

CAUGHT BETWEEN REFORM AND REVANCHE: RUSSIA'S STRUGGLE TO MODERNIZE

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Ahead of the 2018 Russian presidential election, it's worth recalling that Russian history from the nineteenth century onward has been punctuated by periods of abortive reforms, which ultimately have led to counterreform and stagnation.

De-Stalinization under Nikita Khrushchev was a deeply transformative experience that created a foundation for political and economic reform. Yet the subsequent reforms led by Alexei Kosygin, which pushed the directors of state enterprises to adopt certain nearly free-market practices, were doomed from the start due to the absence of a functioning market economy.

Similarly, Gorbachev's perestroika was a genuinely revolutionary reform effort, but unfortunately it followed the established pattern and fell far short of the Soviet leadership's promises. During the early post-Soviet period of the 1990s, liberal economic reforms and the establishment of political institutions took place in parallel. These efforts culminated in the economic crisis of 1998, which marked the end of liberal reforms and Russia's political transformation along Western-oriented, democratic lines. Nevertheless, the central task of the Yeltsin-era reforms—the creation of a market economy—was accomplished, warts and all, even if other crucial transformations did not materialize.

The first phase of Putin's presidency marked a full-scale retreat from political reforms yet an acceleration of certain key eco-

nom ic policies and the adoption of a macroeconomic framework that stressed self-reliance and the careful stockpiling of reserves from the country's supply of energy resources and raw materials for export. A brief flurry of liberalization and progressive reforms accompanied Dmitry Medvedev's presidential stint but bore little fruit.

Russia once again is approaching a breaking point at which reform may become inevitable. Ironically, any effective program of political reform will require that the system revert to the framework outlined in the current constitution. Clearly repressive or unconstitutional Putin-era laws will need to be rolled back. Property rights must be made secure. The state will need to create the conditions for free expression and political representation for all groups—not just the most loyal ones.

Any sound economic agenda will also look all too familiar and consist of measures that were proposed over two decades ago, namely, reforms to pension and social entitlements; overhauls of the education, healthcare, and military sectors; and reduced state control over the economy. Political and economic reforms in Russia are interdependent. Serious economic reforms cannot

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be implemented unless Russia's political atmosphere and institutions grow more supportive of individual freedom.

Reforms in Russia tend to follow a pattern that is consistent across historical periods. From the nineteenth century onward, periods of reforms have been triggered by deep socioeconomic crises or stagnation that render them unavoidable. Reforms are implemented in a top-down fashion, hampered by elite resistance, and ultimately never completed, leaving the country to embark on periods of counterreform and further stagnation. The recent failures of top-down reform in Russia, including the quasi-reforms of the Putin-Medvedev period, demonstrate that successful reform cannot take place on the watch of an authoritarian regime in the absence of democratization. Democratization is both a prerequisite for reform and the overarching goal of reform.

HISTORICAL PATTERNS

Before diving into a discussion on reform in Russia, we must address two fundamental questions.

Why do reforms become necessary? What does the term even mean in the Russian context? I define reform as a political shift that brings greater political and economic freedoms and allows key political, economic, and social institutions to evolve more effectively. When a government loses interest in improving itself—when a country falls behind its neighbors; human capital is depleted; and society becomes more isolated, archaic, and economically primitive—then reforms are inescapable.

Reforms in Russia tend to start with secret or quasi-legal meetings. Consider the gatherings of young, progressive, late-Soviet economic elites at the Institute of Economics and Finance sports center at Zmeinaya Gorka in the Leningrad region in August 1986 or the meetings of the Decembrist opponents of autocracy, which Alexander Pushkin later dubbed “a conspiracy between Laffitte and Clicquot.”¹ However, all major decisions in Russia are made at the very top, and the practical implementation of reforms starts there as well. They almost invariably end when valiant reformers find their vision eroded by continuous compromises with powerful vested interests and when they are paralyzed by fear of the potential personal repercussions of their efforts.

These personal fears, a tendency to overcompromise, and an overriding need for secrecy form the building blocks for major Russian reform efforts. After Alexander I ascended

to the throne in 1801, he spent much of his time with four nice, young, European-educated men. Together, the five of them formed the Private Committee, where they discussed overdue reforms. Alexander's successor Nikolai I first broached the question of freeing the serfs with what was called the Secret Committee in 1826. By that point, the committee included a member from the previous Private Committee, Count Viktor Kochubey, as well as Mikhail Speransky, who was once a close adviser of the previous czar, Alexander I, and had spent time in exile. While liberal underground groups hatched their antigovernment conspiracies in secret, the upper echelons of the elite were mapping out their vision of reforms with the full support of the czar. But as a rule, the most ambitious and daring ideas were either ruled out because they were seen as dangerous and unrealistic, or implemented so badly that leaders might as well not have bothered with them in the first place.

