POLITICAL SHOCKS AND ECONOMIC REFORM IN THE POST-SOVIET WORLD

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Philip Evan Husom

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STATEMENT OF DISSERTATION APPROVAL

Dr. Dwayne Woods, Chair

Department of Political Science

Dr. Mark Tilton

Department of Political Science

Dr. Giancarlo Visconti

Department of Political Science

Dr. Erik S. Herron

Department of Political Science, West Virginia University

Approved by:

Dr. Cherie Maestas

Head of the Graduate Program

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ABSTRACT

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This dissertation analyzes the adoption of neoliberal economic policies in the wake of two shocks, the collapse of the Soviet Union and the Color Revolutions. I look at whether policy choices in the aftermath of massive political change significantly constrain future economic policy. Two arguments have attempted to explain post-Soviet economic reform, one arguing that initial elections largely determined economic reform, and another arguing that even the results of initial elections were conditioned by a state's neighbors and diffusion. In the first chapter I test these arguments, using regression analysis to update and reanalyze determinants of economic reform in post-Soviet Eurasia. My results indicate that initial elections may have been influential in the short term, but their influence is indirect. Instead, the Soviet collapse created an opening for the establishment of patronage dynamics, and it is these dynamics that largely determine the timing of economic reform. I then use three cases to illustrate why early evaluations of post-Soviet economic reforms need revision. Analysis of Georgia, Ukraine, and Kyrgyzstan after each shock demonstrates that elites and political institutions are important determinants of reforms, and there is significant variation in neoliberal policy adoption that previous arguments do not explain. I find that economic policy mirrors political cycles of patronalism in these countries and the effects of shocks on policy are not straightforward. When economic reform does occur, it is often an instrument used to advance other political goals.

1. INTRODUCTION: POLITICAL SHOCKS AND ECONOMIC REFORM IN THE POST-SOVIET WORLD

1.1 Introduction

This dissertation examines economic policy in the wake of political shocks, specifically the adoption of neoliberal economic policies after the collapse of the Soviet Union . I am interested in the extent to which political shocks affect economic reform, especially attempts to introduce reforms and their success. I analyze the shocks of the collapse of the Soviet Union and the Color Revolutions in post-Soviet states. This research is novel in that it combines the study of political shocks with the adoption of neoliberal policies in Soviet-style economies. I argue that economic policy in these countries is tied to cycles of patronal politics and thus the dynamics of economic reform have been misunderstood in previous literature. Literature on political shocks in the transition from Soviet-style political and economic systems tends to focus on the effects shocks have on democratic and political institutions, whereas research on the economic transformation has largely ignored political shocks or not explicitly taken shocks as an important variable.

Two schools in the literature on post-Soviet outcomes arose early in the transition seeking to explain variation in economic liberalization. A path dependence literature argues that critical junctures, especially initial elections, explain outcomes (Fish 1998; Kitschelt 2003), whereas scholars focusing on the effects of geography and diffusion argue that spatial location and the influence of neighbors played a role in determining the critical junctures (Kopstein and Reilly 1999; Kopstein and Reilly 2000; Ekiert and Hanson 2003). These two schools are important in that they present factors that can influence institutions after the Soviet collapse, but their shortcomings are important. Both arguments miss the variation within institutions and tend to take politics out of the explanation.

The journey of economic and political reform is more complicated than election results or geography can predict. Though they are useful tools of analysis that help predict reform in some states, path dependence and diffusion theories both gloss over the tumultuous nature and cyclical patterns of reforms in many post-Soviet states.[1] These states are some of the most interesting cases of post-Soviet reform, and looking closely at them reveals insights that other approaches miss. Specifically, the variation in economic reform strategies is as important as the average results. Knowing that the states of Eastern Europe are on average more reformed than states in Eurasia gives a pattern of economic reform, but studies that compare overall levels of reform indices offer only one part of the story.

In the context of the transformation from Soviet-style economies, "economic reform" became synonymous with the adoption of neoliberal economic policies, and the term gave legitimacy to an ideological program that had not been tested and lacks any empirical evidence of its superiority. Economic reform in this dissertation refers to the adoption of neoliberal economic policies advocated by Western advisers after the collapse of the Soviet Union. These reform packages, aimed at changing a country's economy from the Soviet-style economy to a capitalist one, are often referred to as economic liberalization because they were designed to remove the state from the economy and thus "liberalize" market transactions. Quantitatively, economic reform is measured as the adoption of policies that stabilize, privatize, or liberalize some aspect of the economy. In case studies, however, I look at any attempt to implement neoliberal policies, because although measurements of

[1] There are many terms available to refer to the states that were once part of the Soviet Union or under its influence. A common term in the literature on this topic is "post-communism," which for being so frequently used is inherently inaccurate and reflects US propaganda about the Soviet Union. It has become custom to use "socialism" and "communism" interchangeably, but I prefer the more accurate "socialism" as communism never existed in the Soviet Union or in the Soviet-influenced world. The Soviet Union and its satellite countries were more accurately socialist states, so "postsocialist" is perhaps a better term for these states after the Soviet collapse, but I use the term "post-Soviet" to refer to the successor states of the Soviet Union and the states of Eastern Europe that modeled their societies under Soviet influence. This more effectively captures the entirety of the former Soviet Union and the European satellite states. Although "post-socialist" is technically accurate, it would also include countries in other geographical areas, whereas "post-Soviet" limits the meaning to the countries formerly under Soviet influence. This is distinct from the former republics of the Soviet Union, which fall under the "post-Soviet" label but are most accurately referred to as the "former Soviet Union."

reform are limited to successful attempts, failures to enact reforms are just as important to the explanation of why some states quickly reformed and others took much longer.

With this in mind, rather than focusing only on the mean of the dependent variable (economic reform), this research recognizes that variance is important and offers valuable insights into the transformation from Soviet-style economies. To adopt Bear F. Braumoeller's (2006) language, it is important to realize that shocks can cause changes in the variance of the dependent variable even if they do not drastically affect the mean. Shocks can certainly cause changes in the mean distribution of the dependent variable, but the variance is interesting in itself. As macro-level indicators of large sectoral change, measures of economic reform and other attempts to quantify the post-Soviet economic transition are limited in their explanatory power. Analysis of post-Soviet political and economic reform requires a mixed-methods approach, pairing large-scale quantitative analysis with more in-depth examination of a subset of cases.

Recognizing the importance of variation necessarily also requires recognition of the primacy of politics to economic policy. Economic reforms take place in an institutional setting, as do struggles for power and the distribution of resources. Focusing solely on geography or the effects of initial elections misses the importance of politics within the institutions themselves; geography and initial elections might condition institution, but there is more discontinuity in economic reform policy than these arguments suggest.

Since early works on the causes of reform in Soviet-style economies, several factors require and allow us to revisit the topic. First, with additional data it is possible to revisit theories tested early in the transition period. Many of the seminal studies on the determinants of economic reform were conducted in the immediate aftermath of the Soviet collapse, when it was impossible to tell if observations indicated trends or historical artifacts. Time allows us to better see variation and feedback effects.

Second, developments since the fall of the Soviet Union present more variation and a chance to study the effects of elections after large-scale upheaval in the additional context of the Color Revolutions in Eurasia. The goal of the economic transformation from Soviet-style economies was to establish economies that resembled advanced industrial market ones, but commitment to and success in achieving this goal has varied. By the time of the Color Revolutions in the mid-2000s, most states had completed significant aspects of the economic reform package, and the nature of remaining reforms was different from the fundamental transformation required after the Soviet collapse. Along with completing privatization and strengthening monetary and fiscal policy, the major reform issues were corruption and tax systems. Within the same country there is variation in economic policy from year to year, and policy changes have made economies more open in some post-Soviet states and less open in others. Economic reforms have also contributed to political closure, as privatization programs have allowed presidents to enrich small groups of elites who use their new wealth as political power at the expense of the public.

In my analysis of political shocks I focus on two periods of what Juliet Johnson (2001) calls "extraordinary politics" in the post-Soviet world. I first look at the initial elections in post-Soviet countries after the collapse of the Soviet Union, quantitatively studying 25 states from 1991-2014. In three case studies I compare the effects of two political shocks on economic reform. First, I analyze economic policy in Georgia, Ukraine, and Kyrgyzstan after the Soviet collapse. The Color Revolutions in these post-Soviet states present another chance to study the effects of elections after large-scale upheaval. I look at mass popular protests in Georgia in 2003, Ukraine in 2004, and Kyrgyzstan in 2005 that led to either the ouster of the sitting president or the defeat of his chosen successor.

My dissertation considers how political shocks affect balances of power between a patron and elites and how this balance of power influences economic reforms. Power struggles occur within political institutions that enable some actors and constrain others; political shocks can remove constraints on elites and provide an opportunity for them to calculate their best option. When elites believed they would benefit from a change in the balance of power between them and the state, they have aligned themselves with the opposition to help unseat the regime (Radnitz 2010a). Post-Soviet economic reform is a relatively predictable story of brief windows of political disruption that can lead to the adoption of neoliberal economic policies. Regular cycles of patronage are important in determining the timing of policy adoption efforts in Soviet-style economies. In addition to examining the effects of the Soviet collapse, studying the Color Revolutions and their effects on economic policy gives a more complete story of reforming Soviet-style economies. Shocks have the potential to alter the institutional setting in which politicians and elites interact and pursue their interests and offer a test of the theories of path dependence in post-Soviet countries. To the extent that they allow actors to break free of the institutional shackles that constrain them, shocks can be critical junctures. Shocks that do not produce critical junctures are important in their own right, as it is important to know what prevents a shock from changing a country's institutional constraints.

One issue with path dependence theories is that they often require one to ignore variation in the variable of interest and instead focus on the average. Economic reform, on average, does not vary much in post-Soviet countries: those that completed reforms did so early on, whereas countries that have not undergone extensive reform would appear doomed by their initial conditions to lag behind on economic reform. Analyzing shocks, however, provides a view of the degree of variation in economic policy in even those countries that have only recently created market economies. Whereas a macro-level analysis might lead one to believe countries like Georgia and Ukraine simply ignored economic reform until after they experienced a shock, closer analysis reveals the fraught and interesting paths they took after the Soviet collapse.

Politics happens within a given institutional setting, and my research brings the political aspects of the transformation from Soviet-style economies to the fore. My focus on the interplay between patronage and reform emphasizes the importance of the institutional constraints on politics and shows why it has been so difficult to understand previous economic reform strategies. I focus on the primacy of politics within the institutions that constrain or enable actors, providing a different perspective on the causes and consequences of adopting neoliberal economic policies after the Soviet collapse. The shocks I examine each had different effects on economic reform; each shock conditioned the expectations and possibilities for politics and influenced how elites compete for power. The first shock generated the conditions necessary for patronage dynamics to arise in states that lacked the institutional capacity to prevent their emergence. The added civil and ethnic strife and questions of identity, nationalism, and the desirability of independence made the period after the Soviet collapse a tumultuous and important juncture in history. To the extent that political shocks open a window of opportunity for economic reform, it is limited in that they present an opportunity for elites to compete for patronage, and the resulting political power struggle can determine the path of economic reform in the near term.

The idea of the window of opportunity for large-scale economic reform projects, during which the bulk of necessary reforms can be completed before those made worse off by reforms can organize against them, is in some senses a myth. Whereas in the countries of Central and Eastern Europe the Soviet collapse looked like a window of opportunity, by the mid-1990s that window had closed. Yet the eventual reformers of Eurasia did next to nothing during the window of opportunity after the Soviet shock and only pursued reforms beginning in the mid-1990s, when it should not have been possible given their slow start. The explanation for this conundrum is that patronage arose in these states and economic policy is part of the dynamics of patronage; the Soviet collapse created the permissive conditions for patronage to emerge in Eurasian countries that lacked the institutional capacity to prevent it and were preoccupied with the more fundamental goals of building national identity and a state where, in some cases, it had never before existed. Central European countries reformed quickly because they did not have to create the political and social institutions necessary for statehood, and that also helped them avoid the trap of personalist politics.

That the Color Revolutions did not produce similar critical conditions is likewise predictable—patronage was already entrenched and in most cases the revolutions did nothing to dismantle its dynamics. In fact, the Color Revolutions were nothing more than expressions of the dynamics of patronal politics, as they were elite-driven coups against unpopular term-limited presidents who could no longer command their patronage networks. Because the Color Revolutions were simply a change in the top patron, economic reforms proceeded in the same way they had for the last decade. Ukraine, the one country that did experience a disruption of patronalism, also found economic reform incredibly difficult during its brief democratic period.

My research fills a gap in the literature on the post-Soviet transition in that it brings politics back to the fore and focuses on the effects of political shocks on economic reform. Much of the research on political shocks, and especially on the Color Revolutions, has previously focused on how shocks affect the prospects for democracy. There is less research focusing on the economic policy responses to political shocks. My focus on how shocks affect economic reform has allowed me to combine the ideas of patronal politics and economic reform. I argue that economic reform has largely followed cycles of patronage and for this reason it has been previously difficult to understand and predict the timing and results of reform efforts. As a more informal model of political power, patronage relies on connections and distribution of rents and is difficult to analyze from a wider perspective. Official rules often belie the true exercise of politics in patronal societies, and the variation within these states and between them and those that do not experience patronage dynamics is an important and complex variable to add to our understanding of the dynamics of economic reform. As a hegemonic shock, the Soviet collapse allowed for the expression of patronal politics in Eurasia, but in Central and Easter Europe, where these dynamics were not present, it led to the integration of new states into Europe.

The rest of this chapter first presents a review of the literature on determinants of the adoption of neoliberal-economic policy in Soviet-style economies after the collapse of the Soviet Union. I discuss path dependence, shocks and critical junctures, and geography and diffusion and emphasize the importance of political shocks and their potential to change the institutional setting in which elites compete for power. I bring in a third perspective that sees political shocks and regime change as patterns of patronalism and set up the argument that economic policy is tied to these patterns. In the third part of this chapter I discuss what reforming Soviet-style economies entailed and discuss two positions on the best method of economic transformation. The debate over the pace of reforms, consequences of the neoliberal economic reform package, and the different nature of reforms required in the mid-2000s are the focus of the final sections.

1.2 Explanations of post-Soviet economic reform

Much time and effort have been devoted to answering the questions of post-Soviet economic transition, and soon after the Soviet collapse two important modes of analysis emerged. One mode argued that initial elections were critical in determining the scope and success of economic reform in post-Soviet states (Fish 1998). This fits with the path dependence literature, which argues that critical junctures explain outcomes (Kitschelt 2003). A second school argued that elections, though important, missed critical aspects of transition that were better captured with geography and diffusion (Kopstein and Reilly 1999, 2000). I discuss each in turn, before moving on to a third approach that views economic reforms as part of predictable cycles of regime politics. I argue that the economics of patronage better explains economic reform in post-Soviet Eurasia than either path dependence or geography, and its absence also helps explain how the countries of eastern Europe were able to quickly reform their economies.

1.2.1 Path dependence

Decisions made early in the transition period have had significant consequences. In 1998 M. Stephen Fish argued that the first elections in the post-Soviet regimes were a critical factor in determining the future of a country's economic and political institutions. This path-dependent argument claims that elections determined the nature of economic reform in a country. Paul Pierson (2004) notes that it can be almost impossible to change a course of action once selected. Indeed, as Michael Bernhard (2015) points out, new structures impose constraints after critical junctures, and actors have less autonomy. Choices become locked in and it is difficult to achieve much more than incremental change. Fish demonstrates that the results of initial elections had several different effects, one of which was the replacement of old communists with new political elites in countries that effectively broke with their Soviet past. For instance, Christian Bjørnskov and Niklas Potrafke (2011) argue that a government's ideology was a large determinant of the speed of economic reform, with right-wing governments more active in privatization and market liberalization.

The literature on the trajectories of post-Soviet states is largely dominated by variations of temporal path dependence (Ekiert and Hanson 2003). Pierson points out that clear definitions of path dependence are rare, usually fluctuating between broader and narrower conceptions, of which Pierson prefers the latter. Pierson adopts the idea suggested by Margaret Levi (1998), which goes beyond the simple idea that "history matters". For Levi, path dependence, to have meaning at all, has to mean that "once a country or region has started down a track, the costs of reversal are very high" (1998, 28).

The crucial feature of path dependence, Pierson argues, is positive feedback. Positive feedback refers to the idea that, once a path has been chosen, the probability of further advances down that path increases with each step. This is the restricted sense to which Pierson limits path dependence, referring to social processes that display positive feedback and generate branching patterns of historical development. As Levi points out, the more appropriate metaphor might actually be that of a tree, rather than a path: "From the same trunk, there are many different branches and smaller branches. Although it is possible to turn around or to clamber from one to the other—and essential if the chosen branch dies—the branch on which a climber begins is the one she tends to follow" (Levi 1998, 28).

Institutional path dependence stresses the importance of initial institutional decisions, "critical junctures" whose effects can still be seen today (Ekiert and Hanson 2003). Economic path dependence follows a similar logic: countries that quickly introduced economic reforms succeeded in laying the path to rapid growth, whereas countries that delayed reforms allowed winners of partial reforms to resist further reform, resulting in a semi-reformed economy (Åslund 2007; Hellman 1998). In fact, the main point of the classic economic path dependence analysis is to show how seemingly random events at one point in time can produce long-term economic trajectories that do not fit economic models (Ekiert and Hanson 2003).

The strength of Fish's argument is its combination of institutional and economic path dependence: initial institutional choices created conditions that either fostered or hampered economic reform. Fish has found, after testing several hypothesized determinants of economic reform, that one political juncture is of great importance: the outcome of the founding elections held during the transition from communism. Fish analyzes the initial elections, asking who won the elections, whether the election results stuck or were quickly annulled, whether the elections were competitive, and whether they were complete. The argument is straightforward: the extent of elite change influenced the radicalness of the initial economic reforms. Rapid replacement of Soviet elites led to several first-order effects, including radical reform, the marginalization of former Soviets from policy-making, and the emergence a new class of noncommunist politicians.

These first-order effects led to several second-order effects: the development of independent loci of economic power, improvement in macroeconomic performance, and greater openness and stability of political systems (Fish 1998). As Jeffrey S. Kopstein and David A. Reilly (1999, 614) note, this literature emphasizes how the first- and second-order effects resulted in a "multiplier effect of a clean break with the past, resulting in privatization of state assets and liberalization of prices and tariffs." Thus, Fish has established a theory of a critical juncture, arguing that after initial elections the future trajectory of economic reform is decided. If elections created path dependence, a country's initial reform efforts should be good predictors of current liberalization. A country that did not break with its Soviet past would not be able to put liberalization on the agenda in five years' time. The focus on liberalization, however, limits our view of the government in a country that broke from communism putting reform on the agenda later on. Changing economic policy away from liberalization is reform, and many arguments miss this point. If a government was able to implement reform policies early in the transition, why would we expect it not to be able to reform its policies later and, perhaps, move away from liberalization?

Many authors have sought to answer this question, with explanations ranging from institutional factors to pre-Soviet conditions. George Tsebelis (2002) argues that more veto players—actors that can block policy change—make significant policy changes difficult. Fish argues that the initial elections led to the development of different loci of power, or more veto players that can affect policy, making it more difficult to reverse reforms that have been implemented. Whereas a traditional veto players argument might predict less reform, in the post-Soviet region there was a window of opportunity where reform was not only desired but necessary. These independent loci of power, or veto players, would be likely to block attempts to reverse liberalization. Scott Gehlbach and Edmund J. Malesky (2010) support this line of thinking, arguing that there has been more liberalization, and reversals are less likely, in countries with more veto players. Rather than veto players making reform more difficult, Gelbach and Malesky find that veto players can weaken the influence of special interests and actually encourage policy change. In a similar vein, Timothy Frye (2010) argues that liberalization is largely a result of the level of polarization in a state, though his findings contradict Gelbach and Malesky; Frye finds that economic performance suffers under competition between ex-communist and anticommunist factions. Others argue that the causes go back to before communism and that the nature of pre-Soviet schooling explains why Soviet rule ended in such different trajectories (Darden and Grzymala-Busse 2006).

Shocks and critical junctures

According to path dependence arguments, although there will be points at which actors are able to make choices about the path, the entrenchments of certain institutional arrangements make it nearly impossible to reverse the initial choice. Because many different outcomes are possible from the same starting point, the sequence in which events unfold is very important (Pierson 2004). When an event occurs can be crucial, with early parts of the sequence mattering more than later parts. Thus, relatively small events can have large and lasting consequences on institutional development if they happen at the right moment. Sequence and timing are important in the context of post-Soviet transitions. Institutional change characterized the post-Soviet transition, and observers have relied on two theories of institutional change, ranging from the belief that the correct policy choices can overcome legacies of the past, on one hand, to arguing that institutional legacies, initial conditions, and cultural patterns explain the difficulties in institutional design (Johnson 2001).

As a middle ground, Johnson (2001) develops a theory of what she calls “path contingency.” In times of extraordinary politics, institutions affect policy choice less than usual. During such periods, state leaders are freed from the influence of organized rivals and able to make decisions without the constraints of institutional legacies (this freedom of choice, however, does not necessarily mean freedom of outcome, as the implementation and outcomes of policy may still be affected by institutional variables). The agency derived from this loosening of the constraints of structure can shape divergence from the past or divergence across cases, and the loosening of constraints is an important feature of a critical juncture (Soifer 2012).

Shocks can produce these periods of extraordinary politics and provide a logic through which structural constraints are loosened and actors can overcome the constraining effects of initial choices and early points in a sequence. Hillel David Soifer (2012) discusses the logic of how events can create path dependence, including what makes junctures possible and establishes change in critical junctures, focusing on two types of causal conditions. Permissive conditions make a juncture possible by easing structural constraints, and the heightened agency or contingency makes change possible. Once a juncture is opened, productive conditions "produce the outcomes or range of outcomes that are then reproduced after the permissive conditions disappear and the juncture comes to a close" (Soifer 2012, 1573). Together the two conditions are necessary and sufficient to produce a critical juncture; alone neither is a sufficient condition. When a juncture creates path dependence, it is critical; junctures that fail to exert long-term effects can lead to chronic instability, wherein they create multiple opportunities for divergence but never lock in a new path (Bernhard 2015).

This freedom from constraints is a reason we might expect different economic policy after exogenous shocks. Seva Gunitsky (2014) argues that hegemonic shocks, such as war, economic crisis, or imperial collapse produce critical junctures. The sudden decline of one hegemonic power and corresponding rise of another creates opportunities for domestic reforms. The Soviet collapse was a hegemonic shock in which the Soviet hegemonic power suddenly fell and the U.S. hegemonic power rose, creating pressures for democracy worldwide.

Gunitsky (2014) focuses on the regime aspects of exogenous shocks, but his logic is applicable to economic policy as well. The Soviet Union's fall provided a shock that gave its former members an opportunity to completely transform their economic and political institutions and was a unique case in which we essentially saw an entire transition decided on by politicians (Bjørnskov and Potrafke 2011). Bjørnskov and Potrafke note that most of the reforms occurred within a window of opportunity immediately following the collapse, when expectations were high and large portions of populations were willing to accept the costs and major changes to society. During this window, new (right-wing) governments that favored rapid reforms were able to implement many reforms before other interests could interfere with the reforms or reality crept in on the voters and early expectations were disappointed. In the first years after the collapse of communism, reforms were more likely to occur because of the dismantling of some political interests. Advocates of gradual reforms stressed the importance of minimizing the social costs of reforms and creating institutions to deal with the negative effects of reform. If the gradualist position implies more respect for existing political structures and political control in the economy (Bjørnskov and Potrafke 2011), in these countries we might expect to see the results of initial elections display much less of a break with Soviet elites.

My case studies indicate that the initial elections had little long-term influence on the extent and success of economic reform. Economic reforms have continued after the loosened constraints of political shocks, and in some cases they did not begin until the institutional uncertainty created by the shock had subsided. Indeed, in some cases the institutional uncertainty that accompanies a shock makes economic reforms less likely. Political shocks alter the institutional setting in which economic policy is created and implemented, and post-Soviet governments' reactions to political shocks often follow a similar pattern.

The Color Revolutions presented another potential window of opportunity for political and economic change. Whether they were critical junctures that established path dependence is doubtful, as many of the political changes they inspired were slowed or reversed in the medium term (Mitchell 2012). They did, however, represent the permissive conditions necessary for divergence to occur (Soifer 2012). Because permissive conditions present, but do not guarantee, the possibility of change that is reinforced over time, the periods of loosened constraints could simply follow one another, creating a period of multiple possible junctures in succession, none of which become critical junctures. One state experienced a temporary institutional change as a result of its Color Revolution. Ukraine changed its constitution to weaken the presidency, a deal the outgoing president negotiated to ensure that the new president could not punish him. The constitutional changes disrupted the patronage dynamics for about five years and led to increased democratic performance, but economic policy suffered and little progress was made on economic reform.

Soifer's permissive conditions present the environment for chronic instability in which we see multiple possible junctures that are unable to become critical (Bernhard 2015). In fact, one might argue that the initial elections after communism were critical junctures in some states but not in others. The shock of the Soviet collapse opened a period of permissive conditions in all of the former Soviet states, but only the more western states, such as the Baltics, the Czech Republic, and Poland had the productive conditions that established and consolidated democracy and capitalist markets. In Georgia, Kyrgyzstan, Ukraine, and many Eurasian countries, the permissive conditions were present, but productive conditions did not emerge. The Soviet collapse loosened constraints and presented the possibility of a critical juncture,

1.2.2 Geography and diffusion

Geographically, the distribution of states that perform well in terms of political and economic liberalization is skewed in favor of those located closer to the West, with a decline in scores the farther east a country is located. Kopstein and Reilly (1999, 2000) note two different post-Soviet outcomes, already visible in 1995. All of the most successful post-Soviet countries are close to the former border of the non-Soviet world, whereas those farther east are less reformed (Gros and Steinherr 2004). Countries in Central Europe have benefited from better access to Western markets and stronger incentives to adopt the institutional framework of the West (de Melo et al. 2001). The countries farther east have experienced less pull from the West and as a result more closely resemble their neighbors.

This led Kopstein and Reilly to take issue with Fish's claims, noting that although initial elections might indeed have been influential, elections alone could not explain the complexities of economic and political transformation. They argued that geography—shorthand for a state's physical location and neighbors—played an important role in shaping the region after 1990 and that Fish had not properly captured geography. Analyses in this literature examine what determined the results of initial elections; if elections were critical junctures that influenced subsequent reform, why did elections turn out the way they did? Why were communists replaced in some countries while in other countries they held power under a different name?

Though Kopstein and Reilly recognize that geographical location is invariant, they identify ways geographical location affects a country's outcomes. Spatial location affects post-Soviet outcomes politically through diffusion, wherein behavior in one place is related to conditions in neighboring places. Diffusion, essentially, is the notion that ideas, practices, and structures spread from one social system to another (Ambrosio 2010). According to diffusion theories, physical contiguity and communication allow reform strategies in neighboring states to influence each other, and countries become more similar as a result of the spread of ideas, institutions, and policies from one area to another (Brinks and Coppedge 2006; Bunce and Wolchik 2006; Kopstein and Reilly 2000; Wejnert 2005).

An important characteristic of diffusion is that it contains both spatial and temporal aspects. Economic and political liberalism have been demonstrated to cluster in space and time; this clustering is a telling sign of diffusion. Various scholars have observed that political regimes tend to cluster regionally, producing areas where most countries are democratic and other areas where they are not (Ambrosio 2010; Brinks and Coppedge 2006; Elkink 2011; Gleditsch and Ward 2006; Kopstein and Reilly 2000; O'Loughlin et al. 1998; Wejnert 2005). Gleditsch and Ward (2006) argue that this regional clustering demonstrates that transitions to democracy are not random, that the international environment influences prospects for democracy in a country, and transitions to democracy are more likely in the wake of changes in the external environment.

Transitions also tend to cluster in time. Elkink (2011) points out that there are clear regional patterns to regime changes over time; whole areas democratize or democratic regimes collapse at roughly the same time, with Latin America being a prime example of a region in which countries almost simultaneously democratized, reverted to dictatorship, and democratized again. The same spatial and temporal clustering has been observed in analyses of economic liberalization and policy diffusion (Gel'man and Lankina 2008; Jensen and Lindsädt 2012; Jordana, Levi-Faur, and Fernández i Marín 2011; Simmons, Dobbin, and Garrett 2006). For example, de Melo et al. (2001) argue that geographical proximity to thriving market economies is especially important during transition because it encourages the import of market institutions and the adjustment of trade patterns. Diffusion can also work in the opposite direction (Ambrosio 2010). Kopstein and Reilly (2000) point out that the more authoritarian post-Soviet states, with lower economic reform scores, are geographically close and influence each other. Thus, a state's location influences its development, and a study of post-Soviet outcomes must consider this. Although initial elections were important, Kopstein and Reilly argue that geography and diffusion affected the results of the elections. Election results reflected underlying diffusion processes; they might have been critical junctures, but we still need to know why they happened.

To summarize, in the wake of the dissolution of the Soviet Union, two important theories of the determinants of economic liberalization were critical junctures and geography and diffusion. These studies, however, were too close to events to see the long term implications of effects they observed: without time, we can see neither path dependence nor the influence of neighbors. It is difficult to explain sources of structural change in a short time horizon. Fish used data from 1995 to make predictions in 1998, and Kopstein and Reilly had little more data available in 1999 and 2000. Time has multiple benefits for this topic. First, it gives us more variation in light of new developments, such as the Color Revolutions in Eastern Europe. Second, additional time allows a broader predictive horizon; we now have a larger time frame to see to what extent the things Fish and others predicted regarding liberalization have come to fruition. Third, time helps us detect biases that were less noticeable in the immediate aftermath of the transition. For instance, key variables that appeared influential often turn out in time to be spurious; biases become visible and can be corrected. Though they recognize the importance of history, these studies represent snapshots of political life; paying attention to time highlights factors that are invisible from this vantage point and allows us to better capture feedback effects (Grzymala-Busse 2011; Pierson 2004).

Fish examined the results of initial elections in the region after the Soviet collapse and demonstrated that initial elections were a critical juncture in a state's political and economic development that more or less set the limitations of possibilities for post-Soviet outcomes. Fish's path dependence argument suggests that initial institutional and political decisions set a certain path in institutions, with future decisions usually staying on the same path and divergence from the path being costly. Thus Fish provides a coherent argument for why states possess the institutions they do that helps explain their immediate results in economic reforms. It also implies, however, that states will be unlikely to overcome these initial institutional arrangements. As I will argue, this has not be borne out. In response to Fish, Kopstein and Reilly argued that geography and diffusion influenced the elections themselves and over time, states should behave more like their neighbors. In this way geography and openness condition institutionalization, predicting that slow reformers will bunch together while rapid reformers also stick to themselves. The decades since the Soviet collapse has shown that, in fact, almost all post-Soviet countries have converged at relatively high levels of economic reform, demonstrating their ability to overcome initial institutional configurations and their geographical limitations. A more satisfying explanation of post-Soviet economic reform requires an examination of the institutions and politics themselves and how politics within institutions can sometimes produce surprising results.

1.2.3 Patronal politics and economic reform

A third perspective sees these shocks and the potential openings they represent not as instances of instability, but rather as predictable patterns of political dynamics in some post-Soviet states. Henry E. Hale (2005, 2006, 2012, 2015) argues that cycles of patronal politics can explain most of the political dynamics in post-Soviet states. Rather than surprising mass revolutions, presidential ousters and authoritarian crackdowns are predictable events in the power cycles caused by patronal presidentialism. The logic of permissive and productive conditions also fits this model; when a president either reaches the end of a constitutionally-mandated final term or decides not to run for reelection, the realignment of elites either behind the patron or behind some new challenger creates permissive conditions. Whether the patron remains in power depends on a few variables, including most importantly term limits and elite backing.

Patronal or clientelistic societies exhibit, among others, two important characteristics. First, in these societies politics is "primarily a battle of extended personalized networks rather than of formal institutions or even individuals" (Hale 2012, 72). That is, in these societies people pursue political and economic goals through acquaintance networks based on the distribution of benefits and penalties. Second, patrons in these societies have the ability and the need to organize networks around a single "center of power," a top-down formulation that resembles a pyramid with the patron at the top and other networks of sub-patrons below him. These pyramid networks take time and resources to construct, and presidents require political skills to organize society's networks into a "single-pyramid system."[2] The top person in a pyramid is the patron, whereas subordinate people are clients (Hale 2015). Thus politics in patronalistic societies primarily involves personal relationships joining networks of patrons and clients. Competition in these societies takes the form of struggle between rival networks; when a patron can sufficiently mobilize his network, either with the promise of reward or the threat of punishment, against a challenging network, he will remain the top patron. Patronal presidents fall when they can no longer command control of their networks and mobilize clients in their defense.

[2]Hale 2015 provides a comprehensive description of patronal networks and their establishment.

The patron and political elites are mutually dependent: elites have incentives to fall in line or get on the executive's good side, and the president depends on elites to maintain power (Hale 2015). The president's power reaches deep into society via informal networks, so that anyone with any wealth or power (businesses who need licences, elected officials running for reelection, regional politicians dependent on the capital, etc.) can lose it to the president (Hale 2006).

As long as elites expect the president to remain in power, few will dare attempt to oust him. When the incumbent is expected to leave and loses popularity, however, elites struggle over succession, attempting to keep rivals from gaining power while hoping to gain it for themselves (Hale 2015). A president at the end of his term can either abide by the constitutional limit or attempt to ignore or change that limit. In recognizing constitutional term limits, a patronal president attempts to line up a successor to continue his legacy; when he is able to do so, it is because he can successfully bring elites in line to maintain support for his chosen successor. One the other hand, a lame-duck president whose departure is widely expected becomes irrelevant for the political future and powerless to punish those who defect. Expectations that a patronal president will leave office can lead to political struggle between the president's chosen successor and elites trying to replace the president with one of their own (Hale 2006).

Because informal politics are fundamental to the political dynamics in post-Soviet regimes, politics within a country are often not as they seem to observers (Hale 2015). Formal laws exist, but they are subject to informal rules and only selectively enforced. For example, market reforms may be formally adopted, but often only exist on paper, hiding hides informal state participation in the economy. These informal relationships and rules require knowledge of particular countries or regions if we are to understand the dynamism within these regimes and the patronal politics that lie underneath. Patronal cycles explain regime dynamism in post-Soviet with remarkable accuracy, and though Hale focuses on political change, his theory of patronal cycles also explains the dynamics of economic reform well.

Thus Hale argues that institutions and elites are at the center of regime dynamics in post-Soviet Eurasia. His theory of patronal politics is one in which elites in a country must decide whether to back an incumbent or take the risk of backing a challenger. My analysis shows that elites are just as important in periods of extraordinary politics, where constraints on action are loosened and political actors have more leverage to decide the short and possibly long-term development of a country. Hale uses presidential term limits to predict when elite turnover will occur. I argue that this is an example of a potential critical juncture in which elites have more actions available to them. Whether an event becomes a critical juncture depends on the extent of economic reform and privatization in the state. Privatization creates a new class of elites whose interests no longer depend on or align with the president (Radnitz 2010a). When privatization and the patronal cycle align with a political shock, the result is often the removal of the incumbent. This is often followed by renewed economic reform and anti-corruption campaigns. Patronal politics, then, are intertwined with the dynamics of economic reform in Soviet-style economies. As the next chapter will explain in more detail, economic reforms are often not only part of patronal dynamics but also an important instrument at a patron's disposal.

So far I have described theories that explain the timing and success of the transformation of Soviet-style economies. The next section focuses on what it actually meant to reform these economies. I begin by describing the immense task of transforming Soviet-style economies into market economies based on neoliberal recommendations. I then briefly outline the debate over the speed of reforms and whether reforms should be implemented immediately or sequentially with institutional reform. A discussion of how the results of neoliberal reforms led to corruption, public discontent, and mass protests brings the chapter to a close.

1.3 Economic transformation of Soviet-style economies

The debate over how to reform Soviet-style economies was inescapably ideological. Given the nature of international politics at the collapse of the Soviet Union, this is no surprise since capitalism had supposedly finally "triumphed" over its ideological foe, as Daniel Gros and Alfred Steinherr argued in their comprehensive analysis of the transition to market economies (2004, 5). The debate, however, was not over the goals of transition, but rather concerned the policy and institutional choices that would be best in the post-Soviet countries and whether they should be implemented gradually or all at once. The transition was primarily about economics, since if there was ever dispute economics won over political aspects of transition (Cheterian 2009). For the majority of Western observers, democracy and institutional reforms took a back seat to turning Soviet-style economies into markets.

Conceptually, the transition was about "downsizing the state" (Cheterian 2009, 137). Privatization was the main focus and the most important goal of the neoliberal transition programs, since that was the only way to combat the state's dominance in the economy. Rolling back the state was also thought to have benefits for democratic institutions, but the democratic benefits of transition were no more than knock-on effects of privatization: since privatization would create a middle class and individual social goals, it would also spur political competition through its creation of civil society and the competition of economic interests.

1.3.1 The Soviet-style economy

Before discussing the strategies of reform and the various successes and failures in reforming Soviet-style economies, it will be helpful to describe the economies that were to be reformed after the Soviet collapse. Robert W. Campbell argues that the best way to understand the Soviet-style centrally planned economy is as an "administered economy" (1991, 9). In an administered economy, decisions regarding distribution of scarce resources are taken out of the market and made by the administration. The administration is responsible for setting economic goals and deciding how to achieve them, coordinating the various actors, rewarding or sanctioning performance, and legitimating the goals of the administration. It is not, Campbell argues, dissimilar to a capitalist corporation with its board of directors, strategic planning, production and sales targets, and performance evaluations.

In the Soviet-style economy, the government is responsible for management of the economy along with all the normal operations of government (Campbell 1991). The government does not act alone in the Soviet-style economy, however, as the Communist Party exists in parallel with the government, acting as a shadow government and exercising the real power. The party influences the government at all levels and in all aspects of economic administration and carries out the planning function in addition to daily administration of the economy. In essence, the Communist Party exercised a monopoly over political power (Myant and Drahokoupil 2011).

Enterprises were the basic unit of the economy and responsible for production under the administered economy (Myant and Drahokoupil 2011). In the Soviet hierarchy enterprises were subject to the plan targets of a top planning body at the center. The center set prices and subsidized basic necessities and was responsible for innovations and structural change. It also coordinated demand and production. Because of the difficulty of creating a detailed plan for an entire economy, plan targets were vague and, since they relied on information supplied by enterprises, subject to exploitation.

In some senses the planned or administered economy worked. It produced economic growth and development and formally guaranteed full employment and social welfare (Myant and Drahokoupil 2011). On the other hand, it failed to keep up with other advanced economies in consumer goods and advanced technologies. It struggled to provide basic consumer goods and began to show signs of strain. As growth rates became impossible to sustain, the leaders of Soviet-style economies became aware of inefficiencies in their economies, such as the lack of innovation and outdated production strategies (Campbell 1991). As the economic system failed to live up to its promises, and disarray increasingly characterized the states that attempted to reform it (Myant and Drahokoupil 2011). Eventually the Soviet Union collapsed as Gorbachev attempted to save it, and the states were left with the task of building new states and markets.

1.3.2 The neoliberal reform package

Reforming the Soviet-style economies generated debate over the best methods and the speed at which it should happen, but the main aspects of reform and what needed to be done were generally consistent since Western advisers largely created and advised on the reform program. The Soviet collapse and subsequent political and economic transformation happened at a time when neoliberal ideology dominated advanced market economies (Myant and Drahokoupil 2011; Przeworski 1992). Policy platforms reflected the neoliberal agenda after the Soviet collapse, based on the supposed benefits of deregulation, privatization, and reduced taxation. Ruth Mandel likens those who designed development and reform programs to "missionaries . . . preaching the glories of marketization"(2012, 224). One development professional said they operated like "ideology-informed zealots, bringing their mission of neoliberal enlightenment" (quoted in Mandel 2012, 224).

For all their vigor and commitment to market reforms, the neobliberal policy advisers had no road map for the simultaneous political and economic transformations that were to happen after the Soviet collapse; previous neoliberal activism had dealt only with rolling back government in a market economy, but there was no experience of creating a market from an administered economy (Rutland 2013). Economists and advisers used experiences from whatever seemed relevant, especially Latin American countries struggling to build institutions and control inflation (Gros and Steinherr 2004; Zecchini 1997). The neoliberal model, as Adam Przeworski argued in his cogent critique, amounted to "no more than a mixture of evidence, argument from first principles, self-interest, and wishful thinking" (1992, 46). It was, he argues, nothing more than an ideological experiment.

Whereas the pace of reforms may have been debated, a consensus emerged that, regardless of the context, there was only one set of policies that could lead to sustained economic growth (Bunce 2001). Thus in the context of the transformation from Soviet-style economies, "economic reform" became synonymous with the adoption of neoliberal economic policies, and the term gave legitimacy to an ideological program that had not been tested and that lacked any empirical evidence of its superiority.

Jeffrey Sachs, who helped design and implement reform programs in Poland and Russia, claimed that the transition was in many ways a "well-trodden path," arguing that in the past other countries that were once cut off from the world have successfully opened their economies and become integrated into the world economy (1994, 2). This view accurately encapsulates the neoliberal attitude and demonstrates its misunderstanding of the situation the new post-Soviet economies faced. The challenge of post-Soviet transformation was not simply about liberalizing an already capitalist economy; it also required the creation of new institutions to regulate the economy and rethinking of the state's role (Myant and Drahokoupil 2011). As difficult as it was to reform the already capitalist economies of Latin America and Southern Europe, the task in the post-Soviet world was made exponentially more difficult by requiring states to not only start "from scratch" but from state socialism, capitalism's opposite (Bunce 2001, 47). Further complicating the matter is the fact that since there was no market economy to build on as there had been in Latin America and other transitions, the new market economy had to be created simultaneously while old Soviet-style economy was dismantled (Fisher 2015). The free-market approach ignored the historical development of advanced economies and the significant role the state plays in them. Economic reform was also complicated by the other political, state, and national aspects of the transition, such that the economy could rarely be manipulated in isolation (Kuzio 2001).

Neoliberal reform programs focused on three main areas of the economy: liberalization, stabilization, and privatization (Rutland 2013). Liberalization involved all areas of the economy, but especially prices and trade policies and the creation of market structures (Myant and Drahokoupil 2011; Zecchini 1997). The main elements of the reform program were identical despite the different countries' various starting points, but the problems of implementation varied among the transition countries (Gros and Steinherr 2004). The major problems of implementing reforms stem from differences in the strength of the administrative capacity inherited after the Soviet collapse, politics in the country, and popular support for reforms.

The focus on economic reforms without matching institutional reforms made the reform process needlessly more difficult. Some dimensions of reform required minimal institutional capacity. These dimensions, such as price and trade liberalization and small-scale privatization, have been significantly reformed across the region (Stern 1997). Other areas that required more sophisticated institutions have seen less progress. Large-scale privatization, governance and enterprise restructuring, and financial and competition reform are more difficult and involve time-consuming institutional change. Institutional reforms, as they existed in the neoliberal program, focused on privatization and changes in the tax, banking, and capital market systems (Bunce 2001). Because the economic transformation was not seen as a political project, it ignored the political institutions required to make economic institutions function, instead believing that political changes would simply arise as a result of economic reforms.

Price liberalization

Price liberalization is the first and perhaps easiest economic reform: the government simply declares that prices are no longer fixed and economic actors can determine their own prices (Gros and Steinherr 2004, 61). The difficulty with price liberalization is political, as price liberalization means a certain degree of income distribution. A few well-connected individuals will inevitably become rich as the old system is taken down because they know where to find goods at low prices. Price liberalization will also leave some parts of the population worse off if their income does not depend on market forces, such as those who work for the state or are retired. Because prices for food, housing, and energy are inelastic in the short run, these people will find themselves unable to pay for basic necessities if all prices are liberalized at once. For this reason, these fundamental sectors are often at least temporarily excluded from initial price liberalization. Most post-Soviet states liberalized prices within the first few years of their independence. Georgia liberalized some prices within the first year, but bread prices were not liberalized until 1996 (Khaduri 2005). Prices in Ukraine were not liberalized until 1997 (EBRD 2014a).

Liberalizing prices is important because failure to do so can cause distortions and corruption (Lazear 1995, 6). Distortions lead to shortages and inefficiency, such as when energy is cheap and industry uses inefficient production methods. Corruption is a result of the importance associated with having a position that makes one able to obtain scarce goods. When obtaining goods becomes an asset, those in charge of distributing good have power and can extract rents from the economy. Most countries did well on price liberalization, especially in Eastern Europe.

Trade liberalization

Trade liberalization goes hand in hand with price liberalization, and the two are generally the first areas to be reformed (Gros and Steinherr 2004). Like prices, trade liberalization is technically easy: it only takes a decree to liberalize import and export markets and remove restrictions on trade. Though it is easy to eliminate tariffs, the act has several side effects that can make it appealing to retain some tariffs and subsidies at least temporarily. With the elimination of protectionist measures, domestic prices will rise to world market levels. This will entail sometimes large shifts in income distribution. Retaining some tariffs can also provide revenues for the government, which is essential at the beginning of reforms when the revenue base is uncertain. Tariffs can also provide temporary protection to state-owned industries, which would initially be uncompetitive against world prices, and ensure that they do not all fail immediately.

Stabilization

The immediate economic result of the Soviet collapse was macroeconomic chaos. Price liberalization caused prices to skyrocket and led to massive inflation. The plan to deal with inflation and bring macroeconomic stability had five elements: establishing national currencies, tightening fiscal policy, creating new tax systems, tightening monetary policy, and stabilizing the exchange rate system (Åslund 2007, 104).

As inflation rose, output plummeted (Myant and Drahokoupil 2011; Stern 1997). The debate about the depth of the output decline aside, the transformation depression was real. One argument claimed the decline was exaggerated because Soviet enterprises had inflated their figures and the apparent decline was simply an equalization to world prices: because output had been exaggerated, it follows that the decline was also exaggerated (Shleifer and Treisman 2005). This ideological argument was also based on the arbitrary exclusion of relevant data deemed "useless" (Myant and Drahokoupil 2011, 55). On the other hand, Martin Myant and Jan Drahokoupil point out that there is no doubt that a depression, in most cases historically worse than the Great Depression, took place. Rather the doubt is over the specific policies that caused it or failed to correct it.

Macroeconomic stability is an essential ingredient for a private sector to emerge (Gros and Steinherr 2004). Without a stable inflation rate there is no reason to expect economic growth, as growth will only happen when investors can count on a stable macroeconomic environment. When the inflation rate is larger than even a few percent, however, it is nearly impossible to stabilize. This makes price stability a more practical goal as it at least provides some certainty for investors. Price stability is also difficult, though, because it requires balanced fiscal accounts, something especially difficult at the beginning of the transition given the lack of tax structures and inability to collect potential government revenues.

Privatization

Privatization is a critical aspect of the transition from the Soviet-style economy to the market economy (Gros and Steinherr 2004, 75). Because all factors of production are initially state-owned, rapid development of the private sector requires the quick transfer of state capital to private hands. This can be accomplished in two main ways: privatizing state enterprises and allowing the creation of new enterprises to compete with state-owned firms (Lazear 1995). Creating new firms requires the elimination of state controls that prevent private firms from being competitive. Private ownership is also essential to separating economic and political decisions and decentralizing society. Economic and political issues become muddied when the state owns capital, as the government tends to protect its industries and individuals seek to accomplish political goals through economic means (Lazear 1995). Striking against a state-owned firm can influence the state in a way that striking against a private enterprise does not.

