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Russia and the Recomposition of Power: The Paradigm beyond the Dream of the "Good State"

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RUSSIA AND THE RECOMPOSmON OF POWER: THE PARADIGM BEYOND THE DREAM OF "THE GOOD STATE"

We should have learned long ago that Rus ia has a talent for seducing the West's optimistic expectations of the future, only to confound us a short time later. So it was that the collapse of the Soviet Union in 1991 and the buoyant celebration that accompanied it, should have been tempered by the view that the new millennium would inevitably ee Russia complicate the soothing, simple vision of a post-cold war community of Liberal, free market societies. In tead, scholarly analysis initially chose to reflect the optimism by linking developments in Eastern and Central Europe to the democratic transitions sweeping through Latin America (Przeworski, 1991). The former communist world was firmly linked to the progress of societies that held much promise for the future. Indeed, comparing Russia and its companion successor states to a region as troubled as Africa seemed positively mean-spirited at the beginning of the decade. While Rus ia might have a rougher road to travel to enjoy the benefits of democratic governance and the wealth of the free market, the West viewed this as associated more with the enormity of communist deconstruction than anything intrinsic to Russian culture or society. Once the institutional infrastructure of communism were dismantled and the country's nuclear monopoly eliminated, Russian economy and society would quickly respond to the benefits of embracing the global liberal order.[t] Equal optimism abounded in the Western assistance community, as bilateral and multilateral aicl agencies realized their historic opportunity to help guide Rus ia to the Promised Land of free market liberal democracy.

But the dramatic collapse of Ru sian capitalism in August 1998 and the chaotic and internecine political struggles in the spring of 1999 have brought home to the West the reality of Russia's failed transition. Some commentators continue to stress the successes of democratic reform (McFaul, 1999), as doubtless do the administrators responsible for implementing foreign aid. But these arguments now fall on a far more somber reality: eight con- ecutive years of economic contraction, decrepit and inefficient state institutions, pervasive criminalization of state and ociety, widespread public privation and ensuing withdrawal from society; and, a physically enfeebled executive whose chief skill consisted in shuffling elites to preserve his own political stability. Even the most optimistic observers of Russia concede that success has pr ved elusive and "transition" had produced a failed state, spent society and a pathetically self-serving political elite. The reality of this orry state of affairs was brought home when Anatolii Chubais-long hailed by the assistance community as the linchpin of the "bold young reformers"- heaped praise upon Sergei Stepashin when the latter was appointed as Ru sia's fourth Prime Minister in little more than a year. In less than ninety days, the former head of the Interior Ministry found himself replaced by former spyma ter Vladimir Putin, who promptly set about campaigning for the presidency *a la russe* by launching a withering military campaign to reclaim Chechnya.

While the contribution of U.S. and Western assistance to this outcome has proved to be a sensitive and popular subject for those in the policy world, it has not provided for an enriching scholarly debate. Adherents of the reform path encouraged by the West argue that despite Western institutions underestimating the enormity of tl1e task and the capacity of Russian society to embrace reform, the fundamental objective of breaking with the communist past has been achieved. Opposition to reform retains considerable potency, and as long as these holdovers from the past remain, Russia is destined for still greater pain and instability (Malia, 1999). The blame for failure is therefore quarely on the shoulders of the old communist system and its remnants.

The contrary view, while not absolving communism of its responsibility in this historical tragedy, argues that the West made a fundamental error in crafting an

as istance policy based on values and in titutions alien to the terrain of Rus ian political culture. The result was an inevitable perversion of reform and the discrediting of Western institutions and values (Cohen, 1999). Russia is a mess-a vast landscape of despair, resentment, and anxiety littered w ith the remnants of a dysfunctional system and stillborn institutional reforms. Western funds elevated only a few to the exalted status of "reformer," as Russia' economy dwindled, its population suffered and its political elites wasted precious time slicing and reslicing a shrinking pie of social wealth.

From a scholarly perspective, however, the controversy over the role of assistance is intellectually barren.[2] The larger problem is that we stiUhave no sense of the overall direction of Russia's development. Policymakers are left with the frustrating realization that they kn w only what Russia is ltot-neither communist nor liberal democratic. This naturally leads to the question of what Russia is becoming? Can we discern amidst the chaos and d pair of contemporary Russia any familiar dire tionality to its development?

lronically, it is here that a close examination of the djsappointing contribution of Western assistance can adumbrate the outline of Russia's future development. And its trajectory leads beyond the "Good" (i.e., liberal democratic) state and hoped-for liberal free market society toward a "third road" converging with the political and economic pathologies in many African societies.[a] Indeed, there ar striking parallels between the Ru sian and African case in terms of the criminalization of the economy, widespread corruption, weak legal and administrative institutions, and the proclivity for personal rule. Not surprisingly, then, some of the prevailing approaches in African studies constitute a useful theoretical context for comprehending the modalities of post-Soviet experience. The emerging Russian polity will reflect the amalgamation of traditional authority in new socioeconomic surroundings. Russia is headed not for liberal democracy, as Fritz Ermath has observed (1999), but "some form of weak irresponsible state authority over a disordered society" that could retain considerable–if precarious-stability.

How was it the case that Western efforts to move Russia toward the higher ground of free market liberal democracy actually resulted in convergence with critical aspects of African experience? The answer to this question is presented in several p rts: 1) Explanation of the critical intellectual and policy moments when American and international assistance program played a crucial role in moving Russia toward the "third road." 2) A brief analysis of how foreign assistance came to encourage the political and economic pathologies that emerged in Russian reform. 3) A description of the common pathologies in (many) African societies and Russia. 4) Reflections on how enduring difference between the Russian and African case may lead to vastly different- and far more troubling-outcomes for the former Soviet Union and the broader vision of a liberal world order.

I. Critical Junctures in Weatem Asaistance: Intellectual Errors and Policy Blunders

The central intellectual problem in American assistance to the former Soviet Union stemmed from a weak (at best) conception of how reform might improve social development.[4] The United States' victory in the Cold War permitted it to assume a casual attitude, which only contributed intellectual sloppiness to its assistance paradigm. Simply put, we had no need to be efficient because there was no longer a competing social system that struggling societies could tum to for support. International aid shed its geopolitical component and consisted solely of what Grant and Nijman termed its "modernist" component (Escobar, 1995; Grant & Nijman, 1998). Modernism in aid came to signify a belief in the uninterrupted progress from traditional, authoritarian, and irrational society to the haven of the professional, stable, and democratic Western state. The great ideological contest of the cold war had ended in the decisive victory of the West, leaving little doubt (supposedly) as to the objectives of intema-

tional assistance: linear development toward the end of liberal free-market democracy. Sub equ nt events have profoundly shaken Western scholarly faith in this simplistic modernist approach to the post-Soviet world; but the aid community—or much of it—clings persistently to it.

The modernist conception of societal development permitted an international aid policy toward Russia that rested heavily on faith in the power of market forces and trust in the essential decency of Rus ian reformers. This coincidentally diminished the potential contribution of scholarship in addressing the Russian condition, as the envisioned time frame for the realization of reform was too short to permit serious inquiry. Consequently, the bulk of assistance efforts rested on the slender base of macro conomic theory and its claim of a rapid transformation of the econ mic order; little or nothing was devoted to con idering h w reform could accomplish all of its objectives given the absence of suitable administrative capacity for effective governance. Indeed, Russia's first generation of reformers focused- with the explicit knowledge and consent of external institution -on a simple formula for a speedy transition: de truction, stabilization, and construction. The principall gic embedded in this formulation first entailed the destruction of Soviet-era institutions of state power to clear a path for realizing the ostensible benefits of market forces. Once the institutional infrastructure of the Communist state was demolished, the challenge of reform couJd be turned over to a new group of tabilizers who would focus on creating the conditions for stability and future economic growth. Finally, a new generation of builders (presumably those skilled at wealth creation rather than destruction) *would* be given the mantle of power, providing for the consolidation of a productive capitalist economy.

Policymakers, especially those re ponsible for foreign aid, found th modernist paradigm-with its assumptions of linear progres - reassuring: the world can indeed be molded and shaped in the direction of positive outcomes. Unfortunately, thi proved an intellectually misguided view that provided only a false sen e of ecurity. In a ignificant number of African ocieties, and now in the former Soviet Union, the reality is that preexisting political cuJture remains sufficiently powerful to overwhelm even the best of Western intentions. Grant and Nijman refer to this phenomenon as the "postmodern" perspective of development, which signifies "a process of social change without a blueprint, a predictable path, or even a purpose, and largely beyond the control of governmental and non-governmental agencies" (Grant & Nijman, 1998). Hence, Russia can absorb Western institutions and the vocabularies of macroeconomic theory yet remain unchanged in its traditional authoritarian proclivities for elite rule. The new Rus ia conforms neither to the West's desired image of it, nor is it a simple return to the past. W stern assistance providers to Rus ia fail, by and large, to appreciate that rather than slipping into the past, it is actually moving forward in a direction that We tern institutions and norms cannot comprehend- the tsars and their boyars have blended the dark arts of autocracy with the dismal science.

A postmodemist reconfiguration f power in Russia implies that we cannot fully control the essence of development, nor can we be secure in the knowledge of what can be achieved w ithin a given society. Consequently, a postmodern policy response requires greater complexity, a greater infusion of resources and, ultimately, greater risk. Yet all of these factors are hostile to the bureaucrati context within which transitions are formulated and reform strategies mapped out. Far more comforting is a strategy designed to persuade Western audiences that the images of change reflect a real change in the e sence of social and political life in Russia. Moreover, itwouJd require a rare act of political courage for Western institutions to acknowledge that the result of their efforts in a place like Russia will fall short of the free market liberal state. Such courage has not been fashionable in Western policy circles of late.

