Summary: In the history of mankind, there has never been a case where, in a brief episode of the life of one generation, mutual economic relations have changed on such a large scale for so many people as they did in China and Russia in 1989-2020. Both countries are undergoing profound structural and institutional changes, but while the former recorded impressive results in terms of developing and catching up with advanced economies, the latter’s achievements have been very modest. This happened due to many factors – from the traditional cultural heritage to geopolitical conditions, from the legacy from the previous state socialism to different natural resources bases – however, the nature and duration of the political leadership of Deng Xiaoping in China and Mikhail Gorbachev in Russia were of fundamental importance. Without taking into account the influence of the thoughts and actions of these two statesmen, it is impossible to understand the essence of tectonic changes that have occurred in the world economy recently.

Keywords: Russia, China, Gorbachev, Deng Xiaoping, transformation, economic growth, Chinism

Ekonomia i polityka Wielkiej Zmiany: Michaił Gorbaczow versus Deng Xiaoping

Streszczenie: W historii ludzkości nie było takiego przypadku, by podczas krótkiego epizodu, jakim jest życie jednego pokolenia, wzajemne stosunki gospodarcze zmieniły się na tak dużą skalę dla tak wielu ludzi, jak to miało miejsce w Chinach i Rosji w latach 1989-2020. Oba kraje przechodzą głębokie zmiany strukturalne i instytucjonalne, ale wyniki, które miały miejsce w nich w zakresie rozwoju i zmniejszania dystansu wobec krajów bogatych są imponujące. Chociaż wynika to ze splotu różnych okoliczności – od dziedzictwa kulturowego po warunki geopolityczne, od spuścizny socjalizmu państwowego po zróżnicowanie w sferze posiadanych zasobów naturalnych – to charakter i długotrwałość politycznego przywództwa Deng Xiaopinga w Chinach i Michaiła Gorbaczo-
The Union of Soviet Socialist Republics (USSR), still in the mid-1980s, was based primarily on the Bolshevik principle of eliminating from the economic, social and political reality almost everything that preceded the communist revolution at the turn of the second and third decades of the 20th century. The economy, society and the state were to function not based on a rational modification of the ancien régime, but supposed to base on its total negation, as the antithesis of capitalism. Private ownership was to be completely displaced by state ownership, central planning was to replace market mechanisms, and money was to play less and less of a role. The attempts to introduce timid reforms to move away from this orthodoxy made in the thirty years between 1956 and 1985 changed the status quo only slightly. While dogmatists were stuck in the fundamentally wrong belief that this situation could continue ad calendas sovieticas, Mikhail Gorbachev, a new Soviet leader who took the reins of the ruling single-party and the state, understood that this was nonsense. Inevitably, it was the time for qualitative economic and political changes.

Perestroika and Glasnost

Rarely does a politician go down in history as distinctly as Mikhail S. Gorbachev does\(^1\). For obvious reasons, he was not able to take the lead after Stalin straight away – in 1953, he was only 22 years old, still a student – so he could not make the effort to radically reform the system, as was the case with Deng Xiaoping, the Chinese leader who was given such an opportunity after 1976, shortly after Mao Zedong left. While in China of that time, it was no longer important whether the cat was black or white as long as it caught mice, in the Soviet Union and in its core, in Russia, it was still a long way from the communist doctrine to socialist pragmatism (Gaidar 2007).

It is also important to recognize that the economic and geopolitical realities of the 1960s, 1970s and 1980s were greatly influenced by the Cold War and the hostility of the West, especially the US, towards both socialist powers\(^2\). In fact, the West wanted the collapse of Soviet and Chinese communism, and the leaders of these countries were fully aware that no matter how the reforms took place, they would be seen in the West as an opportunity to break the ruling system perceived as the enemy of world capitalism.

\(^1\) On the occasion of the 90th birthday of Mikhail S. Gorbachev a special edition of “Mir Pieremien”, the interdisciplinary quarterly of the Russian Academy of Sciences, devoted to his profile and achievements has been published (Mir Pieremien 2020).

