Blitzkrieg Reform and U.S. Democracy Promotion in Russia: The Yeltsin Years

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Introduction

After the fall of the Soviet Union, Russian society plunged into chaos. Familiar institutions were disbanded and leaders were removed from office. While the end of the Soviet Union brought much joy in both Russia and the West, the prevailing feeling in Russia was trepidation and fear. How would a once mighty superpower reclaim its position at the top of the world?

Boris Yeltsin, the pro-Western leader elected in June 1991, was the person the Russian people trusted to lead them into the uncertain future. He
relied on the West, specifically the United States, to give him advice on how to reinvigorate a country that had never been democratic and was in economic shambles. George H.W. Bush, an ally of Gorbachev, was hesitant to advise Yeltsin; for so long, the United States and the Soviet Union were enemies. But now, the evil empire had fallen and the Russian economy and society needed reforming. The advisors that Yeltsin turned to advocated “shock therapy,” whereby Russia would try to transform to a market economy and a full democracy as quickly as possible. When Bush’s successor, Bill Clinton, came into office, he advocated much more of a liberal, Kantian policy as opposed to the realist policies of his predecessor. Clinton was able to secure aid packages from Congress and, using his personal relationship with Yeltsin, helped him improve the Russian economy. The early policies that Clinton advocated had mixed results, and during Yeltsin’s re-election campaign, Yeltsin almost lost to the Communist challenger.

After Yeltsin secured a second term, the Russian economy started to spiral out of control. Inflation was at an all-time high, the Russian people were disenchanted with their leadership, and the economy tanked in 1998. The Russian people partially blamed Yeltsin for this collapse, but they also blamed the United States’ overly aggressive economic policies, based on democratic principles and institutions, for their problems. Even though Clinton’s policies were well-intentioned, the Russian people were dissatisfied, and this led to wide-spread disenchantment with the Western world, specifically the United States. This disenchantment manifested itself by a retreat from democratic progress; instead, the Russian people favored economic growth over democratic governance. This prevailing belief was responsible for Yeltsin’s single-digit approval ratings, his subsequent resignation and apology to the Russian people, and the rise of Vladimir Putin. I would argue that the lackluster U.S. policies of democracy promotion contributed to this disenchantment and was ultimately a large factor in the Russian people’s indifference towards Western-style democracy.

Defining Reform: The Blitzkrieg and Fabian Approaches

The primary framework of analysis that this paper will be using is Samuel Huntington’s theory of reform as expressed in his 1968 work, Political Order in Changing Societies. Russian governance has been at times conservative, reforming, and revolutionary. After the fall of communism, Russia was receiving much aid from the United States, and one must evaluate the positions that the United States recommended and Russia’s reaction. What this paper seeks to provide is a framework for evaluating the success of these reforms and what impact they had on Russian society.

When political analysts define types of change in governance, they usually place countries under one of three criteria: revolution, conservatism, and reform. Revolution is defined as a rapid, complete, and sometimes violent change. This change is almost always
complete in nature, as it fundamentally changes the social, political, and economic norms that the population had been following previously. Russia has experienced multiple revolutions: one in 1905, two in 1917, and one in 1991. The revolutions of the early 20th century changed Russia from a capitalist monarchy to a communist authoritarian regime almost overnight. The consequences of these sudden changes were catastrophic for the Russian people; there was a civil war between the Reds (the Communists) and the Whites (the Monarchists) which left people displaced and demoralized. This change was so sudden that violence resulted and changed people’s beliefs on authority and governance. Subsequently, these people were disenchanted with a system that they neither asked for nor understood. Revolution is almost always violent and turbulent for the people— it is not the preferred action for change.

Reform is a more moderate form of revolution because the changes are more limited in scope and moderate in speed. While reformers do wish to alter the status quo (as opposed to conservatives, who do not seek change), they realize that the only way to produce sustainable change is through gradual reform of the system. Primarily, they are focused on weakening the power of the privileged while simultaneously elevating the repressed, which expands the political equality of the system. As opposed to revolutionaries, reformers have the political skill to change a system without resorting to upending previously held shared norms. Reformers must successfully balance political equality and socioeconomic change with legitimacy and without violence.

All reform has the potential for violence, but good reforms often minimize the upheaval of disparate social forces. There are two different types of reform: Blitzkrieg reform and Fabian reform. Both of these types of reforms have produced successful results in the developing world, but the task of this paper is to show that these reforms have been beneficial for a collapsed world superpower.

Blitzkrieg reform is the quicker reform of the two. Blitzkrieg reformers create large early goals that are laid out publicly in an effort to achieve as many of these goals as possible in a limited time frame. Achieving these goals requires much bargaining on both sides, but in order for Blitzkrieg reform to work, both bargaining parties must be relatively stable. If the reforming party is losing influence or importance, then the impetus for change is no longer there. If the opponents lose influence or importance, reckless change (similar to revolution) can be imposed by the reformers without any checks on the reforming power. The danger with Blitzkrieg reform is often similar to the dangers of revolution. If the reform is perceived to be too expansive, opposition will form quickly because of the polarization of the new plan. This opposition can oftentimes be insurmountable, and Blitzkrieg reformers sometimes are unable to come to agreement on any of the goals that they originally outlined.

Fabian reform is a more gradual type of reform where goals are concealed and separated in order to make reform
more manageable. While this tactic might be labeled as anti-democratic, this type of reform is ultimately less jarring than either revolution or Blitzkrieg reform. Fabian reform allows for a gradual change in cultural beliefs about governance, which makes future beneficial reforms possible. Without the quickness and surprise of Blitzkrieg reform, opposition groups are less likely to form, since more apathetic groups, who do not see a pressing reason for reaction, will not form alliances. Fabian reform can be used in all systems of governance, but the best outcomes occur with a strong, centralized power, which has historically been more able to consolidate reform.

However, even though reform, whether Blitzkrieg or Fabian, is often perceived as good for the development of social and civic society, questions often arise over whether reform is a substitute for revolution or can actually become a catalyst for it. Examples of both are prevalent in Russian history; the Russian revolutions of 1917 followed periods of Czarist reform, but the emancipation of the serfs in 1861, an extremely significant reform for Russia, led to decades of relative stability.

When is reform a substitute and when is a catalyst? One must analyze the opponents of reform in order to predict its outcome. In the case of 1905-1917, Czar Nicholas II enacted reforms in response to opposition demands, which only emboldened the opposition to demand additional reform. In the eyes of the opposition, the reforms delegitimized the government because they were a reaction as opposed to preemption. This emboldened the revolutionary elements of Russian society enough to make the case for full revolution in 1917. In contrast to the Revolution, Alexander II’s emancipation of the serfs led to prosperity simply because it was a preemptive solution to a great societal problem. The opposition to serfdom (mainly the serfs themselves) had no political power, so their opposition to their own slavery was unable to enter the public discourse. This reform was made quickly and with little notice, guaranteeing that the landowners could not mobilize to oppose it.

