Lilia Shevtsova is currently a senior associate at the Carnegie Endowment for International Peace. She has also served as director of the Center for Political Studies in Moscow and as deputy director of the Moscow Institute of International Economic and Political Studies. Dr. Shevtsova has authored six books dealing with Russian policy.

In this interview, Shevtsova discusses issues of Russian economic policy from the era of Gorbachev to the current Putin administration.

Glasnost and the Role of the Intellectual in the Late Gorbachev Era

INTERVIEW: Tell us about the atmosphere of the late ’80s in Eastern and Central Europe. What were you doing then?

LILIA SHEVTSOVA: During the late Gorbachev period I was the head of a department in a big think tank. Later on I became deputy director, and our role was to study Central and Eastern Europe. It seems to me it was fine by itself because in the late ’80s we had Solidarity in Poland.... We got a lot of ideas from them.

I was ready in the beginning of the ’90s to talk about power sharing, about a system of checks and balances ... and about constitutional reform. We got these ideas not from American founding fathers; we got these ideas first of all from Eastern and Central intellectuals. We were not scared. That was a major asset, to be intellectual and to work in Gorbachev's late years. We read a lot of books. We knew socialism by heart. And we had fun. We had fun criticizing power without any danger of being detained or harassed. It was already a period when all the windows were open.

I traveled every year to many countries, to all Eastern and Central European countries, and the people came to listen to us, to talk to us. It was already the period, beginning from 1987, of absolute glasnost, of absolute freedom of speech, of self-expression. We were teasing ourselves, and we thought that the clock is broken beyond repair. There is no return. This was the major idea of our life and our lifestyle.
... We were acquainted with Lech Walesa, and I was acquainted with Lech Walesa. I was acquainted with many Hungarian intellectuals who returned to Hungary in the late '80s and who were the core of the group that negotiated with the Communist Party about future power.

Looking Beyond Gorbachev

LILIA SHEVTSOVA: For me, Gorbachev was too slow, inadequate, too moderate, and without any courage. I thought that Gorbachev was moving too slow. That's why I was looking around, hoping to find somebody much more brave, courageous, a leader with charisma who would lead the country in a much more radical way. I thought that it's too painful to cut the tail of the dog with several strokes. I thought that we should cut the tail in one stroke. Let the pain be at least short term.

So this was our mood at those times. I don't think that this mood was characteristic of the whole intellectual setting in Moscow, because there were a lot of people who were much more modern than we were, who were inclined to help Gorbachev. In the end—it was probably 1989—Gorbachev's team invited me to join them. If they had done this five years before I would have been glad, but it was too late for me. I was looking for another train to jump on. I was looking for something much more courageous, because I understood that within the framework of the Soviet Union, with this cautious approach to things, we would achieve nothing at all. I understood that we needed a thorough restructuring of the political scene [and] the society, and intellectually I already was looking for some much more radical [step] than Gorbachev was ready to offer to us now.

INTERVIEWER: At that point, had you effectively given up on socialism?

LILIA SHEVTSOVA: I belonged to a group of people that ... you might call cynical or pragmatic. I didn't care about Communist dogmas. Of course, I paid lip service to them when I was writing my articles at this period. Sometimes I imagined the Communist Party. But already, beginning from 1987, I was absolutely free to write in what I would call a liberal democratic style. I became a journalist. I wrote huge articles about the necessity to get rid absolutely of any illusion connected with communism. We were absolutely free to express ourselves. It was 1987 already. You were free. And we enjoyed our freedom. Freedom of
thought, of intercourse, and I was under a great spell and influence of eastern and central European liberals.

**Gorbachev's Economic Reforms**

INTERVIEWER: What did you think of Gorbachev's economic reforms?

LILIA SHEVTSOVA: Gorbachev got stuck with so-called economical reform. He began too late, and his reforms were too cautious. In fact, he only tried to free the enterprises, but he never touched the foundation of the planned economy. He let this planned economy survive and to degenerate. What we have in the end of Gorbachev's perestroika [is] a stagnating planned economy moving to disaster. So his economic reform was disaster. But at least he did one thing: He opened the window for free entrepreneurial spirit. He allowed small groups of entrepreneurs to emerge. At the same time he allowed for another process to begin. He allowed the nomenklatura, this bureaucratic guy, to grab property because in reality, privatization began not during Yeltsin's era. It had begun already during Gorbachev's years.

