

## Introduction

# Reforms and their limits: Historical lessons on economic reforms

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This special issue of *Russian Journal of Economics* presents a set of articles on the history of economic reforms. The year 2025 marks the 60<sup>th</sup> anniversary of the Soviet economic reforms of 1965 (sometimes referred to as the “Kosygin reform” or “Lieberman reform”) and the 40<sup>th</sup> anniversary of the start of *perestroika*. These were significant milestones in the development of the USSR’s economic system, which attracted considerable interest from politicians and experts around the world.

These two anniversaries create a good opportunity to discuss the problems of economic and social reforms—broader than those of the 1960s and 1980s. The articles presented in this issue go beyond these two dates and are not limited to Russia’s experience. We deemed it appropriate to offer an analysis not only of specific reforms that were implemented, but also of potential reforms that were conceived and discussed but never implemented in practice.

### 1. The study of economic reforms as a tool for state management

Economic reforms are an integral part of the life of any state, including its past, present, and future. However, this topic became particularly relevant with the onset of modern economic growth in the 18<sup>th</sup> century. Both the internal logic of a country’s development and external competition among states required constant attention to the economic and social challenges facing the nation.

There are two factors that influence the tasks facing the economy.

First, technology, or more precisely, the current level of technological development and, sometimes most importantly, the level of integration of modern technologies into the national economy. There are many studies on the impact of technology on economic growth: Robert Solow (Solow model), Paul Romer, Robert Lucas, and others. All these works, from the Solow model to the later theories of endogenous

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growth by Paul Romer and Robert Lucas, deal with the sources of long-term economic growth and improving living standards. They found that the simple accumulation of physical capital ultimately faces stagnation and cannot ensure sustainable growth. Instead, the key and unlimited driver of economic and social prosperity is technological progress: the creation and implementation of new technologies, knowledge, and ideas (Solow, 1956; Romer, 1990; Lucas, 1988).

Second, a country's own experience in solving the various tasks facing society and the state, in understanding the relevance of trends and the need for change, and in some cases in making a modernization leap: see, for example, the classic work by Alexander Gerschenkron (1962).

In attention to these two aspects, and reluctance to make timely decisions on improving, changing, or optimizing the national economic system, has always come at a high price: Russia's defeat in the Crimean War (1855–1856), which forced Alexander II's sweeping modernization reforms, or the hardships of post-communist transformation, to cite only the two most vivid episodes from Russian history.

The history of reforms is essential for understanding and solving contemporary problems, as it provides a rich database of past successes and failures, as well as their underlying causes, which are not always obvious at the time of reform implementation. The analysis of historical context and logic allows us to identify patterns and cause-and-effect relationships, and sometimes it helps to avoid mistakes and improve decision-making. Many contemporary socioeconomic challenges have deep historical roots, and an understanding of previous experience may be important for effectively solving practical problems. A striking example is that the lessons learned from the Great Depression of the 1930s enabled governments and central banks in 2008 to take adequate action to prevent a repeat of a large-scale economic collapse.

The importance of historical analysis for the modern economy is also confirmed by the work of recent Nobel laureates. The research of the 2024 laureates—Daron Acemoglu, Simon Johnson, and James A. Robinson—demonstrates how political and economic institutions formed in the past continue to determine the prosperity of countries today. In turn, the 2025 laureates—Joel Mokyr, Philippe Aghion, and Peter Howitt—explain the mechanisms of innovation-driven economic growth and draw on historical data to show that sustainable development requires a society that is open to new ideas and a constant free flow of knowledge. Thus, studying the history of reforms not only sheds light on the present but also equips us with knowledge that allows to make more informed and thoughtful decisions in the future (Acemoglu, 2024; Mokyr, 2016; Aghion and Howitt, 1992). The 2025 Nobel reference is factually correct: historical experience cannot be directly extrapolated to the present. It is impossible to draw unambiguous conclusions for today's decisions from past experience, since situations never repeat themselves exactly. Nevertheless, history helps to identify risks more clearly and to avoid mistakes made in similar circumstances in the past. *Mutatis mutandis*, of course.

## 2. The effectiveness of reforms

The study of economic reforms also involves analyzing their effectiveness and impact on various aspects of society and the state. Evaluating reforms is inherently difficult: their effects manifest unevenly and are perceived very

differently depending on when the assessment is made. Each new generation may assess the same events differently. History presents many cases where what seems successful today is perceived as a failure by the next generation. Conversely, sharp initial criticism of reforms may eventually give way to admiration for the resulting economic miracle. In this context, it is appropriate to recall Zhou Enlai's attributed response to a question about the results of the French Revolution 150 years later: "It is still too early to give a final assessment."<sup>1</sup>

Reforms can be assessed in various ways—through different methodological constructs, such as institutional theory (Daron Acemoglu, Douglas North), analyzing how well institutions have coped with the tasks set by reformers; through key macroeconomic indicators—analyzing the extent to which certain targets have been achieved, for example, in raising the standard of living of the population; or through the impact of political decisions on the daily lives of various social groups (Acemoglu, 2024).

Assessments of reforms and reformers may differ not only among different social groups, but also between domestic and international observers. There are many examples of this: Margaret Thatcher of Great Britain, Mikhail Gorbachev of the USSR, or Frederik Willem de Klerk of South Africa, with their outstanding large-scale transformations, often received higher praise and recognition on the international stage, while within their countries their policies caused sharp polarization of society and were the subject of harsh criticism.

### 3. Structure of this special issue

The papers presented in this issue of the journal move from analytical and comparative overviews of reform models to archival studies of specific Soviet institutions, concluding with a deep historical perspective on the relationship between military, fiscal, and social policies in Russia.

