

The Romance of Economic Development and New Histories of the Cold War*

[A] remarkable thing has happened in the world in the last generation or so. In spite of the immense range of variation in values and other elements of culture, . . . there has come to be an almost world-wide consensus on the evaluation of high, industrial-level, economic productivity. . . . Essentially it means the general acceptance of the industrial models of Western society as providing at least *one* essential part of the “good society.”

—Talcott Parsons, 1960¹

The year 1960, when sociologist Talcott Parsons wrote about industrial productivity, was an especially inopportune time to celebrate global harmony. Cold War crises brewed around the world that year: the superpower conflict over Berlin was accelerating; Soviet pilots shot down an American spy plane, scuttling a superpower summit in Austria; planning for an American-backed invasion of Cuba neared completion; and Mao Zedong’s China squared off against the USSR. With such events transpiring all around him, how could Parsons describe an “almost world-wide consensus” about anything?

The juxtaposition of Parsons’s consensus and Cold War crises provides important lessons for scholars interpreting the Cold War. Historians have, for many years, described the Cold War as a political and ideological battle manifested in episodic superpower crises. Political conflicts have defined the Cold War in monographs, textbooks, and the popular imagination for so long that they often seem to encompass the entire era. Recent riches from the “archival gold rush” of newly available documents from East Bloc archives have only rein-

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1. Talcott Parsons, “Some Principal Characteristics of Industrial Societies,” in *The Transformation of Russian Society: Aspects of Social Change since 1861*, ed. Cyril E. Black (Cambridge, MA, 1960), 21, emphasis in the original.

forced this crisis-by-crisis emphasis.² But the Cold War existed outside of military conflict, outside of diplomatic standoffs, and outside of superpower summits; it also encompassed crucial agreements and disagreements about economics. These economic issues unfolded slowly, only rarely becoming the sort of critical flashpoint that is the stuff of Cold War historiography; occasionally, though, economic issues undergirded or even provoked such crises. Widespread desire for higher levels of economic production, as well as conflicts over the path to higher production, defined the shape of international relations in the Cold War as well as the experiences of those who lived through it.

Parsons's emphasis on a global consensus draws attention to important aims shared by most nations of the world in the Cold War era. The principal Cold War adversaries agreed that economic *performance* was a defining element of modern life and an important measure of national success. Industry, furthermore, was the prerequisite for higher levels of economic performance.

The sociologist's claims about a consensus on performance, however, masked two areas of conflict that also defined the economics of the Cold War. First, Parsons conflated industrial societies with "the West" (in the Cold War sense of that term) in a misleading way. Consensus about the goal of economic performance did not imply consensus about means. To many participants in the economic Cold War, especially those in the emerging third world, the United States and the Soviet Union defined two different forms of economic *organization*, both aimed at achieving high productivity. Conflicts over economic organization counterposed a model of Soviet planning with a Western (especially American) model of free markets. The fact that actual economic systems fell between these two ideal types should not reduce the intensity of planning-versus-market debates around the world.

Secondly, Parsons slips quickly from a discussion of production ("industrial-level economic productivity") to consumption ("good society"). Agreement on the benefits of high productivity did not yield universal agreement on economic *priorities*. Indeed, around the world, Cold War economic policies sought to generate guns, butter, and machines; conflicts about how to balance these aims had a direct and significant impact on international relations. Economists and political leaders in Europe, America, and the third world fought over the proper balance between consumption and investment, between using the fruits of increased production to improve standards of living in the short term, and investing the gains in the hopes of reaching even higher levels of production in

2. On histories of the Cold War that explore crisis moments with special acuity, see John Lewis Gaddis, *We Now Know: Rethinking Cold War History* (Oxford, 1997); Vojtech Mastny, *The Cold War and Soviet Insecurity: The Stalin Years* (Oxford, 1996); and Vladislav Zubok and Konstantin Pleshakov, *Inside the Kremlin's Cold War: From Stalin to Khrushchev* (Cambridge, MA, 1996). Gaddis (pp. 189–94) addresses this issue briefly before turning to Soviet views about intercapitalist rivalries. I borrow the "gold rush" phrase from Mark von Hagen, "The Archival Gold Rush and Historical Agendas in the Post-Soviet Era," *Slavic Review* 51 (1993): 96–100.

the future. Pressure to devote additional resources to enhancing military strength further complicated battles over economic priorities; the demands upon output clearly outstripped the supply.

Taken together, these three economic trends—consensus over the need for performance and conflicts over both organization and priorities—existed at the Cold War’s epicenter and beyond the farthest reaches of the superpowers. Three case studies, bringing together primary and secondary sources, suggest the breadth and depth of economic concerns during the Cold War. The first case examines interconnected conflicts over organization and priorities in one of the Cold War’s most important economic battlegrounds, India. Indian leaders negotiated between American and Soviet strategies of development as they strove to create an industrial society. Yet what little attention India receives from scholars of the Cold War centers on political and military crises.³ The other cases explore conflicts over economic priorities. One examines the economic competition between the United States and the Soviet Union, a competition that shifted its emphasis from production to consumption. The challenge of providing consumer goods while expanding industrial and military capacity shaped social, economic, and political life from the origins of Soviet power in 1917 to its collapse in 1991. The final case study is even more familiar to Cold War historians: the diplomatic crises leading up to the construction of the Berlin Wall in 1961. While historians have recently retold the history of the Berlin cases using impressive new documents from East Bloc archives, they have too often focused on politics to the exclusion of the fundamental economic issues at stake. Taken together, these cases show how economic performance, organization, and priorities shaped the rise, the impact and the eventual demise of the Cold War.⁴

Studying connections between economics and foreign policy, of course, would hardly constitute a “new history of the Cold War.” A scholarly trend dating back to William Appleman Williams’s writings in the late 1950s asserted that American foreign policy was the expression of the financial interests of one or another sector of the capitalist economy, or that American diplomacy took the stability and expansion of the capitalist economic order as its princi-

3. H.W. Brands, the award-winning diplomatic historian who is one of the most prolific historians of his generation, devotes little attention to economic issues in his otherwise useful survey of American-Indian relations; see Brands, *The United States and India: The Cold Peace* (Boston, 1990). Andrew J. Rotter, *Comrades at Odds: The United States and India, 1947–1964* (Ithaca, 2000) focuses primarily on cultural elements of American-Indian relations. A notable exception to this generalization is Dennis Merrill, *Bread and the Ballot: The United States and India’s Economic Development, 1947–1963* (Chapel Hill, NC, 1990).

4. This essay seeks to extend and expand earlier calls for broadening the scope of Cold War international history; see especially Nigel Gould-Davies, “Rethinking the Role of Ideology in International Politics during the Cold War,” *Journal of Cold War Studies* 1 (Winter 1999): 90–109; Odd Arne Westad, “The New International History of the Cold War: Three (Possible) Paradigms,” *Diplomatic History* 24 (Fall 2000): 551–65; and the historiographic aims of Nigel Gould-Davies in “The Logic of Soviet Cultural Diplomacy,” *Diplomatic History* 27 (April 2003): 193–194.

pal aims.⁵ Other historians working on American topics have identified the connections between economic performance and international relations, focusing especially on national security. In Melvyn Leffler's words, "U.S. policymakers were altogether cognizant that their country's national security resided in its relative economic and technological superiority over any potential adversary." Similarly, Diane Kunz has written a convincing history of the American experience in the Cold War that demonstrates how international political conflict combined with economic cooperation to create an American system able to deliver both guns and butter.⁶ Yet these studies, for all of their value, have focused exclusively on America's role in the Cold War, and have focused primarily on economic and national-security interests. But economic interests, however broadly construed, do not exhaust the economic aspects of the Cold War. An understanding of these aspects—performance, organization, and priorities—entails a look back before the Cold War began.

As Parsons suggests in the epigraph, consensus about production emerged in the interwar years. Its appearance was closely linked to the Soviet Union, in large part because that nation's concerted efforts to industrialize rapidly captured the attentions and imaginations of so many observers both within and especially outside that country. Leading Bolsheviks spent much of the 1920s debating strategies for rapid economic expansion, turning a predominantly agricultural nation into an industrial powerhouse.⁷ As historian Moshe Lewin argued in the 1960s, strategies for economic development rose and fell with the political fates of those promoting them. The strategy debates were resolved in

5. The classic statement is William Appleman Williams, *The Tragedy of American Diplomacy* (New York: 1959); some important follow-up works emphasizing the importance of the search for markets in the making of twentieth-century American foreign relations include Lloyd Gardner, *Economic Aspects of New Deal Diplomacy* (Madison, WI, 1964); Walter La Feber, *America, Russia, and the Cold War, 1945–1996* (New York, 1997 [1967]); Gabriel Kolko, *Confronting the Third World: United States Foreign Policy, 1945–1980* (New York, 1988); William Appleman Williams, *Empire as a Way of Life: An Essay into the Causes and Character of America's Predicament, along with a Few Thoughts about an Alternative* (Oxford, 1980); and Andrew J. Rotter, *The Path to Vietnam: Origins of the American Commitment to Southeast Asia* (Ithaca, NY, 1987). For a recent call to arms about a return to such explanations, see Robert Buzzanco, "What Happened to the New Left? Toward a Radical Rereading of American Foreign Relations," *Diplomatic History* 23:4 (Fall 1999): 575–607. John Lewis Gaddis claims that William Appleman Williams was an economic determinist while Marx wasn't—thus inverting Eugene Genovese's biting criticism of Williams for being insufficiently Marxist; see Gaddis, "The Tragedy of Cold War History," *Diplomatic History* 17 (Winter 1993): 1–16; and Genovese, "William Appleman Williams on Marx and America," *Studies on the Left* 6 (January–February 1966): 70–86.

6. Melvyn P. Leffler, *The Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford, CA, 1992), quoted on pp. 2–3; Robert A. Pollard, *Economic Security and the Origins of the Cold War, 1945–1950* (New York, 1985); Diane B. Kunz, *Butter and Guns: America's Cold War Economic Diplomacy* (New York, 1997).

7. See the classic book on these debates by Alexander Erlich, *The Soviet Industrialization Debates, 1924–1928* (Cambridge, MA, 1960); also Moshe Lewin, *Political Undercurrents in Soviet Economic Debates: From Bukharin to the Modern Reformers* (Princeton, NJ, 1974).

favor of what Joseph Stalin called “the great break” (*velikii perelom*)—a break from Russia’s agrarian past:

We are advancing full steam ahead along the path of industrialization—to socialism, leaving behind the age-old “Russian” backwardness. We are becoming a nation of metal, a country of automobiles, a country of tractors.⁸

The first Five-Year Plan announced both the extraordinary goals and the new methods of bringing about such rapid change. Russia would become “a nation of metal” through the construction of huge new steel plants like the one at Magnitogorsk; gigantic dam projects like Dnieprostroi would power new industrial enterprises; newly mechanized collective farms would feed these new industries’ workers; and all of these activities would be coordinated by a centralized planning apparatus.⁹

The goal of rapid industrialization was to forge not just a “country of tractors,” but also a country of tanks. Military aims were paramount in the early Five-Year Plans; as Comrade Stalin had urged in 1931, “We are 50 or 100 years behind the advanced countries. We must make good this distance in 10 years. Either we do it, or we shall go under.” Planners gave priority to industries that would expand Soviet military capacity, providing high levels of direct expenditure—as much as one-sixth of the overall government budget in 1932. Soviet planners also paid special attention to “dual-purpose sectors,” like tractors, aviation, and chemicals, that could produce for the civilian sector but could also be converted for military use.¹⁰

The rapid expansion of industry brought crushingly high costs in both human and financial terms. Throughout the early plan era, most of the Soviet population suffered a grave decline in their already-low standard of living. “Forced savings”—backed up with the liberal use of coercion and violence—funded the industrialization efforts.¹¹ As the first plan came to a close in 1932,

8. Stalin, “Year of the Great Break” (1929), in *Works* (Moscow, 1955), 12: 241.

9. R.W. Davies is currently completing his incomparable study of the Soviet economy in the early plan era; see his series on “The Industrialisation of Soviet Russia.” Thus far volumes 1–4 have appeared. See also Naum Jasny’s classic works: *Soviet Industrialization, 1928–1952* (Chicago, IL, 1962); and *The Socialized Agriculture of the USSR: Plans and Performance* (Stanford, 1949).

