

COUNCIL ON FOREIGN RELATIONS

**Cultural Contradictions of Post-  
Communism: Why Liberal Reforms Did  
Not Succeed in Russia**

---

Nina L. Khrushcheva

**A Paper from the Project on Development, Trade and International Finance**

Copyright © 2000 by the Council on Foreign Relations®, Inc.  
All rights reserved.  
Printed in the United States of America.

This book may not be reproduced in whole or in part, in any form (beyond that copying permitted by Sections 107 and 108 of the U.S. Copyright Law and excerpts by reviewers for the public press), without written permission from the publisher. For information, write Publications Office, Council on Foreign Relations, 58 East 68<sup>th</sup> Street, New York, NY 10021.

# Cultural Contradictions of Post-Communism

## Why Liberal Reforms Did Not Succeed in Russia

Things that I admire elsewhere, I hate here [in Russia]... I find them too dearly paid for; order, patience, calmness, elegance, respectfulness, the natural and moral relations that ought to exist between those who think and those who do, in short all that gives worth and charm to well-organized societies, all that gives meaning and purpose to political institutions, is lost... here...

Marquis de Custine, 1839

We wanted for the better, but it still turned out as usual.

Victor Chernomyrdin, 1998

### INTRODUCTION

One goal of Russia's economic reforms over the last ten years has been to establish a new class of businessmen and owners of private property -- people who could form the foundation for a new model post-Soviet citizen. However, the experience of this post-communist economic "revolution" has turned out to be very different from the original expectations. For as people became disillusioned with Communism due to its broken promises, the words "democracy" and "reform" quickly became equally as unbearable to large sectors of the Russian public after 1991. Such disillusion was achieved in less than 10 years -- a record revolutionary burnout that would be the envy of any anti-Bolshevik.

Only a few years into the reform process disappointed analysts were already posing stark questions: "Why has democratic and market reforms turned out to be such an arduous process? Why has Western style liberalism, embraced almost everywhere in theory, proved difficult even to approximate in practice? Why has freedom not yet been established, even though the totalitarian state has been torn down?"<sup>1</sup> Indeed, many analysts assess the results of the past ten years as a nearly complete failure, and blame either corruption, or Western institutions such as the IMF and the World Bank. The blame attached to the international institutions may be too simplistic, as the Bretton Woods Institutions have been around for 50 years, and many of their projects have proved successful. In addition, corruption is part of every political economy and exists to greater and lesser degrees in every country. What is significant is the consensus that Russia's political economy is corrupt on all levels. According to numerous sources<sup>2</sup>, Russia has ranked among the ten most corrupt nations in the world over each of the past eight years. International investors complain about corruption regularly, and the 1998 financial crisis made matters much worse, inciting discussion as to whether Russia's developing economy was in fact a form of developing capitalism, or simply

---

<sup>1</sup> Stephen Holmes, "Cultural Legacies or State Collapse?" in Michael Mandelbaum, ed., *Post-Communism: Four Perspectives*. A Council on Foreign Relations Book, 1996, p. 25.

<sup>2</sup> Transparency's International 1998 and 1999 Corruption Perceptions Index ranks Russia 76 out of 85 countries. Denmark was ranked first least corrupt country, and the United States shared 17<sup>th</sup> place with Austria. On a ten-point scale, with Denmark having earned a 10, Russia scored 2.4. The United States and Austria both had 7.5, while Cameroon earned only 1.4, the lowest score. [www.transparency.de](http://www.transparency.de)

"oligarchizm," a system where a narrow elite has "stolen the state, and everything else."<sup>3</sup>

That question has drawn attention around the world. The US Senate held hearings on corruption in Russia on September 30, 1999. Public speculations about "Who Lost Russia?" triggered debates within the IMF and World Bank, inspiring a restructuring process of both institutions; Boris Yeltsin was brought to resign and new President Vladimir Putin has declared a "dictatorship of law and order" in his fight against Russia's lawlessness.<sup>4</sup>

The question of corruption only highlighted Russia's complicated transition, but its general problem with liberalism and capitalism goes beyond politics and into history and culture. According to the political scientist Stephen Holmes, corruption is not a cause but a consequence of what he calls "*cultural legacies*, those habits acquired in the past which are difficult to shake and which purportedly obstruct the successful creation and function of democratic and market institutions. Habits die hard and mentalities change slow..."<sup>5</sup>

A number of aspects within the Russian "national character," the "cultural legacy," explain the failings of liberal policies in Russia since 1991. Among these are the influence of Asian culture and the values that linger from the previous system, both of which reinforce the special role of family and friendship relationships for a Russian. The influence of these factors leaves little hope for a "faceless bureaucracy," that would operate without regard to personal preferences and sympathies, applying the law and regulations equally to all. Until now, a complete understanding of the problems posed by cultural obstacles to a properly functioning market has not been at the heart of most discussions of Russia's liberal economic reforms. However, the mixed results of the reform process, as well diverse assessments<sup>6</sup> by Russian actors and outside participants and analysts, suggest that the problems go much deeper than only the issue of bad policies, inefficient implementation, or the supposedly corrupt nature of the Russian state. "What deserves careful thought is the reform-hampering role of inherited attitudes and patterns of behavior. People do more easily what they are used to doing than what they have never done... Habits and expectations, which perversely constrict freedom of choice, can be handed down from generation to generation and survive for centuries by sheer inertia."<sup>7</sup> Moreover, Jeffrey Sachs, Harvard economist and early advisor to Boris Yeltsin, suggests that it is not just behavioral patterns, but also geography which, although not entirely deterministic, "conditions events" and keeps "a powerful hold even in our supposedly globalized economy... Proximity to the West induced better policies..."<sup>8</sup> throughout the post-communist region.

The two epigrams by de Custine and Chernomyrdin that introduce this essay suggest a simple but powerful conclusion: Russia's culture has a deep impact on any reform effort, meaning that the country is not easily susceptible to change. Why is it that the late czarist

---

<sup>3</sup> Kenneth Murphy, Marek Hassel, "Stealing the State and Everything Else: A Survey on Corruption in the Post-Communist World," *Project Syndicate*, Winter 1999. [www.project-syndicate.cz](http://www.project-syndicate.cz)

<sup>4</sup> Jonas Bernstein, "Party Lines: Dictated by Law, or Nods," *Moscow Times*, March 4, 2000.

<sup>5</sup> Stephen Holmes, "Cultural Legacies or State Collapse," p. 26.

<sup>6</sup> Today only a few reformists insist that the road to capitalism which they chose by way of "shock therapy" has proven itself successful. Yegor Gaidar, Anatoly Chubais, Anders Aslund and a few others remain confident that reforms could not have been done differently. In his book *Privatization Russian Style*, Chubais argues that the way reforms were implemented was defined by the necessity to neutralize the Soviet-style bureaucracy, because the command system never wanted to admit that a "Soviet man like every other man was nothing more than 'homo economicus,' fully engrossed in the economic interests: interest in money, interest in property and profit." (Anatoly Chubais, "Birth of the Idea," in Anatoly Chubais, ed., *Privatizatsiya po-rossiiski*. Moscow: Vagrius, 1999, p. 29.)

<sup>7</sup> Stephen Holmes, "Cultural Legacies or State Collapse," p. 26.

<sup>8</sup> Jeffrey D. Sachs, "Eastern Europe Reforms: Why the Outcomes Differed so Sharply," *Boston Globe*, September 19, 1999.

system, late Communism, and post-communism all failed to generate viable alternatives other than changes that appear destructive and malfunctioning? Why is it that replacing the old regime always results in a crippled successor regime? One possible answer here is a great paradox of "tyranny," in which a "weak state" provides too much government, depriving people of the basic liberties needed to make their own decisions.<sup>9</sup> Such a state is ever impotent to solve the fundamental problems facing it, remaining effective only at weakening and discrediting alternative leaders. This pattern held true even after 1991, when the reform team led by the English-speaking Yegor Gaidar and Anatoly Chubais tolerated no alternative to themselves.<sup>10</sup>

This point brings to the fore another paradox: enduring some of the worst despots in world history, the Russian people developed an almost apocalyptic fear of change, especially change of power. Change is never welcome in Russia. The end of a regime engenders not hope but a fear of cataclysm. Thus, more than in other cultures, power in Russia is subject to inertia, which creates a favorable environment to autocratic rule. The person wielding power embodies power and is followed by the population regardless of the kind of policies he implements, often even despite these policies. This attitude marked people's devotion to Stalin, and was the secret behind the reelection of Boris Yeltsin in 1996 when, despite poll numbers which showed his popularity at their lowest point in his presidency, the Russian people nonetheless voted to reelect him, most likely reasoning, "Better the devil we know." This attitude is very often something held subconsciously rather than consciously, and is part of a centuries old tradition, which only time and different (positive) experience could change.

The contemporary Russian scholar and cultural historian Yuri Lotman, in his final work before his death, *Culture and Explosion*,<sup>11</sup> offers a perspective that Russian culture, unlike the cultures of the West, embodies an underlying binary logic of opposition. Without necessarily being aware of these patterns, individuals and groups conceptualize social lives in terms of sets of absolute alternatives that admit no compromise. There is no neutral ground - either one alternative or the other must be chosen. In this choice, either one or the other must be absolutely victorious.<sup>12</sup> In terms of human values, Lotman gives the following sets of polar, obsolete and stark oppositions: charity versus justice; love versus the law; personal morality (ethics) versus state law; holiness versus politics, etc. A fateful result of binary thinking, according to Lotman, is that the victor, after defeating an opponent, must always seek to annihilate the past. The past is regarded not as the foundation for organic growth, but as a source of error to be destroyed before it infects the new regime. Total destruction precedes

---

<sup>9</sup> See, for example, Edward Kennan, "Muscovite Political Folkways," *The Russian Review*, 45, No. 2, April 1986.