INTERVIEWER: I was wondering if during those last years of Gorbachev, when they could buy goods and pawn them for Soviet prices, this window where you could make vast profits, did you see that coming?

LILIA SHEVTSOVA: I probably didn't watch this process too intently because all my attention was directed towards the political scene. And a lot of things, especially this early privatization, this grabbing of assets, everything was concealed. It was going on beneath the surface. But [I caught] some signs of this process when I saw these huge ... mansions that were built around Moscow. These mansions belonged to party apparatchik who simply exchanged their influence, their clout, and their power for money, which was difficult to penetrate and to follow. But it really happened in the end of the '80s.

We have a lot of new buildings around Moscow, and these buildings, ... apartments, luxurious apartments, they didn't belong to young entrepreneurial guys. No. They belonged to old party families. So here we could see already some kind of continuity, dealings between the old and new people. But the same things happened in Poland. When we were talking with our Polish friends and we were discussing this process of nomenklatura becoming entrepreneurial elite,
they told us, "We have the same. We call these guys political capitalists because they took their power and clout from the Communist daybook."

I'll give you one number: 80 percent of the new post-Communist elite and their representatives of the capitalist class in the regions came from the Communist elite. And around 70 percent of the new Yeltsin post-Communist elite came from the same Communist postcard.

**Yeltsin as a Force for Change**

INTERVIEWER: In '91, did you see Yeltsin as a force for change?

LILIA SHEVTSOVA: Oh, yes. In 1990, I made my choice. When I looked at Yeltsin, when I saw him I decided yes, for Russia this is the guy who has charisma, who can unite two peoples, who can symbolize simultaneously continuity because he belonged to all people. ... And at the same time he would bring a new breath of air. He would definitely open the door. He would do everything in order to guarantee that there would not be a return to the status quo.

Unfortunately, I had my illusions about him as a personality, as did everybody around me. All people around me who supported Yeltsin thought that we could control him, we could show him the direction. He's our cheerleader. He would bear the major responsibility, he would be the uniting force, but who would control him while he would be forming the agenda? It was an illusion because he was too strong. He wanted to be independent of any kind of impact and he still belonged to his past. He still had a lot of legacy. That's why he brought this legacy with him into the new present. But disillusionment would come afterwards. In 1991 I was within the establishment that definitely made its choice: We were for Yeltsin. We were fighting for him, and we were helping him.

INTERVIEWER: And you were for a radical change?

LILIA SHEVTSOVA: Definitely for radical, drastic change in the economy and on the political scene. We supported the idea of Russia's sovereignty, and we understood pretty well that Russia's sovereign independence would be a major blow to the Soviet Union.
INTERVIEWER: Gorbachev talks about at the time when he came to power, he felt like he had very little time and that the chance of the Communists coming back in was extremely high, that the stakes were massive. Did you feel at the time there was a major turning point in the country’s [progress]?

LILIA SHEVTSOVA: Definitely. Gorbachev came to power as the head of the new government in September, October. In October he was legitimate ..., the leader of Russian economic reform. The stakes were very high because the economic situation was an absolute disaster. Inflation was increasing about 20 percent a month. The shelves in the stores stood empty. The prices were skyrocketing. For us, everyday life was the search for survival. I remember that among 130 essential commodity items, food products, available, there were probably 10 or 11 [available]. Can you imagine? We have been queuing every day to get something—sugar, matches, salt. But this was only one side of the story, an apocalyptical picture of economic disaster. That's why Gorbachev had to move very fast.

On the other hand, during this apocalyptical picture we were happy. Unbelievable. If I were given a choice [of returning] to this period of self-survival, [when we were] searching for the essential necessary elements of life, I would say yes, because while queuing I was discussing the future of my country. I remember a very ordinary looking man, somewhere in the subway, was preaching for weeks in 1991. He was preaching the ideas of Montesquieu, and I came to him once and asked why did you come here, where did you come from? He said I am a miner from Kusbas. Can you imagine? A miner who was 40, 45 years old. It's very difficult to even to guess his age—he might have been 35 years old. He read Montesquieu and he came to Moscow to preach and to fight for happiness. It was unbelievable.

The Radical Reforms of 1992

INTERVIEWER: When did the radical reforms actually come into effect? Early '92?