Relatedly, the West has proceeded in its reform efforts from a false dichotomy:

the traditional (read: authoritarian) world of the past, and the democratic legal order that it promises to usher in. This view also fails to appreciate the elasticity of traditional political culture, a feature that is at the heart of the reconfiguration of power. Western approaches have wrongly assumed that the systemic crises in Russia and African societies reflect a rejection of traditional forms of domination. In reality, they are merely another turn in the cycle of perpetual instability that has characterized domestic politics. In sum, Western assistance in titutions took advantage of the strategic breathing space engendered by the end of the cold war to transplant a dubious intellectual approach toward assistance onto the post-Soviet world. When the anticipated results failed to materialize, political realities bound them to undertake a major effort at spin control.

The intellectual weakness of the West's approach to assistance was compounded in Russia by several decisive errors that set Russia on a course toward underdevelopment. While assistance officials point energetically to the institution of elections, it was the disastrous privatization program- the official rna t-head of America's post-Soviet assistance effort- that resulted in the creation of new financial oligarchy that quickly acquired the same political ambition and style of the preexisting elites. Indeed, U.s. policy was often appeared to operate according to the bizarre logic that an initially unjust distribution of property was preferable to waiting for a more rational and equitable means of privatization, as eventually even those who benefited unfairly would be drawn by the magnetism of capitalist activity. Yet this has been proven wrong: the size of the Ru sian hadow economy has actually grown (Kosals, 1998), while the productivity of the open economy continues its secular decline. Even more remarkably, American assistance officials gave a select group of Russian "reformers" virtually complete autonomy in designing and implementing the privatization program (Wedel, 1999). American as istance policy was, in effect, in Ru sian hands.

This error might have b en manageable, had U.s policy made a serious effort credibly to support efforts to create the rule of law in Russia. Had legal institutions and practices been endowed with the resources, skills and- most important- political support required, it might have been possible to argue that oligarchic capitaJjsm could at least be restrained by legal institutions. But this never acquired any momentum, principaUy because the core of Russian reformers tapped by American assistance officials to implement reform prevailed in their argument that times of crisis necessitated circumventing legal institutions. Hence "crisis management" meant under.mining the principles that would have moderated the evolution of a new type of unrestrained power in Russia. This harkens back to African experience, where democratic law-governed initiatives were set aside in favor of preserving progress in economic reform. But in Russia, there was not even economic progress to point to, with the result that many African states have wound up performing better than Russia in recent years.

These strategic intellectual and policy weaknesses created the substratum in which the rest of the Russian tragedy unfolded. The remaining sections detail the type of political and economic dynamics emanating from this initial context and reinforce the conclusion that Western assistance has contributed in Russia to the emergence of many of the pathologies first identified in African societies.

II. Westem Aid and the Shaping of the New Russia-Political Effects

Western assistance proved important in nurturing a political practice that exacerbated the impact of economic policy and further degraded the prospects for development of state institutions. On one level, the We t, with the United States in the lead, focused paramount attention on elections, political parties, and the separation of powers. While the focus on political party formation fizzled early on, America aggressively sought to implement parliamentary and presidential elections. Under the watchful eyes of hundreds of international observers (many of whom preferred the comfort of their hotels to going auton the hustings) Russians went to the polls in

December 1993 and December 1995 and both times returned a parliament dominated by Communists and forces largely hostile to the reform program. The centerpiece was, of course, the presidential election in June 1996 in which Yeltsin staged a remarkable com back to defeat Gennadi Zyuganov, his Communist opponent. Americans congratulated Russians for freely electing their first president in history: Few eemed to be bothered by the fact that the d loice was between a despot and a tsar.

In retrospect, a mas ive international effort was required to produce the appropriate election spectacle sanctifying Rus ia as "on track" toward democracy. Yet considerable evidence indicated the elections were far from free and fair. The European Institute for the Media, pointing to the overwhelming monopoly of the airwaves by pro-Yeltsin forces, concluded in its final report that the elections were not free and fair. Moreover, Chubais did his best to rifle the government budget and foreign assistance funds to throw money at the Yeltsin campaign. The most glaring example of this was the "disappearance" of a $250 million tranche from the World Bank designated for relief of the mining sector, including payment of back wages. Not a nickel materialized there, instead winding up in Yeltsin campaign coffers (Kramer, 1998).5 The financial oligarchy created by earlier privatization policy made no secret of its massive assistance in support of Yeltsin's reelection bid. What they demanded in return was nothing less than a further crippling of state capacity to accommodate their personal interests.

The fact that the West did not protest these disturbing developments reflected the gradual emergence of the international community's real priorities for Russian political reform. [f Russia embraced the rhetoric of reform and made marginal substantive steps-in short, if it pro ided the West with an *imagine of presentability*—Western agencies and governments would pronounce Russia to be a reform "success." The shift from substantive policy results to appropriate genuflection before the icons of free market democracy prov d remarkably easy for the Russian elite to do, and it was not long before virtually every political party and organization spoke the language of reform with accomplished fluency. Only the Communists- in contrast to their predecessors- found this a challenge.

International assistance agencies also found that the ritualistic embrace of transition goals provided them with the kind of fleXibility required to navigate difficult moments in the transition, yet without having to claim thatdemocratization had uffered serious reverses. Hence, Russia could now have a parliament, it could be populated with opposition forces, and it could even pass legislation that conflicted with the Yeltsin government's objectives. A strongly presidential constitution empowered Yeltsin to circumvent or ignore such negative developments in virtually all cases.

The West's superficial investment in democratic institutions in Russia also meant that it would continue to tolerate endless conflict and political jostling between informal clan networks that were the essence of Russian political life. Even when the clan nature of Russian politics was publicly revealed to the West (Graham, 1995) it caused only a momentary ripple in the pressure of Western government and IFIs to cast developments in the most favorable light. Hence, Russian political life acquired a two tiered nature: the level of formal institutions that satisfied the rhetorical and ideological demands of Western policy, and the level of informal clan struggle, where the serious political is ues were resolved.

Accountability of elites to the public-the sine qua non of genuine democratic government- was the principal casualty of this system, but Western officials attempted to deflect this by stressing that the mere fact of elections was a major success for Russia at this point in its history: This was the ultimate irony: the fabled Potemkin Village, long the symbol of the Russian tate's craven attempt to obscure its political backwardness, was now embraced by the West with relief. The style of Russian politics had thus succeeded a remarkable process of adapting to new conditions. The rhetoric and institu-

tional framework had changed, and several n w lans affiliated with the West entered the political fray; but the hankering to live above the law and resolve questions of power through semi-clandestine struggles continued unabated.

The result of Western emphasis on economic reform, the presentability of political reform, paralleled by the toleration of unreconstructed clan politics helped produce the "qua i-state" referred to by Robert Jackson: endowed with juridical stateho d, yet lacking the political willI institutional capacity, and organized authority to protect human rights and provide socioeconomic welfare (Jackson, 1990). Indeed, were one to consider Russia's accomplishments again t the standards expected of m dem states- provision for national defense, ensuring broad macroeconomic stability, maintaining social equity at politically manageable levels, and insuring economic growth (Mkandawire, 1999) –the Russian state in 1998 had failed in all respects.

And yet, despite the deplorable condition of its formal institutions, Russia nevertheless accomplished some important (albeit contested) goals, including the transfer of state property to a elect entrepreneurial elite, muzzling much of the mass media and mobilizing for popular elections to provide the patina of respectability required f r international consumption. Ther fore, the web of informal clan alHances among the Yeltsin political elite filled the void left by the breakdown of formal state capacity. Since the essence of clan politics involves the amassing of power transcending institutional boundaries; the triumph of traditional political behavior effectively destroyed the boundaries between state, society, and economy required to sustain modem state institutions. With the triumph of traditional political style, international institutions were placed in the awkward position described by William Reno: implementation of transition policy rested in the hands of elites whose own power and influence would be undermined by pursuing the e objectives (Reno, 1995).

The primacy of informal clan politics allowed Yeltsin to develop a style of rule in the 1990s, which was effective in preventing challenges to his authority, even as it debilitated the pursuit of rational policy goals. In essence, Yeltsin followed the example of Zaire's Seke Sese Mobutu by uperimposing himself above elite politics, defining and enforcing the rules of engagement in order to balance competing clans (Schatzberg, 1988). This accounts for years of reshuffling his "reform team," which changed its political complexion on a regular basis. Hence, to balance off the influence of Chubais and Boris Nemtsov, Yeltsin tolerated Prime Minister Viktor Chem omyrdin and his ally Boris Berezovsky. Then, as Chemomyrdin acquired too much presidential character, he was sacked and replaced by political neophyte Sergei Kiriyenko. The latter's appointment-hailed externally as a triumph for "reform"- was actually designed to stabilize domestic politics and temporarily restrain personal ambitions.

