# Elections without order

*Russia's challenge to Vladimir Putin*

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# 1 A disorderly legacy

The past is the logical starting point for any evaluation of change, but there is no agreement about *which* past is important in Russia today. The legacy of the past contains a plurality of protean traditions, and in total their implications are ambiguous. In the days of the Soviet Union, the Communist Party explicitly repudiated the tsarist past, and films and operas were carefully scrutinized by Joseph Stalin's cultural commissars to ensure that no unflattering parallels were drawn between terrible times under the tsars and Stalin's rule. Western Sovietologists were free to draw parallels emphasizing continuities and many did. Some went so far as to argue that there is an inherent tendency in Russian culture to accept authority and little or no desire for freedom in the Western sense. Stalin's successors have repudiated his legacy and had their own legacy repudiated too.

The treble transformation that created the Russian Federation shows that, even though the legacy of the past constrains choices, it does not determine the flow of events. Mikhail Gorbachev's efforts to reform the Soviet system were not so much a turning point as a breaking point, for a party-state that had enjoyed a monopoly of power for two-thirds of a century collapsed. The end of the power of the Communist Party of the Soviet Union caused the implosion of a non-market economy in which bureaucrats commanded what was produced. The attack on Gorbachev's reforms by Boris Yeltsin led to the destruction of the Soviet Union.

The launch of the newly independent Russian Federation at the end of 1991 was a voyage of discovery for all concerned. But governors inherit before they choose. The Federation started life with a Soviet-era constitution dating from 1978, and Boris Yeltsin was president because he had been elected to that office in the Russian Socialist Federal Soviet Republic when it was part of the Soviet Union. In eight years Yeltsin introduced a new constitution and established precedents for its use and abuse. Boris Yeltsin's achievements are now part of Russia's past, while the Russian Federation carries on. Vladimir Putin brings a fresh approach to the Kremlin, but the regime he now heads is marked by the legacy of

his predecessors in the Kremlin. That legacy rules out as impractical or impossible many attractive alternatives, including the wishful hope that Russia should emulate free market America or social democratic Sweden. In the time of Lenin, Bolsheviks found it was impossible to leap straight from Russian backwardness to a socialist utopia. The 1990s showed that the burdens of a disorderly past made it impossible to achieve in a decade a rule-of-law state.

## Disorderly rule under many regimes

The history of government in Russia has not followed the same path as in Europe. While nineteenth-century Russian tsars accepted changes in their regime, there was always a tension between Westernizers promoting modernization of the state in emulation of Prussia or France, and Slavophiles who rejected the Western idea of the modern state. Then, as now, Westernizers were in the minority (cf. Neumann, 1996).[1]

In Russia the tsar was not restrained by the legal obligations that created feudal order. The tsar's power was absolute in theory and often arbitrary in its exercise. When the princes of Muscovy threw off Mongol rule and united diverse principalities, they established the tsar as a ruler exercising authority with the backing of the Orthodox Church. Ivan the Terrible, who reigned from 1548 to 1584, further centralized authority by massacring *boyars* and nobles who had previously held the tsar in check. Ivan the Terrible's rule has been described as 'the most extreme example of arbitrary and capricious despotism to be found anywhere. Ivan's Russia shared few of the traits which characterize the modern European state' (Finer, 1997: 1409). Peter the Great (1682–1725) sought to make Russia the military equal of its European neighbours by importing its methods of warfare and industry. But Peter did not promote the rule of law; his idea of a strong state was a state in which he could rule absolutely, unrestrained by law.

The tsar was conceived as 'ruling by himself', enjoying absolute power free of internal checks and balances. Under the Fundamental Laws of the Russian Empire, the tsar's powers were deemed to be given by God himself, endowing the tsar with the combined authority of a caesar and a pope. While Western Europe was creating the modern state, tsarist

[1] For this reason, the term Western is used in this book to refer to a large range of countries, including Central European nations that have been interacting with Russia for centuries; the 15 states that are now in the European Union; and Anglo-American countries. Notwithstanding geographical dispersion and many other differences, Western countries all have an experience of markets and democratic rule that the Russian Federation still lacks.

rule involved a bureaucratic apparatus in which 'the law functioned as an administrative device, not as a set of rules to be obeyed by state officials' (Owen, 1997: 25). Government officials readily turned a blind eye to or even promoted violations of the law, such as anti-Semitic riots and the murder of Jews in *pogroms* at the beginning of the twentieth century (cf. Lier and Lambroza, 1992).

### *The new Soviet order*

The 1917 Russian Revolution led to the creation of the world's first explicitly Communist regime. The Soviet Union was a party-state, in which the Communist Party of the Soviet Union (CPSU) claimed the power and the right to impose control from the top without the constraints of bourgeois legality. It rejected the idea of the rule of law in favour of an end-justifies-the-means doctrine of socialist legality. In the Soviet era, the rule of law 'was derided; Soviet legal dictionaries described it as an unscientific notion used by the bourgeoisie to mask its own imperialist essence and to inculcate harmful illusions in the masses' (Rudden, 1994: 369).

From 1922 to 1953 Stalin used his position as general secretary of the Communist Party of the Soviet Union to pursue the totalitarian goal of remaking society in every sphere, from the economy and agriculture to art and child rearing. While pure Communism, like ideal democracy, remained unattainable, massive efforts were invested in attempting to drive people toward that goal without regard for bourgeois constraints. The Communist Party was the organizational weapon for building a new society. Its ideological exhortations were reinforced by physical coercion from the state security services. The party threatened with internal exile, imprisonment in the gulag or summary execution those whose words, actions or social position made them appear to be potential enemies of the state.

In the 1930s Stalin's policy of forced collectivization of agriculture led to the killing of millions of kulaks, peasant proprietors who farmed independently of the state. The shortage of food resulting from Stalin's collectivization policy led to the death of millions more from famine. Stalin also purged the party of people whom he suspected of being inadequately loyal to him or of favouring Leon Trotsky, his great enemy. Before execution, many old Bolsheviks were psychologically intimidated and forced to make demeaning confessions. Their show trials were public events, but ignored by Westerners sympathetic to the new Soviet system. The founders of the British Fabian Society, Beatrice and Sidney Webb (1937), saw Stalin's Soviet Union as a new civilization and praised what they thought they saw. Before the Second World War began, millions of

Russians had been killed in pursuit of the new regime's goal; the only uncertainty is how many millions died (cf. Conquest, 1990). From the time of the Nazi–Soviet pact in August 1939 to the entry of Soviet troops into Berlin early in 1945, tens of millions more died, as Nazi and Soviet troops advanced back and forth across the bloody terrain from the Volga to the Elbe.

The defining attributes of the Soviet regime included the dominance of both state and societal institutions by the Communist Party; the centralization of power within the party and suppression of dissent through 'democratic' centralism; a command economy in which bureaucratic plans rather than market signals were meant to determine the production and allocation of resources; frequent invocation of Marxist-Leninist ideology to justify what the party did; and leadership of an international Communist movement backed up by the power and resources of the Soviet state as well as by appeals to ideological goals relevant across national boundaries (Brown, 1996: 310ff.).

