup will not only weaken the centrifugal forces of the Union, it will lead to the inexorable collapse of the Union, because the republics will not want to live under that regime.”13
Chairman of the Cabinet of Ministers Pavlov, who had a better understanding than the other members of the combined effects of the currency and fiscal situation, drank so heavily on the evening of August 18 that he was felled by a stroke. We will never learn what the head of the last Soviet government was thinking. But I do not rule out that he was thinking of the political and economic ramifications of the coup's certain failure.  

Political Death Throes  

After the events of August 19–21, 1991, the death of the empire was no longer inevitable—it had taken place. The question was only how difficult the economic and political consequences of its collapse would be for the country's population.

Naturally, the Soviet authorities could have referred repeatedly to the March 17 referendum on maintaining the USSR and insisted that the December 1 referen dum in Ukraine, which brought out 84 percent of the residents, 90 percent of whom voted for independence for the second-largest Union republic, was in contradiction to Union legislation. None of that had any relation to the real political process. When empires fall, their fate is not determined by plebiscite. A few weeks before the March 17 vote, Maxim Sokolov noted accurately: "From the formally legal point of view, a flawed referendum cannot cause juridical consequences, and from the practical point of view, it does not give Gorbachev a single additional reliable division. . . . Gorbachev's readiness (or unreadiness) to take decisive action depends on less ephemeral factors than the meaningless reply of the citizens of the USSR to a meaningless question. There are more significant factors: anger of the population, reliability of the troops. . . ." People knew that by December 1991, the time of the formal declaration of the collapse of the Union, the Union authorities would have no reliable troops at their command.

The first consequence of the failed coup was a demonstration of the regime's inability to use force to control its territory. By late August 1991 it was a given that not a single tank, not a single platoon, would move on orders from the Union government to protect them or impose public order.  

This is not new for collapsing empires. Austria-Hungary and Yugoslavia showed the difficulties encountered by state organs when the legitimacy of the central regime is undermined and the loyalty of the officers and soldiers is divided between the new national formations in the places they are from, the metropolis, and the authorities in the regions where they are based. As a rule, the result is that the military loses the capability to do anything.

Neither the Union nor the republican authorities could control the armed forces in the fall of 1991. Events in Chechnya in November demonstrated that. The attempts of the Russian authorities to bring in troops and maintain martial law failed, in part because the Union authorities were prepared to give the army an excuse to do nothing. When the state loses not only the monopoly on power but even the ability to employ it, it stops being a state in the usual meaning of the word.

After the August coup attempt, there came a string of declarations of independence from the republics. The Union had no power or authority to stop it. This showed the country and the world that the Soviet Union no longer controlled its territory and from the point of view of international law could no longer be considered subject to it. In the Baltics and Ukraine, the Union authorities lost control of customs and state borders. There were no organized borders between the republics. The Soviet Union became a state without borders. On September 5, the Congress of People's Deputies dissolved itself, drawing a line under the seventy-plus years of the USSR's existence. This is how the mass media perceived this decision.

The Treaty on the Economic Community prepared in early October by some of the Union republics was rather vague. Article 16 called for preserving the ruble as the sole monetary unit. It also mentioned the possibility of member states introducing their own national currency. For any state the money question is key. The treaty did not define how to resolve it; the republics intended to deal with it separately later. They established a banking union, working on the principle of a reserve system, but did not specify how it would work. The most important budget issue for any state and multistate formation was unresolved. The document read: "The budget of the Economic Community will be formed from the contributions of its members, determined in fixed sums. The amount and order of forming the fixed contributions will be determined by a special agreement among the members of the Economic Community." It is hard to tell what that means.

The leadership of the second largest republic after the RSFSR, Ukraine, had maintained a watchful position during the putsch. The chairman of the Supreme Soviet of the Ukrainian SSR refused to condemn the actions of the GKChP right up until August 21, when it was obvious that the coup had failed. That outcome made supporting the idea of independence for Ukraine a choice without an alternative for him and all the leaders of the Communist Party of Ukraine. Otherwise, he and the Party had no hope of political survival. On August 24, the Supreme Soviet of Ukraine passed the decision on independence almost unanimously.
Chairman of the Supreme Soviet of Ukraine Leonid Kravchuk said on November 8, 1991: "The economic treaty can be seen only as general principles, nothing more. We will be against creating any central organs. We will not ratify the treaty if there are central organs of any kind behind it. There must not be any center anymore except for coordinating organs that will be created by the states participating in the treaty process."

**Political Disintegration: Economic Consequences**

By the first half of 1991, before the August putsch, Russia got from the other republics only 22 percent of the planned deliveries of sugar, 30 percent of tea, 19 percent of cereals, and 22 percent of soap. All the republics, except Russia, introduced customs checks on their borders in order to limit the export of goods to neighbors, especially Russia. The customs restrictions worked only one way: bringing things into Russia was not allowed, bringing things in from Russia was. In early 1991, Ukraine and Estonia placed orders (in Canada and Sweden) to print their own money. As a preparatory measure, Ukraine planned to introduce coupons as temporary currency in November 1991.

The former deputy chairman of the USSR government Leonid Abalkin wrote: "In early October, while in the United States, I met with Mr. Greenspan, head of the Federal Reserve system of the USA, one of the most experienced financial experts. We have known each other a long time and understand each other well, practically speaking the same language. He asked me: 'Do you understand that there are only a few weeks left to prevent a financial crash?' I told him our estimates were two months. Actually, the difference was only in the way of expressing the thought: a few weeks or two months is practically the same thing." From Georgy Shakhnazarov's notes on a meeting of the state council on October 16, 1991: "At the meeting of the State Council, Grigory Yavlinsky spoke of the Economic Union. He gave figures: production fell 15 percent in 1991, in 1992 it is expected to fall 23-25 percent. . . . Stopping production and prices doubling or tripling will create a dead end.

The modest capabilities of the Union to collect taxes fell to zero in the fall of 1991. The government got a small amount of money from some of the republics. But now they were closer to gifts than to taxes. And the amounts were incompatible with the needs of the Union budget. Financing of state expenditures came almost completely from Gosbank credits.