The issue opens with an article by Marek Dabrowski examining the decentralized model of a communist economy based on autonomous state-owned or collectively owned enterprises—a concept widely known as “market socialism.” Developed in response to the chronic inefficiencies of the classical centrally planned economy, this model was implemented in Yugoslavia from 1950 and partially in Hungary from 1968, with mixed results. A few other countries also experimented with elements of market socialism: Czechoslovakia declared its ambitions in the 1960s only to abandon them following the Warsaw Pact intervention; Poland attempted fragmentary reforms in the 1980s; and the Soviet Union moved in this direction in the late 1980s under perestroika. None of these attempts produced durable results. As Dabrowski shows, the fundamental obstacles were political: market socialism challenged the totalitarian character of communist regimes and the hegemonic position of communist parties. The concept became analytically obsolete once those regimes collapsed at the end of the 1980s and genuine market transitions could begin.

The next article, by Michael Alexeev and Robert Conrad, traces the evolution of tax systems in Central and Eastern Europe and the former Soviet Union during

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<sup>1</sup> The conventional reading of this remark—as a reflection on the French Revolution of 1789—has been challenged. Nixon's interpreter, diplomat Chas Freeman, confirmed that Zhou was in fact referring to the French student protests of 1968, not the events of 1789 (see McGregor, 2011).

the transition from a Soviet-style economy to a market economy, covering roughly the period from 1989 to the mid-2000s. This transition required sweeping tax reforms, as the inherited systems—characterized by state dominance, centralized planning, and prices set and fixed by the state—were structurally incompatible with the requirements of a market economy that relies on price signals and needs to collect revenue from a dispersed private sector. The article describes in detail the structural changes in specific taxes, including value-added tax (VAT), corporate and personal income taxes, excise duties and tariffs, and property taxes, and discusses the role of technical assistance in carrying out the reform process.

The article by Ivan Baydakov and Vladimir Mau provides a comparative analysis of three major attempts to introduce market mechanisms into the Soviet economy over its seventy-year history: the New Economic Policy (NEP) of 1921–1928, the economic reform of 1965 (the Kosygin reform), and perestroika of 1985–1991. These three episodes had much in common but also differed significantly in their political context, institutional design, and ultimate consequences. Paradoxically, despite an extensive body of scholarship on each reform individually, there is a lack of systematic comparative analyses of all three of them. This paper aims to fill that gap. It demonstrates that the failure of Soviet market reforms was not a matter of flawed policy design, which could have been corrected in the process of implementation. Rather, each reform faced a structural incompatibility between economic liberalization and the Communist Party’s political monopoly—confirming that successful transformations require not merely the adjustment of individual institutional elements, but a change in the very “operating system” of the state. As Lenin put it, “Politics must take precedence over economics” (Lenin, 1921/1965, p. 83).

In their study, Aleksandr Fokin, Nikita Pivovarov, and David Brandenberger reinterpret the Third Program of the CPSU adopted in 1961. They consider the Program not as a utopian manifesto of Khrushchev-era optimism, but as a rational, auditable social contract for the Soviet one-party state. Reconstructing the Stalin-era prehistory of the “third program”—from the drafts prepared between 1938 and 1947 to the commissions that worked under Khrushchev in 1958–1961—the authors show how successive elites translated ideological rivalry with the West into a ledger of quantifiable welfare obligations, expressed in per capita consumption of food, housing, durable goods, and working hours. Under Khrushchev, academic economists “scientized” this practice, elevating consumption indicators and “scientifically grounded norms” to the core of a national strategy. This “metricized sovereignty covenant” stabilized the post-Stalin transition but also generated path dependence, constraining later reform efforts—from the Kosygin experiments to Gorbachev’s fiscal dilemmas—long after the original drafters had left the scene.

The article by Aleksei Popov examines how the reform impulse of the 1960s—the Kosygin reform of 1965—stimulated methodological innovation in Soviet and Comecon statistics. Drawing on previously unpublished archival materials from the Comecon Standing Commission on Statistics and from the Soviet statistical agencies, the paper analyzes the development of a system of international economic comparisons within Comecon between 1962 and 1969, with particular attention to purchasing power parity (PPP) methodologies. Reform initiatives provided political demand for more accurate and timely data, spurring

institutional changes and scholarly exchange across the socialist bloc. Yet institutional conflicts between competing Soviet research centers, methodological disagreements, bureaucratic inertia, and ideological constraints severely limited the system's effectiveness. By 1969, the Comecon comparisons system remained incomplete, internally contradictory, and isolated from global practice, and when the UN International Comparison Program was launched in 1968, only Hungary and Poland joined from the socialist camp.

The closing article, by Arthur Mustafin, extends the temporal horizon of the issue back to the eighteenth century, offering a long-run perspective on the relationship between military mobilization, fiscal pressure, and living standards in Russia. Drawing on more than a hundred archival sources, the paper reconstructs time series of crop yields and recruit numbers in eighteenth-century Russia and compares them with Boris Mironov's anthropometric data on recruits' height—a widely used indirect indicator of well-being. The study reveals a pronounced cyclical pattern in living standards driven primarily by military and tax reforms: each major wave of conscription, financed through increased poll taxes and emergency levies on peasant communes, produced measurable downward pressure on the nutritional status and physical development of the population. The dataset compiled by the author provides a new empirical foundation not only for estimating living standards during this period but also for broader questions in Russian social and economic history—among them the long-standing debate about the direction of causality between war cycles and economic fluctuations.

Taken together, the articles in this issue provide a multifaceted picture of social and economic reforms as an eternal drama between intentions and results. They show how the state, armed with increasingly sophisticated planning and accounting tools, attempted to construct the future, while society responded with complex practices of adaptation and resistance. It is precisely in this gap—between official indicators and lived experience, between systemic logic and human will—that the true value and ultimate outcome of any transformation are formed.

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