

# RUSSIA

## Since 1980

THE WORLD  
SINCE 1980

Steven Rosefielde  
Stefan Hedlund



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## RUSSIA SINCE 1980

*Russia Since 1980* recounts the epochal political, economic, and social changes that destroyed the Soviet Union, ushering in a perplexing new order. Two decades after Mikhail Gorbachev initiated his regime-wrecking radical reforms, Russia has reemerged as a superpower. It has survived a hyperdepression, modernized, restored private property and business, adopted a liberal democratic persona, and asserted claims to global leadership. Many in the West perceive these developments as proof of a better globalized tomorrow, while others foresee a new cold war. Globalizers contend that Russia is speedily democratizing, marketizing, and humanizing, creating a regime based on the rule of law and respect for civil rights. Opponents counterclaim that Russia before and during the Soviet period was similarly misportrayed and insist that Dmitri Medvedev's Russia is just another variation of an authoritarian "Muscovite" model that has prevailed for more than five centuries. The cases for both positions are explored while chronicling events since 1980, and a verdict is rendered in favor of Muscovite continuity. Russia will continue to challenge the West until it breaks with its cultural legacy.

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# RUSSIA SINCE 1980

Wrestling with Westernization

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*In memory of my beloved son David Rosefelde*



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## Acronyms

ASUP	Automatic System of Management and Planning
CIA	American Central Intelligence Agency
CIS	Commonwealth of Independent States (former Soviet Republics)
CPSU	Communist Party of the Soviet Union (KPSS)
EU	European Union
FSB	<i>Federal'naia sluzhba bezopasnosti Rossiiskoi Federatsii</i>
GDP	Gross Domestic Product
Genshtab	Soviet Armed Forces General Staff
<i>glavk</i>	Main Sub-ministerial Department
<i>Gosarbitrazh</i>	State Arbitration Agency
<i>Gosbank</i>	State Bank
<i>Goskomstat</i>	State Statistics Committee
<i>Goskomtsen</i>	State Price Committee
<i>Gosplan</i>	State Planning Agency
<i>Gossnabsbyt</i>	State Committee for Material-Technical Supply (wholesale procurement and distribution agency)
<i>Gosstandart</i>	State Standards Committee
<i>Gosstroi</i>	State Construction Agency
<i>GosTekhnika</i>	State Committee for New Technology
GRU	Main Intelligence Administration of the General Staff of the Russian Armed Forces
Gulag	State Concentration Camp System
IMF	International Monetary Fund
KGB	State Security Committee (secret police)
<i>khrozraschyot</i>	economic cost accounting (self-financing state enterprises)
<i>kolkhoz</i>	collective farm
METI	Ministry of Economics Trade and Industry (Japan)

MFT	Ministry of Foreign Trade
NEP	New Economic Policy
<i>nepmen</i>	private businessmen without property ownership right
NMP	Net Material Product
OECD	Organization for Economic Cooperation and Development
OPK	Defense Industrial Complex (alternative name for VPK)
<i>perestroika</i>	radical economic market reform
<i>piatiletki</i>	five year plans
Politburo	Political Bureau (Highest State Political Body)
<i>predpriatie</i>	enterprises
<i>prodrazverstka</i>	product requisitioning (without compensation)
RDT&E	Research Development Testing and Evaluation
<i>Sovkhoz</i>	State farm
<i>tekhpromfinplan</i>	enterprise technical, industrial, financial plan
USSR	Union of Soviet Socialist Republics
VPK	Military Industrial Complex
WTO	World Trade Organization