Reform can be advanced by government in many different ways, but all reforms have consequences for both the government and greater society. In order for a government to advance its reforms without provoking revolution, the proper type of reform must be chosen, based on the context of the situation.

The Fall of the Soviet Union and the U.S. Reaction

When George H.W. Bush took the oath of office in January 1989, his administration was distrustful of Mikhail Gorbachev, the leader of the Soviet Union, and Gorbachev’s intentions for the USSR. However, by year-end 1989, the administration was endeared to Gorbachev because of his unequivocal support for free elections in Eastern Europe and the reunification of Germany. Consequentially, the Bush administration felt it could not undermine the leader who was helping

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them fulfill U.S. national security objectives, namely liberalizing a dilapidated and stagnating Soviet regime. In contrast, Boris Yeltsin, the challenger to Gorbachev’s power, was viewed as an untrustworthy, drunken idiot by many senior administration officials. However, for all his flaws, he was in favor of complete neo-liberal market capitalism as well as creating stronger political and economic ties with the United States. Beginning in the fall of 1990, Yeltsin and the pro-liberalism group Democratic Russia challenged Soviet sovereign authority over Russia.

After Yeltsin’s call for Russian sovereignty, the Bush administration was in a predicament. Under the status quo in the international system, states must recognize other states’ right to exist. Under Yeltsin’s plan, Russia would secede from the Soviet Union and become a democratic state. This secession movement was unlike a rebellion or decolonization; it was a political takeover from the inside. However, unlike traditional secessionist movements, Yeltsin intended to become closer to the international community rather than pull away from it.

Even though Yeltsin was in support of a Western capitalist Russia, the Bush administration made the decision to continue to support Gorbachev up until the August 19, 1991 coup against him. The coup, known as the Vodka Putsch, was headed by eight top Soviet officials, who formed a State Committee for the State of Emergency, which claimed that while Gorbachev was ill, they would govern the country. Gorbachev was not ill; rather, he was vacationing at his dacha when his phone lines were cut, rendering him unable to govern. Yeltsin took advantage of this situation by denouncing the coup and vowing to put up a resistance. Rather than listening to the decrees of the State of Emergency Committee, he organized an emergency session of the Russian Supreme Soviet to ratify his decrees instead of the Emergency Committee’s decrees. He set up a situation of dual sovereignty. Yeltsin’s decision to unilaterally create policy was the trademark of his style of reform—individual-driven rather than institutionally-driven.

The Bush administration was hesitant to support either side. If they supported the Emergency Committee, they would legitimatize a coup against a sovereign leader of another country. If they supported Yeltsin, they would be supporting a nascent, potentially democratic government that had broken away from the Soviet regime. They ultimately chose the latter, to support Yeltsin, although he was still considered untrustworthy, would at worst continue the Soviet Union, at best bring down the

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2 Dimitri Simes, “Reform Reaffirmed,” *Foreign Policy*, No. 90, (Spring, 1993), 46.
entire Soviet apparatus. Bush viewed Yeltsin as the tentative new freely elected leader of the Russian Republic, but also supported the restoration of Gorbachev as the constitutionally chosen head of state. After three days, the coup disbanded, and Gorbachev returned to the Kremlin.

Although Gorbachev returned to Moscow as the leader of the Soviet Union, it was Boris Yeltsin who actually controlled the government. The August 1991 coup was the last hurrah for a system that had run its course; by December, other republics besides Russia were holding referenda on whether to become independent. After both the Ukraine and Belarus voted for independence, Yeltsin declared an end to the Soviet Union. However, he still technically controlled very little of Russia, including the borders, the army, or the currency. Fractures in the Russian state started to manifest themselves; with no constitutional separation of powers, regional governments used the Soviet collapse to consolidate their own power. In addition, the crumbling institutions of the Soviet Union were weak and ineffective, and since they would be transforming to a market economy and a democracy, had to be overhauled significantly. The economy was in shambles; the budget deficit stood at 20% of GDP, there were no goods on store shelves, and all production of new goods had halted. Worse still, winter was approaching, and many experts predicted mass starvation throughout the former Soviet Union. This expected starvation was the most pressing issue for the new government, as people would rise up if they were unable to survive. Reform was necessary, but free-market, democratic Russian institutions were still so nascent that they could not provide any vehicle for change.

Although Yeltsin adopted a radically pro-Western foreign policy, the Bush administration was unwilling to intervene in the domestic affairs of Russia. This was mostly because of Bush’s philosophical underpinnings. Rather than explicitly help build democracy in Russia, Bush was content to cheer privately as the Russians moved towards democratization on their own. However, since Russia’s initial and all-consuming priority was to revitalize the economy in order to prevent mass starvation and revolt, there was little that any governmental or nongovernmental actor could do at that time to build interest in the further development of democracy.

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Shock Therapy Reform and Opposition

When Yeltsin became the sole head of state, Russia was in shambles. Yeltsin believed that in order to reinvigorate Russia, economic reform was needed first. To accomplish this goal, as Yeltsin described in an October 2003 interview with the Moscow News: “What was needed was a kamikaze crew that would step into the line of fire and forge ahead, however strong the general discontent might be. ... I had to pick a team that would go up in flames but remain in history.”

To press ahead with reforms, he appointed Yegor Gaidar as deputy prime minister for economic reform. On October 28th, 1991, in a speech reputedly written by Gaidar, Yeltsin declared that “the period of progress by small steps is over… a large-scale reformist breakthrough is needed.” After this speech, Gaidar assembled a team of radicals who supported sweeping reforms to the economic system. Gaidar was primarily concerned with creating a market economy through a comprehensive economic package which liberalized prices and trade, controlled government spending, and slowed down the printing of money. This “comprehensive reform package” was introduced on January 2nd, 1992.

Gaidar, a Blitzkrieg reformer, was determined to quickly achieve as many goals as possible, and many ministers were only given a few months to achieve success. By his own admission, Gaidar believed that fanaticism (i.e. radical reform) was necessary to make irreversible the transition to a market economy. His methods of promoting his policies reflected his fanaticism; Gaidar suggested in December that the head of the central bank should resign, which angered many of the people he depended upon to push for economic reforms. While he was respected in the West, he continued to make blunders in the newly-formed Russian government by moving too quickly and refusing to negotiate.