<sup>10</sup> Anatoly Chubais insists, "Of course our privatization was not without "minuses," however if we followed the slow A-B-C process suggested by the 'soft' reformers, we would have had much more negative outcome... Criminalization would have been *absolute*." (Anatoly Chubais, ed., *Privatizatsiya po-rossiiski*, p. 32.) It is comforting to know that the level of criminalization could have been *more* absolute. Now, however, there has been evidence that reforms could have taken a less radical turn if the reformers and their Western advisers would have been less rigid in understanding the reforms. Traditional structures would not have been destroyed, appropriate new structures would have been built, and Russian cultural values and peculiarities of the Russian national character would have been taken into consideration. See, for example: Juseppe Chiesa, *Proshchai Rossiya* (Farewell Russia). Moscow, 1997, pp. 35-60; Jeffrey Sachs, "Betrayal," *The New Republic*, January 31, 1994; Michael Ellman and Vladimir Kontorovich, eds., *The Destruction of the Soviet Economic System*. Armonk, NY: M.E. Sharpe, 1998.

<sup>11</sup> Yuri Lotman, *Kultura i Vozryv*. Moscow: Gnozis, 1992.

<sup>12</sup> This may also be the reason why many reformers keep insisting that their policies were ultimately the right ones.

creation; creation thus takes place in a void. Means and ends are divorced,<sup>13</sup> as the longed-for new world can only be constructed on the ruins of the old.

Yeltsin, Gaidar, Chubais and their colleagues, it appears, acted in accord with this classical script of Russian history, repeating its binary logic of opposition. Reformers defined a mythological West, which was understood primarily in terms of opposition to the Soviet Union. The reason for this absolute vision, following upon Sachs's "geographical proximity" idea, derived from the fact that, for centuries, Russia was separated from the rest of the world by physical and psychological borders, although its rulers always saw those borders as under threat. Thus the post-communist reformers, despite their liberalism, accepted the usual totalitarian formula of "we know best" when attempting to transform the old Soviet society. Communism failed because it was a bankrupt ideology. They reasoned that Russian society and economy would begin to work only by quickly adopting a viable ideology, the free market model. Never mind that such change could only be imposed by the autocratic techniques of "ends justifying the means." What Isaiah Berlin called "the mixture of utopian faith and brutal disregard for civilized morality,"<sup>14</sup> in regard to the Bolshevik policies, could also be relevant when assessing the Russian liberal reform process, which ruled more often by presidential decree than democratic consent.

The essence of democracy, however, is to secure public support for government policies, which the Yeltsin government consistently failed to do. One cannot auction, privatize or even simply redistribute the assets of a huge country among the citizens without wide citizen involvement, particularly when the populace were well-aware of the high (often bloody) price paid to develop those assets.

Economic liberties, if they are to be supported by the public, can only be possible when the public and the authorities have a firm social contract with defines goals, set procedures, regulations and codes. Although the Russian, and then Soviet system, never had such a written code, it had a strict tradition of rituals and "informal formalities" which were followed by the élite and the people alike. When the traditionally accepted systems were formally destroyed in 1991, rituals were no longer functional either within the power élite or in between people and the government. The former unwritten set of rules was replaced by *bеспредель* (limitless lawlessness), as Yeltsin's government overlooked the necessity to replace old autocratic rituals with the new modern regulation of "societal protocol." Thus, the separation between the state and society suppressed anything that Russia has even known before. Deprived of the familiar patterns and structures, people have become greatly confused of what formal functions and responsibilities mean for citizens, government officials and businessmen in the new "capitalist environment."<sup>15</sup>

Yeltsin's post-communist government failed to set up a social contract between itself and the people. Russians were unaware of the price they had to pay for liberalism and were unsure of why they had to pay it. It was unclear what kind of services the government planned to offer in exchange for citizens' responsible economic behavior. People were told that they had to pay taxes, buy expensive social services and education, and not simply receive a salary but earn it. They were told to not just collect pensions but to accumulate savings throughout their lives. Before all these services were provided for free. There was a "minor" inconvenience of the dictatorship, of course, but the trade-off was nonetheless clear. This time around, the government was asking to support the free market economy while not giving anything in

---

<sup>13</sup> All Russian revolutions have operated by the rule, *tsel opravdyvaet sredstva* (the end justifies the means).

<sup>14</sup> Isaiah Berlin, "Political Ideas in the Twentieth Century" in Isaiah Berlin, *Four Essays on Liberty*. Oxford, New York: Oxford University Press, 1969, p. 17.

<sup>15</sup> Some analysts call it "a crisis of morality," but I would suggest that it is rather "a crisis of modernity," in which old paternalistic system is being forced to give way to a new, modern system of "shared responsibility."

return. Witness the arbitrary officials, protection in the form of corruption, unpaid wages and pensions, etc.

To reform without clear democratic consent for the process of renewal placed the entire program at risk from the start because of the “democratic deficit” of *glasnost*.<sup>16</sup> That lack of support, indeed, proved to be the greatest boon to re-empowering the most reactionary -- i.e., Stalinist -- forces in the country. The post-communist reformers insisted however, that the changes to be undertaken were primarily of a technical and economic nature. Connecting these reforms, and making them comprehensible within the terms of the wider culture, was deemed unnecessary.

Indeed, far more than 50 percent of the economic reform initiatives were promulgated by presidential decree and not by any vote in the Duma, where cultural and political consensus would have been necessary<sup>17</sup>. The reason for such neglect of the Duma is obvious. The liberal reformers led by Gaidar and Chubais reasoned that conservative deputies would block change, so it was in the interests of the country to go around them, executing decisions single-handedly. The process of economic reform from the start therefore consisted of a few good men leading the way without democratic consent for their program. Later, one or two reformers sensed problems, but such insights usually arrived only after they were out of power. In his post-ministerial incarnation, for example, Sergei Kiriyenko admitted that cultural concerns should have been taken into consideration: "When the Russian people gave Yeltsin the authority to end communism, they were far away from thinking that they were supporting the end of social welfare provided by planned economy."<sup>18</sup>

From 1991 onwards, policies imposed from the top clashed with expectations arising from the bottom, primarily because the average Russian held to long-established ideas of social justice which most deemed more valuable than any idea of democracy or capitalism. For centuries Russians have been taught that the interests of society and the state are far more important than the interests of any individual -- collectivism and solidarity should be valued higher than individualism. Thus, the values of wealth, competition, and the necessity of social inequality were not accepted as inevitable by the majority of the population. Spirituality and personal ethics remained much more significant qualities.

---

<sup>16</sup> *Glasnost* was widely used to make known the crimes of the past, but had no application to the processes of the present.

<sup>17</sup> Prain-TASS Newswire, December 21, 1998.

<sup>18</sup> Transcript of Sergei Kiriyenko's lecture at the NYU School of Law, November 30, 1999.

## RUSSIA'S BOTTOM: THE CULTURE OF ENVY

Russian mistrust towards markets and the unconventional attitude of most Russians towards money have their roots in Russian spirituality and personal ethics. "Self-interest has no warranty in morality; material gain, a purely quantitative individual good, excludes the qualitative dimensions of life centered around service to the community,"<sup>19</sup> said the 19<sup>th</sup> century Slavophile Alexey Khomyakov. These roots are manifested in the distinction Russians draw between "greed" cultures and "envy" cultures.<sup>20</sup>

In Russian eyes, a "greed" culture tends to respect personal accumulation of money and goods, and rewards its citizens for this practice, both morally and materially. It requires working out sensible tax structures that provide for a public safety net. It also encourages philanthropy, and in general considers inequality inevitable and prosperity a sign of not just providential favor, but also a deserved result.

However, in Russia, "envy" culture is opposed by the widespread egalitarian impulse that personal economic gain is illegitimate and hurts the communal interests of the collective. The 19<sup>th</sup> century revolutionary writer Alexander Herzen once exclaimed that the "Petite bourgeoisie are incompatible with the Russian character -- and thank God for it!"<sup>21</sup> This means that instead of the "greed" culture motto of "*keeping up with the Joneses*", in such communities more satisfaction comes from "*keeping the Ivanovs down.*" In Russia, "equality of outcomes," a belief that material conditions in society should not vary too greatly among individual and classes, rules out over "equality of opportunities," which tends to tolerate, even encourage the open flourishing of class distinctions. There is, indeed, a signature joke which Russian's like to tell about "envy" cultures: A fairy godmother approaches a poor peasant and promises him anything he should desire with only one stipulation: that his neighbor get twice as much of it. The peasant thought for a long time, and then finally said: "All right. Blind me in one eye."

"Envy" cultures aim to guarantee the survival of the group at a subsistence level, but ruin the ambitious. The very idea of profit, of tangible reward for taking an economic risk is associated with the inequality imposed by men. Meanwhile, justice is identified with protecting the integrity of the helpless, disadvantaged and weak in a given collective against the indifference and self-promotion of the strong. It is thus important to remind here that Russian culture was traditionally hostile to political democracy altogether. In the words of one of its proponents, "It is clear that the principle of majority is a principle, which does not need harmony; it is a compulsory principle, which wins only through physical superiority; those who are in the majority overwhelm those who are in the minority."<sup>22</sup> That Russia traditionally belongs to an "envy" culture has nourished the strong and often very attractive values of egalitarianism, compassion, inefficiency, and the dislike of consumerism.

Given such attitudes, "Homo economicus" could neither survive, nor be happy, in Russia's so-to-speak, "Left-handed Civilization."<sup>23</sup> The left-hander, cultural historian

---

<sup>19</sup> A.S. Khomyakov, "O starom i novom," in M.A. Maslin, ed., *Russkaya ideya*. Moscow: Respublica, 1992, p. 58.

<sup>20</sup> See, for example, Johanna Hubb, *Mother Russia: The Feminine Myth in Russian Culture*. Bloomington and Indianapolis: Indiana University Press, 1993.

<sup>21</sup> Alexander Herzen, *My Past and Thoughts*. Berkley: University of California Press, 1982, p. 285.

<sup>22</sup> Konstantin Aksakov, *Sobranie sochinenii v trekh tomakh*. Moscow, 1910, vol. 1, p.292.