## Timeline

882	Oleg first Grand Prince of Kiev
1054	Death of Yaroslav the Wise
1147	First mention of Moscow
1169	Sack of Kiev by Andrei Bogolyubsky
1237–40	Mongol Storm
1240	Kiev destroyed by the Mongols
1385	Dynastic union between Poland and Lithuania
1389	Dmitry Donskoi defeats the Mongols at Kulikovo
1462	Ivan the Great becomes Grand Prince of Muscovy
1471	First war between Muscovy and Novgorod
1480	End of Mongol Yoke
1494	Defeat of Novgorod by Muscovy, closure of the Hansa Yard and arrest of German merchants
1547	Ivan the Terrible becomes first tsar
1558–82	Livonian war
1565–72	Oprichnina, partition of the land
1569	Commonwealth of Poland-Lithuania
1598	Death of Fyodor II, start of the <i>time of trouble</i>
1613	Mikhail Romanov elected tsar, end of the <i>time of trouble</i>
1645	Mikhail dead, succeeded by Alexei
1649	Ulozhenie law code, de facto recognizes serfdom
1682	Alexei dead, Peter the Great shares throne with Sophia
1689	Peter the Great becomes tsar in his own right
1700	Start of Great Northern War, defeat against Sweden at Narva
1703	Founding of St. Petersburg
1709	Defeat of Swedish King Charles XII at Poltava
1712	Government moves to St. Petersburg
1721	Peace with Sweden at Nystad, Peter the Great proclaimed Emperor

- 1725 Death of Peter the Great, Catherine I Empress
- 1762 Peter III Emperor for six months, mandatory service abolished for the gentry
- 1762 Catherine the Great Empress
- 1767 Legislative commission
- 1773–75 Pugachev rebellion
- 1785 Charter of the Nobility, introduction of property rights
- 1796 Death of Catherine the Great, Paul emperor
- 1801 Alexander I becomes emperor, following murder of Paul
- 1812 Napoleon invades Russia
- 1825 Nicholas I becomes emperor, Decembrist coup
- 1853–57 Crimean War
- 1855 Death of Nicholas I, Alexander II becomes emperor
- 1861 Emancipation of the serfs
- 1864 Judicial reform
- 1881 Alexander II dead in terrorist bombing, Alexander III emperor
- 1884 Criminal code, repression
- 1894 Nicholas II emperor, last of the Romanovs
- 1904 War against Japan
- 1905 Defeat by Japan, Bloody Sunday in St. Petersburg, October Manifesto
- 1906 Basic law, elections to a duma
- 1914–18 Great War
- 1917 February Revolution, October coup d'état
- 1921 Introduction of NEP
- 1924 Lenin dies
- 1928 First Five Year Plan
- 1930 Mass collectivization
- 1934 Victors' Congress
- 1936 Stalin Constitution
- 1936–38 Purges, show trials
- 1939 Molotov-Ribbentrop Pact
- 1941 Nazi Germany invades the USSR
- 1945 Victory over Germany
- 1953 Death of Stalin
- 1961 Cuban Missile Crisis
- 1964 Khrushchev ousted, Brezhnev becomes general secretary
- 1979 Soviet invasion of Afghanistan
- 1980 Olympic Games in Moscow
- 1982 Brezhnev dies, succeeded by Yuri Andropov

- 1984 Andropov dies, succeeded by Konstantin Chernenko
- 1985 Chernenko dies, succeeded by Mikhail Gorbachev
- 1986 Chernobyl nuclear disaster, first summit meeting with Ronald Reagan
- 1987 Central Committee Plenum on radical reform
- 1989 Velvet revolutions in Central Europe, end of war in Afghanistan
- 1990 War of laws, USSR on brink of disintegration
- 1991 Boris Yeltsin president, failed coup, dissolution of USSR
- 1992 Russian reform
- 1994 First war in Chechnya
- 1996 Yeltsin reelected
- 1998 Financial meltdown in Moscow
- 1999 Apartment bombings, Putin prime minister, second war in Chechnya, Yeltsin resigns, designates Vladimir Putin as acting president
- 2000 Putin elected president
- 2004 Putin reelected president
- 2007 Putin designates Medvedev heir apparent, Medvedev designates Putin his future prime minister
- 2008 Medvedev elected president, Putin appointed prime minister



## Preface

Soviet civilization failed.<sup>1</sup> This was the verdict of its leaders, and the judgment of history. Whatever its merits may have been, they were eclipsed by the system's material and spiritual defects. What went wrong? Was Bolshevism a degenerate form of the Russian idea?<sup>2</sup> Is the Russian inferior? Or did the fault lie with socialism? Regardless of the answers, where should Russia be heading: toward American democratic free enterprise,<sup>3</sup> European Union social democracy, Muscovy,<sup>4</sup> slavophil anarcho-populism, or some Chinese-type fifth way?