Consequently, opponents to Yeltsin’s policies formed rapidly, with one side favoring a return to Communism and others criticizing him for his haste and precociousness. To marginalize the opposition, Yeltsin temporarily disbanded the Communist Party;

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14 Yegor Gaidar, Days of Defeat and Victory (Seattle: University of Washington Press, 1999), 143.
15 Michael Burawoy, “Review: The Soviet Descent Into Capitalism,” The American Journal of Sociology, Vol. 102, No. 5, (Mar., 1997), 1433. For the U.S. opinion on making these reforms irreversible, see Strobe Talbott’s memo entitled US must lead strategic alliance with post-Soviet reform, US Dept. of State 4: 17, April 26, 1993. There, he argues that there are no alternatives to the policy that if the U.S. increases its stake in Russian reform, such progress would be made that the reforms would be irreversible.
however, this meant that there were now no political parties that could effectively represent any social base for political rule during transition. His brash demeanor and overemphasis on quick liberalization was questioned by many conservatives and revolutionaries alike. One side of the opposition did not matter; the Yeltsin team deliberately avoided negotiating with Communist sympathizing legislators in the Congress. Willingness to compromise in political negotiations, while essential to creating strong democratic norms, has historically been perceived as weakness in Russia, particularly in the times immediately following the fall of the Soviet Union. The blitzkrieg reform strategy, although confrontational, left the remnants of the Communist Party on the defensive. They were unable to create an updated ideology and alternative choice for the Russian people.

This disagreement over economic reform created a constitutional crisis—was who really in charge of Russia? Yeltsin and his advisors, in the haste of creating economic stability, chose not to institute fundamental political reforms, instead relying on Yeltsin’s personal charisma and authority to push through the reforms quickly.

19 Desai, 90.
20 McFaul, *World Politics*, 226. Gaidar’s personal perspective on the situation was that Yeltsin’s authority would be able to counteract any challenges to the economic agenda being proposed. Since Yeltsin’s authority rested on the continued success of presidential decrees, parliamentary power had to be restricted to sympathizers and other factions formed an alliance against Yeltsin. Polarization quickly occurred due to the scope and speed of the complex changes proposed for Russia. During the period of 1991 and 1993, no consensus was reached between the Yeltsin administration and the Duma on any issue, let alone economic reform. Forgoing negotiations, this only reinforced the legislative side and the executive side’s hatred of each other. Moreover, both sides believed that the military would back them. The power balance was relatively equal; however, Yeltsin actually had the military behind the executive side. The White House (the Duma’s parliament house) was shelled in October 1993, killing a few parliament members, and the Duma was forced to acquiesce to Yeltsin’s proposed method for reform.

To the Russian people, these reforms were happening so quickly that most people did not believe that ordinary Russians would be able to survive. For most Russians, living standards had decreased dramatically from the days of the Soviet Union. This decline in living standards forced many Russians to sell their valuables and possessions to survive. Taking advantage of relaxed standards on market capitalism, Russians overflowed the streets and sidewalks, selling everything in impromptu retail bazaars. They were

21 Goldgeier and McFaul, 122.
23 Simes, 39.
selling everything because of the volatility of the reforming system. The freeing of prices caused the price of essential goods to rise dramatically, which depleted people’s savings. Although the bread lines that were mainstays of the Soviet regime disappeared, this was because bread prices were climbing higher than wages. Price liberalization and the resulting inflation also affected business balance sheets, forcing businesses to withhold paychecks from workers. All of these problems fueled public discontent with the government, particularly the Gaidar reformers. Buoyed by Yeltsin’s personal popularity and Western ideological support, Gaidar was able to work on these reforms without fear of political backlash from the Russian citizens. Even though he had the West’s political backing, Gaidar sought to implement these shock therapy reforms without financial aid from the West, consistent with George H.W. Bush’s reluctance to provide aid without necessary political reforms. Although Gaidar did not ask for aid from the West, he did require advice in order to achieve the largest economic transformation ever attempted. This advice was necessary for two reasons. First, Gaidar was not as familiar with Western-style capitalism, as he received a doctorate in economics from a Soviet university, which taught communistic, command-oriented economics. He, like many other Russian reformers, was trying to reform the country with only a limited knowledge of the goals he was actually trying to achieve. Consequently, he relied on many abstract theories that had not been proven in any state, let alone a reforming superpower. However, he also needed the advice so that he would achieve both domestic and international legitimacy. Without international legitimacy, Gaidar would not secure outside financial aid or continued international political support for Russia; without domestic support, he would need a new job.

However, the advice Gaidar had been receiving from esteemed economists such as Jeffrey Sachs focused too much on the microeconomic side of developing a capitalist market, as opposed to developing laws pertaining to private property, contracts, and rules of competitive markets. The failure to enforce these types of basic laws spelled greater disaster for the Russian economy. The Yeltsin economic reform team had neglected the institutional underpinnings of the Soviet command economy that needed to be transformed if the country were to become a market economy. As a result, Gaidar and the reformers ended up enacting bold market-oriented and democratic reforms (which are risky even in a Western, liberal capitalist system) in the decayed infrastructure of the Soviet system. These reforms only perpetuated the rapid income inequality between the Russian oligarchs and normal citizens. The consequences of Gaidar’s reforms allowed oligarchs such as Boris Berezhovsky, Roman Abramovich, and Mikhail Khodorkovsky to amass their fortunes at the expense of

24 Goldman, 88.
25 Desai, 96.
26 Goldgeier and McFaul, 66.
27 Goldgeier and McFaul, 67.
28 Desai, 94.
29 Goldgeier and McFaul, 67.
30 Desai, 91.
average citizens who were unable to hold on to their land. Although Yeltsin’s government would try to create universal laws that protected citizens later on, the lack of rules initially allowed these oligarchs and the Russian Mafia to consolidate power through corrupt means.

Gaidar and his team did not take into account the political context of reforms. They mistakenly believed that citizens would adapt readily to issued decrees that were intended to change people’s consciences, work ethics, and the way they conduct business. Moreover, Gaidar’s people were indifferent and uninterested with what the people wanted. Gaidar and his team were appointed, and they could not be voted out of office. However, Gaidar responded that he understood that “these reforms carried a huge social risk, just as I realized that absence of reform meant not risk but inevitable defeat.” This risk manifested itself by mid-1992, when the Yeltsin government lost control over the economy. The only saving grace for Yeltsin was the continued external support from Western nations and the Russian population’s confidence in Yeltsin personally. The government itself did not enjoy the same confidence - - perceived failure in reform left the Russian population bewildered as to what went wrong.

