

Introduction

The Dilemmas of Peripheral Liberalism

The economists behind Russia's marketisation got a bad rap. Hell-bent on restoring capitalism in Russia, it is often held, they dismantled the Soviet planned economy and thereby unleashed collapse, chaos, and de-industrialisation. Whenever I mentioned my interest in Russian liberal economists during research for this book, people tended to associate them with shady oligarchs – complete with superyachts and football clubs. Wherever their names appear on the Russian internet, commentary sections overflow with vitriol. Most Russians see them as traitors to the people, thieves, and social Darwinists, who sacrificed the socialist era's modest prosperity for all so that a small cosmopolitan minority could amass grotesque fortunes. Scholars of Russia's troubled 1990s have shown a predilection for branding them 'market Bolsheviks'.¹ An authoritative American historian, in an otherwise compelling account of the Soviet collapse, flatly dismissed them as a bunch of 'arrogant Young Turk "economists"'.²

My first encounters with these 'economists' date back to the early 2000s. As an undergraduate, I read the then-fashionable books that criticised what they portrayed as the capitalist excesses of intensified globalisation in the post-Cold War era. Russia appeared as a prime example of the disastrous social and political consequences of 'unfettered' market fundamentalism.³ It was a depiction of post-Soviet marketisation that aligned with my earliest memories of Russia as conveyed in the German media of the 1990s: tales of filthy rich gangsters, begging babushkas, and American advisors talking the government

¹ Most prominently, among many others, P. Reddaway and D. Glinski, *The Tragedy of Russia's Reforms: Market Bolshevism against Democracy* (Washington DC: United States Institute of Peace Press, 2000).

² S. Kotkin, *Armageddon Averted: The Soviet Collapse, 1970–2000* (Oxford: Oxford University Press, 2008), p. 119.

³ J. Stiglitz, *Globalization and Its Discontents* (London: Allen Lane, 2002); N. Klein, *The Shock Doctrine: The Rise of Disaster Capitalism* (London: Penguin Books, 2007).

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into embracing fully de-regulated capitalism rather than a ‘European’ social market economy. As a Russian language student in Siberia and as a German language teacher in the Urals in the first years of Vladimir Putin’s presidency, I saw at first hand the stark contrast between the modest living standards in the Russian provinces and the opulence glimpsed during stop-overs in Moscow. Certainly, I thought, Russia would have fared better with a gradual transition rather than the Wild West capitalism that these ideologically misguided liberals had to answer for.

After spending many years researching Russia’s economic transformation for this book, I have grown sceptical of such judgemental portrayals of the Russian liberals. It now seems to me that their depiction in Western media and activist scholarship has often followed a long-standing tradition – maintained by European critics of liberalism on both the left and the right since the French Revolution – of projecting domestic political and cultural conflicts onto Russia. Anti-globalisation sentiments ran high in the wake of labour market de-regulation and the partial privatisation of welfare systems and infrastructure in the West during the 1980s and 1990s. Many accounts, it appears in retrospect, were not primarily about Russia at all, nor were they particularly very well informed about Russia. They just used the dramatic imagery of the post-Soviet realm to lend weight to their preconception that ‘neoliberal globalisation’, promoted by American-led international organisations and think tanks, had harmed people’s well-being. This was, in effect, the left-wing complement to a post-Cold War right-wing triumphalism, which was interested in Eastern Europe only insofar as it confirmed one’s own world-view.⁴

Even beyond the activist literature, much of what we know about Russia’s transition rests on the accounts of Western observers. To avoid such external projections to the greatest extent possible, I based the story told in this book primarily on a critical examination of evidence produced by Russian liberals themselves. I interviewed some two dozen of them, and spoke with their friends and families. Many, in the tradition among the Russian intelligentsia, had written memoirs, which I consulted. To cross-examine these notoriously tricky sources – often composed years after the events and shaped by a desire to rehabilitate reputations – I also examined their older published scholarly and journalistic writings, along with their correspondence and unpublished texts. I located these

⁴ I put ‘neoliberalism’ in inverted commas when referring to the anti-capitalist combat term, and speak of neoliberalism without inverted commas when referring to the economic philosophy that emphasises the role of the state for the creation of a social order based on free markets and free prices.

in several online and offline private collections, some of which also gave me indirect access to material from several Russian state archives.