<sup>1</sup> Peter Baker and Susan Glasser, *Kremlin Rising: Vladimir Putin's Russia and the End of Revolution*, Scribner, New York, 2005; John Lewis Gaddis, *The Cold War*, Allen Lane, London, 2005.

<sup>2</sup> Tim McDaniel, *The Agony of the Russian Idea*, Princeton University Press, Princeton, NJ, 1996; Igor Chubais, "From the Russian Idea to the Idea of a New Russia: How We Must Overcome the Crisis of Ideas," <http://www.aconet.org/wps/chi01>. Fyodor Dostoyevsky coined the term *the Russian idea*.

<sup>3</sup> The term *democratic free enterprise* here and throughout the text refers to an ideal system in which consumer sovereignty prevails in competitively efficient markets and popular sovereignty determines public choice through fair ballots and other forms of democratic participation. The concept has been formalized by Abram Bergson in his works on welfare economics and coincides closely with what Paul Samuelson and others consider neoclassical economics. The terms *EU social democracy*, *slavophilism*, and *anarcho-populism* are used in the same ideal senses. America embraces democratic free enterprise as its credo but doesn't adhere strictly to it. Similar lapses between theory and practice apply to other systems. See Steven Rosefelde, *American Democracy: Icon and Mirage*, 2008, unpublished manuscript; Abram Bergson, "The Concept of Social Welfare," *Quarterly Journal of Economics*, 68, 2(May 1954): 233–52, Bergson, "Social Choice and Welfare Economics under Representative Government," *Journal of Public Economics*, 6, 3(1967): 171–90.

<sup>4</sup> Authoritarian rent-granting governance regime established in the fifteenth century by Ivan the Great, Grand Duke of Muscovy. See chapter 1.

Choosing the right course has been the burning question of Russian history since Peter the Great flirted with westernization in the late seventeenth century, succinctly expressed by Nikolai Chernyshevsky's rallying cry "*Chto delat?*" (What is to be done?).<sup>5</sup> Should Russia westernize in a libertarian or socialist mode, trust in anarcho-populism, or, as slavophiles argued, follow a more spiritual trajectory?<sup>6</sup>

Westernizing intellectuals from the eighteenth century onward, such as Mikhail Tugan-Baranovsky, championed democracy and markets running the gamut from Smithian small government libertarianism to Meadean social democracy.<sup>7</sup> The common denominators connecting these ideas were individual empowerment, happiness, sovereignty, and social justice. The good society for westernizers was one in which people were free to maximize their utility, constrained only by a Lockean social contract, including the rule of law and the democratic provision of collectivist public services.

Anarcho-populists shared similar goals, but distrusted capitalist markets, while slavophiles saw unbridled individual self-seeking as an Enlightenment anathema. They advocated communalist principles of social organization and mutual support instead. Slavophiles might concede that westernizers could accommodate communalism under their tent but were convinced nonetheless that the selfishness of westernizers would triumph over altruism.

However, most westernizers, anarcho-populists, and slavophiles concurred on one point. Bolshevism was reprehensible. Liberal westernizers in particular condemned communist criminalization of business, entrepreneurship, and private property. They rejected one-party authoritarianism, the curtailment of civil and religious freedoms, secret

<sup>5</sup> Nikolai Gavrilovich Chernyshevsky (1828–89) was a Russian revolutionary democrat, socialist, and founder of Narodism (Russian populism). He wrote "*Chto Delat?*" (What is to be Done?) in the St. Peter and Paul Fortress after his arrest in 1862.

<sup>6</sup> Slavophilism, sometimes called Russophilism, affirms the uniqueness of Russian culture, founded on Eastern Orthodoxy, stressing spiritual universalism, the Russian search for the City of God, not Russian provincialism. See Nikolai Berdyaev, "Slavophilism and the Slavic Idea," in *The Fate of Russia*, 1915, [www.berdyaev.com/berdiaev/berd\\_lib/1915\\_202.html](http://www.berdyaev.com/berdiaev/berd_lib/1915_202.html). Resistance to modernization is common in most traditional cultures, and the concerns raised are often valid.

