

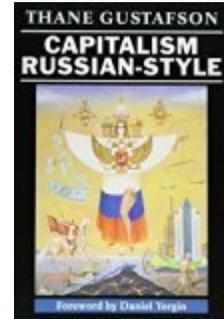
# H-Net Reviews

in the Humanities & Social Sciences

Thane Gustafson. *Capitalism Russian-Style*. Cambridge: Cambridge University Press, 2000. xvi + 263 pp. \$54.95 (cloth), ISBN 978-0-521-64595-9.

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Published on H-Russia (October, 2000)



## Time Heals Most Wounds

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It was initially with great trepidation that I began to work on this review. The jacket of Thane Gustafson's book is replete with glowing testimonies as to the importance and significance of this text. When the likes of Timothy Colton, Lilia Shevtsova, and Hedrick Smith attest to the book's timeliness and usefulness, it is hard for a junior scholar such as myself to say I am not that impressed. And initially I was not. Upon receiving the book, I flipped through the table of contents and random portions of the text. What I saw did not impress me with any distinctive character that would differentiate Gustafson's book from any other recent work devoted to the travails of the former Soviet Union. Many of us have spent the last decade attempting, from a variety of perspectives, to interpret and understand what happened and is now happening in the FSU.

My primary concern regarding *Capitalism Russian-Style* was how it differed from any of the other work that has been done regarding the FSU. Rose Brady's *Capitalism: Russia's Struggle to Free Its Economy* and Timothy Harper's *Moscow Madness* are other recent texts that come to mind, and which address the same difficulties Russia faces in its attempt to adopt a capitalist system.[1] Scholars from Adam Przeworski to Adrian Karatnycky, Alexander Motyl, and Boris Shor (of the Nations in Transit Project) have spent countless hours and written countless pages examining the economic aspects of Russia's transition. What would make it worthwhile to invest the

time and expense in reading Gustafson's version of the events?

My initial trepidation, however, was quickly dispelled as I began to spend some time with Gustafson's text. It is indeed, as former Ambassador Jack Matlock notes on the jacket, a remarkably insightful and well-balanced book. The approach itself is not fresh. In many an article or book that has been written in the past ten years, similar dissections of the structure of the post-Soviet economy and its relationship with politics have been made. Privatization, the market (both white and black), entrepreneurs, and the rule of law are all categories that have been placed under the scholarly microscope. What is different about Gustafson's approach, and what makes his text stand out from the crowd is the personal aspect, that perspective which can only come from spending as much time in the FSU as Gustafson has spent. As Daniel Yergin appropriately notes in the foreword, there are "few westerners who can match his deep knowledge of Russia and his balanced judgment of Russian reality" (p. x).

The text itself does not seem to be written for any particular audience. Its tone suggests that the information provided within would serve as useful supplementary material for scholars who spend much time investigating the FSU, while also suggesting that this information acts as an important primer for adventuresome Western businesspersons wanting to know quickly what they are up against, should the Russian market be of interest to

them. The writing itself is not so complex that upper level undergraduates would not find the book useful for specialized course work, and major themes of the book are highlighted for the reader. In the brief foreword, Yergin outlines Gustafson's arguments for the reader: that the "feverish building of the new private institutions that took place in the nineties succeeded in laying the basis for a new economy, which obeys, however imperfectly, the laws of the market" and that "the changes that have taken place are so deep and fundamental that they will continue to drive Russia forward?" (p. xii).

In truth, having spent much time with similar information as that presented in *Capitalism Russian Style*, I found Gustafson's prologue, and his first and last several chapters to be the most relevant and interesting sections of the text. It isn't that the intermediate chapters are valueless or a waste of time. Far from it – the information provided in these chapters complements many of the other resources I have used in my own work, and is likely very difficult to retrieve were it not for Gustafson's special access to a number of sources. I prefer the introductory and concluding chapters simply because it is in these sections that the heart of the argument is found and developed – the optimistic premise that Russia will, after an extended period of muddling about, develop institutions effective enough to regulate and control the Russian economy. Although optimistic in tone, Gustafson is not by any means offering the reader a rose-tinted vision of the future. His optimism never displaces the dispassionate and critical analysis that is explored in the text. Positive expectations for the long-term future of the development of the Russian economy are balanced by a critical and accurate evaluation of the seemingly innumerable problems facing the Russian Federation.

As any good prologue should, Gustafson's establishes both the style and content of the book. His overall stylistic choice allows for ease of access (it is written in an understated manner), while setting a tone that is, at times, remarkably personal. It is these personal aspects, especially found in the anecdotes introducing the prologue and each subsequent chapter, which along with exceptional reference and bibliographic sections, set Gustafson's book apart from others in the same genre. The prologue introduces the reader to the primary conceptualization of the book—that the 1990s in the Russian Federation was a period of real revolution, fed by the combination of "two forces – the collapse of the Soviet order and the worldwide tide of economic and technological change..." (p. 7). He states that understanding the events of Russia in the past ten years as a revolution

provides three "useful implications": that the revolution "is not yet over", that the "end point of revolutions is a synthesis of old and new", and that the state will be rebuilt upon the basis of new economic and social forces, and new sets of power distribution (pp. 16-17).