After these new problems started to arise, Yeltsin diluted Gaidar’s power by appointing three new prime ministers. These new ministers, instead of backing Gaidar’s reforms, attempted a more mixed plan of reform. They advocated postponing liberalization of oil and gas prices, renewing state subsidies, and conceding to enterprise directors on the government’s privatization program. This program had disastrous effects for the economy. Because the government did not have the money to continue subsidizing the large, formerly state-owned industries that were buoying the Russian economy, inflation rose to astronomical levels. As a result, Yeltsin appointed a new Central Bank Director, Viktor Gerashchenko, who advocated printing more money and giving businesses Russian government credits that they could use to continue operating. This policy was even more disastrous, but Gaidar had no power to continue pushing for “shock therapy” reforms. He was ousted in late 1992 by Yeltsin, who sought to have a more pragmatic solution to the current economic crisis.

Yegor Gaidar’s reforms were classic Blitzkrieg strategy, as he set early and overwhelmingly optimistic goals for Russia. He failed because his approach was inconsistent in the context of Russia’s situation at the time. More specifically, Gaidar asked for too much from a government that was barely a year old. His reforms were predicated on the government being able to help change the market system into a more capitalistic one, with supportive financial institutions and each citizen acting in their own economic self-interest. This did not occur. Russian

31 Desai, 90.
33 Gill and Markwick, 140.

34 Goldgeier and McFaul, 87.
35 Goldgeier and McFaul, 88.
citizens continued to be more comfortable acting as cogs in the command economy machine, rather than being able to act independently in pursuing their economic best interests. The increasingly dire economic situation allowed Gaidar’s domestic opponents to consolidate into an alliance that was able to convince Yeltsin that a more pragmatic approach was necessary. However, many Russian liberals still believed that Gaidar was the last chance for Russian market liberalization. After his ousting, there was no more impetus for rapid, shock reform by the Yeltsin government. The Russian economy would have to modernize and liberalize more slowly and pragmatically.

**Bush Administration Support for Shock Therapy**

During Gaidar’s tenure as finance minister, the Bush administration was reluctant to engage with Yeltsin’s new finance minister. The Bush administration still had ties to the Gorbachev government, and consequently, was shut out from all of the reforms that Gaidar was promoting. The U.S.’s primary concern was that Russia would not cancel its debt to the U.S., as had happened in the 1917 Bolshevik Revolution. The United States threatened to halt all grain shipments to the country if Russia cancelled their debt, which would have starved millions of people. Since Gaidar and Yeltsin were unwilling to risk the political legitimacy given to them by the West, they chose to not cancel the debt. Crediting the decision made by the reformers, the Bush administration was prepared to offer limited economic assistance to Russia. However, Bush’s own political capital was stifled by his perceived weaknesses in managing the U.S. economy, so initially only $1.5 billion in food aid was given to Russia.

In addition to his weak poll numbers, Bush had yet to create a framework for economic assistance to Russia, which severely hindered the potential for more aid to be distributed. This lack of a framework for assistance resulted from Bush’s desire for international political stability. In an election year, Bill Clinton seized upon this failure on Bush’s part; he argued that Bush had shown a lack of political judgment by supporting Gorbachev. Moreover, Clinton argued that the Republicans had betrayed core American values by favoring an unelected leader over an elected one.

Strobe Talbott, Clinton’s Deputy Secretary of State, echoed these sentiments, stating that

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37 Keith Bradsher, *U.S. Planning $1.5 Billion in Food Aid to Soviet Peoples Through Moscow*, New York Times, November 21, 1991. This aid was supposedly to be given to the other USSR republics, but Moscow for the most part used the aid to help Russia directly. For another article on where the food aid was supposed to be appropriated to, read John Yang, *U.S. to Give Soviets New Food Aid; $ 1.5 Billion Package Will Go to Republics*, Washington Post, November 19, 1991.

38 Clinton delivered a speech to the Los Angeles World Affairs Council on August 13, 1992, where he argued that President Bush was “oddly reluctant to commit America’s prestige on the side of the people inspired by American precepts and example. When democratic reformers sought to break up the Soviet empire, Mr. Bush snubbed Mr. Yeltsin.”
Bush’s position implied that change, even if “fueled by the yearning for democracy,” could be dangerous if it threatened stability. Clinton’s team was able to portray Bush and his administration as inexperienced foreign policy analysts, eroding a perceived Bush strength. This, coupled with Bush’s perceived bungling of a weak economy (it’s the economy, stupid) and his broken promise to not raise taxes (read my lips, no new taxes) lost Bush the election.

Throughout the campaign, Bill Clinton continually highlighted Bush’s failure towards Russia, but the Bush administration did not respond by trying to communicate with the Yeltsin regime. The Bush administration left office without approving any more aid packages for Russia. However, the question remains whether Russia would have been more stable had the Bush administration provided more aid. Bush had made the decision not to intervene in Russian affairs, and as a result, Russia was undergoing a rapid transformation with no support from the country that was best prepared to help them.

The Clinton Presidency and Improved Relations with Boris Yeltsin

Bill Clinton came into office on January 1993, after Yegor Gaidar’s term as finance minister came to a close. In contrast to President Bush, President Clinton believed that the United States could be a valuable ally and resource to Russia during its period of transformation. The shift from Bush’s hands-off approach to Clinton’s activist approach was startling; since Clinton believed that a Kantian system would make the world safer, he advocated as much democratic reform as possible. In his mind, the United States had a vested interest in promoting democracy everywhere. Unlike Bush, who continued to support Gorbachev as long as was politically possible; Clinton forged a close relationship with Yeltsin that he would use to advocate particular types of security and political relationships between the two countries.

Clinton’s excitement over the possibility for reform could be gathered from his early speeches on Russia. He argued that Russia’s democratic transformation, in addition to providing many Russians with a voice for change, would also bind them to the United States in a potential security relationship. While securing loose nuclear weapons was still a priority for both nations, Clinton believed that the United States and Russia would be able to form a security partnership based on their strength of democracies. Clinton’s argument had practical benefits for the United States as well. If Russia were an ally as opposed to an enemy, the United States would be able to divert money from military spending to help improve


41 George A. MacLean, *Clinton’s Foreign Policy in Russia: From Deterrence And Isolation to Democratization And Engagement* (London: Ashland, 2006), 17.
the American economy. While this plan would help the U.S. tremendously, Russia was still in the midst of economic reforms, with few political reforms having been passed so far. President Clinton’s military spending reduction goals would have to wait until Russia developed further.

In order to facilitate Russia’s transition to democracy, President Clinton embarked on a policy of “trying to create an environment that was conducive for Russia finally making it.” If Russia did not transition into a democracy, it would become another national security threat. In order to counter this possibility, Clinton started providing more financial aid to Russia, starting with a $704 million aid package in April 1993. Later, Clinton was able to secure a $2.5 billion aid package from the G7 in July 1993. In addition to providing monetary aid, Clinton also proposed programs that would transform Russian political, social, and economic life drastically. In virtually every segment of Russia, the United States would help build institutions to help the regime stabilize. Although Clinton was firmly in support of helping Russia, polls showed that 80% of Americans opposed increasing aid to Russia, while 34% supported cutting aid to the reforming nation. These polls ultimately meant little; while Clinton’s strategic alliance with Russia was not popular with U.S. citizens, it was received favorably by the new reformers that Yeltsin had appointed. Clinton, as opposed to Bush, always tried to help those government officials who were associated with reform. In the particularly turbulent political period of 1993, the only person that Clinton believed would stay in power was Yeltsin himself. Therefore, the United States used continued pledges of aid to keep Yeltsin in power and on their side.