10. Stalin, “Tasks for Economic Executives” (1931), *Works* (Moscow, 1955), 13: 529. On defense spending, see David R. Stone, *Hammer and Rifle: The Militarization of the Soviet Union, 1926–1933* (Lawrence, KS, 2000), chs. 5–7 and Appendix 1; Lennart Samuelson, *Plans for Stalin’s War Machine: Tukhachevskii and Military-Economic Planning, 1925–1941* (New York, 1999), 200–204; and Mark Harrison, “Providing for Defense,” in *Behind the Facade of Stalin’s Command Economy: Evidence from the Soviet and State Party Archives* (Stanford, CA, 2001).

11. On consumption under central planning, see especially E.A. Osokina, *Ierarkhiia potrebleniia: o zhizni liudei v usloviakh stalinskogo snabzheniia, 1928–1935 gg.* (Moscow, 1993); and Osokina, *Za fasadom “Stalinskogo izobiliiia”: Raspredelenie i rynek v snabzhenii naseleniia v gody industrializatsii, 1917–1941* (Moscow, 1998). On the costs of collectivization, see the Millar-Nove debate asking “Was Stalin really necessary?” reprinted in James R. Millar, *The Soviet Economic Experiment*, ed. Susan J. Linz (Urbana, IL, 1990); also, for the conclusion that agriculture drained resources from industrialization, Holland Hunter and J.M. Szyrmer, *Faulty Foundations: Soviet Economic Policies, 1928–1940* (Princeton, NJ, 1992).

these conditions worsened drastically in most rural areas; a famine devastated the USSR's breadbaskets, leaving millions dead.¹²

Many observers within and outside the Soviet Union were enamored of both rapid industrialization and the methods of central planning. Some Soviet workers, as Lynne Viola described, joined volunteer detachments to force reluctant peasants into collective farms. Their contribution to the eradication of "age-old 'Russian' backwardness" was to build collective farms by force.¹³ Meanwhile, non-Communist economists, engineers, and industrial supervisors found their desire for managerial control fulfilled by the notion of central planning. Their enthusiasm for planning rested on a combination of bureaucratic self-interest and a shared vision of the benefits of planning; these industrial managers supported and often promoted central planning, in historian David Shearer's words, "precisely because of the technocratic and pro-managerial implications of those plans, or because these plans evoked a vision of modern industrialism that mesmerized Party members and professionals alike."¹⁴

Support for planning existed well beyond the Soviet Union, as leftists and economic planners from overseas flocked to observe the plan in action. Many of the pilgrims of planning succumbed to what George Frost Kennan termed "the romance of economic development." Kennan coined the phrase while posted to Riga, the capital of then-independent Latvia and home to the State Department's window on Russia. In late 1932, as the USSR anticipated the completion of its first Five-Year Plan, a senior officer solicited a report on economic prospects and social satisfaction in the USSR. Kennan's response detailed many reasons for pessimism about the Soviet Union: the political and social tensions of daily life, the innumerable shortages of basic goods, and the general chaos of the era. But he then struck a surprisingly optimistic note about the Soviets' social conditions. Kennan was deeply impressed by the Russian population's enthusiasm for the changes taking place, in spite of the hardships they endured. With a literary flair rarely found in Record Group 59, Kennan wrote that the

12. A multinational, multivolume study of the impact of collectivization in the Soviet is *Tragediia Sovetskoi derevni: Kollektivizatsiia i raskulachivanie, Dokumenty i materialy*, 4 vols., ed. V.P. Danilov, R.T. Manning, and L. Viola (Moscow, 1999-). See also Gabor Rittersporn, "Modernisierung durch Vernichtung? Über einige Folgen der Kollektivierung der sowjetischen Landwirtschaft," *Zeitschrift für Geschichtswissenschaft* 23:9 (September 1995): 809-21. For an admirable case study, and citations to other works on the famine, see D'Ann Penner, "Stalin and the Ital'ianka of 1932-33 in the Don Region," *Cahiers du monde russe* 39 (1998): 27-67. On the demographic impact of the famine, see S.G. Uitkroft [Wheatcroft], "O demograficheskikh tragedii Sovetskoi derevni v 1931-1933 gg.," in *Tragediia sovetskoi derevni*, vol. 3.

13. For the perspective of these workers, the so-called "25,000-ers," see Lynne Viola, *Best Sons of the Fatherland: Workers in the Vanguard of Soviet Collectivization* (Oxford, 1987); for the battles with the peasantry, see Lynne Viola, *Peasant Rebels under Stalin: Collectivization and the Culture of Peasant Resistance* (Oxford, 1996); Sheila Fitzpatrick, *Stalin's Peasants: Resistance and Survival in the Russian Village after Collectivization* (Oxford, 1994).

14. David R. Shearer, *Industry, State, and Society in Stalin's Russia, 1928-1934* (Ithaca, 1996), 16.

“romance of economic development” in Russia had led young people to “ignore all other questions in favor of economic progress.” Russian youth were willing, he wrote, to “sacrifice the comfort and nerves of [their] whole generation” in order to address the “immediate tasks of industrialization.”¹⁵ Unlike the Romantics of the nineteenth century, who celebrated the rustic authenticity of pre-modern peasants, the twentieth-century romance of development celebrated the transformation of a peasant society into a modern industrial one.¹⁶

Many observers of the USSR, from around the world and across the political spectrum, considered central planning an essential precondition for quickly overcoming economic backwardness. Economic planning had many adherents in the West well before the crash of 1929, let alone before economists reached a consensus about the seriousness of the economic crisis. The Depression, predictably, further stoked interest in central planning.¹⁷ True to the meaning of romance, this interest grew even as the plan exacted a tremendous toll on the inhabitants of the Soviet Union. Western interest in Soviet planning focused not just on its potential benefits to production, but also on planning’s capacity to enhance the reach and effectiveness of central power.¹⁸ America’s Russia experts—in universities, in the State Department, or in the journalistic corps—often recognized the high costs of Soviet industrialization but cheered it on nevertheless. Some even used a perfect sound-bite that balanced the costs and

15. Memorandum for the Minister, in Robert Skinner to the Secretary of State, 19 August 1932, State Department Decimal File (Record Group 59, U.S. National Archives), 861.5017 Living Conditions/510. Kennan’s source on youth morale was a book by sociologist Klaus Mehnert—*Die Jugend in Sowjetrußland* (Berlin, 1932). For Kennan’s evaluation of this memorandum from the perspective of the twenty-first century, see Kennan, “Memorandum for the Minister,” *New York Review of Books* 48 (26 April 2001): 23.

16. On Romanticism, see especially Raymond Williams, *The Country and the City* (Oxford, 1973); also Paul H. Johnstone, “Turnips and Romanticism,” *Agricultural History* 12 (July 1938): 224–55.

17. For instance, the number of books on the USSR (according to Peter Filene’s count) jumped in 1927–28 and then again in 1931–32; see Peter G. Filene, *Americans and the Soviet Experiment, 1917–1933* (Cambridge, MA, 1967), 287. On economic forecasts, see Christina D. Romer, “The Great Crash and the Onset of the Great Depression,” *Quarterly Journal of Economics* 105 (August 1990): 597–624. On planning in the 1920s, see Guy Alchon, *The Invisible Hand of Planning: Capitalism, Social Science, and the State in the 1920s* (Princeton, NJ, 1985); and John M. Jordan, *Machime-Age Ideology: Social Engineering and American Liberalism, 1911–1939* (Chapel Hill, NC, 1994). On links between the Soviet Union and the New Dealers, see Lewis S. Feuer, “American Travelers to the Soviet Union, 1917–1932: The Formation of a Component of New Deal Ideology,” *American Quarterly* 14 (Summer 1962): 119–49. For an argument about the attraction to the Soviet Union that parallels mine although it focuses more strictly on fellow-travelers, see David Caute, *The Fellow-Travelers: A Postscript to the Enlightenment* (New York, 1973).

18. There are close parallels here with what James Scott calls “authoritarian high modernism”: see James C. Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven, 1998). For a direct Soviet-American comparison along parallel lines, see Kate Brown, “Gridded Lives: Why Kazakhstan and Montana Are Nearly the Same Place,” *American Historical Review* 106 (February 2001): 17–48.

benefits of Soviet economic policy in the Plan era: Russia, numerous observers wrote, was “starving itself great.”¹⁹ The goal of industrialization, they implied, justified almost any means.

Different experts were attracted to different aspects of the so-called “Soviet experiment” in economic and social transformation. Economist Stuart Chase—who coined the term “New Deal”—praised Soviet policy for increasing the coordination and efficiency of the economy. He wanted Western economies to create their own centralized planning agencies; “why should the Russians,” he asked, “have all the fun of remaking the world?”²⁰ Economist Calvin Bryce Hoover, a staunch critic of the Soviet Union and one of the first to describe the nature of totalitarian societies, expressed similar enthusiasm. Soviet economic policy might be coercive, even deadly, wrote Hoover, but it nevertheless represented the most “striking proof [in all history] of the power of the human intellect over the material world.”²¹ Even Kennan balanced his criticisms of Soviet policies with an appreciation the Soviets’ goal of modernization. His first memoirs (written in 1938) note that “we wished the Kremlin no ill in its efforts toward the modernization of Russia, in its program of internal development.” He even referred to the “unquestionable desire to modernize a backward country” when evaluating Soviet aims.²²

Cheers for Soviet industrialization were heard not only to Russia’s west but also to its south. India’s Jawaharlal Nehru, for instance, wrote enthusiastically about Russian industrial progress. During his first visit to Moscow in 1927, he drew explicit comparisons between Russia’s circumstances and India’s, claiming that Russia’s determination to overcome its economic backwardness would make India’s struggle all the easier. He watched the “Soviet experiment” with particular interest, seeking to learn the strategies of rapid industrialization.²³ He later recalled that the Soviet Union’s economic ambitions provided a sharp contrast with the bleak outlook in the 1930s; the Five-Year Plans were “a bright and heartening phenomenon in a dark and dismal world.”²⁴

19. Journalists Louis Fischer, H.R. Knickerbocker, and William Henry Chamberlin, as well as Harvard political scientist Bruce Hopper and German newspaper editor Boris Brutzkus, were among those who used the phrase. Fischer is quoted in *Experiences in Russia—1931: A Diary* (Pittsburgh, 1931), 85; Knickerbocker, “Everyday Russia,” in *The New Russia; Eight Talks Broadcast by the BBC* (London, 1931), 21; William Henry Chamberlin, “Russia between Two Plans,” *New Republic* 74 (15 February 1933): 7–8; Bruce Hopper to Hamilton Fish Armstrong, January 18, 1930, in Hamilton Fish Armstrong Papers (Mudd Library, Princeton University), box 35; and Boris Brutzkus, *Economic Planning in Soviet Russia* (London, 1935), 226.