A global pandemic, which hit Russia particularly hard, and Russia's war of aggression against Ukraine complicated my research in many ways, yet, remarkably, also simplified it. COVID-19 thwarted my first attempt to enter Russia, and claimed the lives of two economists I had hoped to interview. However, the many lockdowns accelerated the adoption of video call technology, allowing me to reach more interviewees than I had anticipated. My second attempt to visit Russia failed in February 2022 when Russian tanks started rolling towards Kiev a couple of days before my planned departure to Moscow. But among the nearly one million Russians who have since left the country were several key figures I was able to meet and speak with more freely in exile than would have been possible within Russia. While the backdrop of Russian warfare inevitably influenced these conversations and my interpretations, it also provided a unique perspective on the subjects I studied and their views of the Russian state and Russian society.

The picture that emerged from these primary sources is markedly different from much of the existing literature. Russia's marketisation, I show in this book, was no 'neoliberal shock therapy'. It was not a Western imposition of capitalism either, and the people who advocated for it were not ideologically driven fanatics. As well-trained professionals, they were aware that the extensive growth of the post-war era, fuelled by resource mobilisation and high investment rates, slowed down in the 1970s and 1980s. But their attempts to influence political decisions were unsuccessful. They were hardly involved in the events that led to imperial and economic collapse between 1989 and 1991. The market economists only truly came into prominence in the new Russia of the 1990s under conditions of a dysfunctional state and without their own power base. It was not until the early 2000s that some managed to implement their agenda – only to soon be relegated to the role of handmaids of a revived authoritarian regime.

This relationship of the Russian liberals with the state explains much of their thinking and their course of action. The fundamental question that these economists faced was never whether they preferred radical shock therapy or moderate gradualism. The question was whether they should seek proximity to those in power and be co-opted by the authoritarian state, or whether they should join the democratic opposition and take the route of grassroots political activism. The book's central argument is that the liberals faced an insurmountable dilemma in a society where they lacked popular support and where those in power had a rather instrumental view of markets and rights.

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Two groups of Soviet economists eventually came out as Russian liberals from the late 1980s.⁵ They took separate paths, but occasionally, individuals switched sides. One group had its roots in the apparatus of the Soviet state and its elite academic institutions. I call them ‘systemic liberals’. The term has so far mostly been used for those who clung to Putin after his return to the presidency in 2012 and has thus for some a pejorative connotation, which I do not intend to convey. What characterises these liberals as ‘systemic’ is that they opted for collaboration with the state, which provided them with some influence on economic policy. The other group, while sometimes affiliated with the same academic institutions, stayed clear of the state. Some were connected with the small scene of dissidents; some were maverick scholars and writers. Taken together, they were a much looser group than that of the systemic liberals; they were not even all familiar with each other. I call them ‘informal liberals’, not because they came by their liberalism casually, but because they were the small liberal spectrum of what in the socialist world was called the ‘informal opposition’ to state power. What the informal liberals all had in common was that they were not members of the Communist Party of the Soviet Union (CPSU) before 1991 and not directly associated with executive power in the Kremlin after Russia’s independence.

In the long run, both the systemic and the informal liberals failed to steer the course of Russian history in their preferred direction. Their dilemma as a minority in a country on the periphery of the world economy may become a familiar one to liberals in the West, as democratic elections produce illiberal majorities in parliaments. We have come to think of liberalism and democracy as mutually constitutive or part of the same parcel of political order. Yet this constellation is a fairly recent one, shaped by American Cold War liberalism and then seemingly corroborated by the democratic awakening of 1989 in Eastern Europe. Outside the North Atlantic West in the second half of the twentieth century, rule of law and a free-market order were usually in conflict with the interests of large parts of the population and political elites. In Russia, as for many liberals elsewhere, access to political power required accommodating authoritarianism.