This U.S. policy of supporting only President Yeltsin was unpopular with other Russian government officials, particularly those who were in the Congress of People’s Deputies, who continued to block Yeltsin’s reforms. Russian officials, including the speaker of the Congress, Ruslan Khasbulatov, warned the United States to stop meddling with internal policies, but opposition leaders were loath to negotiate with Yeltsin, especially considering Yeltsin was propped up by

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42 Warren Christopher made a speech entitled Securing U.S. interests while supporting Russian reform (U.S. Dept of State 4: 13, March 29, 2003) where he outlines the potential security relationship with the new Russian regime, as well as the possibility that the U.S. could lower its own military budget commitments if Russia is more stable.

43 Yegor Gaidar interview, St. Petersburg Ekho, January 13, 1993. This was one of the first interviews that Gaidar gave after his firing by Yeltsin. He states that reforms are moving slower, and might ground to a halt if intervention does not happen soon.

44 Goldgeier and McFaul, 91.

45 Cox, 643.

46 Alan Freeman, G7 expected to announce Russia privatization program $3-billion initiative largely appears to be redirection of aid, Globe and Mail, July 9, 1993.

47 Goldgeier and McFaul, 92.


the United States. In addition to supporting Yeltsin, the Clinton administration also supported Anatoly Chubais, the first deputy prime minister, who was an early supporter of U.S.-based economic advice. By supporting both Yeltsin and Chubais, the Clinton administration was hedging their bets that these individuals would always prevail in political contests. However, because reforms were taking place under a system of government that was divided in power, the U.S. strategy would not prove effective because of the turbulence of the Russian political process.

During the period of time of 1993 to 1996, Yeltsin and Chubais were taking advice from the United States, but instead of slowing down reforms as the United States suggested, they continued to institute reforms quickly. Much opposition to Yeltsin’s plan at this point was incited not by the quickness or completeness of the reforms, but rather the connection with the United States and the perceived meddling in Russian affairs by the Clinton administration.

There was never any doubt that Clinton would support the reformers: having a democratic Russia was in the United States’ national interest. However, it was difficult for the U.S. to support the Russian reformers because of the turnover in the main decision-making Kremlin institutions. Gaidar was removed from power in late 1992, but returned briefly in the fall of 1993 as minister of the economy, only to resign a few months later. Other officials who were pro-American would also be removed after only short terms in office. This left the Clinton administration in a conundrum; either they could support politicians who were more dubious reformers but had staying power, or continue to support the unpopular reformers. Consequently, they tried to be activists in Russian affairs, but with a clear focus on economic issues. Even then, Clinton continued to fail to support economic institutions that would help combat corruption, which alienated many Kremlin officials and Russians. This overt U.S. activism led many Russians to believe that Yeltsin was simply a stooge for the United States, only lowering his popularity among Russian citizens.

U.S. activism and the Clinton administration’s realization that the primacy of economics was hindering political reform resulted in a new U.S. plan for improving all sectors of Russian life. This plan, the Summers-Lipton Plan, continued to promote economic liberalization, but with the new idea that a developing middle class would be able to pave the way for further democratization.

Russia’s own economic reform was arguably from a bottom-up approach rather than a top-down


52 Goldgeier and McFaul, 112. This belief that the middle class is needed to support democracy was thrown around in Clinton policy meetings. The idea has been around for centuries, with the founding fathers even debating as to how the U.S. government should promote a strong middle class. However, the preconditions for democracy come from Barrington Moore’s Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World (New York: Beacon Press, 1966).
approach. It is interesting to note that scholars felt that Russia’s reform would be top-down, even in areas of economic liberalization. The nature of creating markets necessitates a bottom-up approach. However, the political history of Russia has always included reforms that were initiated by a ruling elite, even though the elite might not have control over the effects of these reforms. Yeltsin’s particular decision-making processes favored economic development, and many Russian analysts believe that his failure to use his personal authority to fight for democratic and institutional reform meant that these reforms were slow-moving and secondary to economic success. Moreover, Yeltsin was unable to reconcile the different objectives of the ruling elite during his tenure in office. A consensus among the political elite to promote legitimate institutions makes it easier for a successful democracy to form. However, these political elites were divided in Russia at that time. Some believed that the President and Parliament should negotiate to bring about successful reforms from within. Others, including most Parliament officials, believed that the entire system needed to reform in order to bring about change. Gavril Popov, one of the political elites, argued for a radical redefinition of the President’s powers. Only through elections could change come about. In the Russian political system, since the President defines his own powers, with a new president comes a new definition of the power of the president.

While the ruling elite were debating the type of institutional reform that was needed, Russian citizens were still following the norms of the Soviet Union. There were no social groups that advocated for economic liberalization or democracy. In order to progress, U.S. administration officials argued, Russians had to develop social norms that favored capitalist development. Once these social norms were developed, more democratic reforms would then be able to develop, hopefully with less U.S. intervention. This “capitalist consciousness” would then be able to sustain Russian citizens through transition shocks, because at least the economic situation would be stable enough that Russians would not revolt. These economic cushions were especially important given the failure of the United States to help build viable, uncrupt political institutions. Russian reformers argued that institution-building was not a high priority for the Clinton administration. However, it was not because building institutions were a low priority for Clinton, but rather that the United States underestimated the difficulty in setting up these institutions.

The Clinton administration was also stymied by different interest groups, bureaucratic challenges, and corrupt officials that did not want reformed institutions to take root in

54 Bjorkman, 37.
55 Bjorkman, 41.
56 Gill and Markwick, 154.
57 Goldgeier and McFall, 113.
58 Goldgeier, 115.
Russia. This could not have been solved from Washington; the particular system that arose from the ashes of the Soviet Union benefited those within Russia who controlled the most resources. The most powerful of these groups represented the banking and trading conglomerates, the oil and gas sector, the agrarian lobby, the Interior and Defense Ministries, the Federal Security Service, the federal bureaucracy, and some regional elites.  

These wealthy elites were able to voice their preferences because the main political actor, Yeltsin, was unelected, which meant that there were few checks on his power. Without elections, individuals could not compete with the associations representing the interests of powerful economic actors.  