More recently, Yeltsin's erratic behavior has increased the tempo of the process. In Spring 1999 he sacked Prime Minister Evgenni Primakov evidently out of fear at the latter's growing popularity and willingness to attack high-level corruption in the Kremlin. Sergei Stepashin, his successor, began his tenure crippled by Yeltsin's maneuvers. Russia's mercurial president accordingly crippled his fourth government in little more than a year by insisting on the appointment of Nikolai Aksyonenko as First Deputy Prime Minister and depriving Stepashin of the authority to appoint his own team. With Stepashin supported by Chubais, and Aksyonenko by Berezovsky (and perhaps Roman Abramovich), the new government appeared complete. Even so, Stepashin lasted little more than eighty-four days, as Yeltsin feared that he nevertheless exhibited too mudl presidential ambition and an uncomfortable closeness to Yuri Luzhkov. This occasioned another cycle in the seemingly unending Kremlin political struggles, as Yeltsin selected for the premiership and publicly anointed him as his designated successor to the presidency.

The policy direction of the Putin government make it difficult at best to speak of Russia as a "victory" for democratization

and the consolidation of a modem state. Surely, it strains credibility beyond any reasonable limit to describe as "democratic" a government that pro ecutes a war in Chechnya as an election campaign strategy and prides itself on embracing a quasi-imperial order of suc ession to the throne. Contemporary Russia is therefore better understood in the framework of Mobutu-style of governance, where enfeebled state institutions succumb to the despotic ambitions of its leader. And since no one in the West would consider elevating an African despot to the status of "democrat" and "reformer," there is no reason for treating Yeltsin's Russia any differently.

Understanding why Western institutions tolerated this patrimonial style of rule allows us to achieve a closure between Western aid policy, Russian domestic politics, "presentability" and the rhetoric of reform.[6] Once Western states had resolved that only Yeltsin could push through the reform process, it became imperative to permit him to secure his domestic political position. Yeltsin, however, had learned his political survival tactics in the old school; hence, if the President were to survive, he had to do so his way. This meant recourse to the comforting world of clan politics and clande tine intrigue, rather than democratic processes. The West was forced to accept this reality, and did so on the condition that the leading clan reflect d the interest of free market democratic reform.

In the turbulent world of Ru sian domestic politics, however, no one could credibly guarantee the primacy of a single group of neoliberal reformers; moreover, this also risked depriving the Yeltsin style of elite reshuffling of the very flexi bility it required for success. The only way all of these contradictory imperatives could be reconciled was through the West's abandoning its insi tence on purely substantive reform and instead accepting a presentable image of Russia a in transition. Yeltsin, for his part, responded by developing what might be a textbook recipe for a "presentable" tran ition: 1) seizing the rhetorical high ground and imposing upon all Russian elites (excepting the Communists) the vocabulary of reform; 2) producing sufficient substantive changes to permit the West to declare transition a success; 3) exploiting Communist ineptitude to cast them as the perfect villain (Aleksandr Lebed is also assigned this role by Moscow elites). This, as TIm McDaniel has noted (McDaniel, 1996), allowed Yeltsin to dedar outright war on the "red-brown" opposition while simultaneously replacing many of his shock therapists with conservative economic managers and restoring state subsidies to enterprises. Reform moved ahead as economy and society reversed course.

One genuine difference between Contemporary Russia and the Soviet era was in center-regional relations. Yet even as it distanced its If from the communist past, this area of political behavior began to acquire some of the characteristics manifest in the African case. At no point in Russian history had the likelihood of the diSintegration of the Russian state appeared as great as in the past decade. The period of greatest danger in this regard was in 1992-93, when the central govemment had to confront the consequences of economic collapse outside Moscow, yet lacked the institutional resources to do so. In a manner not unfamiliar to African states, Moscow adjusted to the "temporary" reality of its diminished power by sustaining regional relations through a web of compromises and concessions to regional leaders (Rothchild, 1987). As Russia achieved a modicum of stability in the middle of the decade, opinion was divided as to whether it would move in the direction of a federation or a recentralization of power.

At present, it appears that those optimistic about the emergence of a functioning federalism in Russia have been disappointed.[7] Despite the be t efforts of a minority of regional leaders, the weakness of Mo cow and regional govenunents left a de facto structure tentatively in place-until one side or other can impose another solution. Hence, personal relations between the presidency and th regions are preferred to legally binding federal practice, and regional governments are predominantly content to sequester substantial portions of their budget to provide for g ods and services off the books. This

reflects that, with rare exception, the present economic crisis in Russia has brought about the system-wide failure of public institutions. Gogol's satirical depiction in the *inspector General* of the mutual mistrust and manipulation of both center and regional governments has retained its currency.

The West largely missed this opportunity to assist in the decentralization of . political power. Part of the cause for this can be attributed to the inherent contradiction between the political and economic dimensions of the international reform agenda. The logic of democratic reform suggests that decentralization of power and the creation of functioning federal structures were essential for the consolidation of democracy. Yet lFIs, followed somewhat less ardently by the United Stat s, were openly hostile to any ubstantive decentralization. Their reasoning stemmed from tI,e primacy, in their view, of economic reform: macroeconomic targets were best achieved only by *strengthening* central govemment institutions (Tanzi, 1993). The IMF and World Bank obviously had in mind the ministries of Finance, the Central Bank, etc. but to the early neoliberal reformers this was political salvation. They could now use the guise of international aid to demoli h the institutional bases of their political opponents. This also left regional leaders in the awkward position of being on the frontlines of democracy without the support of the central government; for they stood first in line to bear the brunt of public disaffection with the consequences of shock therapy.

The United States eventually grasped the need to adjust its aid policy toward direct support for regional economies and governments, but this came late in the day for Rus ia.[5] Moreover, the United States remained concerned lest direct assistance to regions offend central authorities in the Kremlin. Hence it proved difficult to avoid foreign assistance money disappearing in the black hole of Moscow. The most successful international initiative (and earliest) was tI,e European Bank for Reconstruction and Development's Regional Lending Program. Generally, however, foreign investors seeking promising opportunities in the regions were left to fend for themselves. Some regions, such as Veliki Novgorod, succeeded in forging ahead with reform and the attraction of foreign investors,[6] while others found themselves mired in Moscow politics. In sum, the emergence of regional politics in Russia proved an opportunity missed from the standpoint of international aid policy. Instead of being the centerpiece of a bold initiative in democratization, it lived in the shadow of macroeconomic imperatives and presidential politics. Not surprisingly, the pattern of center-regional relations drifted in the direction of personalistic and feudal linkages present in some African societies.

III. Westem Aid and the Shaping of the New Russia-Economic Effects

From the outset, the Western approach to "tran ition" from Communism rested heavily on neoliberal economics, with a secondary emphasis on building formal political institutions. International assistance institutions, however, presented no credible or persuasive argument as to how these two dimensions of the assistance in program could be coherently reconciled. Russia thus entered its reform era plagued by the same inherent contradiction between neoliberal economic reform and democratic reform that characterized Western approaches towards assistance to the south. Intemational financial institutions (!FIs), led by the International Monetary Fund (IMF) and the World Bank, concentrated their energies on macroeconomic reform. Western states, the United States in particular, directed their assistance efforts toward the creation of new political institutions and a non-governmental sector that was deemed essential in catalyzing the transition.

In 1992, when the reforms first began, it was not unusual for Russia's "bold young reformers" to assume–with the . hubris characteristic of those secure in their knowledge of economic science-that the entire process could be accomplished quickly. Their conviction was bolstered by the unabashed efforts of Jeffrey Sachs and his acolytes to accelerate the process of

macroeconomic stabilization still further. Sachs excoriated the IMF in particular for being insufficiently aggressive in the application of "economic" shock therapy in Russia. The faster shock therapy was implemented, the faster reformers would be able to deal a mortal blow to the sclerotic infrastructure of the Soviet command economy and facilitate the consolidation of a capitalist economy. Russian reformers and their international supporters acknowledged that such an approacl1 was bound to impose stiLI more pain on society. But this was considered to be a reasonable price to pay for a rapid transformation of economy and society.

The reform of Russia's political institutions played a secondary role behind this larger economic undertaking, yet it was no less important; for the West had to demonstrate that no political alternative existed to the contemporary liberal state. Elections, a new constitution for the Russian Federation, and the creation of effective legislative and judicial institutions were the principal foci of bilateral Western assistance to Russia's political transition. Even so, the commitment to political reform remained detached from macroeconomic policy, tl10ugh the United States Agency for lnternational Development (USAlD) and the European Union's Technical As istance to the Commonwealth of Independent States (TACIS) and others initially assumed that political reform could be smoothly integrated with economic reform. When tension subsequently emerged between the political and economic dimensions of international assistance, the West left little doubt that it was committed first to defending the architecture of economic reform in preference to the consolidation of democratic political institutions.

The implementation phase of the assistance policy proved to be as important to Russia's evolution as its concomitant theoretical blunders. It revolved around an unavoidable reality: Russia possessed neither the institutional infrastructure nor the cultural legacy to serve as the basis for the norms and institutions of the modern liberal state, however logi al and desirable these aims might be. How then, could a rational-legal order and the Good State be buUt if the only implements and resources at the West's disposal were rooted in past institutions and practices? The answer appeared to be simple in concept: international assistance providers were to place their trust in a select core of self-styled "reformers" whose macroeconomic credentials were beyond question. Hence, the fresh, young- and appropriately western-faces of Yegor Gaidar, Anatoli Chubais, Peter Aven and others suddenly appeared extremely appealing. If such a group were provided access to central power and given political cover by none other than President Boris Yeltsin, they would be able to run the state in the absence of normal institutional development and rapidly push through needed reforms. The new elite with a resounding affirmation answered Dostoyevsky's concern a century earlier as to whether a just society could be built on the basis of a single injustice. Western institutions shunned other domestic groups and alternative reform programs and invested its financial, moral, and political support in a narrow clique of elites (Wedel, 1999). Moreover, the linear logic of development that now prevailed indicated that reformers had no other alternative tl1an to aspire to the goals set for them by Western assistance institutions.