In his youth, Alexander I had promised his Swiss tutor, Frédéric-César de La Harpe, that as soon as he ascended the throne, he would call a representative assembly to prepare a constitution that would rid him of any kind of power.² Later, as czar, he discussed the possible abolition of serfdom with the Private Committee. As Pushkin later recounted, when the czar read Alexander Radishchev's book *Journey from St. Petersburg to Moscow*, he “was disgusted by exploitation and had some well-meaning ideas.” Alexander even went so far as to assign Radishchev to a commission on lawmaking and solicit his critiques of various civil regulations.³ But in the end, his efforts amounted to what might be called an administrative reform that did not transform the autocratic model of government. He even had his chief reformer, Mikhail Speransky, branded a foreign agent and banished to Nizhny Novgorod and then to Perm for imagined connections with Napoleon.⁴

After the Decembrist revolt of 1825, Nikolai I became as scared of Senate Square as many in the current Russian leadership are of Kyiv's Maidan. Reform was decidedly not on his to-do list. But in a famous conversation with Pushkin on September 8, 1826, at least according to some sources, he admitted that Russia was in need of serious changes. He also ordered that the text of the Decembrists' testimonies on Russia's domestic problems be given to the Secret Committee as its members drew up their plans for reform.⁵ The czar was not merely curious about the rebels' opinions—he basically was considering whether to borrow some of their ideas.

The fate of one of the key reforms of the 1800s, the peasant reform, can be seen as a model for numerous abortive reforms that took place in the following decades and centuries. A quick chronological account may be instructive. In December 1826, the czar ordered the Secret Committee to work on the peasant issue. In April 1827, he gave the committee a memo by Speransky regarding a ban on the sale of serfs without land, presumably the first step toward the gradual emancipation of the peasants. In August 1827, a detailed discussion of the reform began, with the intention of putting the law together by that December. Alas, in the end, the law was delayed until 1830. At this point, Nikolai sent the project to his brother Konstantin, who suggested letting time be the judge (that is, putting it off indefinitely).

During his reign, Nikolai I convened eleven committees to discuss the peasant issue, none of which yielded any results.⁶ And that was the handiwork of a government that, according to a draft October 1836 letter from Pushkin to Pyotr Chaadayev, was “still Russia’s sole European.”⁷

As I will argue, this historical backdrop is far from an academic matter in the Putin era. Once again, Russia’s economic policymakers and experts are reportedly hard at work on a new document detailing plans for strategic development through 2030. I will seek to determine why reforms in Russia are never seen through to completion and what conditions would need to exist for this state of affairs to change.

SOVIET-STYLE TRANSFORMATION: THE INCREASING PRICE OF REFORM

The intellectual and psychological aspects of reforms are often crucial. De-Stalinization under Khrushchev was a breakthrough in and of itself, creating an opening for political and economic reforms. In an ideocracy like the USSR, words held great value. When leaders changed the words they used, people’s minds started to change as well. For this reason, the impact of attempts to overhaul the Communist Party program that began in 1958 should not be underestimated, nor should the moves to revise the Soviet Constitution, which started in 1962. A new draft was ready in 1964, calling for a transition from a “dictatorship of the proletariat” to a “people’s state” with an emphasis on the worldwide spread of democracy and government by the people. In a memo sent to the Presidium of the CPSU Central Committee, the drafters also recommended that the USSR hold popular elections for the post of president and

called for the creation of a two-house parliament and a constitutional court. Nikita Khrushchev’s response was indignant. According to the memoirs of Fedor Burlatsky, who had been one of the party’s pet intellectuals, Khrushchev grumbled that “some little boys here want to move me from my post of Soviet premier and make me head of the USSR Supreme Soviet,”⁸ the Soviet Union’s toothless parliamentary body. The ultimate draft that was finalized in 1977 was much more cautious on that particular issue.⁹

Discussion of economic reforms—and how to prepare public opinion for this eventuality—also began under Khrushchev. The chance to implement these reforms arose when Leonid Brezhnev took power and rewarded Alexei Kosygin for his participation in the anti-Khrushchev conspiracy with the political cover to reboot the economy.

The discussion started with an article by economist Yevsei Liberman, which appeared in *Pravda* on September 9, 1962. The article thrust an aging Kharkov economist (who happened to be the brother-in-law of pianist Vladimir Horowitz) with a penchant for studying the problems of machine-building into a position of international prominence. His renown peaked with a 1965 cover story for *Time* magazine accompanied by the headline “The Communist Flirtation with Profits.”¹⁰ Back then, of course, an article in *Pravda* was no small thing—it was almost always a blueprint for future policy. And any article written by a man with an obviously Jewish name like Yevsei Liberman made an even greater impression. Economic reform was clearly overdue, after all, and the public must have been deemed ready for change. (Timing is everything, however, and just a month later, the Cuban Missile Crisis erupted.)

It was no coincidence that roughly ten days after Liberman’s article appeared, a key research council of the USSR Academy of Sciences held a meeting on cost accounting and financial incentives. So began the high-level discussion of economic restructuring that culminated three years later with Prime Minister Alexei Kosygin’s report at the CPSU Central Committee plenum in September 1965. Kosygin’s speech, in turn, marked the start of attempts at reform.