No matter what type of reform Yeltsin proposed, these special interest groups had halted progress for two reasons. First, if Russia continued to have vague laws regarding economic issues, these organizations could continue to cheat the system and make more money. Second, these groups believed that their current ability to extract financial advantage was fitting revenge for the corrupt behavior of Soviet officials in the past.

President Clinton underestimated the power of the opposition groups against Yeltsin’s proposed plans for reform. Early on, the administration was optimistic about prospects for Russian reform. Although the United States disagreed with the speed of the blitzkrieg shock therapy reforms, Yeltsin was the only person who could deliver results that mattered to the U.S. Aid packages were approved for the reforming regime, and Clinton was hopeful that in addition to promoting economic reform, Yeltsin would also institute democratic reforms. Since other reformers had high turnover within the government apparatus, Clinton hinged his entire reform promotion policy on Yeltsin’s staying power. However, the ruling elites in Russia could not come up with a consensus on political reform, so Clinton’s early policies towards Russia would continue to fail until the ruling elite was voted out of office in the upcoming elections, and new reformers took over to undertake continued reform.

Clinton’s Reaction to 1996 Parliamentary Elections and the Communist Resurgence

The first times that Russian citizens would be able to vote on the success of Yeltsin’s reforms were the parliamentary elections of 1995 and the presidential election of 1996. Although Clinton was interested in how each reform was progressing, the most important indicator of success was if Yeltsin were still in power and popular. If Yeltsin was popular, the reforms were working. If he was not, then prospects for further reform were limited.  

As Thomas Dine, head of U.S. Agency for International Development, asked in a testimony before Congress, “will Russia continue on the road to reform, or will it turn off and move back toward the path it had been on in its recent past?” The

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61 Goldgeier and McFaul, 120.  
62 Sarah E. Mendelson, “Democracy Assistance and Political Transition in Russia: Between
Clinton administration’s decision to support Yeltsin, who was frequently ill and prone to rash actions, was increasingly viewed as flawed. In terms of United States interests however, the alternatives to Yeltsin were much worse.

In the 1995 parliamentary elections, the Communist Party, headed by Gennady Zyuganov, captured almost a quarter of the vote.\(^63\) His rhetoric was fiery and intensely anti-American; he accused Yeltsin of being a puppet to the United States’ imperialistic power. Additionally, he threatened to roll back all of the “illegal” privatization reforms that Yeltsin had overseen during the past five years. The other candidate, Alexander Lebed, a former general in the Russian Army, gave speeches detailing how he would bring Russia under martial law if elected.\(^64\) Neither Zyuganov nor Lebed promised the types of reform that the United States wanted for a new Russia. Therefore, the only option for the U.S. was to continue supporting Yeltsin.

During the mid-1990’s, the Communist Party enjoyed a resurgence in popularity. Although the Communists had failed to save the Soviet Union, many Russian citizens supported them because they knew what to expect under a Communist regime. Moreover, the Communist Party had learned from its early mistakes and evolved into a statist, social-democratic party that reminded voters of the past glories of the USSR.\(^65\) Communist norms had still not been overcome, which was a large impediment to Yeltsin’s plans for reform. Under the Soviet Union, social services were provided to the citizens, and although they were not excellent, the country functioned. Under the new Russian government, basic social services were cut in order to expedite the transition to a privatized economy. Many Russians lost their savings, were unable to get adequate medical care, and police forces were as corrupt as ever.\(^66\) The 1995 elections revealed that a majority of Russians did not support Yeltsin’s economic reforms; the elderly disproportionately voted for the Communists, while the young voted for reform. The social costs of the transition ended up delegitimizing capitalism for those citizens who felt economically disenfranchised.\(^67\) A return to the normalcy of the Soviet Union was an

\(^{63}\) New York Times, *The Communist Comeback*, December 19, 1995. For Yeltsin’s individual reaction to the Communist victory, read the Deutsche Presse-Agentur’s article *Communist victory in parliamentary vote "no tragedy"*. *Yeltsin says*, December 20, 1995. Yeltsin was not concerned with the victory; in this article, he outlines that he refuses to change course on his reforms.

\(^{64}\) Goldgeier and McFaul, 145.


\(^{66}\) Refet Kaplan, *Ambassador to Russia sees emergence; Crime, corruption can be overcome, Yeltsin a key, says returning Pickering*, Washington Times, November 15, 1996.

\(^{67}\) Stent and Shevtsova, 97.
attractive option for many Russians who were disenchanted with the current failing model for reform.

The United States had limited options to continue helping Yeltsin, especially considering the policies that he enacted immediately before the 1996 election. Specifically, the United States did not criticize Anatoly Chubais’ “loans-for-shares” program, which allowed for a massive insider sale of state properties to oligarchs that were friends of the Yeltsin administration. This plan was designed to gain oligarchic support for Yeltsin’s re-election campaign, as the oligarchs could only take control of the properties after the 1996 election. Although the Clinton administration disagreed with this policy, citing it as “bad politics,” they continued to give Yeltsin as much support as possible. Some development of democratic norms had taken place under Yeltsin, but further progress was threatened by his political missteps. The response by Western leaders was to minimize, forgive, or overlook Russian inability to fully establish democratic norms. The unintended consequences of the West’s tacit approval of incomplete reform however was the weakening of the same norms the West sought to promote in Russia.

In contrast to the West’s rosy view of Russian reform initiatives, the Russian voters concentrated on the negative side of the story. They viewed loans-for-shares as a corrupt program to consolidate the control of the rich, while at the same time depriving them of the collective assets average citizens had earned during the Soviet Union.

In speeches on Russia, Clinton emphasized the importance of the democratic process and how Yeltsin was a historic leader who Russia needed in this time of change. Privately, Clinton was offering political advice to Yeltsin, who at the time of the election had a 6% approval rating. He campaigned aggressively, promising more extensive economic and political reforms to woo voters. In addition to more reforms, he also promised a significantly increased government spending, a promise he was not able to keep.

On March 18th, 1996, a warning from a source in the Kremlin detailed a Yeltsin plan to postpone the elections for two years. The Clinton administration reacted immediately, but they had few policy options that could deter Yeltsin from postponing the election. Consequently, President Clinton sent Yeltsin a personal message asking him to respect the Russian constitution, but by his own admission, Yeltsin was ambivalent about democracy because he was fearful that he would lose. Yeltsin truly believed that he was “chosen” to lead his nation until his reforms were completed. In one thousand years of Russian history, no leader has left office except by death or forced retirement.

http://commons.colgate.edu/car/vol4/iss1/15

68 Goldgeier and McFaul, 147.
69 Mendelson, 91.
70 Desai, 91.
72 Goldgeier and McFaul, 153.
73 Mendelson, 93.
74 Stent and Shevtsova, 99.
blamed the plan on high-level advisors in the Kremlin. This concerned the Clinton administration, not because of the reversal in policy, but because Yeltsin had advisors in his “reform” government who would not uphold the constitution. When the election occurred, Yeltsin won the first round, and was in a run-off with Zyuganov. He won with 53.82% of the vote in the run-off election, and the Clinton administration was relieved. 