<sup>7</sup> M. I. Tugan Baranovsky, *The Russian Factory in the 19th Century*, Richard D. Irwin, Homewood, IL, 1970; James Meade, *The Just Economy*, George Allen and Unwin, London, 1978.



police repression, and structural militarization. Anarcho-populists and slavophiles cared little about state suppression of democratic free enterprise but bemoaned Soviet oppression of communality, mutual support, and orthodoxy.<sup>8</sup>

These criticisms weren't the whole story. Many liberals and socialists who acknowledged Bolshevism's flaws still found redeeming value, holding out hope that the system's vices would eventually be purged. However, this wishful thinking is no longer persuasive. Most who once maintained that Soviet communism might ultimately be better than democratic free enterprise accept the verdict of history.

Discrediting Soviet communism however has not settled the question of *Chto delat*. Russia's leaders remain ambivalent. They desire the advantages of western industrial modernization as they did during the Soviet era and seek the benefits of partial marketization but still cling to the Muscovite authoritarian martial police state (the other dominant face of the Russian idea). They embrace the rhetoric of liberalism and popular self-determination, while acting like autocrats. They know what should be done to achieve the ideas of the West and East, but what will they do? The answer for the last half-millennium has been to profess western, populist, or slavophil ideals but act as apostles of the authoritarian martial police state, despite its instability, vulnerability, and inferior economic potential. This still seems the most likely course, but the die isn't cast. For centuries, Muscovite engagement with modernity and the West has been a fitful tug of war between ruler self-interest and statesmanship, glossed with idealist rhetoric. The result at every critical juncture has been inferior, or even catastrophic, but the haphazard quest for a better system, incorporating successful elements from the outside world, goes on and could ultimately yield satisfactory results. Perhaps Russia can outgrow its addiction to rent-granting and emulate a more dynamic, commercially oriented authoritarian model like China's. This volume accepts Russia's multipotentiality without cosmetic gloss. It elaborates the ingredients of the Russian drama, documenting the state of play and highlighting the gap between Kremlin claims and contemporary realities and trends pointing toward the perpetuation of Muscovy. It characterizes the events since 1980, including Leonid Brezhnev's reforms, Mikhail Gorbachev's Market Communism, Boris Yeltsin's Market Muscovy, and

<sup>8</sup> A.V. Chayanov, *The Theory of Peasant Economy*, Richard D. Irwin, Homewood, IL, 1966.

Vladimir Putin's imperial martial police state as a missed historical opportunity to westernize,<sup>9</sup> permanently end the cold war, and foster prosperity with all Russia's neighbors. Perhaps Dmitri Medvedev or some other ruler will achieve better results after Putin vacates the stage, but progress won't be easy.

<sup>9</sup> Putin has embraced Anatoly Chubais's advocacy of liberal imperialism. The state is autocratic. Russia may well have the world's largest army. The *Federal'naia sluzhba bezopasnosti Rossiiskoi Federatsii* or FSB (secret police) disciplines opposition and society.

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## Introduction

The collapse of the Soviet Union was “the greatest geopolitical catastrophe of the 20th century.”

Vladimir Putin, April 24, 2005

The year 1980 can be viewed as the beginning both of the end of Soviet communism and a time of turbulent Russian transformation.<sup>1</sup> The era that ensued began on a humdrum note with Soviet declarations of socialist superiority, tempered by concerns about the changing *correlation of forces*, and western expectations of Kremlin *muddling through* with no appreciation that the economy might have entered a period of protracted stagnation. And it continued through what can be called Vladimir Putin’s imperial authoritarian restoration. In between, the Communist Party of the Soviet Union, which oversaw a *socialist* centrally planned, authoritarian martial police state, tried to liberalize, modernize, and partly westernize by adopting Mikhail Gorbachev’s ambitious program of *glasnost* (political candor), *demokratizatsia* (democratization), *uskorenie* (GDP growth acceleration), *perestroika* (radical economic reform), and *novoe myslennie* (new thinking to end the cold war). Although widely heralded at home and abroad, these programs contributed variously to an acute economic depression, the destruction of communist power, and the dissolution of the USSR into fifteen independent republics, culminating in the Kremlin’s loss of 30 percent of its territories and 48 percent of its population.<sup>2</sup>

<sup>1</sup> This treatise is part of a Cambridge University Press nation studies series covering the period 1980 to the present.