Not surpriSingly, Yeltsin's reform team was soon described in most favorable terms—"radical," "bold," "young," "pro-western," "pro-capitalist"- while anyone who voiced doubts or opposition to the new course soon had a host of negative adjectives preceding his name in the press-"hard-line," "conservative," "nationalist," or "anti-reform." The West's need to find loyal cadres in Russia who promised rapid solutions had at a stroke reduced a remarkably complex array of social forces to a simplistic dichotomy: our reformers (the West), and the rest. Later, this acquired a more damaging dimension, as Western policymakers fOtmd it easy to sljp into the habit of equating SlavophiUc tendencies with an anti-reform orientation. At a stroke, the West made it impossible for Russia assert its own national identity without offending the premises of eco-

nomic refom1. This dichotomy had now been stretched beyond the breaking point, as we must now consider whether individuals such as Putin fit the "pro-capitalist" mold.

The *substance* of the Russian reform and Western assistance poHcy genuinely reAected a radical departure from the Russian past, but the political *style* of its implementation remained grounded in the more familiar terrain of personalistic and c1ientelistic elite groups and a highly authoritarian structure. Once the basic reforms were put in place, however, Western policymakers presumed that Russian reformers–who now stood to be the chief beneficiaries of a jury-rigged and deinsitutionalized system- would lead the way in supporting reforms the would undermine their own positions. Like Cincinnatus in Ancient Rome, the West relied upon Russia's first wave of reformers to take on the mantle of authoritarian power during the crisis period, only to shed it once the crisis had passed and normal govemance emerged. The West had not *provided* for the possibility that Russia's new elites would find the traditional mantle of power so appealing that they would refuse to take it off.

There were two justifications for delinking economic reform from public accountability, each of which were dearly recognizable to societies with similar reform experiences. First, the impact of macroeconomic stabilization policies imposed such hardship on the population and proved so politically unpopular that only an authoritarian leadership could secure the stable implementation of macroeconomic policy. Yeltsin's confrontation with Parliament in October 1993 was, confirmation that a firm (r ad: non-democratic) hand was justified. Anti-shock therapy elites in Parliament, bitter at their effective disenfranchisement in the face of the government's economic policy, seized upon growing public discontent in an effort to pressure the Yeltsin government into making concessions on the new Russian constitution. Both sides in the constitutional debate--president and parliament- refused to budge, leading to political stalemate in late summer 1993. Yeltsin resolved the issue through the use of force, bombing parliament, arresting key leaders and calling for new elections and a referendum on his version of the constitution. On 12 December 1993, the Russian electorate rendered a split decision on Yeltsin's actions by giving Vladimir Zhirinovsky's Liberal Democratic Party of Russia a stunning plurality of the public vote, yet approving the highly centralized Yeltsin constitution.[10]

Second, We tern elites considered Yeltsin's authoritarian response as a necessary aspect of crisis management. At the beginning of Russia's reforrns, the World Bank spoke approvingly of the need for a "crisis management" style of policy-making. The situation in Russia required urgent action, and state institutions either did not yet exist or were too fragile to respond adroitly. Hence, a tightly knit reform team could navigate through the institutional wreckage of the old regime to achieve the first, essential goals of macro-economic stabilization (World Bank,1992). The urgency of the task al o dictated that they be freed from the usual and customary legal and political constraints in implementing their policy. Once the critical phase had passed, the World Bank reasoned, it would be desirable to broaden the base of governance and link it firmly to *formal* institutions. Yet the Bank provided no insight as to how this would be accomplished, or how it would be possible to dislodge a highly centralized government that soon had the force of constitutional authority behind it. Not surprisingly, as Russia lumbered from crisis to crisis, international aid providers found it easier to sustain the existing style of rule and postpone into the indefinite future the era of normal government.

But it was the privatization process-especially in its second stage--that dealt a mortal blow to the future of the Russian state. In a remarkable tour de force of political arrogance, Anatoti Chubais and former head of Uneximbank, concocted a "loans for shares" arrangement in which a select group of seven "court" banks were provided controlling shares in the crown jewels of the Russian economy in exchange

for loan the Russian government needed to cover its budget deficit. Theoretically, this arrangement was to permit the government immediate access to finances, while preparing the ground for the sell off of key industries that would generate still more revenue. The problem, however, was that the scheme was blatantly corrupt: the favored banks all had intimate links to the reform government, and they subsequently purchased Russia's richest assets at far below the market value (Boldyrev, 1996).[11] This deprived the government of its anticipated revenue stream and left the attraction of foreign investors as the lone remaining option for generating revenue. Equally important, the financial oligarchy created as a consequence promptly engaged in the speculative sale of its new assets, undermining still further the chances for the restoration of a productive economy.

Privatization policy also undermined the government's ability to develop a professionaJ civil service. In an effort to assume direct control over the process, Chubais used foreign assistance funds to construct Russia's massive privatization program. Russian Privatization Center (RPCs) were created to implement the program, yet the RPCs needed to recruit personnel. A ready pool of labor was found among government personnel loyal to Chubais, who were secretly paid for their consulting services. Chubais could count on finding many recruits, in large part because his government was responsible for the low wages paid to civil servants. Privatization thus triumphed in Russia only by compromising the possibility of a genuine civil service (Stavrakis, 1998; Boldyrev, 1996; Wedel, 1996).

The enervation of the state was paraUeled by the emergence of speculation as the dominant form of activity. Lacking either legal protection or political support for their activities, enterprise rapidly saw that greater advantages accrued to them through asset-stripping (and subsequent sale on the black and/or international markets) rather than continued production of goods for which demand had collapsed and raw materials grown scare. Tax revenues accordingly shrank and enterprise managers sought to avoid payment of taxes altogether. The Russian state, as Piroska Nagy argued (1999) had fallen victim to the zeal of its economic reform agenda. The lone remaining option for salvation now rested in attracting foreign investors to the recently created Russian government treasuries (GKO) market.

The GKOs initially proved successful as the Russian government promised extremely attractive rates of return on two-year bonds and it succeeded in obtaining emergency IMF funding to bolster its depleted coffers. So successful was the GKO market that, within a year, the World Bank was pleased to anoint Russia as the world's most attractive emerging market. But, as Sergei Glaziev (1999) has recently noted, there were never sufficient funds for the government to pay them on maturity. It was a house of cards that was bound to collapse. Major Western investors had already begun to cool their ardor for the Russian bond market in 1997, concerned that Moscow would be unable to honor its debt commitments. By 1998, the imminent withdrawal of foreign investment had reached critical dimensions. As foreign investment lagged, the financial crisis returned with renewed force and Chubais was dispatched to Washington to negotiate an IMF bailout package designed to restore investor confidence. The operation proved a success, as the lMF pledged $22.6 billion in support of Russian reform.[12] Unfortunately, the patient died, as Western investors failed to be swayed by the IMF endorsement. Confidence in the Russian government's effort to persevere along the reform path evaporated and with it went bond prices and the stock market. Prime Minister Sergei Kiriyenko (another young reformer) initially attempted to stay the course, but less than three days later was forced to announce a debt moratorium and effective devaluation of the ruble. Shortly thereafter, Kiriyenko resigned, along with the entire complement of reformers in government.

The appointment of Yevgeni Primakov as Prime Minister eased the political crisis but Russia remained in deep economic crisis. Primakov's deliberate slowness in addressing the economic

situation left Russia suspended at the lowest point it had been since reforms began. For the international assistance community however, the problem was even more profound, for they no longer had a single individual they could point to that could serve as the credible standard-bearer of reform. If Russia was to be rescued with renewed international assistance, a new accommodation had to be reached with the new elite that came to power in the Kremlin. This requjred time; Russia's future would have to wait. As it happened, Yeltsin did not want to take the time, and his sacking of Primakov prevented any serious movement toward accommodation. Stepashin was never given time to achieve this, and Putin appears to have concentrated hjs energies on building his domestic popularity through the war in Chechnya.

The Russian economic reform program endorsed by the West thus had a powerful corrosive effect on the state, neglecting or underminmg the very institutional infrastructure responsible for managing the transition. Economic productivity; already reeling from the Soviet collapse, could not endure the plundering of a financial oligarchy created by a reformist clique that employed the perpetual crisis as a persuasive argument for operating above the law. As the legal order was compromised, economic managers ventured into the darker comers of the speculative economy, compromising the much-desired breakthrough to a normal economy.

Reformers in the allegedly "new" economic institutions also learned the darker arts of global finance. The Russian Central Bank recently admitted that it channeled perhaps as much as $50 billion of its reserve into FIMACO, an obscure off-shore corporation in Jersey, principally to prevent its recapture fTOm We tern creditors.[13] in its fina l moments, the Kiriyenko government revealed that tl1eir commitment to transforming Russia was secondary to the perquisites of power. As Kiriyenko and a stream of "bold young reformers" resigned en masse and decried the collapse of reform in Russia, the political decrepitude of Yeltsin, and crisis that now confronted Russia in the hands of the inept old guard. It was a remarkable performance, inasmuch as their actions were as much responsible for the collapse of reform as anyone else's, and it was they who massaged Yeltsin's ego and hid political shadow to cling to power.

