

# Revenge of the Administrative System: The Primakov-Luzhkov Silver Lining

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At first glance, the probable political victory of the Primakov-Luzhkov duo in the wake of the failure of liberal reforms in Russia looks like a regressive return to the bureaucratic administrative system. However, as one looks closer into the reasons for the liberals' failure and mulls over various alternatives, this scenario, while still very disappointing, may not look so bleak.

The rapid collapse in Russia of the old administrative system in the early 1990s created a vacuum of social regulation that resulted in the proliferation of crime and corruption and jeopardized the reform itself. This failure reduced popular support for the liberal reformers. The political regime, in the absence of public support, started to rid itself of public control. It already featured elements of arbitrariness, exemplified by occasional use of force and government shuffles. If such developments continue, the current regime may turn into a pseudo-liberal tyranny. Under the guise of economic reform and democracy, there will be further squandering of national resources and, eventually, suppression of political dissent. There have already been calls to ban the not-so-radical Communist Party of the Russian Federation and to prevent the centrist Fatherland-All Russia electoral bloc from participating in the parliamentary elections.

However, the really frightening alternative to the current political regime may come not from those parties but from the radicalized left and/or right if the more conventional opposition is suppressed or fails to improve the situation.

In this memo, I examine the reasons for the liberals' failure and argue that it was unnecessary. Then I turn to the nature of the opposition personified by former Prime Minister Primakov and Moscow mayor Luzhkov. I argue that this is actually the best of all realistic alternatives, while also outlining the potential dangers of this scenario. I conclude on a rather optimistic note, asserting that Russia has not become a "lost country" yet and there is still a fair chance that it will manage to maintain social order, continue reform, and overall become a stable and productive nation.

## **The Failure of Liberal Reforms in Russia**

I liken Russian society to a biological organism, preferring what I call the "organic" approach to social reforms against the mechanistic approach. If one needs to radically

alter a simple mechanical device, it may be reasonable to dismantle it and make a new one from scratch. However, if the same approach is applied to a more complex biological organism, it will kill it. Biological organisms naturally evolve slowly, but the advantage is they remain alive and functioning throughout the period of change. Designers of Russian reforms placed a disproportionate weight on the miraculous powers of the market that purportedly could rapidly improve the situation in the absence of government control. They underestimated ideational factors such as social traditions, norms, and values. The reform did not fit the Russian social organism; consequently, it failed and led to a social catastrophe.

In late-Soviet Russia, there were essentially only two kinds of people who had any experience with independent economic activity. Those were 1) the corrupted officials who stole money from the government; and 2) small peddlers who did various (and, at that time, mostly illegal) transactions with foreigners. Neither kind was highly regarded by society. Most people had no idea how to live without state-funded jobs and schools, nor were they psychologically prepared to lose the government-subsidized social security tied to their jobs and venture into a business of their own.

To the contrary, in countries such as Hungary and Poland, some small private enterprises were permitted even during the (shorter) Communist period and, moreover, such entrepreneurs were often well-respected by the people, if not by the official ideology. Those countries were thus better prepared to embrace market reforms, since a rapid market reform there was organic--it naturally fit into those nations' traditions, culture and mindset. In Russia, on the other hand, the Communist system lasted longer than anywhere in the world. Furthermore, it was not imposed by another nation's military power but, to the contrary, persisted against other nations' attempts to undermine it. In short, market reform in Russia is an innovation to a much greater extent than in most other post-socialist countries.

Given this difference, it is no surprise that Russia's reforms were both slower and more painful. Nor is it surprising, given what kind of people were used to making money in Soviet Russia, that crooks took advantage of the reforms. The corrupted officials, including factory managers, were sure to take advantage of the situation when the government started to give its property away. It was perfectly consistent with their mindset to sell this property at any price for their personal benefit. They were not particularly interested in developing this property because they had already been satisfied with the easy money they got from such deals. They did not care about the future of the enterprises they were selling because they had already been corrupt.

An organic approach to social reforms in Russia would temporarily preserve the old bad system, while allowing elements of the new, better system to emerge and develop. For instance, in the initial stages of reform in Russia, government property should not have been given away. Rather, the would-be entrepreneurs should have been given a chance to develop new businesses on their own. Their success would not have produced so much bitterness among the less successful people. Rather, it would have been educational in a positive way. If, during the later stages of reform, those businesspeople had to pay hard-

earned money out of their own pockets for privatized state property, they would have been committed to developing this property and would not hasten to sell it at a dumping price. Most importantly, society, even during the reform period, could continue to perform its major functions, including social security, maintenance of social order, etc. Meanwhile, a new capitalist system would be slowly but surely replacing the old socialist system.

However, the chosen path of rapid privatization led to an interim period of misery and instability when the old system, including both economic structures and social values, was destroyed but the new system was not yet firmly established. Before a shining new structure could be erected on the ruins of old shacks, the people who used to live in those shacks got so angry with those who destroyed them that further construction efforts became difficult. Meanwhile, as the new structure is not being built, some of the privileged people are turning into carpetbaggers whereas some of the former shack dwellers are turning into thieves and robbers. This is the basic outline of post-reform Russia. Against this background, a recent poll reported that the three most popular Russian leaders of all time proved to be the late Soviet leaders Yuri Andropov and Leonid Brezhnev, along with the current leader of the Fatherland-All Russia bloc Yevgeny Primakov.