The Communist party-state was not distinctive because it was undemocratic, for most systems of government for most of the history of the world have been that. It was distinctive because of the totalitarian scope of its claims to authority over individuals, which accepted no limits (see e.g. Koestler, 1940; Jowitt, 1992: 1ff.). Unlike most forms of undemocratic rule, a totalitarian regime is not indifferent to what citizens do and say at home or when with friends; it refuses to recognize a distinction between public and private life. The regime seeks to mobilize subjects to follow its lead in all aspects of social life. In pursuit of this goal, the party-state purged institutions of civil society and replaced them with party-controlled universities, trade unions, newspapers and broadcasting media. Actions inconsistent with totalitarian goals were treated as threats to or crimes against the state (Linz, 2000).

The Communist Party sought to inculcate its ideological slogans in all young people so that they could repeat them in public, whatever reservations people had in private. At work, there was a constant pressure to produce reports that showed fulfilment of production targets laid down by bureaucratic planners who had limited knowledge of what was actually happening. Even though there was no opposition party, elections were held to legitimate the one-party regime. There was no danger of the Communist Party losing, for local party officials were under pressure to produce unanimity. Between 1946 and 1984 the reported number of votes (as distinct from the number of people voting) was as high as 99.99 per cent of the nominal electorate; the percentage of votes counted in favour of candidates endorsed by the CPSU was as much as 99.95 per cent of the total, and never fell below 99.16 per cent of all votes counted.

When Nikita Khrushchev denounced Stalin's misdeeds in a speech to a closed party Congress in 1956, this heralded a post-totalitarian phase of Soviet rule in which rulers were more open to the discussion of differing points of view about the pursuit of party goals, as long what was said did not challenge the leading role of the party in the state. Totalitarian purges for the most part had destroyed any inclination among citizens to give organized expression to dissent, so the party-state no longer felt the need for the systematic use of terror. However, the post-totalitarian Soviet Union remained a one-party state. The choice of the general secretary of the CPSU by the party's Central Committee was effectively the choice of the head of government. In 1964 a full meeting of the Central Committee of the CPSU voted Nikita Khrushchev out of his post as party secretary, and thus out of power. His successor as party secretary, Leonid Brezhnev, adopted a far more cautious approach to political change.

By contrast to Khrushchev, Brezhnev showed a preference for collective decisionmaking within the one-party state. The Soviet elite welcomed the shift, for it made them more secure in the control of their particular part of the bureaucracy. It also made the regime as a whole more resistant to change. The institutions of the party-state gave the Soviet elite great influence on society, but the lack of accountability to institutions of civil society made the party-state ignore social changes and the need to adapt. A regime that had set out to transform Russian society had turned into a regime governing by 'institutionalized stagnation' (Roeder, 1993: ch. 6). The economy was even worse off, for the inefficiency and waste due to the allocation of resources by bureaucratic commands gradually led to economic stagnation instead of growth (cf. Winiecki, 1988; Kornai, 1992).

Changes in the post-Stalin period era were sometimes described as modernization, because of visible economic and social progress by comparison with the past. Increasing numbers of young people now received secondary education, industry was expanding and Soviet space achievements gave proof of scientific advance. But socio-economic modernization was not matched by political change. Brezhnev made this clear through a policy offering workers material improvements in their living standards without political rights. It was often assumed, consistent with Western theories about citizens voting with their pocketbook and with Bismarck's ideal of 'social welfare as authoritarian defence', that improvements in living standards would produce support for the Communist party-state, or at least maintain political quiescence. The policy was aptly described as 'welfare state authoritarianism' (Breslauer, 1978; cf. Flora and Alber, 1981). The longer Brezhnev remained in office, the more evident it became that the Soviet economy could not produce a

rapid increase in living standards. Nor could it meet such basic human desires as longer life expectancy (see ch. 3).

There were doubts within the political elite about whether post-totalitarian policies had gone far enough in adapting the party-state to changing circumstances, both domestic and international. However, as long as these doubts were not publicly debated, the regime was secure. As a leading Russian political scientist later explained, 'Gorbachev, me, all of us were double-thinkers, we had to balance truth and propaganda in our minds all the time. It is not something I'm particularly proud of, but that was the way we lived' (Georgy Shakhnazarov, quoted in Montgomery, 2001).

The masses of the population took double-think for granted too. People lived in an hourglass society in which elites and the masses kept themselves to themselves as best they could, and the party's public expression of mass opinion was at variance with what people said to their most trusted friends (Shlapentokh, 1989; Rose, 1995b). The post-totalitarian party-state did not expect to prevent all expression of dissatisfaction; its goal was to atomize opposition, confining it to the expression of dissatisfaction within informal groups of a handful of individuals. A Soviet sociologist explained his objection to referring to the Soviet Union as an industrial society: 'this was not because there was no industry there – of course there was – but because there was no society' (quoted in Goble, 1995: 25). When individuals were forced to deal with officialdom, they sought to exploit it. Yury Levada (2001: 312f.) described as 'Soviet peculiarities' the cultivation of a cunning mentality, in which an individual 'adapts to social reality, seeking out loopholes in its normative system, or ways of turning the current rules of the game to his own advantage, whilst at the same time – no less importantly – constantly trying to find a way to get around those rules'.

The Soviet party-state encouraged a morality in which it was normal for people to say things they did not believe, and do things that they felt were wrong – and to teach their children to dissemble too (cf. Clark and Wildavsky, 1990). In one of its first surveys in 1989, VTsIOM asked Soviet citizens whether they ever had to act unjustly or improperly. Three-fifths said that this was the case, and a fifth gave an evasive answer. The most frequently cited reasons for acting against one's principles were that 'it was necessary' or 'pressures at work' from the collective or from management (tab. 1.1). The persistence of this legacy was shown when VTsIOM repeated the question a decade later. In the Russian Federation, as before, ordinary people continue to feel that necessity, or the need to look after family and friends, sometimes made them act unjustly or improperly.

Table 1.1 *Wrongful behaviour as a part of life*

*Q. Did you ever have to act in a way you thought improper or unjust?*

| | 1989 % | 1999 % |
|---|---|---|
| When it was necessary | 24 | 32 |
| Pressures at work | 22 | 19 |
| Own weakness | 13 | 15 |
| For family and friends | 9 | 25 |
| Difficult to say | 21 | 20 |
| No | 17 | 12 |

*Source:* VTsIOM Bulletin 1/2000, 23.

The Soviet system was part of the socialization of today's leaders of Russia. Boris Yeltsin grew up at the time of 'everyday Stalinism' (Fitzpatrick, 1999). Both his father and uncle served months in a prison camp for the 'crime' of being kulaks. Vladimir Putin was born the year before Stalin died, and was socialized politically in the days of Leonid Brezhnev. In explaining his youthful ambition to join the KGB, Putin (2000: 41) said, 'I didn't think about the Stalin-era purges. I was a pure and utterly successful product of Soviet patriotic education.'