I tell the story of this predicament, and the tension between democracy and liberalism, by following the biographies of two generations of first Soviet and then Russian market economists. It is an intellectual

⁵ The ‘Soviet’/‘Russian’ liberal economists had various ethnic backgrounds (Russian, Ukrainian, Jewish, German, Greek, Latvian, and Tatar), but all – irrespective of their attitude towards state power – identified with the Soviet state before 1991 and with the Russian state afterwards.

history in two ways. On the one hand, this is a history of ideas of the economy and the state before, during, and after the transformation of the world's largest centrally planned economy into a market economy. On the other hand, this is also a history of intellectuals, namely economists, as carriers of these ideas, but also as human beings whose concepts and theories were shaped by the economic, social, cultural, and political contexts they lived in. The economists may have been technocratic number crunchers in their professional lives, but as individuals they were also part of the Russian intelligentsia with its traditions, habits, fears, views of the past, and with certain views of their own role in Russian society and of Russia's role in the world.

Each of the four large chapters of the book is organised around the professional lives of economists whose biographies appeared to me representative of the systemic and the informal liberals in different phases of the past five decades. In the first three chapters, I focus on one systemic and one informal liberal each: the future Russian minister of the economy Yevgeny Yasin and the liberal dissident Viktor Sokirko in Chapter 1 on the 1970s; the pro-market government advisor Stanislav Shatalin and the economic journalist Vasily Selyunin in Chapter 2 on the 1980s; the archetypical systemic liberal Anatoly Chubais and his democratic opponent Grigory Yavlinsky in Chapter 3 on Russia in the 1990s. Chapter 4 on the Putin era has a slightly different format: here I use the professional biographies of three systemic liberals, Irina Khakamada, Alexei Kudrin, and Elvira Nabiullina, to illustrate the different possible political courses of action that liberal economists had as the Russian experiment with democracy ended and autocratic rule was reinstalled.

The narrative arc begins in the academic institutions of Soviet economics in the 1970s, where an increasing awareness of looming economic crisis led to first doubts about the reformability of the existing economic order. A reasonable starting year could have been 1970, when the first officially published text appeared that called for an end to state-controlled prices and when growth rates started falling. I opted for 1972, the year in which the protagonists of Chapter 1 both worked for an institution in Moscow that, I argue, played a central role in the genesis of Russian liberalism. This choice of year provides a convenient round number for a fifty-year story of the rise and fall of Russian liberalism. The book ends with the relapse into imperial rule under President Putin and the successive departure of the liberals, or their subordination as technocrats of a neo-patrimonial system, a process that reached its culmination with Russia's full-scale invasion of Ukraine in February 2022.

The focus on individual economists allowed me to complement structuralist accounts by considering the different possible courses of action

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open for individuals. Diffusionist approaches in the social sciences tend to consider ideas only when they become efficacious. As many of the ideas and debates of the Russian liberals never reached politics, the stories of individual economists put into question a widespread notion, plausible if we only look at actual policy, that liberal ideas were inherently alien to Russia and exclusively imported from the West.⁶

With this approach, I follow similar accounts that have very convincingly told the story of economists as both carriers of ideas and political actors in twentieth-century America, France, Great Britain, and West Germany.⁷ Throughout the book, I occasionally point to parallels and interactions between East and West. In the Soviet case, too, economics rose in importance within academia as well as being a science used to legitimate positions in national politics from the 1950s onwards. Some of the shifts between a focus on socially grounded political economy and on the abstraction of mathematical economics were similar as well. Even fads such as cybernetics and scientific forecasting came and went in step on both sides of the Iron Curtain, facilitated by East–West academic exchange that I discuss in Chapter 1. This is not to say that the field of economics in the Soviet Union or Russia just followed developments in the West; it also reacted to similar challenges faced by all industrial societies.