In monetary policy, the Union lost its monopoly, could not stop the republics' central banks from creating currency, and became one of many competitors offering a supply of money. A letter from Gerashchenko to Gorbachev dated August 9, 1991, reads: "In the conditions of using common currency, it is impossible to stop the destructive actions of those republics that are using their right to establish autonomous monetary and credit policies. The function of issuing money given to the Union in the treaty means only the technical function of releasing bank notes and coins into circulation. Real monetary emission that determines inflation processes will be carried out by the republics themselves through their central banks' credit operations." The author of these lines saw the situation in fall 1991 this way:

By the time the Fifth Congress gave the president additional powers and opened the way to deeper economic reforms, there had already been six years of vacillation, indecisiveness, and compromises to create true socioeconomic chaos. . . . Everyone understood that the time had come to pay for the years of fiscal irresponsibility, for Vneshekonombank's insolvency, the nonworking ruble, the empty shelves, all those social demagogic promises that were given freely in recent years. . . . The autumn of 1991 saw a sharp fall in production and a halting of heavy metallurgy, which threatened to halt all machine building and construction. The fall of 1991 was a time of deep despair and pessimism, with the expectation of hunger and cold. In those difficult circumstances anyone who continued to waste time talking and waiting for a painless transition to the market, the stabilization of the economy, the creation of a competitive market environment, and the formation of effective private property rights would have waited until there was total paralysis in production, the death of Russian democracy, and of the state itself.

The historical materials I had an opportunity to study show that this evaluation of the situation in Russia was correct. Let me quote a few documents:

Accounting practices define quantities of goods by their presence at the start of the workday. Since most goods are sold out immediately, we might as well accept that the ruble has no trade guarantees. . . . The trade and monetary imbalance in the economy is compounded by the huge unsatisfied demand of the population, which has been accruing for years and according to Goskomstat's estimates has reached 233 billion rubles. . . . The total budget deficit in the ruble zone is 300 billion rubles. A deficit of this size is catastrophic for finances and money circulation. At the same time it leaves no chance for a real correction of the situation before the end of the year. . . . The credits given by Gosbank to the Union and republic budgets for the period from 1986 to 1991 have grown from 141 billion rubles to 581 billion rubles, and if we include amounts borrowed in 1991, the sum is 644 billion rubles. . . . At the present
time, people's savings accounts are distributed among the republics and are banking resources. Yet the entire sum of the population's savings, which with indexation is more than 600 billion rubles, is roughly equal to the domestic state debt. 27

On the budget:

The execution of the Union budget has worsened the general economic picture and led especially to a reduction in income from foreign economic trade, which produces a substantial portion of the revenues of the Union budget. In just nine months of this year, because of the smaller production volume and price changes on the world market, taxes on exports are behind 15.1 billion rubles and income from imports, 9.2 billion rubles. Another 14.8 billion rubles were not collected from credit and other operations. In just nine months of this year the Union budget received 80.2 billion rubles in income, or 96.9 billion rubles less than expected in the revised budget for that period. The total deficit of financial resources for the Union budget and All-Union stabilization fund for 1991 is estimated at 204.6 billion rubles, of which 90.4 billion rubles falls to the fourth quarter. 28

The state budget deficit for 1991, including the stabilization fund, was 156 billion rubles. The deficit of the consolidated budget of the states that were part of the USSR in 1991 was 197 billion rubles, including the deficit of the stabilization fund and 296 billion rubles to subsidize prices for agricultural products made using credit from the central bank.29

The budget crisis created more disruption in the circulation of money. The directors of Gosbank were horrified. From a letter of Gerashchenko to the State Council USSR in October 1991:

The income of the population is growing unchecked; in the nine months of 1991 it grew in comparison with the same period in 1990 by 63 percent. . . . In the third quarter of 1991 it almost doubled. In October the process is continuing. In the first half of October 1991, compared to the same period last year, income has grown by 2.2 times. . . . The consumer market is characterized by deficits in almost every possible good and item, the unsatisfied demand for goods and services is growing, speculation is increasing. 30

Developments in monetary relations, the nominal income of the population, and the consumer market are illustrated in tables 8-1 and 8-2. The public was well aware of the critical situation. VTsIOM reported to the government:

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**Table 8-1. Relationship of Cash Savings to the Availability of Stocks of Goods in the Retail System and Industry, by Population, 1970–91**

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</thead>
<tbody>
<tr>
<td>Funds held by population, deposits, cash, and securities (billion rubles)</td>
<td>19.3</td>
<td>36.8</td>
<td>41.2</td>
<td>55.4</td>
<td>69.5</td>
</tr>
<tr>
<td>Stocks of goods per one ruble of funds held by population (rubles)</td>
<td>0.62</td>
<td>0.29</td>
<td>0.30</td>
<td>0.13</td>
<td>0.14</td>
</tr>
</tbody>
</table>


Consumer behavior in every stratum of the population, without exception, is characterized by agitated demand, flight from money, the stockpiling of goods (food, clothing, and so on). Judging from a survey conducted in August of this year, almost one-third of the population, on average, want to buy up deficit goods, whether they need them or not. Half the respondents expressed a willingness to overpay for individual items. Distrust of money and the desire to get rid of it is manifest not only in stockpiling (which is primarily determined by the shortages) but also in the formation of a savings strategy that is typical in crisis economies. The most popular use of savings is buying jewelry.