### *The collapse of the party-state*

The death of Brezhnev in 1982 triggered a turnover of generations in the political elite. The Central Committee's chosen successor, Yury Andropov, died after only 15 months as leader, and his successor, Konstantin Chernenko, lived only 13 months in post. The much younger Mikhail Gorbachev was promoted to the post of general secretary of the CPSU in March 1985. The intention of Gorbachev was to reform the Soviet state rather than end it, for he was a career party bureaucrat accustomed to working within the party. In a 1987 speech on the seventieth anniversary of the Russian Revolution, Gorbachev claimed to be applying 'the historical experience of Bolshevism and the contemporaneity of socialism' (quoted in Jay, 2001: 151). His idea of what that experience implied was radically different from that of his predecessors. Gorbachev believed that the party-state needed big changes, and he set about introducing reforms. But his efforts opened up divisions within the party-state that he met by escalating pressures for change, while Communist conservatives, radical critics and opportunists of many stripes simultaneously opposed and undermined his efforts (see Gorbachev and Mlynar, 2002).

Perestroika (reform and restructuring) was intended to stimulate a stagnating economy. Gorbachev's visits to Western European countries opened his eyes to the achievements of market economies. However, he proceeded without a clear idea of how the Soviet Union could forge a third way between a bureaucratic command economy and a market economy. Moreover, the Soviet economy faced the challenge of marshalling military and industrial resources to compete with the American rearmament programme of President Ronald Reagan. Shortly after taking office Gorbachev launched a programme of accelerating Soviet military strength in order to 'maintain parity with NATO by all means necessary because it holds down the aggressive appetites of imperialists' (quoted in Shlapentokh, 2000). But Gorbachev also began discussions with Reagan about ways to avoid a rearmament race that the Soviet Union's leadership worried that it would lose. President Reagan was ready to negotiate from strength.

Gorbachev introduced glasnost (openness) as a means of encouraging public debate about the means of reform. However, his efforts to restructure the party-state made him many enemies among those whose jobs, habits and beliefs were threatened by changes in the institutions that were the source of their power and privileges. When the debate licensed by glasnost began questioning the Communist Party's monopoly of power, many party officials wanted to respond by crushing criticism, while Gorbachev moved in the opposite direction. He proposed a halfway house to free elections, a system in which a multiplicity of candidates who accepted fundamentals of the Soviet state could compete. A multi-candidate election for the Soviet Congress of People's Deputies in March 1989 led to the defeat of some traditional Communists and produced victories for opponents of Gorbachev, including advocates of independence in the Baltic states. In February 1990, Gorbachev proposed and the Central Committee approved an amendment to Article 6 of the constitution abolishing the monopoly of power of the Communist Party of the Soviet Union. Although Gorbachev introduced the post of Soviet president, he did not want to face popular election. Instead, he became president by vote of the Congress. This deprived Gorbachev of popular endorsement for a programme that was increasingly under attack within the Communist Party. Although unopposed, Gorbachev received the vote of only 59 per cent of Congress delegates (Brown, 1996: 202ff.).

In Communist-controlled states of Central and Eastern Europe, openness and restructuring undermined the Soviet power bloc, allowing political elites and protest groups to demand national independence and the withdrawal of Soviet troops. There were past precedents for demonstrations against Soviet imperialism: they had occurred in East Berlin,

Poznan and Gdansk, Budapest, and Prague. What was new was the unwillingness of Gorbachev to jeopardize his domestic reforms and negotiations with the West by using a show of force or gunfire to suppress dissent and demonstrations. The fall of the Berlin Wall in November 1989 effectively marked the end of Soviet control of its satellite states. In 1990 free, competitive elections ended the rule of Communist parties backed by Moscow throughout most of the former Communist bloc.

In republics of the Soviet Union distant from Moscow, the meaning of perestroika was stretched to breaking point. In Estonia, Latvia and Lithuania, all forcibly incorporated into the Soviet Union during the Second World War, openness gave national movements the opportunity to demand the right to secede and regain national independence. In other republics of the Soviet Union, officials who had previously carried out directives from the centre now faced conflicting cues. Opportunistic apparatchiks turned their attention to looking after their future in circumstances in which the CPSU was no longer a credible authority. As Steven Solnick has emphasized (1998: 7), 'Soviet institutions did not simply atrophy or dissolve but were actively pulled apart by officials at all levels seeking to extract assets . . . These officials were not merely stealing resources *from* the state, they were stealing the state itself.' What Mikhail Gorbachev had intended as the restructuring of the Soviet state ended with its break-up.

## The disorderly creation of the Russian Federation

Whereas the Communist Party under Brezhnev had become gerontocratic or even sclerotic, Boris Yeltsin was different. He started his political career as a party official, and his energy and ambition caught the eye of party superiors. Mikhail Gorbachev promoted Yeltsin from his native Sverdlovsk to Moscow, and gave him a series of appointments in the party apparatus. Nonetheless, Yeltsin attacked Gorbachev's reforms at a Central Committee plenum in October 1987; he claimed they did not move fast enough and far enough to meet the needs of ordinary people. Gorbachev denounced the speech and Yeltsin became a political outcast. In February 1988 Yeltsin was deprived of his status as a candidate member of the Politburo. In spite of party efforts to end Yeltsin's political career, he used the introduction of multi-candidate elections to demonstrate his popular support. In the March 1989 election for the Congress of People's Deputies of the USSR, Yeltsin won 89 per cent of the vote against a candidate backed by party officials. In retrospect, Gorbachev regretted not having sent Boris Yeltsin to serve as the Soviet ambassador to 'some banana republic' (polit.ru, 2001; Jack, 2001a).

Once pushed outside the party-state apparatus, Boris Yeltsin became a charismatic politician in the literal sense, using personal qualities to carry out an aggressive campaign that led to the destruction of the Soviet Union. As he said in a memoir, 'Sometimes it takes a sharp break or rupture to make a person move forward or even survive at all' (Yeltsin, 1994: 149). Yeltsin was not a theorist of economic reform or of liberal democracy, nor was he seeking to create new state institutions; he was first of all an enemy of Gorbachev's party-state, and he attacked it with whatever institutions and opportunities came to hand. In the words of a Kremlin advisor on public relations, Gleb Pavlosky, President Yeltsin 'did not build a state; for ten years he led a revolution' (quoted in Rutland, 2000: 342).