What I am telling is a story of economists, economic ideas, and economic institutions. It is not so much a history of the economy. Quantitative assessments of gross domestic product, inflation, consumption, and unemployment rates are not part of that story. Such figures are highly contested in the Russian case and, owing to the very different nature of the (post-)Soviet economy, very difficult to compare with Western data. A meaningful contribution to the debate around them is also, frankly, beyond my competence. My focus on the individuals, and a qualitative assessment of their views and deeds, based on the historical evidence they themselves have left behind, has produced a narrative that some may feel is too close to the subjective perspective of these historical actors. I have scrutinised their narratives, as well as those of their critics, as best I can. Still, the book probably reflects a certain empathy I have developed over the past years for the predicaments of its main characters.

⁶ J. Zweynert, *When Ideas Fail: Economic Thought, the Failure of Transition and the Rise of Institutional Instability in Post-Soviet Russia*, Routledge studies in the European economy (London, New York: Routledge, 2018).

⁷ A. Nützenadel, *Stunde der Ökonomen: Wissenschaft, Politik und Expertenkultur in der Bundesrepublik 1949–1974*, Kritische Studien zur Geschichtswissenschaft (Göttingen: Vandenhoeck & Ruprecht, 2014); M. Fourcade, *Economists and Societies: Discipline and Profession in the United States, Britain, and France, 1890s to 1990s*, Princeton studies in cultural sociology (Princeton: Princeton University Press, 2009).

I still hope to tell a convincing story that questions the widespread assumption that Russia's troublesome marketisation was the result of a misguided ideology or some sort of Western plot. Such assumptions have a long tradition. In fact, they already began to circulate before the supposed events allegedly happened: 'The free-market gurus and think-tanks that helped redraw the economic map of Britain during the 1980s are planning an ideological invasion of the Soviet Union', it was claimed on the pages of *The Times* in London in 1991, 'in the belief that the failed coup has rendered the empire ripe for a dose of Thatcherism. Although their influence may have diminished at home, the Thatcherites believe that the events of the last few days have created the perfect new laboratory to test their ideas.'⁸

The activist scholarship in the spirit of the anti-globalisation movement picked up on such popular depictions of Russia's transition. A common trope was that of a 'neoliberal zeitgeist' in the 1980s and 1990s. If only the Soviet Union had come apart twenty years earlier, it was often suggested, then it would have taken a social-democratic path of a more gradual and more egalitarian transition. Instead, a small group of naïve copycats under the spell of Anglo-American right-wing economics were said to have pushed through a radical laissez-faire agenda, and thus undermined democracy and paved the way for authoritarian capitalism.⁹

Many more scholarly accounts of Russia's marketisation have focused on what they saw as the nefarious influence of the West. What they all have in common is a strong belief in the power of ideas. Such claims are way too numerous for an exhaustive enumeration here. The following sample of quotes will sound familiar to anyone who has ever read a text about Russia's 1990s: Yegor Gaidar and his team, the core of the group of systemic liberals, allegedly implemented the 'ideas and idioms of Western economics'.¹⁰ The government under President Boris Yeltsin adopted a 'model of disembedded laissez-faire liberalism'.¹¹ The American Secretary

⁸ 'Tanks that Think', *The Times*, 23 August 1991.

⁹ Stiglitz, *Globalization and Its Discontents*. The 'zeitgeist' argument has been put forward many times; one of the latest iterations can be found in P. Robinson, *Russian Liberalism*, NIU series in Slavic, East European, and Eurasian studies (Ithaca: Northern Illinois University Press, 2023), p. 163.

¹⁰ G. Dale and A. Fabry, 'Neoliberalism in Eastern Europe and the Former Soviet Union' in D. Cahill, M. Cooper, M. Konings, and D. Primrose (eds.), *The SAGE Handbook of Neoliberalism* (Thousand Oaks: SAGE Publications Ltd, 2018), pp. 234–47, at pp. 236–7.

¹¹ A. Nesvetailova, 'Globalization and Post-Soviet Capitalism: Internalizing Neoliberalism in Russia' in G. Menz, P. G. Cerny, and S. Soederberg (eds.), *Internalizing Globalization: The Rise of Neoliberalism and the Decline of National Varieties of Capitalism*, International political economy series (Basingstoke, New York: Palgrave Macmillan, 2005), pp. 238–54, at p. 238.