<sup>23</sup> The title derived from a famous story "*Lensha*" (The Left-handed Man), written by the 19<sup>th</sup> century writer Nikolai Leskov. Its hero, *Lensha*, the left-handed blacksmith, is capable of doing work that none of his Western counterparts can do, despite their technical equipment, modern appliances, and scientific knowledge. With his able left hand he shoed a flea, while his foreign visitors could not see the flea without a microscope, not to

Alexander Panchenko suggests, is a national Russian hero.<sup>24</sup> This is why, according to Panchenko, when Russians left the countryside, the wholesome Russian soil, which in its modesty and goodness gave them only really satisfactory life, they realized that they were "left-handed." When they moved to the city, they did not know how to reconcile their harmonious, but somewhat "left-handed" qualities, within the context of a competitive, modern urban civilization, where life and business are calculating and cold and where emotions are concealed and even disdained.<sup>25</sup> Panchenko argues that, for Russians, little of real human value depends on the economy; all that truly matters depends on the soul and consciousness.

That sensibility, indeed, is at the root of Russia's literary tradition, from Tolstoy, Turgenev, and Chekhov up to the present day with Solzhenitsyn, who loathes individualism and market values as much as any Bolshevik. To the pragmatic civilizations of the West, Russia is a developing society. Panchenko asserts that Peter the Great and Lenin tried to force on Russians the individualistic and economic values of the West. But in general Russians fear that form of civilization. Now, many Russians think that the country's spiritual strength as well as her authentic ethical civilization has been destroyed and that her great land is now so much smaller. Unable to be "Great Russians" any more, there seems to be to such people no alternative to adopting the ways of the West. Panchenko's argument may be exaggerated and simplified, as Russia is no longer a patriarchal culture based on agriculture, and its social and political structures bear little resemblance to the old peasant society. However, the spiritual despair that this cultural de-rationation has inspired is real, for cultural legacies are hard to change, and only if and when society has been presented with a positive experience that it can trust, will it be able to transform.

Russia has had no such experience. Russians, the ordinary Russians who did not get their philosophical education from Milton Friedman's books, insist that there is an almost unbridgeable gap between the entrepreneurial spirit and the Russian soul. Russians, indeed, have always considered themselves a separate civilization. Evil comes to it from "without," from the outside -- from the West and from those Russian rulers who would recast Russian institutions in the West's image. Gaidar and Chubais with their "rational" policies represented just that type of figure to a majority of Russians. This point was made emphatically in an interview, entitled "Russia is not just a country, it is the whole civilization," with the contemporary Russian scholar and academic, I. Shefarevich. He explains why competition and capitalism go "against the spiritual makeup of this country..."

The competitive situation would just come into conflict with the world-view, which has been established in the course of a thousand years. If one considers even the existing [Russian] sayings, they are all based on the idea that wealth is not an end in itself. It is not a sin, but presents at least a dangerous moral situation in which a person must be very careful in order not to harm his soul.<sup>26</sup>

---

mention the flea's legs.

<sup>24</sup> "Tsvilizatsiya Levshi" (The Left-handed Civilization), interview with Alexander Panchenko, *Nevskoe Vremya*, March 5, 1993.

<sup>25</sup> Mikhail Zadornov, former Russian Minister of Finance, and a current Duma member, thought the argument wrong, since, as he put it, "70 percent of the Russian population live in the cities." Another economist Alexey Makushkin responded, "*Propiska* (residency permit, stamped in the Russian citizen passport) doesn't necessarily change mentality." Even today, rural Russians treat Muscovites "with an illogical mixture of mistrust, servility and ill will. Their attitude towards foreigners is similar." (Luibov Brezhneva, *The World I Left Behind*. New York: Random House, 1995, p. 595-296.)

<sup>26</sup> Agafonov, V., Rokitinsky, V., "Rossiya - eto ne prosto strana, eto - tsvilizatsia," *Novoe Russkoe Slovo*, August 1-2, 1992, p. 5. It is worth noting here that corruption, the scourge upon the country, skyrocketed, indeed "harming a person's soul" in the post-Soviet years because Russians discovered money. Rather than the



Characteristically, when concluding the interview, Shefarevich found an even more authoritative and radical voice to support his position: "As Marina Tsvetaeva says, 'the notion of the basic falsehood of money is ineradicable from the Russian soul.'"<sup>27</sup>

Material possessions were understood as to harm the spiritual wealth of people and thus should never be pursued and wished for.<sup>28</sup> Therefore, traditionally, money did not have much significance in Russia. Culturally, Russians have been very suspicious of money (*prezrennyj metall*, (contemptible metal) as they call it), and wealth almost always has been considered a negative value. The old Christian idea that a rich man has more trouble passing into heaven than a camel does through the eye of a needle, corresponds with the overwhelming Russian belief that concern for money somehow reflects smallness of soul and a reluctance to trust in providence. Marina Tsvetaeva, the rebellious and anti-material spirit of Russia's intelligentsia, wrote a poem entitled "Praise to the Rich" (1922), which nicely captures this sentiments. The more generous towards the rich the poet pretends to appear, the more condescending the poem means to be:

And so, making clear in advance/I know there are miles between us/... I proclaim it: I *love*  
the rich./For their rotten, unsteady root/for the damage done in their cradle/... for the way  
their softest word is/obeyed like a shouted order; because/they will not be let into  
heaven.../I say that among all outcasts/there are no such orphans on earth...<sup>29</sup>

Whatever Russian reformers might say, wealth in Russia is far from being perceived as a noble achievement; it is a curse, a misfortune, something to be ashamed of and sorry for. It is also a subject of complacent envy, because not many Russians are able to become rich -- fortunes require stability of the evolutionary development, as well as persistent efforts and consistency. "Our national characteristics: a natural inclination to anarchy (which seen from outside, is commonly mistaken for barbarous or immature behavior), fluidity, amorphosness, readiness to adopt any mould ('come and rule over us'), our gift (or vice) of thinking and living artistically, combined with an inability to manage the very serious practical side of daily life. 'Why bother? Who cares?' we ask. In this sense Russia offers a most favorable soil for the experiments and fantasies of the artist, though his lot, as of a human being is something very terrible indeed..."<sup>30</sup>. Culturally, it is forgivable to be wealthy, but only if wealth is brought about in a "good way": by virtue, by divine miracle, by inheritance, even by gambling, as a challenge "to test one's fate."

The gambler, indeed, is the same as the fool in a fairy tale: shrewder than anyone else, more agile than anyone else. There is certain logic in fate's protection of the carefree man: after all, who else would worry about someone like him? And there is a Christian method to support the theory: the last shall be first! American folktales, on the contrary, are imbued with a rational spirit; there is not too wide a gap between dream and reality. Heroes do not just wait for help from above, they don't spend endless hours in contemplation, but constantly work and struggle. Paul Bunyan, for example, is direct, straightforward and full of

---

traditional barter of privileges, goods and services, which ultimately were limited by the actual position of a bureaucrat on the official "ladder," money has become the prime factor. Before every step of this "ladder" presented a certain set of benefits, movement up the ladder offered greater privileges, but the process was not without surveillance and some systemic control: everyone could get only as much as his position allowed him to. Money transactions now are not limited to positions and privileges, therefore the possibility of acquiring huge windfall profits has become the focus of corrupt trade.

<sup>27</sup> Ibid.

<sup>28</sup> G.P. Fedotov, *Sud'ba I grekhi Rossii*. St. Petersburg: Sofiia, 1991, p. 202.

<sup>29</sup> Marina Tsvetaeva, *Selected Poems*. Penguin Books, 1993, p. 39-40.

<sup>30</sup> Abram Tertz (Andrei Sinyavsky). *A Voice from the Chorus*, New York: Farrar, Straus and Giroux, 1976, p. 247.

initiative. He is not miserly, but careful and precise. In Russian folklore, by contrast, work is not a constant effort, but an unpredictable burst of activity.

Therefore, working for money, a virtue so respected in the West, was not a "good way" in Russia. Russians can be great workers, as long as labor is done not for profit but for some spiritual or personal reason,<sup>31</sup> or is done as a heroic deed, which performs wonders, knowing no limits. For centuries the conscious, calculating accumulation of wealth has been in conflict with other Russian cultural values, such as unlimited hospitality, humility, belief in miracles (fate takes care of those who can't take care of themselves) and in material sacrifice.<sup>32</sup> Therefore, Russians are capable of sending a man into space, of developing Sputnik or the best (albeit one) computer for the KGB to use in its monitoring, but are absolutely incapable of establishing consumer production of decent washing machines.

To revisit Jeffrey Sachs's "geographical" idea, perhaps it is the vastness of the Russian land that encourages such a mindset. Over the centuries Russia acquired 11 time zones, but it did not have the strength to stop, to map out a border, to build homes for many people: "We Russians still look and act like travelers. No one has a defined sphere of engagement; we have no rules for anything; we don't even have a home. Nothing that can tie us up, that can evoke everlasting sympathy and love, nothing durable, nothing permanent; everything flows by, goes by, without leaving a print either within or outside us."<sup>33</sup> The renowned philosopher Nikolai Berdyaev explained Russia's neglect for the discipline necessary to make the surrounding reality comfortable: "The Russian people, in accordance with its eternal idea, have no love for the ordering of this earthly city and struggles toward a city that is to come, towards the new Jerusalem."<sup>34</sup> Like its land, Russia's interests are sporadic and spontaneous and spread everywhere, dilettantism without methodology and any other obligation except to its fabled size, enormous spirituality, and legendary soul. Russians "raised neither to seed corn nor children. Our hero was the jack of all trades: he sews, he mows, he plays the oboe. Each hand does miracles: incredible dress designs, incredible harvests, incredible melodies -- while in reality we had convicts in rags, starving millions..."<sup>35</sup>

Western businessmen coming to Russia right after the Soviet collapse experienced a stunningly unusual way of doing business. In Western type hotels like Sheraton, Metropol,

---

<sup>31</sup> According to cultural historian Mikhail Epstein when Russians "take up the trade, he takes it up with all his heart as if he is marrying it." Work in Russia is becoming a mysterious dedication, "a tormenting but happy wedding ring, an unbreakable connection with the world of object, the mystery of a human being and an object becoming one's flesh... The product then carries the stamp of love, a sign that the made object is the fruit of privation..." (Mikhail Epstein, "Labor of Lust." Common Knowledge, Winter 1992, V1 N3, p. 99). This type of work, which is always connected with love, can easily produce revolutions, but hardly amounts to practical, sustainable and considerable results in routine, everyday life. "Homo Sovieticus, successor and predecessor of Homo Russicus, labored long and willingly, but his labor somehow lacked a foundation... There was no firm, lifelong tie with the object and the product of labor. His love was general, public and belonged to no one... [as] Russians are supposed to be a mystical people who find rational knowledge about the objective world alien. (Ibid., p. 92, p. 102.)