The populist content of Yeltsin's criticisms won him a following. The formal federalism of the Soviet Union enabled Yeltsin to turn the previously subordinate Russian Socialist Federal Soviet Republic (RSFSR) into an insubordinate institution. In March 1990 Yeltsin won more than 80 per cent of the constituency vote in an election to the Russian Congress of Deputies. In May 1990 Yeltsin was elected chair of the Russian Supreme Soviet and used this office as a platform to speak for 150 million Russians. Yeltsin proclaimed that Russian laws had precedence over Soviet laws. Although Yeltsin's position as the chair of the Congress legitimated his claim to represent the Russian people, it did not give him executive authority. While the Communist Party could not produce unanimous votes in the Russian Congress, it was the only disciplined party there and Yeltsin had neither the organizational base nor the inclination to build a coalition of support. To enhance his personal authority, Yeltsin pushed for the creation of a post of directly elected president of the Russian Republic. This proposal was carried by an overwhelming popular vote at a referendum in March 1991. In June, Yeltsin won the presidency with almost three-fifths of the popular vote in a six-candidate race.

Push came to shove in August 1991, when leading hardline Communists placed Gorbachev under house arrest in the Crimea and the Soviet vice president assumed power on the grounds of Gorbachev's temporary incapacity. Gorbachev refused to resign from office but remained out of sight. Boris Yeltsin very publicly denounced the measures as an illegal *coup d'état*. He made an emotional televised appeal in front of the White House, then the home of the Russian Republic's parliament. The coup of the hardliners failed spectacularly, and encouraged party and state officials from the Baltic to the Central Asian republics to hasten the dissolution of the Soviet Union. On 8 December 1991 Yeltsin joined with the leaders of Belarus and Ukraine to proclaim the dissolution of the USSR. Two weeks later Gorbachev met Yeltsin to agree that the

Soviet Union would cease to exist at the end of December. By comparison with the creation of the Soviet Union by Lenin and Stalin, the creation of the new Russian Federation was virtually bloodless.

The abrupt break-up of the Soviet Union occurred without plan. Unlike the situation in ex-Communist states of Central and Eastern Europe, there was no prior constitution or usable past that Russia's new leaders could invoke as the basis for their new regime. Nor did the transition occur as the result of a round-table bargaining process as in Hungary and Poland. The simultaneous disruption of polity, economy and state was without precedent. As the only world he had known was collapsing, Mikhail Gorbachev said, 'We are making such a large turn that it is beyond anyone's dreams. No other people has experienced what has happened to us' (quoted in Rose, 1992a: 371).

### *The morning after*

When the Soviet Union dissolved, the former Russian Republic became a sovereign state, the Russian Federation.[2] The changeover was symbolized by raising the tri-colour Russian flag over the Kremlin in place of the Soviet red flag. The Federation government operated under the RSFSR constitution that was adopted in 1978 and was subsequently amended more than three hundred times. Boris Yeltsin was the first president of the new Federation because he had been elected president of a Soviet republic. The Federation became the heir to the Soviet Army, and Yeltsin issued a decree naming himself commander-in-chief. Boris Yeltsin's immediate priority was to ensure the Federation's recognition internationally and in the near abroad, the other successor states of the former Soviet Union. International institutions such as the United Nations and the International Monetary Fund were prompt in accepting the Federation as a member. Post-Soviet successor states[3] joined together in the Commonwealth of Independent States.

Ordinary Russians were ready to leave behind the ideological symbols of the Soviet era. In the first month of the Russian Federation the first New Russia Barometer asked what people felt about familiar

[2] In Soviet times, every citizen had a nationality entered on his or her internal passport. At the creation of the Russian Federation, people with any nationality recognized by the former Soviet Union and resident in Russia were automatically granted citizenship there. Since four-fifths of the population of the Russian Federation is Russian by both nationality and citizenship and no other nationality constitutes a large ethnic bloc, in this book the term Russian is used to refer to all citizens of the Federation.

[3] Here and subsequently, Estonia, Latvia and Lithuania are excluded from the category of post-Soviet successor states, since they were independent countries prior to occupation following the Nazi–Soviet Pact of 22 August 1939 and incorporation in the Soviet Union as a consequence of the Second World War.

Table 1.2 *Feelings about basic Russian values, 1992*

*Q. We often hear the following words. What feelings do they evoke?*

| | Positive % | Neutral % | Negative % |
|---|---|---|---|
| Freedom | 78 | 17 | 4 |
| One and indivisible Russia | 75 | 20 | 5 |
| Christianity | 73 | 24 | 3 |
| Glasnost | 63 | 21 | 16 |
| Capitalism | 25 | 46 | 28 |
| Socialism | 24 | 42 | 33 |
| Perestroika | 21 | 33 | 45 |
| Marxism-Leninism | 16 | 46 | 37 |

*Source:* New Russia Barometer I. Nationwide survey, 26 January–25 February 1992. Number of respondents, 2,106.

Soviet symbols. Less than a quarter expressed a positive feeling toward Marxism-Leninism or socialism. A plurality were neutral about both these Soviet symbols, and also about their arch-enemy, capitalism (tab. 1.2). Perestroika, a reality not a symbol, had just as few friends and produced even more negative feelings.

Four symbols evoked a positive response from the majority of Russians. Freedom was the most positive symbol of all, evoking a positive response from 78 per cent of Russians. Although only 21 per cent favoured perestroika, 63 per cent endorsed the openness introduced by glasnost. Big majorities were also positive about the traditional patriotic idea of 'one and indivisible Russia' and about Christianity. A factor analysis showed that Russians tended to divide along two dimensions, and to divide unequally. A total of 75 per cent tended to feel positive about freedom and glasnost, as against 8 per cent negative and 17 per cent neutral. The second dimension, involving socialism and Marxism-Leninism, showed 25 per cent positive, 36 per cent neutral and 40 per cent negative.

While Russians did have political and economic values, there were no institutions to represent their beliefs. Boris Yeltsin was prepared to accept and exploit this situation. Yeltsin deployed *vlast*, a Russian term connoting raw power rather than constitutional authority. Michael McFaul (2001: 17) describes this type of power as the 'capacity to prevail over opponents in an anarchic context, that is, a setting in which rules do not constrain behaviour'. This was the situation that Yeltsin faced when he rose to power, for his dispute with Mikhail Gorbachev was not a disagreement about how to apply laws, but a power struggle about whose laws would apply.

Personal charisma can be an asset in winning elections, but is insufficient to establish a modern state. Building institutions requires the skills of a bureaucratic politician, and these skills Yeltsin conspicuously lacked. At the rhetorical level, he endorsed Western models of democracy and markets, thereby winning praise and money from Western leaders and distancing himself from political enemies who favoured retaining Communist institutions. But Yeltsin preferred to assert personal authority rather than attempt the patient and difficult task of creating modern institutions of governance amidst the wreckage of the Soviet Union. He did not rely on party loyalists or on bureaucrats; instead he relied on the antithesis of a modern state, a coterie of personal advisors to carry out his orders and protect his political interests. In exercising personalistic rule, Yeltsin could be generous and he could be capricious – and he could not be held accountable to political institutions limiting his discretion. George Breslauer (2001: 39) explains why Yeltsin preferred to behave this way: 'Personalism is a form of rule in which the leader is not held accountable – formally, regularly and frequently – to institutions that can substantially constrain his discretion.' However, personal authority is effective only if impersonal organizations and impersonal market forces bow to personal commands rather than subverting, rejecting or ignoring them.