LILIA SHEVTSOVA: I remember January 10, 1992, because I was very anxious. This was the day when the prices were freed. Together with my friends, foreign and Russian journalists, I hurried to a department store to look at the faces of Muscovites ... looking at all these skyrocketing prices. Gorbachev felt that they would increase twofold; they increased twelvefold. It was a terrific blow for people who didn't expect this kind of rise. But maybe the
people were patient, because they accepted it more or less quietly, or maybe they believed that this is a necessary, unavoidable shock that they should somehow survive because afterward, tomorrow, would be much better. But there were no rallies, no disappointment, no anger. Some kind of frustration began later, maybe in six, eight months, but during this period, the first half of 1992, people really waited and believed that the reform was necessary, that the shelves should be filled with foodstuff, and they should simply wait and trust.

I would say that in the second half of 1992 we could see already the sense of frustration ... I don't know what the reason was behind [Gorbachev's] behavior, but he decided that he couldn't tell people the truth. He should have told them, "Listen, you should wait for a year, maybe for two. It will be very hard work. It will be a long, long way to Tipperary. So you should be patient. You should support me. You should be tolerant. You should not be frustrated too easily." But he never told the whole truth. That was his mistake. He missed the moment when he had the possibility to consolidate the base of the liberal reform [movement]. They hoped that Yeltsin would be their safety net forever. They believed, they trusted in Yeltsin, but Yeltsin had already distanced himself from Gorbachev, and in fact betrayed him in May of 1992 when he included so-called cynical pragmatists into the government, and in August of 1992, when he paid all the debts of the enterprises.

So it was the end of Gorbachev's reform, [the end] of guided liberalization. But all the same, in August Gorbachev achieved what he had wanted to achieve: The shops were full of foods and essentials.

**Becoming Disillusioned with Yeltsin**

INTERVIEWER: When did your disillusion with Yeltsin creep in? The last time we met you mentioned that you could feel this greed around people close to him very early on. Can you talk about that?

LILIA SHEVTSOVA: My disillusionment with Yeltsin and with the whole group around him began probably in September, October of 1991. Perhaps I was a good observer, or perhaps I was too close to the Kremlin circle, so when I saw the absolute ignorance on the part of the team, of unprofessionalism, when I saw the fact that Yeltsin was losing very precious moments, moments when he should have begun the constitutional reform. He should have
discussed the issue of division of power. He should have begun institution building. He should have thought about creating a strong democratic party, and he was missing one moment after another. What he did, he begin to consolidate his own personal power. He got additional powers from the Congress of People’s Deputies, but he didn't use these powers in order to build institutions of new Russia. What he did he begin to create was what I called afterwards an elected monarchy, a strong personified leadership based first of all on loyalty, but not on the constitution. We had the old, solid constitution still. He never paid attention to the work of the so-called constitutional commission, and the goal of this commission was to elaborate and prepare a new constitution for Russia. He didn't care about this. He didn't care about the role of parliament. He didn't care about giving Gorbachev, the government, and Gorbachev's team full independence. Please do whatever is needed, and I will be your safety net. I will be the guarantee of stability, but the government should be independent.

Now, what he was building, it was quite evident in November, December of 1991 already, he was building a new kind of mild, very soft authoritarian regime based on loyalty, on sovereignty, and on his own charisma. I came to [this] conclusion from my own experience from Poland and from Hungary because people there were beginning from absolutely different point. They were beginning from rules of the game; their point of departure was a new constitution and power sharing. Yeltsin never thought about it. He never even tackled the issue. It wasn't on his agenda. In fact, he said one phrase in the end of 1981, "Let's jump into the water and then we'll see." This was the essence, the nature, of his style, and this style is the politics, the nature of power.

The Emergence of the New Russian Oligarchy

INTERVIEWER: What was the connection between Yeltsin's style and the rise of the new oligarchy?