<sup>2</sup> Steven Rosefielde, *Russian Economics from Lenin to Putin*, Blackwell, London, 2006, chapter 8.

The post-Soviet years were similarly convulsive. Boris Yeltsin, Russia's first postcommunist president, undaunted by the results of Gorbachev's Muscovite liberalization,<sup>3</sup> chose an even more extreme course mislabeled *perekhod* (radical market transition), which purportedly sought to expand the scope of late Soviet era business, entrepreneurship, and private property with *shock* therapeutic methods, to open the economy to globalization, and forge a multiparty democracy. In the process, Yeltsin restored media freedom, drastically cut military expenditures, and curbed the powers of the secret police. Had these liberalizing, modernizing, and westernizing policies reflected the government's primary motive they would have been more beneficial. But they were mostly secondary policies abetting or concealing the asset-grabbing and revenue misappropriation that immiserated much of the population.<sup>4</sup> Democracy too was honored more in word than in deed, leading to a palace coup d'état orchestrated by the *Federal'naia sluzhba bezopasnosti Rossiiskoi Federatsii* (FSB) that installed secret police head Vladimir Putin as Yeltsin's successor in 2000.<sup>5</sup>

Putin's presidency marked the end of the first phase of post-Soviet regime change. Under his aegis, multiparty democracy, which survives in name only, all but vanished in practice. Power was consolidated in his hands, despite the facade of balloting, much like arrangements during Soviet times. The secret police was revitalized, military spending revived, civil liberties curtailed, the press muzzled, and the independence of large corporations restricted.<sup>6</sup> Although Putin proclaimed an ambitious program to end mass poverty, his first initiative drastically pared Soviet era social welfare programs,<sup>7</sup> pauperizing many and further widening the gulf between rich and poor, despite an oil boom. This action, together with the disintegration of the Russian Communist Party led some analysts to declare 2004 as the real start

<sup>3</sup> Muscovite refers to autocratic governance strategies characteristic of Ivan the Great, founder of the Russian state in the fifteenth century. See Chapter 1.

<sup>4</sup> Ibid., chapter 11.

<sup>5</sup> Stephen Blank, "The 18th Brumaire of Vladimir Putin," in Uri Ra'anani (ed.), *Flawed Succession: Russia's Power Transfer Crisis*, Lexington Books for Rowman and Littlefield, Lanham, MD, 2005, pp. 133–70.

<sup>6</sup> Steven Rosefielde, *Russia in the 21st Century: The Prodigal Superpower*, Cambridge University Press, London, 2005.

<sup>7</sup> Irina Skliarova and Ksenia Veretennikova, "The Social Pyramid," *Johnson's Russia List*, No. 8281, Article 2, July 5, 2004. "There will be no 'monetization of benefits.' Essentially, the previous system will be replaced by a hybrid of in-kind benefits and monetary compensation. Benefits will be retained only by disabled persons and World War II veterans. Other pensioners will lose everything."

of the postcommunist epoch, the year the social contract between Russia's rulers and masses became null and void, replaced by a new form of Muscovite rent-granting beholden to neither aristocrats nor the proletariat.<sup>8</sup> As Yevgeny Yasin, Russia's former economics minister expressed it, "Russia still has no property rights other than the Tsar's – the rest is merely a brief given in return for service."<sup>9</sup>

Of course, Yasin may be mistaken. Putin, now prime minister, and newly elected president Dmitri Medvedev still sometimes insist that their goal is to westernize, to transform Russia into a democratic free enterprise system founded on the rule of law and social justice.<sup>10</sup> And the Kremlin occasionally contends that Russia wants to reduce its military to the bare minimum and integrate into the global economy.<sup>11</sup> The epic therefore continues to unfold. Is Russia heading forward to a new model putting the Muscovite authoritarian police state behind it or back to the future?<sup>12</sup> The situation is murkier than before, and even the G-7 is having second thoughts about the inevitability of the democratic free enterprise transition it desires.<sup>13</sup>

This shouldn't be surprising. Western scholars for centuries have misappraised Russian prospects for liberalization, democratization, westernization, and even a better authoritarianism through the prism

<sup>8</sup> Peter Lavelle, "Putin Ends the 'Old Regime.'" *Johnson's Russia List*, No. 8283, Article 11, July 6, 2004.