The public did not take these reforms altogether seriously, as was evident in their popular moniker, Libermanization. Still, the 1960s saw the rehabilitation of the terms “economy” and “economist.” Economists were now seen as serious scholars

trying to get to the bottom of complex processes, rather than characters in the famous Soviet joke:

“Daddy, who’s Karl Marx?”

“He’s an economist.”

“Like Auntie Sara?”

“No, no, Auntie Sara is a senior economist.”

High-ranking officials were taking note of the discipline’s revival—particularly Kosygin. In May 1968, as he was jotting down key messages for an upcoming speech, he wrote a note to himself: “Possibly for the first time, issues of economic research became important for the national economy. . . . We can say that only now are we getting real economists.”¹¹

Mathematics was naturally considered the key to transforming economics from a “centralized theology” (to use a term coined by the current rector of the Higher School of Economics, Yaroslav Kuzminov) into a science.¹² One of the main places where reformist thought was concentrated was the Central Economic Mathematical Institute. The institute’s economists set out to find the magical formula for universal optimization with the help of that era’s data-processing technology. Needless to say, the magic evaded them—largely because they had to contend with a staggering number of material balances—2,000 of them managed by Gosplan, 20,000 by Gossnab, and so on.¹³ Yet while everyone scrambled to create a theory for the economy’s optimal operating conditions in the hopes that this could in turn yield an ideal operating model for socialism, they instead, without even noticing it, reverted to the old theories of so-called bourgeois economists like Léon Walras, Vilfredo Pareto, and Eugen Böhm von Bawerk.

Why did this particular set of reforms fall apart? Following the September 1965 CPSU Central Committee plenum, 43 enterprises in seventeen sectors of the economy adopted new management principles that gave them a measure of individual initiative. The almost blasphemous notions of “profit” and “bonus” took their places alongside the sacred concept of the “plan,” while the almighty principle of “sheer bulk” (*val* in Russian) was replaced by the concept of “sales volume.” It was no longer enough to produce something; the output had to be sold as well.¹⁴ Today, it is obvious that the Kosygin reforms were doomed to fail, as they pushed the heads of enterprises to play by the rules of the market when there was in fact no market. The economy appeared to expand in the second half of the 1960s, according to official growth statistics. While this

period of growth was attributed to the reforms, authoritative economists like Yevgeny Yasin have explained that the spurt was stoked by latent inflationary pressures. The minimal degree of freedom that the state had begun to provide pushed businesses to diversify their offerings and to increase prices.¹⁵ Moreover, the economy hit another bump in the late 1960s: labor shortages. In his book *Collapse of an Empire: Lessons for Modern Russia*, the architect of the Russian reforms of the 1990s, Yegor Gaidar, quotes a part of Brezhnev’s speech at the CPSU Central Committee plenum on December 15, 1969: “The principal task . . . is to rapidly increase efficiency . . . in the use of existing labor and material resources.”¹⁶ It is also worth noting that Kosygin’s reforms coincided with a political freeze (as opposed to the Khrushchev thaw), most notably the invasion of Czechoslovakia in August 1968. This freeze stripped the reforms of any real momentum. The failure of the reforms was already evident by early 1968, when *Izvestia* published the results of a poll of factory workers at Luhanskteplovoz, a locomotive manufacturer in eastern Ukraine. Asked what the reforms had done for production and for them personally, most participants answered “little” or “nothing.”¹⁷

PERESTROIKA: THE UNFINISHED REVOLUTION

The concept of perestroika has deep historical roots. According to Richard Pipes, the word “perestroika” became popular during the period of Great Reform in the 1860s and was also used by Pyotr Stolypin.¹⁸ While there is hardly any point in detailing the intricacies of Gorbachev’s rise to power, his 1985 appearance in the annals of history made perfect sense given the demands of the period. Nearly everyone, including the party *nomenklatura*, was hungry for change, even if no one quite knew what sort of change they wanted.

One of the most important results of perestroika was the institutionalization of elections as a democratic tool and shared value. For the first time in the history of Soviet Russia, the perestroika-era elites and general public could honestly consider themselves to be a source of constitutional power—which is why the actions of the coup leaders of August 1991 (the State Committee on the State of Emergency, or GKChP) were widely seen as illegitimate. To a large extent, perestroika’s leaders sought to make Western democratic principles such as government accountability and the rule of law key elements of the system—even if they did not always recognize it. Moreover, the so-called new thinking in Soviet foreign policy was largely prompted by the desire to be more open to the world, primarily the Western world.

This convergence of principles prompted Francis Fukuyama to proclaim the “end of history” in 1989.¹⁹ Reality proved him wrong, but Fukuyama was correct on one count—that the processes launched by Gorbachev theoretically could have brought about a historic unity of Russian and Western values. This nascent unity seemed at the time to indicate that some values were universally beneficial, that governments everywhere were becoming more humane, and that societies were being unshackled.

