

# From Perestroika to Putin: Russia's other October revolution

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*Le Monde Diplomatique – English Edition, November 2014*

**Boris Yeltsin's storming of the Russian parliament in 1993 — ostensibly in the name of democracy but in fact to enforce his insistence on a neoliberal economy that enriched a few but impoverished millions — brought the world Russia as it now is.**

“We will no longer tolerate internal opposition. We must get rid of those who are not on the same path as us” (1), said Boris Yeltsin, the first president of the new Russian Federation, in 1993. There had been T-72 tanks around the Congress of People's Deputies and its Supreme Soviet for several days, and at dawn on 4 October they opened fire. Some special forces refused to fire on civilians near the Russian White House, home to parliament. But, under the command of defence minister Pavel Grachev, the tanks attacked and smoke blackened the building. Street fighting ensued. As the dead and injured were brought out, members of parliament surrendered.

Military force was intended to end a year's political struggle between the executive and the legislature. The Federation's interim president Alexander Rutskoi and the head of the Supreme Soviet, Chechen economist Ruslan Khasbulatov, conceded defeat and were sent to prison for several months. Post-Soviet Russia, which had no emblematic images before this, was now on display to the world's cameras.

According to official figures, 123 people died in achieving the “victory for democracy” acclaimed by some western leaders and media. Other sources estimate 1,500 deaths. At the same time, there was a hunt for “illegals” throughout Moscow, which targeted people from the Caucasus; perhaps 25,000 were affected. Apart from the nationalist conflicts in the Caucasus and the Baltic states, it was the worst violence in Russia since the gulag revolts of 1950-54, the 1956 Tbilisi (Georgia) uprising and the price-rise riots in Novocherkassk in 1962.

To understand 1993, we have to go back to 1991 (2): to the crisis in the Soviet system, the impasse of Mikhail Gorbachev's 1985 perestroika initiative, and the break-up of the USSR.

In early summer 1991, Khasbulatov was the newly elected head of the Supreme Soviet of Russia, a parliamentary assembly with limited powers. Alexander Rutskoi had been elected vice-president of the Russian Federation on the same ticket as Yeltsin on 12 June 1991. In August 1991 the three future protagonists of the 1993 conflict were allies, and together they fought off an attempted coup by conservative opponents of Gorbachev's reforms. Rutskoi went to Crimea to release Gorbachev from house arrest imposed by the leaders of the coup, and flew him back to Moscow. The allies took advantage of the failed coup to dissolve the Soviet Union, declare independence for Russia, and arrange the departure of Gorbachev, who had personified perestroika.

## **Radical shock therapy**

Yeltsin was quick to take full advantage of his new international fame. On 1 November he assumed plenipotentiary powers and for a year was able to strike out laws, appoint government ministers and rule by decree without consulting parliament. Yeltsin made possible “shock therapy”, implemented by a rising generation of Russian neoliberal economists: Yegor Gaidar, a disciple of the Chicago school and Yeltsin’s economics minister; Anatoly Chubais, the architect of privatisation; the free-market economist Andrei Illarionov; and Gennady Burbulis, a former professor of Marxism-Leninism who framed the USSR’s act of dissolution in 1991. Yeltsin could also rely on the support of other political figures, such as the historian Yuri Afanasiev, the mayor of Moscow Gavriil Popov, and Saint Petersburg’s mayor Anatoly Sobchak. They all worked closely with financial groups and future oligarchs such as Vladimir Gusinsky and Boris Berezovsky, who already owned banking and media empires. They called themselves “democrats” — to distinguish themselves from the conservatives — and looked to the recent examples of Pinochet’s Chile and Thatcher’s Britain.

Russia went abruptly from being a centrally planned economy to unregulated prices and exchange rates, de-indexed wages and privatisation. Inflation and a drastic fall in the real-term value of wages destroyed savings. Salaries were still 70% of family income in 1991, but only 38.5% by 1995. The only compensations were the end of shortages and, for many, the chance to buy their homes at nominal cost (3).

Most significantly, the market unleashed the informal economy, and trafficking and bartering, which led to demonetisation. Regions tried to become self-sufficient, or succumbed to customs barriers and independence claims. Nearly 80% of the population were below the poverty threshold. An active minority of winners emerged: business, banking services, advertising, PR and the sex industry offered juicy profits. Russia’s nouveaux riches discovered the West and its tax havens.