Eurasian and African Convergence

The preceding sections indicate that Western assistance played an important role in fostering in post-Soviet Russia the types of state patl1010gies more commonly found in Sub-Saharan Africa. Despite the formally distinct imperatives of "development" and "transition," the striking parallels between the two regions in the areas of state failure and economic stagnation attract more attention than do their differences. ll1e Tsarist Empire and the African continent are products of widely differing patterns of historical development but, since 1991, the international aid regime has been a fixed constant in the efforts of these states to sustain political viabiHty and economic growth. The imprint of this regime can be discerned in several key areas, and it is to this that we now turn.

The Triumph ojNeoliberol Economic Ideology

The West's triumph in the cold war explains a remarkable convergence in the economic dimen ion of international aid poucy. Neouberal economics, now unchallenged, stipulated that Western ajd be directed less toward enhancing state capacity, than to social forces deemed capable of satisfying the macroeconomic constraints establishment by the new government. Hence, African and post-Soviet states could be viewed as identical in the sense that while the causes of the problems confronting African states in the NIS differ, the solutions are the same.

A substantial deconstruction of the state was, therefore, essential to develop a viable private sector in a society that did not possess one. De-emphasizing the state also initially served a dual poutical purpose: intentionally, it undermined the Soviet power structures that challenged American primacy, and domestically, it demolished the basis the command

economy. Weak states were now seen as indispensable for the development ivil society and private enterprise, and they conveniently minimizing any potential threat this region may pose to the West. Only later in the reform process did it become apparent that the state had been so critically impaired that it was unable to defend itself against the new social forces unleashed by reform (i.e., the economic oligarchy).

The demise of the African state as the agent of social transformation followed a different path, only to arrive at the same result. Despite efforts to shore up weak administrative capacities, the African state's success in speeding the emergence of civil society proved disappointing. A growing number of scholars came to see the state as primarily concerned with producing and sustaining a new class of bureaucratic bourgeoisie (Shivji, 1975), as aid intended for improving government capabilities was directed toward a new class who used the resources for its own benefit (Leys, 1975). Strengthening an interventionist state in these circumstances amounted to supporting an exploiting class' effort to mold African society to its interest and appropriate for itself the benefits of state control.

The solution to the problems caused by the overdeveloped state lay in the donor community redirecting aid and technical assistance away from the state bureaucracy and toward nongovernmental organizations. This blended conveniently with a new international emphasis on structural adjustment, economic liberalization, and privatization to support policies that explicitly bypassed the public sphere: the state "had been eclipsed in the eyes of donors by a veil of presumed obsolescence." In its place, the new international community pursued the following objectives: 1.) Advocacy of privatization and increasing involvement of private enterprise in aid arrangements; and 2.) Diversion of aid fund via nongovernmental organizations; formation of donor coordinating consortia, with corresponding counterpart "front" organizations, which assume major policy roles; preference for working with autonomous quasi-governmentaJ organizations; and introduction of highly advanced monitoring methodologies for which national expertise is often insufficient to constitute an effective counterpart in policy discussion and implementation (Doornbos, 1990).

In Russia, as in Africa, the result was a state chronically incapable of achieving basic societal objectives, let alone reform gOaJS.[14] This ideol gically mandated weakening of administrative capacity did have one perverse benefit for the strategy of shock therapy: it provided clear and convincing evidence that state institutions were not up to the task of transition. The only alternative had to be devolving policy-making authority to a cohort of reformers.

The triumph of ideology over reform also meant the victory of a more severe vision of what had to be done and how it should be accomplished. Now, nothing less than a radical and painful restructuring (which in Russia had to be done wholesale) would suffice, and it had to be done with all deliberate speed. Advocates of a more moderate, conservative approach were denounced as defenders of the old regime. The tension between radical and piecemeal reform de cribed by Hirschman more than three decades earlier (1963) had been won decisively by the new Stakhanovites. The harsh edge of reformist ideology also deprived post-Soviet states of some of their most important resources: economic managers. NeoliberaJ ideology depicted all Soviet-era managers as thoroughly incompetent, or corrupt, or both when, in fact, this was not entirely true.[15] A substantial number of managers were competent at their jobs and sincere in their desire to pursue reform- albeit they were unsure of how to proceed. But the very idea of economic management had (now) unacceptable communist overtones. Transition policy, rather than making administrative competence the touchstone of acceptability, instead excluded everyone from the previous regime on the basis of their political coloration. Ironically, even the Bolsheviks' system of commissars succeeded in partially avoiding this error.

Finally, ideological militancy in economic reform had the effect of replicat-

ing in Russia the same "choiceless" democracies described in the experience of African states (Mkandawire, 1998). Institutional democracy was unpackaged in all its splendor in Russia, yet neither elections nor the formal separation of powers have restrained the traditional circulation of elites. The exigencies of economic transition, as Mkandawire notes, require an undemocratic remolding of the traditional world and thus comfortably embraced authoritarian legacies in Russia and Africa. Especially important was the need to insulat institutions such as the Central Bank, and key ministries from the democratic process lest the transition be compromised. This explains the continuation of excessive secrecy, a lack of transparency and the absence of accountability in freely elected governments. The public's acquiescence is also easily understood: if the democrats are themselves authoritarian, to whom can they tum?

The Recomposition of Power

The Russian case bears a close resemblance to the "reconfiguration" or "recomposition" described in African experience (Mbembe in Joseph, 1999). While international assistance focused on the objective of linear transitions to known societal destinations, traditional source and forms of Russian power have in fact proven remarkably adaptable, making political and *social* development an unpredictable, multidimensional process. Russia is, in the words of Grant and Nijman (1998), "postmodern" given its unre tricted ability to absorb Western institutions and the vocabularies of macroeconomic theory yet retain its traditional authoritarian proclivities for elite *rule.* The new Russia is on the "third road" of development similar to African experience, neither Western nor a simple return to the past. Western policymakers have failed to appreciate this allowing a contradiction to develop within aid policy that grows with each further decline in economic performance, despotic dismissal of a government, or deterioration in the life expectancy of its citizens.

This is not a happy outcome, for the contradictions embedded in such re ompositions cannot be suppressed indefinitely, creating systems that are perennially unstable and prone to cycles alternating between spasms of development and collapse. This has been vividly demonstrated in recent months by the Russian economic coUapse, which now leaves the country gloomily awaiting another round of mobilization. Whether it will be externally driven by the demands of IFIs and Western states, or domestically determined by the emergence of a new authoritarian elite (in the form of a Yuri Luzhkov or Aleksandr Lebed) remains to be seen.

The most disturbing element of this process is the extent to which "normal" politics and economic behavior have been overtaken by pervasive corruption and organized crime. In the earliest days of Russian reform, foreign capital was to provide the backbone of a new economy and new practices. Bound as they were by the rule of law and norms of Western civil society, it seemed a reasonable bet that they would insist on nothing less in their dealings in Russia. This assessment was, by and large, correct. The principal failings in America's reform approach were twofold, however. US. policy tolerated the subsequent deviation from the attraction of foreign investment and concentration on the speculative redistribution of resources to the newly created domestic economic elite. Foreign investors thus had to sit out a critical window of opportunity and, when they returned to consider Russia, a financial oligarchy was in place and accorded preferential legal status. Russia had taken, in keeping with Reno's analysis, the "low" road of informal and illegal links to the international economy.

Second, American policy failed to grasp that the state in contemporary Russia, far from being a virtuous alternative to organized crime, had instead become the ultimate racketeer. In his study of the role of violence in Russian business, V. Radaev (1998) observes that the state emerged not as an alternative to criminal rackets, but as a kind of ultimate racketeer. The state was less concemed about the rule of law than in its more familiar role of extracting tribute. Clearly, a state oriented

toward criminal behavior carries profound consequences for legal institutions and civil society. Russia's state was more a constellation of traditional and newer adaptive responses by the political elite than anything on the order of the rational-legal state.

Presentability and "Virtual Democracy"

The toleration of a presentable external image of reform is where international aid to Russia reflects its most damaging similarity to recent African experience. IFIs and Western governments were too willing to toLerate the deformation of "reform" and the concept was converted into a hollow shell whose content was to be filled by the elite who promised much yet produced little. The level of toleration in the case of Russia, however, strains credulity: as evidence mounted of the pervasive corruption within the government and its core program of privatization, Western officials retreated to a remarkable defense. The reform process might be unfair and corrupt at the start, but it nonetheless achieved the most important task of redistributing property. Now, provided the conditions were in place to guarantee the free and unfettered flow of information, property would eventually change hands until it reached the most efficient producers. The lack of democratic accountability was similarly easy to rationalize: Russia had made an excellent electoral start and, with several more iterations, would surely get it right.

How can one comprehend policy-makers adopting such a view when evidence mounted that Russia possessed a "virtual economy," consuming more value than it produced (Gaddy and Ickes, 1998), and the public continued a still deeper withdrawal from civil society, only to have the absence fj lled by organized crime?

The answer is that Western institutions circled their wagons still closer around their chosen instruments and settled for a presentable image of transition from the Yeltsin government. The West responded to the "reconfiguration" of power by reaffirming its faith in "transition," a position not different from African elites rhetorical embrace of democratization (Mbembe, 1990). Another description of African presentability to the outside evoked haunting reminiscences of Russia: "hybrid regimes [in which] an outward democratic form is energized by an inner authoritarian capacity, especially in the realm of economic policy" (Mkandawire, 1999). The "virtual economy" in Russia was thus paralleled by the construction of the "virtual democracy" described by Richard Joseph (1999, 1997), the elements of which are: formal basis in citizen rule but with key decision-making insulated from popular involvement; manipulation of democratic transitions by political incumbents, including the use of violence and election fraud; wider popular participation, but narrow policy choices and outcomes.