LILIA SHEVTSOVA: The tycoons emerged somewhere in 1995, 1996, and they were the product of Yeltsin's weakness, the product of Yeltsin's regime. Yeltsin desperately needed some kind of group that he could rely upon, some kind of transmission back to the society, because already in 1995 he lacked his previous popularity, when his approval rating reached somewhere near 8, 10 percent. In the beginning of 1996 he enjoyed only 5 percent of popularity. It was afterwards, closer to the election date, that he gained around 30 percent,
using all media, all possibilities of the state. But in the beginning of 1996 he definitely needed financial assistance, financial resources from the rich Russian tycoons. And he needed their assistance in manipulating the media. He got this assistance from Russian tycoons, Mr. [Boris] Berezovsky [an oil and media mogul] and [Vladimir] Gusinsky [a banking and media mogul]. They traded their support of Yeltsin for further political clout and for property. So in fact [the oligarchy] became the product of Yeltsin's impotent own importance. If he was strong, he wouldn't have needed a group of influence that he was forced to pay back. Of course not. For instance, Putin, not having a poor rating—60 percent—he doesn't need the oligarchy's influence and clout, and he doesn't need to trade power and property.

INTERVIEWER: Before the election, before his popularity rose, was there a real chance that the Communists could win that presidential election?

LILIA SHEVTSOVA: This is a question that has worried me until recently, and still I can't find the answer to this question. In 1996 I thought that [Gennady] Zyuganov and the Communist Party weren't an imminent threat to Russia. I thought that we already had already, 35, nearly 40 percent of the electorate in 1996 who was absolutely in support of liberal democratic reform. And we have only to consolidate this electorate. Yes, Zyuganov had the support of 29 percent of the electorate. This leaves us with about 30, 35 percent, maybe 40 percent of the remaining part of the population that could have been consolidated also on the democratic and liberal basis. So we have the possibility to consolidate the population on the basis of liberal [reform] and democracy.

That means that probably the danger, the threat of the Communist Party was exaggerated intentionally by Yeltsin and his team because without that threat he would have never won the second presidency. That's why, for instance, there were interesting events at the beginning of 1996, when we had some evidence that Yeltsin's team intentionally supported Zyuganov, gave Zyuganov some kind of clout, penetration to the major media outlets. But at the same time they were politically killing, neutralizing, and erasing the leaders of the democratic alternative forces—[Grigory] Yavlinsky. They did everything in order to make absolutely impossible the emergence of the third force. Not a Communist force, but that Yeltsinist force. So it seems to me this threat in 1996, the threat of the Communist danger, was artificially exaggerated ... in order to make Yeltsin's victory possible.
INTERVIEWER: People who were involved in the launch of shares—and Gorbachev observed it—justified what happened because of the Communist threat. What do you think of that?

LILIA SHEVTSOVA: I think that these people who were connected with this long ... process, with the emergence of the new Russian oligarchy, they're looking now for arguments to justify their position, but it seems to me they were wrong. Let's imagine a hypothetical situation. If Yeltsin in the beginning of 1996 selected Yavlinsky as his successor, just like he did in 1999 when he selected Putin as his successor, and tried to consolidate all Yeltsin's electorate and all liberal- and democratic-minded people—and there were much more than 40 percent of these people within the Russian population—I am pretty sure that they wouldn't have needed any kind of loan-for-shares options. They wouldn't have needed any kind of oligarchic support, but [at that time] they needed this support in order to reelect a pathetic, inadequate, and very sick [leader]. If they had chosen a strong, dynamic, and young leader they could have avoided this very dubious process, and the Russian oligarchy would have never emerged.

INTERVIEWER: Just for people who aren't familiar with it, what was the significance of loans-for-shares? What did it actually mean for Russia and its economy?

LILIA SHEVTSOVA: This was the process the emergence of a very politically strong group close to power, [a group] close to the Kremlin that used its political clout within the Kremlin afterwards to gain more and more—more property, more influence, and to begin this constant process of trade off between property and power, back and forth.

The emergence of the whole phenomena had two outcomes. One outcome is political: the emergence of the group of influence, the so-called tycoons, widely known by the term oligarchs, who traded their political clout in order to get more property. But at the same time they began to influence the Kremlin politics, which became much more authoritarian, clannish, and professional and based on loyalty. The emergence of oligarchy in fact increased the atmosphere of an elected monarchy, increased the atmosphere of the clannish war. This was the political result and outcome of this phenomenon.

But there was an economic result as well. The emergence of the oligarchy meant the introduction of the unequal rules of the game in the economic field, because some actors
within the economic field were much more equal than the rest. And in fact their emergence suppressed their initiative of this grassroots and entrepreneurial movement, because the oligarchs, the tycoons who are the big fish, they swallow, they simply erase the possibility for the small fish to emerge. They liquidate its continuity, and they change the market into a virtual market.