According to the neoliberal arguments, one of the main reasons to privatize state firms is to create incentives (Lazear 1995). Although it is not entirely correct to say that state firms do not provide incentives, a private firm's incentives almost automatically align with economic incentives. When privatization is viewed as a fair process that leads to a fair distribution of ownership, it can create an incentive-based economy and promote efficiency (Gros and Steinherr 2004). Privatization requires simultaneous reforms in the financial market in order to develop and efficient capital market and ensure that the government does not dominate the economy as the only institution that can provide capital for investments. Small-scale privatization is relatively easy and can be accomplished quickly (Gros and Steinherr 2004). Shops, restaurants, and small agriculture are simple because the new owner can immediately take over the enterprise, and the change in ownership usually only requires modification of property rights. Large-scale privatization is more difficult since it takes control away from the state and management and costs them the ability to extract rents.

The breadth and depth of privatization required after the Soviet collapse was unprecedented, and one of the main challenges was to privatize state enterprises in a way that was both efficient and fair (Miller 2013). Privatization occurred via three main methods: buyouts or sales to enterprise managers and employees, voucher privatization, and direct sales of firms (Myant and Drahokoupil 2011). Buyouts generally took the form of either giving shares to all employees or giving shares only to managers, but most countries that used this method gave substantial shares to all employees in the 1990s. Voucher privatization involved distributing vouchers to the adult population that could be exchanged for shares in the enterprise. Direct sale privatization often meant selling firms to international companies. The methods were not mutually exclusive and most countries combined them (Miller 2013).

In contrast with neoliberal arguments that privatized firms are inherently more efficient privatization alone does not guarantee that firms will be more efficient.[3] On one hand, privatization can lead to market concentration (Bjorvatn and Søreide 2005). Further, based on a survey of privatized firms, Salvatore Zecchini points out that in the majority of cases management did not change when firms were privatized, and when management did change the new managers have generally come from within (1997, 22). When employees have gained control of a privatized firm, they have been resistant to reorganization. Only the direct sale to foreign companies has seen the successful reorganization and increased efficiency. Privatization alone does not enhance efficiency and must be coupled with mechanisms to ensure efficient market structures and improve corporate governance.

1.3.3 The pace of reforms: shock therapy versus gradualism

Reforming Soviet-style economies unfolded on two broad fronts: the formation of markets and the creation or reform of state institutions to protect and regulate markets (Frye 2010). These economic and institutional reforms included liberalization of prices and trade, privatization of state assets, and the creation of state agencies to ensure property rights and regulate markets. Some states pursued both aspects of reform at the same time, whereas others less consistent.

There was some debate in the early 1990s over the best methods of economic reform. A central issue after the Soviet collapse was the strategy of transition from a planned economy to a market economy, namely how fast it should occur and in what order (Åslund 2007; Bunce 2001; Popov 2000). There were essentially two positions among those advocating for economic reform: those advocating a "big bang" of swift, radical economic reform—also called shock therapy—and those in favor of more gradual economic reforms

[3] For a neoliberal take on the benefits of privatization, see Moore 1995.

that allowed for the development of political institutions in addition to economic reform (Åslund 2007; Popov 2000).

Supporters of rapid economic reforms believed that major market reforms had to be undertaken as comprehensively and swiftly as possible, a view that came to be known as the Washington Consensus (Åslund 2007; Haggard and Webb 1993; Shleifer 2005). There were three main arguments in favor of rapid reform: 1) rapid reform can prevent opposition from mobilizing to block reform; 2) the period of uncertainty, in which producers are reluctant to invest, is shorter; and 3) rapid reform does not require constant fine-tuning of reforms (EBRD 1999; Frye 2010). The emphasis of the Washington Consensus package was on macroeconomic stabilization and liberalization, with institutional features receiving less attention (Myant and Drahokoupil 2011). Stabilization, liberalization, and privatization should happen as quickly as possible, regardless of what other necessary reforms may be delayed.

Leszek Balcerowicz (1994) and other neoliberal "shock therapists" like Anders Åslund (2007) argued that no matter the country, the adoption of neoliberal policies must be immediate and extensive. Balcerowicz goes so far as to argue that the idea of country specificity is a fallacy, noting that the prescriptions for basic macro- and microeconomic problems are the same everywhere. Though policy advisers formally recognized that conditions differed between countries, the assumption was that international agencies knew better than economists from the transition countries, and only those economists who agreed with the Washington Consensus mode of transition were taken seriously (Myant and Drahokoupil 2011). International financial institutions such as the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF), and the World Bank (WB) made neoliberalism a policy instrument and only gave new lending to post-Soviet countries that complied with a standard neoliberal policy package (Rutland 2013).

Of course, in contrast to the standard neoliberal argument, the context of the transformation matters (Gros and Steinherr 2004). Some parts of the reform program took more time to prepare and implement than others, and difficulties in implementation in the real world made some sequencing of reforms unavoidable. The case for gradual reforms is based largely on the need to build sustainable political support for economic reforms (EBRD 1999). Piecemeal measures, introducing popular reforms first, can build a foundation of support for the more difficult and costly reforms later in the transition. Gradual reforms are also assumed to entail lower costs in the short term because they avoid the massive disruption of the status quo. Stiglitz (2003) highlights some of the problems with previous rapid reform efforts. Many economic reform efforts that have followed the Washington Consensus have increased countries' exposure to risk without increasing their capacity to cope with it, pushed privatization and strengthened the private sector without improving the public sector, and increased poverty and inequality. Although in the short run reforms are likely to cause inflation, unemployment, and resource misallocation, proponents of gradual reforms argue that when institutions are put in place to deal with the costs of reforms, the public will suffer less and reform programs will have better support (Przeworski 1991).

1.4 Consequences of neoliberal reforms

The rapid reformers won the ideological argument and their package of policies became the standard recipe for the transformation to market economies. Their promise of short-term pain for long-term gain proved half true in most of the countries that adopted their policies, and the lack of institutional capacity led to yet more frustration and anxiety from the public. As early beneficiaries of neoliberal policies became richer and gained political power, normal people failed to see the purported benefits of privatization and marketization in their lives. Eventually, disenchantment with the neoliberal program led to resentment and public unrest.

The immediate consequences of the Soviet collapse were economic collapse and chaos. Every post-Soviet economy suffered significant declines in output and all but three experienced triple digit inflation within the first five years of independence (Fischer, Sahay, and Végh 1997). All of the countries in the Commonwealth of Independent States (CIS) experienced hyperinflation at some point in the transition (Gros and Steinherr 2004, 83).

By 1995 half of the countries began experiencing economic growth and efforts to stabilize inflation started to work (Fischer, Sahay, and Végh 1997). The short-term neoliberal stabilization policies proved effective at solving the economic problems they had largely caused, but beyond economic stabilization, neoliberal policies often caused more problems than they solved for post-Soviet economies.

In fact, rapid liberalization came with significant drawbacks (Przeworski 1991; Stiglitz 2003). Neoliberal economics had become separate from its political context, and the reforms it required brought significant immediate short-term costs with the promise of long term gains (Rutland 2013). The 1999 Transition Report states that "economic reforms at the early stages of transition have a significant effect on the distribution of power among interest groups at a later point in the process" (EBRD 1999, 102). Economic reforms have distributive effects, creating benefits for some while imposing costs on others (Haggard and Webb 1993). In some cases, early beneficiaries from reforms used the benefits from initial reforms to block further reforms, what Joel Hellman (1998) calls a "winners take all" outcome. In fact, the most common obstacles to reform progress have come from the winners in the early process, who benefited from the absence of institutions that would have prevented such negative externalities. Such institutions were largely ignored in favor of building the market sector; neoliberals neglected the need to develop and maintain the state (Ellman 2003). This eventually led in some cases to state decay and the associated challenges it poses to state functions such as taxation and more political and social functions like public health and education.

Within a decade of the start of economic transition it became clear that things had not gone according to plan in many post-Soviet countries. By the turn of the century debate had emerged on some issues in the neoliberal reform package, especially regarding the emphasis and timing of institutional reforms (Bunce 2001). One thing that was clear was the fact that despite receiving the highest per-capita level of international assistance ever, many of the post-Soviet countries did not seem any better off than they had been a decade earlier: "the standard of living for the majority of the population has arguably declined, the once high level of literacy and education has spiraled downward, and the demographic crisis continues" (Mandel 2012, 224).

Cheterian points out that because the neoliberal reform programs emphasized creating markets before any other institutions, there was no legal system or market logic to guide such large privatization projects. One of the main consequences of the neoliberal reform package has been polarization, both between countries and within them; even in the more successful countries, everyone has not experienced the benefits of reforms (Ellman 2003). Those who were able to afford it saw the benefits of higher living standards, but most others witnessed increased poverty and worsening social indicators. Ordinary people saw few benefits of privatization programs and in fact suffered "unemployment, devaluation of their savings, and even hunger on a scale unseen since the Second World War" (Cheterian 2009, 139). Rather, the only beneficiaries of privatization were those in a position to take advantage of privatization programs, namely former Communist Party insiders. The new business, political, and criminal elite were the winners of the reform program, whereas the losers included older employees and those in industrial and state sectors, along with ethnic minorities and the less educated, among others (Ellman 2003).

Perhaps the most intensely felt consequence of the neoliberal reform package was corruption. Corruption has been an important concern and frequent obstacle for reformers, but reform of the legal system was seen as technical rather than the political project it was (Mandel 2012). Corruption was a systemic problem in the Soviet Union and simply changing the formal institutions was much easier than eliminating informal rules and norms (Stefes 2006). As a result, systemic corruption has been a feature of many post-Soviet states.

Privatization was supposed to be a cure for corruption, but as with privatization and efficiency, the results of privatization and corruption have been mixed. It was supposed to reduce corruption by stripping bureaucrats of their power to extract bribes: if the state's power could be reduced through, among others methods, deregulation, privatizing enterprises, and liberalizing prices and trades, officials would no longer have the power to demand bribes for their services (Åslund 2007, 252). There is a real question about causality in the relationship between privatization and corruption. Privatization is supposed to reduce opportunities misuse of public office for personal gain (Kaufmann and Siegelbaum 1997). Empirically, some have found that privatization can increase corruption in developing countries (Boubakri, Cosset, and Smaoui 2009). Others argue that is not the case specifically in transition economies (Koyuncu, Ozturkler, and Yilmaz 2010). Rather than reduce or eliminate corruption, privatization sometimes breeds corruption. The privatization process itself can be corrupt, with officials allowing monopolies in the new market, increasing buyers' willingness to pay for state assets along with the rents officials can extract from the process (Bjorvatn and Søreide 2005). The difficulty of pricing state assets can make privatization programs prone to corruption, as officials may announce one price to the public and pocket the difference between that price and the actual price paid by a firm to which the official has provided inside information about the state enterprise. In some countries, such as Russia and Ukraine, privatization led to the creation of an oligarch class. In many cases those who benefited from initial privatization efforts used their new wealth to block subsequent reforms (Hellman 1998).

Because corruption was seen as a technical problem rather than an economic or political one, the focus was on technical aspects of privatization at the expense of political and institutional changes necessary to reduce corruption. As a result, even some states that effectively privatized hardly experienced better performance on corruption measures. Kyrgyzstan, for instance, immediately pursued privatization and completed small-scale privatization by 1994, according to the EBRD's *Transition Indicators*. Large-scale privatization was less rapid, being nearly completed in 2004 but seeing little progress since. Nevertheless, Kyrgyzstan has significantly privatized state assets yet also seen massive corruption. Throughout the 1990s corruption rose, reaching a peak in 2010 according to the *Bayesian Corruption Index*, a measure of corruption that ranks countries on a scale of 0 (no corruption) to 100 (most corruption) (Standaert 2015). Figure 1.1 provides observed values, fitted values, and 95 percent confidence intervals of the bivariate relationship between economic reform and corruption in 2014. As it shows, the effect of economic reform on corruption is difficult to discern. Some of the most reformed economies also exhibited higher levels

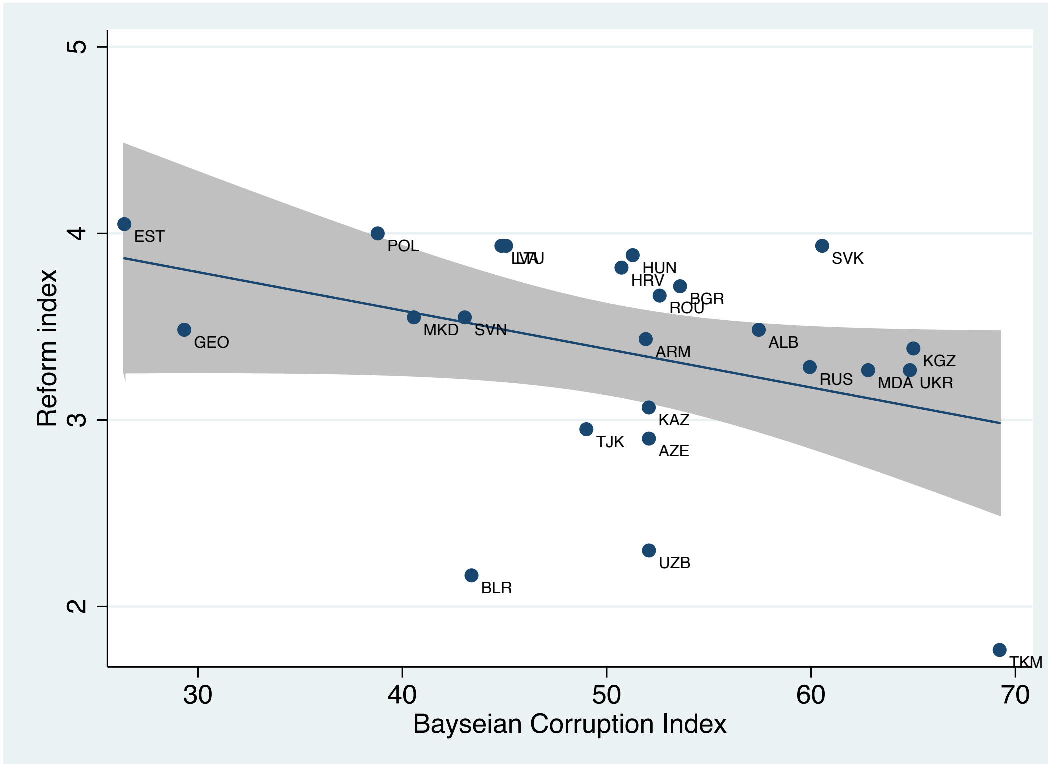

Fig. 1.1.: Corruption and reform, 2014.

of corruption than one would expect if privatization were the corruption cure neoliberals expected it to be. Corruption is present along the whole spectrum of reform scores. Although corruption was not part of the neoliberal reform program, its pervasiveness and growth with privatization made it an important aspect of the transition from Soviet-style economies, especially by the turn of the century.

By the mid-2000s the transition had become a disappointment in many countries, especially the former Soviet republics in Eurasia. Economic stabilization and privatization had not induced the political changes expected after successful reforms, and privatization, though mostly completed for small-scale enterprises, had not led to the political and economic liberalization predicted by the neoliberal advisers. Instead of leading to democracy, economic modernization (i.e. economic reform) had become a tool for building a strong state (Cheterian 2009). As privatization proceeded, it created a class of elites with wealth and interests to protect (Radnitz 2010a). These elites were insecure yet arrogant and transferred massive amounts of capital overseas in fear of a public backlash against their wealth generated at the expense of ordinary people (Cheterian 2009). Though it was supposed to reduce corruption, privatization also created corruption on a scale not seen even in the Soviet era. Overall, the transition had borne corruption, inefficient economies, capital flight, economic decline, and mass poverty among other side effects. Privatization outpaced the creation of institutions to govern markets, and early winners were able to manipulate new institutional arrangements to their benefit (Miller 2013). The majority of people in the region came to view the privatization process as illegitimate.

1.5 Reforms after 2000

Reforms in the 2000s and after the Color Revolutions were more elaborate than the privatization and liberalization efforts that had taken place after the Soviet collapse and in many areas were necessary to fix the negative effects of initial shock therapy. This "second stage" of reforms required political coordination and effective institutions to ensure that they were fair and effective. In fact, Gros and Steinherr point out that one of the main tasks for all countries, even after the "transition" was over, was that of building institutions and coming to terms with the difficulty of implementing the advice for the transition (2004, 134). Three main areas still on the agenda came with demanding institutional requirements and have presented the most significant challenges to building effective institutions. As of 2014, countries scored the lowest in corporate governance and enterprise restructuring and competition policy, with a region average of 2.6 from EBRD data (see Table 3.3 on page 84). Gros and Steinherr point out that tax collection and creating a social safety net and efficient financial regulation also presented difficulties for institution building. Because privatization was often corrupt itself, dealing with corruption presented yet another difficulty and source of frustration for publics in countries that had failed to build effective institutions. Issues of governance and corruption gained importance over the politically naive neoliberal reform packages that ignored the institutional requirements for economic success.

Aside from some of the more difficult aspects of large-scale privatization, in most countries privatization had been completed by the new decade. The reforms required now were the ones that had been largely ignored in the early 1990s by the neoliberal reform program. The first decade of economic reforms fractured many societies into a small group of elites who had benefited massively and resentful publics who had suffered from economic transformation (Cheterian 2009). Two basic groups of states emerged from years of economic transformation. In the first group are the states that have joined Western groups and adopted Western political and economic institutions. These are the states that the West generally considers "successful" because they have established capitalist and democratic systems. The second group encompasses those beyond the interests of the West whose citizens either quickly became disillusioned with neoliberal reform programs or who were not trusted to decide for the country. Without the pull of the EU and other Western groups, there was little motivation for further political and economic reforms.

By this time the neoliberal advisers had gradually begun accepting the importance of the state to the market and that stabilization, liberalization, and privatization had trade-offs (Ellman 2003; Mandel 2012). Corruption, rule of law, and governance reforms were popular with citizens, while in some cases elites wanted to revisit privatization in a more equitable way or further enterprise reform. The rallying cry of reformers in the mid-2000s became reducing corruption and inequality and improving government; for example, the rise of oligarchs in Ukraine provided a focal point for complaints about the ills of society as the oligarchs could serve as a stand in for the corruption and patronage that created a wealthy class of elites and left the broad population poor. Thus the reform agenda after the first decade of independence was significantly different from the agenda after the Soviet collapse. Many of the economic reforms had been completed, leaving the task of creating institutions that could regulate economies and make them efficient.

1.6 Road map

In this chapter I have introduced briefly the main argument of the dissertation and discussed two important theories regarding the determinants of the adoption of neoliberal economic policies in Soviet-style economies.. In the rest of the dissertation I elaborate on the argument and present empirical evidence to support it. The next chapter outlines in detail the main argument of the dissertation and discusses the scope and methods employed. The third chapter presents a statistical analysis of economic reform in the entire post-Soviet space, assessing the effects of initial elections on economic reforms. Chapters 4 through 6 are case studies. Chapter 4 details Georgia's economic policy since independence, outlining the initial avoidance of economic issues, consolidation of presidential power, and the Rose Revolution and corruption reforms in its wake. Ukraine's tumultuous independence is covered in Chapter 5, including the quadruple transition, the rise of patronage and oligarchs, and the Orange Revolutions and its effects. In Chapter 6 I discuss how Kyrgyzstan went from the most promising Central Asian state to a patronal regime marked by corruption and economic patronage and how the Tulip Revolution did little to disrupt these dynamics. A final chapter concludes.

2. THE ARGUMENT OF THE DISSERTATION

2.1 The argument

In this chapter I outline in detail the argument I make in this dissertation. I begin with the overall argument, incorporating elements of patronal politics and explaining how the economic aspects of patronalism are essential to understanding the adoption of neoliberal economic policies after the collapse of the Soviet Union. I then define the scope of the research and describe the cases I have selected for closer analysis.

The argument of this dissertation is twofold. First, economic policy is an instrument available in patronal societies for patrons to use as an instrument to consolidate power and punish rivals. Adopting some institutions of a market helps patronal presidents distribute benefits and legitimize their seizure of resources and prevents others from balancing against them (Laruelle 2012). As an instrument of patronal power, economic policy follows cycles of patronage. Second, the variation in economic policy within and between post-Soviet states is interesting and important to study, and previous literature has failed to capture the dynamics of economic reform since the collapse of the Soviet Union.

Both aspects of the argument reveal the primacy of politics and the institutions that condition elite behavior. Part of the failure to understand post-Soviet economic policy is a result of analyzing secondary factors that might influence the nature of institutions and the elites that inhabit them; these factors are no doubt important to the full picture, but a specific focus on elites and institutions provides insights often overlooked.

My argument emphasizes the importance of politics and institutions and combines two groups of theories of institutional change. Agency-centered theories argue that policy choices can overcome institutional constraints, while structural theories emphasize the difficulty of institutional design and argue that institutional legacies and initial conditions trump policy and prevent significant change (Johnson 2003). Structural analyses emphasize and effectively explain institutional continuity and consolidation, but explaining change is more difficult from a structural perspective. Indeed there are periods in a path-dependent process during which actors have more options available to them and are free to make decisions regarding the future development of political institutions. As Johnson points out, however, this freedom does not mean they will achieve their desired outcome. In the post-Soviet sphere, institutional obstacles make it difficult for elites not only to enact their agenda but especially to see it succeed. Ukraine, for example, had political institutions that made economic reform almost impossible for the first half decade of its independence. Reform programs were proposed, but institutional gridlock and uncertainty about division of power meant economic reforms were sacrificed in favor of power struggles.

Hale (2015) argues that the emergence of patronal politics is not largely determined by other factors often assumed to be causes of authoritarianism. States that are rich and poor, homogeneous and diverse, politically diverse or united, those that implemented extensive market reforms and those that clung to state control have all experienced the emergence of patronal regime dynamics. Similarly, geography and elections struggle to explain why Ukraine, in Eastern Europe and surrounded by reforming neighbors, failed to elect reformers initially and squandered its early years of independence without any real economic reforms, but eventually slowly created a market economy and experienced democratic politics. In contrast, Kyrgyzstan, far from Europe and surrounded by authoritarian neighbors, seemed to have done everything right when it elected a reformer and rapidly adopted neoliberal policies, only to abandon the appearance of a liberal regime in favor of patronage and corruption. The variation and discontinuity in reform efforts is difficult to explain in terms of geography and elections determining the institutions in place after the Soviet collapse.

Thus I argue in favor of the primacy of politics within institutions and shocks that modify how elites compete for power. The neoliberal model of economic reform after the Soviet collapse largely ignored the creation of effective institutions, so that institutional legacies and the institutions in place upon independence played a role in early reform policy. Countries that experienced patronal dynamics after the Soviet collapse there is also shared a lack of institutions associated with good governance that would have made reforms more effective. Where reforms were initially effective one sees the presence of institutions at independence to support economic reforms.

The discontinuity of reform efforts reinforces the importance of understanding how shocks play out and how they affect the exercise of and competition for power. In the wake of a shock, elite jockeying plays out under the rules of institutions: whether old rules or new rules dominate depends on the extent to which the shock disrupts old institutions. In many countries, shocks have not disrupted institutional configurations and competition for power takes the old form of patronage dynamics. One sees examples of this in Georgia and Kyrgyzstan—elites coordinated in times of loosened constraints to oust an unpopular president, and after their Color Revolutions new presidents consolidated power based on the institutions of patronalism. Ukraine, on the other hand, presents an example of institutions disrupted by a shock. The new constitution negotiated in the wake of the Orange Revolution weakened the president and established multiple sources of power, making it impossible to play by the old rules. In the following sections I discuss how my theory uses patronage and its economic aspects to argue that economic reform is part and parcel of patronal regime dynamics.

2.1.1 Patronal politics

Hale's theory of patronal politics provides a rationale for the causes of and political responses to shocks. I am interested in what happens with economic policy during and after the shocks. Fish argued that policy was largely determined based on who won the initial elections, but that was the short-term aftermath of the first shock. It also likely had to do with legacies of Soviet domination that some though would do as much to constrain future development as choices after its collapse (Bunce 1999). In the longer term, economic policy did display the institutional continuity Fish's argument would predict. During periods of extraordinary politics brought about by political shocks (such as the incumbent losing and opposition taking power), whether the cause is a revolution or the predictable cycle of patronal politics, economic policy tends to be more neoliberal in orientation because the new president and his supporters are not only unconstrained by institutional inertia but also by need to consolidate their power.

That elites have played a major role in the post-Soviet development is no surprise. Vicken Cheterian points out that the transition from Soviet-style planned economies relied heavily on elites driving social change (2009, 138). This perhaps also explains why the Color Revolutions also tended to be peaceful: rather than being a result of mass mobilization, elite-driven transitions did not require violent revolutions to make change possible. When the system is destroyed by its own elite, as happened with the Soviet Union, peaceful transformation is possible. Especially in systems with elite cohesion, mass privatization happened relatively calmly; on the other hand, in systems with elite competition, as was the case in Georgia and Ukraine, mass privatization was harsher.

Elite cohesion depends on the strength of the patron and, more specifically, on where the country is in the process of elite contestation and consolidation (Hale 2005). When a president faces a term limit or has decided not to run for reelection, elite cohesion will diminish as other elites decide whom to support. Expectations about when an incumbent will leave office are influenced by such forces as formal term limits, public opinion, and international intervention (Hale 2005, 135).

To these conditions I add political shocks that create uncertainty about the incumbent's survival and succession. Public opinion and international intervention might influence who becomes the successor and thus the choices elites make in whom to support, but political shocks can bring on the conditions that make these choices necessary in the first place. For example, Georgia's Rose Revolution was about corruption and dissatisfaction with the Shevardnadze government. Shevardnadze's lame-duck status, brought on by his decision to abide by the term limit that would force him to leave office in 2005, led many elites to back Saakashvili as the likely successor when he called for protests against Shevardnadze and the fraudulent 2003 parliamentary election (Hale 2005). The patronal cycle provided the circumstances for Saakashvili to challenge the system, and in political upheaval that followed, elites were freed from the previous systemic constraints under Shevardnadze.

Political shocks, whatever their cause, represent a window of opportunity for political and economic change and reveal the instability inherent in a system of power cycles. Where a country is in its cycle largely determines the amount of instability introduced after political shocks. In the patronal systems of Eurasia, chronic instability is masked by periods of elite contestation and consolidation. If a country is in a phase of consolidation, political shocks such as mass protests are unlikely to lead to elite turnover or regime change; on the other hand, when uncertainty is introduced by the incumbent not being up for reelection, a systemic shock can produce the conditions that make elite turnover and regime change possible (Hale 2005).

Political shocks can influence economic reforms in similar ways as reforms in post-Soviet countries often follow the patronal regime cycles. The cycles of patronal presidentialism make economic reform relatively predictable. Knowing where a country is in its patronal cycle, whether in periods of consolidation or contestation, allows the ability to predict the timing and success of economic reform efforts. Table 2.1 lists the two main phases of patronal dynamics and corresponding expectations for economic reform. During a consolidation phase or periods of uncertainty leading up to potential elite turnover, economic reform is unlikely to be attempted and, if it is attempted, it is not likely to succeed. A president lacks the political capital necessary to push reform through the system when there is uncertainty about about institutional constraints on power or who will succeed him.

After a political shock, it will depend on who succeeds the former president and top patron. If the president is reelected or able to install his successor, the system will enter a consolidation phase. Failure to disrupt a president's patronage network will allow him to quickly move to reward those who remained loyal and punish those who challenged him; the easiest way to accomplish these goals is through the economy by distributing the benefits of reforms appropriately. In cases where the president or his chosen successor is defeated, economic reform depends on how significantly the shock disrupted patronage networks in the country. Shocks that disrupt the patronage networks but not the system overall

Table 2.1.: *Patronal cycles and economic reform.*

Patronal cycle	Economic reform
Contestation: uncertainty about succession, new patron established, or patronal network disrupted	Unlikely: institutional uncertainty and lack of political capital
Consolidation: create or strengthen patronage network; reward allies and punish rivals	Likely: used as a tool to consolidate power

are more likely to lead to economic reform as the new president will seek to consolidate his power by distributing economic gains to his supporters. On the other hand, if the patronage system is disrupted, economic reform is unlikely as the new president will have to use other methods of consolidating power and cannot rely on distributing the benefits of economic reform. In sum, economic reform is likely both when the president is replaced (and the patronal system remains intact) and when he (or his chosen heir) remains, and it is unlikely when systemic patronage is disrupted. The irony is that democratic performance is only likely to improve when patronage networks are sufficiently disrupted, making democracy and economic reform unlikely to happen together.

2.1.2 The economic aspects of patronage

Drawing on Hale's concept of patronal presidentialism in post-Soviet countries, I argue that these regimes exhibit similar dynamics in their policies on economic reform. As a government model that distributes public goods to private actors, patronage has both political and economic aspects (Laruelle 2012, 314). Whereas many studies look at the political effects of patronage, I analyze the economic side. What can appear to be a new commitment to capitalism and market economics may not be evidence of the "transition" from Soviet-style economies, but rather part of the regular cycles of the economic aspect of patronage. Political change can occur in cycles rather than linearly, with some states cycling between democratic and authoritarian regimes (Hale 2005). In a similar manner, economic policy can cycle between liberalization and cronyism and corruption.

That economic patronage follows closely the cycles of patronal politics is not obvious from a perspective of path dependence or diffusion. Indeed much of what happens in these regimes happens behind the curtains, so to speak, according to informal and unwritten rules. The redistribution of public goods to private hands is not formalized, as the president distributes assets based on current loyalties (Laruelle 2012). Patronal societies may look different based on their formal institutions, but taking informal politics into account allows one to see how similar they are.

Because informal politics are fundamental to the political dynamics in post-Soviet regimes, politics within a country are often not as they seem to observers (Hale 2015). Formal laws exist, but they are subject to informal rules and only selectively enforced. For example, market reforms may be formally adopted, but often only exist on paper, hiding informal state participation in the economy. These informal relationships and rules require knowledge of particular countries or regions if we are to understand the dynamism within these regimes and the patronal politics that lie underneath. Patronal cycles explain regime dynamics in post-Soviet with remarkable accuracy, and though Hale focuses on political change, his theory of patronal cycles also explains the dynamics of economic reform well.

Whereas many studies of patronage focus on its political side, economic patronage refers to the link between economic policy and regime dynamics in post-Soviet hybrid regimes. Though the terms "patronage," "patronal politics," and "(neo)patrimonialism" all imply the fusion of the political and economic spheres under a centralized hierarchy (Laruelle 2012), my focus is strictly on the economic aspects of patronage. In order to enhance the legitimacy and durability of their rule, patronal presidents use economic policy and implement certain facets of a market economy (Laruelle 2012). This not only legitimizes their resource redistribution but also protects them from market forces that might challenge them.

These systems are also inherently prone to corruption. As a legacy of Soviet rule, systemic corruption has developed in different directions since the Soviet collapse (Stefes

2006). Whereas some countries, especially the Baltic nations, have used their desire to join their western neighbors to fight a successful battle against corruption, many former Soviet Union members recognized the benefits of maintaining the Soviet system of corruption. Corruption can be a means to exert hierarchical control wherein elites allow state officials to realize the benefits of corruption in return for loyalty and compliance with elite authority. Economic patronage, then, is a form of corruption that allows a patron to manipulate economic benefits in order to secure his control over clients.

Organizing and constructing a single network with the president at top requires not only skills but also resources and time (Hale 2012). Economic patronage is an important resource for a president seeking to consolidate power as it allows him to distribute rents to his clients and keeps them in line for fear of the flow of rents drying up. As the president works to establish himself atop a patronage pyramid, economic reform policies that allow him to direct benefits to his allies assist in this endeavor. In Ukraine, for example, Leonid Kuchma directed benefits to oligarchs on whom he depended for support, limiting lucrative privatization and licenses to his allies (Diuk 2001).

Necessary as it is to establishing and strengthening a patron's power, this rent distribution can at times work against the president. As Scott Radnitz (2010a) argues, privatization in these regimes creates a class of economic elites whose interests do not always align with those of the president. By investing domestically and internationally, newly wealthy elites can begin to make demands on the state, and when the president's future is in doubt, these elites are in place to support or join the opposition if it appears unlikely that the president or his successor will be able to maintain his patronage network. Economic patronage, therefore, both secures the president's power and status as the top patron and creates conditions that allow his former clients to jump ship at the right moment. The beneficiaries of early reforms depend on patrons, but patrons also depend on them as it is their wealth that helps support informal networks that are essential to accomplishing political goals (Barnes 2012).

Given the difficulty of organizing different networks into one under the president, uncertainty over who will be the next president can create moments of political chaos. Popular support often determines the outcome of succession struggles (Hale 2012). To the extent that elites can mobilize public support for their preferred candidate, Color Revolutions appear as elite-driven political shocks. In the wake of these shocks, a president's ability to consolidate power depends on the extent to which the previous patronage system has been disrupted. When the patronage system is destroyed, the new president will need more skill and resources to create a new one from scratch. In these cases economic reform is likely as the new president requires a method of distributing rents to elites from whom he needs support. This is what happened in Georgia and Kyrgyzstan after their Color Revolutions. Ukraine's revolution sufficiently disrupted the patronal system that it was nearly impossible for Viktor Yushchenko to establish his own patronage. Eventually, though, Yanukovych won the presidency and quickly reestablished patronage dynamics.

What might we expect in terms of economic reform in post-Soviet states? Based on my logic, post-Soviet states should be able to "overcome" the constraints of their initial elections and put reform on the table in the short to medium term. As presidents establish and consolidate their power, economic reform will follow, and scores should begin to look similar across the region between the countries that reformed quickly and those that waited. Adopting a path-dependent argument, one might hypothesize that elections determined the nature of economic reform in a given country they constrain the set of options available to policymakers. As Pierson (2004) notes, it can be almost impossible to change a course of action once selected. If Fish's argument holds and the results of initial elections represent important initial conditions, there should be little change in economic policy in a country over the course of the next decades. We should see countries diverge in their economic reform outcomes based on the results of their initial elections. Countries with bad initial conditions should remain poor performers while countries with favorable conditions will top reform indices. On the other hand, if initial elections not hold strong sway over economic reform outcomes (arguing against path dependence), we can expect more convergence as countries with worse initial conditions overcome their relatively deprived starting points. Timothy Frye (2010, 17) offers a helpful metaphor: "Should we view countries with bad initial conditions . . . as suffering from a birth defect whose effects will persist? Or

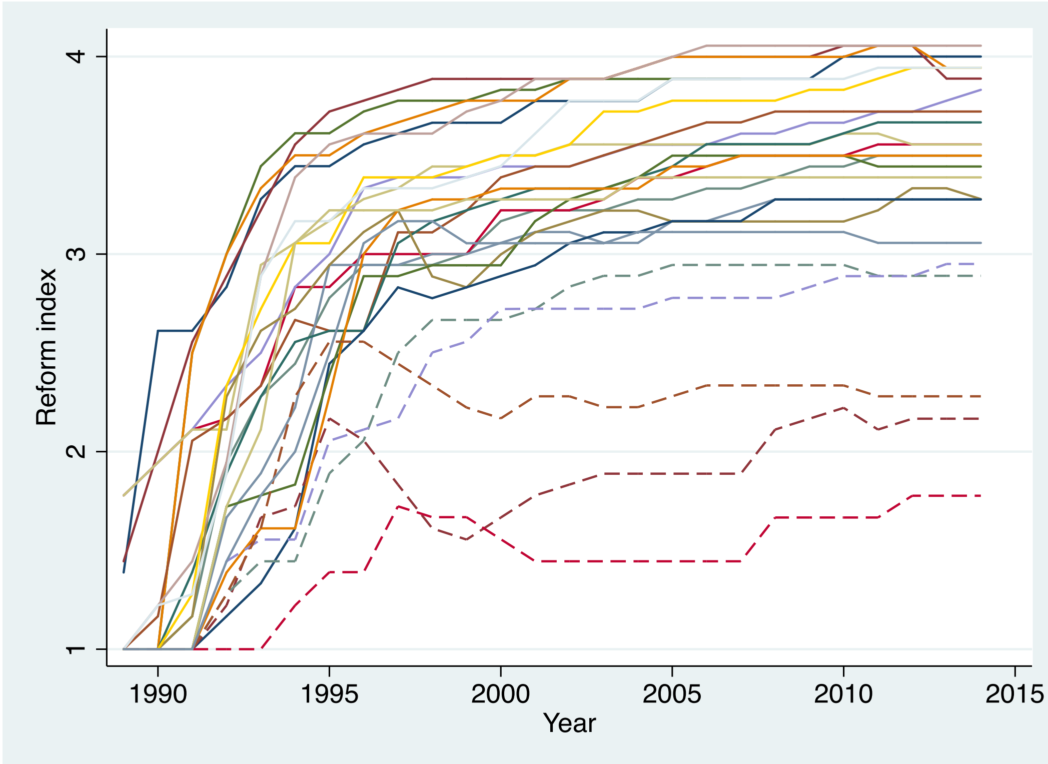

Fig. 2.1.: Reform index, 1989-2014.
Source: EBRD, various years.

are these countries struck by a childhood disease that has a pronounced effect early in the transition, but whose impacts recede with time?"

Empirically, there is at least visual evidence of overall convergence of economic reform scores. With few exceptions, each country in the post-Soviet world has implemented market reforms. Figure 2.1 shows the Reform Index scores for all 25 countries from 1989 to 2014. Of 25 countries in the post-Soviet realm, only Belarus, Tajikistan, Turkmenistan, and Uzbekistan remain below 3 on the Reform Index, but even these countries all initiated reforms in the mid-1990s before reverting to a more closed economy, while Tajikistan and Uzbekistan are only slightly behind the rest of the group. Whereas a score of 4 or above on the Reform Index indicates an economy that resembles the markets of advanced industrialized countries, a score of 3 means that a country has successfully implemented reforms in many areas of the economy, but still has significant work to do in terms of

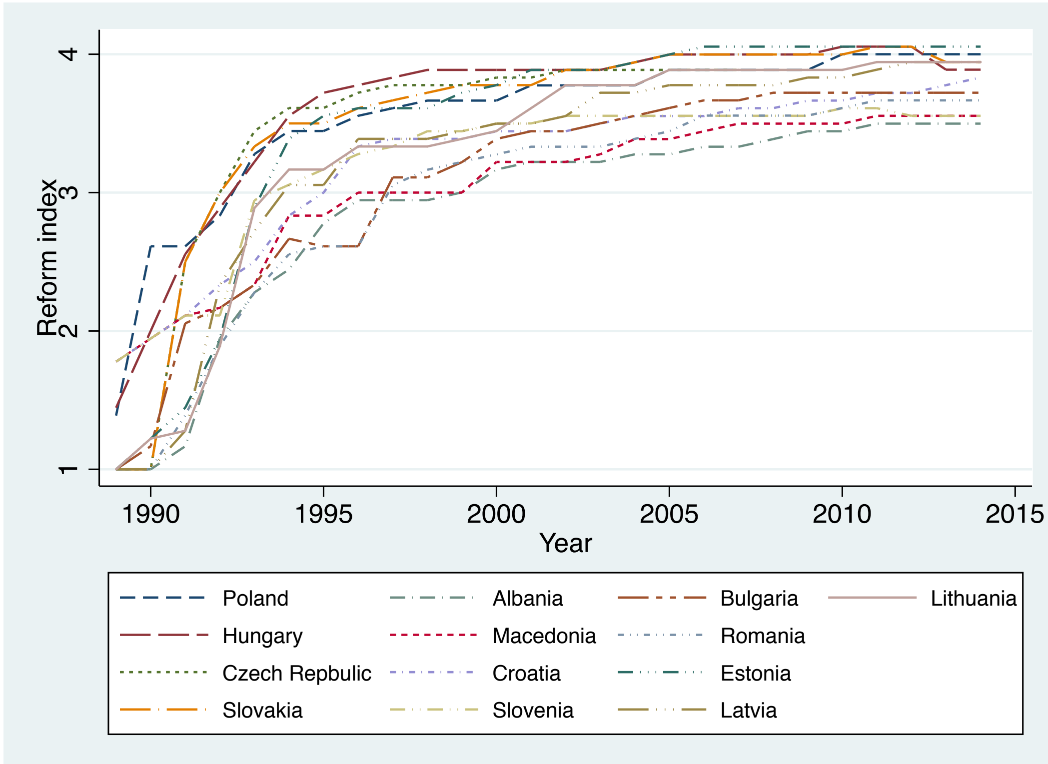

Fig. 2.2.: Reform index for CEE states, 1989-2014.
Source: EBRD, various years.

liberalization, marketization, and infrastructure reform. Though the figure indicates that the majority of countries have created economies that look similar from a macro-level, it also shows the variation within the region. Averages are helpful for recognizing trends, but even in the countries that are grouped at the top of the Reform Index have shown variation in how they got to their rating in the EBRD's 2014 *Transition Report*. Figures 2.2 and 2.3 provide a more detailed look at the two regions separately.

Table 2.2 lists the initial reform scores at the collapse of the Soviet Union and the score for the last year available in every country included in my analysis.[1] Every state has achieved at least some level of economic reform, with many being significantly more reformed than the results of their initial elections would predict. Whereas an argument based on initial elections would assume little to no reform in countries that did not replace

[1]The EBRD Reform Index is scaled from 1 to 4+ (4.33), with 1 being minimally reformed from a Soviet-style economy and 4+ being the most reformed, resembling an advanced market economy.

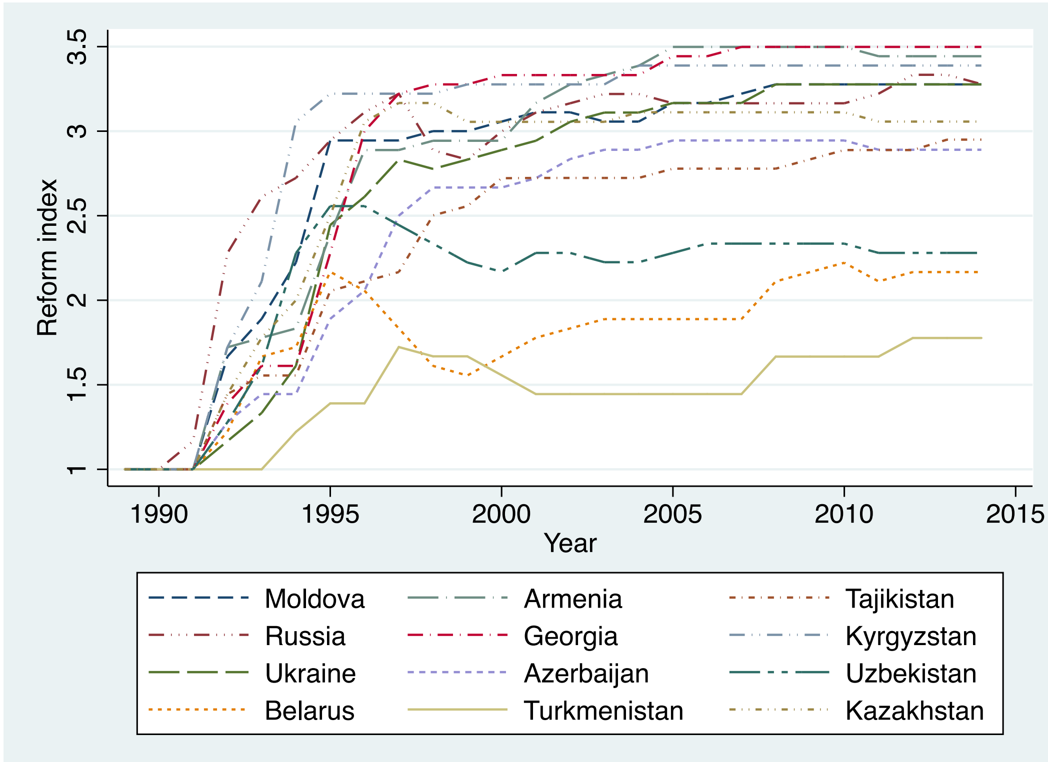

Fig. 2.3.: Reform index for Eurasian states, 1989-2014.
Source: EBRD, various years.

the old Soviet-style system, some countries have done exactly that. None of the cases in this research neatly follow the predictions generated by initial elections. Georgia first elected an opposition candidate but largely ignored economic reform until the mid-1990s, and only began reforming its economy under its second president, a former Communist Party first secretary and foreign minister. Ukraine's first president had been a member of the Communist Party until 1991 and largely ignored economic reforms. The second president and former prime minister pursued some economic reforms in the mid-1990s and by 2000 had "completed the market economy" (Åslund 2009, 5). Kyrgyzstan, however, defies expectations in a more dramatic way, electing a reformer who positioned himself as the bastion of liberalism in Central Asia. Kyrgyzstan pursued rapid economic reforms in the early 1990s, but by 1998 had come to look like its corrupt, illiberal neighbors.

Table 2.2.: *Economic reform scores in 1991 and 2014.*

Country	1991 Reform Score	2014 Reform Score
Albania	1.17	3.50
Armenia	1.00	3.44
Azerbaijan	1.00	2.89
Belarus	1.00	2.17
Bulgaria	2.06	3.72
Croatia	2.11	3.83
Czech Republic*	2.50	3.89
Estonia	1.45	4.06
Georgia	1.00	3.50
Hungary	2.56	3.89
Kazakhstan	1.00	3.06
Kyrgyzstan	1.00	3.39
Latvia	1.28	3.94
Lithuania	1.28	3.94
Macedonia	2.11	3.56
Moldova	1.00	3.28
Poland	2.61	4.00
Romania	1.39	3.67
Russia	1.17	3.28
Slovakia	2.50	3.94
Slovenia	2.11	3.56
Tajikistan	1.00	2.95
Turmenistan	1.00	1.78
Ukraine	1.00	3.28
Uzbekistan	1.00	2.28
Region Average:	1.49	3.37

*The Czech Republic graduated from EBRD programs in 2008 and EBRD stopped providing country assessments; data is from the last country assessment in 2007.

What explains the differences in these cases? Certainly initial elections do not preclude the subsequent election of a reformer, but the argument suggests that Georgia and Kyrgyzstan, having a clear victory by reformers in the first election, should have been better positioned to maintain the momentum and establish lasting market economies, while Ukraine's election of a former Communist Party leader should have kept it from developing a market. Of course Georgia elected a former Soviet dignitary in Eduard Shevardnadze within a few years of the initial elections, and he used economic reforms to consolidate power and establish himself as a patron.

Instead what is more important is the recognition of patronage dynamics in a given country. The politics of patronage are essential to understanding the effects of political shocks and the cycles of economic reform. In countries that exhibit patronal politics, a political shock stimulates economic reform if it disrupts the networks but not the dynamics of patronage. Political shocks that disrupt patronage make it more difficult for a new president to consolidate power, and when a president cannot effectively consolidate power, economic reform is virtually impossible. Shocks that merely disrupt the previously established network leave the president without elites to rely on, meaning he will need to use economic policy to distribute rents and establish a new patronage network. Thus in Kyrgyzstan Akaev's network was shattered, but Bakiev was able to use the remaining structures of patronage to quickly consolidate power. In Ukraine the creation of a divided-executive system destroyed patronage dynamics, meaning Yushchenko had to not only create a new network but also overcome institutional hurdles, something he failed to accomplish. When Yanukovych reinstated the presidentialist constitution, he also quickly restored patronage.