The architects of perestroika dubbed it a revolution. They sought to stimulate positive associations by linking it to the legacy of the October Revolution. At the same time, the changes that occurred really were revolutionary. The title of Gorbachev’s speech marking the 1987 anniversary of the revolution—“October and Perestroika: The Revolution Continues”—was wholly appropriate. By that point, not only Russia but also several other Soviet republics, as well as the countries of Eastern Europe, had been reunited with the West, giving the revolution of values a truly international character.

Perestroika was also a revolution of expectations. Quite a lot of these expectations were met, which explains why the general public accepted democratic values on the whole by the end of the 1980s. Yet the phenomenon of heightened expectations summed up by the term “Gorbymania” placed a lot of pressure on the leader. Anatoly Chernyaev, the deputy head of the International Department of the Central Committee and later an adviser to Gorbachev, wrote in his diary in the early days of Gorbachev’s rule: “Much is expected of Gorbachev, just as was once expected of Andropov. . . . We need a ‘revolution from the top.’ Nothing less. It will not work otherwise. Does Mikhail Sergeevich understand this?”²⁰

Gorbachev and his constituents had great chemistry, and this was precisely why many expected magic from him. Perhaps they thought they would not need to work, or that the floors of shops would creak under the weight of new merchandise. Or that life would be as good as it was in the German Democratic Republic or Hungary or even Western Europe. It did not work out like this, and people were called on to work extremely hard to adapt to new realities. To this day, many cannot forgive Gorbachev for this, just as many cannot forgive Yeltsin for having promised them abundance and stability by the end of 1992. They still can’t forgive Yegor Gaidar either for the fact that he made such unpopular decisions on economic policy—in his own name, no less.

While the architects of perestroika saw it as revolutionary, they never expected to dispense with socialism. Instead, they hoped to marry Leninism to market-oriented democracy. This connection between things that cannot be connected never happened, but the convergence of Russian and Western values held. In 1993, these shared values were enshrined in several parts of the Russian constitution. Today, no one denies these values in theory. But in practice, Russia has seen a total reevaluation of the heritage of perestroika and the various reforms it inspired.

MAKING AN EGG FROM AN OMELET

Radical liberal reforms in post-Soviet Russia were compromised from the outset by the fact that the Soviet government had dragged its feet on a range of unavoidable measures such as price liberalization. Economic reforms, including privatization, had to take place concurrently with the task of laying the institutional foundations of the new state. Some described this process as making an egg from an omelet—that is, attempting to create a market-driven economic order on the ruins of the Soviet system.

The price of reform was enormous for the average citizen, and it was compounded by the psychological trauma of the collapse of the Soviet Union. Certain things such as the Russian adoption of the shock-therapy model turned out to be unavoidable. Maybe there were alternatives. Yet chances are that any other government looking to enact reforms would have acted much the same way—whether by design or by force of circumstance, like Viktor Chernomyrdin’s government, which reluctantly continued the Gaidar team’s policies.

Ideas for reforms were conceived within communities of young economists from Leningrad (the Anatoly Chubais group) and Moscow (the Yegor Gaidar group) who later formed the core of the so-called Moscow-Leningrad economic school.²¹ Both groups had a role in the government’s weakly articulated yet nevertheless real calls for reform, which made them all the more determined to figure out what exactly these reforms would consist of. At a series of seminars, the best known of which was the conference held at Zmeinaya Gorka near Leningrad in August and September 1986, they developed a reform agenda and decided who would be on their core team of reformers.²² According to one of the ideologues of liberal reform, Sergei Vasiliev, the community of reformers quickly noticed “the upsides of working as a team.” As Vasiliev put it, “Through intensive discussions and expanding the scope of our reading, we were able to achieve new levels of economic understanding.”²³

However, the reform process was hobbled by various disputes and compromises, including the decision to opt for voucher privatization—the result of a deal with labor collectives and industry leaders.²⁴ The transition to a market economy faced desperate pushback from the country’s most powerful industrial and political lobbies—namely, the energy, agroindustrial, and military-industrial complexes—as well as prominent parliamentary factions. One of the highlights in that struggle was the standoff between the parliament and Boris Yeltsin in October 1993, which ended with army tanks shelling the Russian White House. The high price that the public paid for reforms cost the reformers their popularity, while natural and man-made barriers often prevented reforms from being fully implemented. Budget deficits, the social impact of the more unsavory aspects of wild capitalism, and the search for political support even as war raged in Chechnya all spurred the government to collaborate with a budding class of oligarchs. By the mid-1990s, the government and top business figures had created a form of oligarchical capitalism that became firmly established after the 1996 election.