Crisis Management

The perception of a severe crisis, the con equences of which *will* be catastrophic, is a common feature sustaining reforming elites on both continents. The only option- presumably- is to rely on an insulated core of technocrats to weather the storm. The reality of institutional collapse made this a reasonable initial position. But it quickly became apparent in both regions that neither IFIs nor domestic elites were serious about restoring institutional capacity as quickly as possible. Moreover, key elements of the crisis management perspective were needlessly anti-democratic. In particular, a negative popular response was singled out as the greatest potential threat to neoliberal reform, as efforts to ameliorate economic and social hardships and shelter productive sectors of the economy *would* compromise the basis premises of structural adjustment (Mkandawire, 1999).16

These considerations suggest further that the crisis management style was not a temporary device, but an alternative style of rule, one whose authoritarian character resonated favorably with traditional political culture. The need to respond decisively to social discontent emanating from harsh adjustment policies required that a coercive apparatus be added to the financial and economic institutions that constituted the core of the crisis manage-

ment team. The ostensibly "provisional" government *would* have to grow by incremental accretion into a much more durable entity. Significantly, this is the one aspect where Russia's evolution differs from the African case; for the Kremlin proved incapable after 1993 of mustering the military force required to assist in the implementation of policy. Russia's calamitous defeat in the 1994 war in Chechnya persuaded all those who might still have entertained hopes for the quick restoration of Russian military prowess. The Yeltsin government had so thoroughly alienated the military-industrial complex and starved it financially that when striking Russian miners blocked the Trans-Siberian railroad in *mid-1998,* troops refused the government's direct order to forcibly disperse the miners. But the debilitation of the Russian military was an important distinguishing element in Russia's case. An African military government, while undesirable was stiU a tolerable option. Not so the Russian case, where even the whisper of the term "Russian military government" made many in the West shudder.

E. Creating the Commercial Oass

The international emphasis on mass privatization in Russia also helped create a form of state-economy relations with greater affinities to Nrican experience. Despite formal privatization, Russia never succeeded in enforcing a meaningful distinction between public and private spheres, and monitoring the limit of state intrusion into social processes and institutions. This was due to the fact that Russian privatization, channeled through the hands of an w1accountable elite, created a corrupt fusion between the public and commercial sectors. Olga Kryshtanovskaya observed that a process was at work in Russia not dissimilar from private sector development in some African ocieties: "reformist" elites played a crucial role in determining the specific content and character of the financial and entrepreneurial strata in capitalist Russia (Kryshtanovskaya, 1996; Reno, 1995; Stavrakis 1998). Having created the private sector, it would be foolish not to rely on their resources in political struggles; new Russian capitalists likewise saw this as an opportunity to build their own political base in government. But thjs could only function if rule of law were relaxed to permit a porous boundary between the two.

An internationally acceptable image of djstinct "state" and "private" sectors was created in Russia, but the reality of their interaction is still best captured by Jean Francois Bayart: "In Africa, the state *is* the prime (though not the only) channel of accumuJation. .. Even the successful businessmen in the informal sector are highly dependent on the state because they need constantly to circumvent regulations and obtain official permits. It is, therefore, otiose to seek to establish a conceptual difference between the private and public sectors." (Bayart 1986, in Reno, 1996). Only foUowing 1996 did an innovative departure from this comparison emerge, as Russian bankers (the "oligarchs") acquired sufficient strength to become the dominant element in the state-economy relationship. The 1998 financial collapse has provisionally returned the state to its more familiar position as master over a disintegrating economy. The political struggles in the Kremlin have thus returned to their historic object of fascination.

F. The Russian State- Predator in the Shadows

Parallels between Russian and African politics revolve around the "weak" state, the existence of which has now been acknowledged by many observers of Russia. Unfortunately, the subsequent calls for strengthening state capacity direct attention away from the central issues of the post-reform era. Chief among these is the need to explain the apparent paradox of power in Russia and Nrica: If the state has undergone institutional coUapse, what accounts for its continued existence? How has it been possible for a Russian "hobbled Leviathan" to push through, among other things, the most painful and massive transfer of property and resources from public to private ownership in history?

As in the African case, the core of Russian state power which has sustained itself is a fusion of traditional Russian political practices with the economic

dynamism unleashed following the first stages of reform. Thomas Graham (1995) has accurately described the clan nature of Russian politics, an aspect of political life with historic roots in the Soviet and tsarist eras. In an atmosphere of conflict among competing clans, the logic of political survival dictated an accommodation among old elites, the incorporation of new economic elites spawned by reform, and the marginalization of political mavericks that risked upsetting the apple cart.

It is this shadow state in Russia that frames the political context within which questions of Russia's socioeconomic development, national identity and global role will be answered. Many state institutions have collapsed, and the vacuum has been filled by a constellation of government and "new" commercial elites whose existence rests upon a denial of the fundamental institutions and practices of the rational-legal state. The epitome of this was reached in Russia with the consolidation of power in Moscow by a narrow array of politicians and bankers overseeing the so-called "court banks."

The role of Western assistance in creating the context for the emergence of the financial oligarchy at the heart of the Russian shadow state has already been noted. In *this* regard, it is important to point to a second sin of American a is-tance policy, namely, having spawned the unproductive Russian oligarchic economic structure, U.S. and IFI policy sought to support it at every conceivable juncture, rather than moderate or dismantle it. This is reflected in the urging of the United States and German governments to continue massive extension of credits to Russia through the International Monetary Fund, even though many in the business community already were convinced such measures were bound to fail. It is at pres nt unclear why this was the course of action taken, one that resulted in throwing good money after bad.

A second prominent feature of the shadow state is a predatory elite-society relationship in which a congeries of elites scavenges off the productive elements of society with little or no regard for the rule of law. Productivity that emerges outside of central control is either quickly co-opted or taxed, or retreats still further-often into the illegal economy- to preserve its autonomy. This has had a particularly damaging effect on foreign investment, as Western investors confront legal conditions that turn against their advantage almost as soon as their ventures develop some promise. The arbitrary nature with which tax laws were interpreted and enforced, for example, so frustrated General Electric that it elected to close its Moscow subsidjary (*Financial Times,* 20 March 1997). Similarly, Australia's Star Mining recently learned that its purchase of part of Lenzoloto, a small gold mining business, was invalidated because it purportedly violated privatization rules. The problem, as noted by *The Financial Times,* is that lithe laws are so vague, the bulk of the Russian stock market could easily be deemed to have breached these rules" (*Financial Times,* 10 April 1997). Trans-World Metals, a London-based metals company that has acqwred a substantial portion of the Russian aluminum industry, has also been caught in the maelstrom of elite conffict. Trans-World's sin, apparently, was to acquire its investments under the patronage of former Kremlin security chief Aleksandr Korzhakov and former First Deputy Prime Minister Oleg Soskovets. Once Yeltsin fired both of these men and the aluminum industry came under suspicion of supporting Lebed, Trans-World became an easy target for state agencies controlled by Chubais and Chernomyrdin. Not surprisingly, local Russian officials soon nuUified its stake in at least one major smelter.[17]

Domestic actors are also fair game for the predatory state. Moscow Mayor Yuri Luzhkov recently succeeded in using a modest municipal payrOll tax on Moscow residents to generate a road fund of approximately $645 million. Yet the federal parliament has entered the picture and passed a law requiring that at least half this amount be spent on the national road system. Parliament, evidently with executive support, effectively stripped the mayor of control over part of the municipal budget *(Mosko7Jskii koffiSomolefs,* 23 May 1997). Similarly, the central government has been assiduously diverting tax rev-

enues for its own, unspecified, purposes. According to *Argumenti i Fakti,* the Accounting Chamber of the Russian Federation discovered that, while the government collected aU taxes due for 1995, it paid out only two-thirds of the budget funds earmarked for "social spending, including salaries and pensions." The government also overspent by a factor of four on grants to private companies, and created a separate fund-in excess of $600 million-out of "temporarily free monetary funds." Not surprisingly, the Accounting Chamber also determined that "budgetary payments are not made according to the law, but by uncoordinated instructions, decrees, letters, and telegram ...

Societal Withdrawal and Economic Decline

Russia reflects the excessive depression of economic productivity and societal withdrawal characteristic of many African societies that is part f the "pathology of state decay" (Young and Turner, 1985). International financial institutions and Western states are right to encourage the Russian government to pursue sound financial policies and macroeconomic stabilization. Unfortunately, the manner in which this poHcy was pursued-at the expense of virtuaUy aU productive plants in the country-simultaneously destroyed substantial valuable assets and engendered a population deeply suspicious of Western, espedally American, foreign "assistance."

ParaUel to this has been the pervasive withdrawal of Russian society from poLitics. The famed political quiescence of the Russian public-its unwillingness to participate in mass strikes and other forms of social unrest-is eagerly seized upon by Western politicians as evidence that things are /Ion track" in Russia, despite the difficulties. This might indeed appear to be the case, as widespread wage non-payment, shortages in some regions, and a steep drop in the purcl1asing power of the ruble have failed to catalyze social unrest. But from the African perspective, societal withdrawal emerges as the more plausible explanation. Why should ordinary Russians take their demands to a government that evinces no interest in remedying its ill ? This resonates deeply in Russian history, where articulating one's grievances inevitably brought still worse conditions. The logical response is to amass as much wealth as possible without drawing the attention of the tax police or the local mafia, or both. Sequestering resources from a predatory state, whether food or money, is a common feature of developing societies and conforms weU to Russian/ Soviet experience. Reform-era Russia continues in this tradition as reflected by the amount of personal income that goes unreported: average household incomes in 1997-98 were approximately US$205-220 per month, well above the official figure of US$12D--130.