Understanding that the revolution in Russia has yet to be completed, that this period of instability and crisis is a revolution-in-progress allows the reader to accept that there will be problems, that the transition will not run like a finely tuned machine. The point is well taken. Since the beginning of Huntington's so-called Third Wave transitions, few, if any, of those states in transition have made adjustments without some form of hardship. The only weakness to this position is the obvious question: but why has Russia's transition been so mindnumbingly difficult? Following the introduction to, and definition of, the problem, Gustafson offers, in the body of the text, an economic explanation of what has happened to derail the Russian transition experience, and how this will affect the success of the Russian Federation in achieving some sort of transition from communism to capitalism.

As noted, the body of Gustafson's book examines the typical laundry list of problem areas in the Russian economy – everything from tax avoidance to corruption to failed banking strategies. His explanation of the privatization process, the origin of the Russian stock market, who works in the market and how it is regulated (Chapters two and three) is lucid and straightforward, leaving little room for misunderstanding, confusion or misrepresentation. Gustafson's accounts of the collapse of the banking system, the emergence of an entrepreneurial class, and the pervasive growth of crime that Russia faces, (Chapters four through six) are uncomplicated and to the point. He supplies an analysis that is realistic, without being overly harsh with regard to the (in)abilities of Russians to control the unleashed monster of capitalism. Information in these chapters is both useful as introductory material, and as supplements to other published work in the same genre, all the while enforcing the basic premise of Gustafson's text – that transition has occurred, just not to the level hoped for and anticipated.

Chapters seven through nine offer the reader insight into the author's guarded optimism about Russia's chance for economic recovery and development. He explains the failures and the weaknesses of Russian society in developing support for and a belief in the rule of law, based profoundly (and naturally) on experiences with the Soviet legal system. The problems manifested in dealing with outmoded laws, and from an alternative polit-

ical system, are highlighted by Gustafson. The “hodge-podge” of laws, a compendium of Soviet-era bureaucracy and stop-gap post-Soviet Western influences, has left a trail of confused and bitter citizens who face graft and corruption on a daily basis.

As Gustafson notes, a new body of laws is slowly being developed to combat corruption, but it faces the added obstacle of lack of implementation, enforcement or even interest. Retreating into self-enforcement (primarily through businesses) Russians do not rely on the state for support, and yet are determined to succeed and bring into existence a society that, if it does not follow, at least respects the rule of law. Pursuit of the rule of law enables Russians, a decade later still dazed by the collapse of the only government most have known, to rebuild society, which had turned into an economic free-for-all in the early 1990s. Individuals, families, and even towns are now once again reaching out to others to re-establish living standards and social standards that had fallen by the wayside during the rush towards capitalism that characterized the early 1990s. Indicating that Russian society is “still at an early stage of its adaptation to a market economy” and that its “capacity to adapt is slowed by the heavy liabilities carried over from the Soviet era” (p. 190), Gustafson acknowledges the difficult road ahead, emphasizing that paying equal attention to human capital as to structural resources will be the long term solution to economic improvement. Tie this to improved government service such as tax collection, the end of corruption, and stability in the institutions of state, and the long term picture for Russia does not seem to be that pessimistic.

Summing up his work in Chapter ten, Gustafson offers three flaws he has noted in the organizational structure of the post-Soviet transition process (the private sector’s focus on quick returns on exports and lending, the uneven spread of market institutions, and the lack of popular support for reforms). These flaws demonstrate the short-term, speculative, ambivalent, and haphazard way in which the process of transition was initiated and supported – by both the government authorities of the Russian Federation and the citizens of Russia, be they

entrepreneurs, factory workers, or peasants. The undertaking of a transition to democracy and capitalism, in a country that has had virtually no experience with democracy or capitalism, was initiated with surprising naivete by those responsible for governing the country, and supported by a people desperate for what they saw in movies and television shows imported from the West. Both groups wanted the rewards of democracy and capitalism without the toil of market-driven development. Gustafson correctly notes that little else but failure was to be expected in a country where “the market, money, and private property - indeed the very foundations of civil society—had been systematically eradicated over the course of seven decades.” (p. 217).

The point that Gustafson makes (and emphasizes with great clarity) is that transition has occurred, just not in a way that was expected, or necessarily even manageable. Russia has been transformed, but the transformation is far from complete. Again, without naive bias, he offers a picture of the Russian Federation that is in the end positive. In the long run, the Russian Federation can again achieve normalcy and stability both in its domestic and international economic concerns. By addressing problems such as the reliance on the commodities export sector, the imbalance of wealth, and the lack of foreign investment, Russia will eventually meet its growth potential in the post-Soviet era. However, as Gustafson reminds the reader, this is not to be done by short term sleight-of-hand, but fundamental, long-term change that is supported by economic performance and political acceptance.

#### Notes

[1]. Rose Brady, *Kapitalizm: Russia’s Struggle to Free its Economy* (New Haven: Yale University Press, 1999); Timothy Harper, *Moscow Madness: Crime, Corruption, and One Man’s Pursuit of Profit in the New Russia* (New York: McGraw-Hill, 1999)

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**Citation:** Sean M. Cox. Review of Gustafson, Thane, *Capitalism Russian-Style*. H-Russia, H-Net Reviews. October, 2000.

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