How did Boris Yeltsin win the election? He won for a combination of reasons. First, his victory was the result of an estimated $700 million to $1 billion dollar campaign. During the election, Russia’s debt grew by $16 billion, part of which can be attributed to Yeltsin’s campaign expenditures, which he appropriated from the treasury. He was heavily bankrolled by the same oligarchs who stood to benefit from his “loans-for-shares” plan. Although the amount that the oligarchs claimed to have put up for his election is exaggerated, their funding provided the ability for Yeltsin to connect with voters. Yeltsin’s team used the newest communications technology and his face was constantly on television. This was critical to his success, as a large majority of the Russian population receives their news from television. By spending large amounts of money to gain exposure and name recognition, Yeltsin was able to put the other candidates at a disadvantage.

Yeltsin’s win was also attributable to smart political decisions. After the first round of elections, where Lebed received the third highest number of votes, Yeltsin drafted him for his campaign. He promised Lebed a position in his cabinet if elected, and as a result, Lebed campaigned heavily for Yeltsin.

The final and most important reason for Yeltsin’s success was his promise for stability. The message that Zyuganov was spreading was not just in opposition to Yeltsin, but called for a return to an entirely different system of government and economics. This return would potentially trigger the same results as had happened in 1917-backlash against the revolutionary members of the governing elite. Yeltsin urged the Russian population to vote for the future and not judge the very young Russian state too harshly. In addition, Yeltsin promised to keep the country on the same track with reforms, and argued that going back would not only be disastrous politically, but would undermine all of the progress made in the previous five years.

**Economic Depression of 1998**

After Yeltsin’s election victory, the Clinton administration was optimistic about the future of Russian society. Now that campaign promises and political maneuverings were out of the way for at least another four years, Yeltsin could return to improving the economy. He appointed Chubais deputy prime minister in charge of the economy and Boris Nemtsov, a reformer from Nizhny Novgorod, as another deputy prime minister.
prime minister. The Clinton administration was pleased with these appointments, labeling them “a dream team.” These new ministers were able to form a more cohesive front towards the economic future of Russia.79

There were also positive signs coming from the economy after the election. Inflation had dropped from 22% in 1996 to 11% in 1997.80 The Russian gross domestic product also recorded positive growth - the first time since the collapse of the Soviet Union. However, due to the “loans-for-shares” program that Yeltsin instituted during the elections, the oligarchs were becoming more adventurous in purchasing companies. There were bidding wars for most of the formerly-owned state enterprises, and the government had little power to stop the oligarchs.81 Yeltsin had sacrificed increased economic security for reelection. Indeed, Vladimir Gusinsky, an oligarch who wished to purchase Svyazinvest, a government telecommunications firm, was outbid in a fair process by a consortium of Western investors. Chubais was delighted that the markets were working fairly, but Gusinsky took revenge by exposing a Chubais deal to funnel the remaining money from the 1996 election to Chubais and his associates.82 As a result, Chubais was fighting for his career, and Russian reform was stuck in bureaucratic infighting.

In most societies, the battle for economic advantage often spills over into the political arena. In Russia in the mid-90s, the oligarchs, after consolidating their economic power, were trying to establish rules that would give them increased control over the Kremlin. Gusinsky and Berezovsky, two of the most powerful oligarchs, wanted a government that would respond to oligarchs’ needs first. Chubais and Nemtsov wanted to limit the influence of business in government. This particular disagreement was new for Russia, reflecting the new social classes that had risen as a result of privatization and liberalization.83 Moreover, this political battle was essential, otherwise the oligarchs would continue to consolidate power at the expense of a weakened government.

During these clashes with the oligarchs, Chubais came up with the idea to promote short-term bonds, called gosudarstvenniye kratkosrochnye obligatii, or GKO, which matured in three to six months, to pump needed cash into the economy at a time when inflation was low and the ruble was stable.84 GKO, which matured in three to six months, were originally established in 1995 by the Russian Finance Ministry, but had been unpopular because of the volatility of the Russian economy. Foreigners especially purchased these bonds; some economists estimated that foreigners owned nearly two-thirds of all stocks traded in Russia.

82 Goldgeier and McFaul, 215.
83 Shevtsova, 219.
84 Goldgeier and McFaul, 217.
in 1997. These bonds, like other Russian securities, were very popular with foreign investors; some economists estimated that foreigners owned nearly two-thirds of all stocks traded in Russia in 1997.\(^{85}\) However, these GKO$s had the unfortunate effect of propping up an overvalued ruble, which made it difficult for manufacturers to compete globally. Consequently, Russian banks were unwilling to give out loans to these non-competitive corporations, especially when the alternative of buying GKO$s netted great returns in three to six months.\(^{86}\) When Chubais endorsed these GKO$s, he did not believe that they would be as popular as they were; when the alternative of buying GKO$s netted great returns in three to six months.\(^{86}\) When Chubais endorsed these GKO$s, he did not believe that they would be as popular as they were; and did not contemplate the unintended consequence of stifling the corporate debt markets.

When the Asian financial crisis occurred in October 1997, foreigners rushed to pull their capital out of any overvalued and risky currency, including that of Russia.\(^{87}\) The Kremlin had to dip into more than $1 billion in reserves to stabilize the ruble.\(^{88}\) However, the negative impact on the Russian economy was compounded by the decreased demand for Russian oil from Asia. Consequently, oil prices dropped more than 40%, and the Russian government went from a multi-billion dollar surplus to a huge deficit in only a few months.\(^{89}\) This crisis unraveled the potential economic reforms proposed by Chubais.

The United States did not believe that the Russian economy would be severely impacted by the Asian financial crisis; Russia’s economy was not as integrated with the world because of their internal privatization obligations.\(^{90}\) This failure to recognize the global impact of the crisis left the Clinton administration to figure out how they could save Russia’s economy and continue the positive reforms that had emerged since 1991. Using funds from the IMF, Russia was able to secure a $22.6 billion emergency financing package.\(^{91}\) With this influx of cash, Russia was able to avoid a major political and economic catastrophe.

However, this positive moment was a fleeting one. Foreign investors viewed Russia’s need for cash as a signal of the weakness of the economy, and demanded the money from their bonds

\(^{85}\) Anders Aslund, *Building Capitalism: The Transformation of the Former Soviet Bloc* (Cambridge: Cambridge University Press, 2001), 409. This statistic refers to the specific period between early 1997 and May 1998. On May 18, the government halted all payments of GKO$s, which made foreign investors more nervous about investment prospects in Russia. For a more economically-driven argument, read Hanson, 1151.