2.2 Scope and cases

This dissertation examines the effects of two political shocks and the nature of the transformation in the countries that were nominally part of the Soviet Union and address the shortcomings of previous research on the transition from Soviet-style political-economic systems. The first political shock is the collapse of the Soviet Union, which gave the states that had been under Soviet influence an opportunity to simultaneously restructure their political and economic institutions. The second political shock is the Color Revolutions in the mid-2000s, in which popular protests appeared to peacefully challenge governments after fraudulent elections in post-Soviet states. I examine the entire post-Soviet region after the collapse of the Soviet Union and compare three post-Soviet countries, Georgia, Ukraine, and Kyrgyzstan, after each of the two political shocks. This dissertation is thus a comparative analysis of political shocks and their effects on the adoption of neoliberal economic policies in the post-Soviet world.

The first goal of this dissertation is to revisit early scholarship on the determinants of economic reform after a political shock. According to one theory, initial elections after the collapse of the Soviet Union largely determined the extent of reform in a country. With over two decades of observations, we can evaluate to what extent that was the case. Quantitative analyses support the theory that early decisions after a shock affect future development in a country. The post-Soviet region also seems to support the notion that political and economic policy decisions cluster in time and space.

However, macro-level statistics that show political-economic dynamics consistent initial election results or diffusion belie the intricacies of political and economic reform in this region. In many cases, reforming the state and economy was much more complex than simply voting the right people into office or learning from one's neighbors. Even with reformers in office, economic liberalization is not guaranteed. It is important to examine both the macro-level trends and the complexities of experiences in individual countries. For these reasons, this dissertation revisits the early large-N research on the post-Soviet economic transition and analyzes in depth the experiences of three post-Soviet states after the collapse of the Soviet Union and again after the Color Revolutions each state experienced. In none of the three cases examined was economic reform as straightforward as path dependence or diffusion arguments sometimes imply; each case experienced successes and failures in political and economic reform. In fact, regardless of the results of the initial elections in the states, economic policy seems to flow in cycles: when economic liberalization occurs, a wave of corruption and authoritarianism eventually follows.

In this light, we can reevaluate some conclusions on the political and economic transformation after communism. When Fish and others wrote early in the transition, economic reform was synonymous with liberalization: because the economies were planned and closed off to the outside, if change was to be made at all, it was to liberalize. The post-Soviet transition, however, has produced more nuanced results, and even states that have not become market economies attempted at least some liberalization. Figure 2.4 demon-

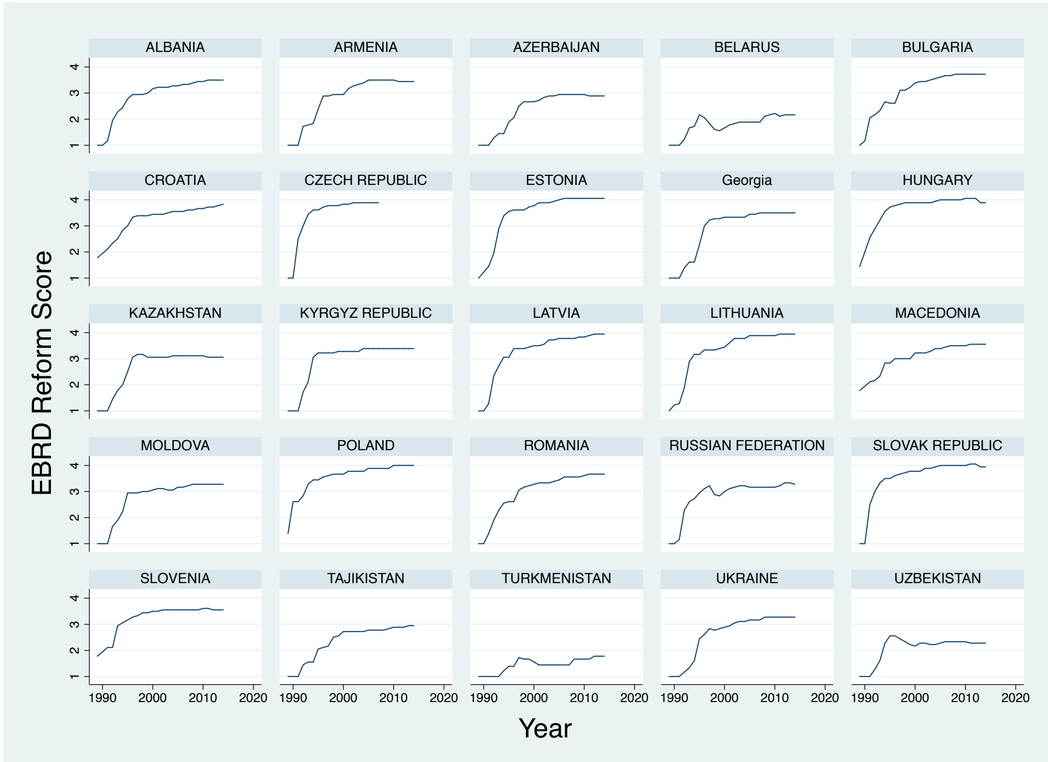

Fig. 2.4.: Reform index, 1989-2014.
Source: EBRD, various years.

strates that every country in the region has undergone economic reform to some extent. The graphs in Figure 2.4 also visually support the theory that the results of initial elections affected subsequent reforms and constrained future action in economic policy. Whatever the primary influence, most post-Soviet countries appear to stay on the same path, but analyses focusing on path dependence and diffusion tend to gloss over the most interesting aspects of transition. The variation within cases on the dependent variable, rather than the mean of the dependent variable, is an important consideration in this research.

This research is important for several reasons. First, with 25 years of observations, I can revisit important models of post-Soviet economic reform. Fish (1998) described short-term effects of initial elections, but short- and long-term effects can differ. With a longer duration, feedback effects can play out and become visible. Analysis so temporally close to the event cannot capture this (Grzymala-Busse 2011). Bernhard (2015) argues that, in order to be critical, junctures must generate path dependence. Many junctures offer the possibility of a new path but fail to create path dependence and thus are not critical junctures. Early studies may have identified important junctures, but because they were too temporally close to the events to see whether the junctures created path dependence, early studies might have witnessed instability or permissive conditions rather than critical junctures. The same applies to diffusion dynamics; whether diffusion works through learning or imitation, some time is required for actors to witness (and possibly evaluate and learn from) policies in other states (Brooks and Kurtz 2012; Elkins, Guzman, and Simmons 2006; Gilardi 2005; Simmons and Elkins 2004; Weyland 2005). Studying diffusion dynamics so close to the collapse of the Soviet Union suffers from the same lack of time as critical juncture arguments. Only with time can we step back and see whether elections were critical junctures that established path dependence and if diffusion was at work.

My case studies offer examples of the importance of studying variation over time. All three of my cases seem to have defied predictions based on their initial elections. Georgia and Ukraine have created economies that are flawed but close to being competitive market economies, whereas Kyrgyzstan has leveled off after its initial liberalization and not realized the promise of early efforts. That all three countries now have similar scores on the Reform Index is in itself an indication of the difficulty of making short-term predictions.

Second, the combination of a longer time horizon and in-depth studies of economic reform in three cases demonstrates that economic reform in many countries exhibits significantly more variation than institutional arguments predict and occurs in fairly predictable cycles tied to regime politics. The assumption that post-Soviet states are somehow in transition to something, toward capitalist markets, has caused scholars to under-theorizeand inadequately explain political and economic dynamics in post-Soviet countries.

The post-Soviet area has witnessed many instances of apparent breakthroughs of democracy and capitalism that, in the short term, look convincingly permanent. In fact it is common after a political shock, especially when it ushers in a period of apparent political and economic liberalization, for watchers to make big pronouncements about the transition being over, democracy having won, or capitalism being entrenched. Anders Åslund, a former adviser to President Leonid Kuchma of Ukraine, declared that Ukraine had become a market economy even as early as 2000 (with Kuchma in power and oligarchs only temporarily disrupted) and a democracy in 2004 after the Orange Revolution (2009). Similarly, Åslund co-edited a volume heralding the victory of capitalism over "communism" in which the former president of Georgia declared he had fixed the country's institutions and his reforms were irreversible (Saakashvili and Bendukidze 2014). As an ideologue first and foremost, Åslund has always advocated neoliberal economic policies without regard for the context or the needs of a particular state, so any moves to adopt neoliberal policies are deemed a success. That corruption would continue to rise after the Orange Revolution and patronalism would return with Yanukovych, or that Saakashvili would soon employ the same tactics as his predecessor all point to the importance of politics and the effects of institutions.

It can be tempting to assert that recent reforms have fundamentally changed politics, but without changing institutions, it is unlikely that politics will be different. Instead, as Hale (2005) argues, in order to explain and make predictions about post-Soviet politics and economic reform we must be mindful of the individual institutional configurations of these regimes and how they constrain and influence the behavior of elites. This focus will allow us to see the ways different elites and institutions lead to cycles of economic policy that oscillate between economic reform and growing corruption. A focus on the politics within institutions puts one in a better position to understand seemingly contradictory results.

Finally, analyzing and comparing two periods of shock in the same countries allows us to explore whether policies in response to each shock are different and why. One of the lessons economists and policymakers learned from the transition experience is that it is nearly impossible to tell when serious reform will be possible; because reforms can become feasible without warning, reformers have to be prepared to take advantage of any window of opportunity (Åslund and Djankov 2014). I argue, based on my case studies, that economic reform policy is predictable follows a similar pattern regardless of political shocks. As economic reform is most often pursued in the interest of consolidating power, it is rarely deep or popularly supported.

2.2.1 Two shocks in the post-Soviet world: Soviet collapse and Color Revolutions

For each political shock there are broader regional trends visible through macro-level quantitative analysis. It is also helpful to examine the effects of these shocks in more depth in three countries that experienced both shocks: Georgia, Ukraine, and Kyrgyzstan. The three cases help to unpack the broader view presented in the data and demonstrate that there are important variations within regional trends. This variation on the variable of interest, economic reform, is interesting in its own right, and a focus on variation rather than averages provides more insight into why initial elections might have had the effects they had and how countries went about reforming their economies. Even if path dependence is at work, it is important to see how it works. A simple focus on reformed versus unreformed, or annual average levels of reform, keeps us from seeing the political cycles of attempts to reform economies. The paths of reform in these countries are more cyclical than the overall statistics imply.

Table 2.3 outlines the major shocks experienced in Georgia, Ukraine, and Kyrgyzstan along with their short- and long-term political-economic results. Whereas each country reacted to the Soviet collapse differently, the medium-term results of the Color Revolutions were essentially the same: though it took longer in Ukraine than in Georgia and Kyrgyzstan, in all three countries brief periods of economic reforms (with varying success) gave way to the re-establishment of patronage and corruption.

Collapse of the Soviet Union

Two political shocks changed the course of events in the post-Soviet world. These shocks represent two possible windows of opportunity for large-scale reform. Georgia, Kyrgyzstan, and Ukraine reacted similarly to each, but not in ways they should have according to path dependence. The goal of this dissertation is to determine what happened

Table 2.3.: *Political shocks in Georgia, Ukraine, and Kyrgyzstan*.

Country	Shock	President defeated	Immediate result	Medium-term result
Georgia	USSR Collapse	NA	Civil wars, nationalism, ignoring economy.	Corruption, political closure
Ukraine	USSR Collapse	NA	Nation building, power struggle.	Corruption, power struggles, rise of oligarchs.
Kyrgyzstan	USSR Collapse	NA	Economic liberalization	Corruption, political closure.
Georgia	Rose Revolution 2003	Shevardnadze	Economic reform, anti-corruption campaign.	Return to patronage and corruption, second ouster in 2013.
Ukraine	Orange Revolution 2004	Kuchma	Brief political opening, minimal economic reform, weakened presidency, power struggles. Return of strong presidency, patronage, and corruption.	
Kyrgyzstan	Tulip Revolution 2005	Akaev	Lip service to economic reform, corruption.	Quick re-establishment of patronage, corruption, second ouster in 2010.

during and after those windows and why. Fish's logic requires the presence of reformers during the first window, after the collapse of the Soviet Union. My cases offer mixed support for that idea. Georgia and Ukraine both elected former Soviet leaders as their first post-Soviet heads of state. The immediate effect of not having reformers would predictably doom Georgia and Ukraine, but within a few years each country had a new reform-minded president. Georgia began to reform its economy starting in the mid-1990s under the former-Soviet Eduard Shevardnadze before patronage and corruption dominated the economy. Ukraine's second president, Leonid Kuchma, promised economic reforms when he was elected in 1994, but his term saw increasing corruption and tightening control over the media (Mitchell 2012). The sole reformer, Akaev reformed Kyrgyzstan's economy and institutions, but he changed them throughout the 1990s to centralize power in his ruling circle.

Reform goals differed during and after the two shocks. The reforms required after the collapse of the Soviet Union were more basic and drastic than the calls for reforms that led to the Color Revolutions. The immediate task after the Soviet collapse was the construction of basic institutions of economic and political life. Some countries tackled these two challenges simultaneously, whereas others prioritized one aspect over the other, and still others largely ignored one or both. The first goal of the transition from the Soviet Union was the establishment of market economies (Cheterian 2009). The task was large and comprehensive, including macroeconomic stabilization to centralize fiscal policy and stop hyperinflation, deregulation of prices and elimination of subsidies, privatization of state-owned assets and eliminating restrictions on the private sector, and establishing a social safety net to help new groups in need because of the massive economic changes (Åslund 2007). The results and effects of economic reforms were mixed, but the overall performance of the post-Soviet states was disappointing (Popov 2004). GDP, investment, and life expectancy all fell drastically by the end of the 1990s; income inequality and death rates rose. Ukraine's official output declined by 54% in the decade from 1989-1999 (Åslund 2005a). Georgia, Ukraine, and Kyrgyzstan all experienced economic decline immediately after the Soviet collapse. The post-Soviet countries responded differently to this shock; in most cases the goal was to liberalize the economy, which countries did to varying effect.

The transformations of Georgia, Kyrgyzstan, and Ukraine since the Soviet collapse were influenced by their Soviet experiences, but not necessarily in ways one might expect based on their reform trajectories. Other than having been part of the Soviet Union, the three countries do not have a lot in common (Mitchell 2012). Georgia and Ukraine had prior experiences with independent statehood, whereas the Kyrgyz state was essentially a Soviet creation. Georgia and Ukraine both had nationalist movements; in Georgia, nationalism was strong throughout the Soviet era, and in Ukraine a nationalist movement lasted well into the 1950s. Kyrgyzstan had no nationalist movement and only sought to secede once the USSR began to crumble.

Despite their different pasts, these three states displayed some similarities in their post-Soviet economic lives. Like all post-Soviet states, Georgia, Kyrgyzstan, and Ukraine suffered massive economic decline in the early 1990s, but had recovered to some extent by the mid-1990s. By the late 1990s, all three countries had former Soviet leaders at the top of government, and since the initial presidents, all leaders in these countries have served in the previous government in some capacity. These countries also share the cycles of corruption and reforms, just as they all exhibit the cyclical nature of patronal politics.

After the collapse of the Soviet Union, economic reform was either slow or ineffective in many post-Soviet states. Georgia did little to reform the economy for the first few years of independence and, according to economist and former Georgian Minister of Economy Vladimer Papava, largely disregarded economics until 1994 (2006). The only real step towards reform in that period was liberalizing prices. For the next four years Georgia carried out reforms in cooperation with the IMF and World Bank, but a budget crisis in 1999 led to a rise in corruption. Ukraine had an even more difficult transition than many post-Soviet states; instead of just building democratic institutions and markets, Ukraine's transition included democratization, marketization, and nation and state building (D'Anieri, Kravchuk, and Kuzio 1999). There was also the issue of transitioning from rule by a foreign power, which left an institutional void in Ukraine. Any reformers, and their reform programs, were undermined when the global economic crisis hit Ukraine. Between 1993 and 1998 Ukraine achieved the key objectives of establishing a currency, liberalizing prices, eliminating many subsidies, and greater fiscal discipline. However, a lack of economic policy coupled with mismanagement of the economy put the country at risk of collapse (Åslund 2005a). Eventually, Viktor Yushchenko privatized big firms and went after oligarchs in Ukraine after his election as prime minister in 1999.

Kyrgyzstan began the 1990s as a rapid reformer, establishing a market economy, privatizing much of its industry, and displaying a liberalism in political life that was uncharacteristic of the region, only to revert to authoritarian political and economic practices by the early 2000s (Abazov 1999; Åslund 2005b; Lewis 2010).

By 1998, Georgia and Ukraine looked very similar: poor economic performance, minimal economic liberalization, and corruption that hindered the functioning of the state and the market. Kyrgyzstan, on the other hand, elected a reform-minded former Soviet leader in Askar Akaev, and his economic and political reforms led to Kyrgyzstan being known as an "island of democracy" in Central Asia (Radnitz 2010b). The corruption evident in Georgia and Ukraine quickly crept into Kyrgyzstan, eventually making it nearly impossible for the economy or state to function (Lewis 2010; Mitchell 2012).

The lesson from these cases after the Soviet collapse is that it matters little who wins the initial elections. Rather, what matters is patronalism, as each president sought to consolidate his power and distribute benefits to elites in exchange for support.[2] In a country that allows the president significant control over the reform process, he can direct reform measures such that they benefit his allies. In these countries, privatization was a particularly effective method of wealth distribution that in return gained support from elites. Countries that did not exhibit patronal politics after the Soviet collapse reformed their economies quickly with help from the European Union. Table 2.4 lists the major phases of economic reform in my case studies and how they align with cycles of patronage.

[2]Though multiple concepts exist to accurately describe politics in patronal societies, Hale (2015) argues that "patronal" is more general and subsumes other concepts such as clientelism and neopatrimonialism. Throughout this project I use the terms "patronal" and "patronage" (and their various forms) interchangeably.

Table 2.4.: *Economic reform and patronage in Georgian, Ukraine, and Kyrgyzstan.*

Country	Economic reform	Patronal cycle
Georgia	No reform until 1994.	Contestation phase/no consolidation.
	Some reform 1994-1998.	Consolidation phase.
	Corruption grew 1998-2003.	Strengthen and consolidate.
	Rose Revolution, then some reform.	Consolidation after decisive win.
	Corruption, return to patronage.	Return to patronage after consolidation; strengthen power.
Ukraine	Minimal reform until 1994.	Contestation phase/no consolidation.
	Reform begins mid-1990s until 2000.	Consolidation phase.
	Little reform, but corruption grows, 2000-2004.	Strengthen power.
	Orange Revolution; minimal reform.	Disruption of patronage dynamics.
	Yanukovych reinstates presidentialist constitution; minimal reform; corruption	New consolidation phase.
Kyrgyzstan	Immediate liberalization and privatization.	Consolidation.
	Privatization benefits Akaev family and allies; corruption becomes apparent.	Strengthen network and power.
	Tulip Revolution; little to no reform.	Bakiev quickly creates new patronage system; consolidation phase.

Color Revolutions

The Color Revolutions allow us to look at how two shocks led to different outcomes, with different responses to the revolutions and variation within and across countries (Pop-Eleches and Robertson 2014). In the context of the Color Revolutions we can examine economic policy in the wake of a second political shock, popular protests and elite turnover. Bunce and Wolchik (2006) find that, in the post-Soviet region, electoral outcomes significantly affect political outcomes, so it is reasonable to expect that economic policy would change as a result of political upheaval based on elections. With a look at the data it would appear that economic policy after this political shock is mixed. Figure 2.5 shows economic reform scores after a Color Revolution in each state that experienced one, following Julia Gerlach's (2014) conceptualization of the revolutions.[3] The figure includes countries that experienced both successful (Georgia (2003), Ukraine (2004), and Kyrgyzstan (2005)) and unsuccessful revolutions (Amenia (2003), Azerbaijan (2005), Belarus (2006), and Russia (2011)). Each country's line begins in the year after the beginning of its revolution. Economic liberalization sometimes followed in the immediate wake of the Color Revolutions, but reversals came in the medium term. Overall there seems to be little difference in economic reform scores regardless of whether a revolution was successful: in most cases the response was minimal economic reform. In some ways this mirrors the performance in these countries on various institutional indicators of democratic performance. The initial hopes of democratic consolidation after the Color Revolutions quickly gave way to disappointment as many of the regimes had returned to the political dynamics that sparked the mass protests in the first place. The one country that experienced an increase in democratic performance, Ukraine, actually suffered in terms of economic reform specifically as a result of its more competitive political atmosphere: the divided-executive system initiated after the Orange Revolution was good for democracy, but its effect on economic reforms was significantly less positive.

Figure 2.6 shows the reform index for Georgian, Ukraine, and Kyrgyzstan after their successful revolutions. In these countries prodemocracy forces ousted corrupt post-Soviet administrations and brought new governments to power, while protests in many other countries were not as successful (Gerlach 2014; Mitchell 2012). The new governments were initially seen as prodemocracy and pro-Western and positioned themselves as economic reformers, intent on combating corruption, but the revolutions' effects had dissipated or suffered major setbacks by 2010. Economic reform after the Color Revolutions was sporadic; only in Georgia were there serious efforts to finish the transformation of the economy and eliminate corruption.

[3]Gerlach includes Serbia's "Bulldozer Revolution" in her list of successful cases, but Serbia is not in my analysis because it is not generally included in research on post-Soviet politics.

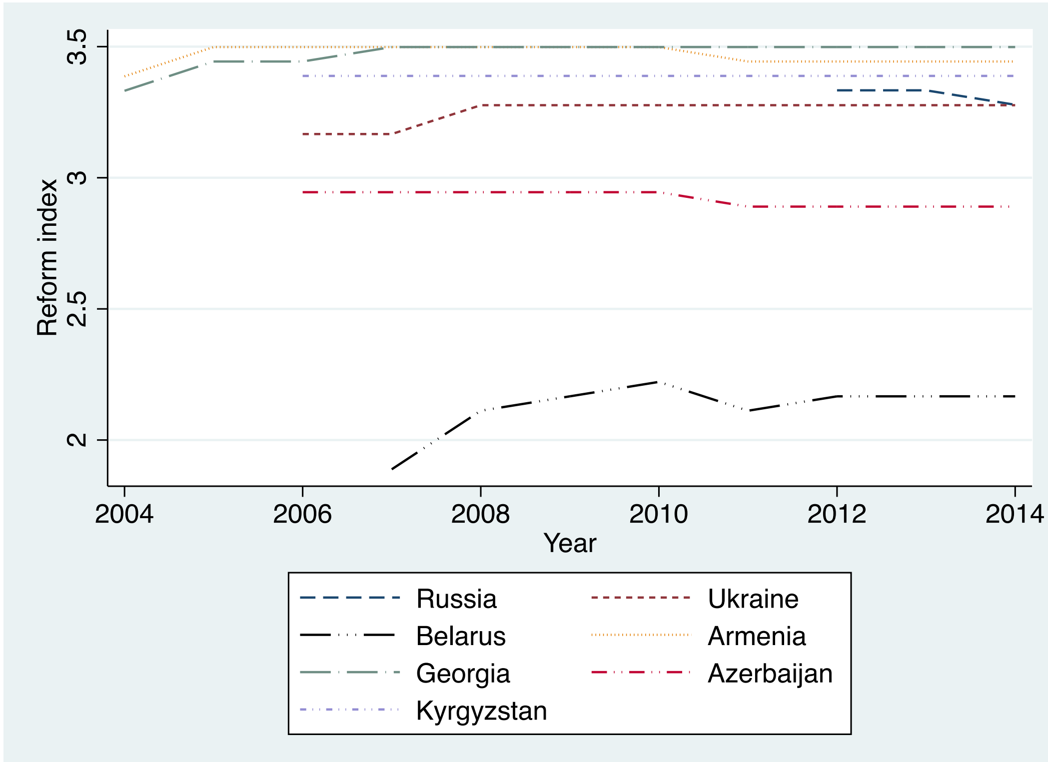

Fig. 2.5.: Economic reform scores after Color Revolutions in Eurasia.
Source: EBRD.

The differences in economic policy after the shock of the Color Revolutions in Georgia, Ukraine, and Kyrgyzstan could be down to the nature of economic reform in the 2000s. By the mid-2000s, many post-Soviet countries had made progress in economic reform. The early goals of liberalization were partially complete, but significant hurdles to free market economies remained in many states. Whereas initial reform efforts stressed liberalization, privatization, and stabilization, economic reform had a different nature a decade later, focusing more on corruption, the rule of law, and reducing budget deficits (Åslund 2005a; Papava 2006). The elite-driven top-down reforms of the early 1990s had not made the majority of people in post-Soviet states better off, and the elites that had led transition programs saw their popularity drop as perceptions of them having failed to deliver spread (Cheterian 2009). Privatization had been advanced in many countries, but in

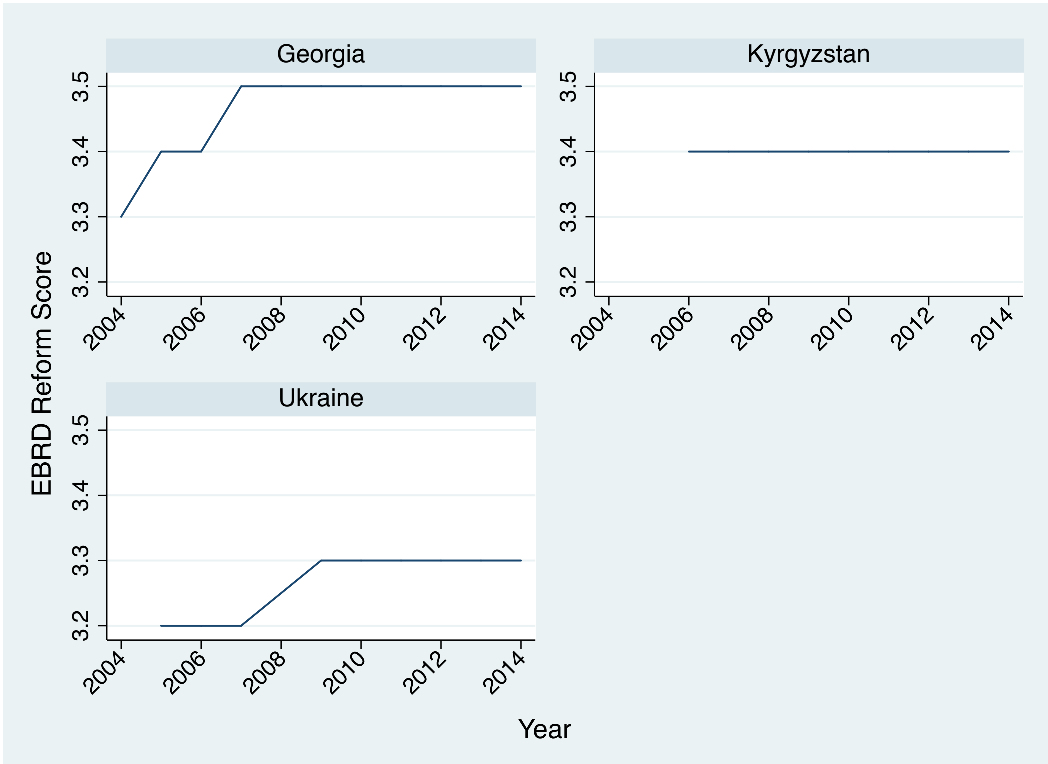

Fig. 2.6.: Economic reform scores after Color Revolutions in Georgia (2003), Ukraine (2004), and Kyrgyzstan (2005).
Source: EBRD.

many former Soviet Union republics the markets that replaced the Soviet-style economies were plagued by corruption and patronage and property rights were not guaranteed.

Corruption is a characteristic of these states, and it remained a problem throughout the regimes that were eventually ousted (Mitchell 2012; Radnitz 2010a). The regimes in Georgia, Ukraine, and Kyrgyzstan all had former Soviet leaders and were essentially a continuation of the Soviet system (Mitchell 2012). They seemed liberal in comparison with their neighbors, but all suffered from cronyism, corruption, and electoral fraud. The regimes had similar political histories and underwent similar political changes within a short time span.

In Georgia, Ukraine, and Kyrgyzstan, corruption was either growing or had never been dealt with in the first place. The Georgian state was riddled with corruption; Shevard-nadze's policies created a state prone to criminal networks and powerful non-transparent institutions (Gerlach 2014). The rise of corruption in Georgia made its elimination the major area of reform after the Rose Revolution. Shevardnadze's regime became increasingly corrupt, and government ineptitude made attempts to overcome economic crisis ineffective (Papava 2006).

Ukraine's economic reforms had led to an increase in GDP between 2000 and 2004, but the divide between east and west Ukraine and the political system established by Kuchma, who had been president since 1994, led to a tense political situation, and oligarchs had captured independent Ukraine under Kuchma (Gerlach 2014). Ukraine achieved a balanced budget and improving macroeconomic indicators by 2001; Yushchenko restored Ukraine's creditworthiness and turned the economy around (Åslund 2005a). Many of the efforts aimed at establishing rule of law and eliminating corruption did not last, however, as government officials disregarded the rule of law.

Akaev was seen as a political and economic reformer in Kyrgyzstan, and by the mid-1990s the country had undergone market reforms and was liberal in comparison with the rest of the region (Gerlach 2014). Kyrgyzstan had initially privatized small enterprises and opened up to foreign trade, but Askar Akaev's regime exhibited widespread corruption and economic troubles (Radnitz 2010a). Economic downturn, ethnic conflict in the south of Kyrgyzstan, and conflict with the Communists brought Akaev under pressure (Gerlach 2014). To deal with this pressure, Akaev's response was to concentrate power in the presidency, jail opposition leaders, and ban rivals from running for office. Reforms after the Color Revolutions were more about transparency and curbing corruption than market liberalization and privatization.

In my three cases, Color Revolutions occurred despite the fact that all three countries were significantly more economically liberal than they were in 1991. Ukraine was even on a slight positive trend in economic liberalization before the Orange Revolution, and Georgia was in the middle of a moderate increase (see Figure 2.7). These slight increases in economic reforms are likely the result of presidents in Georgia and Ukraine, mindful of their precarious positions and uncertain of the future of their patronage networks, pushing through some reforms to benefit elites whose support they hoped to shore

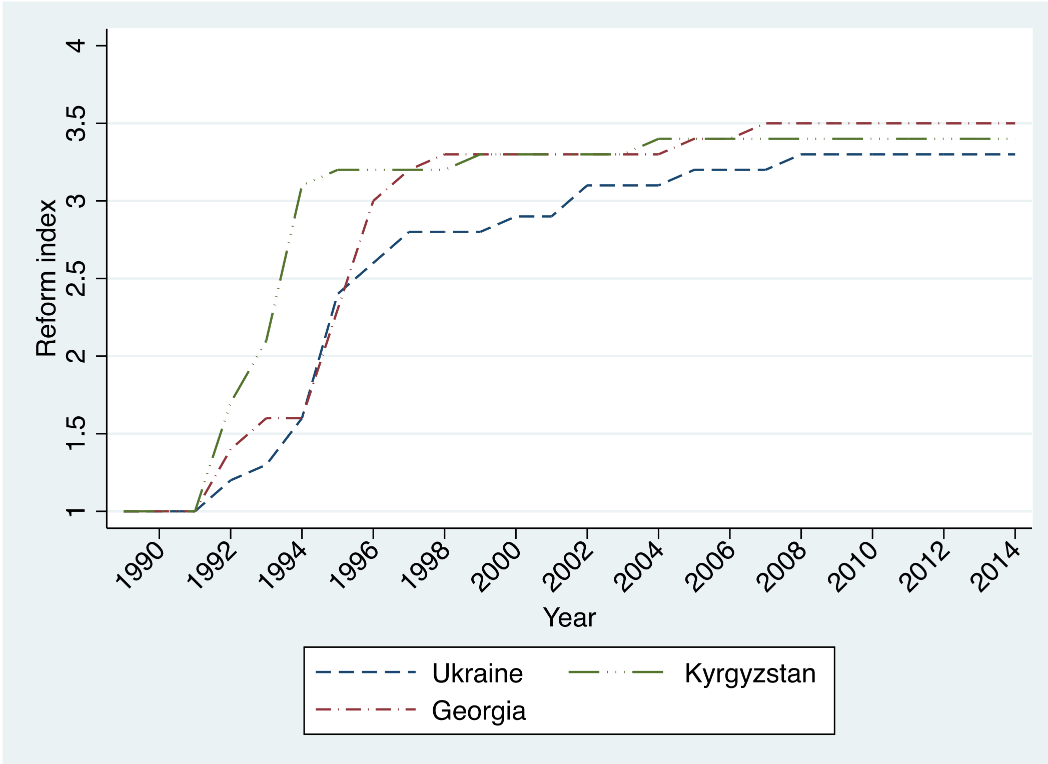

Fig. 2.7.: Reform index for Georgia, Kyrgyzstan, and Ukraine, 1989-2014.
Source: EBRD.

up. Georgia and Kyrgyzstan both had higher liberalization scores than Ukraine when they experienced their Color Revolutions, but the revolutions in those states prompted further economic reform, especially weeding out corruption. Georgia and Kyrgyzstan followed the same trend line in their liberalization scores, but the cycles of policy changes are important to understanding their post-Soviet experiences. Ukraine spent the last half of the 1990s trending positively, but after the Orange Revolution, which led to the only truly democratic era in the post-Soviet states, economic policy became significantly less free.

Again after the Color Revolutions we see the demonstration that economic policy follows the cycles of patronal politics. In each of the three cases, new presidents took office during a contestation phase. The efficiency with which each consolidated power determined the speed and extent of economic reform after the shock. In Georgia, newly elected president Mikhail Saakashvili immediately set about consolidating power in his presidency, and he used economic reform as one of his methods in doing so. Waging an anti-corruption campaign, he also went after supporters of the previous regime. His administration was initially praised for its economic reform efforts, but the vigor soon waned once Shevardnadze had sufficiently distributed rents to consolidate his power. Ukraine's newly weakened president, Viktor Yushchenko, lacked the ability to consolidate power and his administration succumbed to political infighting after the briefest period of economic reforms. Kurmanbek Bakiev in Kyrgyzstan wasted little time before consolidating power and returning to the corruption of the previous regime. These new presidents represented little more than changes in the leadership of patronal regimes, and the political shocks ultimately had little effect on economic reform.

Despite the liberalization of their economies, the expected political liberalization had hardly followed, and in many post-Soviet states disillusionment with economic reforms led to growing demands for social and political change with no clear method to achieve it (Cheterian 2009). Elections were not free and fair and were frequently fixed, and elites used a battery of strategies to prevent legal transfers of power. Cheterian describes the Color Revolutions as votes of no confidence in the neoliberal transition program, as revolts "against the failure of the first generation of ex-nomenklatura reformers . . . to bring the transition to its conclusion, and against a decade of disillusionment and failure" (2009, 143).

The Color Revolutions were hardly revolutions in the common political science conceptualization of the term. Although they had the element of mass participation that eventually provided a catalyst for leadership change, the Color Revolutions were led by elites who had held powerful positions in the governments they sought to replace (Cheterian 2009, 143). The Rose Revolution in Georgia was led by two former speakers of parliament, Zurab Zhvania and Nino Burjanadza, and former justice minister Mikheil Saakashvili. Ukraine's Orange Revolution was led by Viktor Yushchenko, a former prime minister and head of the Ukrainian National Bank, and Yulia Tymoshenko, an oligarch and former deputy prime minister under Yushchenko. In Kyrgyzstan, former prime minister Kurmanbek Bakiev led the Tulip Revolution with Felix Kulov, a former vice president.

Reinforcing the idea that the Color Revolutions were simple swaps of the patron at the top of the pyramid is the fact that two of the three countries quickly went back to the same political maneuvering that had led to the uprisings in the first place. Only in Ukraine did the revolution lead to political change, coming in the form of a new divided-executive system that made further economic reforms all but impossible and that was done away with after the next presidential election.

Ukraine's new president and former opposition leader, Viktor Yushchenko, took office after leading the Orange Coalition to a negotiated transfer of power with Leonid Kuchma. The deal included a weaker presidency that precluded Yushchenko from much of what he wanted to accomplish. In fact, the economic reform trend after the Orange Revolution is negative aside from a brief initial period of liberalization. With the presidency weakened and parliament strengthened, Yushchenko lacked the ability to consolidate power in his office, and thus he was unable to direct economic reform to the benefit of his allies. This mirrors the political situation in Ukraine. The the Orange Coalition split shortly after coming to power. In a replay of the dynamics of 1990s Ukraine, it was personal political conflict that led to the split and resulted in political instability until Viktor Yanukovich was elected in 2010 (Gerlach 2014).

This analysis shows that post-Soviet economic reform has more in common with cycles of patronage and patronal presidentialism than with the results of initial elections or path dependence. Political shocks have had different but not significant effects. Why did these once promising windows of opportunity not live up to their potential? Part of the problem is one of expectations, but it also comes down to the economics of patronage. When a new president gains power in a patronal regime, his first task is to consolidate power. Economic reform is a relatively quick way to distribute benefits to one's supporters and can be done such that the benefits are limited. Privatization is particularly effective for this purpose.

The Orange Revolution produced a window for economic reform, but the policy changes were not in the direction of liberalization. Ukraine would seem to be a counterexample to the argument that democracy brings economic liberalization, though, like in the

1990s, Ukraine shows that movement towards democracy does not mean stability. Instability seems to have the same effect on economic liberalization that it has on democratization; both processes appear to require a stable political environment to succeed.

2.3 Research design

This dissertation will use mixed methods to study economic reform after political shocks in 25 post-Soviet states. The quantitative section is devoted to revisiting earlier studies on the determinants of neoliberal economic policy adoption, including updating the analysis with 20 years of additional data and including variables that have since been shown to affect economic policy. The qualitative section presents three cases of post-Soviet transformation, looking more closely at examples of the difficulty of establishing a market economy. This provides insight into broad trends in the larger dataset and the nature of economic reform and demonstrates that elections and geography, despite their ability to generate predictions about macro-level trends, do not tell give us much insight into any single country, which can be misleading.

2.3.1 Quantitative analysis

I will discuss the quantitative methods in detail in the next chapter. For now it will suffice to provide a brief overview of the research design and methods. The quantitative section looks at the political shock of the collapse of the Soviet Union and revisits two theories of economic reform, initial elections and diffusion. I extend the time period of analysis and measure how the variables of interest have influenced post-Soviet transitions over time. The two additional decades of data allow more confident predictions regarding the nature of economic and political reform, and the initial trends Fish revealed can be analyzed from a distance.

I use regression analysis and to study the effects of elections after upheaval, both after the fall of communism and after the Color Revolutions. I will study economic reform in 25 post-Soviet states of Europe and Asia, using data from the EBRD to create a reform index from 1989 to 2014. The first section will deal with two important theories of the causes of economic reform, initial elections and diffusion, and provides a reanalysis of Fish's and Kopstein and Reilly's work using time-series cross-section data covering the two decades since communism's collapse. The two additional decades of data allow for more confident predictions regarding the nature of economic and political reform, and the initial trends Fish revealed can be analyzed from a distance. If Fish's argument holds, there should be little change in economic policy after the initial period of liberalization, and there should be minimal reversals of reform, whereas the diffusion argument suggests that we should see countries converge at similar levels of liberalization.

2.3.2 Case studies

The next three chapters present my case studies of Georgia, Ukraine, and Kyrgyzstan, organized chronologically by the date of their Color Revolutions. The qualitative analysis looks at three states that were part of the Soviet Union and examines their experiences with reform after the two political shocks. These are the three "classic" Color Revolutions (Hale 2015), sharing temporal proximity, occurring between 2003 and 2005, and post-Soviet dynamics. The spatial proximity of these cases also helps control for geography, culture, and recent history (Radnitz 2010a), yet they exhibit differences in their adoption of neoliberal economic policies. In terms of John Gerring and Lee Cojocaru's (2016) typology, these cases serve largely descriptive purposes although they do provide insights into how researchers might more easily predict the timing of reform efforts in the future. They present typical cases of economic reform in countries that experienced Color Revolutions; they also provide insights into why other post-Soviet countries reformed more quickly and did not experience revolutions. My cases are largely descriptive in that I seek to trace the development of economic policy adoption after the Soviet collapse. They are also explanatory, as an important goal is to explain why Georgia, Ukraine, and Kyrgyzstan responded to the shocks the way they did and how their responses condition their adoption of the neoliberal economic reform agenda.

This case selection allows for comparison by analyzing three countries that took different routes to a remarkably similar end point. Each country had different experiences adopting neoliberal reforms, but by 2014 they all scored high in the EBRD's reform dimensions except "Governance and Enterprise Restructuring" and "Competition Policy," and their overall reform index scores are also similar (refer to Figure 2.7 on page 67.) Looking at the progression of reforms, the main variation between countries is the timing of neoliberal policy adoption, which can only be explained by case study analysis.

The shared Soviet experience links these countries and their recent political histories (Mitchell 2012), but the differences in these cases do not provide a ready explanation for why Kyrgyzstan reformed immediately but Georgia and Ukraine ended up as late reformers and why Georgia and Kyrgyzstan stayed on their positive trend of economic reform scores after the Rose and Tulip Revolutions, but Ukraine reversed course after the Orange Revolution. Georgia and Ukraine both have histories of being independent states, whereas Kyrgyzstan only became a state in the modern sense under Soviet rule. As a Soviet republic, Ukraine had a nationalist movement with support in the west, but in the east a large minority of Russians has slowed efforts to reorient the country toward the West (Mitchell 2012). Georgia, meanwhile, had a different role in the Soviet Union, and Georgian nationalism was strong, with a referendum for independence in 1991. Kyrgyzstan's lack of a pre-Soviet state meant that the political effects of the Soviet Union were greater than in the other cases, but it did not attempt to leave the Soviet Union until the union began to crumble. Neither do initial elections offer a ready explanation for why the lone reformer reversed course while one of the late reformers eventually found success and the other late reformer continued to struggle creating a market economy.

Thus the similarities of these cases make them good candidates for comparison, while the differences do not seem to be able to explain differing reactions to each political shock. This will be useful not only for looking at Fish's theory, but also in addressing Way's (2002) point that the clustering of cultural, institutional, and geographic variables hinders the ability to sort different theories of development.

Georgia, Kyrgyzstan, and Ukraine were all Soviet Socialist Republics and experienced the shock of the collapse of the Soviet Union as their political order disintegrated. The first political shock offered these states the opportunity to rebuild their political institutions, but they also had to create a market economy. Responses to these challenges differed, but not in ways that path dependence, geography, or Fish's (1998) results might predict. Georgia and Kyrgyzstan both replaced the former Soviets in their initial elections, according to Fish, but only Kyrgyzstan attempted economic reforms to a large extent. Ukraine elected as president a former Communist Party leader. Given the expectations of path dependence arguments and Fish's assertion that replacing communists was a necessary (but not sufficient) condition for economic reforms, one might expect Georgia and Kyrgyzstan to be reformist states and Ukraine to struggle. In fact, Georgia and Ukraine struggled with economic policy until at least the mid-1990s, whereas Kyrgyzstan became a politically liberal and economically reformed state relative to its region. Tracing the process of economic reform, and the political struggles inherent in reforming the economy, gives us a better picture of what actually happened and why some states did not fit the pattern suggested in the path dependence literature. None of these cases fit a critical juncture argument well; Kyrgyzstan perhaps falls most closely in line, but it only stayed on the initial path until the turn of the century. In all cases, politicians appear free to implement reforms, or at least attempt to do so; the question is whether they had the ability and the backing of other politicians and the legislature.

The Color Revolutions in the mid-2000s present a chance to examine critical junctures in a more recent context, looking at economic reform after periods of extraordinary politics in which the public demanded political change. As rare events, the Color Revolutions are suitable to case analysis. Bennett and Elman (2006) note that case studies are helpful in analysis of path dependence and analyzing complex causality even when studying one or a few cases. The Color Revolutions are not only a chance to look at critical junctures in a new context, but they also have implications for Fish's original argument; Radnitz (2010a) argues that in states that underwent reform, an independent capitalist class emerged that eventually helped challenge the regime. This capitalist class, more than public protests, is important for the success or failure of the Color Revolutions. When the faced with uncertainty about the incumbent's prospects and thus their chances of continued patronage, the capitalist class decides whether to back or challenge the incumbent. The Color Revolutions are examples of elites siding with challengers, having gained a position to make that choice as a result of earlier privatization. Fish's argument would predict in two of the cases a persistent lack of economic reform. Georgia and Ukraine, however, have since become largely market economies. The other case, Kyrgyzstan, pursued liberalization and reforms aggressively early in the transition before the dynamics of patronal politics became apparent.

Finally, my case selection, by identifying political dynamics within institutions that have significant effects on economic policy, allows me to generalize my findings to other post-Soviet states. By identifying patronal politics as a major factor hampering economic reforms and determining their timing, we can explain why regimes that experience patronalism exhibit such variation in their reform paths whereas regimes that do not have patronal dynamics were more likely to reform quickly and effectively. States that did not end up developing patronal politics entered independence with the institutions of statehood necessary to prevent patronage from becoming a major force in politics. On the other hand, patronal regimes lacked those institutions upon independence and, because the neoliberal paradigm neglected institution building, these states lagged behind their more western peers in terms of economic reforms and the development of equitable political and economic institutions. This further reinforces the importance of institutions and politics to the reform of post-Soviet states and economies.

2.4 Discussion

The transition from centrally-planned, Soviet-style economies to market systems was one of the most important issues after the fall of the Soviet Union, affecting millions of people in very real ways. Scholars have attempted to explain the varying degrees of economic liberalization in post-Soviet countries; two important schools emphasized path dependence on one hand and geography and diffusion on the other. Seminal work on the topic occurred soon after the initial collapse, making it impossible to determine path dependence and difficult to observe policy convergence as a result of diffusion. With more time we are now in a position to better analyze feedback effects and study new variation in outcomes. As my case studies of Georgia, Ukraine, and Kyrgyzstan demonstrate, macro-level analyses of economic policy in post-Soviet states ignores much of the most interesting variation in attempts at economic reform after the collapse of the Soviet Union and after the Color Revolutions. Economic reform may appear to be determined by political shocks, but in reality the policies affecting economies reflect the normal cycles of politics in these countries. During a consolidation phase, when a president looks to strengthen his power and co-opt elites, economic reform is more likely. When the president's power is weaker or his prospects are uncertain, as in a contestation phase, economic reform is all but impossible. Whether a political shock has any influence on economic policy depends on where a regime is in its patronal cycle.

This research will add to the literature on post-Soviet transitions by addressing shortcomings of previous work that lacks the broader perspective of 25 years. After revisiting early models of post-Soviet economic reform, I analyze two shocks in three post-Soviet countries and the effects those shocks had on economic reform policies. My findings indicate that, in Georgia, Ukraine, and Kyrgyzstan, political shocks and diffusion are less important that patronal politics. Political shocks are important to the extent that they create uncertainty regarding the president's future and throw the regime into a contestation phase; during these phases elites must decide whether to back the president or his challenger, and mass public protests can both give the elites an indication of the president's prospects and be a tool for elites to oppose a president. Diffusion in the form of learning is sometimes present, as a president can look to events in other countries for tips on how to handle a shock in his own, but to the extent that the president's future depends on his prior ability to consolidate power and create expectations of his future rule, learning plays only a small role.

The comparative analysis of shocks shows the instability in the post-Soviet states and the interesting and important variation in economic policy. Inability to remove communists from power after the collapse of the Soviet Union greatly affected the initial reform programs in Georgia, Kyrgyzstan, and Ukraine, but the shock of the Color Revolutions had different effects. In Georgia and Kyrgyzstan, this shock spurred brief periods of economic reform, targeting privatization and corruption and the rule of law. In Ukraine, however, the shock led to a period of instability that saw economic policies move in the opposite direction of what the pre-revolution trend had been, even though democratic competition increased. This variation on the dependent variable is missed when one takes a macro-level view focusing on the mean of the dependent variable. Looking only at average reform scores over time deprives our understanding of the complex interaction of patronal politics and economic policy in post-Soviet states.