\(^2\) Powers not in economic connotation, but in political and military meanings, considering the Russian military strength and the size of Chinese army.
Before Gorbachev took the reins of power, practically no one in the leading political circles thought about deep changes in the political system. Even relatively more progressive and pro-reform minds – be it in the Politburo of the Communist Party or in the Soviet government – at best thought about the partial changes and improvements of reality, which was basically rightly in line with the prevailing and undisputed Leninist ideology. Yet, that time of unavoidable change had to come and it happened together with Gorbachev taking over key positions in the party and the state in 1985.

Did I learn something from him, having not only the opportunity to observe his activities from a distance but also the privilege of meeting him personally several times and exchanging ideas directly – for the first time a quarter century ago, in 1996? Perhaps not so much did I learn as I confirmed my conviction with which I came into politics a little earlier, in the early 1990s, that in the political activity it is important to demonstrate not only courage and great determination – which Gorbachev certainly did not lack – but also imagination as to the possible directions of evolution of the processes that are being triggered and launched, which may get out of control and take a quite different route than intended. This imagination is something that this great statesman did not have enough.

Gorbachev wanted to neither move away from socialism nor liquidate the Soviet Union. He wanted to save socialism. His intention was to give the Soviet system a ‘human face’ so that the system would be based on public support and not on the strength of the state and its violence against its own citizens. These objectives were to be served by political reforms in the form of glasnost and economic reforms known as perestroika. They were so groundbreaking that since the launch of the first artificial Earth satellite, the Sputnik, only these two words have taken full rights in many languages of the world, starting with English. Although we do know that they mean, respectively, transparency and restructuring, we do not translate them, because thanks to Gorbachev, they speak for themselves.

For some, these reforms went too far because they limited the privileges associated with the held functions and occupied positions, and so they hindered the implementation of the intentions of the initiator of these reforms. For others, the reforms were insufficient, too shallow, not creating new quality, and therefore criticised. Unfortunately, the former group got the upper hand, blocking the chosen reformist course. Sharing the conviction about the fundamental validity of this first reformist approach, a few years later I asked Gorbachev why he did not go further, at least as far as Poland or Hungary. He answered me with a question: do you have any idea how many people were involved in the nomenklatura in the USSR? After all, its interests were being violated by glasnost and perestroika.

The nomenklatura included twenty million positions in the party and administration, in the army and economy, in the science and culture; from unimportant ones up to the most important ones at the Soviet hierarchal tops in Moscow and in the capitals of all other fourteen Soviet socialist republics. At that time – yet or still – breaking this system proved to be impossible because the Soviet apparatus of power, institutionally and politically associated with the nomenklatura, vigorously defended their prey, instead of taking care of the public interest. Only some of its more enlightened representatives understood that the reforms could change their situation for the better as well.
In the spring of 1989, the Soviet-Chinese summit was held, the only one during the time of Gorbachev administration. On May 15-18 of that year – that is, during the short two-month period between the Round Table negotiations that ended with a creative compromise and the first in the post-war years democratic elections in Poland – the Soviet leader met the Chinese leader. Undoubtedly, they were watching the Polish transformations with great attention, trying to draw useful conclusions for themselves. What is also very important is that, on the days of Gorbachev’s visit to Beijing, on the Tiananmen Square, there were major demonstrations held by students against the political state of affairs in China. It was an incredible coincidence that on exactly the same day, on June 4th, 1989 – just two weeks after the Sino-Soviet summit, when the Chinese army brutally suppressed the student revolt, Poles peacefully voted for a major systemic change.

On the occasion of the Beijing summit meeting, Henry Kissinger – another statesman, already with an abundance of own geopolitical experience – published an essay in a weekly magazine, “Newsweek” (Kissinger 1989), in which he asked the fundamental question: who is right? Mikhail Gorbachev, who, considering the Soviet reality, went quite far in terms of political reforms, in glasnost, but did not go too far in terms of economic changes, in perestroika? Or Deng Xiaoping, who boldly strode in economic changes that gradually made the economy more market-oriented but has done little, in fact almost nothing, regarding liberal political reforms?