20. Chase, *The New Deal* (New York, 1933), 252.

21. Hoover, *The Economic Life of Soviet Russia* (New York, 1931), 67. Professor Hoover was not related to either the president or the FBI director with whom he shared a surname.

22. Kennan, “Fair Day, Adieu!” (1938), in George Frost Kennan Papers (Mudd Library, Princeton University), box 25.

23. Nehru, *Soviet Russia: Some Random Sketches and Impressions* (Bombay, 1949 [1929]); for context see Sarvepalli Gopal, *Jawaharlal Nehru: A Biography* (London, 1975), vol. 1, 93–108.

24. Nehru, *Toward Freedom: The Autobiography of J. Nehru* (New York, 1941), 230–31.

Nehru's enthusiasm for Soviet economic plans grew through the 1930s. He recognized the high costs but thought them a small price to pay: "With all its defects and mistakes and ruthlessness," he wrote three years after the famine, the Soviet Union was "ever marching forward." While imprisoned during World War II, Nehru made more explicit his interest in replicating Soviet-style industrialization. He called for speeding economic growth even at the expense of what he termed "lesser liberties" like political and intellectual freedoms.²⁵ His enthusiasm for the USSR was based on his assessment of its economic performance in the 1930s, not on its political ideology. In this, he found common ground with American Soviet experts like Chase and Hoover, who rejected Communism while extolling Soviet planning.

Nehru's enthusiasm suggests that the romance was not just an intellectual movement, and not just prominent between the World Wars. Enthusiasm for rapid industrialization through central planning prevailed throughout the third world in the 1950s and 1960s. The power of the Soviet model was so strong that those swayed by the romance of economic development typically assumed that planning was the sole means to that end. Swedish economist Gunnar Myrdal made this point in his "inquiry into the poverty of nations," *Asian Drama* (1967). Many third world leaders, he noted, channelled their desires for "political, social and economic reform" into a call for economic development. These leaders equated development with planning; thus, as Myrdal put it, "*planning becomes the intellectual matrix of the entire modernization ideology.*" Industrialization could eradicate poverty, the syllogism went, and industrialization required central planning.²⁶ Debates over the strategies for economic development quickly became entangled in Cold War politics. Soviet leaders tried to convert the popularity of their economic model into a political advantage. Meanwhile American officials sought to counter Soviet efforts in the third world, viewing with deep suspicion any praise for or even interest in Soviet economic models.

Nowhere were these dynamics more visible than in India. After returning from his European and Russian travels in the mid-1930s, Nehru took up the cause of planning. He served as the first chair of the Indian National Congress's planning committee. That committee, created in 1938, focused its work on industry. India's principal concerns of poverty, unemployment, national defense, and economic regeneration "cannot be solved without industrialization," the committee claimed.²⁷ The same argument appeared in the foundational docu-

25. Nehru, Foreword to M.R. Masani, *Soviet Sidelights* (1936), in Nehru, *The Selected Works of Jawaharlal Nehru* (Bombay, 1977), 7:128-29; Nehru, *The Discovery of India* (New York, 1946), 17.

26. Gunnar Myrdal, *Asian Drama: An Inquiry into the Poverty of Nations*, 3 vols. (New York, 1968), ch. 15, quoted 2: 711. Emphasis in original.

27. *Report [of the] National Planning Committee*, ed. K. T. Shah (Bombay, 1949), 5, 41; this book appeared after the dissolution of the Committee in 1949 but includes significant materials from earlier discussions of planning.

ments of India's planning apparatus after independence in 1947. Prime Minister Nehru created an official Planning Commission to enact—no longer just debate—economic policy for an independent India. Continuing economic problems helped neutralize opposition to some form of central planning. The Planning Commission's early work recognized the scope and depth of India's economic hurdles, but called for a single solution: the concerns of poverty, unemployment, national defense, and economic expansion, it concluded, "cannot be solved without industrialization." In this they reiterated Nehru's argument. In his speeches as prime minister—including one entitled "Produce or Perish"—Nehru constantly emphasized industrialization. "It is obvious," he told one group, "that India must be industrialized as rapidly as possible." And to achieve this goal of industrialization, India's new leaders stressed central planning.²⁸ Indian planning also illustrates the prominence of the Soviet model to discussions of planning in the newly independent nations. During World War II, as demands for (and the likelihood of) independence increased, economic plans proliferated. Each of these planning documents—from Left to Right—invoked the example of the early Soviet plans.²⁹

The first Indian plan, initiated in 1950, emphasized deficit spending and industrial growth at a moderate pace. All aspects of the plan were geared toward a single goal: increasing overall production. Agriculture received special attention because, as the plan documents stated, "the shortage of food and raw materials is at present the weakest point in the country's economy." While Nehru had hoped for more industry, his hold over his Congress Party (which faced challenges from both Left and Right) was not sufficient to stamp his own imprint on the plan. The agricultural sector, for instance, accounted for 33 percent of the planned expenditures—and 44 percent of the actual spending. In contrast, only 7 percent of the planned spending went toward industry and mining. Of that amount, small-scale village industries received as much as larger-scale manufacturing—a vestige of Mohandas Gandhi's influence and certainly far from Nehru's desires. By the conclusion of the plan in 1955, finished steel production had reached just under half the projected level, while production of pig iron, an essential intermediate product for industry, came in at only 17 percent of the planned level.³⁰ As the gaps between planned and final expen-

28. Report [of the] National Planning Committee, 5. Nehru, "Produce or Perish" (1948), in *Independence and After*, 1:159–63; Nehru, "Economic Democracy" (1952), in *Independence and After*, 2:92.

29. See, for instance, Sir Purshotamdas Thakurdas, et al., *Memorandum Outlining a Plan of Economic Development for India* (Middlesex, Eng., 1944), 9, 29; and B.N. Banerjee, et al., *People's Plan for Economic Development of India, Being the Report of the Post-War Reconstruction Committee of the Indian Federation of Labour* (Delhi, 1944), v, 1.

30. Government of India, Planning Commission, *The First Five-Year Plan: A Summary* (Delhi, 1952); also Francine R. Frankel, *India's Political Economy, 1947–1977: The Gradual Revolution* (Princeton, NJ, 1978), ch. 3; and A.H. Hanson, *The Process of Planning: A Study of India's Five-Year Plans, 1950–1964* (Oxford, 1966), ch. 4.

ditures suggest, achievements fell far short of aspirations, and nowhere more than in industrial production.

By 1953, though, the prime minister had regained control of the planning process. Together with newly appointed planning chief Prasanta Mahalanobis, Nehru ratcheted up investment in industry at the expense of agriculture. Mahalanobis, trained in physics, soon turned to economic theory; his first work on this topic emphasized the importance of heavy industry to rapid economic expansion. Without the means to produce machinery, he theorized, Indian economy would face a low ceiling of growth.³¹ This model echoed an early Soviet one, though it made no specific references to the USSR.³² Even before his theoretical article was published in 1953, Mahalanobis declared that planning provided a far better route to investment (especially investment in heavy machinery) than capitalism could. Thus his interests in Soviet economic organization followed from his enthusiasm for Soviet economic performance. Seduced by the romance of economic development, Mahalanobis saw planning as the quickest route to an industrial society. "It is now accepted," he declared, "that economic planning in the USSR . . . has led to a far more rapid rate of industrialization than had been achieved in Western Europe and the United States in the past." The key, Mahalanobis concluded from his studies of the USSR, was steel. It was steel, he claimed, that turned underdeveloped Russia into an economic power in less than four decades.³³

It is hardly a surprise, then, that Mahalanobis's draft plans paralleled the first Soviet plans. The second and third Indian plans bear the marks of Nehru-Mahalanobis teamwork; they began with heavy industry and ended with steel. Investment in industry tripled from the first plan to the second (from 7 percent of the total to over 22 percent) while investment in agriculture dropped from 16 percent to less than 12 percent. The second plan, for instance, called for a trebling of steel output and a doubling of output in pig iron. The plan's call for a fourfold increase in machine tool production marked the high point of its industrial ambitions.³⁴

31. Mahalanobis, "Some Observations on the Process of Growth of National Income," *Sankhya, The Indian Journal of Statistics* 12 (1953): 307–12. In that article, Mahalanobis recognized the similarity between his methods (though not his conclusions) and those of growth economists Evsey Domar and Roy Harrod, though he claimed independent derivation of the model.

32. G.A. Fel'dman, "K teorii tempov narodnogo khoziaistva," *Planovoe Khoziaistvo* 1928 #11, pp. 146–70, continued in 1928 #12, pp. 161–78. Evsey Domar formalizes Fel'dman's model, while also noting its similarity to Mahalanobis's, in Domar, "A Soviet Model of Growth," in his *Essays in the Theory of Economic Growth* (Oxford, 1957).

33. "National Income, Investment, and National Development" (4 October 1952); "The Approach to Planning in India" (11 September 1955); "Science and National Planning" (8 January 1958); and "The Industrialization of Underdeveloped Countries—A Means to Peace" (September 1958), all in Mahalanobis, *Papers on Planning*, ed. P.K. Bose and M. Mukherjee (Calcutta, 1985), 5, 131, 141, 186.

34. These data are from Hanson, *Process of Planning*, chs. 4–5. On the second and third plans as fulfillments of Nehru's vision, see especially an insider account, Tarlok Singh,

The second plan took more from the Soviet Union than planning priorities. Emulating the Soviet showcase project at Magnitogorsk, Indian officials began building a steel mill complex at Bhilai. This huge complex was funded by Soviet credits and advised by over three hundred Soviet engineers. In an exchange of visits, both Nehru and Soviet premier N. A. Bulganin celebrated the similarities between Indian and Soviet planning. Nostalgically if condescendingly, Bulganin referred to the nations' respective steel projects, noting how Bhilai "reminded us of the atmosphere of our first Five-Year Plan, when we were building our first big enterprises."³⁵ Postwar Soviet leaders' nostalgia for the heroic years of the USSR often harkened back to the "great break" of the 1930s.³⁶ Both nation's leaders portrayed India as learning from the Soviet experience.

Indian planners also gathered insights from the Soviet Union through direct exchange. Mahalanobis's institute hosted leading economic planners like Oskar Lange from Poland and M. I. Rubinshtein from the Soviet Union. Mahalanobis himself visited many socialist nations, and spent weeks observing the workings of Gosplan, the principal Soviet planning agency. In spite of all of this interchange, however, it is important to note its limits; Indian planning was an exclusively Indian process, with Soviet advice but without a direct Soviet role. Mahalanobis consulted with Western economists as well, including Americans John Kenneth Galbraith, Max Millikan and Walt Rostow and Dutch development specialist Jan Tinbergen.³⁷ Nehru and Mahalanobis were interested in the USSR but hardly beholden to it.