This chapter has developed the argument of the dissertation. The following chapters provide empirical support for the argument. I first move on to a quantitative analysis of determinants of the adoption of neoliberal economics policies after the collapse of the Soviet Union. The next three chapters are case studies of Georgia, Ukraine, and Kyrgyzstan, in which I argue that developments in each country offer support for my argument.

3. ELECTIONS, OPENNESS, SHOCKS, AND ECONOMIC REFORM

3.1 Introduction

After the collapse of the Soviet Union, Jeffrey Sachs predicted that the political aspect would be the most difficult part of the transformation from Soviet-style economies (Sachs 1994). The economic transformation, he argued, had been done before in other settings and was not as complex as it seemed. After all, economic reforms simply required that the rules be changed, which could happen overnight. Subsequent events have proven this prediction naive. The transformation required to go from a Soviet-style economy to the neoliberal capitalist economy advocated after the Soviet collapse was arduous for many of the countries that attempted the journey. The neoliberal policies in vogue were successful in some countries while in others had deleterious effects. An important question in the research on the transformation to neoliberal economics in post-Soviet states is why the results have been so different in states that seemed to have such similar obstacles.

Two early analyses sought to determine the causes of economic reform after the Soviet collapse. In the short term, initial elections demonstrated important influences on reforms (Fish 1998). Others argued that diffusion had more to do with reforms (Kopstein and Reilly 1999; Kopstein and Reilly 2000). Both of these theories missed important dynamics in the countries that were expected to create market economies without the institutions to support those markets. Political shocks present the potential for critical junctures, but informal political structures of patronage can make analysis of a country's formal institutions misleading. The windows of opportunity supposedly opened by a political shock had different effects in the post-Soviet transformation than they are usually attributed. After the Soviet collapse, the countries of Central and Eastern Europe moved quickly to reform their economies and eventually came to resemble advanced industrialized economies. The window of opportunity after the Soviet collapse actually made reform less likely, and the Eurasian countries that had initially ignored or failed to reform had by 2014 come to represent nearly all positions on the economic reform index. In the end, even many of the slower reformers eventually achieved substantial reform, overcoming their initial conditions.

I argue that the focus of post-Soviet economic transformation should be not whether a country pursued reforms, but when it did so and why. Shocks can influence economic reforms, but according to my analysis, their importance is more complex than simply creating a window of opportunity. Even countries that took advantage of the window of opportunity after the Color Revolutions saw limited effects before returning to the political dynamics of before the shock.

This research is important because early work on this topic had a very short time horizon and could only measure short-term effects. To establish path dependence, one must be able to demonstrate that phenomena have a long-term effect on questions of interest. If the Soviet collapse was a critical juncture that created permissive conditions, Fish has provided a potential productive condition necessary to establish path dependence. That is, the collapse of the Soviet Union opened a window in which it was possible to create a new path, and elections might have been a critical factor in which path a country took. Countries that did not have beneficial initial elections would be expected to remain on a path of minimal reform. On the other hand, if elections had a shorter term influence, we might expect countries to be able to achieve some level of reforms regardless of their initial elections. The question, then, is whether we expect to see countries remain on the paths elections established and diverge in their reform scores, or to see countries eventually reform their economies, overcoming their initial conditions, and converge in their reform scores. My results indicate that the latter is the more accurate assessment. The Soviet collapse had a major short-term influence on economic reforms, after which most of the post-Soviet states pursued at least some reform. The question of when and for what purpose reforms were implemented comes down to the dynamics of patronage.

In this chapter I use quantitative methods to examine the effects that initial elections, openness, and political shocks have on economic reform in the post-Soviet era. My analysis includes 25 countries that were under Soviet influence, either as Soviet Socialist Republics or as Eastern European satellite states, and spans two and a half decades since the Soviet collapse. I first discuss my quantitative research design and variables used. Next I present a statistical analysis of the influence of initial elections and political shocks on economic reform. A final section concludes.

3.2 Quantitative research design

This dissertation uses mixed methods to study neoliberal policy adoption after political shocks in 25 post-Soviet states, with three case studies (these are the focus of the next three chapters). The quantitative section revisits earlier studies on the determinants of economic reform, including updating the analysis with 20 years of additional data and examining the effects of political shocks on reform. The qualitative section presents three cases of post-Soviet transformation, looking more closely at examples of the difficulty establishing a market economy. This provides insight into broad trends in the larger dataset and the nature of economic reform and demonstrates that elections and geography, despite their ability to generate predictions about macro-level trends, do not provide much insight into any single country, which can be misleading.

3.3 Quantitative analysis

This section looks at the shock of the collapse of the Soviet Union and revisits two theories of neoliberal policy adoption, initial elections and diffusion. I extend the time period of analysis and measure how the variables of interest have influenced post-Soviet transitions over time. The two additional decades of data allow more confident predictions regarding the nature of economic and political reform, and the initial trends can be analyzed from a distance. If Fish's argument holds, there should be little change in economic policy and minimal reversals of reform, whereas the diffusion argument suggests that we should see countries converge at similar levels of liberalization. Further, countries should diverge in their economic policy as one would expect path dependence to hinder their ability to start reforming the economy later on if the initial elections were not beneficial to reform. A path-dependent argument suggests that elections determined the nature of economic reform in a given country: the set of options for policy makers is constrained because of the initial elections. As Pierson (2004) notes, it can be almost impossible to change a course of action once selected. In fact, nearly every country in the region has liberalized to some extent. Based on the reform index from EBRD data, there would appear to be an overall positive trend in the region, suggesting that there is more to post-Soviet economic reform than initial elections could predict (see Table 3.1).

Having compiled a dataset from various sources covering 25 post-Soviet countries from 1991 (or the year of independence) to 2014, I use regression analysis to study the effects of elections after upheaval, both after the collapse of the Soviet Union and after the Color Revolutions. I analyze the adoption of neoliberal economic policies in 25 post-Soviet states of Europe and Asia, using using time-series cross-section data covering 25 years since the Soviet collapse. My reform variable uses data from the EBRD to create a reform index that is the unweighted average of all seven reform categories for any given year.

3.3.1 Data and variables

Dependent variable

The dependent variable is *reform index*, which is the unweighted average of six indicators of economic reform provided by the EBRD. The EBRD analyzes countries based on their progress on large- and small-scale privatization, price liberalization, and reforms in trade and foreign exchange and competition policy (EBRD 2014b). Each indicator takes on a possible value of 1 to 4.3, with increments of .3 to indicate slightly better or worse performance. A score of 1 indicates no movement from a Soviet-style economy, whereas 4 means a country has made substantial progress and has little left to do; a 4.3 on any indicator shows that a country resembles advanced industrial economies in that area. Table 3.1 shows reform index scores in 1991, at the beginning of transition, and 2014 along with the average annual score for each country in the dataset from 1989 to 2014.[1] According to the EBRD's scoring, a value of 3 for any dimension generally indicates that a country has made significant progress in the transition to a market economy still has work to do to resemble the advanced industrial economies. We can apply this evaluation system to average reform scores used in the reform index: countries with average reform scores of 3 have made substantial progress in economic reform but there are areas that still do not resemble market economies.

Average scores indicate that almost every country has made progress in moving away from the Soviet-style economies they began independence with. Table 3.2 lists average scores across the six overall transition indicators in 1991 and 2014. This presents a more nuanced picture, showing the variation in reform progress across the six indicators. Scores on each of the indicators run almost the entire range of possibilities and show which types of reforms were most successful and which were more difficult. Requiring simple policy changes and possible basically overnight, price and trade liberalization have been two of the easiest types of reforms. Small-scale privatization has also be one of the more successful areas of transition, as new shop owners can simply take over and this type of privatization generally only requires modification of property rights, not the restructuring of state property required for large-scale privatization. Governance restructuring and enterprise reform and competition policy have been the weakest areas for the region as a whole.

Table 3.3 lists each country's score on all six reform dimensions for the years 1991 and 2014 (or the last year analyzed by the EBRD), along with the region average for each indicator and the reform index for both years. This table presents a picture of the difficult of using averages for something as complex as economic reform. As I have argued, variation in the dependent variable is sometimes just as important as changes in the mean. In the transition from Soviet-style economies to market economies, shocks might affect one

[1]The index of economic reform used in this dissertation, created from data from the EBRD, is incompatible with the new EBRD methodology beyond 2014. EBRD changed its methodology significantly after publishing the 2014 *Transition Report*, reconceptualizing economic reform and changing reform indicators from 2015-2019, making it difficult to effectively integrate it with the old data and use for coherent analysis.

Table 3.1.: *Economic reform index scores, 1989-2014*.

Country	1991 reform score	2014 reform score	Average annual reform score
Albania	1.2	3.5	2.9
Armenia	1.0	3.4	2.8
Azerbaijan	1.0	2.9	2.4
Belarus	1.0	2.2	1.8
Bulgaria	2.1	3.7	3.1
Croatia	2.1	3.8	3.2
Czech Republic*	2.5	3.9	3.4
Estonia	1.4	4.1	3.5
Georgia	1.0	3.5	2.9
Hungary	2.6	3.9	3.6
Kazakhstan	1.0	3.1	2.7
Kyrgyzstan	1.0	3.4	2.9
Latvia	1.3	3.9	3.3
Lithuania	1.3	3.9	3.3
Macedonia	2.1	3.6	3.1
Moldova	1.0	3.3	2.8
Poland	2.6	4.0	3.6
Romania	1.4	3.7	3.0
Russia	1.2	3.3	2.8
Slovakia	2.5	3.9	3.5
Slovenia	2.1	3.6	3.2
Tajikistan	1.0	3.0	2.3
Turkmenistan	1.0	1.8	1.5
Ukraine	1.0	3.3	2.6
Uzbekistan	1.0	2.3	2.1
Region Average	1.5	3.4	2.9

*The Czech Republic graduated from the EBRD program in 2008; the score displayed is from 2007, the last year measured.
Source: EBRD Transition Report, various years.

area of reform without influencing the mean score. This table also makes it apparent how important it can be to look beyond the average reform index score. As mentioned above, a score of 3 indicates substantial progress but also significant work left to do. Azerbaijan presents an instructive example of how the individual dimensions of reform matter. With an overall reform index score of 2.9, Azerbaijan seems well on its way to a market economy.

Table 3.2.: *EBRD overall transition indicators, 1989-2014*.

	Average	Minimum	Maximum
Large-scale privatization	2.68 (1.04)	1	4
Small-scale privatization	3.36 (1.10)	1	4.3
Governance and enterprise restructuring	2.14 (0.81)	1	3.7
Price liberalization	3.63 (0.96)	1	4.3
Trade and foreign exchange system	3.34 (1.22)	1	4.3
Competition policy	2.1 (0.75)	1	3.7
Reform index (all six dimensions)	2.88 (0.90)	1	4.05

Average annual reform scores across all countries for each indicator, 1989-2014.
Standard deviation in parentheses.
Source: EBRD.

Progress in economic reform in Azerbaijan, however, has been led by small-scale privatization, price liberalization, and trade liberalization. Reforms that require political institutions to back them up, like governance and competition policy, have not had the same success. Taken together Tables 3.2 and 3.3 support the argument that economic reform required political and institutional reform; the idea that a country could simply liberalize its economy and expect its political institutions to also become liberalized is not supported by the actual data on reform progress.

Before I continue to my other variables, a note on my dependent variable is in order. Fish and Kopstein and Reilly used the Index of Economic Freedom (Heritage Foundation and Wall Street Journal 2015) as the dependent variable to measure economic reform in their analyses. Although I am returning to the subject and reanalyzing the effects of initial elections and geography on economic reform, I do not believe it is advisable to use the same data they used. The Index of Economic Freedom is not ideal for use for a variety of reasons (see de Haan and Sturm 2000), but aside from these EBRD data is more reliable, being

Table 3.3.: *EBRD reform dimensions by country, 1991 and 2014.*

Country	Large-scale privatization		Small-scale privatization		Governance & enterprise restructuring		Price liberalization		Trade & foreign exchange system		Competition		Reform index	
	1991	2014	1991	2014	1991	2014	1991	2014	1991	2014	1991	2014	1991	2014
Albania	1	3.7	2	4	1	2.3	1	4.3	1	4.3	1	2.3	1.2	3.5
Armenia	1	3.7	1	4	1	2.3	1	4	1	4.3	1	2.3	1	3.4
Azerbaijan	1	2	1	3.7	1	2	1	4	1	4	1	1.7	1	2.9
Belarus	1	1.7	1	2.3	1	1.7	1	3	1	2.3	1	2	1	2.2
Bulgaria	1	4	1	4	1	2.7	4.3	4.3	3	4.3	2	3	2.1	3.7
Croatia	1	3.7	3	4.3	1	3.3	3.7	4	3	4.3	1	3.3	2.1	3.8
Czech Republic*	1	4	3	4.3	2	3.3	4	4.3	3	4.3	2	3	2.5	3.9
Estonia	1	4	1	4.3	1	3.7	2.7	4.3	2	4.3	1	3.7	1.5	4.1
Georgia	1	4	1	4	1	2.3	1	4.3	1	4.3	1	2	1	3.5
Hungary	2	4	1	4.3	2	3.7	4.3	4	4	4	2	3.3	2.6	3.9
Kazakhstan	1	3	1	4	1	2	1	3.7	1	3.7	1	2	1	3.1
Kyrgyzstan	1	3.7	1	4	1	2	1	4.3	1	4.3	1	2	1	3.4
Latvia	1	3.7	1	4.3	1	3.3	2.7	4.3	1	4.3	1	3.7	1.3	3.9
Lithuania	1	4	1	4.3	1	3	2.7	4.3	1	4.3	1	3.7	1.3	3.9
Macedonia	1	3.3	3	4	1	2.7	3.7	4.3	3	4.3	1	2.7	2.1	3.6
Moldova	1	3	1	4	1	2	1	4	1	4.3	1	2.3	1	3.3
Poland	2	3.7	3	4.3	2	3.7	3.7	4.3	3	4.3	2	3.7	2.6	4
Romania	1.7	3.7	1	3.7	1	2.7	2.7	4.3	1	4.3	1	3.3	1.4	3.7
Russia	1	3	1	4	1	2.3	1	4	1	3.7	2	2.7	1.2	3.3
Slovakia	1	4	3	4.3	2	3.7	4	4.3	3	4	2	3.3	2.5	3.9
Slovenia	1	3	3	4.3	1	3	3.7	4	3	4.3	1	2.7	2.1	3.6
Tajikistan	1	2.3	1	4	1	2	1	4	1	3.7	1	1.7	1	3
Turkmenistan	1	1	1	2.3	1	1	1	3	1	2.3	1	1	1	1.8
Ukraine	1	3	1	4	1	2.3	1	4	1	4	1	2.3	1	3.3
Uzbekistan	1	2.7	1	3.3	1	1.7	1	2.7	1	1.7	1	1.7	1	2.3
Region average	1.1	3.3	1.5	3.9	1.2	2.6	2.2	4.0	1.7	3.9	1.2	2.6	1.5	3.4

Source: EBRD

*The Czech Repbulic graduated from EBRD programs in 2008. The score displayed for 2014 is from 2007, the last year measured.

evaluated and constructed by country experts at the EBRD, and it spans a greater period, providing annual observations from 1989 to 2014, allowing one to partially account for economic conditions before the collapse of the Soviet Union where necessary. The IEF, on the other hand, is from a conservative American thinktank and only provides observations beginning in 1995.

EBRD data is further preferable because the coding allows countries to achieve similar scores via different methods of privatization, regulation, and liberalization (Frye 2010). This allows EBRD data to accommodate differences among countries with similar scores. The earlier example of Azerbaijan is just one instance. Slovakia and Lithuania provide another example of countries that have emphasized different strategies and have reached forms of capitalism but are both at the top end of the scale. EBRD data and coding represent a target rather than an end goal.

Main independent variables

To revisit the analyses of Fish and Kopstein and Reilly I constructed similar variables using newer data and, where possible, more accurate measures. In addition to the EBRD data, I use variables similar or the same to those used in Fish's and Kopstein and Reilly's analyses. Most of my data is from the *Quality of Government Standard dataset* from the Quality of Government Institution at the University of Gothenburg (Teorell et al. 2019). The other main source is the World Bank's *World Development Indicators* dataset (World Bank 2019b).

Initial GDPpc To capture initial wealth conditions I use GDP per capita from the *World Development Indicators*. Initial wealth is a measure of the GDP per capita in a given country in the first observation after the Soviet collapse, generally 1990 or 1991. The logic of comparing the initial wealth of countries is that rich countries are regarded as better positioned in the pursuit of economic reform. Rich countries possess a higher level of economic sophistication, and they have the potential to ride out the shocks from reform better than the less wealthy nations (Fish 1998).

Foreign aid and investment Foreign aid and investment are the other economic variables. I used FDI as a percent of GDP and the net annual development assistance, also as percent of GDP, from the *World Development Indicators*. To measure external assistance, I used data on the net official development assistance and official aid received in a given year as a percentage of that country's GDP in the same year. I then took the net foreign direct investment (FDI) data, also from the World Bank, for a given year as a percentage the country's GDP in the same year. Rather than using a composite aid and investment term, I use development aid and foreign investment separately to tease out the different dynamics of each type of money inflow. This will help me to determine whether development aid has a different effect from FDI.

Religion To account for geography, Fish coded countries according to their dominant religious tradition. In my analysis I used the dummy variable coded by Fish equaling 1 for countries where a western Christian religion (Catholic and Protestant) dominates and 0 for countries with either an Orthodox Christian or non-Christian religious tradition.

Government type I used a government type variable created by the Database of Political Institutions with data until 2017 (Teorell et al. 2019). This variable is coded such that parliamentary systems take a value of 2, systems with an assembly-elected president take a value of 1, and presidential systems take a value of 0. This coding is the same as Fish's, but the extended time period captures any variation Fish's data might 'miss (for instance, the coding for Moldova switches from presidential to assembly-elected president in 2001). Like Fish, I also constructed a dummy variable, with parliamentary and assembly-elected presidential systems coded 1 and presidential systems coded 0. This dummy is correlated with Fish's variable, but also catches any variation in government type since Fish's analysis.

Initial elections I used Fish's coding for initial elections after the Soviet collapse. Fish's index scored each country out of 5 according to the following set of questions:

> 1) Who won the elections? (2=clear victory by reformers/noncommunists; 1=equivocal outcome; 0=clear victory by communists/old regime); 2) Were

> the results of the elections quickly annulled by illegitimate means–namely, by the use or the threat of use of force? (no=1; yes=0); 3) Were the elections freely contested, meaning that they were open and multiple candidates competed for the office or offices to be filled? (yes=1; no=0); 4) Were the elections complete or partial, meaning did they involve elections for all important offices on the national level or for only a portion of them? (complete=1; partial=0). (Fish 1998, 48)

Given Fish's coding, unless a country made a clean break from its past with a clear victory by reformers, the highest possible score it can achieve on this index is 4. A clean break from Sovietism is required to get the highest score of 5. Table 3.4 shows the scores Fish assigned to each country based on his assessment of their initial elections. Figure 3.1 shows the bivariate relationship between initial elections and my reform index. It provides observed values, fitted values, and 95 percent confidence intervals.

Diffusion and openness Kopstein and Reilly (2000) argue that whatever a states geographic location, its neighbors have important effects on outcomes. Brinks and Coppedge (Brinks and Coppedge 2006) find strong support for a pattern of diffusion in which countries tend to become like their geographic neighbors over time. Given these findings, it can be argued that the effects of initial elections Fish observed might fade over time as states influence and are influenced by their neighbors.

With his religion variable, Fish was essentially trying to get at the spatial context in which the countries examined left the Soviet era and have tried to build democratic capitalist systems (Kopstein and Reilly 1999). Kopstein and Reilly argue, however, that the crudeness of Fishs religion variable is ineffective for measuring that complexity of contextual factors.

Kopstein and Reilly argue that the spatial context of the Soviet collapse is more complex than Fish's religion variable. For them, the explanation needs to go deeper. It is important to explore the connections between states, such as cross-border interactions, flows of ideas and resources, and the openness of states. Kopstein and Reilly develop two

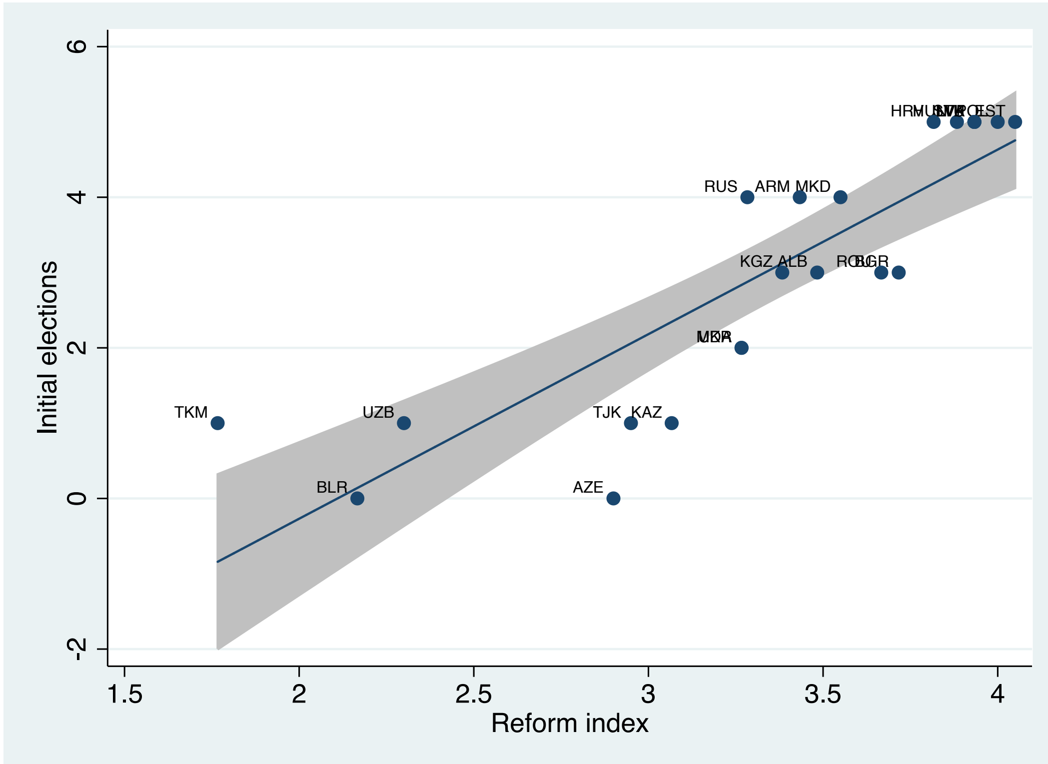

Fig. 3.1.: Initial elections and economic reform in 2014.

different variables to capture the process of diffusion. The first variable is the average economic reform scores of geographically contiguous states to measure the performance of a state's neighbors. A neighbor's performance is relevant because if being near the West helps a country, whereas being farther from the West might hurt a country, then a state's neighbors could influence it anywhere (Kopstein and Reilly 1999). Additionally, relating a state to its neighbors, rather than categorizing it by religion, will better capture the effects of geography. Fish's religion variable is correlated with distance from the West, with countries closer to the West more likely to be Catholic/Protestant and countries farther from the West more Muslim and non-Christian. This demonstrates the need for a more nuanced measure than distance from the West and religion.

Kopstein and Reilly suggest that Fish was too quick to ignore the importance of geography. Temporal and spatial patterns interact in complex ways, they argue, producing constraints that are not the same across contexts. Kopstein and Reilly attempt to address

Table 3.4.: *Initial election scores*.

Country	Election score
Albania	3
Armenia	4
Azerbaijan	0
Belarus	0
Bulgaria	3
Croatia	5
Czech Republic	5
Estonia	5
Georgia	3
Hungary	5
Kazakhstan	1
Kyrgyzstan	3
Latvia	5
Lithuania	5
Macedonia	4
Moldova	2
Poland	5
Romania	3
Russia	4
Slovakia	5
Slovenia	4
Tajikistan	1
Turkmenistan	1
Ukraine	2
Uzbekistan	1

Source: Fish 1998

this conceptual issue by creating variables to measure the effects of geographical location. In doing so, they attempt to get at a deeper causal explanation than Fish did; elections may have determined economic reform, but why were some countries able to make a break from Sovietism while others were not? In other words, what explains the initial elections?

To capture their concept of diffusion and to measure a state's connectiona to the world I used a measure of openness that captures a state's level of globalization. This set of indicators, the KOF Globalization Index taken from the *Quality of Government* dataset, in-

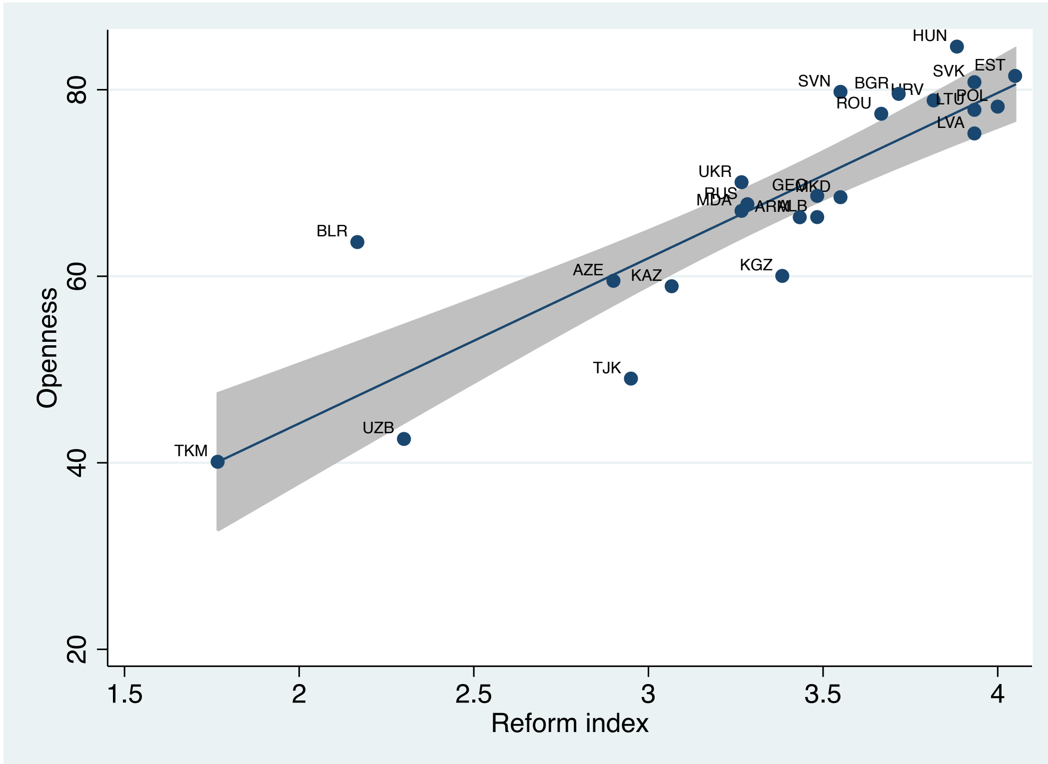

Fig. 3.2.: Openness and economic reform, 2014.

corporates the sum of international incoming and outgoing telephone traffic in minutes per person, inbound and outbound international tourists, the number of televisions per 1,000 people, trade in newspapers as a percent of GDP, foreign direct investment as a percentage of GDP, and trade (sum of exports and imports) as a share of GDP. These indicators, available in a time-series cross-section format, better measure openness to external ideas because they include both incoming and outgoing exchanges, whereas the indicators used by Kopstein and Reilly measure either only outgoing or incoming exchanges (only their trade indicator takes both directions into account). This better captures the effects of diffusion and geography. Further, whereas Kopstein and Reilly analyze only five years, 1991-1996, my openness measure covers 1989 to 2015. Figure 3.2 shows the bivariate relationship between my openness measure and my reform index, depicting observed values, fitted values, and 95 percent confidence intervals.

3.4 Multivariate analysis

Kopstein and Reilly (1999) point out that one shortcoming of Fishs model is that he is forced to limit his analysis to two points in time, 1990 and 1995. Although they admit that it is plausible to explain economic reforms in 1995 by what occurred politically in 1990, Kopstein and Reilly point out that to make a convincing causal argument would require a time-series analysis. By 1999, however, Kopstein and Reilly say that it has only been a few years since the post-Soviet states initiated economic reforms, and they also limit their analyses to short time spans, the longest being from 1993 to 1998 (Kopstein and Reilly 2000). Kopstein and Reilly argue that a time-series analysis would give a much better picture of the process by which elections translate into policies over time, strengthening the causal relationship Fish seeks to establish. It might also go a long way toward strengthening the relationships that Kopstein and Reilly are trying to establish.

It should now be possible to say whether the initial elections after the Soviet collapse had the effects Fish ascribed to them, and whether those effects are still relevant. If the initial elections are still the main factor explaining post-Soviet economic reforms, the path dependence literature will receive a measure of validation. If, however, the initial elections lose their constraining effects over time, it might be argued that Fishs conclusions were more a result of the time period he analyzed. Specifically, the outcomes of initial elections might have been very influential in the first half-decade of transition, but in the time since then, countries may have been able to take control of their circumstances.

Table 3.5.: *Elections, openness, shocks, and economic reform.*

	Model 2.1	Model 2.2	Model 2.3
Initial GDPpc	-1.38e-05	-1.46e-05	-1.22e-05
	(1.59e-05)	(1.76e-05)	(1.57e-05)
FDI (%GDP)	0.00561**	0.00306	0.00333
	(0.00233)	(0.00236)	(0.00214)
Development assistance (%GDP)	0.0340	0.0305	0.0213
	(0.0225)	(0.0189)	(0.0134)
Religion	0.0502	0.0441	-0.0316
	(0.174)	(0.167)	(0.131)
Government type	-0.299***	-0.278***	-0.250***
	(0.0671)	(0.0825)	(0.0676)
Elections	0.130*	0.0477	0.0933
	(0.0676)	(0.0800)	(0.0632)
Elections*time		0.00695***	0.00384
		(0.00261)	(0.00289)
Openness	0.0390***	0.0512***	0.0372***
	(0.00414)	(0.00829)	(0.00739)
Openness*time		-0.00111***	-0.000455
		(0.000399)	(0.000384)
Time		0.0447*	0.0138
		(0.0244)	(0.0224)
Region			-0.153
			(0.113)
Failed revolution			0.0458
			(0.0918)
Successful revolution			-0.0305

continued on next page

Table 3.5.: *continued*

	Model 2.1	Model 2.2	Model 2.3
			(0.142)
Soviet collapse (1991-1993)			-0.524***
			(0.104)
Soviet collapse (1994-1995)			-0.0543
			(0.0689)
Constant	0.519**	0.109	0.910**
	(0.244)	(0.287)	(0.360)
Observations	536	536	536
Groups	25	25	25
Prob >chi2	0.000	0.0000	0.0000
sigma_u	.2228	.2267	.2216
sigma_e	.2211	.2112	.1881
rho	.5037	.5353	.5813

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 3.5 presents the results of three OLS regressions studying the explanations of post-Soviet economic reform.[2] In addition to examining the effects of elections and openness and globalization, this analysis also incorporates political shocks and positions the discussion for the relevance of the case studies on patronage and economic reform.

[2]I used Stata 13.1 for all quantitative analysis, using the *xtreg* command and robust standard errors for my regressions.

3.4.1 Elections

A major question in this research is to what extent initial elections determined the economic reforms in the post-Soviet world. Fish argued, based on observations from 1991 and 1995, that initial elections were powerful determinants of economic reform. Model 2.1 shows the results of the regression of initial elections, openness, and wealth variables on economic reform. This is the only model in which initial elections are predicted to have a significant positive influence on reforms. In Model 2.1 I introduce interaction terms to account for the effects of time, and Model 2.3 includes variables for political shocks. When time and shocks are taken into account, initial elections fail to predict economic reform. With a full set of observations, initial elections are significant in the first model, but their effect is rather small. Adding the time interaction gives the appearance that elections did in fact set up a simple form of path dependence, but elections appear to be just one part of the broader context of the first shock, as indicated by their insignificant coefficients in Model 2.3 combined with the significance of the first years after the Soviet collapse.

3.4.2 Openness

The measure for diffusion holds up better than initial elections. It is significant through all three models, though it appears to have had the most influence early in the transition. Taking political shocks into account, openness is still a predictor of economic reforms, but its long term effects are minimal. Openness was an important factor early in the transition, but has since become less influential. Kyrgyzstan, for example, began the transition as a liberal reformer and sought out foreign investment, opening its markets to foreign companies. As the Akaev government became more corrupt and turned to patronage as a model of rule, openness failed to affect its policies. Other countries that rapidly reformed their economies, such as the Czech Republic or Poland, were also very open to the West; it makes sense that the importance of being open to globalization would diminish once the major benefits have been extracted. Open countries in general reformed their economies faster, in part because attracting foreign investment required an open economy. Once reformed, each increase in openness brought with it smaller benefits.

3.4.3 Government type

If a country changed its government type from presidential to parliamentary, we might predict a decrease in the probability of future economic reform. This result is consistent across all three models. Interestingly, parliamentary systems are associated with a lower likelihood of economic reform. In the literature one can find arguments for and against presidentialism and its effects on economic reforms (Fish 1998). In favor of presidentialism is the argument that presidents are more insulated in policymaking and their longer terms allow them to make difficult decisions without fear of being quickly removed. Arguments against presidentialism focus on a president's potential to abuse their power and the potential for deadlock between the president and legislature given division of labor and dual independence of presidents and legislatures.

My findings on government type suggest that presidentialism is predicted to be associated with economic reforms, in contrast to what Fish and others have found. There are a few reasons why this might be the case. First, presidents can sometimes implement reforms unilaterally and often have significant informal powers. Presidents can use these informal powers to advocate for reforms that do not require legislative approval. Patronage and patronal systems offer a convincing explanation. As I have already discussed, presidents in these systems take advantage of the distributive benefits of economic reforms in order to help consolidate or strengthen their power. This is a large factor in why one saw reform in Georgia, Kyrgyzstan, and Ukraine in the mid-1990s.

Looking at the government systems of the countries in the analysis makes apparent a potential correlation between presidential systems and patronage. Nearly all of the presidential systems experience patronal dynamics, and all of the patronal systems are presidential (with the exception of Moldova, which was presidential until 2000). Table 3.6 first lists each country by its government type according to the *Database of Political Institutions*

(Cruz, Keefer, and Scartascini 2018) and then indicates whether each country is an example of the patronal systems that Hale argues explains post-Soviet regime dynamics. It also lists whether each country was a member of the Soviet Union (Eurasia) or not (CEE). Only two presidential systems, Lithuania and Poland, do not exhibit patronal dynamics and were not Soviet socialist republics, while the only parliamentary patronal system is Moldova, a former Soviet socialist republic in Eurasia. All countries that are presidential *and* patronal were also Soviet republics. Though it is beyond the scope of this research, one of the legacies of Sovietism appears to be presidential regimes with patronage power rules.

To tease out whether there is an influence of Soviet Union membership on economic reform, in Model 2.3 I included a variable that indicates whether a country was part of the Soviet Union. Region is a dummy variable assigning 1 to the former Soviet republics of Eurasia and 0 to the non-former Soviet republics of Central and Eastern Europe (CEE). The negative coefficient would indicate that CEE countries are more likely to reform, but it does not explain anything in a statistically significant way.

3.4.4 Shocks

Shocks are another potential determinant of economic reform. In periods of loosened constraints after political shocks, where conditions permit changing the institutional and political structures that normally condition actors, it is sometimes possible for political actors to alter their institutional setting. The "window of opportunity" after a shock is a chance to create a critical juncture, one that sets a country on a new path in its development. Two political shocks are important in my research: the Soviet collapse and the Color Revolutions. After the collapse of the Soviet Union, the most successful countries implemented economic reforms within a few years. The path-dependent argument suggests that this is a result of initial elections and that other countries did not pursue reform because elections precluded it. To control for the first shock and determine whether it had a significant influence on economic policy, I included a variable for the Soviet collapse that extends

Table 3.6.: *Government type, patronal systems, and regions*.

Country	Government type	Patronal systems	Region
Armenia	Presidential	Patronal	Eurasia
Azerbaijan	Presidential	Patronal	Eurasia
Belarus	Presidential	Patronal	Eurasia
Georgia	Presidential	Patronal	Eurasia
Kazakhstan	Presidential	Patronal	Eurasia
Kyrgyzstan	Presidential	Patronal	Eurasia
Lithuania	Presidential	Non-patronal	CEE
Poland	Presidential	Non-patronal	CEE
Russia	Presidential	Patronal	Eurasia
Tajikistan	Presidential	Patronal	Eurasia
Turkmenistan	Presidential	Patronal	Eurasia
Ukraine	Presidential	Patronal	Eurasia
Uzbekistan	Presidential	Patronal	Eurasia
Albania	Parliamentary	Non-patronal	CEE
Bulgaria	Parliamentary	Non-patronal	CEE
Croatia	Parliamentary	Non-patronal	CEE
Czech Republic	Parliamentary	Non-patronal	CEE
Estonia	Assembly-elected president	Non-patronal	CEE
Hungary	Parliamentary	Non-patronal	CEE
Latvia	Parliamentary	Non-patronal	CEE
Macedonia	Parliamentary	Non-patronal	CEE
Moldova*	Assembly-elected president	Patronal	Eurasia
Romania	Parliamentary	Non-patronal	CEE
Slovakia	Parliamentary	Non-patronal	CEE
Slovenia	Parliamentary	Non-patronal	CEE

Sources: Database of Political Institutions, Hale 2015.
*Moldova's categorization in DPI changed from presidential to assembly-elected president in 2001.

from 1991 until 1993. Despite the massive political upheaval the Soviet collapse caused, by 1993 the countries affected had largely settled on their short-term trajectory.

The Color Revolutions are another political shock that brought with them the hope of institutional reforms, especially deepening democracy. Whereas the states that experienced the Color Revolutions had seen their economic transformation slow or stop altogether, the potential for reform returned with the extraordinary politics accompanying the

Table 3.7.: *Color Revolutions in Eurasia*.

Country	Revolution
Armenia	Fail (2003/2004)
Azerbaijan	Fail (2005)
Belarus	Fail (2006)
Georgia	Success (2003)
Kyrgyzstan	Success (2005)
Russia	Fail (2011/2012)
Ukraine	Success (2004/2005)

Source: Gerlach 2014.

revolutions. If economic reforms had been successful in some states after the first shock, one might expect another shock to give the lagging states the impetus to begin reform efforts anew. To measure the effect of the Color Revolutions on economic reform I included a number of variables. The first is a dummy variable for countries that experienced any Color Revolution, as defined by Julia Gerlach (2014). This variable accounts for the presence of a political shock in all states that experienced it regardless of its outcome. Table 3.7 lists the countries that experienced Color Revolutions and whether they were successful.

There is, however, reason to expect that the outcome of a political shock might also affect future economic reform efforts. Successful revolutions brought the expectation of political and economic reforms, and the new presidents in these states took office as reformers and promised to focus on corruption and completing the economic reforms that remained to be done. In countries where revolutions were unsuccessful, expectations could go either way. First, presidents in these countries, having suppressed a popular movement, could simply act as if it had not happened and return to politics as usual. Having demonstrated their grip on power, they would have no incentive to please their public. On the other hand, the Color Revolutions had an elite component in addition to the mass protests, and leaders who had survived calls for reform might find economic reforms a more feasible and palatable option to political reforms. In this case, economic reforms could demonstrate a willingness to listen to the public and elites without compromising power.

Model 2.3 presents the analysis including variables for the two political shocks, the Soviet collapse and whether a country experienced a successful or failed Color Revolution. The political shock variables present interesting and, for those who held out hope that "revolutions" could drive policy change, discouraging findings. The variables for the Soviet collapse, which are two dummy variables, one equal to 1 for the years 1991-1993 and the other equal to 1 for the years 1994-1995, indicate that the collapse of the Soviet Union did indeed have an important effect on economic reform efforts, but the effect of the shock only lasted until the early mid-1990s.[3] Perhaps more interesting in terms of deviating from expectations is that a country's experience with Color Revolutions have no influence on economic reform. Both successful and failed revolutions are not statistically associated with economic reforms. This demonstrates the difficulty of explaining reactions to shocks. As my case studies demonstrate, successful Color Revolutions are no guarantee of sustained economic reform. The one case that saw reforms after its revolution could not make them last. The two other cases implemented minimal economic reforms, and in Ukraine the disruption of the patronal cycle and thus the inability to enact reforms was a result of a negotiated pact between the outgoing president and the opposition, not of the demands of protestors. Empirically the countries that experienced Color Revolutions still had the most difficult aspects of the reform package to complete. On the other hand, countries that did not experience revolutions either had already more or less completed market reforms or, like Turkmenistan, were more consolidated authoritarian regimes or simply at different points in their patronal cycles. Advocates of mass public action to drive change can perhaps take heart in the fact that the Color Revolutions were actually elite coups that used public dissatisfaction to enhance the legitimacy of their opposition to the sitting president and thus the disappointment does not reflect a failure of public protest.

[3] Including individual year variables for years 1991-1995 did not substantively change the results of the regression. Years 1991-1993 are significant and negatively associated with reform, while 1994 and 1995 are not statistically significant.

3.4.5 Wealth and investment

Initial wealth, foreign direct investment, and official development assistance all have no substantial effect on economic reform. Though it is true that the countries that rapidly reformed also started out wealthier than their cohort to the east, the task after the Soviet collapse was the same regardless of starting position. Having a higher GDP per capita did not, in fact, make economic reforms more likely than they were in countries with lower initial GDP per capita. FDI and development assistance also fail to influence the model. The countries that most needed development assistance, however, are also some of the weakest performers in terms of economic reform. The Central Asian states, rich in minerals and energy resources, were unable to capitalize on their natural endowment (Olcott 1996). Lacking consistent transit options and dependent on Russia's cooperation, Kazakhstan, Kyrgyzstan, and Turkmenistan found it difficult to export their resources. Foreign aid is also tricky for these states, as Kyrgyzstan had to deal with strict rules with the assistance it received.

3.5 Discussion

In this chapter I have presented a quantitative analysis studying the effects of initial elections, openness, and shocks on economic reforms in Eastern Europe and Eurasia after the collapse of the Soviet Union. I have explored how various political variables have shaped economic reform in the post-Soviet world. Overall the data support my argument that economic reform is better explained through the lens of patronage and patronal politics. Initial elections, though important in the short term after the Soviet collapse, do not appear to have created the path dependence required to make them a productive condition in a critical juncture. Openness to the world and how globalized a country is held up better under this analysis, but the main takeaway from my analysis is that the type of government and the Soviet collapse are important factors to consider in evaluating post-Soviet economic reform.

Arguing that the Soviet collapse was important in economic reform may seem meaningless. Naturally something as catastrophic as a hegemonic shock would have massive effects. The collapse of the Soviet Union clearly presented permissive conditions for a critical juncture. Unfortunately for those advocating a transformation toward neoliberal market economies, the overall effect of the Soviet collapse was negative for economic reforms. The second shock of interest, the one that had public and international support and created high hopes for democratic and economic liberalization, had no discernible effect on economic reform.

Why would two political shocks have such different effects? I argue that the answer can be found in the economic aspects of patronage, but because informal politics operate under the surface, studies that analyze formal rules and institutions with a focus on regional and macro-level outcomes will miss important variance within and across cases. This variance can help explain why reform failed in some states and predict when it is likely to happen.

My argument is that initial elections did not tell us much beyond the short term of the Soviet collapse. Twenty-five years after the collapse, elections were no longer important predictors of economic reform. That they appeared to be determinants of economic reform in 1998 is most likely due to the recency with which they had just happened and the short time horizon of the analysis. The importance of the Soviet collapse in determining future economic reform did not lie in the leaders various countries elected. Even many of the countries that did not score well on Fish's election index have since completed significant reforms and come to resemble advanced markets in some aspects.

The dynamics of patronage is a fruitful avenue for explaining the successes and failures of economic reforms. Although statistically there is no difference between CEE and Eurasian countries in economic reform, the presence or absence of patronalism helps predict when reforms are likely and explains why reforms happen when they do. The countries that did not experience patronal politics moved quickly to implement reform programs and by 2014 all had a score of at least 3.5 on the reform index. Countries with patronage dynamics displayed far greater variance in the timing and success if economic reforms, and now range in reform scores from 1.7 to 3.5. These countries did not quickly reform in large part because of the patronal regime dynamics that encourage corruption and the distribution of wealth to small groups of elites. Because the neoliberal reform package placed so little value on reforming institutions, it was almost necessarily impossible for these states to effectively reform their economies. Simply creating a market did not also magically create the political institutions to make it work, and without a focus on institutional reform, the collapse of the Soviet Union proved just the shock necessary to bring out patronal cycles. There is more variation in these states than a composite reform index shows.

As I have argued above, the variation between and within cases is as important and as interesting as statistical models designed to explore what determined economic reform. The cases of post-Soviet Eurasia offer explanations as to why the Soviet collapse was so important but the Color Revolutions had no substantive effect on economic reform. They also offer an explanation as to why presidential systems might be more likely to pursue reform and make the timing of reforms in these states predictable. Presidential governments might be more likely to pursue reform because it is a tool the president can use to consolidate and enhance power, and he is likely to do so during different points in a patronal cycle. The next three chapters provide in-depth examinations of economic reform in the wake of the Soviet collapse and the Color Revolutions. Georgia, Ukraine, and Kyrgyzstan all support the case that economic reform is not necessarily more likely after a political shock, but it does follow the cycles of patronal presidentialism.

This chapter has demonstrated the importance of government type and openness to globalization. It has also shown the complicated relationship between political shocks and economic reform. The next three chapters provide in-depth analysis of three countries that exemplify the variance present even in superficially similar regimes. They support the argument that windows of opportunity are not always what they seem and are not always even very important for economic reform.

4. GEORGIA

4.1 Introduction

Situated in the Caucasus where the Europe meets Asia, between two great seas and two mountain ranges, at the confluence of cultures, Georgia is a land of contrasts. Georgia is perhaps one of the most drastic example of post-Soviet transformation. After the USSR collapsed at the end of 1991, violent crime, lawlessness, and economic collapse gripped most of the former USSR, heralding what seemed to be a new “disorder” (Wheatley 2005). The chaos that followed the Soviet collapse hit Georgia particularly hard, as the fledgling country was immersed in civil wars in, the economy collapsed, and crime ruled. The Soviet collapse also presented Georgia with its first chance to make economic policy itself in 200 years after having been part of the Russian empire or the Soviet Union and having all decisions come from Moscow (Khaduri 2005).

The bleak outlook for Georgia at the beginning of its post-Soviet period has, with much work, given way to a different reality. Today, Georgia has a market economy performing well in all EBRD dimensions aside from the most difficult areas that nominally were the focus of reform efforts after the Rose Revolution (see Table 4.2 on page 120). Long plagued by corruption, Georgia has become the least corrupt of its immediate neighbors and has climbed the list of the Corruption Perceptions Index to be ranked 46th out of 176 countries in 2016 (Transparency International 2016). Just 14 years ago, in 2004, Georgia’s rampant corruption had it ranked 136 of 146 countries. Along with rooting out corruption and creating an efficient market, Georgia has become one of the easiest countries in the world to do business, being ranked 6 of 190 countries in 2019 on the World Bank’s Doing Business index, a measure of political obstacles to economic activity (World Bank 2019a). In comparison, Georgia ranked 112 out of 181 countries in 2006 (Saakashvili and Bendukidze 2014).