Yet by and large, events unfolded according to a sad, objective logic. Commenting on the 1996 presidential elections (particularly attempts by the liberals, Western-oriented elites, and oligarchs to keep Yeltsin in power by any means necessary), Leszek Balcerowicz, the architect of Poland’s post-Soviet reforms, asked what the alternative scenario would have been—a win by the Communist Party if the reformers had distanced themselves from Yeltsin, leaving Russia to follow the Lukashenko model? That was a danger that could not be written off, he argued, and the Russian reformers took it into consideration. Reformers in the Czech Republic, Poland, and other Central European countries did not have to face such a dramatic choice, as Balcerowicz put it.²⁵

Reforms, in the strictest sense of the word, were only partly implemented. At the early stages, the actions of the reformers were reminiscent of panicked attempts to defibrillate the destroyed economic mechanisms of the former empire amid failed state management, hyperinflation, and the threat of mass hunger. There were half-hearted efforts at economic liberalization, privatization, and financial stabilization—the crown jewel of which was the 11 percent annual inflation rate of 1997. However, there was a critical dearth of political resources and public support for deep structural reforms. Yegor Gaidar outlined these in his book *Russia: A Long View*—reducing state interference in the economy; reforming social security, including

the pension system; overhauling the education and healthcare systems; and reforming the military.²⁶ These transformations would have served as a kind of ticket to the postindustrial world, but, sadly, they have yet to take place.

In 2008, when I asked Anatoly Chubais whether the reformers had lost, he replied that many of the goals he and his colleagues had pursued twenty years ago—a market economy, private property rights, and open borders—had not simply been written into law, but were “accepted by all of society as the natural state of things.”²⁷ At the same time, Russia emerged from its transformation not as a consolidated, durable democracy, but as a managed democracy that has since become a prototype of hybrid authoritarianism, with its imitations of democratic institutions, limited political freedoms, deep ideological stagnation, and small-scale, targeted repression of dissenting voices.²⁸

CLUB 2015'S PRESCIENT FORECASTING

The economic crisis of 1998 marked the end of the liberal reform era. While “end” and “completion” are two different things, the main task of the reforms—the creation of a market economy—had in fact been fulfilled. In the wake of the 1998 crisis, an informal organization called Club 2015 that united many of Russia’s best forward-thinking experts and private-sector players launched its Scenarios for Russia project. (The project was organized by Sergey Vorobiev, head of the executive search firm Ward Howell, and Vladimir Preobrazhensky, currently head of research at the Skolkovo Moscow School of Management.)

This exercise was ambitious in scope. The organizers wanted to help shape Russia’s future and decrease identifiable risks for the country overall. The overriding idea behind the project was to break out of the reforms-counterreforms dichotomy and meet the future head-on. Passionate and thoughtful members of the entrepreneurial class who were not themselves oligarchs were signaling that they were prepared to share responsibility for the direction of the country with politicians. It is telling that when Herman Gref, the future minister of economic development, was recruited in 1999 to prepare a strategic plan for the future president of Russia, Vladimir Putin, he met with Club 2015. This was likely because, at the time, no one else was thinking about the future of Russia in the same way.

The main utility of Club 2015’s efforts was its do-it-yourself approach to scenario-modeling and the creation of a tool that

could be manipulated using a range of variables to generate possible future development scenarios and their outcomes. Moreover, Club 2015 was the first group to create a vision of an ideal future for Russia. A passage from the foreword of the group's final scenario paper sums up this novel approach: "Your actions today have to be defined by the future or, rather, a future you can agree to."²⁹

It is doubtful that the people who created these scenarios during a brainstorming session in the fall of 1998 in a sports center in Novogorsk, just outside Moscow, were all that keen on the most pessimistic one, which was entitled the "Poisoned Rake." Of course, such events do not materialize out of thin air; such a scenario could not have come to pass without a significant number of people actively working toward it. The Poisoned Rake scenario, which described the appearance of a Putin-like autocratic leader, was frighteningly prescient. As the authors noted at the time, the scenario was "solely the projection of current trends,"³⁰ but it benefited a great deal from the incorporation of a sophisticated combination of economic, political, and social factors. At the time, such political and social factors were typically not reflected in similar scenarios prepared by financial and economic research outfits obliged to operate within the political restrictions of that era.

Russian realities turned out, of course, to be very conducive to the authoritarian trends that were taking shape at the time of the 1998 crisis. It's also not quite sufficient to pin everything on Putin himself (even though a similar figure was described in the scenario). After all, when this pessimistic scenario was outlined, Putin was only approaching the apex of his power and was still an unknown quantity. The latter-day question "Who is Mr. Putin?" hadn't even been posed yet. Responsibility for how things unfolded in Russia should be borne collectively, shared to varying degrees among the political elite, the entrepreneurial elite, and the general population.

Russia is used to developing along an inertial trajectory—moving neither forward nor backward. But it turns out that the inertial forces described in another Club 2015 scenario, "The Tale of Lost Time"—that is, a lack of popular will, an absence of enthusiasm or openness to compromise, and a readiness to sign up for social contracts like "Sausage," or Crimea, or Donbas, or Syria "in exchange for freedom"—tend to lead Russia down the garden path in the direction of new crises. The pessimistic scenario springs directly from this level of inertia.