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**Table 8-2. Growth of Population Income, 1985–91**

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth of population income (billions of rubles)</th>
<th>Growth of population income over the level of income in the previous year (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>14.0</td>
<td>3.5</td>
</tr>
<tr>
<td>1986</td>
<td>15.1</td>
<td>3.8</td>
</tr>
<tr>
<td>1987</td>
<td>17.3</td>
<td>3.8</td>
</tr>
<tr>
<td>1988</td>
<td>41.5</td>
<td>8.4</td>
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<tr>
<td>1989</td>
<td>64.5</td>
<td>11.6</td>
</tr>
<tr>
<td>1990</td>
<td>94.0</td>
<td>14.4</td>
</tr>
<tr>
<td>1991 (estimate)</td>
<td>570–90</td>
<td>517.0</td>
</tr>
</tbody>
</table>

Source: RF State Archive, F. 5446, Inv. 163, S. 41, P. 29. Calculations based on data from Statistical Yearbook *Narodnoe khoziaistvo SSSR* (Moscow: Finansy i statistika, various years).
(38 percent of respondents said that this is a good time for it); slightly less popular is purchasing hard currency (33 percent feel that this is good time to buy it). Lack of confidence in the government is seen in the low ratings of state forms of savings (savings banks, securities, and bonds).31

Stabilization was impossible without a radical budget reduction and normalization of state finances. However the crisis just continued to get worse. Chairman of the Control Chamber USSR Alexander Orlov wrote to Chairman of the Interstate Economic Committee Ivan Silayev in November 1991:

The budget deficit and the state debt for the nine months of 1991 has surpassed several times over the indexes ratified by the Supreme Soviet for the end of 1991. The limit for the deficit of the Union budget for 1991 was set at 26.5 billion rubles. In fact the deficit according to the Ministry of Finance on October 1, 1991, was 84.5 billion rubles, 3.2 times more than what was legally determined. The limit for state domestic debt for January 1, 1992, was ratified at 567.6 billion rubles. In fact the domestic debt has grown from 566.1 billion rubles as of January 1, 1991, to 890 billion rubles ... as of October 1, 1991. The state debt will be higher than 1 trillion rubles by the end of the year. . . . The budget passed by the (last) Supreme Soviet, considered unrealistic by the executive branch, particularly in the revenue calculations, has become the main precondition of the fiscal-budetary and credit crisis. . . . The main economic cause of the crisis of the Union budget is the manifold reduction of its revenue base from previous years and from the plan ratified for 1991. The Union budget does not get income tax revenue or tax from co-operative trade. Cutting off the Union budget from its direct ties to the income of the population and the new market structure and trade taxes was a grave strategic miscalculation and a blow to its stability and nondeficit standing. . . . Ukraine has not paid its share of common state programs. In the Baltic states, all revenues earned on their territories went into the republic budgets. . . . Sales tax turned out to be an unreliable source of revenue. In nine months only 6.5 billion rubles was paid into the budget, while the plan called for 26.8 billion rubles. . . . According to the Ministry of Finance, at best we can expect 34.8 billion rubles in income from foreign economic activity (20.6 billion rubles in nine months) instead of 86.3 billion rubles—that is, only 40 percent of the plan. . . . These great losses are due to the breakdown of contracts for our exports. Thus the annual quotas for coal, metallurgical coke, pig iron, rolled steel, ammonia, cement, lumber, cellulose, and trucks are only at 13–35 percent, for oil, iron ore, copper, salable wood, cardboard, tractors, and cars at 37–66 percent. Compared to the same period last year in the period January–September, coal exports fell by 18 million tons, crude oil by 48 million tons, natural gas by a billion cubic meters, cotton by 144,000 tons, and so on. The reduction in exports with the increase in payments on foreign debt forced the sharp decrease in imports from capitalist countries (by 36.6 percent). . . . Political factors affected the withholding of payments by foreign debtors (Iraq, Algeria, Libya, and Syria), keeping 9.1 billion rubles from the budget.32

Valentin Gerashchenko and Yuri Moskovsky reported to Ivan Silayev on a telegram from Riyadh Bank stating that the conditions in the USSR would force it to postpone delivering the second and third tranches of credit (a total of $500 million) for an indefinite period.33 The scale of the concern in the international community over the USSR’s economic situation is illustrated in a letter from Deputy Chairman of the Board of Vneshekonombank Yuri Poletaev to head of the Committee on Effective Management of the Economy Silayev:

In connection with the decision of the president of the United States in late August of this year to accelerate guarantees to the USSR within the framework of the program of the U.S. Department of Agriculture, we report that Vneshekonombank through its representatives in New York has had negotiations with a number of American banks. However, none of these banks intends at present to participate in giving the USSR credits. The position of the American banks is explained by an unwillingness to take on any Soviet risk in view of the instability and lack of clarity of the economic and political situation in the USSR, since the conditions of the program guarantee only 98 percent of the principal and part of the interest payments. One possibility, proposed by the American banks and exporter firms, is to change the guarantee to 100 percent of the principal.34

The risk of losing even 2 percent in the event of unpredictable events in the USSR seemed excessive to American bankers then.

The last Soviet authorities understood how critical the situation was in the fall of 1991. Silayev wrote “On the Extraordinary Budget for the Fourth Quarter 1991” to Gorbachev in November:

In order to characterize the extreme fiscal and monetary state I will cite just a few numbers. If you count the deficit in the stabilization fund as being 51.3 billion rubles, the total deficit is 204.6 billion rubles. The deficits of the republic budgets are also greater than planned. What are the fundamental causes of the growth of the deficit? The main one is that in the current year the revenue base of the Union budget has been severely reduced.
In nine months, compared to expectations, we are short 97 billion rubles, and for the year 147 billion rubles—that is, the budget received less than 47 percent of what had been planned. All of us—the executive and the legislative branches—have contributed to this. I mean the decisions to repeal the sales tax for all practical purposes, to lower the income tax from 45 to 35 percent, and to provide significant tax breaks. These decisions were made both at the center and in the republics. Ukraine's payment is short 8.8 billion rubles. That republic stopped transferring payments to the Union budget in July. Georgia and the Baltic republics are not paying what they owe. The Union budget also had to handle the expenses for a unified fund for social security. When the reform of retail prices was being prepared, it was supposed to be created from contributions by the republics. However, all the republics that were supposed to make payments have refused. And finally, with higher prices, defense expenses went up by 12 billion rubles. Thus the total deficit of the Union budget and the stabilization fund for only nine months is 114.2 billion rubles. In ten months, banknotes in the amount of 82.6 billion rubles have been issued, including 53.3 billion rubles for the RSFSR, 6.1 for Ukraine, 4.4 for Uzbekistan, and 5.6 billion rubles for Kazakhstan. Over the year the amount of cash in circulation will grow by 110–140 billion rubles.³⁵