<sup>9</sup> "Privatization Was Economically Ineffective – Audit Chamber," *Johnson's Russia List*, No. 8279, Article 12, July 3, 2004.

<sup>10</sup> Alan Cullison and Andrew Osborn, "Russia Shuffle Keeps Putin in Play: Medvedev Offers His Backer Prime Minister Position," *Johnson's Russia List*, No. 254, Article 4, December 12, 2007.

<sup>11</sup> But as usual the signals are contradictory. See "Russia's Ivanov Calls for Parity between Russian, US Nuclear Forces," *Johnson's Russia List*, No. 253, Article 425, December 12, 2007.

<sup>12</sup> Andrew Kuchins, "Alternative Futures for Russia to 2017," *Johnson's Russia List*, No. 256, Article 4, December 4, 2007; Anders Aslund, "Putin's Three Ring Circus," *Johnson's Russia List*, No. 256, Article 24, December 14, 2007.

<sup>13</sup> *World Bank Report, From Transition to Development: Poverty Reduction and Economic Management Unit Europe and Central Asia Region*, April, 2004, [www.worldbank.org.ru](http://www.worldbank.org.ru); Oleh Havrylyshyn, "Unchartered Waters, Pirate Raids, and Safe Havens: A Parsimonious Model and Transition Progress," paper presented at the BOFIT/CEFIR Workshop on Transition Economics, Helsinki, Finland, April 2–3, 2004; Havrylyshyn, *Divergent Paths in Post-Communist Transformation*, Palgrave Macmillan, Basingstoke, UK, 2006. George Tenet, Director of Central Intelligence, "The Worldwide Threat 2004: Challenges in a Changing Global Context," testimony before the Senate Select Committee on Intelligence, February 24, 2004, excerpted in *Johnson's Russia List*, No. 8089, Article 1, February 27, 2004.

of their Enlightenment premises.<sup>14</sup> At least since the time of Catherine the Great (1729–96), they have predicted that Russia would emulate and catch up with its west European peers, but the path has never been straight or certain. The dominant motif for nearly a half-millennium has been best described by Alexander Gerschenkron's concept of continuity and change.<sup>15</sup> Russia since Ivan III, called Ivan the Great (1440–1501), grand duke of Muscovy has survived a series of crises, where leaders recognize the nation's backwardness, partially adapt causing a growth spurt, followed by a protracted period of stagnation before resuming a forward course without ever overtaking Europe, or embracing westernization (including democratic socialism). This pattern, and the accompanying persistent backwardness are a consequence of Russia's protean Muscovite culture, which adapts in its own fashion without assimilating the Enlightenment ideal of socially just, democratic free enterprise (consumer sovereignty in the private sector and popular sovereignty over public programs), or shedding its reliance on rent-granting as the preferred form of government control. Instead of making individual welfare the centerpiece of its worldview, Muscovite regimes place the tsar (subsequently the general secretary of the Communist Party, and more recently the president) at the apex of an authoritarian hierarchy. Whether explicit or implicit, the autocrat owns the realm, delegating the management of his assets to rent-seekers who generate incomes for themselves in return for taxes and service. Few restrictions are placed on these *servitors* who are usually permitted to oppress those under their control. Russian serfs were more slaves than feudal peasants. They could be bought and sold and forced to work in industrial factories, without the customary protections of western Europe. There were edicts but no rule of law.<sup>16</sup>

As a consequence, pre-Soviet Russia was astonishingly unjust from the perspective of contemporaneous western norms. A small segment

<sup>14</sup> David Engerman, *Modernization from The Other Shore: American Intellectuals and the Romance of Russian Development*, Article 1, Harvard University Press, Cambridge, MA, 2003.

<sup>15</sup> Alexander Gerschenkron, "Russia: Patterns and Problems of Economics Development, 1861–1958," in Alexander Gerschenkron (ed.), *Economic Backwardness in Historical Perspective*, Harvard University Press, Cambridge, MA, 1962, pp. 119–51.