In parliament and among the public, support for the president rapidly drained away. Realising this, Yeltsin promised to modify the reforms, but in fact accelerated them before revolt could erupt. In December 1992 he negotiated and obtained from the Supreme Soviet permission to hold a referendum on Russia’s institutions in exchange for Gaidar’s departure.

## **Alliance against Yeltsin**

Khasbulatov, as leader of parliament, espoused “gradualist” (Keynesian) ideas inspired by social democrat economists such as Leonid Abalkin and Nikolai Petrakov, former colleagues of Gorbachev. Mentioning market regulation at the time led to accusations of being an unreconstructed communist. Yet the parliament was in no sense a communist bloc; 85% of its members came from the old Communist Party of the Soviet Union, but all of them were now self-declared liberals too. The alliance opposed to Yeltsin was made up of nationalists and disappointed former Yeltsin-supporting democrats, and those who wanted the Soviet Union to endure.

Beyond the personality clashes, three main ideas were at stake in the crisis between president and parliament: the pursuit of an ultraliberal economic

policy; the programme of major privatisations; and the constitutional choice between a parliamentary republic and a presidential regime. Privatisation seemed the critical question, but was also the most ambiguous. The promise of “people’s privatisations” for the benefit of “workers’ collectives” encouraged the hope that everyone might benefit.

The crisis in Russia’s political institutions came into focus in April 1993, when Yeltsin signed, but did not publish, a decree instituting a “special regime”. The Supreme Soviet and the Constitutional Court ruled the president’s “secret” document unconstitutional. Yeltsin turned to public opinion, organised a plebiscite and won 58% in the confidence vote, but failed to win the scheduled legislative election as he had hoped. He had his first meeting with US president Bill Clinton and got his backing in the standoff with parliament, along with \$1.6bn in aid. The demonstrations on 1 May looked like an insurrection, but did not stop Yeltsin announcing five days later that he intended to have a new constitution approved that would end the current parliamentary regime. He ruled out discussion with parliament and prepared for confrontation.

On 13 September, to reassure the international financial markets, Gaidar returned to the government. On 21 September, Yeltsin dissolved parliament by decree, along with all regional and local soviets (councils). “The preparations for this step were clear,” says Michel Heller, then close to the president. “Crucially, Yeltsin phoned Clinton to warn him that what was about to take place wouldn’t exactly be democratic. Clinton gave him his blessing” (4). Yeltsin then visited the Dzerzhinsky division, an elite rapid deployment unit run by the interior ministry.

The Supreme Soviet and Khasbulatov dismissed Yeltsin and appointed vice-president Rutskoi in his stead. Yeltsin responded with a police cordon and blockade of the White House, and cut off its electricity, water and heat. The Constitutional Court called on both parties to rescind their decisions and seek compromise. The Russian Orthodox Church and the regions, most of which condemned Yeltsin’s decree, pushed for a negotiated solution, as did the social democratic leader Oleg Rummyantsev. All failed. Yeltsin won the support of the army and chose violence. One of the inspirations behind Russian neoliberalism, Andrei Illarionov, recently confirmed the confrontation was premeditated: the bombardment of parliament was “legitimate” and “more democratic” than the government at the time (5).

### **‘Painful but necessary transition’**

Both Yeltsin and Rutskoi dug in. Neither man had embraced the previously unknown culture of debate introduced by Gorbachev. Each camp called the other “fascist”, and the political convulsions marked the end of an era rather than a battle for the future. But for the great weariness and passivity of the people, who feared further bloodshed, a civil war might have broken out. In spite of the country collapsing around them, many people also hoped that — according to the slogans of the time — they would emerge unscathed from this “painful but necessary transition” and attain a “normal, civilised life”, perhaps even be better off.

The distribution of privatisation coupons to “150 million Russians, including babies”, entitling them to buy shares in businesses, fed these illusions. Faced

with immediate financial needs, most quickly sold their coupons for a song to the directors of industrial and financial groups, as well as criminal networks.

“Ultimately,” says economist Alexander Nekipelov, “the individuals who took part in the privatisation programme weren’t in a position to make sensible decisions. By contrast, the purely speculative element of the ‘people’s privatisation’ grew dramatically, to the benefit of a few politicians.” The most attractive companies were auctioned off just before the end of the privatisation period (30 June 1994), their assets undervalued, the cream of Soviet industry almost given away through the loans for shares scheme. This benefited bankers, the only people able to extend credit to the government in exchange for taking control of oil companies (6).