Orlov wrote to Silayev in late October:

The main sources for covering the huge deficit of the Union budget and the nonbudget funds are the loans received by Gosbank in the form of credits requested by the president and the Ministry of Finance (68 billion rubles) and the printing of money (40 billion rubles), which also has a credit character. Because none of these loans (except for 5 billion rubles) have been ratified by the Supreme Soviet, the president is put in a difficult situation. According to our calculations the budget deficit can be reduced in the fourth quarter by 15–16 percent without a massive shutdown of defense plants or panic in the army. Accept the financing based on quarters I–III; take off the books wages for the servicemen (750,000 men) who are not serving; cancel planned training; reduce the central apparat of the Ministry of Defense, the types of troops, the military okrugs, the production of obsolete forms and types of military technology, and recruitment personnel; retire one-third of the generals and senior officers; dissolve military units that service dacha settlements and hunting farms, some of the marine and coast guard units, and some subunits of civilian defense. In order to find additional sources of revenues for the Union budget it is necessary... to accelerate the transition to price liberalization.³⁶

The rate of printing money was unprecedented (except during the hyperinflation of 1921–22): "In nine months 70.3 billion rubles were issued, which is greater than the amount in the previous five years combined (65.5 billion rubles)."³⁷ And from V. Kulikov of Gosbank:

The growth of savings in organized forms (savings accounts, securities) in eight months is 58 billion rubles, an increase of 31.8 billion rubles over the period January–August of last year, or 2.2 times. The savings are in part forced, since citizens cannot spend their earnings on goods and services that don't exist on the domestic market. If urgent measures are not taken to increase production of consumer goods and the volume of paid services, and also to limit unjustified methods to pay labor at enterprises, the overhang of rubles in 1991 could increase by 250–280 billion rubles, including cash of 100–110 billion rubles. The amount of money in circulation could grow from 136 billion rubles as of January 1, 1991, to 240–250 billion rubles at the end of 1991. Gosbank sees no possibility for further direct crediting of the deficit in the state budget through short-term credits—that is, by putting more cash into circulation. Even now, close to 60 percent of these resources are used to cover accounting of a budgetary nature, and continuing this practice will produce extremely negative consequences for the economy.³⁸

On the state of the Union budget for 1991 in the view of the Ministry of Finance, see table 8-3.

Silayev wrote to Gorbachev: "At present, there is an extremely difficult situation in a number of sectors caused by the large indebtedness for completed work and services. It is necessary to solve the question of additional

<table>
<thead>
<tr>
<th>Item</th>
<th>Approved plan for 1991</th>
<th>Expected execution in 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>250.1</td>
<td>112.1</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>276.8</td>
<td>256.7</td>
</tr>
<tr>
<td>Deficit</td>
<td>26.7</td>
<td>144.6</td>
</tr>
</tbody>
</table>

Source: V. A. Raevsky (Deputy Minister of Finance) to the Committee for the Executive Planning of the USSR Economy, on the expected execution of the Union budget for 1991, September 12, 1991 (RF State Archive, F. 5446, Inv. 163, S. 41, F. 2, 3).
Credits from Gosbank to the Union budget for October in the amount of 20 billion rubles, as well as to extend until December 31, 1991, the credit of 5 billion rubles given in accordance with the resolution of the Supreme Soviet of May 27, 1991. Deputy Finance Minister Vladimir Raevsky wrote to the Committee on Effective Management of the Economy: "The total need for credits from Gosbank in October of this year for budget financing is 30 billion rubles."

In the early days of December, Gosbank informed the Union authorities that it had stopped payments on expenditures financed through the Union budget throughout the country. This included salaries, stipends, certain pensions and subsidies, money to servicemen, and All-Union programs.

Administrative controls over pricing allowed some control over inflation; prices rose, but much more slowly than the money supply. But the financial base for hyperinflation was already in place. The chairman of Gosbank wrote to the members of the Economic Community: "The issuing of banknotes over eleven months totaled 102.4 billion rubles...is over four times more than during the same period last year. As a result, cash in the hands of the population and in organized forms of savings for January–November 1991 grew by 225 billion rubles, which is 167 billion rubles more than in the eleven months of 1990. The growth in ruble overhang for the period January–November 1991 was 98.6 billion rubles (as compared with 24.1 billion rubles for the same period in 1990)."

By the end of 1991 one of the greatest problems was the inability of Goznak to print enough money to satisfy the needs of Gosbank. Gerashchenko wrote to Gorbachev in November 1991:

The physical volume of retail trade in the period January–September 1991 was smaller than last year’s volume by 12 percent, and retail prices for goods went up by 170 percent. The consumer market is characterized by deficits in almost every category, unsatisfied demand for goods and services is growing, and speculation is increasing. As a result, cash in the hands of the population and in organized forms of savings for the period January–October 1991 increased by 159.3 billion rubles. The growth in the ruble overhang for January–October 1991 was 81.5 billion rubles (as compared with 20.3 billion rubles for the same period in 1990). Thus the gap between income and spending is increasing every month. Goznak cannot satisfy Gosbank’s augmented commissions for printing bank notes, since the paper supplies and printing presses of Goznak are overextended, work for 1991 has been going on in three shifts. The growth of the ruble overhang is expected to reach 250–280 billion rubles, which is 3.2–3.3 times greater than in 1990. The amount of cash in circulation by 1991 may reach 270 billion rubles; the increase over the year will be 110–140 billion rubles. The total amount of money in circulation for nine months of this year will increase from 989 billion rubles to 1,661.2 billion rubles, that is, by 672.2 billion rubles, or 70.2 percent. More than half of the money in circulation is used to cover the domestic state debt and budget expenses. The domestic state debt to banks as of October 1 was 843.7 billion rubles, and it has increased from January 1 by 325.1 billion rubles, or 62.7 percent. One of the fundamental reasons for the worsening of the state of money circulation in 1991 is the growing deficit in republic and central budgets, which will total approximately 300 billion rubles in 1991. The efforts of Gosbank to regulate the massive amount of money in circulation are not yielding the desired results, since the banking system is now broken up and national banks in some republics are not obeying orders from Gosbank and are carrying out their own policies that run counter to the interests of a stable common monetary unit.