<sup>32</sup> In Russia the world is not so "disenchanted" (in the famous term that Max Weber used with respect to modern Western societies). Miracles and mystery still inhere in daily life. Such beliefs provide a person with a certain kind of freedom from constraints and authorities of institutions and social structures. They are unbinding in Russia as they are only phantoms of their true essence. People depend on their wits and their friends much more than on the fixed procedures and routines, which they find petty and boring. There is little authority in the formal authorities of the world, for Russia is a literary world where appearances seldom correspond to reality. Hence disregard for the rule of law.

<sup>33</sup> Pyotr Chaadaev, "Filosofskie pisma" (1831). Quoted from P.S. Taranov, *Filosofskaya aforistika*. Moscow: Ostozh'e, 1996, p. 553.

<sup>34</sup> Nicolas Berdyaev, *The Russian Idea*. New York: Macmillan, 1948, p. 255.

<sup>35</sup> Mikhail Epstein, "Labor of Lust," p. 99.

Palace, one could easily have a chance breakfast with a stranger who would offer a large oil refinery for sale. Russia has always looked with disdain at small deals. Although Moscow has always been "desperate for vegetable stands, restaurants, car washes, dry cleaners, and hardware stores... many people in business are selling oceans of natural gas, tons of gold, timber concessions the size of Michigan, or used MIG crafts."<sup>36</sup>

A nation of sweeping revolutions and generalizations, where everyone is an artist who creates his or her own grandiose reality of extremes, where all artists crave to write gospels instead of novels, Russians have no respect for detail. Abram Tertz, a famous dissident and contemporary Russian philosopher of culture, in his *Voice From the Chorus*, asserted that even Russian misers do not hoard money so much as weave fancies around it. Porfiry Golovlev, Pliushkin, Pushkin's Covetous Knight<sup>37</sup> -- all these are very Russian characters. For the most part they merely give rein to their imagination, sitting on their coffers. They get all worked up about the idea of money, but they are not really concerned with either profit or loss.<sup>38</sup>

This unconventional, almost dreamy and irrational behavior only coheres into a sensible cluster if a state is rich enough economically to guarantee all citizens minimal material security at some welfare level.<sup>39</sup> The enormous richness of Russia's resources has enabled the country to survive for so long through a mere redistribution of wealth without really producing much that is new. Kahka Bendukidze, president of the UralMash factories, a leading Russian businessmen, once pointed out, "Russia has the curse of a rich country, so rich with raw materials that it never had to bother to create a structure of services or a sturdy line of production."<sup>40</sup>

A Russian cultural historian Mikhail Epstein explains:

At the root of word ownership is the concept of 'one's own.' And the first miracle is that ownership can be not 'one's own' but no one's, collective: an oxymoron, equivalent to a white raven or to black snow. We Russians didn't think up this most miraculous of miracles, but we worked hard to make of all humankind a collective miracle worker; and, in the meantime, as an example and a lesson to the world, we showed what can be done with our fabulous nation. Ownership was removed from the sphere of 'one's own' and became 'othership.' The peasant community of the *artel*, the *mir* of the collective farm, the landowner or the party secretary, the pre-Revolutionary bailiff or the post-revolutionary bureaucrat -- all worked in concert to make it impossible for anyone to work for himself.<sup>41</sup>

In the Russian understanding, the individual was always inferior to the community because the communal way of life was so near to the ideal of brotherly love, which forms the essence of Christianity and thus represents the higher mission of the people.<sup>42</sup> "A commune" was seen as "a union of the people, who have renounced their egoism, their individuality, and

---

<sup>36</sup> Matthew Stevenson, "Dealing in Russia" in the *American Scholar*, Autumn 1993, p. 501.

<sup>37</sup> Protagonist of *The Golovlev Family*, a novel by Michael Saltykov-Shchedrin; Pliushkin, one of the landowners in Nikolai Gogol's *Dead Souls*. The Covetous Knight is a character from Alexander Pushkin's *Little Tragedies*.

<sup>38</sup> Abram Tertz, *A Voice From the Chorus*, p. 106.

<sup>39</sup> Even today "Russia presents a classic example of a 'welfare state': federal, regional and local legislation presently provides 336 various social benefits, for which 449 various categories of population are eligible..." (Tatyana Maleva, "What Sort of Russia Has the New President Inherited? Or Russia's Key Social Problems," Carnegie Endowment for International Peace Moscow Center, Briefing No. 4, 2000. Quoted from *Johnson's Russia List*, No. 4307, May 17, 2000). However, in the current neo-liberal conditions "the inadequacies in the social welfare system directly follow from a social policy which [still] identifies the notion of a 'welfare state' with government paternalism..." (Ibid.) This "vicious circle" needs to be broken.

<sup>40</sup> *Nezavisimaya Gazeta*, August 2, 1997.

<sup>41</sup> Mikhail Epstein, "Labor of Lust," p. 92.

<sup>42</sup> See, for example, Isaiah Berlin, *Russian Thinkers*. London: The Hogarth Press, 1978.

who express their common accord; this is an act of love, a noble Christian act... A commune thus represents a moral choir, and just as in a choir a voice is not lost, but follows the general pattern and is heard in the harmony of all voices: so in the commune the individual is not lost, but renounces his exclusiveness in favor of general accord -- and there arises the noble phenomenon of harmonious, joint existence of rational being (consciousness); there arises a brotherhood, a commune -- a triumph of human spirit."<sup>43</sup> In Russia, where cultural attitudes have proven more durable and resilient than in other countries (as it has been only ten years since centuries-closed Russian borders opened for free travel and exchange), ethical values, appropriate for communal life in the village, suitable for somewhat narrow relations based on personal acquaintance, were simply transferred to the whole society. Community was seen as an opposition to law, abstract associations, formal organizations and personal interests. Law especially was denied any value in and of itself in comparison with the inner truth and internal ethics: "Law and custom rule the social life of people. Law, written and armed with compulsion, brings the differing private wills into conditional unity. Custom, unwritten and unarmed, is the expression of the most basic unity of society."<sup>44</sup>

This kind of logic, which perceives unnecessary any social contract between the state and the people, makes sense, of course, only when a ruler embodies the symbol and the essence of Russian life. As he sees himself ruling over people united in devotion to him, he is seen as the embodiment of the faith, the highest law (religion) and the protector of the Russian way of life.

The idea of the "culture of envy" recognizes only vertical hierarchy -- czar versus slave -- in contrast to the "greed" culture with its horizontal hierarchy of competitive individuals. This assumes, by the state in the first instance and followed by the individual citizens in the second, that "private" benefits always come at the expense of the "public" and state. This means that if you (singular) are rich and powerful, that condition comes at our expense -- we are poorer and weaker. The 19<sup>th</sup> century revolutionary poet Nikolai Ogarev looked upon the peasant community as the equality of universal slavery. For him it was "the expression of envy of all against the individual."<sup>45</sup> In such conditions, "for most of Russian history, the state was for all practical purposes the property of the czar."<sup>46</sup> Therefore the czar, like God, has the right to punish for sins of physical or spiritual rebellion. He is a humble sufferer for his people (power is an evil burden and the fewer men who had to carry it, the better), and he has to carry burdens of power, property, decisions, responsibilities. People on the other hand have only one responsibility -- to serve their God and their czar.<sup>47</sup>

Following upon the Byzantine tradition where, in opposition to the Western structure of the suzerain and some free vassals, there was only the ruler and the serfs, Russia set up a system in which the ruler does not provide guarantees or laws, but gives amnesty,

---

<sup>43</sup> Konstantin Aksakov, *Sobranie sochinenii v trekh tomakh*. Moscow, 1910, vol. 1, p. 291-292.

<sup>44</sup> Alexey Khomyakov, *Sobranie sochinenii v trekh tomakh*. Moscow, 1916, vol. 3, p. 75.

<sup>45</sup> Valery Blagavolo, "Nikolai Ogarev. Russkie Voprosy," in *Svobodnaya Mysl'* 2, 1993, p. 110.

<sup>46</sup> Thomas E. Graham, Jr., "Testimony on Corruption in Russia and Future U.S. Policy Before the Senate Committee on Foreign Relations, September 30, 1999." Quoted from *Johnson's Russia List*, No. 3538, October 1, 1999.

<sup>47</sup> Another important part of the chain between the people and the ruler is a class of landowners, clerks, commissars and "nomenclatura" bureaucrats. In a communal structure the excess of wealth was rejected for the sake of the village, as the land was to belong to God, and everything else belonged to the czar, so nothing could be appropriated by any of the intermediary classes. Owning property was ethically and spiritually illegitimate.

mercy, and forgiveness of sins. The czar, as God's governor, does not need explanations and proof; everyone is equal in front of him, as they are in front of God.

As Thomas Graham, former US diplomat and currently senior associate of the Carnegie Endowment, pointed out: "There was no formal distinction between sovereignty and ownership, between the public sphere and the private sphere. Almost by definition, public possessions were exploited for private gain."<sup>48</sup> Disdain for the virtue of private property and ownership also stems in part from the arbitrariness. The lack of definite laws for economic or human rights emerged from a world where, for many centuries the individual in charge -- czar, landowner, or commissar -- had the power to alone determine who owned what, lived where, even whether someone lived or died. Ideally, the perfect czar establishes a perfect rule; in reality he remains a human being and his verdicts are often far from being perfect, because there are no institutional checks upon them. They are willful because they are products only of the will. Thus, the commune obeys an ideal image of the czar and mistrusts the reality of his rule. Therefore, most people still don't believe that it is worth working to acquire ownership, since it can be taken away at any moment.<sup>49</sup>

The case of Grigory Lopakhin in Anton Chekhov's *Cherry Orchard* is instructive here. Lopakhin's father was a *muzhik*, a slave at the Ranevskaya estate, which his entrepreneurial son, a millionaire through his own cleverness and efforts, is buying from the former owners. His plan is to cut down the cherry orchard, build small houses and rent them out as *dachi* (vacation houses). Ranevskaya, the landowner, insists that whether or not her property is useful in market terms, it is its beauty and age that matters the most. According to Chekhov, Ranevskaya and her family live in a past that is vanishing. But the present, as represented by Lopakhin and his like, offer a future that is even more deadening to the soul. Although the latter deserve credit for their entrepreneurship, their coldness, calculation and disregard for beauty are far qualities unworthy of human life. Needless to say, this Russian ambiguity of what it really desired -- beauty or rationality, contributed directly to the events of 1917, when the cherry orchard would end up belonging to neither "the past" nor "the present," but to no one. Instead, it would be owned by the state, which would waste this land, depriving it both of its beauty and of the practical use to which Lopakhin would have put it.