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of the Treasury Larry Summers ‘was implementing Reaganomics in Russia’.¹² And American advisors had a rapid liberalisation plan ‘to turn Russia into a copy of a Western role model country’.¹³

American and European anthropologists were particularly active in depicting Russia’s marketisation as a form of ‘Western colonialism’. In their portrayal, too, ‘shock therapy’ came at the urging of Western economists, who conspired with a ‘local clan’ whose members spoke English and knew how to talk to Westerners. The terrible results for the population allegedly proved an ‘incompatibility’ of Russian culture with a market economy.¹⁴ Instead of its ‘neoliberal crusade’, the reasoning went, the West should have collaborated with different reformers and created democratic institutions.¹⁵ A less crucifying, if perhaps somewhat condescending, variant of the anthropological school was to portray the Russian economists as naïve dupes. Allegedly, they believed that the transition would be easy. Allegedly, they gullibly followed the Western instructions of laissez-faire capitalism – often epitomised by the advisory role of the American economist Jeffrey Sachs – and thus displayed no interest in institution building.¹⁶

Such stories were enthusiastically echoed by the liberals’ critics in Russia, because they allowed them to present their domestic opponents as the fifth column of the West: the ‘theoretical underpinnings of shock therapy were found by their initiators in the extreme liberal wing of Western economic thought, represented by F. Hayek, L. von Mises and M. Friedman’, claimed a former aid to the last Soviet president Mikhail Gorbachev.¹⁷ A prominent Russian leftist called the whole post-Soviet political system a ‘neo-liberal autocracy’.¹⁸

Much of this literature contains important insights on Russia’s troubled exit from Communism and the hardships its population went through. But its central assumption of a causal connection between ideas from the West

¹² The Russian political scientist Sergei Rogov, in P. Desai, *Conversations on Russia: Reform from Yeltsin to Putin* (Oxford: Oxford University Press, 2006), p. 209.

¹³ B. Barth and J. Osterhammel (eds.), *Zivilisierungsmissionen: Imperiale Weltverbesserung seit dem 18. Jahrhundert*, Historische Kulturwissenschaft (Konstanz: UVK-Verl.-Ges, 2005), p. 423.

¹⁴ D. H. Lempert, *Daily Life in a Crumbling Empire* (Boulder: Columbia University Press, 1995).

¹⁵ J. Wedel, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe* (New York: Palgrave, 2001), pp. 121–63.

¹⁶ S. Hedlund, *Russia’s ‘Market’ Economy: A Bad Case of Predatory Capitalism* (London: Taylor & Francis, 1999).

¹⁷ V. A. Medvedev, *Shokovaja terapija v Rossii – itogi i tsena* (Moscow: Gorbachev Foundation, 2010), pp. 33–6.

¹⁸ B. Kagarlitsky, *Russia under Yeltsin and Putin: Neo-Liberal Autocracy* (London: Pluto, 2002).

and economic collapse in the East bears rethinking. As I will argue throughout the book, there is little historical evidence to support such a claim. First, the impact of Western liberals on the systemic liberals was negligible. Jeffrey Sachs played no role whatsoever in their intellectual outlook or their policy prescriptions. The informal liberals, by contrast, some of whom did indeed admire and popularise Hayek and Friedman, had little influence on policy. Second, many popular narratives get the chronology wrong. The collapse of the Soviet economy came first, then some of the liberals were called into government. The famous and powerful images of empty shelves in grocery shops date from the late Perestroika years. Given the political and economic chaos it inherited, the birth pangs of new Russia would have been hardly less painful if only people with other, perhaps better, ideas had occupied the ministries of economics and finance in the early 1990s.

I am not the first to point out the limited impact of Western ideas on the Russian transition. Scholars have shown how the collapse of Soviet institutions, rather, followed the logic of a bank run. Once the central state appeared weak during Perestroika, failing to tackle economic decline and becoming less repressive at the same time, bureaucratic and industrial elites grabbed as much power and wealth as they could. Even previously loyal administrators and enterprise directors faced a choice between taking part in that mass robbery of state assets or losing their status and influence entirely.¹⁹ I find this the most convincing explanation of the Soviet collapse. The perspective of the economists presented in my book substantiates this view and also adds some new colour to it.