Chernyaev recorded in his diary: "Gosbank has stopped all payments: to the army, officials, us sinners. We are without salaries now." In a survey conducted by VTsIOM in November 1991, when asked the question, "Are we going through the most difficult times now, or are they over/ ahead?" 69 percent replied that they were still ahead, 21 percent that they were going through them now. VTsIOM in the fall of 1991 had warned the authorities about the scale of a possible protest, the risks of losing control over the situation, and that the "latent panic" reigning in the public could turn into a real social explosion.

The Ministry of Foreign Economic Relations informed Silayev on August 29, 1991, that Vneshekonombank had stopped providing guarantees on USSR credits for imported grain and that this could lead to a halt in its unloading and delivery to enterprises.

In a conversation with the British ambassador in late August 1991, Gorbachev described the situation this way: payments on debt for the next four months of 1991 would total $17 billion. Exports for that period were estimated at $7.5 billion, and another $2 billion could be mobilized by coordinating credit lines. The gap between needs and abilities was $7.5 billion. He asked the West for $2 billion in new credits, which had to arrive within a few weeks, and for a restructuring of Soviet debt, and reminded the ambassador...
that the Soviet Union needed immediate aid in the form of food and medicine. In the course of the conversation he once again repeated that the West had spent $100 billion on the Gulf War. Ambassador Braithwaite promised to report on this conversation to his government, but as he wrote, without great hope of success.47

The declared gold reserves of Gosbank in mid-1937 were 374.6 tons. No additions were made after that, and the reserves were turned over to the People's Commissariat of Finance. The size of the reserve had been kept secret since the late 1930s. Gerashchenko wrote to Gorbachev on November 15, 1991: “It was reported in October of this year that the official gold reserves of the country are only 240 tons. The declared level of official gold reserves, which is one of the most important indicators of a country’s solvency, is not commensurate with the status of a superpower and leading gold producer, according to experts. Reports of the size of the USSR gold reserves created confusion among specialists on the gold market, who had previously estimated them to be 1,000–1,300 tons.”48

Amid the growing currency difficulties of the Soviet Union, Soviet banks working abroad felt the crisis. Andrei Butin, acting financial director of Mosnarbank, wrote to the government of the Russian Federation: “Mosnarbank began having difficulty attracting money from the interbank market in mid-1990. The bank was forced to create large insurance reserves against the debts of former socialist countries (Bulgaria, Hungary, and Yugoslavia). In that same period it was taken under special control by the Bank of England. . . . In 1991 the bank’s situation deteriorated rapidly. The outflow of deposits first reached 40 percent and then 75 percent. Selling shares could not solve the problem in sufficient amounts or time.”49 By late 1991, the bankruptcy of the Soviet foreign banking system was an almost irreversible threat. Representatives of USSR commercial banks abroad wrote to Boris Yeltsin in December 1991:

> The network of commercial banks abroad includes banks in Austria—Donau-bank; England—Moscow National Bank (Mosnarbank, founded in 1915); Germany—Ost-West Handelsbank; Luxembourg—East-West United Bank; and France—Commercial Bank for Northern Europe (Eurobank, founded in 1921). These commercial banks have branches in Singapore and Berlin, as well as a number of affiliated leasing, consulting, trade, and other specialized firms both in Russia and abroad. The total balance of all these banks is $9.7 billion. . . . There is a risk that creditors of Vneshekonombank will seize the funds it has deposited in foreign banks, including our banks abroad. This and other factors, especially the acute shortage of resources in some of the banks abroad, worsened by the nonpayments of the USSR, make the official bankruptcy of these banks a real possibility. . . . Bankruptcy of these banks would bring about the bankruptcy of other commercial organizations abroad that are serviced by these banks and would complicate the work of shipping and Aeroflot and would lead to the loss of personal funds of our fellow citizens with accounts in them. The capital of the banks would be permanently lost.50

From the diary of Chernyaev, Gorbachev’s aide: “Yavlinsky reports that on November 4, Vneshekonombank will declare bankruptcy: it cannot support our embassies, trade representatives, and other representatives abroad—and they won’t have any funds to return. . . . M.S. asked me to write to [John] Major, coordinator of The Seven [G-7]: ‘Dear John! Help!’51

Time changes our view of situations. Here is what Grigory Yavlinsky wrote about those days twelve years later: “Financial stabilization, which was basically achieved by the end of [the] 1990s through enormous social sacrifice and economic distortion, including a default on state obligations, truly was necessary—but before, not after, liberalization and privatization; and not at the expense of the population, which lost its confidence in the regime and in legal economic institutions, particularly the banking system, but at the expense of resources that had been accumulated in the hands of the state and its organs by the end of the Soviet period.”52

On November 15, 1991, Mayor Anatoly Sobchak of St. Petersburg wrote to Silayev describing the food situation in the city: “With the sharp decrease in meat and dairy deliveries from the sovereign republics of the RSFSR, the food shortages for the general population of St. Petersburg, for the network of public care, and for other secure facilities and children’s institutions are critical. The remaining meat supply in refrigeration is enough for three or four days for the city. Steady supplies for December and early 1992 are not expected. This could lead to a dangerous social and political situation in St. Petersburg.”53