Withdrawal has its analog among regional authorities who are as aware of the center's acquisitive tendency and depressive macroeconomic policies, as they are the need to sustain local productivity. Regions therefore have strong incentives either to mask productive enterprises, or reach an accommodation with central elites in advance. Their differential abilities to pursue either course wiLJ further fuel the development of feudal relations.

The Personnel Factor-Domestic and International

The genuinely surprising aspect of international aid to the Newly Independent States (NIS) of the former Soviet Union has been almost exclusively neglected: the personnel responsible for shaping and administering bilateral international assistance policy were drawn predominantly from African, South Asian, and (to a lesser extent) Latin American postings. USAlD, for example, had no area competence in the NIS. Early on, the Agency scomfully rejected the argument that existing personnel had to be retrained before being posted to the NIS or, alternatively, area specialists had to be brought into the USAID bureaucracy. In effect, USAlD staffed its NIS missions with individuals ignorant of the cultural and political context within which theyoperated. It was not surprising, for example, to find key assistance personnel in Moscow, Kyiv, A1rnaty, and elsewhere whose previous postings had never aUowed them to set foot outside of Africa and Asia. Conse-

quently, the implementation of aid policy was seen largely as a matter of bureaucratic routine developed in other areas of the world. If the NIS were indeed different, few in the bilateral assistance community were prepared to understand this reality and act accordingly.

A related problem was the extraordinary number of foreign nationals that Western assistance agencies employed. While this produced the superficial sensation of "working among the people," it facilitated the corruption of the aid process and, by extension, the objectives of assistance. In Rus ia, for example, Western personnel tailed to appreciate that foreign nationals would not be the dIspassIOnate providers of information, but would se.ek to channel assistance funds toward theIr circle of friends (Stavrakis, 1996). Consequently, Russian organizations quickly realized that the aid distribution structure was corrupted by personal contacts; they had to choose between playing this game or shutting themselves off from international support.

Personnel in IFIs represented a different problem. The ideology that animated Bretton Woods institutions in the past several decades was that of macroeconomic stabilization and structural adJustment, regional specialization was irrelevant for the implementation of fMF and World. Bank policies. Hence, as the IMF engaged m a massive hiring binge to meet the expanded demands of assistance to the post-Soviet world it sought personnel whose knowledge reinforced IMF values. The goal, after all, was to make these states adjust to a new economic reality and cultural variables counted for little in this regard.

FinaUy, there was the key problem of finding a reform team that ould be trusted to administer the entry of Russia into the global economy and community of free market societies. Yet the problem here was similar to that examined by William Reno in Sierra Leone: the success of externally-imposed reform rested upon its implementation by individuals who stood the mo t to gain by their success (Reno, 1995). Hence, Yegar Gaidar, Chubais, Gennadi Burbulis and others were called upon to facilitate reforms that would lead to their ultimat ly giving up the reins of power to more "normal" governance. Predictably, this proved unrealistic and the reform team preferred to lurch from crisis to crisis rather than give up their power.

Conclusion

In sum, the current Russian state resembles in important respects the shadow state present in certain African societies and stands at a far remove from the liberal democratic vision held out for it in the early era of reform. This entity emerges despite (and perhaps because of) formal institutional decay with the objective of sustaining a particular elite in power rather than producing a rational-legal framework . devoted to societal transformation. This explains the apparent paradox of Russia:s simultaneous "weakness" while possessmg remarkable political strength in selected areas. The primacy of cIan politics Russian-style over legal and social institutions reflected a substantial recomposltion of traditional forms of Russian power in contemporary setting. It also indicates that further reform will be a function of elite self-interest, rather than any sense of commitment to societal development.

It is not difficult to imagine contemporary Ru sia comfortably fulfilling every one of these criteria. It is also relatively easy to identify where Western assistance played an influential role in bringing this state of affairs to pass. Perhaps the only significant difference between Russian and African expenence is that the latter can be permitted to fail while, for the time being, Russia is viewed as too dangerous to be left to the whim of entropic forces. Hence, the clialogue between the Russian Prime Minister *dujourand* IFIs and major Western c:reclitors focuses on finding an appropriate mix of symbols, gestures, and minimal substantive commitment that will keep open the gates of Western assistance. Sadly, if past experience is any gwde, any results will be the product of institutions whose concem is that Russia appears—in the words of Leo *Tolstoy- comme il faut.*

Russian and African Divergence: Imperial Legacy and Nationalldentity

Defenders of the uniqueness of Russian experience will doubtless take issue with the pre ent comparison on the

ground that resorting to African experience to explain the phenomenon of Russia's paradoxically "weak" state does violence to the role of cultural variables. They may also point to instances where post-Soviet developments seemingly can be explained within the frame of Russian historical experience. The focus of this analysis, however, was not to show the irrelevance of idiosyncratic factors, but to demonstrate that a process of recomposition of power and the syndromes of shadow state, virtual democracy, eviscerated economy, and withdrawn society are pathologies common to a broad spectrum of societies. But it is also precisely at this juncture that the d.ifferences between Russian and African experience acquire crucial importance. Whereas Fritz Ermath is concerned that Russia as a defunct society might not be able to survive (1999), the concern emanating from this analysis is the opposite. Namely, what if Russia can not merely urvive as a deformed society and polity but achieve a substantial measure of political stability and economic prosperity? Russia's past success in susta.ining itseU for three quarters of a century on deformed and dysfunctional communist institutions certainly suggests that it can successfully institutionalize-albeit not permanently–a conception of political power substantially different from Western standards. This is potentially of exceptional importance given Russia's role in the present century as Western Liberal democracy's rival. Research by David Brown (1989) further suggests that this is more than a mere historical fluke as "viable bureaucracies may be sustained by elaborate rule structures that bear little relationship to the Weberian ideal-type. Such rule structures need not necessarily be fully transparent to their publics and practitioners, though they may nevertheless have considerable power to order the *social* world."

Is it possible that Russia's shadow state succeeds in surviving to become a model other state elites might seek to emulate? Those skeptical of such an outcome, might consider more do ely the November 1999 Ukrainian presidential elections, in which President Leonid Kuchma appears to have copied Yeltsinite electoral democracy. Having co-opted centrist opposition to his candidacy, Kuchma was able to cast himself as the only alternative to a communist revanche. In addition, the president utilized his control over the privatization process in Ukraine to create and monopoly his own private monopoliSts and muzzle the media criticism over what is one of the worst economic records among the Newly Independent States. Finally, as with Yeltsin, Kuchma received the pained acquiescence of the West, whidl accepted the validity of the results even with its Widespread government interference and irregularities at the polls. If the touchstone of state politics is mere elite survival- as opposed to socioeconomic development- Yeltsin's and Kuchma's experiences reflect that the virtual democratic variant can be an attractive one. Russia may just have tumbled onto a formula for retaining power that will retain its currency in the next millennium.

Several unique attributes of Russian social and historical experience will unquestionably influence political development. First, Russia (and the Soviet Union before it) pos esses extensive experience in the global competition for power. In this century, as well as the next, global power projection has become a key aspect of the state system. Jackson notes that, with few exceptions, others either penetrated states or they became the objects of territorial aggrandizement. Russia has vivid memories of both and its ruling elites would find it intolerable to again be at the mercy of the state system. The present dictates of the IMF already grate against its sensibilities and Russia has the potential to be far less patient with the constraints imposed by intemational a sistance than many other societies. NATO's war in Kosovo further reinforced the desire on the part of Russian elites to position themselves out of the grasp of Western institutions they perceive as depriving them of sovereignty. The renewed Russian offensive in Chedmya reflects how skillfully Yeltsin and Putin have exploited the vocabulary of Western politics, arguing that their actions follow the NATO precedent and seek the objective of destroying alleged Chechen terrorists.

Ironically, were the West to point to the blatant hypocrisy of such claims, the Russians could point to Western connivance in the deformation of genuine democracy in Russia and wonder why hypocrisy is tolerable in one area yet not another.

The globalization of capital and investment flows has compounded the predicament of quasi-states as economic processes compromise sovereignty without resorting to territorial expansion. While much of the rest of the world has grappled with this reality for several decades, Russia remained insulated behind the *wall* of communism. To the loss of imperial territory and status in 1991 came a second shock to the Russian psyche: economic progress required a loss of control over domestic life. The travails of economic reform for the ruling elite are thus little more than a prelude to the larger need to organize societal forces to restore to Russia the full sovereignty of a nation-state. Ironically, the requirements of competition in the state system appear as the only factors capable of persuading Russian elites to take their societal obligations seriously–even if only in an instrumental sense. Absent a major shock to the system-the death of Yeltsin, mass social unrest, or clan warfare-global rivalry will eventually compel Russia's rulers to focus on raising productivity and restoring the institutions (i.e., the military) that can return Russia to the concert of Great Powers.