The project's optimistic scenario (entitled "Renaissance, or Grass Growing Through the Concrete") will sound very familiar to Russians who experienced the street protests of 2011–2012. It describes a moment of social upheaval (at least among the urbanized middle class) and a demand for participatory democracy. The events of 2011–2012 proved that this scenario was not a utopian fantasy but an entirely possible trajectory of development. The "electorate of economic freedom,"³¹ as they were depicted in this optimistic scenario, took to the streets and actually demanded political freedom. But the people who gathered on Bolotnaya Square (Club 2015's scenario drafters labeled them the "socially sensible majority"³²) were eventually pushed aside by the unforeseen Putin majority, which later transformed into the Crimean majority.

In 2000, a group of economists gathered in the Moscow suburb of Vatutinki to draft a new plan for the development of the Russian economy, which soon became known as the Gref Program. (They failed, by the way, to rely on any of the scenario methodology underpinning Club 2015's efforts.) But one could safely forget about both this program and the optimistic scenario of Club 2015 in the Russia that emerged after 2003, a year marked by Mikhail Khodorkovsky's arrest, big losses for liberal parties (Yabloko and the Union of Right Forces) in the Duma elections, the fusion of new political elites formed by veterans of the security services with the country's established financial and industrial groups, the return of state intervention in the economy, and the redistribution of property in favor of these new elites (that is, Putin's cronies).

In 2003, Club 2015's Tale of Lost Time scenario, in which "the country completely loses its historic potential," began to play out. Thanks to the annexation of Crimea, Russia has now lapsed back into an era of counterreforms. As outlined in the Poisoned Rake scenario, "First there will be GDP growth," the Club 2015 experts wrote, "of perhaps up to 4 percent year-on-year since government mobilization can be very effective. And then there will be a long and hard decline, quite possibly behind an iron curtain held up at both sides of the borders, internally by the government and externally by the international community."³³

At the same time, the so-called freedom electorate that was described in Club 2015's optimistic scenario did not disappear. It simply became caught up in the next phase of the historical cycle, which, according to historian Aleksander Yanov, is a cycle of "reform–political stagnation–counterreform."³⁴ The continu-

ation of this pattern looks inevitable, but it is hard to calculate its cost. Perhaps it will unfold as predicted in the Poisoned Rake scenario: “NATO hastily accepts Ukraine, the Baltic states, and some Central Asian states. NATO holds exercises along the Black Sea or the Caspian. The debts incurred by post-Soviet countries for the energy that Russia provides are compensated by the EU and the United States in the form of new investments. The West creates a safety cushion along Russia’s southern and western borders.”³⁵

ONE MORE ATTEMPT: MEDVEDEV’S MODERNIZATION

To truly understand the nature of contemporary Russian reforms, it is worth looking at the modernization campaign during the Medvedev presidency and the program prepared in advance of Putin’s return to the presidency in 2012. The reform-modernization agenda of the Medvedev presidency (2008–2012) was largely designed by the Institute of Contemporary Development (INSOR), an organization created specifically for this task and headed by Igor Yurgens.

An important INSOR study published in early 2010 identified, quite possibly for the first time in post-Soviet history, a set of guidelines for the future, a touchstone or anchor that would help identify specific goals for the country’s development. One statement from the text in particular stands out: “We have moved forward without determining where we are going and what our ‘vision of the future’ is. Now, Russian society and its leaders must make a choice: how do we see ourselves, our country, and our government in the future?”³⁶

The study predicted the general outlines of the political, economic, social, and psychological changes that were to accompany the new Putin presidency that began in 2012: “Standing before us again is the threat of . . . becoming helpless witnesses to the collapse of a great power. Russia cannot allow itself yet another period of stagnation.” The authors argued that Russia was caught in a historical trap, needing to accomplish another modernization leap but under conditions conducive to inertia and stagnation, starting with the conditions on commodity markets and ending with trends in politics and the government’s self-confidence about its ability to control mass consciousness.³⁷

But there was no modernization leap, and today’s dire situation seems to confirm the authors’ 2010 prediction that “the country’s point of no return is right now.”³⁸ The titles of the chapters

of the study outline the design of the Medvedev modernization agenda: “Values and Principles: Shifting from a Resource-Based Morality to the Ethics of Freedom,” “The Political Future of the Country: Returning to the Constitution,” and “The Ruling System: Moving Away From Bureaucratic Control of the Economy by Taking the Bureaucracy Out of the Economy.” The study stressed the importance of an innovation leap, not as a modernization fetish, but as part of a general program that included a fundamental change in the values of Russian society.³⁹

The final paper by INSOR was not requested by the president. By this point, approximately nine months before Putin’s bombshell decision to return to big-league politics via the so-called *rokirovka* (castling move), Dmitry Medvedev had already lost interest in modernization and obviously knew that he would not stand for a second term. Nevertheless, the paper entitled “Attaining the Future: Strategy 2012” was a last-ditch attempt to convince those in power to think through the risks of abandoning attempts at modernization.⁴⁰ The authors urged the incoming president to use his mandate to continue and improve upon Medvedev’s policy of modernization: “The future president should propose a new social contract for society. Its key condition is the minimum interference of authorities in the people’s affairs and free interference of people in the affairs of the state.”⁴¹