The western inspirations for these shock tactics were the Swedish economist Anders Åslund and the American Jeffrey Sachs. Russia’s reformers had also been receiving advice from investor George Soros since 1987, as well as experts from Goldman Sachs, which was involved in vast speculation, and French economist Daniel Cohen. An important part was also played by (mainly US) foundations — including the Carnegie, Ford, Rockefeller and Heritage, and the National Endowment for Democracy (NED) — which were by now playing a significant part in Russian research bodies and civil society.

### **Clinton’s support**

The Clinton administration’s interventionism was essential: “American advisers didn’t arrive in late 1991 with a mandate from the IMF, as is often claimed, but in the context of US technical assistance, financed by USAID [United States Agency for International Development] and implemented by the Harvard Institute for International Development,” says economist Jacques Sapir, who was there at the time. “Jeffrey Sachs took part in many meetings of Yeltsin’s team between 1991 and 1993, and only reported back to the US authorities.”

According to Sapir, bringing Russia into the US game was part of a strategic objective: “The Clinton administration’s unfailing support for Yeltsin, from his show of strength against parliament in 1993 to his dubious re-election in 1996 ... proves it. We forget too readily today that the outbreak of war in Chechnya in December 1994 was also very largely supported by the US government” (7). Russia generated significant profits for international finance. There was concerted action by western experts and Russian neoliberals in corruption, diversion of funds and money laundering (8).

The “therapy” also dismantled the military-industrial complex, diminishing the international influence of a power that was now a shadow of its former self. Russia’s new foreign minister, Andrei Kozyrev, set a course in alignment with the US, though after 1996 this was reorientated by his successor, Yevgeny Primakov. Russia did retain its nuclear capability, the ultimate guarantee of sovereignty when NATO was expanding eastwards and the West was intervening in Yugoslavia and the Middle East.

The enthusiastic support of the West was no less calculated: in the early 1990s the US hoped Russia would become its means of access to the Eurasian continent. Ukraine and Georgia were not yet favoured allies, nor was the

“containment” of Russia explicitly on the agenda, even if its declining strength in the Caucasus, along oil routes, was already visible.

Gaidar, the main architect of the shock, justified his actions in a book in 2006; his lofty yet questionable analysis of the Soviet crisis matches the view of the modernising wing of the ruling bureaucracy, which initiated the end of the Soviet system: the aim was to create a class of property owners to make a “return to socialism” impossible.

### **Black October**

But the consequences of “Black October” were not what the neoliberals wanted. Gaidar and Boris Fyodorov were removed from government after their failure in the legislative election in December 1993. The experience ended with the crash of August 1998, which marked the failure of Yeltsin’s neoliberal ideas and political structures.

Between Yeltsin becoming president in 1991 and the crisis in 1998, Russia’s GDP fell by nearly 50% and investment by 90%. Industrial output plummeted to 47.3% of its 1990 level, agricultural output to 58.1%. Between 1988 and 1994, male life expectancy declined from 64.8 years to 57.3. Despite positive net migration, Russia has lost six million inhabitants since 1991 (9). The medical journal *The Lancet* compared changes in post-communist countries and found a correlation between Russia’s privatisations, unemployment and the sharp rise in the mortality rate (10). In 1998 the economist Tatyana Zaslavskaya assessed the disastrous social effects of the reforms between 1992 and 1998: 6-10% of the population got 50% of the income and 70-80% of the wealth, while many families lived in crumbling properties or did not have enough to eat.

The present political system was created in 1993. Russia found itself with a presidential regime, a rump parliament, feeble political parties, regularly challenged elections, a centralised bureaucracy again oppressive — plus two wars in Chechnya, and violations of human rights. Media freedom has continued to decline, except on the web.

Many citizens’ initiatives in the late 1980s, especially in the big cities, which gave rise to workers, intellectual and environmental movements that were genuinely independent of power, have been obliterated. A fake civil society of NGOs has filled the gap with financial support from the oligarchs and US foundations.

The genuinely democratic movement that began with perestroika was shattered in October 1993, and finally led to a counter-revolution. Ideals of socialist self-governance, environmentalism and humanism were rejected as outmoded utopias. For nearly a decade, most Russians had to focus on survival. Having so recently been awakened to political life and opening up to the West, they were disgusted with the outcome. That helps to explain the enduring popularity of Vladimir Putin in Russia; people became fatalistic about the function of power and hoped that a return of the state would end the chaos.