<sup>16</sup> Mikhail Tugan-Baranovsky, *The Russian Factory in the 19th Century*, Richard D. Irwin, Homewood, IL, 1970.



of society lived lavishly off the land, resources, and people, while the vast majority was pauperized without civil rights, legal recourse, or democratic process. These grievances sparked mass movements for political change and social justice during the late nineteenth century. Although political parties had little power, their struggle for social liberation seemed to have borne fruit in the Bolshevik coup d'état of 1917. Many social romantics claimed that *revolutionary* Soviet Russia embodied superior principles of socialist enlightenment. People not only received the right to vote, to assemble, to protest, to think freely, and to express their views publicly but also were granted equal opportunity regardless of gender, race, ethnicity, and religion. Whereas western democratic free enterprise in practice only provided the illusion of a fair social contract, some contended that Bolshevism eradicated injustice.

This wishful thinking however was soon shattered. By 1922, Emma Goldman fully detailed in *My Disillusionment in Russia* how Lenin had snuffed out political pluralism, creating a one-party police state.<sup>17</sup> There were triumphal claims of empowerment, equality, and social justice, but they had little substance. The state modernized, fostering universal education and employment after 1928 in effort to overcome economic backwardness. Incomes also became more egalitarian because of the *liquidation* of the tsar, nobles, and capitalists as a class, but throughout, the state's primary interest was what the people could do for the party, not how the regime could enhance the people's welfare. Nowhere was this more apparent than in Lenin's nationalization of private property and business. In free enterprise societies, people have the right to run businesses, start new companies (entrepreneurship), and own productive property and financial assets. Each of these rights provides expanded channels for maximizing individual utility, including the right of self-employment. The Bolsheviks by contrast preferred to reserve these rights to the state by criminalizing business, entrepreneurship, and private property. With some small exceptions, almost everyone was prohibited from working for himself under these ground rules. The state became the sole source employer, placing everyone's livelihood and personal freedom at its mercy. Instead of liberating the people, Soviet economic relations, combined with an omnipresent police state, kept most of the population servile. Where

<sup>17</sup> Emma Goldman, *My Disillusionment in Russia*, Thomas Y. Crowell, New York, 1970.

socialist romanticism dreamed of utopia, reality was transmuted into dystopia (cacatopia), especially under Stalin.<sup>18</sup>

The social upheaval wrought first by Gorbachev's destruction of the Soviet Union and Yeltsin's heady promises of radical westernization have revived Russian aspirations for freedom and social justice. This motif will be used throughout to guide our narrative. The promises of the past few decades will be contrasted with the reality of persistent authoritarianism, rent-granting, inequity, injustice, and repressed civil liberties. At the end of the day, it will be shown that while the struggle for economic, political, and social justice; affluence and national power has yielded some post-Soviet successes, and better outcomes are possible by borrowing from other authoritarian martial police states such as China, Muscovy remains, without a virtuous Russian idea to navigate a superior future.

<sup>18</sup> Steven Rosefielde, *Red Holocaust*, Routledge 2009. Dystopia is the antithesis of utopia, a realm where everything that is supposed to be perfectly good turns out perfectly bad. If utopia is heaven, dystopia is hell. The term was first used by John Stuart Mill in the nineteenth century. Jeremy Bentham coined the synonym *cacatopia*, often spelled *kakatopia*.

**PART I**

**RUSSIA BEFORE 1980**



# 1

## Muscovy and the West

Russians dislike westerners portraying them as European cultural outsiders and attribute the stereotype to Russophobia.<sup>1</sup> However, they acknowledge and even celebrate their exceptionalism among themselves.<sup>2</sup> As Alexander Gerschenkron phrased it, Russia might have been just like Europe if Tartar domination (1237–1480) and its malign legacy hadn't prevented it from assimilating three great cultural movements: humanism, the Renaissance (fourteenth to seventeenth centuries), and the Reformation (1517).<sup>3</sup> Even this formulation is too generous. Russia also lacked any practical acquaintance with Roman law, which underlay the Magna Carta and the foundations of western economic, political, and civic institutions. For at least a millennium, the land of Russia has been different, even though it has modernized and borrowed western institutions in its own fashion over the centuries.