As affirmative as Nehru was about Soviet economics, he maintained a wary distance from Soviet political positions. His excitement about Soviet planning did not extend to its political ideology or its foreign policy. As prime minister in the late 1940s, Nehru harshly criticized both the Communist Party of India and the Soviet Union for their political activities. His public and private statements emphasized India's distance from and displeasure with the Soviet Union and the Indian Communist Party. As the Soviets called on the Communist Party of India (CPI) to direct rebellion against the new national government in 1947, Nehru launched an all-out public campaign to discredit both the CPI and the USSR. He publicly condemned Soviet "expansionism" and "aggression" while accusing Indian Communists of "a complete lack of integrity and decency." In a 1949 speech, Nehru bashed the Communists for attempting to sabotage the

"Jawaharlal Nehru and the Five Year Plans" (1964), repr. in Singh, *Towards an Integrated Society: Reflections on Planning, Social Policy, and Rural Institutions* (Bombay, 1969).

35. K. Krishna Moorthy, *The Road Begins at Bhilai* (Madras, 1987), 195–202.

36. This nostalgia for economic revolution parallels the nostalgia for political revolution that historian John Lewis Gaddis identified in discussing Khrushchev's views of Fidel Castro; see Gaddis, *We Now Know*, 263.

37. Santosh Mehrotra, *India and the Soviet Union: Trade and Technology Transfer* (Cambridge, 1990), ch. 1; Jagdish Bhagwati and Sukhamoy Chakravarty, "Contributions to Indian Economic Analysis: A Survey," *American Economic Review* 59:4 (September 1969): 1–73; and A. Mahalanobis, *Prasanta Chandra Mahalanobis* (New Delhi, 1983), 57–58.

fragile Indian state, arguing that they were not promoting a social theory, but spreading chaos.³⁸ Historians who interpret American-Indian relations solely in terms of politics ignore crucial aspects of the relationship. As Dennis Merrill's work demonstrates, economic issues were at the heart of American and Indian mutual images. Similarly, Nehru's promotion of neutralism was about economic and political self-determination, not a desire to create people's republics across the third world.³⁹ The Communist specter that haunted Nehru's India was about the hammer and sickle—about industry and agriculture—and not just about the red flag of Marxism.

Similar stories unfolded elsewhere in the third world. Indonesia's leaders, like India's, sought to work toward economic development while steering clear of both Cold War camps. In 1955, President Sukarno hosted a conference of the so-called "Afro-Asian nations," newly independent nations that avoided siding with either side of the Cold War conflict. While the presence of representatives from the People's Republic of China suggests a broad definition of "non-alignment," the conference marked a significant effort of former colonies to find their own paths to development. The pronouncements of the conference emphasized the nations' unanimity about economic performance as a priority. The very first substantive sentence of the final communique at Bandung, for instance, announced that participants "recognised the urgency of promoting economic development" in the region. But they left open the question of economic organization, arguing that each nation had to find its own path to modernity, learning from but not following the Cold War antagonists.⁴⁰

This message of neutralism was not well-received in the capitals of the Cold War, especially Washington. Department of State officials sought to undercut the impact of Bandung with a set of carefully timed announcements.⁴¹ In the year after Bandung, President Sukarno visited Washington, yet won few friends there. Well before Sukarno's trip, the National Security Council summed up its main policy goal in the region: "To prevent Indonesia from passing into the Communist order." In spite of Sukarno's notably friendly speech to Congress,

38. See Gopal, *Jawabarlal Nehru*, 2: 44–46, 63–64, 71. Nehru, "We Should Pull Together" (1949), in Nehru, *Independence and After* (New Delhi, 1949), 181–83; a very broad overview is provided in Robert C. Horn, *Soviet-Indian Relations: Issues and Influence* (New York, 1982), ch. 1. See also Sugata Bose, "Instruments and Idioms of Colonial and National Development: India's Historical Experience in Comparative Perspective," in *International Development and the Social Sciences: Essays on the History and Politics of Knowledge*, eds. Frederick Cooper and Randall Packard (Berkeley and Los Angeles, 1997).

39. Merrill, *Bread and the Ballot*. H. W. Brands, *The Specter of Neutralism: The United States and the Emergence of the Third World, 1947–1960* (New York, 1989), chs. 1–3.

40. "Final Communique of the Asian-African Conference, 24 April 1955," in *Asia-Africa Speaks from Bandung* (Jakarta, 1955), 161. For an account of how Nigerian leaders used Soviet economic aid for their own ends, see Maxim Matusevich, "No Easy Row for the Russian Hoe: Ideology and Pragmatism in Nigerian-Soviet Relations, 1960–1991" (Ph.D. diss., University of Illinois at Urbana-Champaign, 2001).

41. On U.S. actions, see Brands, *Specter of Neutralism*, 110–18; George McTurnan Kahin, *The Asian-African Conference: Bandung, Indonesia, April 1955* (Ithaca, NY, 1956).

American diplomats viewed Indonesia through Cold War lenses. Ambassador Howard Palfrey Jones lectured Sukarno, for instance, against seating Communists in his cabinet. Even Ambassador Jones found Secretary of State John Foster Dulles's approach too black-and-white. Dulles, the ambassador recalled, "looked upon neutrality as well-nigh immoral." The fact that President Sukarno also planned to visit Moscow and Beijing meant that he was as good as Communist—never mind what that might suggest about his trip to Washington.⁴² Sukarno's travels prompted further distrust on the part of American officials. An aid agreement between the USSR and Indonesia—worth \$100 million—hardly helped matters. By 1958, American intelligence doubted not only Sukarno's anti-Communism but also his ability to maintain control over an increasingly fractious nation. In February of that year, the United States backed a breakaway movement, the Revolutionary Government of the Republic of Indonesia. American sources, though, had underestimated Sukarno's political resources; the Indonesian army decisively defeated the rebels and then exposed American backing for the coup attempt.⁴³

Indonesia's political lapses were, to American analysts, compounded by its economic failings. While Sukarno shared Americans' belief in economic performance, he had his own ideas about economic priorities and organization. Indonesia's first Five-Year Development Plan (1956–60) called for concentrated investment in a small number of "vital industries" that could help solve production bottlenecks, make use of Indonesia's rich natural resources, and relieve an inefficient agricultural sector. The implementation of these goals, however, owed as much to domestic politics as to expert assessments of efficiency.⁴⁴ This political emphasis is best symbolized by the documents for the Eight-Year Plan, unveiled in 1960. Sitting six feet high, the plan consisted of eight volumes, seventeen chapters, and 1,945 paragraphs—symbolizing Indonesia's independence on 17 August 1945. Ambassador Jones aptly called it an "ornament of state" rather than a policy document.⁴⁵

The equation of economic growth and political independence went beyond the numerological conjuring of Indonesia's Eight-Year Plan. For instance, Ben-

42. Howard Palfrey Jones, *Indonesia: The Possible Dream* (New York, 1971), 234–36; Paul F. Gardner, *Shared Hopes, Separate Fears: Fifty Years of U.S.-Indonesia Relations* (Boulder, CO, 1997), 115–28. For Indonesia's experience in the context of US-Southeast Asian relations, see Robert J. McMahon, *The Limits of Empire: The United States and Southeast Asia since World War II* (New York, 1999), 85–89.

43. American activities in Indonesia are covered in Gardner, *Shared Hopes, Separate Fears*, ch. 7 and briefly summarized in McMahon, *Limits of Empire*, 86–89.

44. Early reports by Indonesian government economists identified the political circumstances of Indonesia as a major factor in plan implementation: State Planning Bureau, *Broad Outlines of the Five-Year Development Plan, 1956–1960* (Jakarta, 1955), 107; State Planning Commission, *Report on the Execution of the Five-Year Development Plan, 1956–1960, Covering the Years 1956, 1957, and 1958* (Jakarta, 1960), 4.

45. Guy J. Pauker, "The Indonesian Eight-Year Over-All Development Plan," RAND Corporation Report P-2313 (15 May 1961). Jones, *Indonesia*, 316.

jamin Higgins, the first Western economist stationed in independent Indonesia, complained that too many Indonesians equated sovereignty with prosperity. Believing that the departure of the Dutch would automatically improve Indonesia's economic circumstances, Indonesian citizens (according to Higgins) were not "development-minded" enough to work for economic improvement on their own. They were not ready to make the sacrifices industrialization called for—in other words, Indonesians were only weakly compelled by the romance of economic development. This argument came in spite of rather sobering words calling for sacrifice in early Indonesian planning documents. To meet its economic goals, one report concluded, "a period of trial must be experienced for the next twenty years." As a result, the present generation's reward would be spiritual (a "reputation as the constructor and pioneer" of modern Indonesia) rather than material.⁴⁶ American attitudes towards independent Indonesia demonstrate the importance of debates over economic organization and priorities, even while they show that political aspects also mattered.

American policy-makers saw both Indonesian and Indian economic policies in Cold War terms. India, in particular, played a key role in Soviet-American competition. Each Cold War camp invested significant financial and intellectual resources in showing how India's economic transformations proved the superiority of its model. The comparisons with Asia's other rapidly expanding large economy, the People's Republic of China, fueled another aspect of Cold War economic competition.⁴⁷ Soviet officials also supported Indian planning efforts with enthusiasm, offering not just personnel and technical expertise but also significant funding. They continually stressed the value of heavy industry—a message which found receptive listeners in India. Aside from providing the best prospects for capital accumulation, Soviet economists argued, heavy industry would lead to rapid increases in productivity and help guarantee economic independence. Even as India faced food shortages in the mid-1960s, some economists there argued that major investment in agriculture could be counterproductive.⁴⁸

Among American groups working for Indian economic development, MIT's Center for International Studies (CENIS) took a leading role. Modernization impresario Walt Rostow had the highest public profile of the Center's scholars,

46. Benjamin Higgins, *Indonesia's Economic Stabilization and Development* (New York, 1957), 41, 45–46, 125–126. State Planning Bureau, *Broad Outlines*, 4.

47. See, for instance, Nikita Khrushchev, *Khrushchev Remembers: The Last Testament*, ed. and trans. Strobe Talbott (Boston, MA, 1974), 254, 273. On India-China comparisons, see also Wilfred Malenbaum, "India and China: Development Contrasts," *Journal of Political Economy* 64 (February 1956): 1–24.

48. See, for instance, V.G. Rastiannikov, "Prodovol'stvennaia problema v razviiu stranakh Azii i Afriki," *Narody Azii i Afriki* 1967#1, pp. 37–38; also Richard B. Remnek, *Soviet Scholars and Soviet Foreign Policy: A Case Study in Soviet Policy towards India* (Durham, NC, 1975), 263–272.

though he was only indirectly involved in many of its India-related activities.⁴⁹ While Rostow was peripheral to the operations of its India project, it accorded with his goal of keeping that nation in “Free Asia.” Center officials lobbied for and publicized the need for American development aid overseas, focusing on India in the late 1950s and early 1960s. The India project had many components: a research element that aimed to “isolate the strategic variable [note singular] in economic development”; a program to bring Indian economists to MIT (participants included future Nobel laureate Amartya Sen); a study of Indian intellectuals’ attractions to communism; and, perhaps most importantly, a research station in Delhi that sought to apply the latest analytical tools to questions of Indian economic policy.