INTERVIEWER: But did they dig their own graves in the end?

LILIA SHEVTSOVA: Oh, yes. Mr. [Boris] Berezovsky coined the term oligarchs for Russian use and since then they began enjoying it. They began using it widely, thinking that it's a symbol of their belonging to the very top. They've been ... aggressive, arrogant. They enjoyed demonstrating not only their wealth, but their political clout, and the possibility to influence the big family, Yeltsin himself. They didn't understand at the moment that they were paving their way to their own political funeral. They were digging their own grave. They misunderstood the nature of Russian power. They misunderstood the fact that only weakened, pathetic Yeltsin needed them. But his successor didn't. His successor wouldn't need them because the nature of Russian power, authoritarian power, is to have everybody around in the role of favorites, but not powerful tycoons.

**Putin's Task**

INTERVIEWER: Let's talk a bit about Putin. Of course, this film won't air for another year, so we must be careful what we say, but just in general what do you think his vision of the Russian economy is?

LILIA SHEVTSOVA: Well it's sometimes very difficult to penetrate Putin's thoughts, ideas, and his own illusions because as an operative intelligence officer he's been trained to conceal his ideas. But from what he's doing just now it seems to me that he already understands the necessity of market for Russia. He understands the necessity to move much further from the decay of Yeltsin's period and to do much more with tax reform, with land reform. But at the same time he cherishes another dream. It seems to me he thinks that it's possible to move further in the market sphere, to do much more reform and restructuring. It is possible only under one condition: if the power is authoritarian and if democracy is castrated.
INTERVIEWER: So what kind of capitalism do you think will evolve here in Russia?

LILIA SHEVTSOVA: It's too early to make final conclusions because everything is still in motion. Putin himself is in the process of self-evolution. He still doesn't understand his own constraints and the limit of where he can go and stop. He doesn't understand how to combine the political impact and the economic decision. His team is too weak, and it seems to me they have no strategic agenda. Sometimes they are making necessary steps, unavoidable steps, or useful steps—for instance, the tax reform—but at the same time they are not thinking about the political context of the steps. Then they are not thinking about the second step in a row. So it's quite possible that we'll have several scenarios in the future.

In one scenario, Putin really succeeds in consolidating his power and he succeeds in restructuring the economic field, in making progress with land reform, with institution building, with rule of law. But I don't think that this is the most viable option, that this option is sustainable and has one hundred guarantees.

The most probable viable option is another scenario. Putin tries to consolidate his power, but he succeeds only in doing it half-way through. He stops with authoritarian impulses and steps and in the end he addresses again Yeltsin's methods—oligarchic influence, spider webs, the diffusion of power to the regional barons. In the end he would stop probably with something like a disciplined authoritarian regime, or disciplined Yeltsinist. Of course he would succeed at least in making some order in the economic field, but whether he would succeed to consolidate power and to make this power effective on the base of subordination only, on the base of compliance, on the base of intimidation of independent media outlets, and of raising political pluralism is something I seriously doubt. It seems to me if Putin is still as stubborn in implementing this dream of his to build Egyptian pyramidal power based on transmission-belt mechanism, he would fail because he is trying to do it in a very pragmatic society. This is a society that during the last 15 years has been living in the atmosphere of political pluralism, that has become accustomed already to freedom of press, to freedom of self-expression, to travelling abroad, and the people would just simply disobey. They're not ready to comply. If they're forced to comply they would sabotage the system, so probably he would fail with his new Egyptian pyramid.
By the way, Yeltsin also wanted to build a presidential vertical system and he failed, and in the end what emerged was impotent, [full of its] own importance. Probably Putin will follow suit. The problem is [when he will] understand that he is failing, and what he's going to do next. If he understands that he is going to fail with his major grandiose project, is he going to kick over the chessboard or is he going to understand the only salvation for him and for Russia is to build strong institutions? This is his safety net, and this is the safety net for market reform. Still, it's uncertain, and it's still uncertain what kind of price we the society, ordinary people, are going to pay for his illusions and for his political education.

The Fading Memory of Communism: Russia's New Generation

INTERVIEWER: How does the younger generation understand? Does the legacy of communism mean a lot to them, and is their mind suited to working in a global market economy?

