From Shock Therapy to Putin's War

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Putin is alone responsible for the war in Ukraine but prominent westerners played a key role in Russia's post-Soviet trajectory.

As Russian tanks battle through Ukraine on the orders of an authoritarian president, it is worth noting that Ukrainians are not the only ones who crave democracy. Russians, too, have taken to the streets—at great personal risk—to protest against Vladimir Putin's outrageous act of aggression. But they are fighting an uphill battle in a country which has never been given a chance to become democratic.

When such an opportunity was available, it was subverted not by Putin and his kleptocratic milieu but by the west. Following the collapse of the Soviet Union 30 years ago, American economic advisers convinced Russia's leaders to focus on economic reforms and put democracy on the back burner—where Putin could easily extinguish it when the time came.

This is no trivial historical contingency. Had Russia become a democracy, there would have been no need to talk about the North Atlantic Treaty Organization and its eastward expansion, no invasion of Ukraine and no debates about whether the west owed Russia's civilisation greater respect. (As a German, I recoil at that last proposition, which has clear echoes of Adolf Hitler and his self-proclaimed leadership over a 'civilization'.)

Extraordinary powers

Let us recount the sequence of events. In November 1991, the Russian Supreme Soviet (parliament) gave the then Russian president, Boris Yeltsin, extraordinary powers and a 13-month mandate to launch reforms. Then, in December 1991, the Soviet Union was officially dissolved by the Belovezh accords, which created the Commonwealth of Independent States. Russia, Belarus and Ukraine declared respect for one another's independence.

Surrounded by a small group of Russian reformers and western advisers, Yeltsin used this unique historical moment to launch an unprecedented programme of economic 'shock therapy'. Prices were liberalised, borders were opened and rapid privatisation began—all by presidential decree.

Nobody in Yeltsin's circle bothered to ask whether this was what Russia's citizens wanted. And nobody paused to consider that Russians might first want a chance to develop a sound constitutional foundation for their country, or to express through an election their preference for who should govern them.

The reformers and their western advisers simply decided—and then insisted—that market reforms should precede constitutional reforms. Democratic niceties would delay or even undermine economic policy-making. Only by moving fast—cutting the dog's tail with one blow of the axe—would Russia be put on a path to economic prosperity and the Communists be kept out of power for good. With radical market reforms, the Russian people would see tangible returns and become enamoured of democracy automatically.

It was not to be. The Yeltsin presidency turned out to be an unmitigated disaster—economically, socially, legally and politically. Overhauling a Soviet-style centrally-planned economy in the space of just 13 months proved to be impossible. Price and trade liberalisation on their own did not create markets. That would have required legal institutions but there was no time to establish them.

Yes, extreme shortages disappeared and street markets sprang up everywhere. But that is a far cry from nurturing the kind of markets needed to facilitate the allocation of resources on which companies and households rely.

the shock therapy unleashed such severe and sudden social and economic disruptions that it turned the public against the reforms and the reformers. The Supreme Soviet refused to extend Yeltsin's extraordinary powers and what happened next would set the stage for the rise of authoritarian presidentialism in Russia.

Yeltsin and his allies refused to give up. They declared the existing Russian constitution of 1977 illegitimate and Yeltsin proceeded to assume power unilaterally, while calling for a referendum to legitimise the move. But the constitutional court and the parliament refused to budge and a deep political crisis ensued. In the end, the standoff was resolved by tanks, which Yeltsin called in to dissolve the Russian parliament in October 1993, leaving 147 people dead.

To be sure, many members of parliament were opponents of Yeltsin and his team and perhaps wanted to turn back the clock. But it was Yeltsin who set a dangerous new precedent for how disputes over the country's future would be resolved. Tanks, not votes, would decide. And Yeltsin and his team didn't stop there. They also rammed through a constitution which enshrined a powerful president with strong decree and veto powers, and with no serious checks and balances.

December 1993, the new constitution was adopted through a referendum, which was held jointly with elections to the new parliament. Yeltsin's candidates suffered a stunning defeat, but with the president's new constitutional powers secured the economic reforms continued. Yeltsin was 're-elected' in 1996 through a manipulated process which had been planned in Davos and orchestrated by the newly-minted Russian oligarchs. Three years later, Yeltsin made Putin prime minister and anointed him as his successor.

Democratising Russia may always have been a long shot, given the country's history of centralised power. But it would have been worth a try. The ill-advised prioritisation of economic goals over democratic processes holds lessons well beyond Russia. By choosing capitalism over democracy as the foundation for the post-cold-war world, the west jeopardised stability, prosperity and, as we now see again in Ukraine, peace and democracy—and not only in eastern Europe.