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# Illiberal Stagnation

NEW YORK – Today, a quarter-century after the Cold War's end, the West and Russia are again at odds. This time, though, at least on one side, the dispute is more transparently about geopolitical power, not ideology. The West has supported in a variety of ways democratic movements in the post-Soviet region, hardly hiding its enthusiasm for the various “color” revolutions that have replaced long-standing dictators with more responsive leaders – though not all have turned out to be the committed democrats they pretended to be.

Too many countries of the former Soviet bloc remain under the control of authoritarian leaders, including some, like Russian President Vladimir Putin, who have learned how to maintain a more convincing façade of elections than their communist predecessors. They sell their system of “illiberal democracy” on the basis of pragmatism, not some universal theory of history. These leaders claim that they are simply more effective at getting things done.

That is certainly true when it comes to stirring nationalist sentiment and stifling dissent. They have been less effective, however, in nurturing long-term economic growth. Once one of the world's two superpowers, Russia's GDP is now about 40% of Germany's and just over 50% of France's. Life expectancy at birth ranks 153rd in the world, just behind Honduras and Kazakhstan.

In terms of *per capita* income, Russia now ranks 73rd (in terms of purchasing power parity) – well below the Soviet Union’s former satellites in Central and Eastern Europe. The country has deindustrialized: the vast majority of its exports now come from natural resources. It has not evolved into a “normal” market economy, but rather into a peculiar form of crony-state capitalism.

Yes, Russia still punches above its weight in some areas, like nuclear weapons. And it retains veto power at the United Nations. As the recent hacking of the Democratic Party in the United States shows, it has cyber capacities that enable it to be enormously meddling in Western elections.

There is every reason to believe that such intrusions will continue. Given US President Donald Trump’s deep ties with unsavory Russian characters (themselves closely linked to Putin), Americans are deeply concerned about potential Russian influences in the US – matters that may be clarified by ongoing investigations.

Many had much higher hopes for Russia, and the former Soviet Union more broadly, when the Iron Curtain fell. After seven decades of Communism, the transition to a democratic market economy would not be easy. But, given the obvious advantages of democratic market capitalism to the system that had just fallen apart, it was assumed that the economy would flourish and citizens would demand a greater voice.

What went wrong? Who, if anyone, is to blame? Could Russia’s post-communist transition have been managed better?

We can never answer such questions definitively: history cannot be re-run. But I believe what we are confronting is partly the legacy of the flawed Washington Consensus that shaped Russia’s transition. This framework’s influences was reflected in the tremendous emphasis reformers placed on privatization, no matter how it was done, with speed taking precedence over everything else, including creating the institutional infrastructure needed to make a market economy work.

Fifteen years ago, when I wrote *Globalization and its Discontents*, I argued that this “shock therapy” approach to economic reform was a dismal failure. But defenders of that doctrine cautioned patience: one could make such judgments only with a longer-run perspective.

Today, more than a quarter-century since the onset of transition, those earlier results have been confirmed, and those who argued that private property rights, once created, would give rise to broader demands for the rule of law have been proven wrong. Russia and many of the other transition countries are lagging further behind the advanced economies than ever. GDP in some transition countries is below its level at the beginning of the transition.

Many in Russia believe that the US Treasury pushed Washington Consensus policies to weaken their country. The deep corruption of the Harvard University team chosen to “help” Russia in its transition, described in a detailed account published in 2006 by *Institutional Investor*, reinforced these beliefs.

I believe the explanation was less sinister: flawed ideas, even with the best of intentions, can have serious consequences. And the opportunities for self-interested greed offered by Russia were simply too great for some to resist. Clearly, democratization in Russia required efforts aimed at ensuring shared prosperity, not policies that led to the creation of an oligarchy.

The West’s failures then should not undermine its resolve now to work to create democratic states respecting human rights and international law. The US is struggling to prevent the Trump administration’s extremism – whether it’s a travel ban aimed at Muslims, science-denying environmental policies, or threats to ignore international trade commitments – from being normalized. But other countries’ violations of international law, such as Russia’s actions in Ukraine, cannot be “normalized” either.

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