LILIA SHEVTSOVA: It's a good question. I'm looking at my son, who is 19 years old, and I'm looking at other people while I'm lecturing at the University, looking at people who are 20, 24, 25 years old, and I am amazed. These are people absolutely free of any old stereotypes. They don't remember communism. They don't know what Marxism is. They don't have any of my complexes. They don't have fear. They're absolutely free and liberated of any complex of inferiority.

At the same time, I would say they're a bit cynical. They have too much pragmatism. It seems to me they are ready to live in this global environment. They live in the Internet every day. They have a lot of friends abroad in all countries. My son has friends in the Philippines and in the U.S. and in Great Britain. He spends nights at his computer talking to them about chess, about music, about Gladiator, about the newest books. About different things—garbage, as I think. And then when he's lectured about social democratic ideas he's coming home and asking me, "Mum, can you tell me something about what Marxism is?" Only 10 years after the collapse of communism, and my son doesn't know what communism and Marxism is. So he's definitely not going to vote for the Communist Party during the next elections. He's going to vote for somebody who is straightforward, maybe not charismatic, sober, down to earth, and a guy who would lead the country to normalcy. Normalcy for them means not nukes, not submarines, but having the possibility to travel, to have a computer, to have a modern car, to speak English, and to read.
The problem with them is that they're losing some touch with Russian culture, as well. I would prefer that my son, instead of talking to his friends in the Philippines or in the U.S., would read Dostoevsky. But probably this is an inevitable stage in the maturing process of any young generation. Maybe American and French kids are behaving the same way. Maybe Dostoevsky and Leo Tolstoy would come to them afterwards.

INTERVIEWER: Do you want to elaborate on the idea that globalization has negative consequences?

LILIA SHEVTSOVA: When I'm thinking about globalization, I think about positive consequences and negative consequences as well. Among the negative consequences, first there is some ignorance of the national culture, and I see it evidently in Russia. Maybe disrespect for the rules. And also underestimation of some traditions that are not always negative. We should know our rules; we should understand our peculiarity. Of course, country and society should be put into the global context, with all its technology, gimmicks, machinery, manipulation. But also we should understand that there is something more, that there is soul. That there is some kind of natural atmosphere of the local places that globalization may erase and liquidate. Somehow we should find a balance in the equation between our longing and desire to live in the universe and our love for the very small, beautiful place, for locality. Small is beautiful, and globalization sometimes ignores this fact.

The Rules of the Economic Game

INTERVIEWER: You talked earlier about the need for rules of the game and rule of law. Do you feel that Russia is moving in the right direction and that Putin recognizes the rule of law in the fair playing field as a necessity, as something that is vital for the success of the economic situation?

LILIA SHEVTSOVA: What I see in reality is the emergence of a new illusion within the establishment and within society itself, an illusion that in order to overcome Yeltsin's decay and in order to bring about a strong state, in fact a regime, we need to have a new personified power. We are moving towards a new savior. We are creating a new myth and illusion. And unfortunately, when Putin is talking about so-called dictatorship of law, what he's doing in reality is just a little bit different. He's using a politicized and selective approach to everything.
He creates rules of the game that are much more equal for somebody. He's attacking Gusinsky [and] Berezovsky because these oligarchs and tycoons are his own personal enemy, but he creates a favorable zone for other oligarchs. And perhaps very soon you'll understand that this selective approach to justice will result in the emergence of new injustice.

INTERVIEWER: Would you consider yourself an optimist?

LILIA SHEVTSOVA: I'm a historical optimist. I think that in the end we'll cope because simply there is no way to turn back. My optimism is based on the fact that this society has tremendous resources of self-survival. But currently, in the short-term, I am a pessimist because I understand that we need to pay a price for our own illusions, for the illusions of Yeltsin's period, for illusions connected with Putin. I am still not quite sure what kind of price it will be.

INTERVIEWER: How long will it take?

LILIA SHEVTSOVA: It seems to me that we should wait until this new generation will come to power. The young kids who are now 20, 25 years old, who don't know what the word Marxism is, who are absolutely free of any complexes—complexes of superiority and of inferiority—while longing to live in a normal country. A normal country means to return back to European civilization, because for the time being, unfortunately, we are stuck between the floors. We are stuck between the past and the future.