The immediate institutional problem was the absence of a constitution designed for the new state. Even worse for the president, the constitution inherited from Soviet days declared the Congress of People's Deputies the supreme authority. The Congress had been elected in March 1990, when there was competition between candidates but the Communist Party was the only organized political party. Yeltsin could not appeal to fellow party members in the Congress, and many of its members were inclined to oppose the reform programmes of both Gorbachev and Yeltsin.

The ambiguous relationship between the president and Congress was 'a matter of political struggle rather than constitutional law' (Sakwa, 1996: 118). The Congress granted President Yeltsin extraordinary powers to issue decrees, but only on a temporary basis. It retained significant powers that could be used to block changes, and the will to use its blocking powers. Traditional Communists disliked everything Yeltsin stood for. There were criticisms of economic policies on technocratic and on social democratic grounds. There were disappointed democrats who thought that Yeltsin was riding roughshod over their rights as elected representatives, and there were politicians disappointed by not receiving patronage from the new president. When Yeltsin named economist Yegor Gaidar as his choice for prime minister in June 1992, the Congress refused to confirm the appointment. In December 1992, Yeltsin secured the

Congress's approval of a compromise candidate for the prime ministership, Viktor Chernomyrdin.

While both Yeltsin and leaders of the Congress of Deputies agreed about the need to create a new constitution, there was a basic conflict about the division of powers between them. Under the law, the Congress was due to remain in office until March 1995. It enacted a constitutional amendment stipulating that any attempt by the president to dissolve the Congress would also deprive him of his authority. Yeltsin counterattacked by decreeing a plebiscite on 25 April 1993. Constitutionally, the vote was not a referendum nor were the questions measures that could be placed on the statute book. The vote was a massive opinion poll soliciting backing for the president. In response to the question *Do you have confidence in the president?*, 59 per cent voted yes, 39 per cent voted no and 2 per cent spoiled their ballots. In response to a question asking for support for the unspecified economic and social policies of the Yeltsin government,[4] 53 per cent voted yes, 45 per cent voted no and 2 per cent spoiled their ballots. A question about holding an early election for deputies showed two-thirds in favour, while a question about early elections for the presidency showed 49 per cent in favour, 47 per cent against and the median voters spoiling their ballots (see White, Rose and McAllister, 1997: 82). The Congress of Deputies ignored the results, which had no legal validity, and intensified its opposition to Yeltsin's government.

The conflict came to a head when President Yeltsin dissolved the Congress of Deputies on 21 September 1993, and called a December election for a new parliament. The action violated constitutional clauses and the Constitutional Court ruled that Yeltsin's actions were grounds for impeachment. The Congress met in emergency session and voted to depose Yeltsin as president. It named as acting president Alexander Rutskoi, recently dismissed by Yeltsin as vice president. Rutskoi called for a new election of both parliament and president. In response, Yeltsin ordered deputies to vacate the White House. Instead, deputies barricaded themselves inside the building and arms were issued to supporters of Rutskoi. On 3 October pro-parliament demonstrators sought to seize the state television centre and were repulsed by armed police from the Interior Ministry.

After weeks of effort, President Yeltsin finally succeeded in getting the military to move against the deputies. Tanks were placed around the

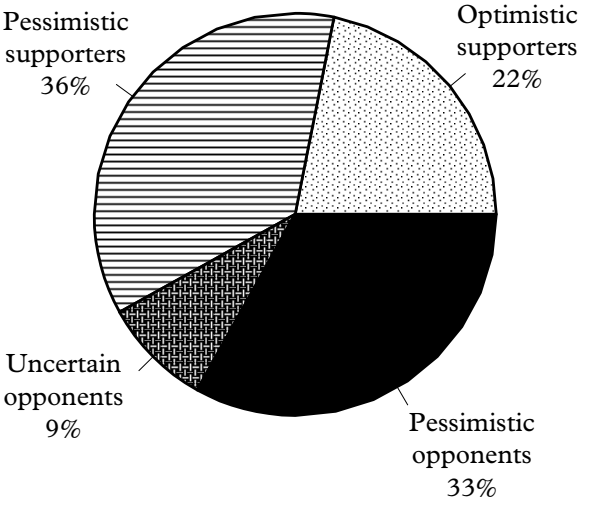
[4] Here and elsewhere the term government without an adjective is used to refer to the institutions and activities of state that continue when the presidency changes hands, while the terms 'Yeltsin government' or 'Putin government' refer to measures and actions associated with the president of the moment.

White House at dawn on 4 October. The outcome was so uncertain that, as Yeltsin later recalled, 'The people in the Kremlin – me among them – feared ending up in the role of the August coup plotters' (quoted in Colton and Hough, 1998: 7). Gunfire broke out, government forces stormed the building and Rutskoi surrendered. Official statistics reported that more than 145 people had been killed in the bloodiest street-fighting in Moscow since 1917. By demonstrating his superior force, Boris Yeltsin lived up to the Russian notion that power is not given by the law but taken.

Having literally shot down the last defenders of the Soviet-era constitution, Boris Yeltsin moved quickly to promote a strongly presidentialist constitution. The new document gave the president unambiguous power to issue decrees, to declare martial law or a state of emergency; and to call elections and referendums. A new bicameral parliament was proposed, with the Duma representing the national electorate, and an upper chamber, the Federal Council, representing the regions. The Duma's approval was required for the confirmation of a prime minister, but if this was withheld three times then the Duma could be dissolved by the president and face a new election. The Duma could vote no confidence in the prime minister, but the president could ignore the vote. If the no-confidence vote was repeated within three months, the president could either dismiss the prime minister's government or dissolve the Duma. Formally, the constitution gave the Duma impeachment powers, but only through a tortuous process. Although the new constitution established a separately elected legislature and executive, it was not a system of checks and balances like the American Constitution. Instead, it resembled a Latin American document, for it protected the president from interference by the Duma and made the Duma subject to his influence through the threat of unilateral dissolution.

In the December 1993 constitutional vote, the reported turnout of voters was 53 per cent, barely enough to satisfy the legal requirement that half the electorate take part. The 56.6 per cent reported in favour of the new constitution was sufficient for adoption. However, political opponents challenged the validity of doing so on three grounds. The vote had not been called in accordance with the existing law on referendums; the turnout figures and vote in favour of the constitution were said to be produced by fraud; and the failure of the Central Electoral Commission to publish full details of the count were assumed to justify suspicions of fraud (see White, Rose and McAllister, 1997: 99ff.). When Russians were asked what they thought the new constitution would accomplish, the median group, 36 per cent, were pessimistic supporters;

Figure 1.1 PESSIMISTS GAVE 1993 CONSTITUTION ITS MAJORITY.