In some ways, however, ideas – and thus intellectual history – still matter for a historicisation of Russia’s transition. While the Soviet collapse, as I show in Chapter 2, was largely driven by structural economic malaise, misguided fiscal and monetary policies, self-interest, and power play, the question of which institutional set-up should be created afterwards as well as the methods of transitioning to a market economy were indeed shaped by ideas and debates among small circles of academics and intellectuals from at least the 1970s.

Accounts of the late Soviet Union that set well-meaning ‘closet liberals’ or ‘reformers’ against a static background of ‘conservative’ or ‘ideological’ resistance have lately been viewed with some scepticism, and for good reason.²⁰ Still, people who identified as liberals, or held

¹⁹ S. Solnick, *Stealing the State: Control and Collapse in Soviet Institutions* (Cambridge, MA: Harvard University Press, 1999).

²⁰ Y. Feygin, *Reforming the Cold War State: Economic Thought, Internationalization, and the Politics of Soviet Reform, 1955–1985*, PhD Dissertation, University of Pennsylvania (2017), p. 9; O. Kirtchik, *Economic Knowledge in Crisis: Economists and the State in the Late Soviet Union* (London: Palgrave Macmillan, 2024).

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views that corresponded with a liberal world-view, did exist in the Soviet Union. Eliminating them from our historical accounts of modern Russia and presenting liberalism as something entirely alien to this society would be an undue reproduction of stereotypes. I thus tried my hand at a cautious rehabilitation of the ‘closet liberals’ argument. Instead of telling another story of heroic freedom fighters against all odds, however, I explain how they developed intellectually from within Soviet academia, how their views on the economy and the state varied and changed over time, and how they eventually became the self-professed ‘liberals’ of the 1990s and 2000s.

Recent literature on Soviet economics and economists, in a welcome distancing from the popular Western-imposition stories, has focused on internal developments, local intellectual traditions, and the distinct nature of Soviet economic thought.²¹ They could build on a small body of research on Soviet economists from the late Cold War era, some of it by Soviet economists who had emigrated to the West.²² In this book, I try to connect these in-depth assessments with the broader international story of marketisation and globalisation from the 1970s. For the economists in this book, the world abroad was always an important reference point. This did not necessarily mean the West. As I elaborate in Chapter 1, the Eastern European experience with reform socialism was much more directly relevant, and, as I explore in Chapter 3, so was its experience with marketisation and financial de-regulation after 1989. From the 1980s, even development dictatorships in the Third World provided some lessons on possible pathways for political economy when liberals faced a hostile population or institutional resistance.

The West, though, remained the ultimate yardstick of ‘civilisation’ for most Russian liberals. The interplay between the domestic and the foreign as I present it in this book was not a blind copying or imposition

²¹ A. Leeds, *Spectral Liberalism: On the Subjects of Political Economy in Moscow*, PhD Dissertation, University of Pennsylvania (2016); A. Leeds, ‘Dreams in Cybernetic Fugue: Cold War Technoscience, the Intelligentsia, and the Birth of Soviet Mathematical Economics’, *Historical Studies in the Natural Sciences* 46(5) (2016), 633–68; I. Boldyrev, ‘Concepts Institutionalized: The Dispositives of Soviet Mathematical Economics’ in A. Gevorkyan (ed.), *The Oxford Handbook of Post-Socialist Economies* (Oxford: Oxford University Press, 2024); I. Boldyrev and O. Kirtchik, ‘The Cultures of Mathematical Economics in the Postwar Soviet Union: More than a Method, Less than a Discipline’, *Studies in History and Philosophy of Science* 63 (2017), 1–10.

²² A. Katsenelinboigen, *Soviet Economic Thought and Political Power in the USSR* (New York: Pergamon Press, 1980); P. Sutela, *Economic Thought and Economic Reform in the Soviet Union* (Cambridge: Cambridge University Press, 1991); A. Zauberman, *The Mathematical Revolution in Soviet Economics* (London: Oxford University Press, 1975).