I referred to this dilemma when I first met Kissinger in the summer of 1996 in Paris. I said then that it was an incorrect question to ask, as both – Gorbachev and Deng – were wrong, and we – Poles – were right taking simultaneously the path of political and economic liberalization, to democracy and to the market. This is also what I believe today, whereas we have probably achieved more in the sphere of post-socialist political transformation with regard to building a social market economy, although we are still far away from its full-blooded form, than in terms of creating a lasting liberal democracy. Back then, a quarter of a century ago, by no means did I expect that after so many years of transformational efforts, the dysfunctionality of the political sphere would raise more concern and provoke more criticism than the shortcomings and imperfections of the already capitalist economy. I have come back to the dilemma of choosing the path during subsequent meetings with Gorbachev – always in Moscow – and especially during more numerous conversations with Kissinger – in New York and in Beijing. Even though this paramount question, if at all, can be answered completely and satisfactorily only by history, it is worth to investigate the subject as much as possible, including also direct discussion with the people which had been making the history.

The Round Table and the Berlin Wall

From ex post perspective, we must agree with Mikhail Gorbachev that he did much of what was possible in the political realities of those times. Unfortunately, he did not manage to avoid serious mistakes too (Nuti 2018). However, leaving the Soviet and Russian transformations aside for a moment, it is impossible not to emphasise that he did make a memorable contribution to the geopolitical arena at the time, ending the harmful Cold War with the West. The Berlin Wall would have stood a little longer if it had not been for the Polish Round Table, but certainly, it would have stood much longer if it had not been for the bold decisions of the then Soviet leader.
When I once told Gorbachev that if it had not been for his policies, it would not have been possible to make a political breakthrough that had enabled us to change the economic system in the way we had managed to do it in Poland (Kolodko 1998), he reacted: write it, will you? And here I am writing it because I think it was the case. He deserves recognition and praise for that.

If we come back, in the context of the Soviet-Chinese summit of 1989, to the matter of the alternative expressed by Kissinger – either-or – then, if not right away during our Paris meeting in 1996, then at each subsequent occasion, neither of us had any doubt that Deng Xiaoping was right, not Mikhail Gorbachev. Because what happened in the field of the economy from

**Chart 1: GDP in China, Russia and Poland, 1990=100** (in Purchasing Power Parity, constant 2017 international $)

**Chart 2: China’s GDP in percent of Russia’s GDP in 1989 and 2020**

the time of the meeting of these two titans of politics are the tectonic changes. Neither the incredible development of the Chinese economy, nor such economic stagnation of Russia, and consequently such a huge difference in the growth dynamics of these two countries, were expected by anyone.

Whereas, as long as China’s subsequent economic successes can be attributed to Deng’s policy, it was certainly not Gorbachev, but his successors, who caused the subsequent embarrassment to the Russian economy, whose national income dropped by more than a half in the last decade of the 20th century. Suffice it to mention that while in 1989, the gross domestic product, the GDP of Russia, still Soviet back then, was about 50 percent higher than that of China, today the GDP of China is almost nine times greater (sic!) than that of Russia. While in 1989 Chinese GDP at current USD prices amounted to 347.8 billion, Russian GDP was 506.5 billion³, i.e. in this year China’s Gross Domestic Product was equal to 68.7 percent of Russia’s. Comparing GDP calculated according to the purchasing power parity in constant 2017 international USD, for which data is available since 1990, when Russia’s GDP was USD 3,188.5 billion, and China’s 1,616.2 billion, this ratio was just 51 percent. In other words, Russia’s GDP was then twice as big as China’s.

Obviously, the comparisons cannot be reduced solely to the dynamics and the level of GDP but the relationship of these indicators is very telling. Yet one must be aware that there are various other aspects of economic and political performance that must be taken under concern when one evaluates a progress – or a lack of such – of the political and economic systems⁴. Hence, it is understandable that in the vast academic literature on the subject of both, the Russian and Chinese transformations, there is a plethora of opinions. As for Russia, from quite apologetic (Åslund 1995) to very critical (Ostrovsky 2015), and as for China, from balanced studies (Lin 2012; Elizabeth 2018; Maçães 2018; Kolodko 2020a) to extremely negative (Kornai 2019).