*(Fourfold classification based on how people voted in the December 1993 referendum on a new constitution and whether they thought it would ensure a lawful and democratic state.)*

Source: New Russia Barometer III. Nationwide survey, 15 March–9 April 1994. Number of respondents, 3,535.

they had voted for the constitution but did not expect it to make Russia a rule-of-law state (fig. 1.1). The second largest group were pessimistic opponents who had voted against because they thought the constitution would not guarantee the rule of law. Only 22 per cent believed that the new constitution would become the foundation for the rule of law.

The Duma election held at the same time as the vote on the constitution was the first time that Russians could choose between competing parties. While President Yeltsin did not organize a party to contest the election, Russia's Choice was created in October 1993 to support the Kremlin's programme. It was led by Yegor Gaidar, then first deputy prime minister and very prominent as a proponent of pro-market reforms. The election result was a big setback for the reformers, and also for President Yeltsin. The biggest share of the proportional representative list vote, 21.4 per cent, went to the Liberal Democratic Party headed by a demagogic nationalist, Vladimir Zhirinovsky. The party fully committed to the government's reform programme, Russia's Choice, won only 14.5 per cent of

the vote, only a few percentage points more than the Communist list. While the constitution gave the president substantial powers independent of the Duma, the electorate gave the president a Duma in which his opponents were in the majority.

## An economy with too much money and not enough order

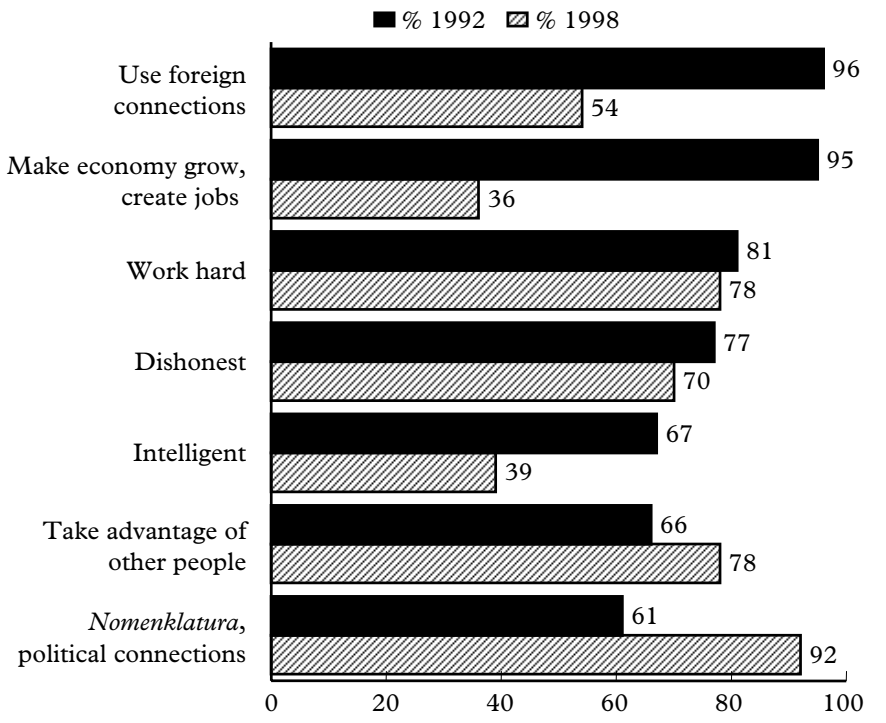
The command economy of the Soviet era was based on bureaucratic rather than market power. The first hundred pages of Janos Kornai's (1992) classic account of a socialist economy are about the organization of power. The power of the economy's commanders was such that factory managers were compelled to give the appearance of meeting plan targets. To do this required hoarding labour; the waste of cost-free energy resources; 'fixers' with connections to obtain supplies; bursts of intense effort known as storming; and, if all else failed, bribery and fraud. Because the Soviet Union was rich in raw materials commanding a high price in world markets, such as oil, gas, diamonds and gold, it could secure hard currencies through exports. Within this opaque economic system, party and ministry officials could divert substantial resources for their own benefit, and in parts of the Soviet Union criminal gangs controlled some economic services.

In the Soviet era, there was little concern with conventional Western concepts of property and ownership, for the party-state could effectively command what it wanted. But as the economy began to stagnate under Leonid Brezhnev there were not enough resources to fund welfare benefits for citizens and maintain investment. In consequence, the state turned to a variety of forms of borrowing money. The timing and extent of borrowing was influenced by political calculations of both Soviet and Western governments. Western support of changes initiated by Mikhail Gorbachev was shown by loans totalling $92 billion in the last four years of the Soviet Union (Tikhomirov, 2001: 263).

As the power of the party-state waned, officials increasingly exploited public office for private gain. In the last phase of Gorbachev's rule, new types of *biznesmen* emerged, using skills cultivated in the Soviet economy to make real money – and bank it in real foreign banks. When the first New Russia Barometer asked at the beginning of 1992 about the image of people making money, their character had been clearly established (fig. 1.2). Russians making money were viewed not only as helping the economy grow and creating jobs, as in standard market textbooks, but also as using foreign connections and dishonest, as in standard accounts of behaviour in Soviet times.

Figure 1.2 POPULAR IMAGE OF RUSSIA'S NEW RICH.

*Q. With economic reform, some people have been able to make more money. Which of these words do you think applies to people who are now making a lot of money?*




Source: New Russia Barometer I. Nationwide survey, 26 January–25 February 1992. Number of respondents, 2,106. New Russia Barometer VII. Nationwide survey, 6 March–13 April 1998. Number of respondents, 1,904.

### *Trials and errors*

The collapse of the commanding power of the party-state pushed the non-market economy into free fall. Just as early Bolsheviks had proclaimed the abolition of capitalism without a practical plan for running a non-market economy, so the Federation's new government was confronted with the urgent and unprecedented task of creating a market in the wreckage of an economy that fed and housed 150 million people. The uncertainties of economic transformation intensified shortages that had long plagued the command economy. Within the government there was no agreement about what to do. At one extreme were market Bolsheviks arguing that extreme circumstances required a great leap of faith, abolishing controlled

prices and privatizing state-owned assets quickly in hopes of creating a market economy. At the other extreme were ministries and state-owned enterprises experienced in running a command economy and averse to giving up familiar practices in unfamiliar times. Social democrats as well as state enterprise interests warned that a rapid move to the market would bring about massive unemployment and that the mass unrest that was forecast to follow would threaten disorder or a Communist-led counter-revolution. Boris Yeltsin stood above the debate, telling an interviewer, 'I do not claim to be able to discuss the philosophy behind economic reform' (quoted in Breslauer, 2001: 35).