A deep appreciation of Russia's special characteristics and potential is indispensable for any serious assessment of the post-Soviet epoch, its immediate antecedents, and its prospects. Without it, analysts tend to assume that the economic, political, and societal foundations of Russia and the West are identical, that the only factor dividing them is

<sup>1</sup> "Triumphant Vengeance: Philosopher Zinoviev Considers That the West Regained Its Power Thanks to Russia's Defeat," *Pravda*, June 30, 2004, reprinted in *Johnson's Russia List*, No. 8276, Article 15, July 1, 2004.

<sup>2</sup> Alexander Yakovlev, *A Century of Violence in Soviet Russia*, Yale University Press, New Haven, CT, 2002; cf. Richard Pipes, "Flight from Freedom: What Russians Think and Want," *Foreign Affairs*, May–June 2004; James Billington, *Russia in Search of Itself*, Woodrow Wilson Center, Washington DC, 2004.

<sup>3</sup> Alexander Gerschenkron, *Europe in the Russian Mirror: Four Lectures in Economic History*, Cambridge University Press, London, 1970.

relative backwardness, and that any unfinished business will be speedily completed, culminating in Russia's full westernization. Where there once was a gulf separating East and West in the tsarist and Soviet eras, the East now is expected to dissolve seamlessly into the West. Indeed, this was the dominant view until the spring of 2004, when Vladimir Putin's growing authoritarianism and economic illiberalism gave pause to both the World Bank and the American Central Intelligence Agency (CIA).<sup>4</sup> Since then, talk of imminent transition by government institutions and specialists has ceased.<sup>5</sup>

Why did Russia disappoint them? It is easy to blame Putin, but his personal priorities and ethics are only part of the story. More than anything else, his actions and those of his predecessors Mikhail Gorbachev and Boris Yeltsin were forged in the matrix of Muscovite

<sup>4</sup> World Bank Report, *From Transition to Development, Poverty Reduction and Economic Management Unit Europe and Central Asia Region*, April, 2004, [www.worldbank.org.ru](http://www.worldbank.org.ru); CIA, *Global Trends 2015 on Russia*, reprinted in *Johnson's Russia List*, No. 8192, Article 3, May 2, 2004; George Tenet, Director of Central Intelligence, "The Worldwide Threat 2004: Challenges in a Changing Global Context," testimony before the Senate Select Committee on Intelligence, February 24, 2004, excerpted in *Johnson's Russia List*, No. 8089, Article 10, February 27, 2004. For a contrary view, see Stanley Fisher and Ratna Sahay, "Transition Economies: The Role of Institutions and Initial Conditions," in *Festschrift in Honor of Guillermo A. Calvo*, April 15–16, 2004. These authors argue that "the accusation that the IFIs lost Russia, and the charge that shock treatment and too rapid privatization produced unnecessary output losses, disorganization, corruption and misery have been familiar parts of the indictment of the approach recommended by western officials and other advisers. In our earlier work (Fischer, Sahay and Vegh, 1996a, 1996b, and 1998) we concluded that the transition experience confirmed the view that both macroeconomic stabilization and structural reforms contribute to growth, and that the more structural reform that took place, the more rapidly the economy grew. In this paper we . . . argue that the charge that the IFIs did not take account of the importance of institutional development, especially the rule of law, is without merit" (p. 3). A similar position is developed in Andrei Shleifer and Daniel Treisman, "A Normal Country," *Foreign Affairs*, 83, 2(March/April 2004). Cf. Steven Rosefielde, "An Abnormal Country," *European Journal of Comparative Economics*, 2, 1(2005): 3–16. Institute for Economies in Transition Discussion Paper, No. 6, 2004. [www.bof.fi/BOFIT/](http://www.bof.fi/BOFIT/).

<sup>5</sup> Marshall Goldman, "Putin and the Oligarchs," *Foreign Affairs*, 83, 6(November/December 2004): 33–44; Michael McFaul, Nikolai Petrov, and Andrei Ryabov, *Between Dictatorship and Democracy: Russian Post-Communist Political Reform*, Carnegie Endowment, Washington, DC, 2004; Jakob H. Hedenskog, Vilhelm Konnander, Bertil Nygren, Ingmar Oldberg, and Christer Pursiainen, *Russia as a Great Power*, Routledge, New York, 2005; Anders Aslund, *Policy Brief No. 41*, Carnegie Endowment for International Peace, August 2005.