\(^{86}\) Goldgeier and McFaul, 218. It eventually was revealed that the GKO$s were not guaranteed by the Kremlin, but the perception from both Russian investors and foreign investors was that these bonds were less risky than investing directly in Russian business. Due to the overvalued ruble, Russian domestic industry had ground to a halt, making it difficult for investors to invest in anything but natural resources and GKO$s.

\(^{87}\) Hanson, 1151.

\(^{88}\) Goldgeier and McFaul, 219.


\(^{90}\) Goldgeier and McFaul, 221.

back. The banks in Russia could not keep up with all the demands for repayment, considering that they also had large reserves of these bonds as well. As a result, many banks shut down. The Kremlin then devalued the ruble, imposed a debt moratorium and restructured all government bonds. The United States did not support this decision, but Clinton had to endorse them, as a show of support for Yeltsin. During the economic downturn, Russia’s vast oil resources were tapped by policymakers to keep both banks and private enterprises still running, however, when world oil demand and prices dropped, Russia was unable to support the entire economy from natural resources. All of the reforms that had worked so successfully prior to the crisis had been nullified.

The crash had huge repercussions politically for Boris Yeltsin. The reformers that had been working in Yeltsin’s government for years were removed, including Gaidar, Chubais, and Nemtsov, and they were banned forever from running for public office. Foreign Minister Yevgeny Primakov was appointed by the Duma as prime minister on September 11, 1998, and he formed a coalition government of centrists, liberals, communists, and liberal democrats.

The economic crash also exposed many weaknesses within Gaidar’s and Chubais’ strategy of Blitzkrieg economic reform. Many Western regimes attributed the failures of Russian policymakers after 1994 to lack of macroeconomic financial discipline. While the reformers were able to initially stabilize inflation and the ruble, they were unable to impose financial discipline on producers. Moreover, there were other institutional weaknesses in the financial sector that had yet to be reformed. Tax rules until then had provided incentives for producers to barter rather than use money, a holdover from the Soviet system. Additionally, the prevailing Western belief was that the Kremlin did not carry through the reform process to its fullest extent. Scholars believe that many reforms were held up by Gaidar and Chubais’ opposition, resulting in a continued lack of institutional stability, thus limiting Russian economic growth and stability.

The effects on the Russian population were longer lasting. After the financial crisis, the concepts of democracy, reform, and liberalization were discredited in the minds of the population. Russians went back to preferring more government intervention in their lives and creating a “Russian Way” towards economic and political stability. Additionally, the financial collapse triggered theories of Western conspiracies against Russia. Reform was widely been perceived as failure; most Russian citizens were now no better off than they were immediately following the collapse of the Soviet Union.

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93 Hanson, 1156.
94 Goldgeier and McFaul, 233.
95 Hanson, 1153.
96 Hanson, 1156-1157.
97 Goldgeier and McFaul, 244.
Yeltsin’s Appointment of a Successor and Resignation

After Yeltsin had recovered politically from the economic crisis, he was able to remove Primakov from the prime minister post, and appointed Sergei Stepashin, a more loyal reformist. Primakov was removed because of his accusations that the American “darlings, the young reformers” were responsible for the economic crash. Stepashin was viewed as more supportive of reforms; however, just weeks later, Yeltsin removed Stepashin and appointed a previously unknown KGB man, Vladimir Putin, as the prime minister and his future successor. Until then, Putin had served in East Germany and as a technocrat in St. Petersburg. He was still relatively unknown, and Russians were skeptical of this seemingly non-democratic transition of power.

Ten days prior to New Year’s Day 2000, Yeltsin interrupted Putin at a routine meeting to notify his successor of his impending resignation. Yeltsin claimed that this early resignation would give Putin a chance to get ahead in the campaign cycle. On New Year’s Eve, he recorded a dramatic address where he asked the Russian people to forgive him for his resignation. After being President of Russia for close to a decade, Boris Yeltsin was removing himself from power.

Conclusions

Immediately after the Soviet Union disbanded, Boris Yeltsin committed to making sweeping reforms in Russia. Initially, the Bush administration was wary of Yeltsin’s commitment, and consequently, they did not assist him. Yeltsin was most concerned with helping the economy transition from a command economy to a market economy and these reforms, known as shock therapy, were some of the most controversial. However, Yeltsin did not push for any political reforms to accompany his economic reforms, besides those that would allow him to push through his shock therapy plan more quickly.

Yeltsin and his main advisors viewed Blitzkrieg reform as the only way to successfully transform the economy. Yeltsin and Gaidar presented their reforms all at once and pledged to complete them quickly. This brashness surprised and angered Yeltsin and Gaidar’s opponents, who were still recovering from the shock of the fall of the USSR. These reforms had a polarizing effect, and both sides jockeyed for power. Yeltsin won the struggle, however, he spent much political capital doing so, which weakened his reelection prospects. Moreover, it was apparent that the Kremlin preferred to let Yeltsin’s personal charisma push through reforms, rather than making any significant reforms in the political arena.

Blitzkrieg reform can only succeed if it is consistent within the context of the political situation. Yeltsin deemphasized political reform, instead trying to solely implement economic reform to achieve results. Because these

98 Goldgeier and McFaul, 244.
Blitzkrieg reforms were not consistent with the poorly established political norms and institutions, these reforms did not last. Yeltsin and Gaidar mistakenly believed that the Russian population would embrace these reforms and be able to adapt to the new, volatile economy with few problems. However, most Russians were not being paid for their work, prices for basic goods were too high, and as a result, most Russians were disenchanted with the reforms. They equated the failure of these new reforms to the failure to create democracy.

Although Yeltsin and Gaidar had the support from Western nations, particularly the United States, they were unable to use this support to help the reforms. The Bush administration refused to intervene. The Clinton administration, while supportive, supported Yeltsin himself, believing him to be the embodiment of Russian reform. This strategy was flawed. By supporting only Yeltsin, the U.S. was unable to promote Russian democratic reform. Institutions were weak, but short of continuing to give loans, the U.S. was not in a position to promote particular types of reform. What the U.S. did advocate was slowing down the Blitzkrieg shock therapy reforms to a more Fabian level. What they should have advocated was not slowing down reforms, but rather a simultaneous promotion of democratic ideals and institutions.

Boris Yeltsin’s Blitzkrieg reforms were mostly failures. They failed because a corresponding level of political reform did not accompany the quick economic reforms. This greatly undermined the potential for these shock therapy reforms to succeed. The United States contributed to this failure by refusing to encourage necessary political reforms. The final result of these poorly executed reforms was the disenchainment with liberal democracy in the minds of the Russian people.

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