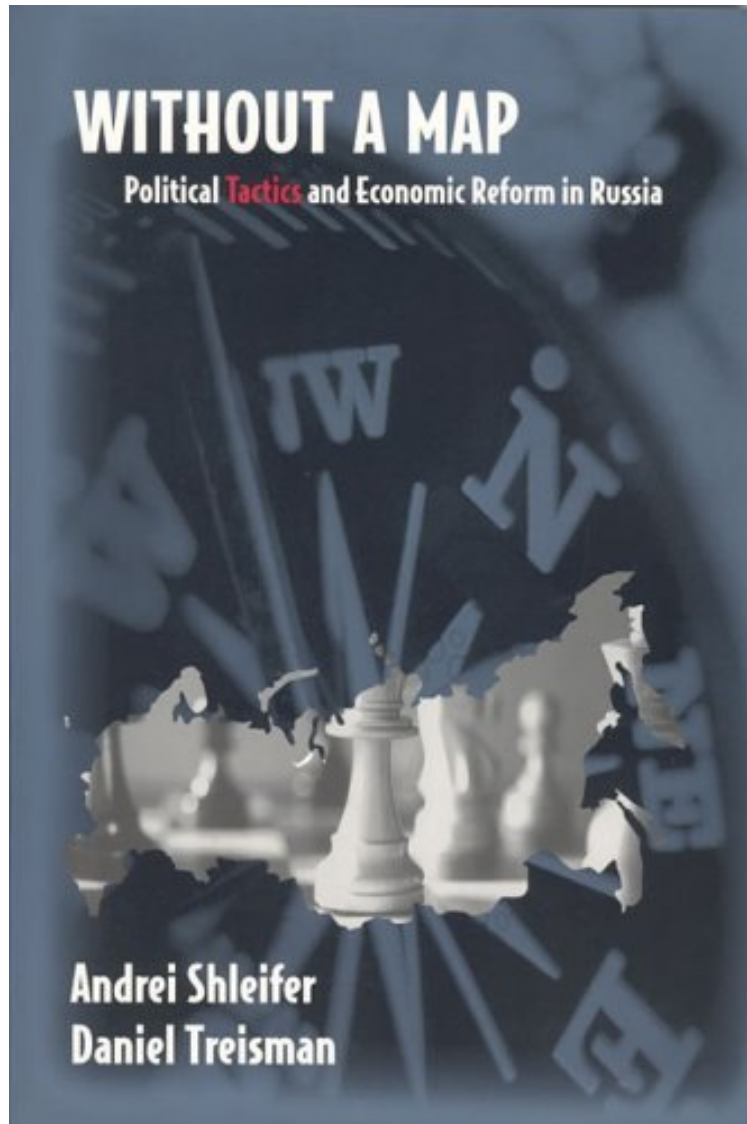


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## Without a Map: Political Tactics and Economic Reform in Russia (MIT Press)

*Andrei Shleifer, Daniel Treisman*  
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**Andrei Shleifer, Daniel Treisman : Without a Map: Political Tactics and Economic Reform in Russia (MIT Press)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Without a Map: Political Tactics and Economic Reform in Russia (MIT Press):

8 of 11 people found the following review helpful. Recommendation for this book:By CustomerWithout a Map is a good place to start learning about Russian economic reform in the 1990's. It is concise and thorough, and covers a lot of ground. As a result, it tends to be somewhat general, when one might be interested in specific details of reforms, but