Project participants explained the urgency of the India project in technical economic terms but also in geopolitical ones, emphasizing the necessity of keeping India out of the Soviet bloc. One report from a Center economist, published in a series called “The Economics of Competitive Coexistence,” warned that India’s adoption of Soviet-style planning would be “as decisive a victory for the totalitarian East as can be visualized in any war, however hot.” These sentiments also found voice in private communication. The director of the Center, economist Max Millikan, for instance, warned one colleague in 1959 that “the shape which development planning in India takes over the next few months may be as crucial a determinant of world history over the next decade as any other single factor.”⁵⁰ The danger, CENIS officials believed, was that Indian officials and intellectuals would succumb to Communism. Rather than reacting with dread to the Communist menace (which Rostow and his colleagues took as the natural response), Indian intellectuals seemed unconcerned by, curious about, or even sympathetic to aspects of the Soviet system. At times, scholars affiliated with the Center reduced the attractions to a combination of pathology and ignorance. Rostow, for instance, argued that Marxism’s popularity in Asia was rooted in its simplicity; the uncomplicated slogans of Marxism, he claimed, were easier for Asian intellectuals to grasp than were the “diffuse and complex concepts of

49. For an institutional history of the Center that puts Rostow on the periphery of activities, see Donald L. M. Blackmer, *The MIT Center for International Studies: The Founding Years, 1951–1969* (Cambridge, MA, 2002). For an intellectual history of modernization that places Rostow’s ideas further from the center, see Nils Gilman, *Mandarins of the Future: Modernization Theory in Cold War America* (Baltimore, forthcoming).

50. Wilfred Malenbaum, *East and West in India’s Development*, Economics of Competitive Coexistence Series (Washington, DC, 1959), quoted at p. 8; CENIS, *The Center for International Studies: A Description* (Cambridge, MA, 1955), 25–30; and especially Rosen, *Western Economists*, ch. 5. On projects with Indian scholars, see especially CENIS *Annual Report* 9 (1959–60): 8–9 and *Annual Report* 10 (1960–61): 10–11. Max Millikan to Trevor Swan, 5 March 1959, CENIS Papers (MIT Archives), box 9, folder 10. For more details on MIT’s India program, see David C. Engerman, “West Meets East: The Center for International Studies and Indian Economic Development,” in *Staging Growth: Modernization, Development, and the Global Cold War*, ed. David C. Engerman, Nils Gilman, Mark H. Haefele, and Michael Latham (Amherst, MA, 2003).

the West.” CENIS also sponsored the work of sociologist Edward Shils, who pathologized Indians’ communist leanings as inappropriate expressions of channeled resentment. These scholars viewed Indian decisions about economic organization as reflections of Cold War political ideology or even psychological distress.⁵¹

Rostow had some concerns about economic organization in India—government planning there seemed to him overemphasized—but even more about Indian economic priorities. He long opposed the Indian preference for heavy industry, insisting instead that Indians should build up infrastructure and agriculture before turning to industry. His economic analysis had led him to promote the slow and steady progress toward industrial modernity. Agriculture, not huge factories, would lead to balanced economic growth, Rostow noted in a *Harper’s* article called “Marx Was a City Boy.”⁵² A 1959 study team sent by the Ford Foundation agreed. Their report insisted that “agricultural development must be given the highest priority among all categories of development for the remainder of the Second Five-Year Plan period and for the entire Third Plan period.”⁵³

Rostow criticized India for trying to skip stages in his five-stage typology of modernization. He worked with then-Senator John F. Kennedy to establish new aid programs helping third world nations proceed from stage to stage in an orderly fashion. Citing challenges such as China’s Great Leap Forward and India’s Second Five-Year Plan, Kennedy called for a revolving capital fund of \$10 billion to enlarge private flows of investment to third-world nations.⁵⁴ Once installed in the White House in 1961, Rostow launched the “economic development decade,” which sought to use development aid as a weapon in the Cold War.⁵⁵ This American vision of development, as recent scholars have demonstrated, preached free markets while practicing a decidedly more mixed economic structure. Funding large development projects—dams modelled on the Tennessee Valley Authority were especially popular—Western agencies

51. W.W. Rostow, *Eisenhower, Kennedy and Foreign Aid*, Ideas and Action Series no. 5 (Austin, TX, 1985). The Center’s broadest case for foreign aid was Max Millikan and Walt Rostow, *A Proposal: The Key to an Effective Foreign Policy* (New York, 1957). See Rostow with Richard W. Hatch, *An American Policy in Asia* (New York and Cambridge, MA, 1955), 10; Shils, *The Intellectual between Tradition and Modernity: The Indian Situation* (The Hague, 1961). On Shils’s views in the context of Cold-War social science, see Ron Robin, *The Making of the Cold War Enemy: Culture and Politics in the Military-Industrial Complex* (Princeton, NJ, 2002).

52. Rostow, “Marx Was a City Boy, or Why Communism May Fail,” *Harper’s Magazine* 210 (February 1955); Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge, 1960).

53. *Report on India’s Food Crisis and Steps to Meet It*, quoted in Frankel, *India’s Political Economy*, 180. See also George Rosen, *Western Economists and Eastern Societies: Aspects of Change in South Asia, 1950–1970* (Baltimore, MD, 1985), ch. 4. Merrill, *Bread and the Ballot*, chs. 5–6.

54. Rostow, *Eisenhower, Kennedy, and Foreign Aid*; Merrill, *Bread and the Ballot*, chs. 6–7.

55. Michael E. Latham, *Modernization as Ideology: American Social Science and “Nation-Building” in the Kennedy Era* (Chapel Hill, N.C., 2000).

accepted and even encouraged government intervention in the economy, so long as it was not called planning.⁵⁶

The economics behind Rostow's claims had some merit. Most industrialized nations had relied on agricultural surpluses to feed growing cities and to provide export income and capital for investment.⁵⁷ But even if his economic analysis was correct, Rostow got the public relations all wrong. Third-world elites typically defined modernity in terms of factories, not fields. Citing the Soviet model, Nehru, Sukarno, and many others claimed that the only route to a modern economy was by building huge factory complexes—and that the only means was central planning. The economic vision and the economic history of the Soviet Union gave it innumerable political advantages in the third world. The importance of the USSR in the “battle for the hearts and minds of the third world” went well beyond its well-publicized (if less well-funded) “economic offensive.”⁵⁸ It exemplified the economic priorities and economic organization to which many third world nations aspired.

Different economic factors were at work in other parts of the world. If Indian conflicts revolved around economic organization, conflicts in Moscow and the heart of Europe revolved around economic priorities. In Moscow, the succession struggle following Joseph Stalin's death in 1953 revolved around economic issues as well as political and personal ones. Georgii Malenkov called for deep cuts in the military and in heavy industry, with the savings directed toward immediate consumption. Yet, as political scientist George Breslauer put it, Malenkov's plan “lacked a mythology with broad roots in the Stalinist tradition”—that is, it too quickly abandoned the romance of economic devel-

56. On TVA models in Asia, see Daniel Klingensmith, “‘One Valley and a Thousand’: Remaking America, India, and the World in the Image of the Tennessee Valley Authority, 1945–1970” (Ph.D. diss., University of Chicago, 1998); David Ekbladh, “‘Mr. TVA’: Grass-Roots Development, David Lilienthal, and the Rise of the Tennessee Valley Authority as a Symbol for U.S. Overseas Development, 1933–1973,” *Diplomatic History* 26 (Summer 2002): 335–74. Nick Cullather, “Damming Afghanistan: Modernization in a Buffer State,” *Journal of American History* 89 (September 2002): 520–27. On other efforts to preach free enterprise while practicing government intervention, see Cullather, “‘Fuel for the Good Dragon’: The United States and Industrial Policy in Taiwan, 1950–1965,” *Diplomatic History* 20 (Winter 1996): 1–26.

57. On agriculture and industrialization, see especially the works of economic historian E. L. Jones, culminating in his *Growth Recurring: Economic Change in World History* (Oxford, 1988). There were distinct Western advantages for promoting Rostow's stage theories for the third world, namely that these countries would continue to sell raw materials on the world market, and would need (for the foreseeable future) to import manufactured products from the west. These arguments against Western theories of modernization and development were made most powerfully by dependency theorists like Andre Gunder Frank, Celso Furtado, and others. For a brief synopsis, see Mark T. Berger, *Under Northern Eyes: Latin American Studies and US Hegemony in the Americas, 1898–1990* (Bloomington, IN, 1995), 106–29.

58. One of the first analyses of the offensive remains one of the best: Joseph S. Berliner, *Soviet Economic Aid: The New Aid and Trade Policy in Underdeveloped Countries* (New York, 1958); for estimates of the Soviet aid amounts, see Abraham S. Becker, “The Soviet Union and the Third World: The Economic Dimension,” in *The Soviet Union and the Third World: The Last Three Decades*, eds. Andrzej Korbonski and Francis Fukuyama (Ithaca, NY, 1987).

opment. In contrast to Stalin, Nikita Khrushchev proposed increasing production of both guns, machinery, and butter (or at least barley). He sought to maintain industrial production while increasing the availability of consumer goods. Making use of his own experience in agricultural management, Khrushchev called for a national program to boost food production through the cultivation of “Virgin Lands.” In principle, then, Soviet consumers could eat better without compromising their nation’s military and industrial might.⁵⁹

While it is tempting for Americans to reduce Khrushchev’s consumerism to his famous Kitchen Debate against then-Vice President Richard Nixon, the Soviet leader’s interest in consumer goods went well beyond that one ill-tempered exchange in 1959. Concerns about increasing consumption predated the Kitchen Debate by several years. The Soviet economics profession had turned to the study of consumption by 1957, publishing a range of empirical and methodological articles on standards of living. Gone was the first Five-Year Plan’s exhortation to “catch up with and overtake” the United States in the production of steel, tractors, and tanks. Soviet economists still called for economic competition, but focused on consumption rather than (as in the 1930s) on production. The victory over capitalism would be assured, according to these economists, by increasing the Soviet standard of living.⁶⁰ A typical article insisted that the essence of the Great October Socialist Revolution was an improvement in the material condition of the workers.⁶¹ Another article, also from 1957, used familiar Stalinist slogans in a new context. The author, an official in the Ukrainian Communist Party, urged Soviet citizens to complete the decisive task of catching up with and surpassing the United States—in the per-capita production of meat, milk, and butter.⁶² Like the earlier Soviet goals to “catch up with and surpass” the United States in production, these exhortations about consumption never even approached fulfillment. Indeed, growth in Soviet consumption was *slowing* by the time of the Kitchen Debate; from 1955 to 1960, consumption grew by 4.2 percent annually, compared with only 2.5 percent in the next quinquennium.⁶³

59. George W. Breslauer, *Khrushchev and Brezhnev as Leaders: Building Authority in Soviet Politics* (London, 1982), ch. 2 (quoted p. 26); also G.A.E. Smith, “Agriculture,” in *Khrushchev and Khrushchevism*, ed. Martin McCauley (Bloomington, Ind., 1987); and Anatolii Streliański, “Khrushchev and the Countryside,” in *Nikita Khrushchev*, eds. William Taubman, Sergei Khrushchev, and Abbott Gleason (New Haven, 2000).

60. A. Notkin, “Sovremennii etap ekonomicheskogo sorevnovaniia SSSR i glavnykh kapitalisticheskikh stran,” *Voprosy ekonomiki* 1961 #7, pp. 7–22. See also Khrushchev’s speeches quoted in Streliański, “Khrushchev and the Countryside,” esp. 115–22.

61. I. L’vov, “Pod’em urovnia zhizni trudiashchikhsia SSSR,” *Voprosy ekonomiki* 1957#10, pp. 105–115.

62. L. Andrienko, “V bor’be za reshenie zadachi . . .” *Voprosy ekonomiki* 1958:2, pp. 3–15. Streliański, “Khrushchev and the Countryside,” 119–20. On the social experience of the late 1950s, see E. Iu. Zubkova, *Obshchestvo i reformy, 1945–1964* (Moscow, 1993), ch. 4.