These economic reforms have hardly been matched with democratic changes. Years after the promise of the Rose Revolution Freedom House puts Georgia in its category of transitional governments and hybrid regimes. With at least partly free political and civil processes, Freedom House classifies Georgia as a "transitional government or hybrid regime" (Freedom House 2016). Parliamentary elections in 2012 were considered free and fair and, for the first time since Georgia gained independence, an opposition party gained power through elections. The 2013 presidential elections lacked the problems of other years, such as pressure on voters and abuse of administrative resources, although some irregularities were reported. Since then, however, the "half-hearted" democratic reforms have stalled (Freedom House 2018).

In this chapter, I apply my analysis of political shocks to understanding how Georgia went from a nearly failed state ravaged by civil war, through periods of corruption, and finally to becoming a relatively reformed economy, especially compared to its regional neighbors. This chapter illustrates that when stakeholders believed that a change in the balance of power between them and their patron (the president) would benefit them, they have aligned themselves with the opposition to help unseat the regime. Patronage is essential to understanding post-Soviet politics and economic reforms. Georgia is an instructive example of the importance of patronage to securing and consolidating power and the effectiveness of economic reform in this pursuit. Political shocks provide openings for elites to make calculations about whether to back their patron or side with a challenger, and elites are in a position to potentially jump ship because of the patronage they have received. Patronal politics provides the logic to understand how alliances were formed and why political shocks had the specific effect on economic policy they had. Economic policy is often a tool consolidate power. Presidents can use economic liberalization and market-oriented policies to direct wealth into the hands of their supporters, and anti-corruption crusades are often methods to cloak the elimination of rivals under the guise of legitimacy. Georgia shows that, in societies characterized by patronal politics, economic reform is only likely to happen a president has a patronage network to which he needs to distribute benefits.

Table 4.1.: *Economic reform and patronal cycles in Georgia.*

Economic reform	Patronal cycle
No reform until 1994.	Contestation phase/no consolidation.
Some reform 1994-1998.	Consolidation phase.
Corruption grew 1998-2003.	Strengthen and consolidate.
Rose Revolution, then some reform.	Consolidation after decisive win.
Corruption, return to patronage.	Return to patronage after consolidation, strengthen power.

In this chapter I describe the economic and political development in Georgia in response to two political shocks: the collapse of the Soviet Union and the Rose Revolution. Economic policy in the immediate wake of political shocks can seem unpredictable, but in post-Soviet patronal regimes the response to political shocks is usually a period of contestation after which the new president attempts to consolidate power. Consolidation often takes the form of economic reform (particularly privatization) and rooting out corruption. In Georgia, political shocks have produced mixed results in terms of economic reform. When elite cohesion is lacking, economic reform suffers, but reform has been effective during periods of consolidation. Table 4.1 lists the major periods in Georgia's independence in terms of economic reforms and patronage (based on Hale's work) showing that economic reform does not happen during contestation but is likely during consolidation.

For the first years of Georgian independence, Gamsakhurdia attempted to consolidate power but, fighting regional conflicts, became distracted and was ultimately rushed out of Georgia. Similarly, Shevardnadze consolidated power and turned his focus to the economy. Saakashvili, having ousted Shevardnadze and secured the backing of many former pro-Shevardnadze elites and the opposition movement, had less work to do to consolidate his power. Turning immediately to consolidating power, he was able to pursue aggressive economic and anti-corruption reforms. Elite cycles might have precipitated the political shock, but in its wake the lack of constraints allowed Saakashvili to attempt economic reform as he consolidated power. Soifer's (2012) permissive conditions were present, but the

Rose Revolution did not represent a critical juncture in the sense that Saakashvili ended up using many of the same tactics Shevardnadze had used (Hale 2005).

Saakashvili faced his own opposition when his term limit came up in 2013. Bidzina Ivanishvili organized opposition forces starting in 2011 and his Georgian Dream coalition defeated the incumbent United National Movement party in parliamentary elections in 2012. Georgian Dream candidate Giorgi Margvelashvili was elected president in 2013, finalizing the opposition's victory over Saakashvili's coalition (CNN 2012; Reuters 2012). There were protests and mass demonstrations against Saakasvhili (BBC 2012), but the election was clean and a peaceful transition of power followed (OSCE/ODIHR Election Observation Mission 2014).

4.2 The early years: civil unrest and economic decline

For the first few years of its existence, Georgia paid little attention to reforming the economy, focusing instead on domestic political affairs, with civil wars and increasingly potent opposition groups. Georgia's early political and economic development is in many ways similar to that of Ukraine; leaders in both countries were preoccupied with securing their own tenure rather than reforming the economy. Georgia is unique, however, in being the only republic in the USSR to choose the radical opposition in its first democratic elections when Zviad Gamsakhurdia's Round Table Bloc won a majority in the October 1990 elections to the Supreme Soviet (Wheatley 2005). After Georgia declared its independence on April 9, 1991, Gamsakhurdia went on to become the first democratically elected president of post-Soviet Georgia in May 1991 (Horowitz 2005). This fulfilled the first of Fish's (1998) conditions for success in economic reforms—replacing the communists in the initial elections—and gave Georgia a score of 1 in that category on Fish's measure.

Apart from declaring independence, Gamsakhurdia's brief tenure was marked by erratic and increasingly authoritarian rule, strengthened opposition, increased street violence, the war in South Ossetia, and little progress on privatization and market reform. Gamsakhurdia's first priority was to put in his hands as much power as possible; in December 1990 he managed to convince parliament to make him executive president, and in April he pushed through a law broadening the president's powers (Wheatley 2005). He was initially popular with the public and the Supreme Soviet, but after the attempted coup in Moscow in August 1991, Gamsakhurdia began to alienate even his most loyal allies. The economy deteriorated as Gamsakhurdia resisted plans for liberalization and land reform and implemented export controls, all while becoming more paranoid and vitriolic in his public discourse (Horowitz 2005). He might have supported market reform in principle, but in practice Gamsakhurdia resisted nearly every reform attempt.

Economist and former Minister of Economy of Georgia Vladimer Papava breaks Georgia's post-Soviet history into five phases, the first of which saw very little attention to economic reform (2006). The first few years of Georgia's independence were consumed by economic collapse, war, civil strife, and political chaos. Georgia experienced three civil wars in as many years, with ethnic fighting in South Ossetia and Abkhazia and intermittent fighting between the government and supporters of former president Gamsakhurdia; crime was rife as armed gangs and paramilitary groups looted private and state property (Wheatley 2005). These conflicts, and the loss and humiliation in Abkhazia, destabilized Georgia politically and halted market reform efforts (Horowitz 2005). Gamsakhurdia's failure to consolidate power meant he was unable to use economic reforms to distribute rents. From 1992 to 1995, Georgia's only meaningful step toward a market economy was liberalizing most prices (Papava 2006). This early period saw hyperinflation and almost a threefold decline in production, no approved national budget in 1993-94, and economic collapse, with GDP falling by 15 percent in 1990, by 20 percent in 1991, by 44.2 percent in 1992, by 29.3 percent in 1993, and by 11 percent in 1994. This period, according to Papava, was one of essentially ignoring the economy. Indeed, key decisions made in the immediate aftermath of the Soviet collapse limited the extent to which politicians could focus on economic reform, as they were forced instead to deal with the task trying to establish a Georgian state in the face of civil violence.

When the Soviet Union collapsed, Georgia had no knowledge or experience in independent economic policy making and economic reform, and the situation in 1990 was one the world had never seen; no one in Georgia or anywhere had experience with replacing a command economic with a market economy (Khaduri 2005). To make things more difficult, Georgia had none of the attributes of statehood that some other post-Soviet countries possessed after the collapse, such as financial and currency systems, secure borders, an army, and a recent history of being an independent state. Thus economic reforms in Georgia came at the same time as the construction of a state and independent statehood. Finally, military action and civil unrest dominated the first few years of Georgian independence, forcing economic reforms and the economy to be not only low priority but nearly impossible.

Georgia's early post-Soviet years, from 1992-95, had three critical periods, during which the key actors struggled for power and influence in a kind of "multi-player chess game" (Wheatley 2005, 67), creating a state of constant flux in the Georgian regime. The first two years of independence in Georgia were a tumultuous time, a period of virtual statelessness in which paramilitary groups struggled for control of the black market and weapons trade. Gamsakhurdia had been Georgia's first democratically elected president, but despite his popularity he was unable to see Georgia through its first years of independence during his presidency, Georgia's economy tanked, and concern grew among minorities in Abkhazia and South Ossetia over Gamsakhurdia's nationalist rhetoric (Mitchell 2012). Gamsakhurdia managed to alienate his own allies and foment regional conflicts that eventually led to his ouster (Wheatley 2005).

Georgia's history is one of regional struggles, a significant rural-urban divide, and a patronage system that Georgians use to solve everyday problems (Jones 2013). Regionalism prevents national political unity. Rather than rely on or identify with the state, Georgians use their personal networks as sources of protection and survival, with the state and the nation being abstract concepts to most Georgians. Georgia's lack of national politics, inherited from a Soviet rule that gave Georgia no sovereign institutions, makes Georgians confused about their vision for the nation they want to be. Whereas rural life was largely unchanged by the Soviet experience, urban Georgians were more 'modern' in their attitudes and had significant contact with Soviet state structures. Nonetheless, most Georgians remained devoted to the myths and symbols of Georgian history and tradition. A major effect of these cultural traditions and the Soviet experience is a distrust of others. Whereas trust between individuals is associated with effective democracy, Georgia's lack of trust has led to difficulty in cooperation between parties and factions and even a lack of unity within parties. Unable to trust and cooperate, Georgia found it difficult to establish a national movement against Soviet power.

Deficient in national unity, Georgia is even more susceptible to path contingency in the institutions and socioeconomic conditions it inherited from the Soviets. Without a real national identity or national politics, and in a country where people rely on patronage networks for security and prosperity and cannot agree on what democracy means to them as a whole (Jones 2013), it is no surprise that economic policy has been patronal and corruption is normal.

Tradition rules in Georgian society and the uneven mix of tradition and modern values make it difficult for Georgia to be truly modern. Though there is support for modern values of equality before the law and freedom of expression, these are juxtaposed with intolerant views towards social and religious minorities and a strong distrust of the state and social institutions (Jones 2013). Georgians put their trust in families and personal networks, not in society or social institutions; a 2000 survey found that a majority of Georgians do not trust parliament, the judicial system, or the armed forces. In 2007 these numbers had decreased to just under a majority, but trust in the church has grown since independence, with favorability ratings for the church increasing from 80 percent in 2003 to 93 percent in 2009. With high trust in the church and low trust in state institutions, Georgians do not believe public activity is effective or that normal citizens can influence political decisions. Thus even if Georgian politicians had the appetite for economic transformation, it would not likely have had strong public backing.

Distrust in the state led to a thriving black market and a reliance on patrons (Jones 2013). Charisma is a source of power in Georgia, and most Georgians trust strong leaders rather than parties or institutions. This system of weak parties and powerful patrons creates a system of monopolies and rent seeking and hinders political and economic stability.

It also hinders Georgia's ability to modernize its economy. Georgians value democratic ideals, preferring a system with public freedom, equal rights, and transparency, but they also value tradition, personal networks, order, and strong leadership. Georgia's complex relationship with history and tradition, compared with its desire to be a modern democratic nation, make it an interesting case; the country seems to fluctuate between its desire to liberalize its economy and the need for order. Politicians and people know democracy and economic liberalization are desirable, but the chaos that often accompanies liberalization leads to cycles of stunted liberalization followed by reversals (as Hale points out).

When Georgia finally gained independence in 1991, it took Georgians by surprise: rather than coming as a result of a long, difficult struggle against Moscow, independence came from the disintegration of power in the USSR (Jones 2013). Georgian nationalism had no united national movement or popular front that were crucial to the transitions in Eastern Europe; in Georgia, there were no underground organizations or mass political movements that could later emerge as a popular front. It was not until Gorbachev that a nationalist movement developed in Georgia. Until the late 1980s, nationalism and independence platforms were rare; parties only sought mass support and began to campaign for independence when a nationalist opposition developed under Gorbachev's administration. Georgia's national identity predates the Soviet period, but Georgia did not have a strong nationalist movement until Gorbachev's liberalization policies (Horowitz 2005).

When nationalist opposition developed, informal political groups flourished. Nationalist demands became increasingly radical as informal political organizations grew, and the nationalist opposition demanded the Georgian government adopt laws that promoted Georgian ethnicity over Abkhaz and South Ossetian (Horowitz 2005). In response, more than a quarter of the Abkhaz population gathered in March of 1989 to demand independence from Georgia. In the nationalist moment, this demand sparked a wave of counter demonstrations across Georgia, and in April the Communist Party leadership became rattled. A crackdown on demonstrators on April 9, 1989 left 19 dead and hundreds injured costing Georgian Communist Party its legitimacy and cementing opinion across the political spectrum in favor of independence from the Soviet Union. Few Ossetians speak Georgian, so laws aimed at increasing the use of the Georgian language sparked unrest in South Ossetia when they were passed in August 1989. By the time Gamsakhurdia was elected in May 1991, the conflicts in Abkhazia and South Ossetia had become severe, heightened by his ethnically-driven inflammatory rhetoric and policies. He made matters worse with his policies towards even the Georgian opposition, especially with his harassment of the opposition press.

In the time between independence in December 1991 and Gamsakhurdia's election in May, the temporary government attempted some limited economic reforms despite the civil conflicts. One reform was land reform, which consisted of breaking up large farms and privatizing small plots of land without any preparation (Khaduri 2005). This move decimated Georgia's agricultural sector, as peasants were left alone on small plots with not equipment or supplies. Georgia's agricultural export potential, consisting of fruits, vegetables, citrus, and wine, was squandered, and these products began to be imported from other countries rather than being exported as they had been.

Once in power, one of Gamsakhurdia's first priorities was to amass power; he convinced the parliament to make him executive president and established the National Guard and appointed his personal friend, Tengiz Kitovani, as its leader (Wheatley 2005). During this time Gamsakhurdia supported the idea of market reform, but in reality he claimed the fastest and deepest market reforms were too costly and opposed them, despite support for market reform and democracy from his own Round Table governing bloc (Horowitz 2005). The economy started to collapse under Gamsakhurdia as he resisted liberalization and land reform and imposed export restrictions. Little was done in the way of privatization, and when his policies led to smuggling, shortages, and capital flight, Gamsakhurdia responded by imposing export restrictions. The only real step toward a market economy in the early years was some price liberalization, although the price of bread was still controlled (Papava 2006; Papava 2013a).

Gamsakhurdia eventually became erratic, paranoid, and overwhelmed with governing (Mitchell 2012). His behavior and policies forced members of his Round Table bloc to join the opposition (Horowitz 2005). He responded to protests against censorship and antigovernment demonstrations by calling a state of emergency in September 1991 (Horowitz 2005; Wheatley 2005). Rioting in Tbilisi that started in October led in December to opposition forces demanding Gamsakhurdia's resignation; he refused, but National Guard and other paramilitary units eventually forced him out of Georgia in January 1992 (Horowitz 2005); he fled to Armenia before returning to western Georgia. Gamsakhurdia's ouster left Georgia in the hands of the former prime minister Tengiz Sigua (who had resigned as Gamsakhurdia's prime minister in August 1991) and two warlords, Tengiz Kitovani and Jaba Ioseliani, whose paramilitary groups were partially responsible for Gamsakhurdia's ouster (Wheatley 2005). Over the next few months, and in the aftermath of a huge political shock and under loosened structural constraints, these three men made decisions that would be crucial to Georgia's political development and set the path for the medium-term.

In the wake of Gamsakhurdia's departure, Tengiz Kitovani and Jaba Ioseliani set up a Military Council and reappointed Tengiz Sigua prime minister (Wheatley 2005). These men made choices that seemed to have minimal effect in the immediate term but had a much larger influence on Georgia's political development over the next decade. The new Military Council, headed formally by Sigua but in reality run by Kitovani and Ioseliani, faced the problem of gaining international legitimacy, and the leaders responded with two main components. First, the Military Council declared their commitment to democracy restored Georgia's 1921 constitution, which established a democratic system. This system was chosen because authorities were weak and feared alienating even minor actors.

The Military Council also decided to invite Eduard Shevardnadze, former First Secretary of the Georgian Communist Party and Minister of Foreign Affairs of the Soviet Union until its dissolution in 1991, back to Georgia to play a role in steering Georgia's future (Wheatley 2005). Shevardnadze was viewed as an instrument to restore order and political legitimacy and a leader who would be more stable and dependable (Horowitz 2005; Mitchell 2012). This decision, made during a period of "extraordinary politics" (Johnson 2001) after a political shock, would prove to have immense consequences, as Shevardnadze would end up playing the leading role in the future political and economic development of Georgia.

4.3 Shevardnadze returns to Georgia

Eduard Shevardnadze arrived in Tbilisi in March 1992 and struck a power-sharing agreement between Ioseliani, Kitovani, and Sigua (Wheatley 2005). Under the agreement, Shevardnadze would chair a newly-created State Council, which would assume the power of the Military Council and be a representative body with legislative power. Though Shevardnadze chaired the State Council and Sigua was prime minister, the real power lay in Kitovani and Ioseliani, who were head of the National Guard and the Mkhedrioni, respectively, and who tended toward unilateral actions.

If the three civil conflicts in South Ossetia, Adjara, and Abkhazia were not enough, the elections in October 1992 did nothing to simplify the political situation in Georgia. The Communist Party, which had been banned under the Gamsakhurdia administration, dispersed into various coalitions (Wheatley 2005). The election was free and fair in the eyes of most international observers, but continuing civil conflicts caused polling to be postponed in parts of Abkhazia, Samegrelo, and Tskhinvali and only 75 of 84 majoritarian deputies were elected (in addition to the 150 members that were proportionally elected). The new parliament, intended to be an interim body responsible for drafting a new constitution, was elected for a three-year term. The 1992 elections displayed significant party fragmentation; at least 24 parties gained at least one seat in parliament, and a total of 47 parties participated in the elections. Ultimately, parties had no social base and were essentially cliques united around one or a few individuals. The former communists, whose party was banned, reemerged and gained seats as independents. Shevardnadze was elected Chairman of the Parliament (a post created specifically for him) in a parallel election, running unopposed and gaining 96 percent of the vote.

Economically, the period from 1992 to 1994 was one of Georgia's most difficult: inflation skyrocketed, average wages were less than $1 a month, and the economy basically stopped working (Khaduri 2005). By 1993, GDP was just 30 percent what it had been in 1990, and the government had no fiscal policy or independent currency. The shock therapy that had worked in Poland and other post-Soviet countries failed in Georgia; authorities had no macroeconomic tools they could use clearly had other issues to deal with.

Shevardnadze was in his mid-60s when he returned to Georgia, and to gain a basis of power he turned to his network of personal relationships who were largely unfamiliar with democratic principles and free-market economics (Companjen 2010). Dependent on support from Kitovani and Ioseliani, Shevardnadze only gradually managed to improve his weak position (Horowitz 2005). He proposed an ambitious economic reform package that included liberalization and privatization, but his weak military and legislative position made his economic plans difficult to get through, and his reform agenda was interrupted by the Abkhazian war. The added burden of the war accelerated inflation, and transportation links in Abkhazia and to Russia disrupted trade, resulting in a decline in output. Shevardnadze's efforts to end the war were not only unsuccessful, but produced a Zviadist (so named as followers of Zviad Gamzakhurdia) uprising and Abkhaz victory; to gain peace, Shevardnadze's only option was to turn to Russia, Georgia's nemesis, and the Zviadist revolt collapsed by the end of 1993.

In the fall of 1993 Shevardnadze began to consolidate power, a process he effectively finished in the spring of 1994 (Horowitz 2005; Wheatley 2005). He was finally elected president in 1995 (Mitchell 2012). His political moves during this period brought the monopoly of violence back under the state, defeated the opposition fighters loyal to Gamsakhurdia, and created the Citizens' Union of Georgia (CUG), a party that would end up shaping Georgian politics for the rest of the decade. Shevardnadze's first move was to take personal control of the Ministry of Internal Affairs, appointing himself as its head in September 1993 and replacing Temur Khachishvili, who was loyal to Ioseliani (Wheatley 2005). At the end of September, Shevardnadze imposed a state of emergency that lasted until the end of February 1994. Shevardnadze and used the state of emergency to take control of the Interior Ministry and remove Kitovani; after surviving an assassination attempt from the Mkhedrioni, Shevardnadze broke up the militia headed by Ioseliani (Horowitz 2005). With the paramilitaries weakened, the police became the main wielder of coercion. Crime rates fell, and some order returned; with the roads free of the protection rackets, commerce resumed.

With increased power and statehood and territory secured, Shevardnadze was able to turn to the economy during the last half of the decade. Gamsakhurdia and Shevardnadze both present examples of the effects of external shocks on institutional design, and Georgia in its early post-Soviet years displays chronic instability that is often ignored in path-dependent arguments (Bernhard 2015). Junctures that produce path dependence are considered critical, but junctures that fail to do so can be just as important to analysis. According to Bernhard, instability can be a string of failures to produce path dependence; actors may have multiple instances in which they have strong autonomy, but find themselves unable to create lasting institutional outcomes. Gamsakhurdia and Shevardnadze both faced too much instability in the early years of Georgia's independence to leave much of a mark on Georgia's institutions. Shevardnadze, however, had much more time than Gamsakhurdia. In concentrating power in himself and cutting off opposition groups from access to the state, Shevardnadze oversaw the close of a critical juncture and began Georgia's cycle of patronal politics. As he established himself as the top patron, Shevardnadze turned his focus to economic reforms, as they provided a tool for him to distribute rents to his supporters. In the end, the increasing exclusion of opposition and formalization of power around Shevardnadze as head of state would eventually lead to his own downfall, as is the cyclical nature of patronal politics in post-Soviet states (Hale 2015).

4.3.1 Shevardnadze turns to the economy and patronage

The second period of Georgia's economic development, from the second half of 1994 to the end of 1998, saw the government finally turn to the economy (Papava 2013a). Figure 4.1 shows the rapid increase in Georgia's reform index score during this time. This was a period of purposeful reform with important mistakes. It also coincides with Shevardnadze consolidating power in the presidency.

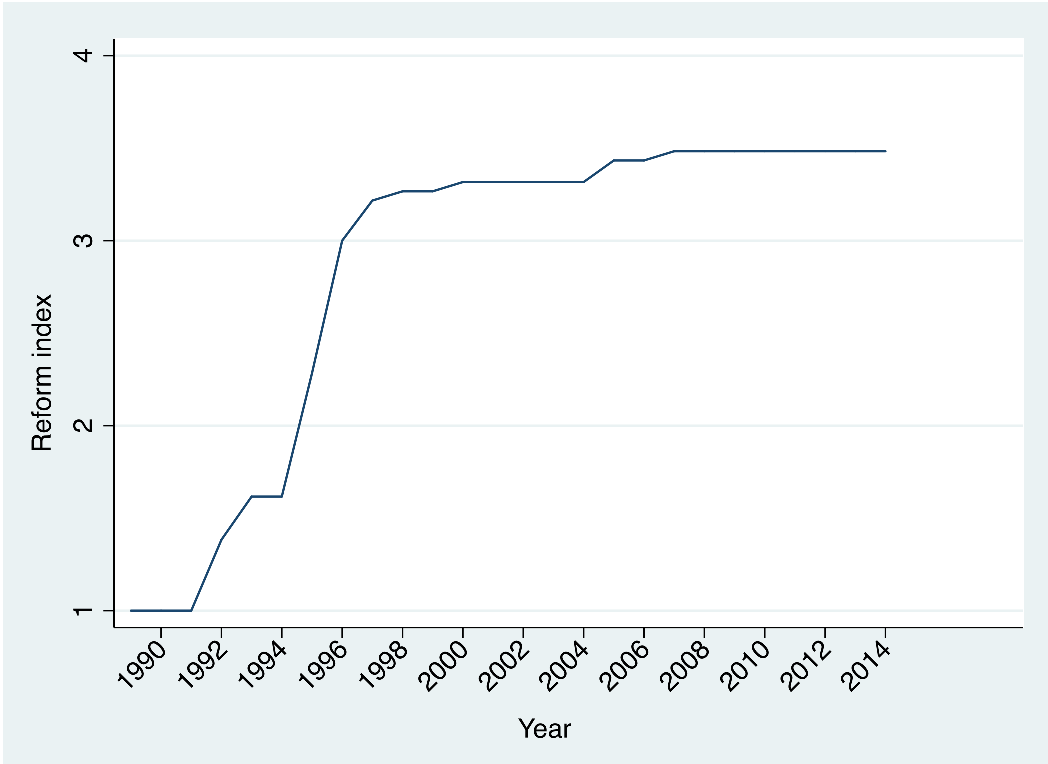

Fig. 4.1.: Economic reform in Georgia, 1989-2014.
Source: EBRD.

The regime Shevardnadze led was not democratic as he was a former Soviet leader and not a real democrat (Mitchell 2004). His administration was corrupt and inefficient and allowed massive election fraud. More and more, former Soviets re-entered public life as governors, heads of municipal districts, and mayors. After finally bringing about some stability after the Soviet collapse and civil wars, Shevardnadze failed to live up to expectations that he might foster a politically and economically liberal regime (Mitchell 2012). Though he was relatively liberal and tolerant, he was not democratic, and Shevardnadze's era was one of corruption, overall state weakness, and weak rule of law, all of which only exacerbated the economic problems that already plagued Georgia. Throughout Shevardnadze's tenure, the Georgian state remained weak and faced difficulty delivering basic services such as water and heat, enforcing laws, and maintaining fiscal stability (Collier and Way 2004; Mitchell 2012). The weak economy made it difficult to build a strong, functioning state, and the weakness of state institutions also made it difficult to take action in the economy (Mitchell 2012).

By mid-1995 Georgia had established a mostly viable state in terms of security, with the state possessing a monopoly on the use of force and the capacity to collect a small revenue, though sovereignty remained tenuous since Abkhazia and South Ossetia remained separatist (Wheatley 2005). Despite concessions to the South Ossetians and Russians and defeat in the Abkhazian War, Shevardnadze was reelected in 1995, his new CUG bloc receiving close enough to a majority in parliament to legislate effectively given the fragmentation of the opposition (Horowitz 2005).

Shevardnadze made powerful allies, bringing regional elites into his circle and expanding the role of his family's network in his system; he was essentially "farming out key state functions to various networks" and gave them license to pursue their own political and economic interests (Hale 2015, 152). In summer 1995 a new presidentialist constitution was signed and Shevardnadze reacted to wining presidential and parliamentary elections by arresting Ioseliani, who had been linked with an assassination attempt on Shevardnadze. Hale cites the summer of 1995 as the culmination of rebuilding the Georgian state and the establishment of a dominant power pyramid. His pyramid was somewhat looser than others in that Shevardnadze allowed freer media and allowed actors in his network relative autonomy, but when it came time to mobilize for elections, Shevardnadze was able to mobilize enough patronal resources to marginalize other networks.

Having consolidated power in his own hands, Shevardnadze was the most powerful player in Georgian politics. He did whatever was necessary to stay in power, using cronyism and corruption; Shevardnadze was like many other former Soviet leaders in newly independent countries (Mitchell 2004). The Shevardnadze government was prone to backroom deals and the Georgian state during his rule was rife with informal and criminal networks, corruption, and non-transparent informal institutions (Gerlach 2014). The period from the second half of 1994 to the end of 1998 is when economic reforms began in earnest (Papava 2013a). This was a period of successful economic reform: between 1994 and 1995, Shevardnadze worked with the IMF and World Bank to renew efforts at stabilization, liberalization, and privatization and made significant progress in economic reform (Horowitz 2005; Khaduri 2005; Papava 2013a). The period of intense reforms saw new monetary and fiscal discipline, reorganization of the banking sector to curb the National Bank of Georgia's (NBG) lending to the government, reduced hyperinflation, an approved national budget, and a new currency (the lari) (Papava 2006). Privatization of small firms was substantial between 1994 and 1997. Medium and large firms were privatized at an accelerated rate after 1995; by 1996, 77 percent of agriculture and 65 percent of industry were privatized in Georgia, and 75-80 percent of GDP came from private firms (Horowitz 2005; Jones 2013; Radnitz 2010a). Authorities established a budget, brought inflation under control, and liberalized prices, with bread prices finally liberalized in 1996 (Khaduri 2005). The economy began to grow after 1995 and reached a cumulative rate of nearly 25 percent by 1996-97. Shevardnadze managed to stabilize Georgia after its civil wars by joining international organizations and building domestic and international coalitions (Gerlach 2014). The privatization program shook up the economy and transformed property relations (Jones 2013).

Despite the successes, this period also had its share of mistakes and letdowns. Because neoliberalism enjoyed hegemony after the perceived failure of socialism, it had an ideological monopoly in politics and economics when Shevardnadze began privatization; Western guidelines dictated the privatization program in Georgia (Bunce 1999; Jones 2013). The plan was to privatize in an orderly, multistage process, beginning with small enterprises and moving to large energy and communications monopolies (Jones 2013). However, without a legislative framework or necessary institutions (such as independent courts and a stock exchange), privatization under the Shevardnadze administration was disorderly. Criminal networks took advantage of extremely low prices and bought state assets, criminalizing both the economy and the state, and embezzlement was ignored. Though over 70 percent of the 1,205 medium- and large-scale enterprises had been privatized, most of their stocks were unsold and remained in state possession, and the voucher program left the state with 80 percent of capital stock. The revenues from privatization never materialized: in 2000, the state budget received only 29 percent of an expected $1.6 million from the privatization of health care providers.

Privatization of small business was completed by 2000, but privatization of middle and large enterprises stalled; in 2000, 53 percent of industrial production was owned by the state and over 80 percent of salaried employees worked in the state sector (Jones 2013). Privatization of shares went mostly to former factory directors and did nothing to improve management or economic production (Jones 2013; Khaduri 2005). Table 4.2 provides a list of Georgia's scores on each of the EBRD dimensions that comprise my reform index and allows for closer inspection of the timing and success of Georgia's adoption of neoliberal reforms.

After the civil wars and regional conflicts in Georgia, the central government was slow to recover its authority and capacity, making the implementation of economic reforms erratic and inconsistent (Horowitz 2005). Shevardnadze's early economic initiatives focused on creating open trade policies, increasing privatization and deregulation, reducing public spending, and weakening the power of labor (Jones 2013). They did nothing to reduce Georgia's dependence on Russian energy imports. Focusing on rapid reform and structural adjustment policies to control inflation and stabilize the exchange rate, Shevardnadze ignored old institutional and cultural habits. Rather than increasing popular control, in the wake of rapid market transformation businesses avoided paying new taxes, the illegal economy gained power, and revenues fell rapidly. With the Georgian government too weak to stimulate and support market growth, the result was a long recession. The problem, according to Stephen Jones, was not Shevardnadze's policies—he did begin the transition to capitalism—but the pace and delivery. Rather than weakening links between politicians and economic elites, Georgia's privatization plans and international loans strengthened them, and the economy came to be monopolized.

With its cultural reliance on local networks and patronage, Georgia had all of the ingredients for patronal politics, and Shevardnadze was willing to play into these dynamics. Rather than setting the market free, deregulation only worsened the loss of state authority and let patronage-capitalism proliferate (Jones 2013). After the chaos of the Soviet col-

Table 4.2.: *Economic reform dimensions in Georgia, 1989-2014.*

Year	Large scale privatization	Small scale privatization	Governance and enterprise restructuring	Price liberalization	Trade & Foreign exchange liberalization	Competition	Reform Score
1989	1.0	1.0	1.0	1.0	1.0	1.0	1.00
1990	1.0	1.0	1.0	1.0	1.0	1.0	1.00
1991	1.0	1.0	1.0	1.0	1.0	1.0	1.00
1992	1.0	1.0	1.0	3.3	1.0	1.0	1.39
1993	1.0	2.0	1.0	3.7	1.0	1.0	1.61
1994	1.0	2.0	1.0	3.7	1.0	1.0	1.61
1995	2.0	3.0	2.0	3.7	2.0	1.0	2.28
1996	3.0	4.0	2.0	4.0	3.0	2.0	3.00
1997	3.3	4.0	2.0	4.0	4.0	2.0	3.22
1998	3.3	4.0	2.0	4.3	4.0	2.0	3.28
1999	3.3	4.0	2.0	4.3	4.0	2.0	3.28
2000	3.3	4.0	2.0	4.3	4.3	2.0	3.33
2001	3.3	4.0	2.0	4.3	4.3	2.0	3.33
2002	3.3	4.0	2.0	4.3	4.3	2.0	3.33
2003	3.3	4.0	2.0	4.3	4.3	2.0	3.33
2004	3.3	4.0	2.0	4.3	4.3	2.0	3.33
2005	3.7	4.0	2.3	4.3	4.3	2.0	3.44
2006	3.7	4.0	2.3	4.3	4.3	2.0	3.44
2007	4.0	4.0	2.3	4.3	4.3	2.0	3.50
2008	4.0	4.0	2.3	4.3	4.3	2.0	3.50
2009	4.0	4.0	2.3	4.3	4.3	2.0	3.50
2010	4.0	4.0	2.3	4.3	4.3	2.0	3.50
2011	4.0	4.0	2.3	4.3	4.3	2.0	3.50
2012	4.0	4.0	2.3	4.3	4.3	2.0	3.50
2013	4.0	4.0	2.3	4.3	4.3	2.0	3.50
2014	4.0	4.0	2.3	4.3	4.3	2.0	3.50

lapse and years of civil conflict, Shevardnadze faced a set of institutions that had been unable to manage political conflicts. As Georgia moved out of the first juncture, the Soviet collapse, it lacked the institutional strength to deal with the uncertainty and novelty of its independence. Creating an independent state would have been difficult enough given Georgia's lack of knowledge and experience with statehood over the last 200 years; ethnic conflicts and civil wars made focusing on state building nearly impossible. After the first few years of independence, once Shevardnadze was finally able to focus on the economy, the results were a mix of significant economic success and failures that led to corruption and monopolization.

4.3.2 Corruption on the rise

Shevardnadze was appointed as first secretary of the Georgian Communist Party to tackle corruption and the negative effects it had on the economy (Jones 2013). During his time in power, however, he did not challenge the system that gave rise to corruption in the first place. Bureaucrats were poorly paid and laws were unreliable. Georgia's inability to secure its border and the resulting role as a transit territory, not to mention the country's obscure language, in addition to the other factors just mentioned, made Georgia particularly susceptible to black market economic exchanges.

After 1999, Shevardnadze listened less to his expert advisers and relied more on influence and corruption to govern. The third and final pre-revolution period was from 1999 to 2003 and characterized by pervasive corruption, budget issues, and a lack of basic services (Papava 2006; Papava 2013a). From the middle of fall until the middle of spring, electricity was only provided for a few hours a day; in some areas there was no electricity at all in the winter. The budget crisis that had begun in 1998 became more severe. It began when state revenues lagged far behind what was planned; by 1999 revenues were only about 70 percent of the projected national budget. Privatization did not create a tax-paying middle class, so tax collection became a significant issue for Georgia, and the rapid growth from IMF programs had only enriched a small part of society (Jones 2013). Another significant factor in the budget crisis was a dispute between the central government and the regional government in the Adjarian Autonomous Republic; the regional government did not transfer taxes it had collected to the central government (Papava 2013a). The Georgian government used various tricks and deceptions to keep the appearance of achieving projected budget revenues, but by 2002 the IMF suspended its program in Georgia. Other donors did the same, and Georgia's external debt problem became critical (Papava 2006).

Shevardnadze fought corruption publicly, passing the most anti-corruption measures in the Commonwealth of Independent States (CIS) between 1998 and 2002, but by his last year in office, Georgia was tied at rank 124 out of 133 on Transparency International's Corruption Perceptions Index (Transparency International 2003). Corruption in Georgia undermined reform and the state's ability to collect revenues. The state was unable to pay its public employees, and corruption threatened national security, inhibiting the state's ability to govern its territories. National minorities lost trust in Georgian institutions. Foreign direct investment (FDI) and foreign support diminished as Georgia's reputation as a weak and corrupt state grew. Social problems, exacerbated under Shevardnadze, caused universal dissatisfaction with his administration and an uprising of revolutionary sentiment (Papava 2013a). In 2003 the budget climbed to \$90 million, and unpaid salaries and pensions reached \$120 million. The main result was the 52 percent of Georgia lived in poverty. By the fall of 2003, the Georgian people were ready for drastic change, and Shevardnadze was not the man they trusted to provide it.

4.4 The Rose revolution

Under Eduard Shevardnadze's presidency, Georgia again nearly became a failed state. Unable to provide basic services like water and electricity and still dealing with internal challenges to its sovereignty, Georgia was unable to achieve meaningful economic development (Papava 2013a; Rotberg 2002). The military and police force were poorly trained, underpaid, and ill-equipped, and the justice system had little independence (Companjen 2010). Given the weak police and military, the rule of law was all but absent, and border security was severely lacking. By the end of his presidency, Shevardnadze had little power and ruled over weak state structures; only a small group of elites benefited from the privatization he had pursued, and political connections were still the main source of acquiring capital (Fairbanks 2004). A former president and finance minister of Georgia describe the conditions in 2003:

> "Imagine a country in which the government does not control three regions that represent 20 percent of its territory. The authorities only partially govern public institutions, and corruption is so rampant that bribery is citizens' only option for dealing with the authorities. The economy and households experience constant energy crises: there is no reliable supply of electricity or natural gas, and in some regions electricity blackouts last weeks. Roads are riddled with potholes. Criminal gangs rule the streets and prisons; theft, robbery, carjacking, and kidnapping for ransom are endemic. Businesses operate in the shadows, outside the law and under criminal cover. More than 200,000 people who were displaced from the occupied territories are dispersed throughout the country, many without shelter and virtually all dependent on state support. The top export product is scrap steel." (Saakashvili and Bendukidze 2014, 149)

Facing parliamentary elections at the end of 2003, Shevardnadze had chosen no heir and appeared not to be concerned with who would succeed him. His CUG party was weakened by defecting factions and had suffered considerable losses in the June 2002 local elections. The opposition for the parliamentary elections was resourceful, and because it was the product of splits from the ruling party, the opposition comprised elites with actual governing experience. In the run up to the November 2, 2003 parliamentary elections, Mikheil Saakashvili, the US-educated lawyer and former justice minister in Georgia, led the New National Movement, an opposition party, against Shevardnadze (Fairbanks 2004; Gerlach 2014). Sparked by electoral fraud in the November 2, 2003 parliamentary elections, mass protests and demonstrations lasted for several weeks, with the aim that Shevardnadze resign and president (Mitchell 2012).The Rose Revolution led to the ouster of Shevardnadze and his resignation on November 23, followed by a January 2004 presidential vote in which Saakashvili, with no opposition, won 96 percent of the vote (Fairbanks 2004; McFaul 2005; Mitchell 2012).

With the state in its weak condition, Shevardnadze lacked the resources to effectively repress his critics and the public (McFaul 2005). Having initially been popular, his failures in the economy, the corruption of his administration, and his inability to resolve issues in Abkhazia, South Ossetia, and Ajaria made him deeply unpopular before the revolution. When independent election monitors documented instances of electoral fraud, the independent media and mobilized masses led to protests of the elections, and when key officials in the security ministries refused to arrest or use violence against the protestors, Shevardnadze had no choice but to comply when the opposition stormed the parliament and demanded his resignation.

Rather than being a mass uprising to unseat an unpopular, corrupt leader, the Rose Revolution was the result of elite politics: through market liberalization and asset privatization, some elites had developed resources outside of Shevardnadze's patronage and were able to oppose him when they had the opportunity (Radnitz 2010a). That opportunity arose because Shevardnadze had announced that he would abide by the constitutional term limit and not seek another term as president (Hale 2006). This brought a close to his cycle of patronal politics, and the question was whether a new cycle would begin or whether the system of patronal politics in Georgia would be sufficiently disrupted to make the revolution a critical juncture that would establish a new legacy.

4.5 After the revolution

Whether the Color Revolutions were true revolutions is a subject of debate (Gerlach 2014; Mitchell 2012), but in Georgia's case the Rose Revolution looks more like a moment of extraordinary politics, or a window of opportunity, in the larger picture of Georgia's post-Soviet development. Lincoln Mitchell provides an apt description of Georgian politics and the importance of political shocks: "Government efforts to control instability . . . have preserved it. Efforts to bring moderate change through constitutional processes such as elections proved not only fruitless, but futile, within the first few years of the Rose Revolution, meaning that unplanned transitions remain the only way to make even moderate political change in Georgia" (2012, 198). Saakashvili's rise to power was very much like a coup, albeit one that was subsequently ratified with 96 percent of Georgia's voters (McFaul 2005). The lack of constraints he faced upon seizing office eventually got in the way of his efforts to clean house. He fought corruption seriously upon taking office, but eventually turned to the same tactics that had brought about his election and began suppressing the opposition (Gerlach 2014). Saakashvili's immediate focus was combating corruption and finishing the privatization efforts that had begun under Shevardnadze. I discuss each in turn.

4.5.1 Corruption

As a Soviet republic, corruption was widespread in Georgia. Whereas corruption undermines the normal functioning of economic institutions in a market system, in Soviet Georgia corruption provided goods to consumers and was not seen as unethical (Jones 2013). Corruption continued after the Soviet collapse and undermined reforms in post-Soviet Georgia, limiting the state's ability to collect taxes, pay its employees, and govern its territories, and it caused the public, especially minorities, to lose faith in public institutions. Publicly fighting corruption has been a theme in Georgia since independence; Shevardnadze passed more anticorruption measures than any other member of the CIS between 1998 and 2002, but implementation did not follow. The black market became the main market in Georgia, and normal citizens were unable to get by without it. The widespread nature of corruption in Georgia made it all but impossible for the state to function, and was a major contributing factor to the Rose Revolution (Mitchell 2012).

The economic and political situation in the aftermath of the Rose Revolution was stacked against the authorities. In the five years before the revolution, Georgia had experienced budget crises, rapidly declining GDP growth, massive poverty, and an overall sinking economy (Jones 2013). By 2002, incomes were 40 percent what they had been in 1991.

Georgia also faced an energy crisis meaning the country would have to survive the coming winter without electricity or heat; all of the problems inherited from Shevardnadze were conditioned by the extent of corruption (Papava 2013b). Corruption was the key challenge of Saakashvili's administration.

The Rose revolution was another political shock in Georgia that allowed Saakashvili and his opposition forces to pursue neoliberal policies. His first project, in February 2004, was adding a number of amendments to the constitution that concentrated power in the presidency, allowing the president to dismiss the government or dissolve parliament (Papava 2013b). Saakashvili positioned himself as a reformer and brought in a cadre of reformers, including his finance minister, Kakha Bendukidze (Saakashvili and Bendukidze 2014). One of his major successes was removing corrupt elites (Jones 2013). Saakashvili's strategy included reforming the tax code, budget transparency, reform of the police and judiciary, and reducing the state sector, which his government achieved with great results.

Saakashvili's immediate policies seemed a success and touched nearly every aspect of public and economic life. He openly battled corruption in his first year in office; in his own words, his administration had to work in a "quick and dirty manner to fight corruption and scrap the bureaucracy" (Saakashvili and Bendukidze 2014, 150). This is exactly what he did when he fired the entire traffic police department—around 30,000 officers—in Georgia (Siegel 2005). It was certainly dramatic, but the ethics of the move are debatable (Jones 2013). When the new police force was trained, their salary was 15-40 times higher what it had been. Essentially, the traffic police had not been paid a salary, instead being forced to rely on bribes to supply their uniforms, cars, and wages. The police reform was one of Saakashvili's most visible and successful reforms: public confidence in the police rose from 5 percent in 2004 to 84 percent in 2012 (International Republican Institute 2013; Saakashvili and Bendukidze 2014). The *Bayesian Corruption Index* tracks corruption levels in Georgia, showing a marked decline in corruption during Saakashvili's term, as seen in Figure 4.2 (Standaert 2015).

Saakashvili's campaign against corruption was successful but needs context. Within a few years of his election, Saakashvili found himself resorting to the same machine tactics

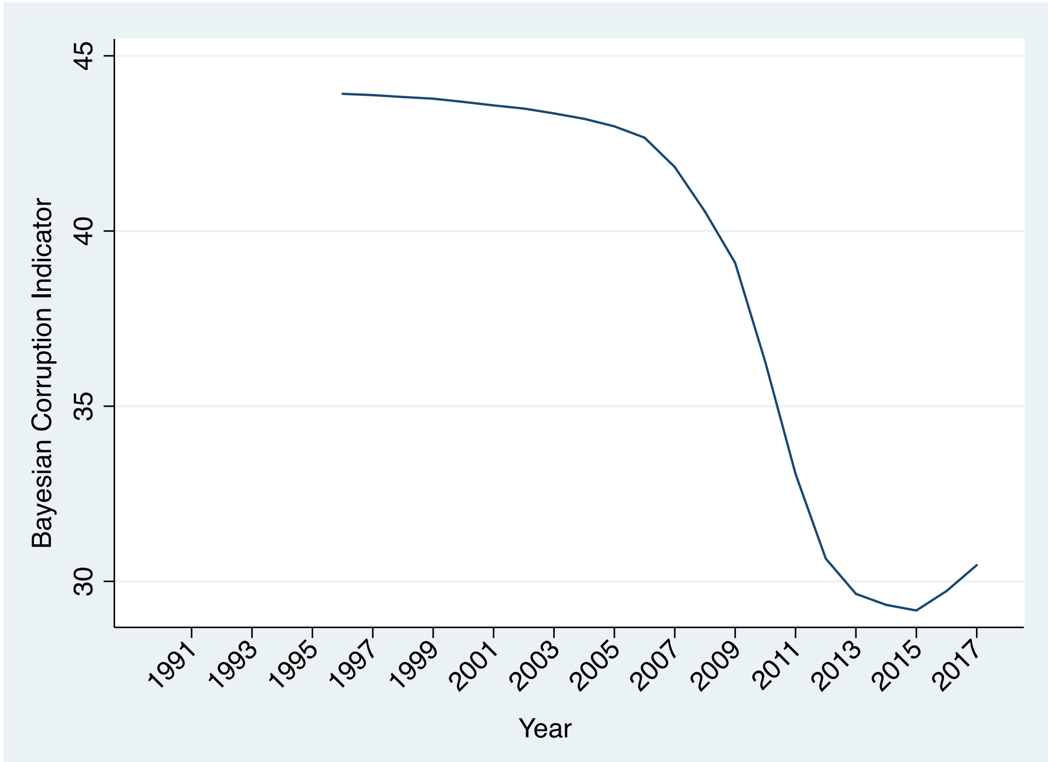

Fig. 4.2.: Corruption in Georgia, 1996-2017.

he had led protests against and accused of similar corruption he had so effectively rooted out; within a decade of the revolution it was considered a failure, and Saakashvili was already in 2007 violently suppressing the peaceful demonstrations against his economic failures (Hale 2015). His questionable legal tactics undermined his government's successes against corruption and suggested a return to old patterns of favoritism; in Georgia, corruption is more a system of rewards and privileges than outright bribery (Jones 2013).

In its campaign against corruption, Saakashvili's government used tactics that could themselves be considered corrupt: arrests of businessmen without due process and seizure of assets, firing entire departments, expulsion of opposition MPs on flimsy grounds, reduced transparency in ministries and oversight from parliament have all tainted the fight against corruption after the Rose Revolution (Jones 2013). After taking power on a platform or radical reform, concentrating power in the presidency, Saakashvili and his supporters ended up co-opting groups and institutions that could impede their progress, such as the media, the business community, the judiciary, and electoral commissions (Lanskoy and Areshidze 2008). One should not fail to notice the irony of Saakashvili leading protests against corruption and fraudulent elections, taking power in a coup, and resorting to the same tactics the previous administration had used on its opponents. Even more ironic, Saakashvili was reported to have suggested banning parties that opposed his pro-Western positions (Hale 2005).