The shortage of grain was becoming more severe. First Deputy Chairman of the Committee for Food Purchasing Akulinin wrote to Silayev and his deputy, Luzhkov, on September 6, 1991: “In order to stimulate stocking grain and oil-seeds for the state, we have extended paying in hard currency to domestic farms. However, there are no funds planned for these purchases.”54 He wrote again to Silayev on September 27, 1991: “We have informed you of the critical situation with wheat at the flour mills. . . . At the
present time, because of the unsatisfactory delivery of imported grain the
supply of bread products may take a severe turn for the worse. . . . We ask
that you order the Ministries of the Economy and of Foreign Economic Rela-
tions and Vneshekonombank to take measures to get credits for the country
in September–October of no less than 1.2 million tons of wheat and imme-
diately find hard currency sources to buy an additional 1 million tons of
wheat by November 1, 1991."55
The Committee on Effective Management of the Economy passed a res-
olution on August 31, 1991, "On urgent measures for ensuring food for the
populace." For those who know the economic history of Russia in the
twentieth century, it sounds painfully like 1915–21. Here are a few actions
called for in the document: "Declare it unacceptable that a number of
places with enough grain resources are holding back its sale to the state. . . .
Introduce temporary measures under which the orders of the Committee
on Effective Management of the Economy on supplying grain and food to
all-Union consumers, on inter-republic deliveries, and on deliveries of
food to the Far North are mandatory and must be obeyed. Any questions
of mutual accounting that come up are to be examined during the elabo-
ration and signing of the Economic Agreement and confirmation of food
balances for 1992." The people who signed this resolution were not capa-
able of arresting and shooting hundreds of thousands of people as was done
in 1918–21 during the food redistribution. Without the will to do that, res-
olutions like this do not work. Therefore the resolution also contained
points like this: "The Ministry of Foreign Economic Relations and the State
Committee on Purchasing Food in cooperation with Comrades Luzhkov
and Kulik will take urgent measures to buy food products and raw materi-
als abroad in the period September–December 1991, in accordance with
the assignments for this year. Vneshekonombank will open letters of credit
in a timely manner and ensure that these purchases receive priority pay-
ments, including transportation expenses. . . . Assign Comrades Luzhkov,
Kulik, and Moskovsky, in participation with interested ministries and
other state organs, to immediately hold negotiations with foreign banks
about obtaining credits for advance purchases of grain, sugar, vegetable
oils, and other foods."556
An explosive situation was brewing. Deputy Minister of the Interior Vitaly
Turbin wrote to Silayev on November 8, 1991: "Reports coming to the min-
istry show that it remains difficult to ensure the presence of bread and other
foodstuffs in a number of regions. . . . Long lines form outside stores, the cit-
izens criticize the local and central authorities in strong language, and some
of them call for protest actions."557 A memo prepared for a meeting of the State
Council with the president of the RSFSR in the fall of 1991 stated:
The situation with bread may become critical. The low harvest and the inabil-
ity to expand imports together with the refusal of farms to turn over their
grain to the state may put the country and the republic on the brink of famine.
The only way out of this situation is to allow the farms to sell grain freely at
market prices with further liberalization of retail prices for bread. Without a
transition to free pricing in conjunction with an accelerated reduction of state
control in agriculture and trade, there will be no incentive for growth in pro-
duction, which will make the situation even worse in 1992–93.558
But as VTsIOM informed the authorities, "The leadership of Russia is
approaching price liberalization in an extremely tense social atmosphere,
which is characterized by: a rejection of the idea of free prices by a signifi-
cant proportion of the public; distrust of any measures for social security
and supporting the standard of living; a weakened consumer market; an
expectation of famine; a growth of dissatisfaction among the broadest strata
of the population."559
In December the key problem was no longer mobilizing hard currency to
buy food, but paying the shipping charges to transport goods to Russia. At the
time Vneshekonombank received directives to use 80 percent of the weekly
hard currency revenue to pay the freight of Soviet and foreign shippers.560 "On
the extreme situation in supplying the RSFSR with bread, bear in mind that
Vneshekonombank has temporarily, as of December 19, stopped all forms of
operations with hard currency to enterprises, organizations, and accounts of
commercial banks that are not related to paying the freight for grain from the
US and Canada, as well as payment in individual cases for food and medicine
on letters of credit opened earlier under the guarantee of the government of the
RSFSR to the account of the Republic Hard Currency Reserve of the RSFSR."561
One of the most important topics in negotiations between Western
creditor-states and Union agencies and leaders of Union republics that had
declared their independence in 1991 was who would be responsible for Soviet
debts. Creditors had largely written off the USSR as incapable of meeting
financial contracts. They needed to guarantee that the new de facto indepen-
dent states would accept the obligations of the Soviet Union. Foreign and
domestic hard currency debts of the USSR at the time it ceased to exist are
shown in tables 8-4 and 8-5).
TABLE 8-4. External Debt of the Former USSR in Freely Convertible Currency as of January 1, 1992

<table>
<thead>
<tr>
<th>Country</th>
<th>Total of the Vneshekonombank</th>
<th>Individual accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>8,856.3</td>
<td>2,036.6</td>
</tr>
<tr>
<td>Ukraine</td>
<td>462.1</td>
<td>421.1</td>
</tr>
<tr>
<td>Belarus</td>
<td>220.1</td>
<td>194.6</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>53.6</td>
<td>46.1</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>68.2</td>
<td>31.5</td>
</tr>
<tr>
<td>Georgia</td>
<td>36.1</td>
<td>11.8</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>49.0</td>
<td>30.4</td>
</tr>
<tr>
<td>Lithuania</td>
<td>68.9</td>
<td>61.8</td>
</tr>
<tr>
<td>Moldova</td>
<td>16.0</td>
<td>15.3</td>
</tr>
<tr>
<td>Latvia</td>
<td>39.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>3.2</td>
<td>...</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>3.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Armenia</td>
<td>33.3</td>
<td>31.6</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>150.8</td>
<td>146.0</td>
</tr>
<tr>
<td>Estonia</td>
<td>19.6</td>
<td>...</td>
</tr>
<tr>
<td>Total</td>
<td>10,079.7</td>
<td>3,042.8</td>
</tr>
</tbody>
</table>

Source: Yu. V. Ponomarev to the assistant to First Deputy Chairman of the RF government V. B. Bogdanov, data on the foreign debt as of January 1, 1992, May 15, 1992 (personal archive of Ye. T. Gaidar).