A second factor with a distinctly unique impact on Russia concerns still unresolved questions of national identity. Where Nrican societies can at least point to the colonial metropole as the architect of their despair, Russia Lies at the heart of a multinational empire that denied the existence of nations. Recent imperial memory lingers in the Russian consciousness, interacting with memories of power lost. These myths of empire are powerful; so powerful that, as S. Frederick Starr notes, they are capable of penetrating Western scholarly discourse. To the extent that the Soviet mythic legacy continues to dominate Russian thinking, elites will find fertile soil in the public mood for building a Russian state that matches the contours of the communist era. Even if not expansionist in content, such a conception retains the close link between identity and state power. National self-definition, mo t likely with prodding from state elites, will reinforce the sentiments arising from the 10 s of sovereignty and control in the state system. Permeating *all* of these issues is the central tension between empire and multiethnic polity, which recent experience reveals ends either in conflict or disintegration.

Finally, Russia possesses a human and natural resource base that defies comparison with the African continent. Even with its environment and population threatened, the enormous investment in education and training in the natural sciences by the Soviet regime has left a skilled workforce that can be harnessed quickJy. Unlike postcolonial societies that tend to bristle with economists and political scientists, Russia can marshal trained engineers, physicists, chemists, and other professions essential to catalyzing a post-Soviet economic transition.

The darker scenario is that the cumulative impact of these factors will create a dynamic environment that presses the Russian political elite to find a way to cobble together a social system that restores the link between politics and societal development, even as it remains distinct from the West. A key element of its distinctiveness *will* be continuing rivalry with the West, if not for ideological primacy then for a sufficient share of resources to assure independent survival.

Given the role of foreign assistance in sustaining this state of affairs, supporters of foreign aid will find th.is an uncomfortable scenario. Consequently, they would be tempted to argue that a "virtuous cycle" might eventually emerge-a kind of self-perfection process, whereby a Russian state is gradually constructed resembling We tern experience. A self-interested elite may not wish it, so this logic goes, but the exigencies of the global role it hopes to restore compel state and e onomy to function more effectively.

Is such a "gradualist" thesis that holds out the promise of Russia being made modern piecemeal too optimistic?

Probably so; for, as Robert Jackson has pointed out, "even in corrupt societies governments can set standards of probity and try to enforce them." Hence, even if Russia were to develop a more efficient economy and a modestly responsive political system, it will carry with it the historical imprint of the shadow state. The state will preserve its predatory proclivities and the elements of a democratic polity and civil society will be tolerated only to the extent they do not infringe upon the imperatives of elite political survival. The developmental trajectory established during the recomposition of power will require extraordinary effort to divert to a more constructive direction.

Favorable conditions can *also* be undone by the tragic tendency of Russia to /aU victim to ideologues. Communist rulers evinced little concern as they savaged their own society and jeopardized its future for the sake of a doctrine from which only a few stood to benefit. Sadly, Russia's new reformers appear to have emulated their communist predecessors in this respect. Most disturbing, however, is that Russia can avoid this fate and head in a more constructive direction principally by basing a vision of the future on its legacy as a global power. Successful reform will bring with it a more contentious international environment.

10 musing on the Russian future, David Remnick (1997) sees no reason why Russia cannot overcome its absolutist past mud\ in the same way that Germany and Japan did during this century. There is considerable truth to this, as Russia today has opened doors of opportunity that preViously never existed. Yet comparison with German experience can be deceptive. Weimar Germany struggled with threats to security and stability following military defeat and economic collapse, only to conclude that regime survival lay in permitting rulers to operate above the legal order. Such comparisons are less instructive than the African case because they are insufficiently attentive to fundamental differences between postwar German and Japanese development and post-cold war Russia. The path of the former never entailed the *moral* degradation and wholesale criminalization that has been a distinguishing feature of reform-era Russia. German and Japanese cultures and political institutions, moreover, recognize the autonomy of society and economy; even as their state traditions permit these spheres to be shaped and molded. European states have developed carefuUy calibrated institutional mechanisms for the deployment of state power in pursuit of socioeconomic development. In Russia the exercise of power remains a much cruder affair.

The unique factors affecting Russian elites suggest that the opportunity exists to modify the African shadow state to produce a substantial measure of economic stability The price for success within this framework will be high, as Russia will retain its authoritarian character and state tradition. The associated criminality, violence, and excessive concentration of power that envelope such a state will confound hopes for a democratic breakthrough and sap the productive potential of society More disturbing from the Western standpoint, however, will be the subordination of constitutionalism and civil society to the dictates of elite politics. The charitable explanation is that political elites, unwilling to believe that their subjects or their rivals will be constitutionalists, feel obliged to be authoritarian. Whatever the reason, present reform policies open the opportunity for Russia's return to the community of great powers; but the deformations of state power that reform has institutionalized carry the unsettling promise that the next century wilJ be one of challenge for the West in its relations with Russia. That is the discomforting legacy of Western assistance to Russia.

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Notes

1. An unspoken yet important factor that buoyed hopes of Western policymakers was the belief that Russia was a part of Europe and, as such, possessed intellectual and cultural resources required to avoid the disastrous failures so prevalent on the African continent. Unlike Yugoslavia, whose violent disintegration led *The Economist* to deem it a disappointing spectacle of tribal politics in otherwise civil Europe, the USSR's relatively peaceful disintegration demonstrated that, for the time being, the successor states were considered better able to manage the "transition" from Communism.

2. We also now have a much better appreciation of the fact that it will have negligible policy impact. Despite clear and persuasive evidence of the deficiencies of assistance programs, Western governments appear firmly committed to permanently devoting a portion of their national wealth to foreign aid.

3. A note of caution: "Africa" is used here in the sense of referring to a set of syndromes commonly found in many, but not aU, African states. Moreover, some sub-Saharan states have actually been far more successful in political and economic development than Russia.

4. U.S. *aid* personnel were also remarkable unprepared fore dealing with the former Soviet region. See Section ill below for a discussion of *this*.

5. The World Bank, for its part, proceeded in the issuance of the second $250 million tranche, after formally concluding there was no impropriety. The money, however, has never been found.

6. Russian elites tolerated this process but for different reasons. The mutabjJty of elite constellations under Yeltsin meant that even if you were down, you were not yet out. Hence, it was better to find a sinecure in Moscow, bide your time and hope to reinsert yourself into the process at a later date. The example of this par excellence was Chubais, who rotated in and out of government three times. Chemomyrdin was set to do the same in 1998.

7. This includes the present author as well, who earlier maintained that Russian regionaJism was moving toward the institutionalization of federalism, (Stavrakis, 1996).

8. Richard Morningstar, former U.s. Coordinator of Assistance to the Newly Independent States, after years of dismissing Russian regions as marginal factors, eventually conceded their importance in 1997 and created the Russian Regional Initiative. Of course, by then, reform in Russia was five years old.

9. Veliki Novgorod Governor Mikhail Prusak has admitted that the August 1998 financial crisis has had a profound chilling effect on foreign investments in his region; interview with the author, August 4, 1999.

10. David White recently noted that the Chairman of Russian Central Electoral Commission during the vote admitted that the referendum, while receiving a plurality of the popular vote, probably feU short of the absolute majority required by Russian law for adoption. Confirmation of *this* surprising admission is unlikely, as many of the ballots were destroyed in a fire shortly after the ballot; Kennan Institute, April 1, 1997.

11. The author Iso interviewed Boldyrev on this theme in December 1996.

12. In a subsequent interview, 01ubais claimed to have "conned" the IMF out of this money, reasoning that if the truth were known the IMF and Western investor would abandon Russia and reform. Chubais subsequently responded to this allegation, expressing regret that his words were interpreted in *this* manner. He did not, however, categorically deny the substance of the accusation, or demand a retraction.

13. Sergei Aleksashenko, former Deputy Chairman of the Russian Central Bank, conceded that the sequestering of bank funds was done to protect them from Western creditors. FIMACO was a French corporation chartered in Jersey. Surprisingly, it was 78 percent owned by the Russian government. The reform team had thus deftly exploited western

financial practice to securely channel money to themselves-Qut of the reach of creditors.

14. A case with striking similarities to that of Russia is the Philippines, where Paul Hutchcroft has recently described the relationships between a weak, patrimonial state and a powerfuj oligarchy of bankers (Hutchcroft, 1998). The recent collapse of the Russian banking system indicates that, despite its weakened status, the Philippine state is still faring better than its Russian cOlmterpart in reaching compromise with social forces.

15. A similar example is the unsparing criticism Jeffrey Sachs had for the first Russian Central Bank Chairman, Viktor Gerashchenko, whom Sachs described as "the world's worst Central banker." Gerashchenko was no prize, but the revelations that his successor, Sergei Dubinin profited by investing Central Bank reserves and possibly pocketing the profits does little to distinguish high-minded reformers from their communist predecessors.

16. Ironically, postwar Germany and Japan were provided with such minimal social and economic guarantees. The United States permitted the protection of some industries, reasoning--correctly- that rapid economic reconstruction was impossible without a vibrant core of economic activity. Of course, in the 1940s, economic science had not yet graduated to the stage of neoclassical economics. Moreover, in the 1990s, there was no longer a competing power center in the international center that might make a better offer.

17. The Independent, March 1S, 1997; as cited in "johnson's List." An even more blatant expropriation of western interests occurred last autumn when the Russian government terminated the work of NM Rothschild in developing a US$1 billion telecommunications share offer. The government turned it over to MOST Bank and AHa Bank, both of which are members of the charmed "group of seven" *The Financial Times*, November 26, 1996, p. 1.