A government that actually was focused on Russia’s future and immediate challenges might have agreed to this construct. Indeed, it is arguably the only pathway by which Russia can continue in its development without falling into political, psychological, or economic backwardness. But Putin’s brazen refutation of the modernization agenda and deliberate choice to look to the past, rather than the future, to legitimize his rule, was a conscious political decision. Thus, the authors of the INSOR paper were correct in their assessment that “this crossroads [for Russia] is not a choice between directions in which the country can move, but rather between the country’s future and the absence of such a future . . . We find ourselves in a ‘different history’ and the lag is becoming irreversible. . . . The current inertial trajectory has no future—neither ‘a bright future’ nor one that is at least somewhat acceptable.”⁴²

THE PATHOLOGY OF RUSSIAN REFORM

By generalizing from Russian historical trends, modern Russian history, or even current events, we can create a detailed list of the qualities of reforms that have persisted in Russia over the past few decades and centuries.

Each of the stages of the Russian cycle of reform has several elements that have remained unchanged through Russia's imperial, Soviet, and post-Soviet history. These are:

- Similar underlying reasons and triggers for change;
- A top-down approach to change, which occasionally coincides with demands for change from below;
- Limits and resistance to change;
- And, finally, an incompleteness to the reform process that eventually results in renewed attempts to accelerate the pace of development in Russia.

It is also important to note that in each case, reform actually becomes *inevitable* at a certain stage of development. This holds true in the context of stagnation or of pushback against reforms. The trigger for reform is always the same: the situation in the country has become unsustainable and the elites, if they want to preserve their power, have to respond in some form to the challenges facing them. This response often involves increased repression, but does not necessarily exclude the possibility of a later return to the ideas of reform. However, this initial period of repression and stagnation can last for decades. At this point, the elites also have the option of taking a modernization approach in order to lessen the likelihood of trouble for themselves.⁴³ If there is also a larger demand for change from society at the same time, and if those at the top and those at the bottom are able to identify or compromise on similar goals, reform begins.

Reforms are initiated by the elites because modernization can only be initiated by those with power.⁴⁴ At the same time, it is important to consolidate the political, governmental, and social groups that stand to benefit from reform and create a so-called coalition for modernization, the core of which, according to the assumptions of some researchers, should consist of “intellectuals, representatives of big business, and the wealthy.”⁴⁵ Such claims are controversial, however, because history has shown that the reform potential of these groups is quickly exhausted and that they quickly adapt to current political realities, turning into either conformists or supporters of counterreforms.

At the same time, the development programs prepared, supported, and spearheaded by these coalitions for modernization are not focused on small groups of elites or the population at large, but strive to satisfy the interests of society as a whole. In a per-

fect world, of course, the ultimate goal of reform is to benefit everyone.

Some researchers argue that reforms are most likely to be effective during times of crisis, when a government is just taking office or beginning a new term, or under a strong regime (a presidential system, for example).⁴⁶ This model does not function all the time by any means, and it would seem to underestimate the role of democracy and the ruling elite. Still, it was precisely according to this formula that the radical reforms of the 1990s began. At that point, citizens were seeing the birth of a new state, the Russian Federation, meaning that there was a fourth factor facilitating reforms—the sense of a fresh start, albeit with tremendous amounts of baggage left over from the USSR.

Limits to reform, which can take the form of political, ideological, or governmental constraints, are the constant companions of Russian reform. During perestroika, the line that the government feared to cross was challenging the existence of the socialist system itself. During the times of Alexander I and Mikhail Speransky, these limits were serfdom and the absolute power of the monarch. During Alexander II's rule, the line was the absolute power of the monarch without serfdom. In today's Russia, it is the establishment's need to keep itself in power, which stokes its reluctance to allow any change to the status quo.

Moreover, the objective factor of resistance to reform should not be discounted. For example, those who opposed Mikhail Gorbachev had a strategic approach that has again become popular during Putin's third term, the same approach that made perestroika impossible in the USSR. The main idea behind this approach is “let's not touch anything.” Brezhnev is usually cited as a paragon of this school of thought, which became politically ascendant after the invasion of Prague in 1968. Of course, he was far from the only leader to consciously avoid change and modernization. For example, Austrian Emperor Franz Joseph I resisted the industrialization of his country in part because he saw workers as potential revolutionaries even before Marx popularized the concept. When the plan to construct a railroad was laid before the emperor, he claimed that it would lead to revolution.⁴⁷ The power of change and innovation has always scared autocratic leaders; instead of progress, they usually see the seeds of future democratization and possible threats to their power.

As quoted by Pipes, Speransky himself described this phenomenon in 1809: “What a contradiction: to desire sciences,

commerce, and industry and to thwart their most natural consequences; to wish the mind to be free and the will to be in shackles . . . for the nation to wax prosperous and yet not to enjoy the finest fruits of its wealth—liberty.”⁴⁸

Russian reforms can best be described as much needed but painful. Any serious Russian reforms entail way too much dislocation and sacrifice to easily sail through the process. This reality poses yet another obstacle to their successful completion, and it helps explain why the implementation of reform usually falls into a familiar rut far short of the intended target.