A pro-market economist, Yegor Gaidar, was placed in charge of creating a market economy. A policy of shock therapy, that is, moving rapidly to the market whatever the cost, was deemed necessary to fill the economic void. However, the Gaidar team did not have the power to administer a thorough shock, for it was subject to multiple political constraints from stakeholders who could see the costs but not the benefits of radical measures. In the event, the policies administered were those that could overcome political obstacles rather than the policies prescribed by Western textbooks which treated politics as irrelevant (cf. Shleifer and Treisman, 2000). In 1992 official statistics reported that prices rose by more than 2500 per cent and the official economy contracted by 14 per cent. The base for such trend calculations was a notional estimate of what the previous year's economy would have been had it been a market economy. Nonetheless, the direction of change was correctly signalled, and the magnitude was undoubtedly great. The costs of transformation ended Gaidar's brief tenure in the prime ministership; he entitled his subsequent memoir *Days of Defeat and Victory* (1999). The new prime minister, Viktor Chernomyrdin, came from the gas industry of the old command economy. This background gave him a network of allies with whom he could work in dealing with the exigencies of economic transformation.

Deficiencies of official statistics tended to exaggerate the costs of transformation. Some entries that appeared as costs could even be regarded as benefits, for example, the drop in arms exports of $17 billion between 1988 and 1992 and the 60 per cent reduction in the production of defence materials between 1991 and 1993 (Lopez-Claros and Zadornov, 2002: 106). The fall in demand for Russian-produced goods due to competition with Western-made goods was a textbook example of a market signalling to Russian producers that they should make what customers wanted and not what bureaucrats commanded.

Demonetization insulated Russian households and enterprises from inflation to a significant extent, for households could grow food for

themselves and rents were reduced to almost nothing. Enterprises with little hope of surviving in a market economy because they were subtracting rather than adding value to the national economy turned to tactics reminiscent of Gogol's novel *Dead Souls* (Gaddy and Ickes, 1999; Seabright, 2000). They created a virtual economy in which suppliers were paid with promissory notes, and promissory notes given them by customers were treated as real receipts. Barter, a common practice in the command economy, was also used in place of cash transactions. Workers could be paid in kind or not paid at all, and this was accepted when the alternative was to be declared unemployed. If these tactics failed, regional banks could be prevailed upon to extend credit rather than risk a city's largest employer pushing thousands into the category of officially unemployed, and connections in Moscow were also invoked to maintain enterprises.

The conspicuous consumption of rich new Russians in Moscow and, to a lesser but equally conspicuous extent, in other cities showed it was possible to make big money in a time of economic turbulence. As the joke had it, Moscow became like New York: 'In New York, you can buy anything with dollars and nothing with rubles; here it is the same.' Government favours were chief among the services that were bought and sold.

The new regime sought to end state control of the economy by privatizing state assets, but there was no private sector that could buy these assets at a fair market price. Every adult was given a voucher to buy a few shares in privatized enterprises, but this did not make citizens into stakeholders, for many quickly sold or traded their vouchers for tangible goods they could enjoy here and now. Yeltsin-style privatization ended up being private inasmuch as the transfer of wealth occurred without the constraints of public scrutiny or accountability. Privatization without a private sector transferred valuable state assets into the hands of those with political connections in the old *nomenklatura*, the elite of the party-state. In the new economy, many activities were carried out under a roof supported by both private and public pillars, and offering benefits to all who sheltered under it (cf. e.g. Aslund, 1995; Blasi et al., 1997; Hedlund, 1999).

The government continued to need revenue to meet the everyday expenses of the state, and it could no longer rely on the methods used in the Soviet era. However, Russia's new rich companies did not want to pay taxes routinely. Nor have ordinary Russians been anxious to learn about taxation. When the 1998 New Russia Barometer asked employees what percentage of their wages was deducted as taxes, 54 per cent replied that they did not know. In the worst of times, the gap between taxes due and taxes collected has approached half the revenue due according to the law.

Like its Soviet predecessor, the Yeltsin government looked abroad for loans. In optimistic periods, officials argued that loans were a good economic investment, and in bad periods the government argued that loans were a political necessity to save Russia and, by implication, Western allies from something far worse. International financial institutions such as the International Monetary Fund (IMF) and the World Bank gave loans. Energy enterprises were told to pay taxes in return for political protection for the hard currency profits they gained from exporting oil and gas, and energy firms were ordered to subsidize loss-making enterprises by allowing them to run up big debts for unpaid supplies. Instead of collecting all the taxes notionally due, the state covered its deficits by borrowing money from banks at very high rates of interest. This enabled tax evaders to profit twice, once from nonpayment of taxes and again from loaning money to the state to cover the resulting public deficit.

Whereas a modern state concentrates on extracting taxes from private enterprise, Russian businessmen have extracted benefits from the state. Benefits have included exemption from paying taxes and licences to pursue profitable activities. The National Sports Foundation was given tax exemption for the import of alcohol, tobacco and luxury cars from abroad, a boon worth an estimated $3 billion to $4 billion a year. Similar benefits were given to entrepreneurs hiding behind such names as the Afghan War Veterans Union and the Humanitarian Aid Commission. Lucrative privileges attracted the attention of gangsters. The chair of the Moscow Society for the Deaf and the chair of the All-Russian Society for the Deaf, both beneficiaries of import duty exemptions, were killed by gunmen (Klebnikov, 2000: 230ff., 250). The state also granted profitable licences for commercial television. Peter Aven, a former Gaidar minister turned banker, has described the system thus:

> To become a millionaire in our country it is not at all necessary to have a good head or specialized knowledge. Often, it is enough to have active support in the government, the parliament, local power structures and law enforcement agencies. One fine day your insignificant bank is authorized to, for instance, conduct operations with budgetary funds. Or quotas are generously allotted for the export of oil, timber and gas. In other words, you are *appointed* a millionaire (Reddaway and Glinski, 2001: 603; italics added).

The climax in the private exploitation of public resources was the 'loans for shares' scheme to which the Yeltsin government agreed in August 1995. It handed over enterprises with tens of billions of dollars of revenue to oligarchs, a group of politically connected multimillionaires and billionaires. The scheme was complex. In the first instance, the bankers offered loans sufficient to cover much of the government's 1995 budget deficit. In return, they gained the right to manage on very favourable

terms enterprises such as Norilsk Nickel and oil and energy companies, which for the moment remained nominally state-owned. In the months following the summer 1996 presidential election, the government was to repay the loans or auction the enterprises on terms enabling the new managers to gain full ownership by hook or by crook.

A critical political feature of the loans-for-shares timetable was that oligarchs would gain ownership only if Boris Yeltsin's bid for re-election was successful, since any other politician would repudiate the agreement, keeping the properties in state hands or awarding them to its friends. The oligarchs, who also put money into major media institutions, went all-out to discredit Yeltsin's opponents and urge support for their financial benefactor. In summer 1996, Yeltsin won re-election in a run-off against Communist Gennady Zyuganov. Soon after, the oligarchs took ownership of billions of dollars of state assets. An account of the sale of the century by Chrystia Freeland (2000: 180) concluded that the businessmen were not to be blamed for pursuing an opportunity for great wealth: 'The real problem was that the state allowed them to get away with it.'