For all these reasons personal ownership has been considered undignified, difficult, burdensome, but also useless. In fact, for most of Russian culture the concept of "personal

---

<sup>48</sup> Thomas Graham, "Testimony on Corruption in Russia..."

<sup>49</sup> It is worth noting here, that Russia is by no means a hopelessly dishonest nation. The sweeping scale of cronyism and corruption in the last 10 years was first of all a consequence of traditional cultural behavior of the Russians: disregard for morality in favor of ethical relations; (trust in personal ethics) disbelief in the social contract, seen as a Western invention of individuals who mistrust each other and therefore have to document their every transaction; the fact that rules and laws were established individually by the ruler in each individual case; mistrust in the authorities as rules usually depend on the leader's personal qualities rather than generally accepted, documented notion of justice. In such a societal make-up each member of his/her commune (clan, family, circle, etc.) mends for him/herself (within the clan) as if there is no tomorrow, ever suspicious of what change of power or the arbitrary mood of the one in power might bring. Secondly, when the state ceased to be either the property of the czar or the Communist Party of the Soviet Union, "various key pieces of the state remain the private preserves of specific individuals, managed primarily for private gain rather than for the public good. Moreover, unlike the Soviet period, when 'property owners' derived profit from the state's strength and control of society, today's proprietors... enrich themselves by preying on the weakness of the state, by stripping assets from property that once belonged to the state as a whole." (Thomas Graham, "Testimony on Corruption in Russia...") And finally, the grandiose scale of corruption also stemmed from the routinely extreme, absolute revolutionary manner, which Russians assume in all trades they are engaged in. Thus, corruption and "oligarchizm" yet again, as previously absolute monarchy, or dictatorship of proletariat came in a form of the overwhelming totality.

ownership" remains as unsettling as it was for Chekhov as it is reassuring for Americans. Abram Tertz suggests that:

The most important quality of a Russian person is the belief that he has nothing to lose. Therefore he is disinterested and unselfish. And the straightforwardness of the people is not just hospitality but despair of a gambler. Readiness to share his last bit, because it is the last one indeed and there is nothing left, and everything is on the verge, and almost at the end... And there is lightness in thoughts, in decisions. Nothing has been saved and stored, nothing has been learnt.<sup>50</sup>

In a country where property and personal ownership are seen as acts of usurpation, it is no surprise that even human rights as are understood in the West -- i.e. political and civil rights -- have always been shunned in Russia in favor of a communal idea, i.e. freedom *from* economic risks, and not freedom to invest, achieve and retain profit. To the West, "human rights" imply freedom of individual expression against the potential tyranny of the crowd: freedom of speech, press, assembly, religion, and then the intuitive sense that the right to own property guarantees all the others. In Russia, however, where profit is considered profiteering, and where even legitimate gains are terribly vulnerable to disappearance, the "tyranny of the crowd" -- being *kak vse* (like everyone else) -- would be the only way to protect oneself from the tyranny of the calculating and greedy individual.

Freedom in the West means opportunity, where a society openly embraces differences in individual talents and initiatives, understanding that there might be unequal results. Not so for Russia. There freedom meant security, not only material security but the psychological security of knowing that no one else -- no one else living under your nose -- has much more than you. For instance, under the old Soviet Constitution, Russians had the "right to rest," twenty-four day vacations were guaranteed to everyone by his or her employer. There was also a "right to living space" -- a fixed number of square meters per family member. There was the right for "free education and medical care" -- not always of the highest quality, not always the best, but in principle it was available in equal measure for all.

Perhaps, the most appreciated constitutional right was the "right to work" -- which meant the right "not to lose your job". The right to keep your job, no matter how badly you work or how unnecessary your job is, was the essence of, first, Russian communal, and then Soviet socialist security. In Chekhov's *Three Sisters* the old peasant nanny is too old to work as she once did. The sisters, however, insist that she stay in the house and help as much or as little as she can, pretending that everything remains the same. Having a job was rarely a matter of money, but rather a matter of personal belonging to a group, being *kak vse*.

This notion was driven home in 1991, the last Soviet year, when a group of American businessmen of considerable wealth went on a study tour to St. Petersburg and Finland.<sup>51</sup> They met with high-ranking managers and officials in a various candy-production plants. During one such visit, the group was astonished to see hundreds of old women at tables wrapping little candies by hand. "This is inefficient, unsanitary, costly, unnecessary," US visitors told the manager, "In the West there are machines..." But the manager waved his hand impatiently and took the Americans into the warehouse where, a candy-wrapping machine from East Germany was gathering dust and cobwebs. "We purchased this machine five years ago, but no one has the heart to install it. Those old women have a human right to a life that includes the dignity of work," the manager said.

---

<sup>50</sup> Abram Tertz (Andrei Sinyavsky), "Mysli vrasplokh" (Thoughts Caught Unawares), in the *Collected Works in 2 Volumes*. Moscow: SP Start, 1992, vol. 1, p. 321.

<sup>51</sup> Story told in 1996 by Princeton University professor of Slavic Studies Caryl Emerson in one of her lectures on Russian culture.

For the Westerners this most likely seemed to be a useless, unprofessional, even harmful practice, an obstacle on the way to progress and prosperity. Scenes such as this also convinced Anatoly Chubais, on-and-off Russian deputy prime minister during Yeltsin's governments, who in the early 1980s was just out of graduate school in St. Petersburg (then Leningrad), to experiment with Western business methods. In the mid-eighties one of his test projects, *Payment and Reward Practices for Engineers* in St. Petersburg proved that change could be positive if done gradually and supported by the majority: "We felt we were walking on air, so good the results were. The amount of *lishnie liudi* (unnecessary, superfluous people) was reduced, production went up, people worked more effectively... Then I became absolutely convinced that regular market mechanisms are universal. They work in the hotel business, as perfectly as they do in the turbine construction business... And one more thing, it is absolutely useless to insert the market mechanisms step by step..."<sup>52</sup> Because this microeconomics experiment worked well when applied to a few plants in St. Petersburg, the results convinced reformers to repeat the experiment undeviatingly on the whole country five years later. The results of that experiment proved different, however. The dignity of work (as a cultural condition on a larger scale), so useless from the rational point of view, is more valuable in the "left-handed civilization," than the rationale of work results, because it would always come without the indignities and difficulties of personal responsibility and personal ownership.

There could have not been a culture more out of touch with Adam Smith.

---

<sup>52</sup> Anatoly Chubais, "'The Last Thing You Needed was Chubais!' Instead of Preface," in Anatoly Chubais, ed., *Privatizatsiya po-rossiiski*, p. 9-10.

## RUSSIA'S TOP: PRIVATIZATION RUSSIAN STYLE

Russia has always reveled in its uniqueness, taking pride in being separated from the rest of the world by its spiritual concepts. In 1991, however, pro-Western reformers made a decision to approach Russia's economic problems in a very rational way.

When Poland was declared a success story in applying shock therapy to its economy, it was immediately decided that what worked for Poland would also work for Russia. But Poland, as most East European countries, remained an entirely different case. It was closer to the West, it has endured fewer years under socialism and planned economics, and private property and civil society had not been destroyed. Indeed two powerful private institutions, the Catholic Church and the Solidarity trade union movement, defied and then toppled communist power.

Seemingly blinded by Poland's success in adopting western economic models, Russia's liberals refused to note the difference. Pyotr Aven, who was then the Minister of Foreign Economic Relations, asserted in 1992, that "there is no such thing as a special country or a special case. From the point of view of an economist, if economics is a science with its own laws, from this point of view all countries are [*odi-na-ko-vye*] e-q-u-a-l."<sup>53</sup> Although policies were pursued in Russia over the last 10 years as if this was the case, the results suggest otherwise. The lack of context, the failure to connect methodology for change with inherited cultural values distorted the reform process from the very beginning.

Before leaving his post as chief economist of the World Bank at the end of December of 1999, Joseph Stiglitz pointed out that "there was much discussion about the proper pacing and sequencing of reforms...but traditional economic theory has even less to say about the dynamics of transition than it has to say about equilibrium states; and yet it was issues of dynamics of transition that were central to the debate over pacing and sequencing."<sup>54</sup> That question of sequencing should have been paramount in the mind of Russia's reformers, but apparently it was not. According to Anatoly Chubais, Russian privatization chief from 1991 to 1996, "the aim of privatization was to build capitalism in Russia. And not just that, it was to build capitalism in just a few [*udarnykh*] shock years, meeting the norms of production which the rest of the world spent hundreds of years achieving."<sup>55</sup> Anders Aslund, a former Swedish diplomat and current Carnegie Endowment associate who helped design Russian economic policy from the start, was blunt in explaining the program's haste, "In Russia privatization should be implemented as quickly as possible. Russia's peculiarity is that if property would not be redistributed quickly between people, it will simply be stolen."<sup>56</sup> The idea was undoubtedly correct, but for the reasons explained in the previous chapter -- Russian disregard for formal laws and procedures -- speed became an encouragement for theft rather than a recipe to avoid it. Inexperienced property owners were

---

<sup>53</sup> *Nezavisimaya gazeta*, February 27, 1992.

<sup>54</sup> Joseph Stiglitz, "Whither Reforms? The Years of the Transition." Key Note Address at the Annual World Bank Conference on Development Economics. Quoted from *Johnson's Russia List*, No. 3317, June 1, 1999.

<sup>55</sup> Anatoly Chubais in a TV interview on the Russian program "*Detali*," June 29, 1994.