After the failed attempt at reform in the period of 1965–1968, economic reform was deferred for the time being. But the longer reform was put off, the higher the price of reform became, and the more severe it would have to be when it did come. The longer it took to implement political reform after Khrushchev’s attempts to create a new Soviet constitution from 1962 to 1964, the more powerful the eventual explosion of mass dissatisfaction with the government would be.

As a result of these perennial attempts at reform, many Russians have become fatalistic about being consigned to catch-up development and, in certain circumstances, as outlined by Jürgen Habermas, they are also doomed to have catch-up or rewind revolutions in which they try to make up for what is lost.⁴⁹ One example of a catch-up revolution was the protest movement of 2011–2012, in which the most progressive segments of society demanded political change, since, in their view, the backward elites and incomplete government reforms were holding back Russia’s development.

All in all, the contradictory logic of reform was ably described by Russian demographer Anatoly Vishnevsky in his book *Sickle and Ruble*: “No matter what aspect of the implemented reform we consider, in all cases, after a short period of success, the modernized goals become fatally contradictory to the conservative social tools and further progressive change is blocked, the reform is left unfinished and reaches a dead end. In the end, this led to a crisis of the system and demanded its complete reformulation.”⁵⁰

THE 2018 DILEMMA

In a perfect world, reform should benefit everyone. In an ideal situation, it should be supported by the majority of the population, but even this does not guarantee success, as illustrated by the initial popularity of Gorbachev’s perestroika.

Yet reform obviously has its flag-bearers and beneficiaries. Yegor Gaidar wrote, “Objectively speaking, there are two main groups in our society that are interested in the liberal economic policies that can pave the way to Russia’s stable development as a free-market economy—the new middle class that needs equal rules, effective protection of private property, and a government that is not too much of a burden, and the intelligentsia, the people connected with science, education, medicine, and culture, sectors where the influx of money is an objective reflection of the demands of the nation. Will they be able to realize their needs, figure out effective ways to fight for them, and overcome mutual preconceived notions? The answers to these questions will have a defining impact on Russia’s future in the twenty-first century.”⁵¹

The progressive groups mentioned by Gaidar almost twenty years ago could have become the core of the coalition for reform, had they demonstrated a demand for modernization. However, in modern Russia, it is rare to see coalitions for reform based on class or profession. The mechanics of these processes are probably now more complex. Besides, in modern Russia, at a time when patriotic enthusiasm is coupled with social apathy and an economic crisis, there is no one willing to supply reform from the top, nor is there a clearly defined demand for it from the bottom. There is also no clear goal or vision for a desired future.

The Russian government is faced with an obvious dilemma in the run-up to the presidential elections in 2018. Either Russia will choose democracy and liberalization, or it will go the way of repression, isolationism, and backwardness. There is also a third option: inertia. But it should be understood that this route will also lead to archaic practices and lagging development, only by way of a softer landing, without intensified mass repression.

Successful reforms require political will, as well as a clear readiness on the part of the governing elite to sacrifice power for progress and dispense with the authoritarian model. Authoritarian modernization has so far failed in post-Soviet Russia, and it is doubtful that anything will come of it this time. Further attempts are likely to result in an imitation of modernization rather than enduring change. A new wave of successful reforms will require democratization—meaning that democratization itself has to be the main reform.

NOTES

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- 15 Yasin, *Rossiyskaya ekonomika*, 71.
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- 38 Ibid., 7 in the Russian edition, 4 in the English edition.
- 39 Ibid., 8–14 in the Russian edition.
- 40 The chapter titles of this paper underscore this theme of modernization, democratization, and development—for example, “Modernization as a National Rescue Mission,” “Modernization’s Humanitarian Component: A Reassessment of Values,” “Political Institutions: Restart of Democracy: Onward to the Constitution,” “Toward a New Economic Model: Private Business and Property—the Protagonists,” “Social Policy: From Fighting Poverty to Growing the Middle Class,” “The Russian People: Discovering Themselves,” “Regional Policy: Balancing Divergent Levels of Development Among Regions and Cities Through Competition and the Spread of Innovation,” “Sustainable Development—A Win-Win Strategy: From Innovation to Ecology, from Ecology to Innovation,” “Defense and Security: The Army, Police and Special Services—Taking the Side of the People,” and “Foreign Policy: Russia Surrounded by Friends.” See Institute of Contemporary Development, *Obreteniye Budushego. Strategiya 2012*. Konspekt [Attaining the Future: Strategy 2012. Abstract] (Moscow: Econ-Inform, 2011), 3. This report was also published in English. See Institute of Contemporary Development, *Attaining the Future: Strategy 2012 Synopsis* (Moscow: Institute of Contemporary Development, 2011), 3, http://www.insor-russia.ru/files/INSOR_Attaining_the_Future_final.pdf.
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The author thanks Dmitry Travin, professor at the European University in St. Petersburg, for valuable insights and suggestions.

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