63. Gertude E. Schroeder and Barbara S. Severin, “Soviet Consumption and Income Policies in Perspective,” in U.S. Congress, Joint Economic Committee, *Soviet Economy in a New Perspective* (Washington, 1976), 646.

Khrushchev's thaw led not only to a brief cultural efflorescence, but also to a commitment to take consumer needs out of Stalinist deep-freeze.⁶⁴ In doing so, however, the Soviet leader began a competition with the United States that his nation was ill-equipped to win. If the race was over appliances rather than arms, the United States led the USSR to an extraordinary, seemingly insurmountable, degree.⁶⁵ And no longer could Soviet leaders claim that consumer goods would only appear in socialism's "bright future"; they claimed that such goods would arrive in the here and now—and yet they were not, at least compared with the United States and (increasingly) Western Europe. The Soviet rhetoric of consumption exhibited a far more rapid expansion than Soviet consumption itself, contributing to the growing doubts that the benefits of socialism would ever arrive.

This context makes the Kitchen Debate seem all the more significant as a chapter in American-Soviet relations. The model American kitchen came to Moscow as part of a bilateral exchange of exhibits. In spite of official claims that it represented the standard of living available to Americans, the model exaggerated significantly.⁶⁶ But its equipment, complete with a remote-control "robot" cleaner, aptly symbolizes America's chief propaganda theme in the 1950s: the high standard of living, or, as the US Information Agency termed it, "The People's Capitalism."⁶⁷ After arguing over who had more and more powerful weapons, Nixon tried to steer the debate to a competition over washing machines. Here, too, Nixon and Khrushchev maintained their aggressive postures: each leader claimed that *his* side provided better durable goods

64. Recent scholarship has pointed to the ideological importance of consumption in the USSR under Stalin. But loud proclamations of "Stalinist abundance" far exceeded the material conditions of the 1930s; see Osokina, *Za fasadom "Stalinskogo izobil'ia."* Furthermore, consumption was not (as it became under Khrushchev and especially Brezhnev) an end unto itself; in the 1930s, consumption was closely tied to the spreading of "culture" (*kul'turnost*) among a "backward" population: see Amy E. Randall, "'Revolutionary Bolshevik Work': Stakhanovism in Retail Trade," *Russian Review* 59 (July 2000): 425–41; and Julie M. Hessler, "Culture of Shortages: A Social History of Soviet Trade" (Ph.D. diss., University of Chicago, 1996). The pathbreaking work of Vera Dunham first established the centrality of consumption in Stalin-era culture: Vera S. Dunham, *In Stalin's Time: Middleclass Values in Soviet Fiction* (Cambridge, 1976).

65. Gertrude E. Schroeder, "Soviet Living Standards in Comparative Perspective," in *Quality of Life in the Soviet Union*, ed. Horst Herlemann (Boulder, CO, 1987); and Abram Bergson, *Productivity and the Social System—The USSR and the West* (Cambridge, MA, 1978), chs. 10–11.

66. Walter L. Hixson, *Parting the Curtain: Propaganda, Culture, and the Cold War, 1945–1961* (New York, 1997), 189. I have relied on Hixson, chs. 6–7; and Robert H. Haddow, *Pavilions of Plenty: Exhibiting American Culture Abroad in the 1950s* (Washington, DC, 1997), ch. 8 for details on the Kitchen Debate. Richard Nixon's chapter on the topic in his *Six Crises* (New York, 1962) remains essential reading.

67. On USIA and People's Capitalism, see Hixson, *Parting the Curtain*, ch. 5; Laura Belmonte, "A Family Affair? Gender, USIA, and Cold War Ideology, 1945–1960," in *Culture and International History*, eds. Jessica Gienow-Hecht and Frank Schumacher (New York, forthcoming); and the first work in this area, Elaine Tyler May, *Homeward Bound: American Families in the Cold War Era* (New York, 1988).

to make life better for *his* nation's housewives. At the same time as he sought to shrink the appliance gap, though, Khrushchev called for high levels of investment in factory production. These dual promises—to continue rapid industrial expansion while increasing consumer goods—contributed to the growing discontent with Khrushchev, both among the populace and among his fellow leaders.

Khrushchev, furthermore, thought globally while acting nationally; he called on Soviet citizens to maintain their “struggle and sacrifices” in order to further the worldwide progress of socialism. He needed all the resources he could get to help fulfill the global romance of economic development. The international duty of the Soviet Union, Khrushchev exhorted, required sacrifices in the name of industrial production at home and socialist fraternity abroad.⁶⁸

Khrushchev's successor Leonid Brezhnev, however, abandoned “self-sacrificing” labor in the name of a new complacency. The stagnation of the Brezhnev era reflects not just the slowing of economic growth, but acceptance of what was rather than aspirations for what might be. This complacency extended to the international arena. Whereas Khrushchev saw building the international socialist system as the highest duty of Soviet citizens, Brezhnev had more immediate and local concerns. The language, of course, differed greatly. Brezhnev, upon taking the reins from Khrushchev in 1964, offered a harsh criticism of his predecessor's “subjectivism” in economic planning, meaning the desire to achieve unrealistically high goals. Policies should instead become exercises in the arts of the possible, guided by “objective economic calculations.” Consumption should increase under Brezhnev's plan, though the consumer paradise that Khrushchev had promised faded into Brezhnev's more staid and penurious “actually existing socialism.” (Indeed, Soviet consumption did grow more quickly in Brezhnev's first years than they had under Khrushchev's final ones—but only returned to the pace of the 1950s.) The reversal of Stalin's calls for sacrifices in the name of production was complete.⁶⁹ No longer would consumption follow economic development (as Stalin claimed) or accompany it (as Khrushchev hoped). Instead, as Brezhnev intoned in 1965, it was the highest duty of the Soviet people to see that Soviet citizens became richer each year. In the name of this better life, he concluded, “we are building communism.”⁷⁰ Yet the better life was slow to arrive.

68. See especially George W. Breslauer, *Khrushchev and Brezhnev as Leaders: Building Authority in Soviet Politics* (London, 1982), chs. 2, 8. Also Remnek, *Soviet Scholars and Soviet Foreign Policy*, 222.

69. Schroeder and Severin, “Soviet Consumption and Income Policies”; also Linda J. Cook, *The Soviet Social Contract and Why It Failed: Welfare Policy and Workers' Politics from Brezhnev to Yeltsin* (Cambridge, MA, 1993), chs. 1–3; Breslauer, *Khrushchev and Brezhnev as Leaders*, ch. 8.

70. Brezhnev in “Report of the Central Committee,” in *Current Soviet Policies, V: The Documentary Record of the 23rd Congress of the CPSU* (Columbus, OH, 1965), 4.1, 15.2, 24.1.

Shifting Soviet economic priorities had significant international ramifications. Soviet leaders influenced East German economic policies; these policies, in turn, were wrapped up in the series of diplomatic conflicts over Berlin. The battles over Berlin preceding the erection of the Wall in 1961 were fundamentally economic in nature, related to both performance and priorities. The issue here was the continuing failure of the East German economy, which led residents of the Soviet sector to depart for the West—over two million during the 1950s. Walter Ulbricht, head of the Socialist Unity Party (SED) of East Germany, wanted to bring about rapid economic growth and was willing to sacrifice consumer satisfaction in order to do so.

Ulbricht certainly faced an uphill battle to create an industrial economy in East Germany. The GDR contained fewer manufacturing plants than the western zones. The industrial engine of prewar Germany (the Ruhr Valley in western Germany), though heavily damaged in the war, was rapidly resurrected thanks in part to continuing American support.⁷¹ In the Soviet zone, wartime destruction was compounded by an aggressive Soviet policy of reparations. In the three months after Germany's surrender in May 1945, Soviet authorities had shipped just under five million tons of material and equipment out of the eastern occupation zone. Nor were they content to stop there: Soviet officials declared \$10 billion the minimum level for reparations. In the next three years, Soviet occupation authorities managed to extract only one-quarter of this goal, but the impact was nevertheless tremendous; Norman Naimark estimated that about one-third of the industrial capacity had been removed from the Soviet occupation zone.⁷² The Soviet "liberation" of eastern Germany's industrial base contributed to the region's increasing economic problems.

The foundering economy of East Germany, both Soviet and American authorities recognized, was responsible for the continuing exodus from East Germany to the West—as many as 675,000 in the first three years of a divided Germany (1949–52).⁷³ Soviet advisors and leaders worried about these departures, undertaking a major study of the demographics of and reasons for the outflow. The study, written by a troika of high-ranking Soviet officials in East Germany and sent to Politburo member Georgii Malenkov, focused almost

71. On the economic impact of the Marshall Plan and other American aid, see Alan S. Milward, *The Reconstruction of Western Europe, 1945–1951* (Berkeley and Los Angeles, CA, 1984) versus Michael J. Hogan, *The Marshall Plan: America, Britain, and the Reconstruction of Postwar Europe, 1947–1952* (Cambridge, 1987). See also Volker R. Berghahn, *The Americanisation of West German Industry, 1945–1973* (Cambridge, 1986); Werner Abelshauser, "American Aid and West German Economic Recovery: A Macroeconomic Perspective," in *The Marshall Plan and Germany: West German Development within the Framework of the European Recovery Program*, ed. Charles S. Maier with Günther Bischof (Oxford, 1991); and Barry Eichengreen and Marc Uzan, "The Marshall Plan: Economic Effects and Implications for Eastern Europe and the Former Soviet Union," *Economic Policy* 4 (April 1992), 14–75.

72. Norman M. Naimark, *The Russians in Germany: A History of the Soviet Zone of Occupation, 1945–1949* (Cambridge, MA, 1995), 167–69, 181.

73. Thomas Ammer, "Stichwort: Flucht aus der DDR," *Deutschland Archiv* 22:11 (November 1989): 1206–1208.

exclusively on economic issues. It offered a list of thirteen proposals in order to halt the departures; every single item involved economic policy.⁷⁴ As this group understood, Ulbricht's economic policy brought continued problems for those who stayed. He sought to guarantee a rapid increase in industrial production not only through strict limits on consumption but also through even stricter techniques of labor discipline—what amounted to a Taylorist labor regime based on piecework.⁷⁵ East German workers chafed under these labor and living conditions. Worker dissatisfaction came to a head in Spring 1953, when the SED raised productivity norms and at the same time increased prices for basic items like food and public transportation. In mid-June, workers in Berlin refused to work unless the norms were returned to their earlier levels. Protests quickly increased in number, frequency, and intensity—until forcefully put down by Soviet police and military troops.

The immediate impacts of the crisis were contradictory. The Soviets quickly agreed to increase their subsidies to East Germany, specifically for the purchase of food and clothing from overseas. The economic New Course, which bore similarities to Khrushchev's policy proposals in the USSR, took the place of Ulbricht's insistent goal of "building socialism." At the same time, though, Ulbricht himself not only maintained his position but in fact consolidated his power in the East German party structure. In the meantime, the geopolitical stakes of this economic crisis were raised by the announcement, in Fall 1953, of an American plan to provide food packets to East Germans through distribution points in West Berlin. Ultimately 5.6 million food packages were delivered over four months, including almost nine hundred thousand to the roughly 1.2 million residents of East Berlin.⁷⁶

The June 1953 crisis in East Germany has received significant attention from Cold War historians, especially for its role in the post-Stalin succession struggle in the Soviet Union. Coming only three months after Stalin's death, policies toward East Germany and eastern Europe in general were a crucial part of the contest between Lavrentii Beria, Malenkov, and Khrushchev to ascend to Stalin's preeminence.⁷⁷ Yet, as frequently occurs in such analyses, the German events are studied less for their origins and domestic implications and more for

74. Memo in Christian F. Ostermann, "'This Is Not a Politburo, but a Madhouse': The Post-Stalin Succession Struggle, Soviet *Deutschlandpolitik*, and the SED, New Evidence from Russian, German, and Hungarian Archives," *Cold War International History Project Bulletin* 10 (March 1998). On the impact of these recommendations on East German policy, see Mark Evan Landsman, "Dictatorship and Demand: East Germany between Productivism and Consumerism, 1948–1961" (Ph.D. diss., Columbia University, 2000).