A Civilized Divorce

The collapse of the USSR did not mean that it was immediately replaced by a regulated system of relations among the former republics. The borders of the newly independent states were not clear and were historically questionable, thus fraught with the potential for conflict and bloodshed. The lack of border clarity was the greatest obstacle to forming a stable democracy after the fall of the authoritarian empire.62

The new states encountered difficult relations with authorities below the federal level. They were particularly difficult in the national autonomous formations. No one knew which normative acts would apply to their territories. The authorities were incapable of guaranteeing even a minimal degree of law and order. In the fall of 1991 there was no more talk about preserving a united state, the question was how to get out of political and economic chaos while avoiding large-scale civil wars.63 Considering the size of the Soviet nuclear potential now scattered across four states (Russia, Ukraine, Belorussia, and Kazakhstan), the fate of civilization was in question.

Before the collapse of the Soviet Union, three territorially integrated empires had collapsed in the twentieth century: the Austro-Hungarian,
Ottoman, and Russian. Yugoslavia collapsed almost simultaneously with the Soviet Union. In three out of four, the empire’s collapse led to lengthy and bloody war. In one (Austria-Hungary), the armed conflicts establishing new borders were stopped by the armies of the Entente. Civil wars followed the collapse of the Ottoman and Russian Empires and of Yugoslavia. History did not suggest that the dismantling of the Soviet Union would pass without bloodshed.

If experts were asked in 1989 which of two socialist multiethnic countries would face the greatest risk of civil war if it were to collapse: the Soviet Union or Yugoslavia, which had come closer than any other country in Eastern Europe to joining the European Union and had a fairly liberal political system (by socialist standards) and an open market economy, most would have responded the USSR. History decided otherwise.

Left-wing intellectuals who live in stable, democratic societies have trouble understanding the dynamic of the processes that unfold during the crisis and collapse of an authoritarian regime. Their point of view is illustrated by Emmanuel Todd in *After the Empire*, a book popular in Russia for its anti-American views. For three pages he describes the harsh and pointless liberalization of the Russian economy in the period 1990–97 and how the Soviet and then Russian government liquidated the harshest totalitarian regime in human history, without resorting to violence, and agreed not only that their neighbors in Eastern Europe would become independent but also that freedom would be offered to the Baltic states, the republics of the Caucasus, Ukraine, Belarus, and the republics of Central Asia; they agreed that the presence of enormous national minorities in the new states could not be obstacles to their independence. The author does not seem to understand that the peaceful dissolution of the empire and economic liberalization were connected. The people who took part in elaborating the key political and economic decisions of the period know that the absence of mutual territorial demands, the unwillingness to use force as a way of getting food from the countryside, and the consequent need for immediate liberalization of the economy and the introduction of market mechanisms, do understand it.

Why did civil war break out in Yugoslavia and not in the former USSR? No one can answer precisely. That includes the participants who made key decisions. One can suggest hypotheses. Let me give you mine. It was a question of subjective factors: the differences in the personal priorities of Boris Yeltsin and Slobodan Milosevic and their political biographies. For Milosevic, the leader of the Serbian Communists, the way to retain power after the collapse of the former ideology was to play the radical Serbian nationalism card. Boris Yeltsin, who in the public mind was a “fallen angel” who had suffered on behalf of the people, could bet on opposition to the Communist regime, which had lost its popularity and support.

I believe that the presence of nuclear weapons in the former USSR played a part as well. At the end of 1991, Ukraine had almost one-fifth of the ground-based warheads in the strategic triad. The total number of strategic weapons there was greater than the total in England and France combined. Data on the distribution of nuclear weapons on the territory of the former Soviet Union are not completely reliable. This is even more evidence of how dangerous the situation was for the country at the end of 1991. See tables 8-6 and 8-7 for (the sometimes conflicting) data provided by informed analysts who have studied the history of the USSR’s nuclear endeavors.

The most serious problems were not with strategic nuclear weapons. They were controlled from Moscow. According to Soviet military experts asked by the Russian government, the newly independent states would need many years to develop similar capabilities. The situation with tactical nuclear weapons was much more complicated. The decision to use some of them could be taken by commanders of okrugs. More precisely, they had the ability to use nuclear shells and mines. The use of tactical missiles was technically controlled by Moscow. Even so, they were still a threat to civilization after the crash of a territorially integrated empire. The participants in the decision-making process understood the risks of armed conflict between post-Soviet nuclear states.

### Table 8-6. Deployment of Soviet SNW Warheads in the Republics

<table>
<thead>
<tr>
<th>Republic</th>
<th>Type of SNW</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Federation</td>
<td>ICBM</td>
<td>1,064</td>
</tr>
<tr>
<td></td>
<td>SSBN/SLBM</td>
<td>62/940</td>
</tr>
<tr>
<td></td>
<td>HB</td>
<td>101</td>
</tr>
<tr>
<td>Ukraine</td>
<td>ICBM</td>
<td>176</td>
</tr>
<tr>
<td></td>
<td>HB</td>
<td>21</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>ICBM</td>
<td>104</td>
</tr>
<tr>
<td></td>
<td>HB</td>
<td>40</td>
</tr>
<tr>
<td>Belorussia</td>
<td>ICBM</td>
<td>54</td>
</tr>
</tbody>
</table>


Key: SNW = strategic nuclear weapon; ICBM = intercontinental ballistic missile; SSBN = nuclear-powered ballistic missile submarine; SLBM = submarine-launched ballistic missile; HB = heavy bomber.
The threat that events would unfold in the post-Soviet space as they had in Yugoslavia was real. On August 26, 1991, Pavel Voshchanov, the press secretary to the Russian president, warned that the borders of Russia and the republics (excluding Lithuania, Latvia, and Estonia) could be “reevaluated” if they did not sign a Union agreement. The statement suggested Russian pretensions to territory in northern Kazakhstan, Crimea, and part of left-bank Ukraine. Voshchanov’s words elicited an angry response from the leaders of Kazakhstan and Ukraine: they saw it as blackmail. Moscow mayor Gavriil Popov made even greater territorial claims on Ukraine on August 27 and 28, 1991. They extended beyond Crimea and part of the left bank to Odessa and the Transdniestra.67