### **The Nature of the Primakov Phenomenon**

A large layer of bureaucracy in Soviet Russia had been in control of political power at least since Brezhnev's tenure. During the perestroika years, revelations of Stalinist terror and economic sluggishness demoralized and disoriented them. Their opposition to the pro-democratic reforms was rather weak and restricted mostly to die-hard Communists. Nevertheless, by and large these people continue to fill the positions of political power even in modern Russia. As the reform failed to deliver better lives to most people, the ranks of the opposition grew and included more people from the former Soviet establishment and various levels of the Russian government. Although the original opposition was of the pro-Communist kind, such a simple bipolar political scene has become more complicated by the mid-1990s with the emergence of non-Communist opposition in Russian society.

The core ideology of this new opposition was vague. The rhetoric was directed against crime and corruption and the excesses of privatization. It also featured calls for restoration of a great-power role for Russia and concern for ethnic Russians living abroad. But first and foremost it reflected the people's desire for stability and well-being. An efficient, down-to-earth manager who made the local economy work, produced jobs, salaries and pensions, reanimated enterprises and built housing became an efficient competitor for both old-fashioned Communists and sophisticated young reformers. Some representatives of the old bureaucracy naturally fit into this image, and many more emulated them. United by a network of social ties and common bureaucratic culture, they formed a potentially powerful social force.

They seemed to lack a widely recognized national leader until the emergence of Yevgeny Primakov in the position of Russian Prime Minister. Primakov reminded Russians of Brezhnev, and his image resonated well with the social demand for stability. As prime minister, he was able to preserve basic political and economic order when he dealt with the consequences of the August 1998 financial crisis unleashed by his predecessor Sergei Kirienko. Mr. Primakov apparently took a hard line on corruption, as it was during his term in the office that a criminal investigation against powerful Boris Berezovsky started. This, along with Mr. Primakov's KGB background, produces associations with the now popular image of Yuri Andropov, who unleashed a fight against corruption in the early 1980s.

To sum up, Mr. Primakov is the epitome of the Soviet official, and has now become the champion of the bureaucratic administrative system. This might look very awful if not for the lack of better options. Other realistic short-term options include the Communist Party, whose moderate leaders are hostages of communist ideology, and the current regime. The liberal Yabloko party is not a realistic option, as it does not enjoy wide enough support to gain political power. Even though the current regime is even less popular, it may use the resources of power to prolong its existence. For instance, it may wage a war in Chechnya; in the event of success the war will boost the regime's popularity, whereas in the event of failure, it will give grounds to declare a state of emergency and martial law. In any case, this is a scenario of an oligarchy in democratic disguise. More corruption and social discontent are sure to follow. A social explosion led by the radical left is likely.

The Communist scenario cannot be much better. Bound by their ideology, the Communists will try to reanimate the command economy and at the same time increase social spending. Their probable economic failure will undermine their legitimacy. Yet, given their political traditions, they are not likely to give up power so easily. Another social explosion against Communist rule, led this time by the radical right, will be likely.

While I believe the victory of the Primakov-Luzhkov duo--what could be termed "the revenge of the administrative system"--is the best of available scenarios, I see similar dangers in the event of their victory. There are many people among the bureaucracy who, not unlike the Communists, have little idea how to regulate the economy short of commands; their idea of regulating gasoline prices is to prohibit them to grow. Furthermore, there are a few people in this coalition whose idea of political struggle is to shut down their opponents' newspapers by finding a broken fire alarm in their offices.

On the other hand, these dangers are mitigated by several factors in the case of the Primakov-Luzhkov coalition. First, no ideology prevents the learning process from taking place. These are pragmatic leaders who look for practical solutions to the current problems. Second, most of them have practical experience and some have achieved certain economic results, which confirmed their non-communist beliefs. Third, because of their pragmatism, they realize very well the need to cooperate with the Western world, in spite of widespread anti-Western sentiment. This need, in turn, puts certain limits on how political struggle is conducted since the West, by virtue of being a desired partner, continues to hold a certain leverage. Fourth, if this coalition succeeds to peacefully oust

the current regime, it will teach itself a positive lesson: a government that does not satisfy the people has to go. And finally, as the coalition is likely to split after the victory, the former allies will compete in the parliament and thus contribute to the emerging pluralist tradition.

## **Conclusion**

How should we interpret the strong showing of the Primakov-Luzhkov alliance? Is Russia a lost country? Is reform over, and is the country going back to the old days? I think the answer to the latter questions is no. Rather, I see here an example of healthy self-regulation in the wake of a long illness, which was treated by a large dose of the wrong medicine. It is my opinion that the country is demonstrating hopeful signs of healthy vitality. A learning process has taken place and the administrative system is unlikely to fully revert to Stalin's days. The likely success of the non-Communist coalition, after all the misery wrought by failed reforms, is encouraging in itself. Besides, the country has not opted for the extreme nationalist right, either. What more can be expected under the current circumstances?

To continue the analogy of a biological organism, it is now difficult to recommend anything to the patient, who with reason hardly listens to doctors' advice anymore. Hopefully, the patient is on the way to recovery, anyway. But there is one thing that must be urged: it is the preservation of free press and political pluralism. These are the mechanisms that make self-regulation, including the revenge of the administrative system discussed here, possible. Yet the bureaucracy feels a dangerous temptation to abandon these principles along with other liberal ideas. Whatever leverage is still available to the West should be applied to preserve these two principles.

I am certain that economic and political rationality will prevail after all, and that market economy, as well as a pluralist society, will be established in Russia. Unfortunately, the chosen path has led to losses of time, money, and other resources such as the people's trust in liberal reforms and particularly in the political leadership that advocates them. The probable revenge of the administrative system is disappointing. But its agenda is not a regressive return to the past. They do not call for restoration of the old system. Rather, their slogans are stability, fighting crime and corruption, and economic recovery. Looking for pragmatic solutions, they may actually improve the current situation. The real danger is not in their success but in their possible failure, which might invite political extremists to take their place.