75. Kopstein, *Politics of Economic Decline*, 27–32.

76. Information quoted from Mark Kramer, "The Early Post-Stalin Succession Struggle and Upheavals in East-Central Europe: Internal-External Linkages in Soviet Policy Making," *Journal of Cold War Studies* 1:3 (Fall 1999): 18–21.

77. See especially Kramer's articles, "The Early Post-Stalin Succession Struggle and Upheavals in East-Central Europe," *Journal of Cold War Studies* 1 (Winter 1999): 3–55; (Spring 1999): 3–38; (Fall 1999): 3–66. Also Zubok and Pleshakov, *Inside the Kremlin's Cold War*; and Ostermann, "'This Is Not a Politburo, but a Madhouse.'"

the role they played in Soviet Politburo machinations. So even if East Germany appears on historians' maps of the Cold War, these maps seem to be located in Moscow, with various claimants to the throne pointing at it and proposing policies to ensure their ascendance. But the struggles in Moscow over East German economic policies were not merely maneuvers in the Kremlin's succession battle; they also reflected significant policy trends in their own right, and influenced events and ideas all across central and eastern Europe.

Ulbricht's refusal to limit capital investment, which contributed directly to the crisis of June 1953, hardly waned as the 1950s wore on. The impact of the SED's pro-industry policies on consumption became more visible when contrasted with West Germany, by then in the midst of its *Wirtschaftswunder*, a tremendous economic expansion that joined increased production to increased consumption.⁷⁸

The 1953 crisis led Soviet officials to reduce the East German burden for both defense and industrialization, allowing a rollback of the May 1953 policy changes that had sparked the uprising. But East German economic policy did not shrink from its industry-oriented goals. Though the 1953 uprisings challenged Ulbricht's regime and his personal power, earning him criticisms from Moscow, the East German leader quickly returned to the goal of "building socialism." East Germany's second Five-Year Plan, covering 1956–60, in most ways mirrored the first: it emphasized the collectivization of agriculture and the expansion of industry. In spite of posting respectable growth rates in production, however, East German citizens did not see improvements in their own living standards. They continued to vote with their feet, crossing from East to West Germany; emigration continued apace through the late 1950s, quickly exceeding one hundred thousand annually.⁷⁹ Ulbricht's policies, which limited consumption in favor of investment, had led to the need for a Wall by the early 1960s. The Wall did stop the outflow of East Germans, and the loss of credibility that went with the exodus. It did not, however, spark any direct improvement of the East German economy, especially in terms of consumption.

Ulbricht candidly described his problems to Nikita Khrushchev throughout the Berlin crises of 1958–62. "In the final analysis," he admitted to Khrushchev in 1961, "we cannot choose against whom we would like to compete. We are simply forced to square off against West Germany."⁸⁰ Like Ulbricht, Khrushchev recognized the futility of competing with the West: the Soviet leader later regretted that the GDR had "yet to reach a level of moral and material development" comparable to that in the West.⁸¹ Khrushchev emphasized material over moral concerns; he asserted that economic improvement (not spir-

78. Hans-Joachim Braun, *The German Economy in the Twentieth Century* (London, 1990), 167; also Henry Turner, *Germany from Partition to Reunification* (New Haven, 1992).

79. Ammer, "Flucht aus der DDR," 1206–1208.

80. Ulbricht comment of 1960 cited in Jeffrey Kopstein, *The Politics of Economic Decline in East Germany, 1945–1989* (Chapel Hill, N.C., 1997), 43.

81. N.S. Khrushchev, *Khrushchev Remembers*, ed. Strobe Talbott (Boston, MA, 1970), 456.

itual or ideological regeneration) would end the outflow of East Germans. He even differentiated between European and Asian variants of communism: “For the Chinese,” Khrushchev lectured Ulbricht, “the moral factor seems to decide everything. But our people also make demands for butter and other things.”⁸² Repeating stereotypes about long-suffering Asians, Khrushchev dismissed their needs—while declaring that socialism in Europe required attention to material improvements.

Ulbricht, however, never really got the message. His determination to build an industrial socialism was unswerving, causing no end of conflict with the Soviets and no end of economic troubles for his country. From the first years of divided Germany, Ulbricht doggedly promoted the task of “building socialism,” with the emphasis on construction over consumption. Soviet authorities dealing with Ulbricht called on him to steer a “New Course” that would work toward socialism at a slower pace while providing more goods for immediate consumption. Thoroughly in the thrall of industrial romance, Ulbricht believed that only with heavy industry could East Germany ever hope to match West German levels of consumption and stanch the flow of departures. He was hardly alone in this assumption. India’s Mahalanobis also promoted a build-up of heavy industry as the quickest route to a rapid growth pattern that would eventually provide for its citizens. Both endorsed an economic policy that deferred immediate consumption for eventual prosperity—the very essence of what Kennan had noticed when describing the “romance of economic development” in 1932.

Washington policymakers also attributed the westward flow of Germans to consumption differentials. President Kennedy’s 1963 visit makes this issue clear. Before making his infamous “Ich bin ein Berliner” speech, Kennedy defended political freedoms mostly for their economic payoffs. In one speech, he called freedom “the handmaiden of economic advancement.” Elsewhere he cited West Berlin’s “increasingly high standard of living,” tagging on, “that is what we want our freedom for.” Before leaving Berlin, Kennedy noted two obstacles to German reunification. He first mentioned the disparity in living standards; only afterwards did he wonder about the possible impact of the arms race.⁸³ The battle over Berlin was an economic confrontation as well as a political one. As with the case of India, both superpowers wanted to showcase the success of their respective economic organizations. The Indian and German cases differed, though, in terms of economic priorities; the former focused on industrial production and the latter on consumption.

82. Khrushchev in meeting with Ulbricht, 30 November 1960, in Hope M. Harrison, “Ulbricht and the Concrete ‘Rose’: New Archival Evidence on the Dynamics of Soviet-East German Relations and the Berlin Crisis, 1958–1961,” Cold War International History Project Working Paper no. 5 (1993), document A.

83. Kennedy, “Remarks to the Trade Union Congress of German Construction Workers” (26 June 1963); and Kennedy, “Address at the Free University of Berlin” (26 June 1963), both in *Public Papers of the Presidents: John F. Kennedy, 1963* (Washington, 1964), 523–24, 528.



Figure 1: President John F. Kennedy climbs a platform overlooking the Berlin Wall during his trip to West Berlin in June 1963. East German border guards and officials look on warily. Photograph by Robert Knudsen, White House. Reprinted courtesy of John Fitzgerald Kennedy Library, Boston.

Ulbricht's determination to build socialism through industrialization never shrank, and the disparities between East and West German standards of living grew through the 1960s. By the end of that decade, Ulbricht's infatuation with industry at last cost him his job. After kicking Ulbricht upstairs to a ceremonial post in 1971, Erich Honecker's first decisive act was to import food and clothing for immediate sale in major industrial areas. Unlike Ulbricht's call for sacrifices in the name of investment, Honecker declared that the national *Hauptaufgabe*, or Main Task, was the "unity of social and economic policy." This meant that increased consumption would accompany, rather than follow behind, the production increases permitted by capital investments. Socialism's "bright future" had been recalled in favor of "actually existing socialism" in the present.⁸⁴

84. Kopstein, *Politics of Economic Decline*, 72–86.

Yet here another dilemma arose. The East German economy, in spite of the sacrifices undertaken in the name of building socialism, could not pay for both socialist industry and higher levels of consumption. The continuing failure of Honecker's policies—which Soviet leaders were unable to relieve, since they faced similar pressures—created the conditions leading to the end of East Germany and other Eastern European regimes. The differential between East Bloc and Western levels of consumption continued to grow, making the East's slogans of prosperity seem all the more hollow.

Well aware of the geopolitical need to increase standards of living, Eastern European nations adopted a strategy long familiar to Western purchasers: consumer debt. For much of the 1970s, Eastern European nations sought to defer the dilemma between production and consumption through loans and credits from the West. Western capital could provide investment in industry and therefore allow diversions to the consumer sector. But as East Bloc debts to the west spiralled higher and higher—reaching \$57 billion by 1979—the debt service requirements sharply constrained economic and political options. Polish efforts to confront its huge debt to the West became a crucial factor in the rise of Solidarity as well as its eventual suppression in 1981. The phenomenon of Western loans to Soviet nations neatly inverts Lenin's prediction about capitalist aid to the new Soviet Russia: the West provided enough rope for Soviets and East European leaders to hang themselves.⁸⁵

Even with Western capital flowing eastward, Eastern Europe's economic performance lagged ever further behind the West's. The gap between the Soviet bloc's rhetoric of consumer plenty and the reality of shortages and shortfalls also increased. This not only delegitimated the Soviet and Soviet-supported regimes, it also increased discontent. East bloc residents often felt their relative impoverishment as keenly as the lack of political and intellectual freedoms—and sometimes even more keenly. As a leader of the Czech Student Union complained in 1989, "when people went into the streets, they thought communism would fall and they would have cars."⁸⁶ Like the Indonesians who believed that prosperity would automatically follow independence, Czech citizens equated the overthrow of communism with an updated version of consumer plenty. The economic results of the past decade, however, suggest that economic growth requires more than regime change. Economics, and not just politics, defined the life and death of Europe's people's democracies.

85. This paragraph is based primarily on two papers presented at the American Association for the Advancement of Slavic Studies annual meeting in November 2000: David R. Stone, "The Politics of Soviet Bloc Debt" and Jeremi Suri, "The Foreign Policy of 'Developed Socialism,' 1964–1972." See also Benjamin J. Cohen, *In Whose Interest? International Banking and American Foreign Policy* (New Haven, CT, 1986), ch. 7; and Charles S. Maier, *Dissolution: The Crisis of Communism and the End of East Germany* (Princeton, NJ, 1999), ch. 2.

86. Quoted in Kopstein, *Politics of Economic Decline*, 5.

Soviet policy had entered the 1930s with a revolution in production. The romance of economic development attracted those willing to withstand (or cheer on) great sacrifices in the name of the industrialization of the USSR. By the mid-1950s, the Soviets aided those still inspired by this vision, thus spreading the revolution in production, visible in Nehru's India and Ulbricht's East Germany. Production called for sacrifices. But by the late 1960s, the romance had lost some of its luster and economic priorities shifted. Soviet policy instead stressed immediate provisions for its own citizens—what we might call consumerism in one country.

The international economic and political order reflected the consequences of this disenchantment with production. Soviet officials' unwillingness to continue bailing out India and East Germany led both nations to pursue closer connections with the West. Indian officials accepted increasing Western aid for the agricultural sector, ultimately importing the Green Revolution.⁸⁷ Honecker reluctantly accepted Willi Brandt's *Ostpolitik* overtures, killing the pain of recognizing a divided Germany with the DM 1.2 billion in credits that came with it.