Vladimir Putin, in his memoirs, which were published right before he was elected Russian president on March 26, 2000, suggests that Chubais is hardly aware of methodologies other than some "ephemeral ideas... He tends to get stuck, such a Bolshevik... this is the true definition of him." Quoted from the internet version of the book at [www.vagrius.com](http://www.vagrius.com): *Ot pervogo litsa: Razgovory s Vladimirom Putinyim* (First Person: Conversations with Vladimir Putin) with Natalia Gevorkyan, Natalia Timakova, Andrei Kolesnikov. Moscow: Vagrius, 2000.

<sup>56</sup> *Delovoi Mir*, August 14, 1993.



too experienced in mistrusting the regime, which used to change or alter its mind any minute, and were stealing big to protect themselves from the unexpected.

In his recent book *Privatization Russian-Style*, Chubais explains the need to rush ahead regardless of opposition, and admits that in order to destroy the old system he made a choice to accept "Leninist" methods in eliminating the old regime. "From the start of our active privatization efforts we immediately knew that we had to follow the opponent's rules of the game. Most of the bureaucrats that were forced to (and still have to) work had been trained in a certain [soviet, planned economy] tradition. If we failed to find common language with them; if we didn't use familiar levers of influence, we would not have succeeded."<sup>57</sup> Thus "democratic dictatorship" became the means to overcome Russia's prevailing conditions, because truly democratic methods would lead only to stalemate. Most Russians were unwilling to accept the pain necessary for the birth of new economic and political system. So, instead of methodology for explanation and education, the old administrative apparatus of communism was reused for new purposes across the expanse of Russia. Special presidential representatives were sent around the country to oversee the enforcement of presidential decrees -- a policy that bore uncanny resemblance to the czar's use of personal emissaries, or to the politburo's use of commissars and representatives.

The reformers, willing to adapt the mechanisms of the state which they loathed, were unwilling to seek common ground with widespread Russian cultural beliefs, no doubt for the same reason as previously Russian or Soviet power élite made decisions in the name of the people without consulting these same people. And while "common language" with the previous nomenclatura was indeed found -- overriding their authority with the larger authority, the resentment among the population in turn overrode the possibility of a positive outcome.

"Shock therapy" (macroeconomic stabilization) was considered the only way Russia would be able to restructure its deteriorating economy, but "shock" as some suggested came with too little "therapy."<sup>58</sup> In his *Notes of the President* Boris Yeltsin later explained:

Gaidar's reforms provided the macroeconomic shift, the breakdown from the old economy. It was horribly painful, without the surgical precision, but on the contrary with a somewhat rusty gnashing, when pieces and parts of the old mechanism are bloodily torn away, and change finally does happen. There had been no other economic production [in Russia] except the Stalinist one; it could hardly be adapted to the contemporary environment, so this production genetically required a complete break. As this [past economy] was created in the *avral* (all hands on the pump) way back in the 1930s, we used the same method to break it.<sup>59</sup>

That was Yeltsin speaking in 1995, but from the start of the reform process in 1991-1992 there was no transparency. There were very few attempts to explain the concepts of macroeconomics, private ownership and privatization as well as the necessity of "shock therapy" to the general population. There was not even much debate about the strategies to be pursued among economists, except for those in the pro-Western liberal camp of Gaidar and Chubais.

Promises of a good quality of life or Chubais's assurance that by the end of 1992 each Russian citizen would be able to receive his piece of state property, equaling in price to at least one Volga automobile, took the form of rapidly declining living standards. For the people "shock therapy" arrived in 1993-1994 as just that -- the government freed prices

---

<sup>57</sup> Anatoly Chubais, "How We Defended Privatization," in Anatoly Chubais, ed., *Privatizatsiya po-rossiiski*, p. 143.

<sup>58</sup> This term -- "too much shock, not enough therapy" -- was borrowed from Jeffrey Sachs, "Betrayal," The New Republic, January 31, 1994, p. 14.

<sup>59</sup> Boris Yeltsin, *Zapiski Prezidenta*. Moscow: Ogonek, 1994, p. 300.

suddenly, allowing them to increase dramatically at the same time it tried to curb growth in the money supply and increases in wages. These "reforms" were instantly felt in the following way: tens of thousands of people, including pensioners, were utterly ruined by the huge price increases. Many had to sell their personal possessions in order to survive. Equally painful, in both an economic and psychological sense, was the near collapse of the ruble. Yegor Gaidar later defended these strictly monetarist policies by claiming that if tough measures had not been taken, the monetary system might have collapsed altogether.<sup>60</sup> His reasoning, arriving late, was too complicated for people to understand. An abstract explanation of the needs of the market was an insufficient counterpoint to the fear and blight in many peoples' lives.

When government policies result in such "tears and blood," they are obviously hard to accept without proper explanation, preparation, reasoning and some trade-offs. Instead of receiving motivation, accounts, clarifications, and updates on the policies of the macroeconomics stabilization and voucher privatization, the Russian people were stunned to hear that the government felt no longer responsible for them and their welfare. Various statements of local and national governments officials asserted, that people must understand that they are responsible for themselves, that they should not rely on others --government, god, czar, not even the IMF for their salvation.<sup>61</sup> Alfred Kokh, a leading privatization official in Chubais's entourage, went even further saying that "now is the time of Social Darwinism during which a process of natural selection must take place."<sup>62</sup> Indeed, a number of reformers in search of a clean slate, proudly compared the government's market policy with the actions of a surgeon who operates on a patient without anesthesia.<sup>63</sup>

As the whole process was more an experiment rather than a fully thought-through policy aimed to improve conditions of the country and its people, the reformist spirit militantly rejected public discussion of its program, implying that professional scientists should never descend to the level of dilettantes. The "expert ethos" of the Gaidar team was well expressed in Gaidar's own book *State and Evolution*, where he explains the selection of political leaders from those who saw professional expertise as more important than political vision for the reconstruction of society. No wonder, during his administration far more attention was devoted to economic policy than to other pressing issues facing his government, such as restoration of confidence in the future.<sup>64</sup> Following this "expert" mode, Anatoly Chubais asserted that the Soviet economy was boring as the only thing one could do

---

<sup>60</sup> It did collapse nonetheless in 1998, when financial pyramid of GKO (short-term treasury loans) ruined the Russian market and brought the country to bankruptcy. Due to the pressures on the exchange rate, Russian foreign trade slipped into deficit in July 1997, suggesting that devaluation was overdue. Concerned over the ruble's stability possible GKO buyers were taking a pause, leaving over \$10 billion of falling GKO by the end of September 1998. Unable to find a solution, on 17 August the Russian government announced a 90-day moratorium on foreign debt payments, a suspension on GKO payments, and allowed the ruble to devaluate from \$6 to \$9. The financial system was frozen, prices increased, and by September the ruble had fallen further to \$21. Although Sergei Kiriyenko was the Prime Minister who announced the 90 days moratorium, he is rarely blamed for the collapse, as Chubais, with Gaidar as an intellectual adviser, was said to be behind the GKO schemes. For more on the subject see: Roy Medvedev, "Obval piramidy GKO," in Roy Medvedev, *Politics and Politicians of Russia*. Moscow: Prava cheloveka, 1999, pp. 119-144.

<sup>61</sup> *Current Digest*, No. 12, April 8, 1992; *Rossiiskie vesti*, September 1, 1992.

<sup>62</sup> *Chas Pik*, October 12, 1992.

<sup>63</sup> *Rossiiskaya gazeta*, September 1, 1992.

<sup>64</sup> Yegor Gaidar, *Gosudarstvo I Evolutsia*. Moscow: Evraziia, 1995. Also see: Yegor Gaidar, *Days of Defeat and Victory*. University of Washington Press, 1999.

was microeconomics,<sup>65</sup> but small experiments did not provide with excitement and opportunities of the big sweeping changes.

Guided by the ultimate goal of a complete make-over, driven by the usual Russian idea of totality, the Kremlin reformers of the 1991 generation simply could not go step by step, bit by bit in a slow process of capitalization. Instead they had to "build capitalism in just a few [*udarnykh*] shock years." Although this technique of "enthusiasm" was well familiar from Soviet times, this was also a utopian objective in regard to Russia. First because *avral* already had proved itself as an ultimately counterproductive policy, and second because the new policies were perceived as Western, not authentically Russian, while the country has always been suspicious towards the West.<sup>66</sup>

A recent one-volume compilation *The Russian Idea* gathered together writings of Nikolai Gogol, Alexander Herzen, Konstantin Leontiev, Vladimir Soloviev and other very prominent Russian philosophers and writers. Despite the diversity of approaches, there is an important source of unity among all opinions: the insistence that Western path can and should be avoided in the name of a harmonious and egalitarian Russian society based on a higher form of belief.<sup>67</sup> Anything Western in Russia was always approached with caution and mistrust, therefore as the IMF and the World Bank involvement had not been properly explained to Russian citizens, their loan policies were often perceived as imposing the pain upon average people. This happened because these organizations were said to be handmaidens to corporate and political interests.<sup>68</sup> Because there was little transparency, people simply were not informed that there were strings routinely attached to the IMF loans; the government was forced to balance the budget, establish a proper tax system, par down official spending. All were reasonable policies and conditions, but the lack of public discussion tremendously hurt their perception in the long-suffering country.

It also did not help, of course, that foreign advisers had been let into the "sacred of sacred" for the Russian populace, the Kremlin -- bastion of the Russian power, as advisers and even high officials. According to Janine Wedel, a vigorous Western critic of the "Chubais clan":

Chubais assembled a group of Western looking, energetic associates... From the start, the "young reformers" together with their Harvard helpmates chose rapid, massive privatization as their showcase reform. Harvard economist [Andrei] Shleifer became director of the Harvard Institute's Russia Project. Another Harvard player was a former World Bank

---

<sup>65</sup> "While I was in college, we had no serious studies in economics... Only microeconomics was available, to work with concrete factories, well, sometimes with a certain branch of production. But what I was really interested in, was macroeconomics -- dynamics of the economic figures, and money relations, and it was really depressing that there was no one to discuss it with." (Anatoly Chubais, "The Last Thing You Needed was Chubais! Instead of Preface," in Anatoly Chubais, ed., *Privatizatsiya po-rossiiski*, p. 5.)