In the fall of 1991 the Russian leadership did not discuss plans for using nuclear means against other republics in the event of territorial disputes. However, perceptions are as important as facts. From an article in Nezavisimaya Gazeta of October 24, 1991: “Even such a democratic newspaper (I used to think) as Moskovskie Novosti... published on the front page information from the corridors of the Russian government that there was a possibility of a preventive nuclear strike on Ukraine. When Ivan Plyushch and I were in Moscow, I asked Gorbachev and Yeltsin about it. Gorbachev replied, ‘You know, Kostya, you’ll do better if you read fewer newspapers.’ And Yeltsin said that he had discussed the possibility with the military and that they don’t have the technology. Neither reply satisfies me or the residents of Ukraine.”68

U.S. authorities, with only a vague idea in 1991 of what was going on in the empire that had opposed them for decades, were perceptive in one regard. They had a sober estimation of the threat of uncontrolled use of tactical nuclear weapons on the territory of the dying superpower. That fall, George H. W. Bush addressed the problem. The U.S. administration presented a plan to destroy all land- and sea-based tactical nuclear arms. When realized, it would reduce the size of the USSR nuclear arsenal that the Russian republic could inherit. As often happens in history, even a strong and innovative proposal lagged behind reality. The Soviet Union no longer had the ability to put it into practice.

Internal correspondence between the Union and Russian governments at the end of 1991 focused on the problem of removing tactical nuclear weapons from the other republics. One key issue was how to store them. After they were removed from the Baltics and Transcaucasia, they would have to be warehoused. After discussing the risks of local resistance by organized groups opposed to their removal, the officials decided to remove the
nuclear weapons, using the reasoning that they were complying with signed documents on disarmament. 69

Nuclear weapons, which limited military activity during the cold war, were a restraining factor during the disintegration of the USSR as well. The leadership of the newly independent states was mature enough to understand that when talk is about borders, however notional or unfair they may be, talk is of war. The agreements reached in Belorussia on December 8 and ratified on December 21 in Alma-Ata opened the way for the signing of a strategic forces agreement (December 30, 1991). It obligated the member states to cooperate on the liquidation of nuclear weapons in Ukraine, Belorussia, and Kazakhstan; it established that by July 1, 1992, those republics would remove their tactical nuclear weapons to central bases for dismantling under joint control; and it spelled out that the parties saw no obstacles to moving nuclear weapons from the territories of Belarus, Kazakhstan, and Ukraine to the territory of the RSFSR. 70

The tactical weapons in Ukraine were taken to Russia by May 6, 1991. Ukraine was prepared to hand over strategic nuclear weapons after receiving compensation and security guarantees from the United States and Russia. Such an agreement was signed on January 14, 1994, in Moscow and ratified by the parliament of Ukraine on February 3. The removal of nuclear missiles from Ukraine to Russia and the destruction of launch pads were completed by June 1, 1996.

On July 2, 1992, the Kazakhstan parliament adopted a decision to ratify Agreement SNV-1, and on December 13, 1993, the republic joined the Non-Proliferation Treaty as a non-nuclear state. Over that period nuclear warheads were removed to Russia and launch pads were destroyed in Kazakhstan. 71

In the republic of Belarus, removal of nuclear weapons began in 1992, and by the end of the year the majority of weapons had been moved to Russia. On February 4, 1993, the Supreme Soviet of Belarus ratified the Agreement SNV-1. The official removal of nuclear warheads from Belarus to Russia was completed on November 23, 1996. Much in the history of post-Soviet space becomes clearer if one takes careful note of the date of the referendum in Belarus de facto legitimizing Aleksandr Lukashenko’s monopoly on power (fall 1996), the Russian position on that question, and the date of the completion of the removal of nuclear weapons from Belarus (November 1996). 72

On December 25, 1991, after Mikhail Gorbachev’s resignation, the independence of the former republics of the Soviet Union became not only a political fact, but a juridical one as well. 73 This change offered a chance to overcome the mounting chaos, but nothing more. The problems facing the Soviet Union in early autumn 1991—an unmanageable army, the inability to maintain law and order, the absence of hard currency reserves, the friability and controversial nature of the borders, the paralysis of the administrative economic system in the absence of market mechanisms—were not solved by its dissolution. 74 Now the authorities of the new republics had to deal with them. Many have described how they chose new national political and economic institutions, decided how to address the problems of food supply and financial stability, fought against famine, and formed republic programs of market reforms. 75

I do not want to repeat all of those stories here. But as a person who knows about these events not only from books and archival documents, I can say that the lesson learned from the last years of the USSR is that it is important when one is elaborating political decisions to remember that apparently solid, but inflexible, economic and political constructions that are incapable of adapting to the challenges of the contemporary world turn out to be fragile and collapse under the weight of circumstances that are hard to predict.

“For want of a nail, the shoe was lost; for want of a shoe the horse was lost; and for want of a horse the rider was lost, being overtaken and slain by the enemy, all for want of care about a horseshoe nail.” The excuse for the profound economic crisis that provoked the collapse of a superpower was the fall of oil prices in the mid-1980s, which for all its significance is incommensurate with the consequences. Developments on the oil market were, for the Soviet economy, not the reason but the excuse for its collapse.

Joseph Stalin, in choosing a model for industrialization that was the opposite of Bukharin’s, laid the foundation for an economic and political system that began to develop large cracks, creating the risk of its destruction under rather modest external influences. The development of events in the USSR in its last years demonstrates how important it is when one is elaborating an economic policy to consider the long-term risks, to evaluate decisions not only from the one-year or three-year perspective, but to look decades ahead. If that is not done, future generations of Russians will have to answer for the mistakes made today.