Of course if one views post-Soviet politics through a lens of cycles of patronalism, these developments are less surprising and less disappointing and become simply predictable. Following a political shock, when elites have a narrow window of opportunity in which to decide whether to back the incumbent or the challenger, whoever ends up winning will have incentives to pursue reforms, especially in the economy and corruption. While elites are deciding whom to back there is likely to be some contestation that might look like democratization, and some contestation is also likely once elites have clear expectations as to who will win and they fall in line behind the new patron (Hale 2005). After the transfer of power, the new authorities are likely to strip rival groups of power and assets, which is often done under the guise of rooting out corruption. The sincerity of reforming corruption is not always clear, but new patrons, even true democratic reformers with good intentions, recognize the advantages available in a period of extraordinary politics and consolidation: it is easier to push through difficult and unpopular reforms immediately after a shock, before opposition has a chance to block them.

4.5.2 Privatization and financial stability

Though Saakashvili's consolidation of power in the presidency belied his presentation as a reformer, his moves to make the president even more powerful (Charles Fairbanks (2004) referred to Georgia as a "superpresidential" regime) did have some benefits in terms of reform and macroeconomic stability after the revolution (Papava 2013b). He was able to establish financial order, increase tax revenues, and overcome the budget crises that had be characteristic of the Shevardnadze administration. Saakashvili also made it significantly easier to establish a new business in Georgia by simplifying the licensing system. His efforts at eliminating corruption led to the 2004 reinstatement of the IMF program that had been suspended in 2003 due to the previous administration's corruption.

As it had during the Shevardnadze administration, neoliberalism still dominated the international conversation in the mid-2000s, with the American neoliberal model particularly prevalent (Oatley 2018; Oatley et al. 2013). The results of another attempt at economic reform by shock therapy are mixed. One of the key neoliberal reform successes of the post-revolution government was the introduction of a large-scale privatization program (Papava 2013b). The revolutionary new labor code encouraged businesses to develop. Georgia climbed up the rankings of the World Bank's Doing Business Index as a result of Saakahsvili's macroeconomic reforms: in 2006 Georgia ranked 112 out of 181 countries on the index; in 2007 it had climbed up to 18th spot, and for 2019 its ranking is 6.

Declaring that the government would "sell everything except our morals," the new minister of the economy Bendukidze captured the spirit of the massive privatization effort that began in 2004 (Saakashvili and Bendukidze 2014, 153). The program included privatizing electricity and gas networks, agricultural land, airports and seaports, and other infrastructure, eventually privatizing almost all major state assets.

Saakashvili's reforms after the revolution contributed to a limited turnaround in economic fortunes. Businesses gained more opportunities thanks to a new tax code and laws on privatization and property ownership (Jones 2013). By 2010, 77 percent of the workforce was employed in the private sector, whereas in 2000 only 47 percent of industrial production was privatized and only 20 percent of salaried employees worked in the private sector. In the few years after Saakashvili was elected, Georgia experienced growth in GDP, foreign direct investment (FDI), trade, financial services, telecommunications, and construction, and progress in budgetary discipline and revenue collection.

Some of Saakashvili's neoliberal economic reforms were successful, but policies that help businesses do not necessarily improve the quality of life of the society. The new labor code left employees worse off as it expanded the rights of employers, which limited the rights of employees and left them unprotected (Papava 2013b). Though conducting business has become easier, the shadow economy— economic activity that avoids government regulation, taxation, or observation—has not seen such success: in 2010 Georgia was 21 out of 21 transition countries in a ranking of the size of the shadow economy and out of 120 countries, Georgia was 119th, with the shadow economy making up 68 percent of GDP (Schneider, Buehn, and Montenegro 2010). Finally, whereas the government aims for higher rankings in lists, Papava argues that it should be striving to provide and promote wealth and prosperity; he points out that Georgia ranked 87th in the Economist Intelligence Unit's *Quality of Life Index* in 2005 and 74th in the UNDP's Human Development Index in 2010 (2013b). Eight years later, in 2018 Georgia had only managed to climb four spots on the HDI, placing 70th out of 189 countries analyzed (UNDP 2018).

By 2006 the transformation of Tbilisi was striking. Elsewhere in Georgia, however, the picture was less promising. The progress in the capital failed to reach much of the rest of the country, and even a low poverty line failed to reduce the poverty rate below 38 percent (Jones 2013, 193). In 2010, Georgia's real unemployment rate (which includes those no longer seeking work, the self-employed, and those unregistered for unemployment) was near a staggering 60 percent. The reforms that created a dynamic, job-producing private sector did nothing to mitigate high unemployment since the areas that experienced growth were those that did not employ large numbers. Saakashvili's economic reforms made it easier for businesses to operate, but the new private sector remained weak and did not provide employment growth in sectors that actually helped reduce unemployment, especially in rural areas. Even for those with a university education the economy was not a boon: in 2007, college graduates accounted for over 42 percent of all unemployed.

Saakashvili's program of rooting out corruption, impressive in terms of corruption measures, appears to have simply been an attempt to weaken any opponents to his rule. Georgia has been climbing the rankings of corruption indices and reduced mass corruption to a minimum, but elite corruption has simply taken different forms (Papava 2013b). No longer a matter of outright bribes, postrevolutionary corruption generally takes the form of "voluntary contributions", as assigned by the government, from businesses to fund social measures (Papava 2013a). In fact, actions from the very start of the fight against corruption fostered growing corruption in the Saakashvili government. When officials from the previous administration were suspected of corruption, they were allowed to buy their freedom, effectively paying ransoms for themselves.

Saakashvili's initial successes in privatization and corruption reform eventually gave way to economic and social failures, and mass protests in November 2007 were the public response (Jones 2013). Saakashvili's administration resembled that of the country's first president, Gamsakhurdia: many of the people who came into government after the Rose Revolution were inexperienced and incompetent, and Saakashvili moved ministers from one office to another, preventing them from becoming competent in any field (Areshidze 2007). The result was that government officials increasingly acted with impunity, believing the government could do whatever it wanted (Areshidze 2007; Papava 2013b). In response, at least 50,000 people gathered in the streets of Tbilisi, demanding Saakashvili's democratic removal and an end to his corrupt authoritarian government (BBC 2007b; Chivers 2007).

After the demonstrations, Saakashvili agreed to move the presidential election up from autumn to spring 2008 (BBC 2007a). Saakashvili won the 2008 elections with 53 percent of the vote (a far cry from the 96 percent he had enjoyed just four years earlier), but he faced similar accusations of irregularities and electoral fraud that had brought down the previous administration and put him in power (Parfitt 2008). Thus within four years Saahashvili had effectively completed a new cycle of patronal politics, demonstrating that political shocks reveal much more than path-dependence would predict. Looking back in 2014 on his time as president of Georgia, Saakashvili said of his reforms, "the rule of law was firmly in place, and it was impossible to erode the integrity of the state institutions" (Saakashvili and Bendukidze 2014, 154). How ironic, then, that he would be president during the erosion of state institutions and the rule of law.

4.6 Discussion

In his analysis of the Color Revolutions, Scott Radnitz (2010a) argues that in countries that underwent reforms a new capitalist class arose that had interests sometimes at odds with the regime. After the rigged elections, the capitalist class played an important role in financing mobilization and signaling mass discontent, weakening support for the regime and quickening the pace of regime change. This is a plausible explanation for the Rose Revolution (and the revolutions in Ukraine and Kyrgyzstan), but Radintz does not address the initial transition from Soviet economies. This argument echoes the "winners take all" dynamics in Russia (Hellman 1998), in which the early winners of economic reform used their new wealth to block further reform, but the link between the two shocks so far has not been made. In these studies, the focus is on the relationship between the regime and those who benefit from privatization. Georgia's privatization did not even begin in earnest until the mid-1990s, and it benefited only a small minority; most Georgians did not see benefits of neoliberal economic policies.

During the first shock after 1991, turmoil in Georgia prevented the creation of stable institutions and a functioning state, but its performance in economic reform is still somewhat puzzling. Georgia seemed to have accomplished the most important task in the aftermath of the Soviet collapse: its was one of the post-Soviet states to experience a clear victory by reformers or noncommunists and subsequent marginalization of communists (Fish 1998). In fact, Georgia was the only Soviet republic in which the radical opposition won the first democratic elections (Wheatley 2005, 52). Whereas many Soviet republics experienced freer electoral processes in 1989 and 1990, Georgia was the only republic of the USSR in which a shift from controlled elections to free elections took place between 1989 and 1990.

Given these results one might predict successful large-scale economic reform based on Fish's argument, but the dispersion of wealth that eventually happened did not create a middle class or bolster civil society. Instead, the nature of patronal politics meant that those actors that became members of the new capitalist elite simply placed bets on political leaders and backed one until it was clear he was not viable. Presidents, for their part, used economic reforms as a tool to dispense patronage to elites in order to consolidate power and build networks. With the reforms Shevardnadze managed to enforce came the emergence of a new economic class, independent of and with different interests than the president (Radnitz 2010a). Because their interests did not always conform with the president's, when a political shock gave them the opportunity to decide whom to back, they chose the opposition.

The dynamics of patronage provide insight into our understanding of Georgia's path from nearly failed state to one with a market economy. Rather than building effective political and economic institutions, Georgia's first president focused on identity and nationalism. When Shevardnadze became president, he moved to consolidate power in the presidency and establish a network of patron-client relationships with political elites. In order to consolidate his power, Shevardnadze used neoliberal economic reforms to privatize sections of the economy such that his supporters benefited. The Rose Revolution provided new leadership but did not fundamentally change the nature of patronal politics in Georgia, and Saakashvili quickly returned to the machine tactics of his predecessor.

The case of Georgia helps elucidate a logic that explains the variation in developments and outcomes in post-Soviet states. Though it is clear that the initial elections after the fall of the Soviet Union were influential events, the elections were not the critical junctures some observers believed they were at the time. Neither path dependence nor geography adequately explain the last nearly 30 years of economic policy in Georgia. Applying Collier and Collier's (1991) analysis of critical junctures, it is clear that neither the Soviet collapse nor the Rose Revolution were critical junctures in Georgia. Georgia has long relied on personal networks, and patronage has a long legacy and large influence (Jones 2013). Even as a Soviet state, Georgians relied on patrons to solve everyday problems. Once privatization began, a small group of well-positioned elites were able to capitalize on the haphazard and corrupt nature of economic reforms, building for themselves assets that would allow them to step out of the shadow of their patron if given the chance. With Shevardnadze not seeking reelection and having named no successor, the

Rose Revolution provided these elites with the window to back the opposition, to whom they owed nothing. The revolution provided the permissive conditions necessary to weaken structural constraints and enhance the power of individual elites to change the course politics in Georgia. It did not, however, present the productive conditions necessary to create divergence from the norm, nor did it fundamentally change the political system in Georgia. Rather than being a critical juncture that established a new legacy in Georgia, the Rose Revolution was an example of the end of one cycle of patronal politics and the beginning of another one.

Thus patronal politics hold even in periods of extraordinary politics brought about by political shocks. During these episodes, when the constraints on political action are loosened and virtually any path is open, economic elites are free to side with whomever. Once it becomes clear that their current patron is on his way out, these elites will use their economic power to back the apparent successor. In Georgia this happened first to Gamsakhurdia, then to Shevardnadze. Saakashvili faced a challenge to his patronal rule, but since he was in a cycle of consolidation, it did not result in elite turnover. In each case it was a political shock and the fallout from it that allowed economic elites to act more freely of the constraints of usual politics.

Patronal politics also helps explain the nature of economic reform–the adoption of neoliberal economic policies–in Georgia. The economic aspects of patronage are inherently tied to politics. Georgia demonstrates the importance of politics to economic reform efforts and the constraining effects of the institutions in which elites operate. Politics and economic reforms take place in an institutional setting. Political shocks can present an opportunity for elites to shape the institutional setting in which they compete for power, but the Soviet collapse and the Rose Revolution ultimately only changed the leadership, not the political dynamics of economic reform. The dynamics of patronage have heavily influenced the adoption of neoliberal economic reforms and made them into a tool for incumbents to wield to their political advantage. In Georgia, economic reforms happened when the president sought to consolidate his power and used reforms to distribute benefits as a patron to his clients. A similar dynamic is seen in Ukraine, though it is perhaps more pronounced. This is the subject of the next chapter.

5. UKRAINE

5.1 Introduction

At the turn of the century, D'Anieri, Kravchuk, and Kuzio noted that Ukraine was in an interesting position between its Soviet past and the Western future it wanted: "The prospect for rapid improvement in political and economic conditions is unlikely. . . . There are powerful forces that, absent a new shock, will tend to keep Ukraine there for some time to come" (D'Anieri, Kravchuk, and Kuzio 1999, 9). These forces had already held Ukraine back from fulfilling its potential of becoming one of the region's best performers. For much of its first decade of independence Ukraine was mired in economic turmoil and political intrigue. In 1999 Ukraine had only completed small-scale privatization and established an independent currency; other significant economic reforms were absent.

About five years later, the second shock expected to bring change came in the form of the Orange Revolution. It provided the reorganization necessary for Ukraine to enjoy one of the rare periods of democratic politics in the region and disrupted the cycle of patronal politics enough to at least suspend it for a few years (Hale 2015). Though the Orange Revolution brought a period of increased democracy, economic reform policy remained moderate; in 2018 reforms were still incomplete in state-owned enterprises and banks, and after a nearly 10 percent decline in GDP in 2015, economic recovery was modest (EBRD 2018).

Ukraine demonstrates how economic policy closely follows the cycles of patronal politics during which either presidents consolidate their power or contestation between elites takes place. During contestation, when elites are uncertain whether the president will remain president and whether to back the challenger, economic reform is unlikely, partially because the president has not consolidated power in the presidency. When the president has consolidated power, economic reform is more likely, especially if the president can direct reforms in a way that will benefit his allies. Ironically for the president, the patronal relationship necessary to consolidate and strengthen his power has the potential to harm him during the next period of uncertainty, especially after a political shock. Elites make choices about whether to back the incumbent or his challenger, and the fact that elites are in a position to make this decision in the first place is a result of economic policies employed by the president that strengthened his rule but also enriched other elites.

Ukrainian economic reforms in the wake of the two political shocks demonstrate the cycles of patronal economic policy: when the president is in a contestation period and uncertainty abounds about the future center and distribution of power, the president is unlikely to be willing or able to pursue economic reform. During consolidation periods, when the president strengthens his grip on power and distributes rents to his allies, economic reform, and specifically privatization, is an important tool in co-opting elites and distributing patronage that binds elites to the president and helps consolidate his power. That this tool can also create a class of elites with interests at odds with the president and resources to challenge him if necessary is an unforeseen, if ironic, side effect.

Ukraine's post-Soviet life up to the aftermath of the Orange Revolution can be broken into three distinct periods: 1) ignoring economic reform and failing to co-opt elites after the Soviet collapse, 2) Kuchma's decade-long presidency, with its erratic reforms and privatization that led to increasing patronage and oligarchy, and 3) the Orange Revolution and the political chaos it instigated, including a weakened president and unsuccessful patronage.

In the transition from Soviet economies, elites were important in driving social change (Cheterian 2009). In Henry E. Hale's (2005, 2015) theory of patronal politics, elites must decide whether to back an incumbent or organize around the challenger; this choice happens in periods of elite disunity that result from uncertainty about the prospects of the president or his successor. Presidential elections are Hale's main predictor of elite turnover, but the extent to which elites have the independence and resources to coalesce around an opposition candidate depends on the strength of the president and the extent of privatization prior to the election. In countries that have privatized portions of the economy, elites have resources independent of the president's patronage and interests that do not align with the president's (Radnitz 2010a).

Hale's patronal cycles are normal politics in these regimes. When the president is strong enough to enforce elite cohesion, elite turnover will not occur. This happened throughout the 1990s in Ukraine, when Kuchma won reelection and parliamentary elections went his way. The Color Revolutions are so remarkable precisely because they are periods of extraordinary politics, where constraints on elites are loosened and elites have more ability to make choices independent of their patron. Whether these periods become critical junctures that establish a new equilibrium depends on the extend of economic reform, specifically privatization. When privatization provides elites independence from the president, and the patronal cycle creates or aligns with a political shock, elite turnover is often the result. Elite turnover does not, however, necessarily lead to further economic reform, even when a "reformer" is elected. In fact, in most cases, elite turnover as a result of mass protests generally results in changing the patron at the top rather than leadership or regime change (Radnitz 2010b).

Ukraine is an interesting case because its lack of elites able or willing to pursue economic reform shows precisely why elites were so important in the transformation from planned to market-based economies. When a new president comes to power in a patronal regime, he will often broadcast a commitment to eliminate corruption and reform the economy. I argue that this strategy is a tool used to consolidate power and co-opt societal elites; the ability to punish rivals and supporters of the former incumbent serves as a stark demonstration of the new president's power, even if it is often disguised as anti-corruption and economic reform campaigns. The novelty of Ukraine's case is that it is a patronal system with an institutionally weak presidency, and the early focus on nation building meant Kravchuk neglected the construction of his patronal network. The unclear delineation of powers between the president and parliament led to political fighting, and institutional gridlock precluded privatization and economic reform in the early years of Ukraine's independence.

Ukraine's first president, Leonid Kravchuk, was unable to take advantage of the first shock, the collapse of the Soviet Union. He could not dispense political and economic patronage to elites and failed to consolidate his power. Without being able to mobilize regional elites to deliver the vote, Kravchuk set no expectation that he would win a second term (Hale 2005). Kravchuk lost to a challenger in his former prime minister, Leonid Kuchma, who would go on to consolidate his patronal network and amass significant power in the presidency. Kuchma's increased presidential power allowed him to force through economic reforms that benefited elites and enhanced elite cohesion around his presidency, but he was never able to fully consolidate his power and create anything more than a competitive authoritarian regime (Levitsky and Way 2002). Kuchma's privatization program strengthened an emerging class of oligarchs, and his tendency to pit them against each other ultimately created enough opposition that, when the chance arose, oligarchs were able to unite and use their wealth and political power to back Kuchma's challenger.

That chance came with the second shock, the Orange Revolution. A period of extraordinary politics featuring election fraud, mass demonstrations, and uncertainty over who was most likely to succeed Kuchma, the shock disrupted the dynamics of patronal presidentialism in Ukraine and led to one of the few periods of democratic politics in the post-Soviet region (Hale 2005). It did nothing, however, to eliminate the institutional competition between the president, prime minister, and parliament, and economic policy after the Color Revolution proceeded in much the same manner as it had after the Soviet collapse. In fact, the weakening of the presidency and splitting of power after the Orange Revolution was a major factor in the lack of economic reforms in its wake. With the new president, Viktor Yushchenko, more at the mercy of his prime minister and parliament, he was unable to consolidate power because he could not resume privatization and economic reform.

Immediately after the Orange Revolution, Yushchenko used the window of opportunity to push through some economic reform, but it was haphazard and contradicted by parliament, as had been the case with much of Kuchma's reform efforts. As in other instances, Yushchenko's economic reforms and fight against corruption resemble an attempt at revenge on his rivals, but his weakened presidency made this a difficult task. Reform under Yushchenko was not extensive enough to effectively bind elites to his patronage. Failing to secure elite backing and constantly at odds with the prime minister and parliament, Yushchenko lost the presidency after his first term.

Political shocks present a window of opportunity for political and economic change, but where a patronal regime is in its power cycle conditions the type and extent of economic reform likely to result. When in a phase of consolidation, as when Kuchma was reelected in 1999, political shocks are unlikely to lead to elite turnover but can increase the likelihood of economic reform efforts. Economic reform is unlikely during a contestation phase, such as when elites jockey for position around a new president or when the incumbent is not running in an election year. A political shock during a contestation phase can magnify the uncertainty of succession and produce the conditions that make elite turnover possible. This is what happened when Kuchma's successor lost his bid for the presidency after Kuchma had decided not to run for another term. Kravchuk and Yushchenko are examples of presidents who were unable to complete economic reforms and never made it to the consolidation phase: they remained mired in a contestation phase that provided the uncertainty necessary to unseat the incumbent and led to their replacement before their term limits were up.

This chapter details Ukraine's economic policy in the wake of two political shocks, the collapse of the Soviet Union and the Orange Revolution. Whereas in some circumstances political shocks can present windows of opportunity for politicians to implement difficult reforms, Ukrainian politicians have been unable to take advantage of loosened constraints during periods of extraordinary politics. As a result, these shocks do not represent critical junctures (which are not as important in these cases) in the sense of setting a new path of institutional lock-in, but economic policy in the wake of the shocks is exemplary of the nature of patronal cycles and elite behavior. Ukraine is another example of a country with a complex political-economic history since the collapse of the Soviet Union. Based on the results of its initial elections, path-dependent predictions would expect minimal economic and political reform in Ukraine. For the first decade or so, these predictions appeared accurate. Events in Ukraine's second independent decade and beyond demonstrate the importance of analyzing variance; whether Ukraine fits initial predictions is one thing, but the ups and downs are more interesting and important than the mean performance.

I begin with the Kravchuk presidency and the complete lack of economic reform in his single term. Kravchuk did not consolidate his power and thus lacked the elite cohesion necessary to see off his challenger. Next I look at Kuchma's decade as president and how the economic reforms he pushed helped him consolidate his power but also contributed to the end of his patronal cycle. After coming to power as an economic reformer, corruption in the Kuchma administration grew as he worked to calm the economic crisis and pursued small-scale privatization. In his privatization efforts, Kuchma strengthened a class of oligarchs that eventually united to defeat his chosen successor. Finally, I describe the Orange Revolution and economic policy after it. With Kuchma no longer in a position to exert control over his former elite backers, it was more difficult for the government to subtly manipulate the election to replace him as president. Yushchenko, the eventual victor in the elections that set off the revolution, was a weakened president, stunted in his economic reform efforts by a prime minister and parliament who fought him over the ability to direct policy. Yushchenko was unable to consolidate power and was replaced after his first term by the man Kuchma had chosen to succeed him five years earlier.

5.2 Independence and economic crisis: 1991-1994

Leonid Kravchuk, the first president of post-Soviet Ukraine, did little in the way of economic reform. He failed to consolidate his power and establish himself as the top patron and was replaced by his former prime minister. Whether Kravchuk had any interest in accumulating presidential power, he certainly had other issues pressing his attention at independence.

Having almost no history of independent statehood, nation building was the first priority in post-Soviet Ukraine (Åslund 2009). Declared in 1917 and effectively established in 1919, the Ukrainian Republic was short-lived when, after a civil war, in 1922 Ukraine joined the Union of Soviet Socialist Republics (USSR) as a founding member with Russia and Belarus (Kravchuk 2002). Though Ukraine was a member of the treaty, it was the subject of economic colonization under Soviet rule. Soviet policies, especially under Josef Stalin, deliberately led to some confusion about Ukrainian and Russian identities in eastern Ukraine (Kuzio 2000, 150).[1]

A brief period of Ukrainian nation building left some of the characteristics of statehood, and a sense of national identity remained in the western regions, but official attitudes prevented a Ukrainian identity from taking hold after the 1930s (Kravchuk 2002; Kuzio 1998). When the Ukrainian parliament declared independence from the Soviet Union in August 1991, however, Ukraine had few of the state and national features thought to be necessary for a successful transition to democracy and liberal markets, such as national unity, undisputed borders, political and civil unity with common values, and an effective state and institutions (Kuzio 2000, 146). The Soviet policies since the 1930s meant that, upon independence, many urban and industrial centers had no Ukrainian identity or national culture.

Western observers sometimes characterize the regional component of Ukraine as simplistically as Catholic in the west and Orthodox in the east. These blunt descriptions might be technically accurate, but in reality Ukrainian geography is much more complex (Barrington 1997; Kuzio 2005a). Though it is true that the majority of people who speak Ukrainian and are Catholics are concentrated in the west while half of the population speaks Russian and Ukrainian Orthodox Church members outnumber Catholics four to one, these facts play little role in foreign policy (Arel 1998). Sasse (2010) argues that the ideas of eastern and western Ukraine are both artificial constructs that assume a uniformity among the diverse cities and populations in each region. In fact, both voters and elites have varying

[1] The policy of indigenization was formally approved in 1923, but instances of Ukrainianization date back to 1920 (Hirik 2017). These policies encouraged the use of local languages and promoted filling national and regional governments with locals who knew the language, customs, and everyday life of the area. As rural residents migrated to urban centers where Ukrainian was spoken, they adopted a Ukrainian identity at the expense of their local identities (Kuzio 1998). Worried that a nation could develop out of policies encouraging Ukrainian identity, and sensing a threat to Russian domination and control in Ukraine, the Soviets reversed these policies and instead promoted a "Little Russian" identity that saw Ukrainians as junior members in the Russian-speaking Soviet nation (Kuzio 1998; Kuzio 2000).

and inter-sectional political, economic, and linguistic interests that cannot be reduced to region alone. Crises and elections make regions appear homogeneous, but even regional voting patterns can be difficult to discern, with some scholars arguing that language is the main fault line in some elections while others note that the effect of a region on voting varies across regions and parties.

In contrast with the "shock therapy" of immediate marketization and rapid political reform in vogue at the time of the Soviet collapse, evolutionary change would be the theme of the first 15 years of Ukraine's independence. Most changes from Soviet institutions have not been breaks from those institutions and politics, but rather a modification of them (D'Anieri 2007). Upon Ukraine's independence, the supporters of nation building and those of economic and political reform both thought the two goals could not be pursued simultaneously and chose independence (D'Anieri 2007, 71). When independence arrived, nationalists and Communists in Ukraine reached a deal: if Communists would support independence, the nationalists would not attempt to remove ruling elites and would support evolutionary political and economic reform (D'Anieri 2007; D'Anieri, Kravchuk, and Kuzio 1999). Thus Ukraine put in charge of creating a market economy the same people who had run the Soviet economy, who had no knowledge or enthusiasm about their new task and decided on gradual reforms and keeping the old elites.

In focusing on nation building Kravchuk made a trade-off, valuing domestic stability and order over reform (D'Anieri, Kravchuk, and Kuzio 1999). Sovereignty and the formal aspects of a state were the top priority after independence. In order to gain international recognition of its declaration of independence from the Soviet Union, Ukraine hastily created state institutions that looked the most like an independent state (D'Anieri 2007, 80). For five years after independence, however, Ukraine did not adopt a new constitution. Instead, Ukraine modified its Soviet constitution that remained in effect until 1996 (D'Anieri 2007). The constitution used for the first five years was a modified version of the 1978 constitution of Soviet Ukraine, complete with the unity of power and lack of delineation of responsibilities between branches of government (Protsyk 2005). This lead to confusion about institutional roles and struggles for power.[2] Aside from nation building, Kravchuk's economic achievements as president were modest. He was able to keep Ukraine from the civil and ethnic wars that raged in other post-Soviet countries and eventually establish Ukraine's economic sovereignty and monetary independence (D'Anieri, Kravchuk, and Kuzio 1999). Economic reform immediately after independence was limited to what was strictly necessary, and otherwise was minimal under Kravchuk.

5.2.1 Economic crisis

In the four years since voting in favor of independence, Ukraine did not have a clear plan for marketization reforms, made no progress on restructuring the economy, and experienced economic collapse (Ishaq 1997; Sekarev 1995). Lack of political will for reform and Ukraine's starting point complicated efforts: its heavy integration in the Soviet economy meant that many of its factors of production were actually located outside its borders, and the economy prominently featured sectors reliant on state support that were thus even more difficult to reform (Sekarev 1995).

Reforms were difficult to implement for many reasons, but simply failing to put policies into effect was one of the biggest problems Ukraine faced (Ishaq 1997). There were no comprehensive plans with public support, and the plans that were put forward did not receive support because they required sacrifices from the people. Politicians were unwilling to take the blame for a decline in living standards as a result of reforms, so the need to seek consensus slowed reforms. Public support for reforms was difficult to gauge and varied issue by issue. Poorly defined boundaries between the government and the

[2]The presidency was intentionally created to be a weak office; members of parliament enjoyed great power and, although they recognized the need for a head of state, were loathe to cede their power to the president (D'Anieri 2007). Their solution was to create a presidency they would easily control, maintaining the right to veto executive decrees, override a presidential veto with a simple majority, and the rights to reject appointments of ministers and dismiss the president's cabinet. To further weaken the presidency and divide executive power, the parliament created the office of prime minister, who would report to both the president and parliament and control the daily workings of government. Lacking clearly defined authority for each office and a functioning judicial system to adjudicate, parliament and the president fought for control over the prime minister and the cabinet. This situation was not conducive to passing economic reforms, with the president in a weak position and reforms needing strong backing because of their general lack of popularity.

parliament further hampered policy implementation. Heavily dependent on energy imports, Ukraine was especially prone to shocks and intimately tied with Russia's energy policies.

During the Kravchuk presidency, Ukraine actively avoided serious reform and suffered economic and political stagnation (Kubicek 1997). The exception came in the first months after the Soviet collapse, when Ukraine had to enact limited reform in response to price liberalization in Russia (Sekarev 1995). The financial institutions Ukraine inherited from its Soviet years were unable to perform the basic tasks required for market liberalization. Although the Ukrainian national bank was established early after independence (in June 1990), Ukraine did not have its own currency or even independent financial policy until 1992 and used coupons until the introduction of a new independent currency, the *hryvnia*, in September 1996 (Ishaq 1997). Ukraine constantly ran government budget deficits: in 1991 the deficit was 14 percent, which was brought down over the years to 5.6 percent in 1996 (Ishaq 1997, 505). Inability to effectively collect taxes contributed to budget issues, which were further complicated by the near constant struggle in the relationship between the government and parliament. Ukraine also accumulated foreign debt as a result of trade deficits with Russia and Turkmenistan, especially for imports of oil and gas. In fact, imported oil and gas accounted for 91 to 95 percent of annual consumption of these resources (Sekarev 1995, 45).

Ukraine's overall economic situation was disastrous, and Kravchuk oversaw a long economic decline (Havrylyshyn 2014). Gross domestic product (GDP) and industrial production both dropped consistently for the first five years, with GDP finally slowing to a 10 percent decline in 1996 (Ishaq 1997, 502). Energy-intensive industries were especially hard hit by the adjustment to world prices for energy imports, and in 1994 overall industrial production dropped by 30 percent; the consistent decline in industrial production finally shrunk in 1995, when it hit 13.5 percent, and in 1996, when it fell only 5 percent. In 1994 only 60 percent of Ukraine's primary energy needs were met (Sekarev 1995, 41).

From 1991 to 1996, unemployment was one of the more muddied economic indicators: official rates were incredibly low, but official statistics were unreliable (Ishaq 1997; Sekarev 1995). During this period, official unemployment rates averaged .53 percent each year, while at the same time the size of the labor force declined and the number of people unemployed grew (Ishaq 1997, 503). Inflation was another major concern, averaging up to 70 percent a month in late 1993. Budget deficits ruined the national financial system, and hyperinflation followed (Sekarev 1995). Inflation in Ukraine was volatile: in 1991 the annual inflation rate was almost 195 percent, and by 1993 it reached 8600 percent (Ishaq 1997, 504). Though a certain amount of inflation was expected after price liberalization, the mercurial nature of inflation in Ukraine's early years of independence was not predicted. Part of the reason for such drastic inflation rates was simply the nature of central planning in the Soviet states, where open inflation was minimal; price liberalization revealed the true levels of inflation to be higher and more problematic for Ukraine than anticipated.

5.2.2 After a delay, minor reforms

Despite being seen as one of the post-Soviet countries most likely to prosper in its transformation to neoliberal economics, Ukraine never realized this promise and initially failed to implement the economic measures necessary to change the centrally planned economy into a market (Diuk 2001; Ishaq 1997). After a long delay, the first reform program was introduced in March 1992, when the Ukrainian parliament adopted the "Principles of National Economic Policy," calling in the short term for the introduction of a national currency and planning in the long term to privatize state enterprises, reorganize and modernize industry, adopt world prices in trade with CIS members, and direct foreign trade to Western markets (Sekarev 1995, 45). Around the same time, the IMF proposed a program of market reforms, and Ukraine joined the IMF in summer 1992. With economic policy essentially absent, very little privatization took place while credit was rapidly expanded. Privatization was particularly ineffective and did not get beyond the initial steps of fundamental laws passed by parliament. Ultimately privatization took a back seat to combating inflation and energy shortages in Ukraine's early years (Sekarev 1995). Vitold Fokin, the first prime minister of Ukraine, resigned after protests against living standards (Ishaq 1997).

When Leonid Kuchma became prime minister in October 1992, his government enacted a series of reforms, auctioning off small-scale enterprises and passing a resolution to begin privatizing medium- and large-scale state assets (Pynzenyk 1994). Kuchma was granted significant powers, such as the ability to issue decrees without parliamentary approval, and he issued a new plan of action in January 1993, laying out objectives and policies for the next year (Ishaq 1997). His plan included a commitment to move toward a market economy and stricter financial policy, but it also emphasized the need for orderly liberalization and systematic reform. This meant that the government needed to resume control over significant aspects of the economy.

As prime minister, Kuchma would propose reforms only to have parliament 'take them under consideration' and avoid action (Sekarev 1995). His cabinet, known for its incomplete decisions, was generally in favor of economic stabilization and creating a basis for a market. To actually launch reforms, however, required political resolve, something Ukraine lacked from its independence through the next decade and beyond. In his battles with parliament, Kuchma could not count on support from the president who appointed him, as Kravchuk was willing to take minimal short-term political gain at the expense of economic reform (D'Anieri, Kravchuk, and Kuzio 1999, 134).

As promising as early reforms might have been, they were halted by May 1993, giving early reform efforts their erratic character. As Kuchma routinely took Kravchuk by surprise and outflanked him, Kravchuk came to see Kuchma as a direct challenge to his power (D'Anieri, Kravchuk, and Kuzio 1999, 191). Kravchuk's reluctance to implement reforms became more apparent as Kuchma released more proposals. Eventually Kravchuk asserted his control over the government, creating a committee of the cabinet to deal with the economic policy. Economic reform became a new facet of the struggle for control of the executive branch. Members of both Kravchuk's administration and the parliament hampered Kuchma's reform program.

Complaining of a lack of reform, Kuchma resigned as prime minister in September 1993. After parliament rejected an extension of Kuchma's powers, liberalization ended and by 1994 the official economy was only minimally liberalized: Ukraine made no progress on privatization and restructuring, inflation skyrocketd, output shrunk, there was no discipline in monetary and budgetary policy, and foreign debts accumulated (Ishaq 1997, 509). Administrative controls were reintroduced and previous decrees were canceled, and nearly all prices came under state control, and the shadow economy and corruption grew.

Kravchuk showed little interest in political gamesmanship and struggling for presidential power and initially made few efforts to consolidate his power, even refusing to take control of the government when his allies urged him to do so (Hale 2015, 130). After his first few months in office, Kravchuk's focus moved from domestic to international affairs, and he largely ignored domestic legislation, refusing to act as the head of government. Kravchuk realized the importance of consolidating power and creating a patronage system too late, and by the 1994 elections he had done none of the groundwork of creating a political machine. He had not done enough to create loyalty among his regional governors, and the oligarchic networks were only just emerging. Having failed to implement any economic reforms, and with Kuchma being more involved in the economy, Kravchuk had done nothing to dispense benefits to Ukrainian elites and thus had little claim to loyalty from any elites. Kravchuk, essentially, was still in an elite contestation phase when Kuchma challenged him for the presidency. Given the severe economic situation and the lack of political stability, the shock of the Soviet collapse extended essentially until Kuchma assumed power.

5.3 The Kuchma years, 1994-2004

After resigning as prime minister, Leonid Kuchma ran for president and was elected in 1994. Economic reform policy stuck to its slow approach throughout Kuchma's presidency. The slow pace of reforms was partially a result of the lack of support for reforms, making many reforms politically unfeasible (D'Anieri, Kravchuk, and Kuzio 1999; Kubicek 1997). Whereas small-scale privatization started slowly but was virtually completed by 1998, medium- and large-scale privatization never really took off and barely advanced after 1996 (Kravchuk 2002; Kravchuk 2005). The main result of the slow reforms was that the state maintained influence over medium- and large-scale businesses (Hale 2005).

Privatization in Ukraine created a class of oligarchs with control over key media, on whom Kuchma could count to support his political interests during his first term. However, oligarchs also had interests of their own, and Kuchma was never able to fully bring them in line behind his rule (McFaul 2005). Privatization of the industrial sector was marked by cronyism, with large parts of the steel and coal industries only being semi-privatized (Radnitz 2010a). Elites with ties to important regime officials benefited from this scheme and created yet another counterbalance to the president. By expanding domestically and internationally, these oligarchs sough increased independence and defended their interests. This eventually meant oligarchs were divided in late 2004 when Kuchma needed them to support his chosen successor (Hale 2005; McFaul 2005).

5.3.1 Kuchma's first term

Kuchma began his presidency by pursuing economic reform, taking advantage of the small window of opportunity opened with his defeat of Kravchuk (Havrylyshyn 2014). Whether because Kuchma was naturally more inclined to building patronage networks or he had learned from Kravchuk's failure to do so, Kuchma immediately set about continuing the process he had started as Kravchuk's prime minister of increasing his power and building a vertical power structure capable of overcoming Ukraine's traditional east-west division (Hale 2015, 146).

Rather than using this opportunity to pursue the shock therapy in vogue in Western economic circles, Kuchma strove for something between a planned economy and a market, or what he called a "socially oriented market economy" (D'Anieri, Kravchuk, and Kuzio 1999, 168). Still, his election gave economic reform new urgency, and Kuchma developed plans to accelerate Ukraine's transition to a market, releasing an ambitious reform program in October 1994. Kuchma's reform package included reducing the budget deficit, introducing a new currency, accelerating medium- and large-scale privatization, liberalizing prices, and reducing taxes and regulations. Parliament opposed Kuchmas' ambitious reform program and fought him over the authority to implement reforms. After passing his program in the legislature, they ensured its failure. By July 1994 parliament had blocked any effort to restructure industry by placing a moratorium on most privatization. Table 5.1 provides a list of Ukraine's scores on each of the EBRD dimensions that comprise my reform index and allows for closer inspection of the timing and success of Ukraine's adoption of neoliberal reforms.

Kuchma softened his position on reforms in early 1995, speaking of a need for a "correction" of reforms and shifting the emphasis from using monetary policy to achieve stabilization to encouraging growth in industrial output (D'Anieri, Kravchuk, and Kuzio 1999). Reform efforts at this time were complicated by the struggle over the adoption of a new constitution. After years of amending the old Soviet constitution, the constitution Ukraine eventually adopted strengthened the semi-presidential system and created the institutional conditions for intra-executive competition in Ukraine (Protsyk 2005). The conflict and instability that came from the competition between the president and prime minister were a feature of the 1996 constitution. With its institutional rigidity and a complete separation of powers between the president and parliament, the new constitution all but ensured stalemate whenever the two offices had different political orientations. Kuchma secured a strong presidency and was given the power to issue decrees, veto laws from parliament, and exercise non-legislative duties, including the power to nominate and dismiss the prime minister, members of executive agencies, and other government agencies.

With a strengthened presidency Kuchma moved to consolidate his patronage network (Hale 2015). Within a month of the new constitution, which gave Kuchma the power to appoint governors, he fired and appointed governors based on how they benefited him, replacing problematic governors with his own loyalists (Matsuzato 2001). Kuchma also used blackmail to ensure the loyalty of key elites and punish those who failed him (Arel 2001; Darden 2001).

Kuchma played the part of a reformer, but in reality his policies limited large-scale privatization and restricted licenses to his patronage circle (Diuk 2001). The oligarch class

Table 5.1.: *Economic reform dimensions in Ukraine, 1989-2014.*

Year	Large-scale privatization	Small-scale privatization	Governance and enterprise restructuring	Price liberalization	Trade & Foreign exchange liberalization	Competition	Reform Score
1989	1.0	1.0	1.0	1.0	1.0	1.0	1.00
1990	1.0	1.0	1.0	1.0	1.0	1.0	1.00
1991	1.0	1.0	1.0	1.0	1.0	1.0	1.00
1992	1.0	1.0	1.0	1.0	1.0	2.0	1.17
1993	1.0	2.0	1.0	1.0	1.0	2.0	1.33
1994	1.0	2.0	1.0	2.7	1.0	2.0	1.61
1995	2.0	2.0	2.0	3.7	3.0	2.0	2.45
1996	2.0	3.0	2.0	3.7	3.0	2.0	2.61
1997	2.3	3.3	2.0	4.0	3.0	2.3	2.83
1998	2.3	3.3	2.0	4.0	2.7	2.3	2.78
1999	2.3	3.3	2.0	4.0	3.0	2.3	2.83
2000	2.7	3.3	2.0	4.0	3.0	2.3	2.89
2001	3.0	3.3	2.0	4.0	3.0	2.3	2.94
2002	3.0	3.7	2.0	4.0	3.3	2.3	3.06
2003	3.0	4.0	2.0	4.0	3.3	2.3	3.11
2004	3.0	4.0	2.0	4.0	3.3	2.3	3.11
2005	3.0	4.0	2.0	4.0	3.7	2.3	3.17
2006	3.0	4.0	2.0	4.0	3.7	2.3	3.17
2007	3.0	4.0	2.0	4.0	3.7	2.3	3.17
2008	3.0	4.0	2.0	4.0	4.3	2.3	3.28
2009	3.0	4.0	2.3	4.0	4.0	2.3	3.28
2010	3.0	4.0	2.3	4.0	4.0	2.3	3.28
2011	3.0	4.0	2.3	4.0	4.0	2.3	3.28
2012	3.0	4.0	2.3	4.0	4.0	2.3	3.28
2013	3.0	4.0	2.3	4.0	4.0	2.3	3.28
2014	3.0	4.0	2.3	4.0	4.0	2.3	3.28

flourished in this period (Hale 2015). Small-scale privatization, involving mainly shops, restaurants, and other small services, started slowly but accelerated in 1995 and was all but completed by 1998 (Kravchuk 2002). Large- and medium-scale privatization, however, essentially stopped in 1996, and only about half of the firms were even in a pre-privatization stage. Kuchma's major successes were monetary stabilization and the establishment of a national currency, but beyond that there was no more economic reform (van Zon 2005). The economic decline Ukraine had been experiencing since the collapse of the Soviet Union continued into 2000, with minimal reforms implemented to reverse or even slow it.

5.3.2 Kuchma's second term

Rather than pursuing further economic reform, Kuchma used his presidency to consolidate his power, which he successfully wielded to win reelection in 1999. Any reforms in the economy in this period served the purpose of increasing his power. Kuchma's presidency, especially his second term, was characterized by attempted authoritarianism and oligarchic power. Kuchma's second term was notable for the consolidation of oligarchic power, though they had already existed since they made their riches off of privatization in the 1990s, becoming more powerful throughout the decade until they effectively captured the state (Copsey 2010; Havrylyshyn 2014). Unable to wield complete control over the state apparatus despite becoming increasingly authoritarian, Kuchma was forced to play elites against each other, a tactic that kept challenges against him at bay but also eroded any unity or loyalty that might have otherwise developed.

Kuchma's attempted authoritarianism

Kuchma's presidency sought to enhance the competitive authoritarian regime established under Kravchuk, with regular competitive elections that were extremely unfair, containing frequent violations of democratic norms but recognizing that these very norms were the means to power and legitimacy (Kuzio 2005b; Levitsky and Way 2002; Way 2005). Kuchma based his power on the use of informal authoritarian institutions to harass and discourage the opposition and a coalition of oligarchic forces that competed for his patronage (Way 2005). He failed to create a completely authoritarian regime, but Kuchma did have considerable power and could essentially ensure the results he wanted in elections (D'Anieri 2001). In this competitive authoritarian regime, patronage was crucial, and for much of his presidency, Kuchma's regime closely resembled a classic authoritarian regime (Hale 2006). When a patronal president has consolidated power in his office, any elites with a political or financial stake in society are unlikely to even appear to challenge the regime. Kuchma successfully played key groups of supporters against each other, using his patronage and control over resource distribution to keep rival groups competing for his favor.

Using the state's authoritarian structures and oligarchic rule, Kuchma concentrated power in the executive (Hale 2015; Way 2005). He was able to increase his authority and impose strong presidentialism during his second term (2000-2004), filling posts in the state by presidential appointment and strengthening his patronage (van Zon 2005). His administration was increasingly able to bend parliament to his will, using bribes and blackmail to manipulate the government and parliament. Kuchma created a "blackmail state," using dossiers compiled by the secret service to pressure politicians (Darden 2001). He went to great effort to strengthen state control over regional elites, using state surveillance and blackmail to ensure their loyalty or to punish them (Hale 2005). By 1999 he had consolidated his patronal system and dominated politics, easily winning reelection in a race he successfully manipulated (Hale 2015, 182).

At the end of his presidency, Kuchma pursued a constitutional agenda that was the opposite of the one he had enacted a decade earlier (Protsyk 2005). In August 2002 Kuchma started an initiative to transform the constitution to be more in line with European standards, ditching the semi-presidential system for a more parliamentary one. His constitutional reforms ultimately failed in parliament (Kuzio 2005a). Eventually, however, Kuchma reached a deal after the Orange Revolution to limit the power of the president after Kuchma left office. Weakening the presidency would serve Kuchma well when he left office as the end of his second term approached. Unable to secure a successor he could count on to continue his policies and guarantee his safety, Kuchma resorted to intimidation and vote buying and forced the change on elites who reluctantly supported it.

Oligarchs as an independent power

Ukrainian politics and business never grew separate, and therefore there never arose a distinction between political and economic elites (Puglisi 2003). The Ukrainian economic elite arose as a result of economic reforms in the Soviet Union in the late 1980s by way of their relationship with the state apparatus and ability to use state subsidies to great effect in the world market. They encouraged privatization policies that would make them rich and blocked other liberalization policies that risked their fortunes. The economic elite became deeply intertwined with the state apparatus in a mutually dependent relationship with political elites in a regime in which the power of Ukraine's political leadership depends on the president's ability to maintain elite support.

Kuchma's primary power base was his regional group from Dnipro, but other oligarchic clans included those in Donetsk and Kyiv (Åslund 2006; Puglisi 2003). These groups enjoyed significant power and wealth as they controlled many officials and media empires, had large factions in parliament, and made use of governmental privileges. Ukrainian oligarchs emerged in the early 1990s, becoming wealthy from rent seeking off of commodity trading. Oligarchic groups developed a regional component, but their relationship with the president changed from year to year. Kuchma initially disrupted the oligarchic networks but eventually developed a relationship with the oligarchs. He came to rely on a handful of oligarchs for support with financing and in the media. By the second half of the 1990s, the oligarchic system was firmly established and the Donetsk, Dnipro, and Kyiv oligarchic clans dominated and took control over many state enterprises (Tridico and Zhak 2016).

The oligarchic groups had a regional characteristic, but within regions oligarchs competed with each other (Åslund 2006). Because the oligarchs and their interests were varied, Kuchma was able to keep competing oligarchs from gaining too much power in the state by playing their interests off one another. His position as top patron in Ukraine meant that elites would not openly challenge him, but his power also partially depended on pitting oligarchs against each other (Åslund and McFaul 2006; Hale 2015; Karatnycky 2006). With the constitutional reform in 1996 the president gained significant power, making him the key patron and limiting the importance of parties in the legislature (Karatnycky 2006). The 1996 constitution also took away an independent source of patronage by changing the appointment of governorships to be subject to presidential approval and made the president the key power broker.