In new ways, then, the superpowers' race for higher levels of consumption accompanied their race for weapons of destruction. Paying for both consumption and destruction created a dilemma for the Soviet leadership that it could never overcome. The collapse of the Soviet Union is attributable in large part to its growing economic woes. While Soviet policymakers and scholars devotedly analyzed the "scientific-technological revolution," they were unable to adapt to new technological changes.⁸⁸ The seeds for the collapse were well in place by the time Brezhnev inaugurated a new era of stagnation. The cultural shocks of 1968 and the oil shocks of 1973 sent Western economies and societies in new directions. Affected by the changes but slow to adapt, the Soviet system lumbered on, an industrial behemoth in a post-industrial age.⁸⁹

87. John H. Perkins, *Geopolitics and the Green Revolution: Wheat, Genes, and the Cold War* (Oxford, 1997), ch. 8.

88. One of the earliest arguments to trace the economic and sociological origins of the transformations (and eventual collapse) of the Soviet system was Moshe Lewin, *The Gorbachev Phenomenon: A Historical Interpretation* (Berkeley and Los Angeles, CA, 1988). See also Kotkin, *Armageddon Averted: The Soviet Collapse, 1970–2000* (Oxford, 2001); Erik P. Hoffmann and Robbin F. Laird, "*The Scientific-Technological Revolution*" and *Soviet Foreign Policy* (New York, 1982).

89. On the differential impacts of 1968 in East and West, see Charles S. Maier, "The Collapse of Communism: Approaches for a Future History," *History Workshop Journal* 31 (Spring 1991): 34–59. Stephen Kotkin emphasizes the oil shocks as a stimulus of Western technical change in his *Armageddon Averted*, ch. 1. On the rise of the concept of "post-industrial societies," see Howard Brick, "Optimism of the Mind: Imagining Post-Industrial Societies in the 1960s and 1970s," *American Quarterly* (September 1992). On 1973 as the end of the "post-war era," see John H. Goldthorpe, "Problems of Political Economy after the Postwar Period," in *Changing Boundaries of the Political: Essays on the Evolving Balance between State and Society, Public and Private in Europe*, ed. Charles S. Maier (Cambridge, 1987).

Deep concerns about Soviet economic conditions reached the highest levels of the party and state apparatus. By the early 1980s, Politburo reports took an increasingly dire and urgent tone about the Soviet economy.⁹⁰ Even as political scientists continue to argue over the single most important factor in the Soviet break-up, they agree about the centrality of the economic crisis. Robert English, who shows how “new thinking” about the economy spread from distant Soviet outposts like Novosibirsk into the Kremlin, suggests that the economic decline played a “major” role in bringing the new thinkers to power. Realist William Curti Wohlforth, meanwhile, has marshalled an impressive number of recollections suggesting that Mikhail Gorbachev’s ascension to power, as well as many of his policies, were attempts to solve economic problems. Reducing military commitments to eastern Europe in the 1980s thus served the same purpose as reducing economic commitments had in the 1960s and 1970s. Only by scaling back expenditures outside its borders could the Soviet Union hope to bring about any improvement in its material position. As Gorbachev advisor Nikolai Ryzhkov noted, without changing the terms of Soviet military support for its allies, “we can forget about any increase in the standard of living.” By 1988, the Soviet military leadership agreed, calling such a reduction “necessary, given the country’s economic condition.”⁹¹

Economic priorities played a crucial role in the international history of the Cold War, attracting leaders and citizens all over the world to visions of industrial productivity and eventually the good life. To the extent that the Soviet Union justified its authoritarian structure—indeed, its very existence—by increased production, it evoked the romance of economic development and received both attention and emulation. But the shift to defining socialism in terms of consumption ultimately contributed to the downfall of the Soviet system. Its promises of cornucopia were contradicted by empty shop counters; its direct comparisons with the West undermined by the rapidly increasing standards of living there. Information about Western life trickled into the Soviet Union and Eastern Europe—whether in form of black-market Sears catalogs, Levi’s jeans, or Marlboro cigarettes—and undercut the legitimacy of the Soviet-style regimes.⁹² The romance of economic development called for present hardship in the name of socialism’s “bright future,” but that longed-for period seemed never to come any nearer. Like Jay Gatsby’s pursuit of his own “orgiastic future,” the Soviets’ bright future continually receded before them. This unattainable future created expanding credit and credibility problems during the Brezhnev-era stagnation, leading to incremental improvement in standards

90. Mark Kramer, “Ideology and the Cold War,” *Review of International Studies* 25 (1999): 566.

91. William C. Wohlforth, “Realism and the End of the Cold War,” *International Security* 19 (Winter 1994): 113–14; Stephen G. Brooks and William C. Wohlforth, “Power, Globalization, and the End of the Cold War: Reevaluating a Landmark Case for Ideas,” *International Security* 25 (Winter 2000): 26–28.

92. Hixson, *Parting the Curtain*, Conclusions.

of living but rapid increases in cynicism and disillusionment. Determined to maintain and expand its military might, Soviet leaders could not, ultimately, deliver the goods.⁹³

In spite of its victory in the battles over consumption, though, the United States fared far worse in its diplomacy toward the underdeveloped world. While most Americans had already begun to enjoy the benefits of consumer society, many intellectuals and political leaders in the third world were still focused on production, even at the expense of immediate consumption. Under the thrall of the romance of economic development, they were clearly part of what Parsons called a “world-wide consensus on high, industrial-level productivity.” Their interest in economic performance, however, often led them into conflicts with the United States. These leaders often promoted central planning as the fastest route to rapid industrialization, drawing inspiration from the Soviet industrialization efforts of the 1930s.

The failure of America’s policy-makers and intellectuals to understand the nature of the attraction to the USSR constituted a serious impediment to its political position and its reputation in the third world. Stressing agriculture over industry, reading political meanings into economic decisions, America’s diplomatic successes compared poorly to its virtuoso economic performance until the 1970s. Walt Rostow serves as a prime example here. Determined to assert American interests among nonaligned nations, he confused American interests in new nations with those nations’ own interests. In India, for instance, Rostow and some of the scholars working with him could not fathom any rationality in Indian intellectuals’ attraction to the Soviet Union. Like Nehru, many of these intellectuals were strongly opposed to Soviet foreign policy, and fought against the Communist Party of India with increasing vociferousness. Yet at the same time, they admired the Soviet model of economic organization, both for its past successes and for its vision of an industrial future. India’s problems of the 1950s repeated many of the failures of Soviet-style industrialization: insufficient attention to agricultural production placed the population at risk of food shortages. Perhaps Rostow was right: Marx was a city boy. But Rostow and colleagues like Edward Shils reduced the question of central planning and rapid industrialization to international politics in its most direct form. Only alienated intellectuals and Stalinists, the new anti-Party line went, could find anything of merit in

93. This is consistent with Charles Maier’s claims about the sources of stability in Western Europe. See, for instance, Charles S. Maier, “The Two Postwar Eras and the Conditions for Stability in Twentieth-Century Western Europe,” *American Historical Review* 86 (April 1981): 327–52. For comparative measures of spending, see Gertrude E. Schroeder, “Consumption in the USSR: A Survey,” *Studies on the Soviet Union* n.s. 10 (1970): 1–40; and A.S. Zaichenko, “SShA-SSSR: lichnoe potreblenie (nekotorye sopostavleniia),” *SShA: Ekonomika, Politika, Ideologiya* 1988 #12, pp. 12–22.

On the role of defense spending in the Soviet economy (and economic woes), see W. T. Lee, “The Shift in Soviet National Priorities to Military Forces, 1958–1985,” *Annals of the American Academy of Political and Social Science* 457 (September 1981): 46–66; Lee’s analyses are challenged in Firth and Noren, *Soviet Defense Spending*, ch. 6.

the Soviet experience. By failing to acknowledge the power of the romance that had been so apparent in American intellectual life in the 1930s, Rostow and his cohort misunderstood the Indian versions of that romance in the 1950s and 1960s. While their economic analysis may have been right, there were other fronts in the battle for the hearts and minds of the third world.

The economics of the Cold War went beyond the searches for markets and raw materials. Internationally oriented businesses in Western nations, after all, were far from the only groups seeking to improve their economic condition. The economic successes of the postwar era raised the bar for economic performance—which, as Parsons noted, was universally seen as a worthy goal. With the announcement of the Soviet goal of “catching up and surpassing” the United States in economic production, the economic Cold War had begun. From the 1930s through the 1950s, Soviet economic growth reached impressive levels—though hardly as impressive as Soviet statistics indicated.⁹⁴ The sacrifices Kennan identified as the “romance of economic development” yielded concrete results.

Their model of rapid industrialization through central planning inspired newly independent nations who wished to follow Russia’s journey from a backward exporter of agricultural products to an industrial society. Economic plans in India, Indonesia, and elsewhere in the third world emulated Soviet economic priorities, emphasizing industry over agriculture. The American record in the third world reflects continuing difficulties in separating issues of economic organization and economic priorities from the Cold War. For Nehru and Sukarno, emulating Soviet planning had little to do with Communist leanings, yet they were both viewed with great suspicion by American policy-makers.

As the USSR entered the industrial world, its leaders announced a new and even more challenging goal: to match American standards of living. In this competition, the Soviet Union was hopelessly behind almost from the start. By the 1960s, Soviet leaders had rejected the romance of economic development in favor of a complacent stagnation. The thrill of production had ebbed. Gone was the romantic glory of self-abnegation in the name of rapid industrialization. In its place came increasing demands for incremental improvements in living conditions. No one wanted to revel in Rostow’s exhilarating stage of “take-off to self-sustained growth.” They wanted instead to enjoy Rostow’s final stage, “the age of high mass consumption.” Pursuing its own version of Rostow’s end of history, the Soviet Union found its own end.

With the Soviet demise came a new consensus about economic life after the Cold War. Economic performance, already enshrined as a worthy goal for all

94. For the crucial effort to reconstruct Soviet growth rates, see Abram Bergson, *The Real National Income of Russia since 1928* (Cambridge, MA, 1961). For an overview of the effects of new archival data on earlier estimates, see Joseph S. Berliner, “The Contribution of the Soviet Archives,” in *Behind the Facade*.

nations, took on renewed importance. Once-fervent debates over economic priorities and economic organization, however, faded almost to silence. In their place came seeming unanimity about the virtues of unfettered markets and a limited role for government. According to this new paradigm, the path to prosperity steers clear of central planning (and most other forms of government economic activity) and runs through an enchanted landscape of unfettered free markets and global commerce.⁹⁵ Historians should not let the failures of Soviet-style economies erase the promises it held and the aspirations it captured in the latter half of the twentieth century. After all, even a failed romance can teach valuable lessons.

Tracing the rise and fall of this romance of economic development alongside the trajectory of the Cold War places the conflict in a broader historical and geographic framework. It reveals the intellectual continuities that predated and shaped the Cold War and its antagonists. Exploring the twentieth century's romance with development serves as a reminder that the Cold War was more than a series of disconnected political-military crises; the conflict shaped the desires and achievements of much of the world.

A focus on the economics of the Cold War, in sum, will make new international histories of the Cold War both more international and more historical—not to mention more capable of understanding how the Cold War was experienced all around the world.

95. Among the most recent challenges to this approach, coming from a former economist for the World Bank, is Joseph E. Stiglitz, *Globalization and Its Discontents* (New York, 2002).

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