<sup>66</sup> For centuries, Russian tradition, from the Boyars, Slavophiles to pan-Slavists and from Eurasianists to Communists, has elaborated a nightmare vision of the West as the kingdom of Moloch, where petty individual interests run the show. In the West the upper classes roll in luxury while the landless workers "drink nothing but clear water and live on insufficient bread alone." (Quoted from Paul Miliukov, *The Origins of Ideology*. Gulf Breeze, Fla.: Academic International, 1974, p. 133). Thus, Russia cannot follow the West, cannot allow the West to take over Russia's spirit of equality and commune, as it is the key virtue of Russian society. Russian ethical belief that a good society should be highly egalitarian, support the idea that in Russia "all people, by the kindness of God, the richest as well as the poorest, eat rye bread, fish, meat and drink kvas, even if they lack beer." (ibid.) It is precisely because of such factors as the lack of private property, or the strength of government solicitude, Russian society was seen as being able to avoid inequalities of bourgeois society of the West.

<sup>67</sup> V.M. Piskunov, ed., *Russkaya ideya*. Moscow: Isskusstvo, 1994.

<sup>68</sup> CNN.com transcript of the CNN NewsStand, April 17, 2000.

consultant named Jonathan Hay. In 1991... Hay became a senior legal adviser to Russia's new privatization agency, the State Property Committee (GKI)..."<sup>69</sup>

Wedel goes on as to give evidence of Chubais's non-democratic behavior:

Despite the fact that building democracy was a stated goal of the aid community, many aid officials embraced this [every subsequent major regulation of privatization was introduced by presidential decree rather than parliamentary action] dictatorial modus operandi... As USAID's Walter Coles, a key American official in the privatization and economic restructuring program in Russia, pointed out, 'If we needed a decree, Chubais didn't have to go through the bureaucracy.'<sup>70</sup>

True, in 1993 the Duma consisted of a large number of conservative forces, among them many officials who opposed market reforms. But the decision to rule by decree through chief executives and with the involvement of foreigners lacked political wisdom. By trying to gain control over all political levers of power, Yeltsin's leadership marginalized other political leaders, made them suspicious, defensive and aggressive. As a result scandal after scandal rocked cities and regions throughout Russia; the media publicized the bribery and corruption stories in which reformers and their Western colleagues appeared in less than a moral light. In this atmosphere of a political decay the Russian population confirmed its worst suspicions of the Western ideology, that "it is cut off from everything that lifts the heart above personal interests."<sup>71</sup>

Even more so, Western ideology started to be seen as a core to the Russian corruption problem. As Khomyakov, the Aksakov brothers, Berdyaev and other advocates for Russia's uniqueness warned, money when taken to heart does destroy the human soul. The combination of Boris Berezovsky's shady affairs, banking pyramids of MMM and Chara Banks in the mid nineties,<sup>72</sup> GKO schemes of 1997-1998, the Bank of New York allegations last year, on and off rumors of the investigation of Yeltsin's family, especially his daughter Tatyana Dyachenko's alleged enormous accounts in Swiss banks -- all this yet again convinced the Russians that both Slavophiles and socialists might have indeed been right: "The Western way of life is [not only] *meshchanski*, i.e., both bourgeois, philistine and profoundly repulsive,"<sup>73</sup> it also represents "'the greatest evil of all,' the vampire which sucks the blood out of the social body...-- commerce".<sup>74</sup>

---

<sup>69</sup> Janine Wedel, "Rigging the U.S.-Russian Relationship: Harvard, Chubais, and the 'Transidentity Game.'" *Democratizatsiya*, Vol. 7, No. 4, Fall 1999, p. 477.

<sup>70</sup> *Ibid.*, p. 481.

<sup>71</sup> Quoted from Abbott Gleason, "Republic of Humbug: The Russian Nativist Critique of the United States 1830-1930." *American Quarterly* 44 (March 1992), p. 6.

<sup>72</sup> MMM and Chara Banks, two of the most popular Moscow stock funds of the early 1990s were functioning as a classic pyramid scheme: their stock prices depended only on the people who were buying shares, when each new round of investors supplied the money for previous groups.

<sup>73</sup> Nicolai Berdyaev, *Sub'ektivizm i Individualizm v obshestvennoi filosofii*. St. Petersburg: Elektricheskaya tipografiia, 1901, pp. 147-148.

<sup>74</sup> Alexander N. Tumanov, "Merchant, Entrepreneur and Profit in Russian Literature: The Russian Artistic Intelligentsia and Money," in Anthony Purdy, ed., *Literature and Money*. Amsterdam-Atlanta, GA, 1993, p. 25.

Not all reformers, however, concentrated on just the "objective" and "scientific" laws of economics when the course for the economic reforms was being implemented in Russia. A few, like Boris Nemtsov, then deputy prime minister, started voicing their concerns about the unsavory nature of Russian capitalism even before the financial crisis of 1998: Russia has turned out to be neither socialism nor capitalism, but some "ugly monster" that no one could easily define.<sup>75</sup> Nemtsov seriously worried of how "bandit" capitalism that had been built in Russia, could be replaced by its "normal" version. In an interview with the *Novaya Gazeta*, he called for a new approach to reforms:

What kind of capitalism Russia needs is now our choice to make. The first type we have already had: a nomenclatura-bureaucratic capitalism, in which power, property and money belong to the government and other officials. Second is the oligarchic type, when power, property and money belong to a few corporations, companies, and individuals... The best one to have is when all power, property and money belong to as many people as possible. I would call this people's capitalism.<sup>76</sup>

Sergei Kiriyyenko, in his turn, explained the reason for the failure of the reforms by the fact that among other things

Too much emphasis was placed on macroeconomic stability. Indeed, in a country with a developed market economy and a developed infrastructure, the correct distribution, or alignment, of macroeconomic factors can correctly determine the overall situation. But this was not the case in Russia, where there is no developed market infrastructure. As a result, at the macroeconomic level, companies did not try to organize their restructuring in line with macroeconomic realities. Rather, they tried, somehow, to adjust themselves on a very small scale. As a result, we came face to face with the so-called virtual economy, where we have companies that declare losses, while all they actually do is undermine the general state of Russian economy.<sup>77</sup>

Not just after 1998, with the rise of scandals of corruption and overwhelming "oligarchizm" and cronyism, but during the whole period of reforms, there had been voices that warned that "shock therapy" was wrong for Russia. The market economy should not have been attempted as another revolution. Even if Yeltsin standing on a tank in 1991 was enough to bring down communism, it was not enough to successfully build up the ideology of the market. For most Russians the problem with liberal reforms was that they did not go much further than just proclaiming empty slogans, which bore very little resemblance to the world they knew.

Oleg Pchelintsev, an economist from a less radical school, warned against a simplistic understanding of the market:

We often look at the market as a simple, almost automatic transaction, 'money-product-money.' In reality the market is simple only in the minds of the propagators of neo-liberalism-- this Western analog of our homegrown *nauchnyi kommunizm* (scientific communism). In reality it (or better they, for there are many different types of markets) is a very complicated mechanism. There are volumes about various diversions from 'perfect competition' and one cannot simply ignore the kind of knowledge based on generations of economic experience. This is the most serious mistake of Gaidar's team.<sup>78</sup>

---

<sup>75</sup> *Nezavisimaya gazeta*, February 25, 1998.

<sup>76</sup> *Novaya gazeta*, November 24, 1997.

<sup>77</sup> *East European Constitutional Review*, Vol. 8, No. 1/2, Winter/Spring 1999, p. 56.

<sup>78</sup> Oleg Pchelintsev, *Russia at the New Threshold*. Moscow, 1995, p. 179.

Russian "romantics of the market" in their revolutionary zeal forgot (or didn't want to remember) that "developed capitalism" is a system with a very complex order of institutional and personal relations, difficult, if not impossible, to create in a *Stakhanovite* fashion by the way of "shock therapy."

Economic policy throughout all years of reforms has been criticized for the lack of attention paid to basic structural reforms, particularly in the privatization of industry: "70 percent of Russia's state-owned industry has been transformed into privately owned joint-stock companies,... [thus delivering] assets into the hands of insiders: either Soviet-era industrialists or new-era bankers."<sup>79</sup> The government, in fact all governments in Russia over the last decade, have been accused of artificially creating a huge decline in industrial production, and this failure to attend to structural reforms contributed mightily to this outcome. Vyacheslav Nikonov, president of the Moscow-based Politica Foundation, called the reform process "the most entertaining game in the human history, entitled 'Do Buy Russia,' when everything from a screw to the nuclear reactors, which formerly belonged to the state, now is being transferred to private hands."<sup>80</sup>

Although reformers claimed that "structure was the luxury they could not afford,"<sup>81</sup> Igor Yefimov, a political scientist and a Russia émigré to the United States, was warning his former compatriots as early as in 1991 about the dangers of the liberal euphoria:

Market! The market economy is said to be our only hope! Give everything to private hands, give factory managers an opportunity to compete freely, give prices the liberalization they want, don't plan, don't control, don't give orders and the country will revive immediately. And there would be no political strikes, and no hunger uprisings in Russia. But why would these things stop happening? What kind of miraculous country is Russia?

In all other countries people for centuries were killing each other in the fight for private property. Is Russia, after 70 years of the most cruel economic and political restrictions, all of a sudden getting the most miraculous type of people, kind and disciplined, people who would calmly get into lines and peacefully distribute things that each of them liked the most -- one will take a windmill, another an airport, a third would have an electric line, fourth -- the Ostankino TV tower, or a railroad, or even the atomic reactor.

And then they will all trade with each other and work together in the utmost friendly and peaceful spirit so the rest of the world will die of envy. As there, in that rest, there are still strikes, uprisings, expropriations, gangsterizm, confiscation, crises, inflation, bankruptcies, hunger.<sup>82</sup>

True, the market economy has proven that it is the most effective form of economic development. But in the words of Pyotr Chaadaev, Russia's most prominent philosopher of the Western orientation, "one of the saddest features of our [Russian] peculiar civilization is that we are only now discovering universal truths, which in other places have already become truisms..."<sup>83</sup>: in order to enjoy the market a

---

<sup>79</sup> Peter Rutland and Natasha Kogan, "The Russia Mafia: Between Hype and Reality," in *Transitions*, Vol. 5, No. 3, March 1998, p. 27. Also see on the subject: Svetlana Glinkina, "The Criminal Components of the Russian Economy," *Berichte des Bundesinstituts der Wissenschaftlichen und Internationalen Studien, Koln institut für Ost Europa*, working paper No. 29, 1997; David Satter, "What Went Wrong In Russia?" Paper presented at The Jamestown Foundation Conference "Russia: What Went Wrong? Which Way Now?" June 9, 1999, Washington D.C.