it's a very solid overview. It is not a book for just anyone, but will fascinate anybody who has an interest in the Russian economy or in economics in general. It is a perfect complement to *Privatizing Russia*, also co-authored by Schleifer.<sup>0</sup> of 1 people found the following review helpful. Excellent Critique of Economic Reform In Russia, 1992-98 By Leonard J. Wilson Without A Map, by Harvard economist Andrei Schleifer and UCLA political scientist Daniel Treisman, describes the successes and failures encountered by Russia's economic reformers in the years 1992-98. The three primary reform efforts, privatization, controlling inflation, and reforming the tax system, are presented individually. For each of these topics, the authors approach is to, first, describe the situation, the government's actions, and the results, second, present summaries of various explanations of these situations, actions, and results, and, finally, provide their own interpretation of the political tactics and economic results. Each of these areas of reform required approaches that were both economically appropriate (contributed to solving the problem) and politically acceptable (would be enacted by the legislature, carried out by the government, and not provoke major popular unrest). None of the reforms had a powerful constituency and most did have powerful opponents in the form of the various stakeholders in the status quo. In the cases where the reformers were successful they were able to split the opposition stakeholders by co-opting some (by offering them an alternative to their existing stake) and expropriating others (by transferring or abolishing their stake). In the case of privatization in 1992, the stakeholders were (1) the industrial ministries (which had controlled their respective industries under the Former Soviet Union), (2) the managers, (3) the workers, and (4) the regional and local governments. Several formulas for issuing vouchers that could be converted to shares were proposed. The winning solution was to co-opt the managers and workers by allocating them 51% share to be owned individually rather than collectively. This approach resulted in a higher concentration of initial ownership than might have been desirable, but this compromise was probably essential achieving any meaningful degree of privatization. In the case of controlling inflation in 1995-6, the key stakeholders were (1) the central bank and commercial banks and (2) the state subsidized industries (e.g., agriculture and defense). In a bizarre twist on western banking practices, Russian banks in these years paid their depositors interest rates lower than the inflation rate and invested the funds in commodities and currencies which appreciated relative to the ruble, effectively selling the currency short. The reformers co-opted the banks by creating a market for government securities with the banks as the primary dealers. The banks were transformed from short sellers of the ruble to stakeholders in the ruble by virtue of their holding of government securities. In addition, the 1996 "loans-for-shares" deals between the government and the banks further co-opted the banks. Under this program, the government obtained loans from the banks that rather obviously exceed the government's ability to repay. The loans were secured by shares in major oil and mining companies which became the property of the banks when the government failed to repay the loans. Although this tactic appears rather unsavory, it was successful in breaking the pattern of inflation and in further transferring productive assets out of the state ownership. However, it also created the class of oligarchs who became a major stakeholder in the third reform effort. The last area of reform was the attempt to reform government finance and the tax system. Here, the stakeholders were (1) the large enterprises (who paid the taxes), (2) the regional governments, (3) the local governments, and (4) the State Tax Service (STS) which collected taxes on behalf of the federal and regional governments. This is the area where the reformers failed, due primarily to the complex set of obstacles presented by the existing tax structure. Briefly, that tax structure was characterized by (1) overlapping tax bases - federal and regional taxes collected in competition on the same base, (2) tax revenue sharing - selective federal remittances of tax revenues to regions which prompted the regions to hide their revenues and exaggerate their poverty, (3) a tax service charged with serving two masters - the STS collected taxes for both the federal and regional governments, resulting in a fundamental conflict of interest, and (4) combined tax rates so high that they drove small enterprises into the underground economy. The reformers were unable to co-opt or expropriate the stakes of any of these stakeholders. What is amazing about the Russian reformers (especially, Yegor Gaidar, Anatoly Chubias, and Boris Fyodorov) is not that they were not entirely successful but that they were as successful as they were in light of the overwhelming obstacles.<sup>8</sup> of 10 people found the following review helpful. A Perceptive Analysis By Prateek Goorha In a very readable book the authors provide an excellent account of fiscal federalism in Russia. They talk about the stagnation the Russian economy faces and provide a very valid hypothesis for its cause in Russia's taxation system - what many others have previously given scant attention to. This book will appeal to economists, political scientists, and anyone else interested in Russia today.

Recent commentators on Russia's economic reforms have almost uniformly declared them a disappointing and avoidable -- failure. In this book, two American scholars take a new and more balanced look at the country's attempts to build capitalism on the ruins of Soviet central planning. They show how and why the Russian reforms achieved remarkable breakthroughs in some areas but came undone in others. Unlike Eastern European countries such as Poland or the Czech Republic, to which it is often compared, Russia is a federal, ethnically diverse, industrial giant with an economy heavily oriented toward raw materials extraction. The political obstacles it faced in designing reforms were incomparably greater. Schleifer and Treisman tell how Russia's leaders, navigating in uncharted economic terrain, managed to find a path around some of these obstacles. In successful episodes, central reformers devised a strategy to win over some key opponents, while dividing and marginalizing others. Such political tactics made possible the rapid

privatization of 14,000 state enterprises in 1992-1994 and the defeat of inflation in 1995. But failure to outmaneuver the new oligarchs and regional governors after 1996 undermined reformers' attempts to collect taxes and clean up the bureaucracy that has stifled business growth. Renewing a strain of analysis that runs from Machiavelli to Hirschman, the authors reach conclusions about political strategies that have important implications for other reformers. They draw on their extensive knowledge of the country and recent experience as advisors to Russian policymakers. Written in an accessible style, the book should appeal to economists, political scientists, policymakers, businesspeople, and all those interested in Russian politics or economics.