In theory, the rapid, even illegal, enrichment of a small number of rapacious entrepreneurs could be justified if they abandoned the pursuit of quick profits in order to become what Mancur Olson (2000) has called stationary bandits, that is, people who give up the high-risk business of seizing assets and invest their sudden wealth in conventional ways, thus promoting economic development and augmenting their riches legally. However, this did not happen. Instead, Russia's new rich kept much of their new wealth abroad in dollar accounts. From 1995 to 1999, the net amount of capital exported by Russians was more than $65 billion, three times the amount of money loaned by international financial institutions (Lopez-Claros and Zadornov, 2002: 109). Furthermore, Russia's oligarchs discouraged foreign companies from competing with them by investing in Russia. A former Russian government official and Yeltsin appointee to the board of the IMF, Konstantin Kagalovsky, explained that foreign investors had no chance of enforcing their property rights in disputes with Russian firms because politically pliable judges were bound to interpret vague laws in favour of Russian oligarchs. He added that this was the case, because 'I wrote the laws myself, and took special care with them' (Freeland, 2000: 176).

While the oligarchs gained permanent control of great assets, the Yeltsin government was left with the problem of annually raising money to cover a budget hole that grew as interest on past debts increased and the assets the state had to offer became fewer. The government borrowed at increasingly high rates of interest from Russian banks and from foreign banks that accepted debts denominated in rubles because the short-term

profits were so high. On 27 May 1998 the Russian Central Bank raised interest rates from 30 per cent to 150 per cent. Fearing that Russia's problems would add to global instability arising from Asia's financial crisis, the IMF pressed the Yeltsin government to reduce its government deficit. The Kremlin turned to the Clinton White House, which had repeatedly turned a blind eye to CIA briefings about the extent of financial maladministration and corruption by the Yeltsin government (Klebnikov, 2000: 325). Lacking the authority to loan United States government funds to Russia, President Clinton put pressure on the IMF to do so. Although IMF officials were aware of what was going on in Moscow, in mid-July a package of $22 billion in aid was given to Russia by the IMF, the World Bank and Japan. The Central Bank had to push up interest rates further as it became increasingly difficult to find the money to pay the interest on debts approaching $80 billion.

On 17 August 1998 the government announced a moratorium on Russian companies paying debts to foreign companies, and suspended payment on short-term domestic bonds until the end of the year. The ruble was also devalued, and in foreign exchange markets it soon dropped to one-quarter of its former value. Moscow's default on foreign borrowing cost the IMF both credibility and cash. The comment from Anatoly Chubais, then first deputy prime minister for economic reform, and now the head of Russia's electricity monopoly, was, 'Today in the international financial institutions, despite everything we've done to them – and we cheated them out of $20 billion – there is an understanding that we had no alternative' (Reddaway and Glinski, 2001: 600).

While foreign investors were surprised by what happened to them, ordinary Russians were not. When the spring 1998 NRB survey asked about the image of Russia's new rich, more than three-quarters thought Russian businessmen took advantage of other people and 70 per cent thought they were dishonest (fig. 1.2). The big change by comparison with six years earlier – a drop from 95 to 36 per cent – was in those thinking that Russian businessmen helped make the economy grow. A detailed analysis of capital flows by Vladimir Tikhomirov (2001: 279) came to the same conclusion, 'A large part of the US $169 billion net financial flows that entered Russia between 1992 and 1999 was actually spent (or rather misspent) on keeping the bankrupt Soviet economy afloat and on creating the so-called stratum of new Russians, a few *nouveaux riches* who spent their money supporting Western economies by buying expensive Western consumer goods, Western banking services and real estate in Western countries.'

The optimist could describe the Russian economy as undergoing the 'creative destruction' that Joseph Schumpeter (1952) had posited as an

integral part of the process of economic growth. However, the creativity of entrepreneurs was not directed at increasing the nation's productive assets; it was aimed at finding ways to re-allocate to themselves wealth that was already there. The result was not only the destruction of the state's fiscal capacity but also of any claims to the integrity of the state. For example, Alfred Kokh, a minister involved in the loans-for-shares swap, believed that he should be rewarded like a medieval court favourite by being paid a commission on all the money he brought into the state. The figure he suggested, 3 per cent, would have yielded him an income of $60 million in 1997. When a Western journalist noted that officeholders in modern states were also rewarded through a sense of honour, Kokh replied, 'What do you mean by honour? You won't get far on honour alone' (quoted in Freeland, 2000: 282f.).

### *The legacy: debt and corruption*

In his last major speech to the Duma, President Yeltsin admitted, 'We are stuck halfway between a planned, command economy and a normal, market one. And now we have an ugly model – a crossbreed of the two systems' (quoted in Gaddy and Ickes, 2001a: 103). In the light of his work in Russia for the European Bank for Reconstruction and Development, Joel Hellman (1998: 205) described this crossbreed as a 'partial reform equilibrium' in which those who initially gained great benefits from the lawless privatization of state assets now have a vested interest in maintaining the status quo. New rich Russians do not want to continue the process of reform; they want to stop it in order to protect their wealth from competitors and from prosecution by the state. The concentration of wealth in their hands gives rich entrepreneurs more influence on the Kremlin than that of the tens of millions of scattered citizens who have felt the costs of the oligarchs' gains.

The debts left behind by decades of excess do not go away (fig. 1.3). In a vain attempt to buy reform, the Gorbachev government piled up tens of billions of dollars of debts to foreign lenders. In the closing days of the Soviet Union, Boris Yeltsin volunteered that an independent Russian Federation would take responsibility for Soviet debts. After three years of complex negotiations involving counterclaims by other successor states on Soviet properties at home and abroad, this was agreed. Agreement made it easier for the Russian Federation to finance its inherited debt and to seek new foreign lending (Tikhomirov, 2001: 265ff.; Robinson, 2001). The Yeltsin government added to this debt burden, borrowing an additional $51 billion from abroad. While most of the goods and services on which borrowed money has been spent are gone, the debts remain.

Figure 1.3 A LEGACY OF DEBTS.


Source: Lehman Brothers.

While Vladimir Putin could rhetorically offer the Russian people a 'new beginning', he could not escape the legacies of a disorderly past. On taking office at the beginning of the year 2000, he inherited $154 billion in foreign debts, equivalent to almost four-fifths of Russia's gross domestic product in the previous year. Inflation has devalued many of the government's domestic debts, albeit at the expense of Russians who gave the government credit. However, the devaluation of the ruble in 1998 has increased the burden of debts that must be repaid in hard currencies.

A defining attribute of a modern state is that it is able to collect the taxes needed to provide essential services. As Sergei Kirienko, a former prime minister, has declared, 'If the state does not learn to collect taxes, it will cease to exist' (quoted in Gregory and Brooke, 2000: 453). Like its predecessors, the Russian Federation is not, or at least not yet, a modern state that can tax and spend efficiently and honestly. The reality facing Vladimir Putin is that he is president of a regime that is democratic and disorderly. It is democratic in that the chief offices of state are filled by free elections. But it is disorderly because affairs of state are not subject to the rule of law.