We must do Gorbachev justice that he was looking for a way to improve the economic situation in conjunction with fundamental political changes that were right in terms of their direction (Grinberg 2020). Due to many reasons, especially because of the collapse of the Russian economy in the 1990s, the former has not yet happened, as the GDP per capita in Russia in 2020 is only a meagre around 140 percent of the 1990 figure, while in China it is as much as around 1870 percent and in Poland it is slightly over 280 percent⁵.

**Democracy and Authoritarianism**

The political changes have not been impressive either, but still, Russia has moved away from its previous Soviet authoritarian system, although unfortunately it has stopped somewhere along the way and is stuck there (Medvedev 2020), which impedes the economic progress (Mau

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³ In the final years of the Soviet Union, the GDP of Russia was about 70 percent of the gross product of the whole Union.

⁴ Recently, two special issues of prestigious scientific journals, devoted entirely to the Chinese case – including the implications of Chinese transformations for the world economy and the globalization process – have been published: (Acta Oeconomica 2020) and (Communist and Post-Communist Studies 2020).

⁵ The indicator for Poland for 2020 is 284. It is significantly lower if the reference year is 1989 instead of 1990, given the significant decline in GDP (minus 12 percent in 1990), which was caused by the ill-advised “shock therapy” (Kolodko 2020c).
The fact that in some other post-Soviet republics, with varying maturity of the market economy institutions (Dabrowski 2020), there is even less democracy, or no democracy at all, is no solace. What is especially worrying, it is a fact that Russia has bogged down in a corrupt system of oligarchic capitalism (Wedel 1998, Kolodko 2011, Sater 2003).

During the last decade China has done a great deal in the fight against corruption, although it is by no means a corruption-free economy; some authors even argue that it is still crony capitalism (Pei 2016). Out of 180 countries assessed in the Transparency International ranking of corruption perception index 2020, China was classified 78th with a score of 42 points (on a scale from 0 to 100; the lower the worse situation). Denmark and New Zealand top the list as the least corrupt economies with 88 points; the worst were \textit{ex equo} Somalia and South Sudan with just 12 points. Russia fares much worse than China, taking the 129th place with a score of 30, and Poland looks much better occupying the 45th place with 56 points. In comparison with 2012 year, China and Russia advanced, respectively, by 3 and 2 positions, while Poland regressed by 2 places (TI 2021).

Nevertheless, China has not only not distanced itself far enough from authoritarianism, but compering to the limited liberalization following the demise of Maoist regime, it has even tightened such a political regime since 1989 (Halper 2010) and later on after 2012 (McGregor 2012). It is certainly not a democracy but evidently it is not a totalitarian regime as it was during the Mao Zedong time (Lovell 2020).

It is more difficult to assess the state of democracy than to measure the economic situation, however, various attempts are made in this regard. With all necessary caveats, we can take a look into comparative analyses performed by the Economist Intelligence Unit (Economist 2021). Within the framework of this evaluation – which is based upon as many as 60 different indicators, scored from 0 to 10, illustrating numerous aspects of social and political situation in 167 countries – four categories of political systems are specified:
• authoritarian regimes,
• hybrid regimes,
• flawed democracies,
• full democracies\(^6\).

Not surprisingly, both China and Russia ranked in the group of countries with an authoritarian regime. To put it in comparative perspective, the most democratic country in the world is Norway, scored 9.81 – not far from a perfect democracy – and the least one is North Korea, scored miserable 1.08. Poland – a flawed democracy with score of 6.85 – is somewhere between her neighbours, democratic Germany, scored 8.67, and authoritarian Belarus, scored 2.59, which is seen even worse than Russia\(^7\).

Interestingly, the best score, 5.02, was reported for the 2006 year. Since then, it was falling down to 2.94 in 2018, and, contrary to the popular opinion propagated by the Western media, rose again to 3.31 in 2020. In the instance of China, after it rose from 2.97 in 2006 year to 3.14 in 2011, subsequently it fell to miserable 3.00 in 2014, then jumped up and picked at 3.32 in 2018, to crash at just 2.27 in 2020. And it is no consolation – on the contrary – that democracy has been doing worse in the world lately. For all countries for which baseline data is available and hence surveyed, the average democracy index fell to 5.37 in 2020 – the lowest level since 2006, when such comparative studies were launched (EIU 2021)\(^8\).