<sup>80</sup> *Argumenty i Fakty*, No. 48, 1997, p. 5.

<sup>81</sup> Anatoly Chubais, "Birth of the Idea," in Anatoly Chubais, ed., *Privatizatsiya po-rossiiski*, p. 28-29.

<sup>82</sup> *Nezavisimaya gazeta*, October 17, 1991.

<sup>83</sup> Pyotr Chaadaev, *Philosophical Letters* (1831). Quoted from Alexander Panchenko, "I Don't Want to be Called Intelligentsia," *Moskovskie Novosti*, No. 50, December 15, 1991.

country needs to have durable and well tested structures that will not allow the market to run wild and turning society into chaos and decay. It also required a psychological and cultural climate, in which people are prepared and ready to accept the change. Even the most hardheaded reformers recognized it at times:

If we look at the world around us with the eyes opened, we would find out the socialism does not effect Sweden's prosperity, while Brazil remains unsaved by its capitalism. Because despite the fact that we were told that there is nothing in the world more important than political economy, there is something more important--the maturity of culture. And I am not talking here about culture which we measure by the amount of books read or poems memorized. I am talking about culture, which is concerned, with the building of the environment where the individuals can live together as individuals, not in a usual Russian commune. Creating this kind of culture is a slow process. And if a society speeds up too much, it may explode like once prosperous Lebanon, or once industrialized Iran."<sup>84</sup>

Political scientist Alexey Kiva, a strong Yeltsin's supporter was nevertheless warning that

Only people who are not familiar with historical points of view might think that such hierarchy of values [communal interests, egalitarianism, hospitality, ethical responsibility versus the moral one, disregard for wealth and private property, etc.] could be built by chance because of bad czars, unfit leaders and general confusion. Everything has its logic of development, and Russia too has had reasons to develop this way and not the other way. A political movement, any political party, would never be successful if for one reason or another it would disregard the people's spirits and beliefs. Ignoring the most sacred values of the Russian people, democrats are bound to disappointment. Capitalism cannot be built on the basis of just slogans, as this does not evoke good feelings and has bad associations for the Russians. By using old methodology one might turn to the origins and build a new Gulag.<sup>85</sup>

Under the current state of the market economy, Russian citizens found themselves, indeed, locked *out*, as Soviet citizens were locked *in* under communism. In the contemporary Russian demonology the Gulag archipelago of the 1930s labor camps has been shunted aside in favor of a "Gucci archipelago."<sup>86</sup>

As there was little in the old society that was of conceivable use in the construction of the new, a moral and political vacuum came into existence over the past decade, replacing the familiar structures of the old. During this period of primitive accumulation of capital, this moral vacuum is a heavy price that the present is paying to the future in penance for the past. If for once there had been an attempt to maintain a more honest and perceptive, less ideological and formula-oriented, somewhat evolutionary analysis of the fundamental problems of the transition, it could have led to policies with less painful consequences. In turn Yeltsin reformers unwittingly reinforced its most difficult qualities. Unable to step away from the traditional behavioral patterns of the elite, they failed to assure that people would constructively respond to their policies of change.

---

<sup>84</sup> *Nezavisimaya gazeta*, October 17, 1991.

<sup>85</sup> *Rossiiskaya gazeta*, September 2, 1995.

<sup>86</sup> Nina Khrushcheva, "Where Does Russia Go?" [IntellectualCapital.com](http://IntellectualCapital.com), April 1, 1999.

## CONCLUSION

In his introduction to the volume of articles written by the Russians after the collapse of the Soviet Union, *Remaking Russia. Voices from Within*, Richard Pipes rightly observed "that Russia's gravest problems are not economic... Economic problems appear as a consequence rather than a cause of Russia's current predicament."<sup>87</sup> The moral and political lessons which Lotman derived from Russia's history of tragic and ultimately self-defeating negotiations, is reinforced by the decay caused by the painful transition from planned to market economy.

The most relevant question derived from the experience of the last 10 years is whether Russia is bound to remain warped by its struggle to reconcile a market system with its inherited cultural values. Perhaps it is possible that, after the "revolutionary" mistakes of Yeltsin's regime, a new order with a pragmatic vision that finds accord between Russian culture and appropriate institutions will emerge. Can ordinary Russians, and especially their political leaders, acquire an authentically evolutionary consciousness and leave behind a past based on polarization, maximalism, explosions and outdated beliefs? True forward movement requires coming to terms with the past, and not simply rejecting it, for absolute rejection leads only to endless cycles of negation and suffering.<sup>88</sup>

The good news is that the financial crisis of 1998, the culmination of the liberal revolution, did contribute to the beginning of this process: attitudes towards money and wealth have been slowly changing. Many now agree that the 1998 default and distress brought some positive results. Immediately following the crisis Sergei Kiriienko suggested that devaluation and withdrawal of international investors would inspire domestic producers to work to meet domestic consumer demand.<sup>89</sup> His predictions were confirmed by Anders Aslund, who suggested that the most obvious reasons for Russia's turning around was indeed "devaluation, which caused an instant halving of imports and made exports cheaper... The industries that have grown the most, however, are not raw materials but intermediary goods, such as chemicals, pulp, paper, and construction materials, and some manufactured goods... You see the effect in the streets of Moscow. Suddenly, good Russian products are everywhere, while Moscow used to import 80 percent of the goods it consumed."<sup>90</sup> After 1998 Russians finally realized that the reformers were right in saying that there was no one there to save them -- neither god, nor czar, nor IMF, or government do care. They were then faced with the necessity to save themselves. And although Russia yet again found its way out of the revolution, the price it paid has yet again been too high.

The bad news is that despite all the rationale and logic coming from the West the change is happening as a result of a revolution, with no consensus between the leaders and the people, in truly Russian style for, as Alexander Herzen has written, "disorder saves Russia."<sup>91</sup> And although Russia paid a heavy price for its reforms -- socially, humanly, financially, politically -- it also won't be right to follow advocates of the Chinese model as the only possible path, now after the fact when all others failed.

---

<sup>87</sup> Heyward Isham, ed., *Remaking Russia: Voices from Within*. With an introduction by Richard Pipes. Armonk, NY: M.E. Sharpe, 1995, p. 3.

<sup>88</sup> A. F. Losev, *Strast' k dialektike*. Moscow: Sovetskii Pisatel', 1990, p. 68.

<sup>89</sup> Transcript of Sergei Kiriienko's lecture at the NYU School of Law, November 30, 1998.

<sup>90</sup> Anders Aslund, "Has Financial Collapse Saved Russia?" *Project Syndicate*, January 1998. [www.project-syndicate.cz.org](http://www.project-syndicate.cz.org)

<sup>91</sup> Quotation from Alexander Herzen in *Russkie o russkikh. Mneniia russkikh o samikh sebe*. St. Petersburg: Petro-Rif, 1992, p. 49.



China is a special case, and so has been Russia.<sup>92</sup> In fact, we should stop thinking in terms of "models" altogether, otherwise we will not come out of the vicious circle of producing lesser Americas, Germanys or Swedens. Already in 1762 Jean Jacques Rousseau warned against such a treatment of countries in general and of Russia in particular, "Peter [the Great] had a genius for imitation... He did some good things, but most of what he did was out of place. He saw his people was barbarous, but did not see it was not ripe for civilization... His first wish was to make Germans and Englishmen, when he ought to have been making Russians; and he prevented his subjects from ever becoming what they might have been by persuading them that they were what they are not."<sup>93</sup> This is to say that China has been more successful in its capitalist development precisely because it disregarded all models and managed to find its own way, understanding that no economic model could function properly unless it is founded upon the traditions of national development.

The lesson Russia and its liberal advisors learnt the hard way is that reform programs require synthetic and creative adaptation, that they are deeply moral and political, not just model-oriented and technical in nature. Another lesson is that "disorder," which had traditionally always "saved Russia" can and should no more be a solution to its current or future problems, for in the 21<sup>st</sup> century the country needs a new source of order appropriate to a complex modern society.

The most important issue that Russia faces today, in a new post-reform period, is the change of mentality. Russia's outdated psychology is the gravest problem that has so far zeroed down all previous attempts for political and economic change. This problem has always made Russia a place where stable and predictable life is not a norm, in which the difficulties have been routinely blamed on the evils of the patriarchal state, dictatorship, the West, corruption or bad human material.

If the country is to continue with democratic and capitalist policies, the next era of transition should be concentrated on reforming the mentality of both the élite and the people, which in turn will provide a viable environment for a new, modern and responsible type of conduct on both sides. Future behavior can no longer be based on fear of the authorities or change but should be that of a people who are accountable for their actions and lives. Only then, an agreement for mutual benefit -- a social contract -- between a respected individual and the government of a law-based state will become possible.

A simple truth that has been long appreciated by other nations is yet to be welcomed by Russian society: "What man loses by the social contract is his natural liberty and an unlimited right to everything he tries to get and succeeds in getting; what he gains is civil liberty and the proprietorship of all he possesses."<sup>94</sup>

---

<sup>92</sup> Comparing Russia with other transition economies Fisher and Sahay point out that "the case of Russia was so different from all other countries that for analytical purposes, it was considered as a group of one." Stanley Fisher, Ratna Sahay, "The Transition Economies After Ten Years," *IMF WP 00/30*, p. 13. See also Pietro Garibaldi, Nada Mora, Ratna Sahay, Jeromin Zettelmeyer, "What Moves Capital to Transition Economies," IMF, 1999.

<sup>93</sup> Jean Jacques Rousseau, *The Social Contract or Principles of Political Right* (1762). Quotation from the internet version of the book at [www.constitution.org/jjr/socon.txt](http://www.constitution.org/jjr/socon.txt), p. 19.

<sup>94</sup> *Ibid.*, p. 8.