The Kuchma presidency fused political and economic activities. By the end of his first term, Kuchma's reformist tendencies had disappeared, setting the stage for oligarchic capture of the state (Havrylyshyn 2014; van Zon 2005). After starting his presidency as a reformer, Kuchma became more gradual and less transparent as he more often took the advice of his former colleagues in the Communist Party (Havrylyshyn 2014). Kuchma's rule fostered the consolidation of oligarchic power through the privileges he granted to members of his inner circle, and being close to the president meant having access to state resources (Puglisi 2003). Kuchma established levels of access through his involvement in the business environment, distinguishing among the business elite between those with the most influence with access to state resources, those who simply had political connections, and some who were excluded from access to the president and power.

Along with the powers granted in the constitution, Kuchma was able to take advantage of his considerable informal power. Access to the president and positions in parliament are essential for oligarchs, and Kuchma dispensed favors and support to business elites in parliament in a strategy to expand his own control over the legislature (Åslund 2006; Puglisi 2003). Many oligarchs served as presidential advisors or held senior administration positions, and nearly every big businessmen in Ukraine was in parliament before the revolution (Åslund 2006). Membership in parliament was seen as vital to business interests, not least because it gave them immunity from arrest, but they also got state benefits including tax exemptions, subsidies, and privatization deals. Oligarchs and corrupt business interests gained control of the major political parties and had their leaders hold legislative seats to avoid arrest (Diuk 2001). Oligarchs and economic elites used parliament as the main tool to defend their interests and obstruct reforms (Puglisi 2003). Business tycoons in southern and eastern Ukraine grew more powerful and attempted to influence politics, and with their capture of the state it became difficult to tell the difference between the oligarch's and party politics (Copsey 2010; van Zon 2005).

Some oligarchic clans derived power from Kuchma, but none had the power or motive to displace him (van Zon 2005). That situation changed through two developments after Kuchma's reelection in 1999. Kuchma's low popularity and the expectation that he would not run for reelection undermined the elite coordination essential to his patronal presidency (Hale 2015). During his lame duck period, the elites that had competed for his patronage began to begin their calculations on positioning and whom to support in the upcoming election, after which Kuchma would no longer be able to fulfill the promises or threats he made before leaving office.

Because Kuchma's power was based on support from oligarchs and maintaining control of state structures, it was also the cause of his own demise (Way 2005). Oligarchs are a weak base of support, being opportunistic and loyal only while patronage is dispensed. Privatizing almost all of small-scale industry while creating semi-privatized industrial sectors created a class of oligarchs who sought to increase their independence and defend their interests (Radnitz 2010a). The nature of privatization in the 1990s, based on cronyism in the industrial sector, created yet another check on Kuchma's power, and he could not always count on oligarchs to back him. By announcing that he would not seek reelection even though the Constitutional Court found a technicality allowing him to serve beyond his second term.[3] Kuchma became a lame duck president and his popularity dropped after the release of surveillance tapes linking him to the murder of journalist Hryhory Gongadze (Hale 2015, 183).

As early as 2001, some oligarchs took advantage of the independence they enjoyed in the oligarchic system and turned on Kuchma when he began to seem vulnerable (Way

[3]The court reasoned that Kuchma had not served two full terms under the new constitution. Because he was elected in 1994 and the constitution took effect in 1996, Kuchma's first term did not count toward the term limit (Mydans 2003).

2005, 137-138). Way (2005) outlines four sources of independent action that arose as a result of the oligarchic system in which Kuchma pitted rival clans against each other and loyalty to him was weak and opportunistic. Kuchma's system relied on competing factions as a means to keep any one faction from becoming too strong and created the conditions for an opposition to emerge. As capital flight helped create independent sources of power and protected oligarchs' wealth from the state, it also created independent threats to his power that Kuchma could not suppress. His distribution of patronage also meant that resources could end up with the eventual opposition. Parliamentary immunity protected legitimate opposition leaders and criminals alike, and Kuchma could not use the threat of imprisonment against his opponents when a real challenge emerged in 2004. Oligarchs tended to dispense rents widely to any group that might be beneficial, and Kuchma's opposition had a source of funding. Even Yushchenko, who mostly had support from business leaders, received contributions from Rinat Akhmetov, owner of one of Ukraine's biggest companies and eventual backer of Yanukovych. These opportunities for independence built into the oligarchic system led to defections from Kuchma's inner circle and the emergence of Yushchenko (Kuchma's prime minister) as a popular politician and future opposition leader.

In the run up to the presidential elections in the fall of 2004 some Ukrainian oligarchs openly took sides early and were important figures in politics (Åslund 2006; Radnitz 2010a). With Kuchma out of the race, Yanukovych had the support of three major oligarchic groups from Donetsk, Dnipro, and Kyiv (Åslund 2006). The reformist challenger, Viktor Yushchenko, drew support from business leaders, including the "chocolate king" and future president of Ukraine Petro Poroshenko. Yushchenko had been Kuchma's prime minister but took advantage of Kuchma's low popularity after the Gongadze affair and and used his position to attack official corruption (Hale 2015). Aside from the three oligarch groups that supported Yanukovych, the other main groups remained neutral, whereas the majoirty of Ukrainian businessmen backed Yushchenko (Åslund 2006). Thus a viable challenger emerged just as Kuchma's popularity was undermined (Way 2005).

5.4 The Orange Revolution

The opposition established a coalition around Yushchenko after years of being divided (D'Anieri 2007; Gerlach 2014; Way 2005). This established Yushchenko as the candidate to back for elites dissatisfied with Kuchma's patronal network or those who feared being left out of Yanukovych's Donetsk-based oligarch support network. Whereas in 1999 Kuchma had been able to steal the elections and maintain power, by 2004 his situation had changed: deeply unpopular and not on the ballot, Kuchma's attempt to rig the elections was met with popular protests organized and sustained by the opposition. In addition to disgruntled businessmen lining up behind the challenger, Kuchma suffered defections from his own circle. The gradual disintegration of his ruling coalition accelerated when, in the months before the election, his majority faction in parliament defected to the opposition (Way 2005). One of Kuchma's closest allies, the speaker of parliament, broke with Kuchma in September 2004, and parliament became one of the first government institutions to back demonstrators after the second round of voting. Other former Kuchma coalition members defected and supported the opposition. Yulia Tymoshenko had previously led a pro-Kuchma faction in parliament. Two media tycoons, Petro Poroshenko and Oleksandr Zinchenko, went from Kuchma's circle to Yushchenko's campaign. Together the three provided organizational and financial support for the campaign and eventual protests.

A few developments in Ukrainian business changed the political landscape (Åslund 2006). With increased privatization came the desire to acquire and defend more business properties, which also led to a move toward separating conglomerates and consolidating into vertically integrated corporate structures. Separating their properties from one another caused big businessmen to become competitors, and enterprises within oligarchic groups (such as Donetsk or Dnipro) competed with each other. As businessmen increasingly moved away from state enterprises and state subsidies, rent seeking decreased and businessmen became even more independent from the state. Competition over property rights to protect their ever more privatized holdings led to political financing.

Thus the opposition that united against Kuchma was to a large degree a result of his own policies and practices. Kuchma did not create the oligarch class, but he strengthened it and initially brought it into a closer relationship with the state. His later privatization efforts gave the already rich oligarchs more independent wealth, which they successfully turned into political power. The run up to the 2004 elections shows how elite behavior changes before a potential transfer of power: elites want to be on the winning side, but it can be difficult to predict who will win or to know that the president's successor will honor deals the president made (Hale 2005). The conditions to end Kuchma's patronal cycle were present. Now a shock was all that was needed to give elites the opportunity to defect, and it came in the 2004 elections and the Orange Revolution that developed as a response.

5.4.1 2004 presidential election

The first round of the presidential election to replace Kuchma took place on October 31, 2004. The Central Election Commission (CEC) delayed announcing the results for days, leading to suspicion of foul play with vote counts, before announcing that Yushchenko had won by a slim margin (Åslund and McFaul 2006). Since neither candidate won 50 percent of the vote, a runoff election was scheduled for three weeks later. Yushchenko appeared the clear favorite after the candidates who did not advance from the first round gave him their support and public opinion polls indicated he was likely to win.

The runoff election took place on November 21, 2004, and it was immediately clear that the election was rigged (Åslund and McFaul 2006).[4] For its part the Yanukovych team was confident: they had gotten the passwords to the CEC computer base from Serhii Kivalov, the commission's head, and would be counting the vote themselves (Wilson 2005). In the early morning of November 22, turnout figures of 78.7 percent were announced. Later that afternoon, an extra million or so votes were added to that tally, bringing the turnout rate to 80.7 percent. According to one CEC official, a million votes were added

[4]The tense, polarized nature of the campaign had led both sides to gear up for protests; before the first round even began over 100,000 protestors gathered at the CEC office to demand a fair vote (D'Anieri 2007, 96). It was clear long before the election that it would not be free or fair (none of the recent elections had been) (Mitchell 2012).

after polls had closed, with half of them going to Yanukovych's home region of Donetsk. In Donetsk Oblast, turnout was said to be 95 perecent, and reports of fraud came in from around the country (D'Anieri 2007, 97) Yanukovych was declared the winner by fewer than one million votes, or a margin of 3 percent, netting 49.4 percent to Yushchenko's 46.6 percent (Åslund and McFaul 2006; Wilson 2005).[5] Yushchenko claimed the election had been stolen and urged citizens to gather in the central square in Kyiv (Åslund and McFaul 2006).

5.4.2 Protests and a second runoff

Within hours the Orange Revolution had begun, with throngs of people wearing Yushchenko's campaign color, giving the revolution its name (Åslund and McFaul 2006). Knowing to expect fraud in the election, the opposition had planned to protest the results and knew it had to act fast (Wilson 2005, 122). Demonstrations began in the center of Kyiv, concentrating in the Independence Square, or the Maidan, filling it with protestors ranging in number from several hundred thousand to up to a million (D'Anieri 2007; Mitchell 2012). The surprising aspect of these events was not that the protests occurred, but the numbers of people that joined in just a few hours: by mid-morning some 200,000 to 300,000 had arrived at the Maidan (Wilson 2005, 125). Over the next few days these numbers were supplemented by people arriving from other areas, and by November 23 the protests were organized.

The sheer number of protestors forced the regime's hand. Elites helped ensure the movement's success through their encouragement, inaction, or refusal to crack down (D'Anieri 2007). Kuchma suffered still more key defections. Having already lost the Kyiv political machine after the first round of voting, Kuchma further and more surprisingly lost the security services, the military, and the police, who all defected after the first runoff

[5] The geographic distribution of votes reflected the linguistic and cultural division in Ukraine. Yanukovych won nearly every province in the east while Yushchenko swept the west (Mitchell 2012, 59). Each candidate won several provinces in their respective regions, some with incredible margins of victory of over 90 percent. Kyiv, which sometimes had been divided between east and west, voted with a 74 percent margin in favor of Yushchenko.

election (Hale 2015). Yanukovych lost key members of his team as well. On November 29 his campaign manager, Sehrhiy Tyhypko, admitted to election fraud (D'Anieri 2007, 97).

Yanukovych and Yushchenko held talks to no avail, and on November 30 Kuchma called for a new runoff (D'Anieri 2007; Gerlach 2014). With defections from his coalition leaving Kuchma virtually powerless and Yanukovych's position destroyed, Yushchenko still did not have a clear path to the presidency (D'Anieri 2007). A legal method for invalidating the election results came in the Supreme Court's ruling that the first round had been fraudulent and new elections would be held on December 26. This, however, required legislation to create rules for the election, and Kuchma's supporters in parliament took advantage of an opportunity to assert some power. Kuchma agreed to a compromise with the opposition under which he would not challenge a repeat of the election runoff in return for a change to the constitution that reduced presidential powers and created a divided-executive system (Hale 2015, 190). Being on his way out and likely to face punishment or retribution at the hands of his successor–as is common after a power transfer in patronal regimes, when the new president is likely to strip rivals of their power and assets (Hale 2005)–this deal benefited Kuchma much more than it did the opposition.

Yushchenko won the second runoff election and was sworn in on January 25, 2005, effectively ending the Orange Revolution (Åslund and McFaul 2006). Without the constitutional reform, Ukraine likely would have entered its next cycle of patronal politics. Instead, the constitutional reform that brought an end to the period of extraordinary politics created competing bases of power in the president and parliament and balanced formal and informal power between the two (Hale 2015). This disrupted Ukraine's patronal cycle enough that the country was able to experience one of the few democratic moments in its post-Soviet life. Ultimately, however, the Orange Revolution was not a real transformation, and the patronalism and corruption that had characterized the Kuchma regime returned within a few years of the reformers seizing power.

5.5 After the revolution

In the wake of political shocks, constraints on actors may be loosened and conditions may exist to overcome the effects of previous choices. Freedom from typical constraints on action might lead one to expect economic policy after political shocks to be liberal in nature; after all, Yushchenko ran as a reformer and railed against the corruption of Kuchma's administration. Like Kravchuk, however, Yushchenko was unable to create an effective patronage network and rally elites behind him. Instead he fought constantly with his prime minister and parliament and, given his weakened office, achieved neither economic reform nor lasting democratic consolidation. The new window of opportunity after the Orange Revolution was, like the first one, not as wide-open as it may have seemed. Because the revolution happened during a contestation phase of Ukraine's patronal cycle (and it only happened because of a contestation phase), whatever window of loosened constraints might generally materialize did not exist in Ukraine. Rather than having more freedom to unilaterally push reform policies, Yushchenko had to focus on strengthening his weakened position.

Ukraine became one of the only post-Soviet states to experience a democratic period after the Orange Revolution, but the story since then has been one of democratic regression and stagnation (Kuzio 2012). Ukraine's economic policy after the Orange Revolution did not mirror the promise of its democratic interlude. Kuzio (2012) lists 10 factors that have constantly reappeared under the four presidents in Ukraine's independent history. One constant is that in 20 years of independence, political leaders in Ukraine have sought to create political and economic monopolies under the guise of reforms. Reforms are often a means to power, and power is the goal itself. As in Georgia, Ukrainian leaders have used the language of reform as a tool to consolidate their power and strengthen their position. In patronal presidential regimes, political and economic reforms are often tools new authorities use to strip rivals of their assets and power (Hale 2005). These moves are usually disguised as economic reform or rooting out corruption. Given that the government formed after the Orange Revolution included many politicians who had served in high positions in

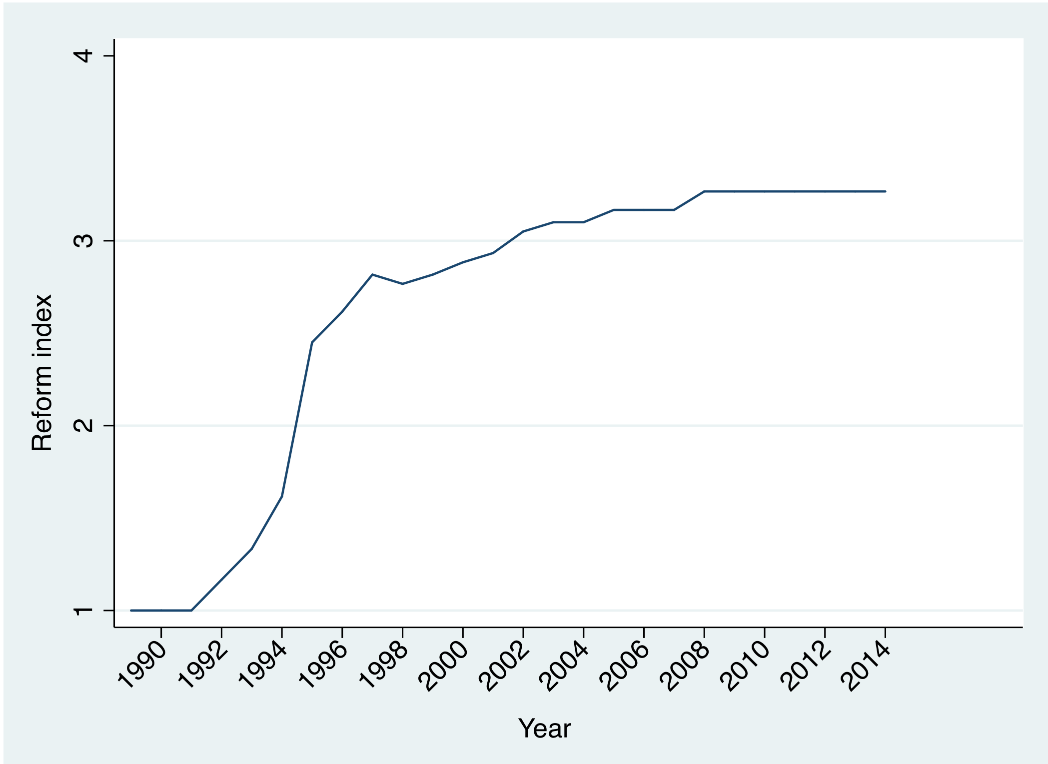

Fig. 5.1.: Economic reform in Ukraine, 1989-2014.

Kuchma's years, it is not surprising that the transformation was not as complete as some hoped it would be.

The Orange Revolution was the second shock in Ukraine, and although it was largely brought about by elite behavior, it did have an element of mass participation. In fact, public opinion can be used as a resource in the battle to replace a patronal president, encouraging mass involvement and making semi-authoritarian countries appear more democratic than they actually are (Hale 2006). Economic policy in the wake of the Orange Revolution was even more haphazard and unorganized than it had been in the almost 15 years of independence before the revolution. Ukraine's economic reform index (see Figure 5.1) changed little after the Orange Revolution. After some initial reforms, including privatization, price liberalization, tax increases, and a renewed focus on corruption, the EBRD reform score for Ukraine increased slightly for 2005, before leveling off for the next two years.

After winning the December 2004 elections, Yuschchenko appointed Yulia Tymoshenko prime minister. Together they initiated economic reforms and an attack on energy oligarchs (Havrylyshyn 2014). Yushchenko appointed ministers in their forties and adopted populism as a key to popularity (Åslund 2005a). They received international praise for closing tax loopholes and fiscal stabilization. The populist new government focused on privatization and going after oligarchs. Secondary concerns included social spending, increasing public wages, and introducing price controls. In pursuit of these objectives, accession to the WTO and integration with the EU were ignored.

Despite a spate of reforms immediately after taking office, under Yushchenko economic reforms were very limited, showing no improvement in corruption ratings or in ease of doing business during the Yushchenko years (Havrylyshyn 2014). In fact, progress on reducing corruption was largely absent, and reforms to further liberalize the economy were modest at best (Havrylyshyn 2017). The broad coalition that had carried out the Orange Revolution made the task of actual governing difficult, with at least four groups brought into the government in some capacity (Åslund 2005a). The Orange coalition, having united long enough to 'win' the revolution, quickly split, and Yushchenko worked more closely with oligarchs and his former rival, Yanukovych, than with his closest ally in Tymoshenko (Havrylyshyn 2017). Yushchenko soon became obsessed with a drive to destroy Tymoshenko after replacing her as prime minister with Yanukovych, only to reappoint her and see the same political stalemate (Åslund 2009).

The constitutional reform Kuchma secured on the eve of his retirement not only benefited him, but it inhibited Yushchenko's ability to consolidate power and build patronage networks. The weakened presidency was now unable to wield control as Kuchma had, though Yushchenko initially attempted economic reforms and tried to eliminate corruption. The political fighting between Yushchenko and Tymoshenko demonstrates that Yushchenko's goal with economic reform was at least partially to increase his own power. By 2008 Yushchenko blocked privatization by decree (Åslund 2009). Within a few short years, the window of opportunity after the Orange Revolution had effectively closed, and economic reform was off the table.

The Orange Coalition that governed after the revolution was not significantly different from the previous regime in terms of corruption and composition. In fact, as Figure 5.2 shows, corruption rose dramatically during this period and still more during the Yanukovych presidency. Of the numerous factions and actors in the coalition, some were wealthy because of participation in the Kuchma regime and were themselves members of oligarchic political parties (Kubicek 2009). Because the Orange Revolution did not truly disrupt systemic factors encouraging patronage and corruption, after the revolution the "oligarchization of power" simply continued. Even Tymoshenko's attempt to prosecute corrupt officials and re-privatize property drew accusations of being an attempt by her and her allies to gain over other oligarchic factions.

5.5.1 A return to patronal politics

The divided-executive system created on the eve of the Orange Revolution produced contestation and the appearance of democratic opening. In fact, the new constitution produced the most free and competitive politics Ukraine and many other post-Soviet states have seen (Hale 2015, 430). This is not unexpected, as the period after a presidential ouster is likely to exhibit contestation followed by political closure, as in Georgia and Kyrgyzstan. Ukraine's divided-executive system helped this period last longer, but it was not a permanent and was vulnerable to political shock just as economic policy and previous constitutions were.

In the years since the Orange Revolution, after a period of fragmentation of the political elite, the dynamics of patronal politics have reemerged. There is perhaps no better example of this than the fact that Viktor Yanukovych, who had failed in his first bid at the presidency, succeeded in 2010 without the widespread fraud that sparked the revolution in the first place (Herron 2011). Yanukovych's election signified the end of the Orange Revolution and was a significant setback for democratic consolidation efforts in Ukraine. Because the Orange Revolution only disrupted patronal dynamics but did not get rid of structural features inherited from the Kuchma regime, real change was limited (Kubicek

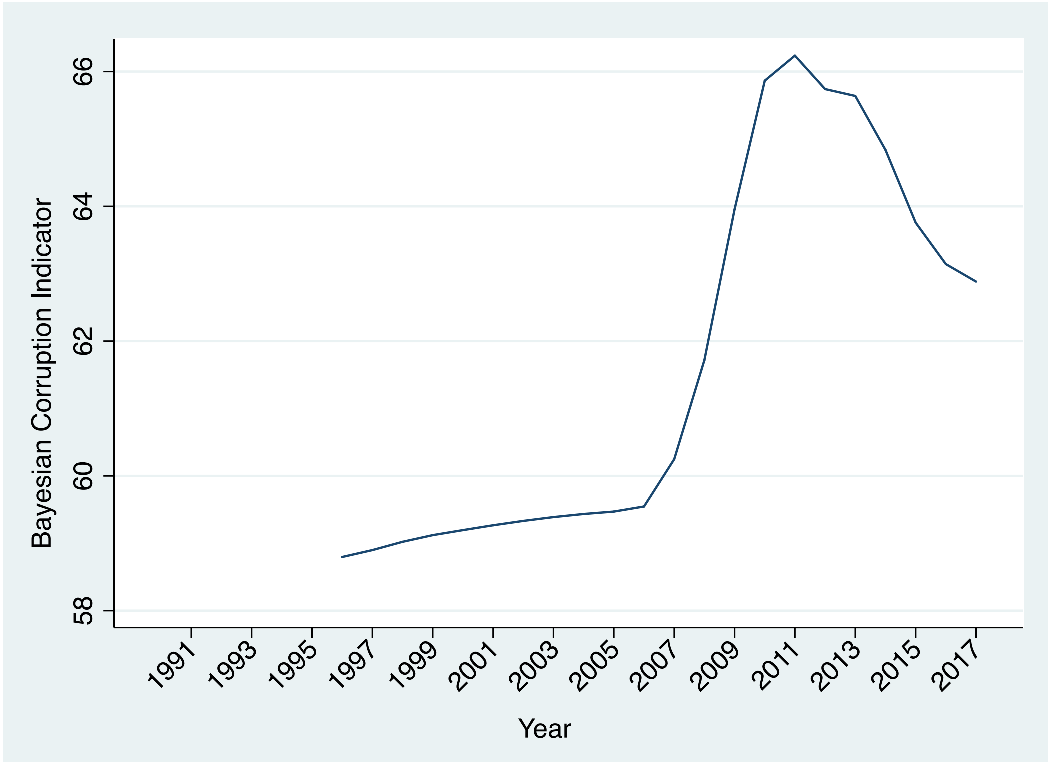

Fig. 5.2.: Corruption in Ukraine, 1996-2017.

2009). Indeed, corruption levels had increased during the Orange Coalitions rule and continued to rise under Yanukovych. Figure 5.2 shows the *Bayesian Corruption Index* measure of corruption in Ukraine (Standaert 2015).

Despite a narrow win over Tymoshenko, Yanukovych acted as though he had won by a landslide and expanded his formal powers via the courts (Kudelia 2014). Yanukovych moved quickly to consolidate power, gaining control of the administration, government, parliament, and courts, making a spate of political appointments right after the presidential election, and forcing laws through a parliament he controlled (Åslund 2015). He restored the presidentialist constitution and patronal presidentialism after the more democratic period of the divided-executive constitution (Hale 2015, 234). He immediately set about constructing a single-pyramid system with him at the top and tightened control over media and marginalized anyone unwilling work with him. New presidents in patronal systems often focus on the corruption of the previous regime, sometimes with the goal of punish

Table 5.2.: *Economic reform and patronal cycles in Ukraine.*

Economic reform	Patronal cycle
Minimal reform until 1994.	Contestation phase/no consolidation.
Reform begins mid-1990s until 2000.	Consolidation phase.
Little reform, but corruption grows, 2000-2004.	Strengthen power.
Orange Revolution; divided-executive system; minimal reform.	Disruption of patronage dynamics.
Yanukovych reinstates presidentialist constitution; minimal reform; corruption	New consolidation phase.

rivals and supporters of the previous president. Yanukovych was no exception and in fact provided a stark example of this tendency. During the campaign he pledged to "audit" the activities of his predecessors (Kudelia 2014, 22). This gave him the pretext to jail and prosecute Tymoshenko, the chief patron of the most powerful rival network and his erstwhile opponent for the presidency, and some of her associates. Yanukovych's commitment to reform and simultaneous rebuilding of a patronage network fits with the normal cycles of economic reform and patronage, as Table 5.2 lays out.

During his tenure Yanukovych focused on increasing his formal and informal powers and made little progress in economic reform, although he presented himself as a reformer. Ukraine showed no improvement on reform indicators during his presidency. In June 2010 Yanukovych came out with comprehensive economic reform program for 2010-2014, in which he pledged to privatize state property within five years, reform the tax system with a new tax code by 2011, liberalize the coal industry, downsize the state apparatus and reduce the administrative burden on business among other reforms (Interfax 2010b; Interfax 2010c). To implement his plan, Yanukovych proposed creating an executive body for the Committee for Economic Reform, to be led by his prime minister, Mykola Azarov. He argued that economic reforms would increase Ukraine's annual growth rate to 6-7 percent, raise living standards, and stabilize the national economy.

Yanukovych also pledged to renew cooperation with the IMF. For its part, the IMF criticized his program as too general to lead to real solutions to the problems Ukraine faced and warned that only the easiest reforms were likely to be implemented without a detailed plan of action for implementing the reforms (Interfax 2010c). In July 2010 the IMF announced a $14 billion loan in support of the economic reform program (Interfax 2010a). Yanukovych was also able to secure a 30 percent reduction in the price of gas from Russia and adopt a realistic budget for 2010, and Ukraine quickly completed the reforms the IMF required for the promised loan (Åslund 2015).

Aside from brief reform in 2010, Yanukovych achieved little in economic reform during his presidency before reforms fizzled out in November (Åslund 2015). Throughout the Yanukovych presidency, the EBRD's Transition Indicators reform score for Ukraine remained at 3.3 (on a scale from 1-4.3), indicating progress on liberalization and reform but a large state presence in the economy. This was the highest score Ukraine reached on the Transition Indicators index, and it first happened in 2008; a review of the *Transition Reports* released during Yanukovich's presidency shows that Urkaine's economic reform scores for privatization, governance and enterprise restructuring, price liberalization, trade and foreign exchange, and competition policies stayed at the same levels from 2010 to 2014, indicating that Yanukovych made no significant progress in advancing economic reform in Ukraine during his tenure (EBRD 2014b). His goal of strong economic growth of 6-7 percent eventually took the opposite sign, topping in 2011 at 5.5 percent before declining to -6.6 percent in 2014 (World Bank 2019b).

At the same time real reforms came to an end, Yanukovych had consolidated power in himself and his family. The few reforms that followed his initial series of reforms, such as noncompetitive and nontransparent privatizations and sales of public utilities, only benefited oligarchs (Åslund 2015). Yanukovych's real objective was to consolidate power and enrich his circle of allies. Through a series government changes, Yanukovych put significant power in his family, appointing family loyalists from Donetsk to national and regional posts. By December 2010 Yanukovych personally had control over all the government power ministries. With his consolidation complete, Yanukovych had no need for further economic reform as he entered a new phase of consolidated rule.

Corruption persisted throughout his presidency, and his policies created conflicts between the oligarchs (Grigoriev, Buryak, and Golyashev 2016). As public support declined, Yanukovych faced a weaker economy in 2012 with growth slowing to just 0.4 percent (Hale 2015, 234). Already unpopular, Yanukocych made things more difficult for himself when he backtracked on his support for signing an Association Agreement with the European Union (EU). Requiring deeper economic relations with the EU, the agreement also came with signs of a commitment to democratization such as, among other things, releasing Tymoshenko from jail. When Yanukovych reversed and decided in November 2013 that he would not sign the agreement, as wave of pro-EU protests in squares across the country responded in a movement that became known as the “Euromaidan” protests. In contrast to Kuchma’s reluctance to use violence against peaceful protestors, Yanukovych still had security forces on his side. On the morning of November 30, special police stormed Independence Square in Kyiv, using teargas and clubs against the protestors. The next day protestors returned in larger numbers, now focused on the regime that had incited violence against its own people.

As the protests evolved over the winter, Yanukovych slowly overplayed a hand that likely would have seen him reelected in the next presidential election (Hale 2015). After the parliament adopted laws restricting freedoms and threatening protestors, police reacted to some violent protestors, killing the first victims of the movement. Finally, in February 2014, police opened fire on protestors in an attempt to drive them from the square. Independence Square, the main site of the peaceful Orange Revolution protests, had seen its first shares of regime violence, and Yanukovych’s position was no longer tenable. He suffered major defections from his Regions party in parliament in protest of the February killings, and the opposition finally had a majority in parliament (Åslund 2015). He fled Ukraine for Russia and many of his supporters in parliament joined the opposition to declare him unfit to rule and restore the divided-executive constitution from 2004.

In the next elections, in May 2014, the oligarch and former economic development and trade minister Petro Poroshenko won the presidency with 55 percent of the vote in a free and fair election (Journal of Democracy 2014). He was seen as a strong and uncompromising leader during the Euromaidan protests, and voters expected him to be a pragmatic president able to rebuild a country that just months ago appeared to be on the brink of civil war (Hale 2015). Poroshenko quickly formed a technocratic reform government, with only five of 20 ministers having previously served in government and three foreign nationals who would not have been involved in Ukrainian corruption (Åslund 2015, 119).

The renewed divided-executive constitution seems to have helped to further disrupt patronal cycles in Ukraine, but economic reform has not seen the benefits apparent in political institutions. According to the EBRD's most recent *Transition Report*, Ukraine lags behind other Eastern European countries in governance of the economy and the reform of state-owned enterprise is still incomplete and moving slowly (EBRD 2018). A new law passed in January 2018 reintroduced large- and small-scale privatization, with small-scale state assets to be privatized through an online state auction platform. In a revamped transition indicator index based on the qualities of a sustainable economy, the EBRD now rates Ukraine's economic reform progress over the last few years as numerically average but substantially behind its peers. For 2017 and 2018 Ukraine scored 5.3 and 5.1 respectively on a 10-point scale of economic transformation.

Though progress in privatization has been made, Ukraine still lags in other areas of reform, with mixed progress and delays in energy sector reforms and slow progress in reforming state-owned enterprises (EBRD 2018). The key dilemma facing post-revolution Ukraine is how to overcome the dominance of oligarchs. Creating a liberal market economy will be impossible as long as small groups of ultra-wealthy elites dominate politics.

Breaking up the oligarchic rule may be more possible with Poroshenko's successor, the comedian Volodymyr Zelenskiy, who defeated Poroshenko in a landslide victory in which he won more than 70 percent of the votes cast (Higgins and Mendel 2019). Zelenskiy marked the first non-politician to be elected president in Ukraine, but he soon drew criticism for his relationship with an oligarch, Igor Kolomoisky, and for being too close to Putin (Fisher 2019). Zelenskiy hired Kolomoisky's former lawyer for a top post in his administration, but he also appointed rivals to other key positions and has promised, like every president before him, to deal with corruption. Because government appointments are subject to parliamentary approval, Zelenskiy was forced to keep Poroshenko's government as he was unable to dismiss ministers, leading to a familiar initial period of government dysfunction. In his inaugural address, Zelesnkiy called snap elections for July 21, 2019 to dissolve parliament in a bid to help consolidate his power (Mendel and Nechepurenko 2019). The snap elections gave Zelenskiy's new party (Servant of the People) a majority of seats in parliament and decimated the ranks of the old guard in parliament, though some important old-guard deputies remained, including former allies of Yanukovych and Poroshenko himself (now serving in parliament after losing the presidential election) (Nechepurenko 2019; Sukhov 2019).

Zelenskiy's main focus so far has been ending the war in eastern Ukraine and combating corruption (Mendel and Nechepurenko 2019).[6] With his party's new parliamentary majority, government dysfunction may subside, but it is unlikely that economic reform will be a priority given other pressing concerns in the country and the fact that, under the divide-executive system Ukraine has seen little economic reform in the past.

5.6 Discussion

Political shocks have different effects on democracy and economic policy, and the case of Ukraine is an effective example of this. Whereas political shocks can sometimes lead to meaningful democratic reform, economic policy in the wake of a political shock is unlikely to change. The window of opportunity presented by extraordinary periods of politics is a myth when it comes to economic policy. I argue that this is because economic policy more closely follows the patronal cycles of regime politics in Eurasian countries. Economic reform is unlikely during a contestation phase, as in the aftermath of a political shock, but reforms to certain parts of the economy become more likely the more a president works towards consolidating his power. During a consolidation phase, economic reforms

[6] The 'war' is basically an invasion into Ukraine by Putin after the unrest caused by the Euromaidan protests. Putin used political unrest as an excuse to annex Crimea into Russia, thus bringing home a territory that the USSR once gave to Ukraine.

like privatization are more appealing as the president can use some policies to the benefit of his allies.

In most cases, the appearances of democratic breakthroughs and fighting corruption are generally superficial. Georgia, for instance, returned to patronal dynamics, corruption, and minimal economic reform soon after the Rose Revolution. Ukraine, on the other hand, actually created the conditions for democracy to develop. The Orange Revolution brought about the only democratic period in the patronal systems because it changed the fragmented patronalism in Ukraine. Considerable powers were granted to the prime minister and parliament, ending presidential domination (Hale 2006). Only Prime Minister Yulia Tymosheko's pursued policies to reduce Ukraine's corruption, but her efforts were thwarted by Poroshenko (then the secretary of the National Security and Defense Council) and President Yushchenko (Kuzio 2016). In fact, even two political shocks with mass popular desire for democratic consolidation failed to dislodge Ukraine's corrupt oligarch class.

The two potential democratic breakthroughs in Ukraine also were not enough to make economic reform stick. Ukraine did not experience significant progress in economic reform after the Orange Revolution, nor has reform been effective in the time since. The Orange Revolution also failed to disrupt the influence of Ukraine's oligarchs and they remain an obstacle to serious reform (Kuzio 2016). Not only do oligarchs remain influential in Ukrainian politics, but there have been no attempts to imprison them yet. As long as oligarchs retain great influence over politics and the economy, they will be able to block attempts to liberalize the economy and combat corruption, locking Ukraine in a "partial reform equilibrium" (Hellman 1998).

The political system created by the constitutional compromise of 2004 remained open and competitive for five years. It also, however, setup a system of competing bases of power and governance suffered (Hale 2006). While democratic competition was enhanced, economic reform suffered after the Orange Revolution. Competing bases of power made further progress in economic reform essentially impossible: Yushchenko was unable to use economic reform to overcome the weakness of the presidency and create a patronage network, and he was unable to work with the prime minister or parliament to pass reforms that actually were necessary. The competition between president and prime minister led each one to try to defeat the other, with each move by one met with an equal use of force by the other (Hale 2015).

With the political machine fragmented after the Orange Revolution, Yushchenko lacked the resources and time necessary to establish new regional machines that could turn out support and lost the presidency after his first term. Fragmentation of the political machine did not completely destroy it, however, as the constitutional reform did not change the underlying patronalistic character of Ukraine's society. Yanukovych eventually reappeared to defeat Yushchenko for the presidency in 2010, after which he restored presidential power and started a new patronal cycle (Hale 2015). Yanukovych's patronal cycle ended with him, and after he was forced out in 2014 the divided-executive system was reinstated. This system has shown promise so far with the fraud-free election of Poroshenko and the recent election of Zelenskiy, a former actor and Ukraine's first president to come from outside the political and economic elite.

Ukraine's provides another example of how patronal presidents can use economic policy to solidify their power during consolidation phases after political shocks. Some are more adept at creating political machines and groups of elites to support them, while at other times institutional configurations, particularly a weak presidency, made it difficult for presidents in Ukraine to act immediately after shocks. To the extent that a president can overcome the weakness of his office, whether through constitutional reform or informal usurpation of power, he will use economic reform co-opt important elites, further consolidate power, and distribute patronage.

Kuchma exemplifies this dynamic: when he became president, Kravchuk had done little to strengthen the presidency or establish patronage relationships with regional elites. Kuchma nurtured a class of oligarchs dependent on state resources for their power and used blackmail and graft to keep them from challenging him, while playing them off one another to ensure none got too powerful. When it became clear that his chosen successor, Yanukovych, would not become the next president, Kuchma negotiated a change to the constitution that significantly weakened the president, ensuring that Yushchenko would have much less ability to exact revenge on Kuchma or his allies. This weakness, coupled with the institutional competition inherent in the new constitutional order, prevented Yushchenko from creating his own patronage network. By the time of the 2010 elections, Yushchenko had provided no reason for elites to believe prior to the election that he would be victorious. Yanukovych won and got to work strengthening the presidency and re-establishing a patronal network.

Ukraine also demonstrates that elites benefit from the same privatization that consolidates the president's position, as they want to protect their new wealth and interests and have the means to influence politics. Kuchma's government essentially co-opted the oligarchs, but few dared to challenge his patronal network until it was safe to do so, when he decided not to run for reelection. A period of extraordinary politics brought about by the surprising mass demonstrations that became the Orange Revolution gave these elites the chance to choose between a continuation of Kuchma via his hand-picked successor or to back the challenger. As the weeks went by and it became increasingly clear that Yushchenko would win the next round of elections, elites defected from Kuchma and eventually backed Yushchenko. Yushchenko used the aftermath of the revolution to propose an economic reform program, but as is the nature of patronal regimes, his reforms seemed more aimed at punishing those who had been loyal to Kuchma. Reforms under the Yushchenko administration failed to bring elites into a mutually beneficial relationship with him, and they did not support him when he made important mistakes dealing with popular protests.

Ukraine shows how patronal presidents use economic reform to their benefit. The best time to push through economic reforms is after a political shock, but in patronal regimes a president must wait until the contestation period associated with a political shock is settled. Whereas a common assumption is that a window of opportunity offers permissive conditions necessary to change the equilibrium between the president and elites, the political shock itself is generally a symptom of this changing equilibrium. The mass element of the Color Revolutions remains unpredictable, but we can generally predict when a president will attempt economic reform (if at all). In general, presidents in patronal regimes will ignore economic policy until they have solidified their patronage networks, or they will use the economy as an aid in this endeavor. This sometimes takes the form of economic reform, especially through privatization directing state assets to the president's allies.

This is why we can observe every new president at least attempt economic reform (even former Communist Party leaders like Kravchuk and Kuchma), though some realize the importance of reforms to maintaining power too late, as Kravchuk did when he lost to Kuchma. Presidents who ignore economic reform or are too weak to push it through are defeated because they are unable to co-opt elites. Presidents who are able to enact reforms that benefit important elites (namely privatization or semi-privatization), or create a class of elites who then support the president, are better able to ensure that those elites will support the president's political goals. The catch, of course, is that the same reforms that are necessary for a president to consolidate power often eventually lead to his downfall.

6. KYRGYZSTAN

6.1 Introduction

Kyrgyzstan emerged from the Soviet collapse as one of the more promising post-Soviet states, especially compared with its neighbors. Initial achievements in economic stabilization and liberalization were impressive, especially in the context of its economic decline and poor initial conditions after 1991 (Dabrowski et al. 1995). However, like so many other former Soviet republics, after a few years as the "Switzerland of Central Asia" Kyrgyzstan reverted to the authoritarianism, corruption, and patronalism characteristic of the region (Herron 2009).

The case of Kyrgyzstan provides another example of the relationship between political shocks and economic reform, and reinforces the idea that economic policy follows the political cycles of patronal presidentialism. After the first shock, Askar Akaev, the first president of independent Kyrgyzstan, emerged as a political and economic reformer and set about liberalizing his country's economy and privatizing state assets. His commitment to economic liberalization, like his democratic ideals, were more instrumental than ideological. Because Kyrgyzstan at independence was overly reliant on external economic resources, Akaev had no choice but to seek funds from international donors in exchange for institutional reforms (Baimyrzaeva 2011).

In some cases neoliberal economic reforms have been associated with a decline in democratic performance when the opportunity to backslide is present (Pavlović 2019). Kyrgyzstan is no different. The development of Kyrgyzstan's political economy since independence demonstrates that economic reform not only helped Akaev gain foreign assistance but also allowed him to build a network of patronage and monitor the distribution of gains from privatization. Once Akaev and his family had established their dominance over political and economic life in Kyrgyzstan in the mid-1990s, Akaev began to consolidate the power of the presidency and build his single-pyramid network of patronage. At this point Akaev essentially turned his back on reform efforts. By 1995 he had established his single-pyramid patronage network, and the privatization that had made him and his close allies rich soon effectively came to and end (Hale 2015; Olcott 1996).

As Akaev privatized parts of the economy, elites benefited from privatization and used their wealth to gain political office, which granted them immunity from prosecution and political power to go along with their economic resources. This new class of elites realized they could become wealthy independent of the state, and when state corruption and election manipulation provided opportunities for elites to challenge Akaev, they were able to mobilize their local supporters, ousting Akaev and replacing him with the main opposition leader, Kurmanbek Bakiev. Akaev made himself a lame duck president when he stated he would abide by the constitutional term limit and refused to publicly name a successor, a decision that made him irrelevant to Kyrgyzstan's future and allowed elites to break ranks and join the opposition as it grew stronger (Hess 2010).

After nominally leading the opposition to force Akaev from office, Bakiev quickly went about using the strong presidency Akaev had created in his favor. Bakiev promised reforms in the wake of the Tulip Revolution, Kyrgyzstan's second political shock, but quickly retreated and moved to restore the strong presidency Akaev had enjoyed. In his single term, Bakiev achieved little in the way of economic reform, instead focusing on strengthening the presidency and shoring up his patronage network. The privatization that had benefited elites under Akaev also worked in Bakiev's favor, and Bakiev had little need to use economic reform to dispense rents since he could simply use his existing network and the strong presidency to sideline any opposition that arose.

Like in Georgia, and to a lesser extent Ukraine, the Tulip Revolution, as the protests in March 2005 that led to Akaev's resignation came to be called, was not a revolution but rather a coup. It was driven by elite competition to secure the succession of an unpopular and corrupt president (Bunce and Wolchik 2011). Regional elites from the south organized protests in Jalalabad and Osh after suffering losses in the first round of elections, and these rural elites formed a makeshift opposition, mobilizing the public based on regional cleavages and patronage networks (Hess 2010, 32). A similar though more urban dynamic played out in Georgia, where Saakashvili provided the message, drive, and determination to call for Shevardnadze' resignation when other elites and the public were unsure of the goal of the protests (Ó Beacháin 2009).

Far from a true revolution, the events spring 2005 in Kyrgyzstan were nothing more than a change in leadership, rotating the patron at the top (Hale 2015; Radnitz 2010b). With a new patron at the top, Kyrgyzstan quickly returned to the same patronage and corruption, as Bakiev installed his loyalists in government positions and promised economic reforms and elimination of corruption. That Bakiev quickly restored the habits of his predecessor is yet another example of a president building a network of patronage through control of the benefits of economic reform.

Kyrgyzstan also offers further support for the idea that the political environment is a key variable for economic reform in post-Soviet states. How the political environment is important, however, has been subject to misinterpretation in previous literature. Dabrowski et al. (1995) are correct in emphasizing the role of the political environment in influencing Kyrgyzstan's economic policy. However, whereas they argue that Kyrgyzstan was successful in early reform efforts because of the democratic character of its regime, when viewed in the context of the experiences of Georgia and Ukraine, it becomes clear that what matters for economic reform is political stability rather than political liberalism. Kyrgyzstan had the outward appearances of a liberal political regime, and in comparison with its neighbors, it was relatively liberal. In reality, though, Akaev directed much of the economic reform programs and ensured that his elite allies were able to benefit from them. He soon clamped down on political freedoms, and authoritarianism and corruption took hold.

This chapter shows that Kyrgyzstan is yet another example of the difficulty of interpreting country-level in events regional quantitative analysis and reinforces the idea that politics in the post-Soviet world are more complicated than what appears to happen in the open. Along with Georgia and Ukraine, Kyrgyzstan demonstrates a central weakness of the transition literature, especially the literature on the post-Soviet states. Transition literature assumes a state will move from one regime type to another, and the destination in democratic transition theories is predetermined (Engvall 2007, 35). This is especially important in post-Soviet studies, as Levitsky and Way (2002) have pointed out that the democratizing bias can cause us to miss important dynamics in hybrid regimes. This bias is also present in the literature on economic transformation in that it has assumed that the post-Soviet states will eventually work their way to market economies. Democracy and markets were, after all, the widely agreed-upon goals (at least among western advisers) of the transition (Åslund 2007). Kyrgyzstan shows us that even with outside assistance in the form of advising and financial support, a reformer president who initially is committed to political and economic liberalization can easily reverse course. The starts and stops along the way are interesting in their own right and worth investigation; indeed, the difficulties of political and economic transformation tell us a great deal more about the process than regional aggregate trends.

This chapter proceeds in five main sections. After a brief discussion of Kyrgyzstan's Soviet legacy, I focus on Akaev's apparent commitment to political and economic liberalization. These goals were eventually overtaken by corruption and patronalism as Akaev built and strengthened his patronal network, and economic policy helped him in this endeavor. As corruption proliferated and the people of Kyrgyzstan became fed up, the elites that had benefited from early privatization eventually backed Akaev's opposition, and after fraud in parliamentary elections, the Tulip Revolution led to Akaev's ouster in 2005. After outlining the main events of the revolution, I analyze how that political shock affected economic policy in the mid-2000s, after which I provide a discussion in the concluding section.

6.2 Kyrgyzstan's Soviet legacy and independence

Whereas Georgia and Ukraine had some history of independent statehood before incorporation into the Soviet Union, the Kyrgyz state is basically a Soviet creation (Mitchell 2012). While Ukraine and Georgia somewhat held on to their national identity, Kyrgyzstan has no history of nationhood or national identity and only became a modern polity under

Soviet rule. Because there was no real Kyrgyz state before the Soviet period, the Soviet imprint is stronger than in Georgia and Ukraine. Originally populated by nomadic peoples and living under various rulers, Kyrgyzstan was more ethnically diverse than other Soviet republics and, in comparison with Georgia and Ukraine, Kyrgyzstan had no nationalist movement during the Soviet period or immediately after.