Nevertheless, indeed important is the fact that China is undoubtedly a meritocracy, where rational people do rational things in a rational way. Unfortunately, it cannot be said about several other authoritarian states, as Myanmar and Saudi Arabia, or Egypt and Congo, ironically called Democratic Republic of Congo. Moreover, it is this specific system of creative synergy between the visible head of state and the invisible hand of market, and the accompanying intelligent policy that takes advantage of globalisation, which is called Chinism (Kolodko 2020b), that is the reason for the great economic success of China.

\(^6\) Moreover, within each category they are sub-categories stressing the intensity of given characteristics. For example, Norwegian full democracy is more mature than German, or Russian authoritarianism is less harsh than Belarusian.

\(^7\) Three post-Soviet republics – Uzbekistan, Tajikistan, and Turkmenistan, scored, respectively, 2.12, 1.94 and 1.72 – have been ranked still worse than Belarus.

\(^8\) On the resurgence of authoritarianism, see more Wiatr 2020 and 2021.
Both in the professional academic literature on the subject and in popular media coverage, the two great countries that have abandoned orthodox state socialism, China and Russia, are often compared with the United States. If it can make sense within the political analyses and, say, the military power, from an economic point of view it is more legitimate to compare China with India (Kolodko 2020d). In this context, it is worth mentioning that while at the beginning of the 1990s, GDP per capita was slightly higher in India than in China, now it is about two and a half times higher in China than in India. Moreover, while in China, because of many years of high production dynamics and appropriate government income distribution policy, it was possible to eliminate in 2020 extreme poverty (defined according to the methodology of the World Bank as consumption below USD 1.90 at the purchasing power parity), it still affects a dozen or so percent of the Indian population. These are some of the most striking positive effects of Chinism.

The Columbus Mistake

Mikhail Gorbachev as a Soviet leader and, at the same time, a reformer and statesman on a global scale, wanted to change the nature of socialism – nowadays, *ex post*, most often referred to in the literature as communism – and not to move it to history; he wanted to give it a chance to survive and develop it rather than shut it down; he wanted to save it from collapse under the increasing pressure of its own inefficiency and not to overthrow it. However, it turned out otherwise, and so, contrary to intentions, few like Gorbachev contributed in the end to the collapse of the state socialist system. I have no doubt that monuments will be erected in his honour. Just like once upon a time it was done in honour of Columbus in recognition of his merits, for having discovered a new living space for many millions of people. In addition, I hope that people will never destroy them, as happens today with the monuments that were once erected in honour of the discoverer of America, who is blamed by some for the sins that others later committed. When Columbus reached a continent unknown to Europeans, he did not realise what he was actually doing. He was guided primarily by greed, but he was no stranger to the curiosity of the world, and he certainly did not lack the courage either. The legacy of his mistake was memorable; the world has changed greatly and irrevocably, though not for the better in every aspect.

Gorbachev also made a mistake. Just like Columbus did. He meant something different from what actually happened afterwards, yet due to his reforms, due to his political determination and courage, the inefficient soviet socialism was brought to the downfall. Yet, what followed – even if primary it was not intentional, had brought us a great deal of a change for better. The great alteration of that time has played a significant role in directing of the whole process of the post-socialist systemic transition to market and democracy (Kolodko 2000).

Without overestimating the role of the individual in history, undoubtedly one of the main strands of its current course – the fact that a market economy and a different political system than before have emerged in a vast area from Central Europe to the western rim of the Pacific affecting almost two billion people – we owe to these two great reformers, Mikhail Gorbachev and Deng Xiaoping. The fact that in more than thirty countries located in these areas both the functioning of the market and democracy still raises a lot of legitimate criticism is not their fault. A lot of work on the directions set in the past by both of them is the task of the next generations.
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