Although the Soviet legacy in Kyrgyzstan was overall less negative than in Ukraine or Georgia, the political effects were somewhat greater given the lack of a pre-Soviet state (Mitchell 2012). In an effort to dilute the influence of older identities in Kyrgyzstan and eliminate unity in the Soviet republic, the Soviets essentially created the north-south division that became important in Kyrgyzstan's independent life. The north-south divide has largely taken shape not around ethnicity or a reaction to elite politics, but rather around pessimism and optimism toward the political system (Ryabkov 2008). The north tends to be skeptical and unsupportive of the state, whereas the south is more loyal and optimistic and supports the political system as a whole.

In contrast to the burgeoning nationalist movements in Georgia and Ukraine at independence, Kyrgyzstan obtained its independence abruptly and with little public or elite involvement (Olcott 1996). Until the last minute of the Soviet collapse, the leaders of the Central Asian republics resisted independence and hoped the union could be maintained. There was even a failed attempt to create a new and redefined union based on the idea of coordinated economic reform with a currency union and tariff-free zone including all of the republics.

Throughout the Soviet period, Kyrgyzstan was a poor peripheral republic (Mitchell 2012, 21). The collectivization that caused famines in Ukraine had much less effect on the nomadic population of mountainous Kyrgyzstan. The terrain made industrialization difficult and the economy remained agricultural throughout the Soviet period, keeping the country poor and stifling the development of Kyrgyz elites. Many of the elite positions in Kyrgyzstan were staffed by Russians or people from other parts of the Soviet Union.

Kyrgyzstan is essentially a creation of the Soviet Union, but the Soviet legacy left a bureaucratic structure, with the division of the Soviet Union into republics and further into provinces and districts, that only needed modification upon independence (Olcott 1996). Because decision making was centralized in Moscow, however, with regional leaders largely unable to adapt policies to local needs, Kyrgyzstan emerged from the Soviet Union without elites experienced or capable of making decisions independent of Moscow. None of the Central Asian republics had presidents or staff with direct experience managing an entire economy. Soviet ministries controlled all of a republic's key industries and natural resources and only gave partial decision-making authority to republic leaders. Thus Kyrgyzstan was not prepared for independence, a fact that complicated its adjustment to the new political reality (Abazov 1999).

Kyrgyzstan's prospects after the Soviet collapse were bleak (Olcott 1996). As one of the smallest of the newly independent states, Kyrgyzstan had more than 40 percent of its population living in rural ares, but had only 17 percent of agricultural land arable. The country faced shortages of fuel and rapid inflation, and the economic decline was among the steepest in the former Soviet Union. Everyone in the country experienced a declining standard of living, with unemployment in industrial areas being especially high. In 1994, unemployment in these areas increased from 370 percent to 1,580 percent. Unemployment in Kyrgyzstan was difficult to specify because so much of it was in agriculture and even in industrial sectors unemployment was hidden as workers were forced to take unpaid vacations or simply not paid for long periods.

As not only one of the poorest Soviet republics but also the one most economically dependent on Moscow, Kyrgyzstan's trade was almost entirely within the USSR, with only about 6 percent of foreign trade occurring with countries outside the USSR (Dabrowski et al. 1995). The few industries Kyrgyzstan specialized in were sheep and wool production, growing cotton, producing electrical energy, and producing components for the defense industry. When the Soviet Union collapsed, demilitarization and the decline in centrally planned investment meant that many Kyrgyz enterprises no longer had markets for their goods. Loss of markets coupled with the sudden creation of trade barriers between the former Soviet republics meant that enterprises had fewer possibilities for selling their goods and the costs and risks of doing so increased.

Intensifying Kyrgyzstan's economic decline was its dependence on foreign sources of energy, and the cost of importing energy was crushing as Kyrgyzstan was forced to absorb the price increases caused by normalization of prices of imported raw materials (Dabrowski et al. 1995; Olcott 1996). By 1992, oil and gas imports made up 50 percent of the state budget, and in 1993 energy costs were projected to use up more than 80 percent (Olcott 1996). The increase in energy costs has had ruinous effects on the state budget. After having no budget deficit during the Soviet period, Kyrgyzstan's deficit has only grown since independence. Foreign borrowing was a major contributor to the state's budget deficit, and as the cost of debt service increases, this only gets worse. Government ineffectiveness was a more fundamental cause of the growing debt, with the government able to collect taxes on only one third of the goods legally produces or sold in 1993. The following year was even worse, with the tax collection at just 20 percent, and in 1995 the government collected tax on 25 percent of goods. The government had planned to offer subsidies to agriculture producers, but the inability to generate and collect revenue made this impossible and worsened the decline in agriculture production.

6.3 Economic reforms after the Soviet collapse

Askar Akaev, the region's only new president who had not been a Communist Party first secretary, presented himself as a reformer and, unlike other new presidents, actually began his term with economic reforms. After serving as the chair of the Kyrgyz Supreme Soviet, Akaev was elected president of newly independent Kyrgyzstan in an election in which he ran unopposed (Mitchell 2012). His support for economic and political reform won him support in the west, and he started out with a program of radical reform. Table 6.1 outlines the phases of economic reforms and patronage dynamics in Kyrgyzstan, which began with a period of intense reform and Akaev building and consolidating his patronage network.

Inspired by Leszek Balcerowicz in Poland, Akaev began a thorough reform initiative in the early 1990s and opened the country to foreign trade with a strategy early in the

Table 6.1.: *Economic reform and patronal cycles in Kyrgyzstan.*

Economic reform	Patronal cycle
Immediate liberalization and privatization.	Consolidation.
Privatization benefits Akaev family and allies; corruption becomes apparent.	Strengthen network and power.
Tulip Revolution; little to no reform.	Bakiev quickly creates new patronage system.
Return to politics after minimal reform.	Consolidation.

transition that called for a fundamental and comprehensive reorganization of the economy, including deregulation, price liberalization, and privatization (Abazov 1999; Hale 2015; Radnitz 2010a). Kyrgyzstan was initially greeted with optimism, including predictions that the country would become the first example of a successful economic transformation in its region and the declaration that Akaev's political and economic reforms had turned Kyrgyzstan into an "oasis of democracy" in the region (Dabrowski et al. 1995, 269).

As part of his image as a "democrat in a sea of dictatorships," Akaev looked to the west for advice on economic policy and immediately privatized small enterprises, opened Kyrgyzstan to foreign trade, and joined the World Trade Organization (Radnitz 2010a, 138). In January 1992, following the ''big bang" approach to economic reform, Kyrgyzstan liberalized almost 90 percent of prices and eliminated the majority of subsidies, while also reducing state control of enterprises and their activity in the market (Abazov 1999).

Akaev recognized that Kyrgyzstan was too small and poor to be economically viable as an independent nation and that it would need considerable foreign assistance (Olcott 1996). The only viable source of income, gold, would need years to develop the capital and infrastructure to provide significant return, and as an otherwise resource-poor nation, Kyrgyzstan would need to heavily rely on foreign investment. Given the severe economic crisis Kyrgyzstan experienced as a result of its dependence on Soviet economic infrastructure, stabilization and recovery were the immediate goals, and Akaev was forced to seek advice and funds from international agents (Baimyrzaeva 2011).

Assistance from the IMF came with the condition of a series of neoliberal reforms, but the IMF paid little attention to reforming institutions not directly related to economic performance and assumed other institutions would materialize when necessary (Baimyrzaeva 2011). Economic reforms were largely carried out by the administrative apparatus left over from the Soviet regime. Reform of this apparatus was ignored for the first half-decade or so of independence; any administrative reforms carried out were limited to privatization and shrinking government. Privatization resembled Soviet planning, where the fairness of the process and outcomes were less important than the number of enterprises privatized. Small groups of elites ended up owning disproportionate amounts of state assets at artificially low prices.

This situation of a small minority gaining the majority of benefits from privatization bolstered the ties between the new business elites and the government because it allowed them to use the minimal oversight and accountability to mold new regulations to their benefit (Baimyrzaeva 2011). They were able to influence government policies to benefit themselves and used political office to protect their investments. Politicians similarly use their offices and government institutions in pursuit of their own economic interests.

6.3.1 Macroeconomic stabilization

Kyrgyzstan experienced the macroeconomic destabilization and hyperinflation that is typical of transitional economies, but lacked an independent bank and currency and lost the ability to control its economy (Abazov 1999). Inflation rose to 46 percent per month in the beginning of 1993. The unpredictability of the situation made economic reforms nearly impossible. The introduction of a national currency, the Som, in May 1993, was initially devastating to the economy.

An IMF program for macroeconomic stabilization and liberalization aimed at combating inflation by restricting the money supply and the budget deficit (Dabrowski et al. 1995). The IMF policies were initially successful, and the conditions of Kyrgyzstan's IMF agreement were fulfilled by summer 1993. Inflation was temporarily brought down, but the positive results did not last long. Industrial and agricultural lobbies pressured for looser monetary policy, and in conjunction with external shocks including price adjustments of oil and gas, inflation again reached over 30 percent monthly for September and October 1993. It was not until the spring of 1994 that inflation rates gradually began a steady decline in response to tighter monetary policy from the central bank, and macroeconomic stabilization and economic recovery were not secured until 1996-97 (Abazov 1999; Dabrowski et al. 1995). With hyperinflation ended in 1996, GDP increased by 2.1 percent the same year (Baimyrzaeva 2011). The new relative stability was also a result of early steps in privatization and liberalization, to which I now turn.

6.3.2 Deregulation and privatization

Macroeconomic stabilization policies were accompanied by deregulation of the economy. By 1995, Kyrgyzstan had one of the least regulated economies for market entry in the former Soviet Union (Dabrowski et al. 1995, 283). The first aspect of deregulation was price liberalization, which actually began during the final years as a Soviet republic. In January 1992 price liberalization was accelerated and Kyrgyzstan eliminated most subsidies and freed the majority of prices. In practice, the state maintained indirect price controls through a committee that was authorized to monitor prices on specific goods, and in 1993 administrative control of portions of the economy returned.

The first half of 1994 was the most successful period of economic liberalization, and the majority of Kyrgyzstan's achievements in economic transformation were in this period (Dabrowski et al. 1995; Olcott 1996). Internal prices were further liberalized, and the trade regime was almost fully liberalized. Kyrgyzstan eliminated restrictions on capital transfers, repealed licensing and quota restrictions, and effectively eliminated import duties on most goods.

Akaev declared a privatization initiative in 1991, to be carried out with international assistance from the World Bank, IMF, and EBRD (Abazov 1999). Privatization occurred in four stages. In the first stage the government set a goal to privatize 35 percent of state-owned assets within two years from January 1992 (Dabrowski et al. 1995, 284). This stage included the mass sale of small retail and consumer service enterprises. Privatization occurred at different paces in different sectors, reflecting the priorities the government placed on each sector. Privatization in the consumer service industry and trade an catering were the most rapid, with over 98 percent and 81 percent of firms privatized respectively (Abazov 1999; Dabrowski et al. 1995). These two sectors made up only 2 percent of state-owned assets, however, so the effect was minimal. The two sectors that made up almost half of the Kyrgyz economy were only 41 percent privatized during this first stage (Dabrowski et al. 1995).

Vouchers were the main method of selling off state assets, with each Kyrgyz citizen receiving a voucher if they requested one by September 1994 (Dabrowski et al. 1995). Launched in 1992, the voucher program distributed vouchers based on an individual's average wage over the last 15 years and their years worked. This system favored workers from the industrial sector as their average wages were higher than in other sectors. In total the government issued vouchers exceeding the value of state assets, with some 41 million Som worth of vouchers expected to redeem shares of state property worth only just over 13 million Som.

By December 1993, only five percent of vouchers had been redeemed, and vouchers played little role in this stage of the privatization process (Abazov 1999; Dabrowski et al. 1995). Whereas the idea of the voucher program was to give all citizens access to the ongoing privatization, the voucher process left out large portions of non-employee citizens. Only employees of particular enterprises were allowed to buy shares in their enterprise with their vouchers, and the voucher privatization program turned into a program that favored influential groups and unfairly distributed national wealth. A large portion of state property was taken by managers and employers, leading essentially to corporatization rather than privatization.

In response to criticism of the first privatization program, the government developed a new program that divided enterprises into four categories based on firm size and one category of firms that would not be completely sold off, such as railways and airlines

(Dabrowski et al. 1995). In this second stage of privatization the government moved to privatize medium and large enterprises and privatized more than 1,400 enterprises (Abazov 1999, 210). Privatization of the agriculture sector was completed in this phase, but privatization and liberalization were not enough to stop the decline in industrial and agricultural production. Lobbying and corruption became rampant during this stage of privatization, with individuals, local governments, and institutions looking to protect their interests (Abazov 1999).

The next stage focused on the privatization of large enterprises, the majority of which were transformed into joint-stock companies (Abazov 1999). The newly privatized enterprises performed better during this stage due to the improved macroeconomic and business environments, but again mismanagement and corruption turned public opinion against the privatization program. Akaev suspended privatization in May 1997, and the chairman of the department in charge of privatization was dismissed after an investigation. In the final stage of privatization, which lasted for about a year from April 1998, monopolist enterprises in energy, mining, and similar sectors were sold on a case-by-case basis at auctions and foreign investors and international expertise were sought. Table 6.2 provides a list of Kyrgyzstan's scores on each of the EBRD dimensions that comprise my reform index and allows for closer inspection of the timing and success of Kyrgyzstan's adoption of neoliberal reforms.

6.3.3 Privatization and patronage

In concert with the IMF and other international development agencies, Kyrgyzstan implemented the neoliberal "big bang" of macroeconomic liberalization policies in the early years after independence (Baimyrzaeva 2011). They focused on three of the four major areas of the IMF reform strategy, including price liberalization and eliminating trade barriers, macroeconomic stabilization, and privatization. The fourth aspect was largely ignored because it was not seen as important and the government lacked experience, but

Table 6.2.: *Economic reform dimensions in Kyrgyzstan, 1989-2014.*

Year	Large scale privatization	Small scale privatization	Governance and enterprise restructuring	Price liberalization	Trade & Foreign exchange liberalization	Competition	Reform Score
1989	1.0	1.0	1.0	1.0	1.0	1.0	1.00
1990	1.0	1.0	1.0	1.0	1.0	1.0	1.00
1991	1.0	1.0	1.0	1.0	1.0	1.0	1.00
1992	2.0	2.0	1.0	2.3	2.0	1.0	1.72
1993	2.0	3.0	1.0	3.7	2.0	1.0	2.11
1994	3.0	4.0	2.0	4.3	3.0	2.0	3.06
1995	3.0	4.0	2.0	4.3	4.0	2.0	3.22
1996	3.0	4.0	2.0	4.3	4.0	2.0	3.22
1997	3.0	4.0	2.0	4.3	4.0	2.0	3.22
1998	3.0	4.0	2.0	4.3	4.0	2.0	3.22
1999	3.0	4.0	2.0	4.3	4.3	2.0	3.28
2000	3.0	4.0	2.0	4.3	4.3	2.0	3.28
2001	3.0	4.0	2.0	4.3	4.3	2.0	3.28
2002	3.0	4.0	2.0	4.3	4.3	2.0	3.28
2003	3.0	4.0	2.0	4.3	4.3	2.0	3.28
2004	3.7	4.0	2.0	4.3	4.3	2.0	3.39
2005	3.7	4.0	2.0	4.3	4.3	2.0	3.39
2006	3.7	4.0	2.0	4.3	4.3	2.0	3.39
2007	3.7	4.0	2.0	4.3	4.3	2.0	3.39
2008	3.7	4.0	2.0	4.3	4.3	2.0	3.39
2009	3.7	4.0	2.0	4.3	4.3	2.0	3.39
2010	3.7	4.0	2.0	4.3	4.3	2.0	3.39
2011	3.7	4.0	2.0	4.3	4.3	2.0	3.39
2012	3.7	4.0	2.0	4.3	4.3	2.0	3.39
2013	3.7	4.0	2.0	4.3	4.3	2.0	3.39
2014	3.7	4.0	2.0	4.3	4.3	2.0	3.39

legal and institutional reforms to establish the rule of law and restrict the state's role in the economy might have changed the subsequent development of independent Kyrgyzstan.

Reforms resumed after the turn of the century, specifically focusing on deregulation, but public frustration continued to mount (Pomfret 2006). The north-south divide provided a regional dimension to unrest, with people in the south complaining that the system favored groups in the north that were closer to Akaev. After initially ignoring administrative reform, from 1997 through 2005 Akaev pursued efforts to reform the administrative system with assistance from the United Nations Development Program (UNDP) and World Bank (Baimyrzaeva 2011). As his foreign benefactors began to embrace the idea of good governance, Akaev indicated his willingness to implement reforms strengthening administrative institutions and improving the business environment. Of course, he expected to receive large sums of money in return.

Akaev's commitment to administrative reforms was questionable and their implementation selective, limited to passing legislation and creating bodies to monitor its implementation. Most of the reform strategies and proposals were eventually annulled. Rather than reforming the highest levels of government, where the most serious problems originated, reforms in this period mostly affected the lower levels and appeared to have been "produced and remained to please donors and continue securing their funds" (Baimyrzaeva 2011, 559). These reforms also lacked oversight as government ministries were allowed to conduct their own functional reviews. Administrative changes in this period did not improve performance and were mostly cosmetic.

Akaev's commitment to political and economic reforms is also questionable, despite initially portraying himself as a liberal reformer. His reform programs were encouraging to the west, and embracing the reigning "Washington Consensus" was a good way to obtain foreign assistance (Bunce and Wolchik 2011, 169). Given Kyrgyzstan's disastrous economic conditions upon independence and the dismantling of its former economic network, foreign funding was essential. The IMF provided large aid packages, and other international NGOs worked with Kyrgyzstan to help with reform efforts. When the economy slowed as a result of liberalization measures, Akaev's commitment to reforms wavered.

After being seen as a rapid democratizer after independence, within a decade Akaev had created a more restrictive political system and retreated from his liberalizing path (Mitchell 2012).

Though he initially weakened the presidency in favor of parliament, empowered local elites, and loosened civil society restrictions, Akaev clashed with the Communists in parliament in 1994 and used a referendum to increase the power of the presidency at the expense of parliament (Radnitz 2010b, 303). Throughout his presidency, Akaev would write and use referendums and other machine politics to gradually consolidate and expand his power and assert the primacy of his ruling circle over broader coalitions, effectively establishing himself as the main lever of power in Kyrgyzstan (Bunce and Wolchik 2011; Lewis 2010). He made the capital of Bishkek the center of politics and business, neglecting southern regions and alienating southern political and business elites, and from the second half of the 1990s he increasingly harassed the opposition and media.

Officially, Akaev's economic reforms were a success and his reform program was one of the most profound and comprehensive in the region (Abazov 1999). Economic reforms did not, however, eliminate corruption and patronage. The design of the privatization program and deregulation of the economy allowed Akaev to enrich his supporters, but these reforms also created a new cohort of elites that could become wealthy without loyalty to Akaev. His early reforms allowed some elites to acquire privatized firms or open businesses, accumulating wealth and resources outside the state and Akaev's patronage (Radnitz 2010b). These newly enriched elites lived in diverse regions of the country and turned their wealth into political influence. Political parties in Kyrgyzstan were personalistic from early on and primarily used to promote their founders. Being in parliament granted elites immunity from prosecution and allowed them to protect their assets and advance their personal interests. Akaev found it easy to keep his opposition divided, however, because the individualistic nature of parties kept them from uniting around ideology and led to more party fragmentation than opposition against Akaev.

Though he outwardly focused on privatization early on, Akaev also paid significant attention to maintaining personal control over the networks that resulted from his reforms and used his office to enrich his family and friends. During the early years of political and economic transformation under Akaev, his family maintained significant control over political and economic institutions and his family and friends came to control an increasing portion of the country's assets (Engvall 2007; Radnitz 2010b). Economic monopolies directly or indirectly came under the monitor of the president's family. His older brother and two sisters-in-law were on the public payroll (Bunce and Wolchik 2011). His son monopolized the cellphone business in Kyrgyzstan. Akaev's wife's cousin was put in charge of privatization, and his relatives soon came to control various sectors of the economy (Hale 2015, 101). Elites also arose from other origins, using ties to the state or organized crime. The largest sources of patronage, however, were kept in government hands, and Akaev generally appointed people he trusted to head these enterprises.

In short, Akaev's allies profited from privatization, and political connections and wealth generation became fused (Engvall 2007; Olcott 1996). An example of this is the embezzlement scandal of 1993 (Olcott 1996). Akaev put Boris Birshtein in charge of Kyrgyzstan's substantial gold reserves and named him a presidential adviser. Birshtein, a former Soviet functionary and founder of the international trading company Seabeco, was put in charge of finding partners to develop mining sites. He collected fees for selling the rights to mine Kyrgyzstan's gold and was paid for helping Kyrgyzstan arrange its first international transfers of gold reserves. Several top politicians were tied to the scandal, as they or members of their families joined Birshtein in forming a company. Around this same time the government put Kyrgyzaltyn, a newly created state company, in charge of gold-mining operations. The company was given to a close associate of Akaev's wife with no mining experience.

With independence from the Soviet Union and Akaev's early reforms, a small segment of society seized on the opportunity to enrich itself (Olcott 1996). Some got rich through influence peddling while others benefited from privatization itself. Most of this activity happened within a short period, and almost everything of any value in Kyrgyzstan had been stolen by 1993. The rapid privatization that endeared Akaev to the international community not only allowed him to monitor who benefited from it, but it also allowed for the development of a class of elites that would eventually have the means and the interests to push for his removal.

The bulk of economic reform in Kyrgyzstan took place within the first five years of independence and little progress was made afterwards, as shown in Figure 6.1. Though he was more liberal than his neighbors, Akaev in the mid-1990s began using his presidential powers and wealth gained from privatization to build a single pyramid of patronage (Hale 2015, 137). By 1998 the "island of democracy" in Central Asia had come to look much like its authoritarian neighbors and Akaev suffered increasingly more defections from his ruling group as corruption spread and he alienated allies (Bunce and Wolchik 2011; Radnitz 2010b). The pervasive corruption hindered the economy and kept Kyrgyzstan from paying its public debt, which had become larger than its GDP. Akaev increasingly relied on fraudulent elections beginning with the 1994 parliamentary elections and used the Central Election Commission (CEC) and trumped up charges to keep people from running for office or challenging him in the presidency. Felix Kulov, Akaev's former vice president, was arrested and imprisoned after he defected and ran for president in 2000. A wealthy businessman and member of parliament, Danyan Usenov, also ran for president and was prosecuted.

Under Akaev corruption has predominantly taken the form of bribes and nepotism (Engvall 2007, 39). Personal loyalties and clan affiliations became the basis for appointments, leading to a government inexperienced non-experts. Turnover in state agencies was high, with each new minister firing the existing staff and hiring his own relatives. Akaev's former prime minister, Jumabek Ibraimov, admitted that government posts had been sold in the past, a scheme in which Akaev's wife was alleged to be involved. Government offices came to be essentially a resource to exploit for profit. Akaev's family in particular was seen as benefiting from their political connections, especially his daughter and son-in-law (Pomfret 2006). The surest way to make and secure large profits in Kyrgyzstan is to invest in a state position, and access to state resources became a sort of insurance policy for elites, helping them protect their assets and potential future wealth from the state and other competitors (Engvall 2014). Although bribes are common in Kyrgyzstan, buying public office

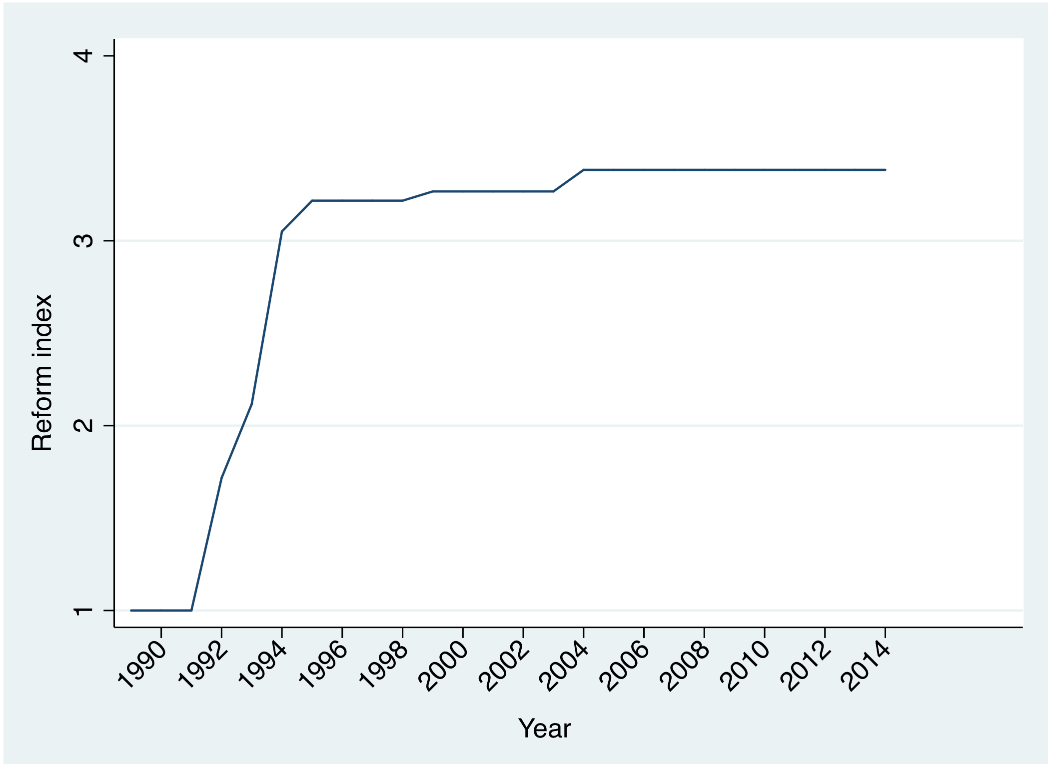

Fig. 6.1.: Economic reform in Kyrgyzstan, 1989-2014.

provides access to a stream of income rather than a single favor or service. The potential income of public office stems from ability to sell access and favors connected with public office.

Akaev's initial reforms in the early 1990s brought about new markets and a promising independent business class. By the second half of the decade, however, Akaev's family became more influential and took control over the economy. The once-promising business class were forced to go into politics for protection against Akaev's circle. As criminal interests increasingly went into parliament to enjoy parliamentary immunity, parliament became a source of protection for the emerging elite class, and politics and business became fused. As a result, parliament increasingly represents criminal and special interests and provides protection of wealth and property that cannot be bought from state officials (Engvall 2014). Other public offices are bought and sold, including top political posts, positions in state-owned companies, and the regulatory sector.

Thus whereas Akaev had initially pursued economic reforms that allowed a class of elites to benefit, as his family took control of the economy and corruption, the burgeoning elite class increasingly used their wealth to gain protection in parliament. These elites were then able to organize in late 2004 and push Akaev out by early the next year (Radnitz 2010b). In fact, the opposition organized and became powerful despite mass poverty, weak civil society, and Kyrgyzstan's personalistic and weakly institutionalized parties. It was precisely this new class of businessmen who had benefited from early reforms, who came to realize that Akaev was not the only way to prosper, that had the political ambitions to push for Akaev's ouster (Radnitz 2010a).

6.4 The Tulip Revolution

The Tulip Revolution is yet another example of the normal cycle of patronal politics. By the time of the spring 2005 parliamentary elections, Akaev was more vulnerable than he had been in 2000 when he managed to win reelection by blocking candidates from running, buying votes, and using the CEC to control the administration of voting (Bunce and Wolchik 2011, 172). Akaev's successful amending of the constitution to allow him to run for a second term in 2000 had alienated elites who had already benefited from privatization and believed they would have increased access to wealth and power with Akaev gone. Whether Akaev would use his resources to fix the presidential election when his term was up in the fall or resign at the end of his term, the implication was that elites needed to start competing for political power.

The 2005 parliamentary elections took place an a more repressive atmosphere than in Georgia or Ukraine (Mitchell 2012). Akaev had three main methods of securing a favorable outcome. His control over the media made it difficult for his opponents to convey their message. Akaev also used legal maneuvers to eliminate potential rivals. Finally, Akaev used fear and intimidation tactics to keep citizens from becoming involved with the opposition.

Protests began before the first round of voting in response to opposition candidates not being allowed to register (Kulov 2008). Former ambassadors were not allowed to register as candidates because they had not fulfilled the residency requirement due to their overseas service. They organized protests in Bishkek against this decision that lasted three weeks but went largely unnoticed in the rest of the country. Small-scale protests also broke out in the south after local candidates were removed from the ballot (Bunce and Wolchik 2011).

The first round of the parliamentary elections was held on February 27, 2005, with a second round for districts in which no candidate won a majority on March 13 (Mitchell 2012). The majority of the races went to pro-government candidates, with only two out of 32 races decided in the first round going to the opposition (Radnitz 2010b, 305). The opposition did not suffer silently, and in the week after the first round of voting protests occurred across the country on behalf of losing candidates and local grievances. Initially, the protests were not part of an opposition strategy, but as they increased in size and scope, they provided a mechanism for the opposition to challenge the regime.

Unlike in Georgia and Ukraine, protests in Kyrgyzstan following fraudulent elections did not begin in the capital; instead, mass protests began in the outer regions and gradually worked their way to the center. Large-scale protests began in the south after outrage over the tactics used to defeat local patrons (Bunce and Wolchik 2011; Kulov 2008). Protesters took over a regional government building in Jalalabad and protests soon moved to Osh and other parts of the south, eventually establishing control over Jalalabad and Osh in early March. This pattern exemplifies the north-south divide and the differences in attitudes towards the state: in the north, the potential for mass mobilization tends to be low given the pessimism and lack of support for the political system (Ryabkov 2008).

The parliamentary elections came at a time when Akaev was increasingly unpopular and his ability to wield power was waning (Radnitz 2010b). His pledge to leave office in October 2005 further weakened his position and gave incentives for those with political aspirations to sort out their opposition and form alliances to compete for power and determine Akaev's successor. The nature of Kyrgyzstan's electoral system, consisting of single-member districts as the result of a 2003 constitutional referendum, weakened parties and made independent candidates and local issues more important (Mitchell 2012). It also made it more difficult for an opposition to unite and organize, as elections took the form of competition among individuals. Kyrgyzstan did not have a traditional organized opposition, but the months preceding the February elections witnessed rapid coalition-building among parties and opposition figures that produced a camp against Akaev (Radnitz 2010b).

The success of the mass mobilization was largely due to the new businessmen, who organized and financed local protests around the country (Radnitz 2010a). Popular anger at the fraudulent election was stoked by wealthy losing candidates as they used their resources to recruit and transport people demonstrations and provide equipment for the protests. Initially, the protests were organized and supervised by rural elites who had been working for the candidates. The protests were not properly post-election protests since they happened between rounds, and unlike in Georgia and Ukraine, they were scattered throughout the country and were less peaceful (Mitchell 2012). Protests started in the southern city of Jalalabad, spreading to other areas in the south and only moved to the capital once other cities had succumbed to the opposition (Radnitz 2010b). The protests initially did not have a political goal or intend to oust Akaev, rather they were in support of local and regional leaders who had either been defeated for fared poorly in the first round of elections (Gerlach 2014).

As large crowds grew, the once-divided business community united around Akaev's opposition, gaining the support of winning candidates and businessmen who had not even run for parliament (Radnitz 2010a). With 43 of the 75 seats still undecided, the protests were started in between rounds of voting because it was clear that the government was prepared to do more to ensure a favorable result in the second round. These expectations were proven correct when in the second round ballot boxes were stuffed and voter intimidation was prevalent.

Akaev opened the new parliament on March 22 (Ó Beacháin and Polese 2010). On March 24, over 10,000 protesters swarmed Bishkek and broke into the White House, the presidential residence and office, and Akaev fled to Russia, abandoning the presidency. In contrast with what had happened earlier in Georgia, in Kyrgyzstan power was abandoned rather than being seized (Bunce and Wolchik 2011). In contrast to the peaceful events in Georgia and Ukraine, after protesters seized the White House, violence and looting in Bishkek damaged commercial districts and left three dead (Ó Beacháin 2009, 203). Akaev submitted his resignation 10 days later and Kurmanbek Bakiev, the head of the main opposition movement, became interim president (Radnitz 2010b).

6.5 After the revolution

As interim president, Bakiev crafted the image of a responsible and committed leader, pledging to combat corruption and improve the investment climate and stabilizing the country after the recent chaos (Radnitz 2010b). Kyrgyzstan held a presidential election on July 10, 2005. In the election, which was deemed free and fair by international observers, Bakiev won more than 88 percent of the vote (Chivers 2005; Radnitz 2006, 132). The election was essentially a foregone conclusion: the two main candidates for the presidency, Bakiev and Feliks Kulov, reached an agreement that saw Bakiev take the presidency and Kulov become prime minister (Ó Beacháin 2009, 219). This was a tactical move aimed at balancing regional interests, with Kulov's support coming primarily from the north and Bakiev's from the south (Radnitz 2010b; Ryabkov 2008). The power-sharing deal allowed them to avoid an actual contest in the presidential election that likely would have antagonized regional tensions. The deal was not officially codified, though, and remained a "gentleman's agreement" (Hale 2006, 315). In fact, Bakiev dismissed Kulov as prime minister in late 2006, the agreement collapsed, and Kulov joined the opposition and led a rally against Bakiev in April 2007 (Ryabkov 2008, 307). With the collapse of the power-sharing agreement, any security elites had in the opposition vanished along with political opportunities independent of the president (Hale 2006).

After mediation from outside groups, Bavkiev decided to seat the pro-Akaev parliament that had been elected under protests months earlier and selected a cabinet with a balance of regional interests and a mix veterans from Akaev's administration and new opposition politicians (Radnitz 2010b). Immediately after winning the presidency, Bakiev faced opposition from the new parliament. It rejected several cabinet appointments and endorsed a draft of a new constitution that would strengthen parliament and weaken the president. Bakiev accepted the changes in response to protests, but eventually convinced enough members of parliament to restore his powers.

In the months after the revolution, Anders Åslund (2005b) outlined a familiar neoliberal program of five economic reforms that could be undertaken in the aftermath of political change. The first was, of course, a renewed focus on privatization and FDI to transfer the ownership of state and family controlled enterprises. The tax system, notoriously bad a collecting what was due and a source of corruption, needed to improve its collection capacity and simplify tax rates so medium-sized enterprises could develop, while revenue services had to be unified. Administration reform could eliminate one of the five administrative levels along with decentralizing taxing, spending, and political decision making. Bakeiv made little progress in economic reform in the year after his election (Radnitz 2006). Because a vast majority of the wealth in Kyrgyzstan is controlled by a small group of people, many of whom benefited from their ties with Akaev, Bakiev was reluctant to risk instability by ceding demands to redistribute wealth more equally.

The Tulip Revolution was less a revolution than a leadership change, simply changing the patron at the top of the pyramid (Hale 2015; Radnitz 2006). Bakiev soon employed the same tactics that had spurred supporters to defect and driven opposition to Akaev. Rather than bolstering government strength, the Tulip Revolution made Kyrgyzstan's dysfunctional government even weaker. In many ways the changes in Kyrgyzstan, though dramatic, were mostly cosmetic (Ó Beacháin and Polese 2010). The results of the Tulip Revolution, which had occurred before a democratic movement could materialize and lacked a conceptual framework, were minimal institutional change and public disappointment (Ó Beacháin 2009). The idea that the Color Revolutions were merely the circulation of elites is most effectively represented in Kyrgyzstan. Bakiev had served as prime minister under Akaev, and Kulov was no stranger to Kyrgyzstan's political elite. They even decided to keep the parliament Akaev had setup for his own ends rather than holding new elections and upsetting the incoming members who had invested so much to win their seats. The Tulip Revolution did nothing to disrupt the dynamics that had brought it about in the first place, and patronage and a presidentialist constitution remained (Hale 2015, 230).

During Bakiev's single full term as president, he paid lip service to reform and anti-corruption initiatives but ultimately quickly moved to establish his own patronal network, as predicted by the logic of patronage dynamics. He initially indicated support for constitutional amendments to weaken the presidency, but soon reversed course and his team created a plan to restore the powers Akaev had (Hale 2015, 316). He forced Kulov out of his position as prime minister after a November 2006 opposition protest against the referendum Bakiev had planned for his constitutional changes and, after Kulov failed to gain support from the public or anyone within Bakiev's network, Bakiev moved to quickly shore up his single-pyramid system. After Kulov left, Bakiev co-opt key opposition politicians, including luring Social Democratic Party of Kyrgyzstan leader and member of parliament Almaz Atambaev with the promise of future rewards. Within two months, Atambaev had replaced Kulov as prime minister. With Kulov's ouster Bakiev quickened the pace of consolidating his pyramid and, with Kulov gone and Atambaev co-opted, it became clear that Bakiev's network would face little resistance.

Indeed elite resistance was minimal as Bakiev rapidly consolidated his power pyramid. He successfully passed, via an October 2007 referendum, a constitution granting even more powers to the president and creating a proportional representation system to elect parliament, which would then nominate a prime minister, and gave the president expanded powers to appoint, oversee, and dismiss officials (Hale 2015; Radnitz 2010b). Exercising his newly expanded power, Bakiev called for snap elections in December 2007 and created a new party, which one 71 of the 90 seats in parliament (Hale 2015, 318). With the power of all three branches consolidated in his hands and parliament neutralized, Bakiev proposed new reforms for the economy. By 2010, however, Kyrgyzstan had achieved little in the way of economic reform, with scores on the ERBD's Transition Indicators almost exactly the same as they were in 2005 (EBRD 2005; EBRD 2010). Since Akaev's early reforms between 1991 and 1995, Kyrgyzstan's overall scores in economic liberalization have leveled off and hardly changed two decades (see Figure 6.1 on page 193). Whereas privatization and trade and foreign exchange liberalization were largely completed by 1996, reforms in governance and enterprise restructuring and competition policy have been stagnant since 1994.

After promising to make the fight against corruption a priority Bakiev took several bold steps in that direction (Radnitz 2006, 141). He appointed Danyar Usenov to investigated businesses the Akaev family had allegedly acquired illegally and named a prosecutor-general to investigate those who had abused their powers under Akaev. His government adopted a national strategy to combat corruption and parliament ratified the UN Convention Against Corruption (EBRD 2005). Bakiev could not go too far in his anti-corruption campaign, however, as purging elites from the government could have provoked those elites to take extralegal measures to protect their interests (Radnitz 2006). Eventually the prosecutor-general went too vigorously after too many Akaev-era elites and Bakiev fired him. Even before his election, as acting president, Bakiev used the same tactics to shore up his base, firing local officials and replacing them with his allies. Many of his cabinet ministers had become wealthy from serving in Akaev's government and continued to get rich serving under Bakiev.

Figure 6.2 shows the *Bayesian Corruption Index* for Kyrgyzstan (Standaert 2015). Far from reducing corruption, Bakiev's term saw a rapid increase in corruption, topping out in 2011 at a score of 68.4 according to the index, which ranks corruption in countries on a scale of 0 to 100, with 0 showing no corruption and 100 indicating corruption could not be worse (Standaert 2015). For reference, the highest value ever recorded on the index was a 75 for Guinea-Bissau in 2017, with the lowest being Singapore in 2016 with 11. According to the index, Kyrgyzstan in 2011 was among the most corrupt countries in the world, with Turkmenistan the only post-Soviet state to be more corrupt with a score of 69.2. Thus Bakiev led Kyrgyzstan from a moderately corrupt state to being one of the most corrupt in the world and by the end of his term had overseen the transformation of Kyrgyzstan from a country that had held the most free elections in the region in 2005 to what Freedom House's *Nations in Transit* report called a "consolidated authoritarian regime" in 2010 (Goehring

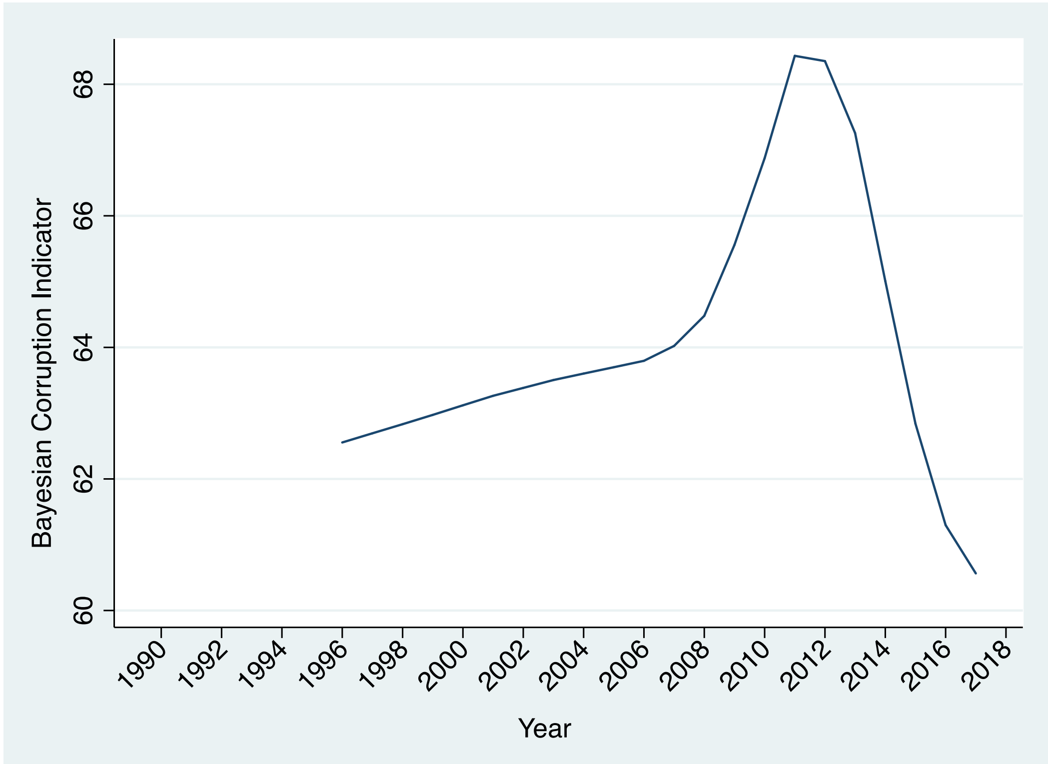

Fig. 6.2.: Corruption in Kyrgyzstan, 1996-2017.

and Schnetzer 2005; Mootz 2010; Radnitz 2010b). Only after Bakiev left was corruption reduced to levels below what they were in the mid-1990s.

As in other patronal states, presidents that come to power after the end of one patronal cycle often promise to campaign against corruption (Hale 2005). Sometimes the commitment to curb corruption is sincere, but in many cases the fight against corruption is a disguise for retribution. In Georgia and Ukraine, for example, the new presidents vigorously pursued former administration officials under the guise of weeding out corruption in what was likely an attempt to weaken and punish the former president's allies. In Kyrgyzstan this played out with public support. The corruption of Akaev's family, particularly his son, became a central point of political debate (Åslund 2005b). Whereas in Ukraine the public concern was the redistribution of wealth and property, in Kyrgyzstan the public became more concerned with the punishing Akaev's family.

Over the course of his term as president, Bakiev made promises to pursue administrative reforms in order to improve the function of government, but from the beginning these reforms were downgraded and the result of his efforts was that many of Akaev's reforms were reversed (Baimyrzaeva 2011). Senior officials opposed and obstructed reforms that threatened their patronage and ability to extract rents. Reform strategies and their oversight bodies were dismantled or forgotten, and Bakiev installed new political appointees, who in turn appointed their own people, disregarding previous reforms. Experts and civil servants working on administrative reform before Akaev left office were replaced by Bakiev loyalists regardless of their qualifications or experience.

Bakiev initiated a new set of administrative reforms in late 2009. He claimed the reforms would reduce his power and create a better business climate, saying he would form a council to provide policy recommendations (Marat 2009). After five years of consolidating power, Bakiev finally was in a position to deal with economic and political reform. His radical administrative reforms undermined administrative effectiveness and in reality were used to concentrate political power in Bakiev's family, just as Akaev had done earlier (Baimyrzaeva 2011). A notable example was the creation of a new agency to manage investments and development, which would be run by Bakiev's son, Maxim. This agency served the same functions as existing government offices but was outside government and legislative oversight and lacked accountability. It received government funds that came from a private company whose head was arrested in 2010 for fraud in Italy.

Thus reforms Bakiev implemented led to the replacement of qualified and experienced civil servants with loyalists, increased patronage networks, frequent changes in legislation, and political instability and corruption (Baimyrzaeva 2011). By 2010, when Bakiev's first term was set to end, Kyrgyzstan faced a worsening economy and high unemployment, and economic and political reforms had not lead to a more liberal society (Baimyrzaeva 2011). Bakiev himself faced low popularity and a question of succession (Hale 2015). Before he became a lame-duck, Bakiev was able to suppress or co-opt the opposition, which had used street protests and other methods in attempts to force him out of office. He even won the 2009 presidential election in July with over 75 percent of the vote.

By April 2010, however, Bakiev had suffered a significant drop in his approval ratings and had entered his second and, according to the constitution, final term as president and (Hale 2015, 231). Whereas Kuchma in Ukraine divided elites and played groups against one another, Bakiev had little interest in the time and care that strategy required and sought to establish full control over society and the economy. After his reelection, Bakiev alienated elites and masses. He increased his crackdown on mass media, and his economic policies, including increasing the price of utilities and adding a surcharge on every mobile phone connection, frustrated the population. Corruption in the energy sector led to rolling blackouts. The benefits, of course, were distributed to a very small circle of his friends and family. Bakiev expanded his family's control over the economy, including putting his son in charge of a department that handled most of the money coming into the Kyrgyz economy.

Bakiev quickly tried to establish control of the economy and society under a small group of his closest allies, mostly close relatives (Hale 2015). His overreach led provided motivation for elites to join the opposition and a sense of urgency accompanied dissatisfaction with Bakiev and his takeover of the state. The urgency helped elites coordinate against Bakiev to make Kyrgyzstan the first post-Soviet republic to see a repeat of the factors conducive to revolutions in patronal regimes and overthrow Bakiev in April 2010. After elites were able to solve their coordination problems and organize protests against Bakiev, he responded with an unsuccessful crackdown. When protestors refused to leave even after snipers had fired into the crowd, Bakiev's apparatus crumbled, and he and his deputies fled, Bakiev eventually given refuge in Belarus.

6.6 Discussion

Kyrgyzstan illustrates the relationship between political shocks and economic reform and the importance of patronal regime cycles to economic reform. When a president needs to establish a patronal network, he will use economic reform, especially privatization, as a method of dispensing rents to early beneficiaries, establishing himself as the most important patron. To the extent that this is successful, it will sometimes appear that political shocks present a window of opportunity for economic reform. The timing of economic reform, however, more closely follows patronal cycles than political shocks, since the policy responses to shocks depends on how they affect patronal networks. In Kyrgyzstan, the Rose Revolution did little to disrupt the strong presidency and patronal nature of politics; whereas it disrupted Akaev's network, Bakiev was able to quickly use his office to establish his own network and consolidate power in part by distributing benefits to his allies and family via economic policy.

Kyrgyzstan further demonstrates the varying effects of political shocks and how economic reform reflects cycles of patronage. We also see again the importance of institutions and the primacy of politics within them. Kyrgyzstan is perhaps the best example of how institutions and elites interact to produce more variation than path-dependence and institutional arguments generally predict. The primacy of politics within institutions forces one to recognize the increased discontinuity in economic reforms than otherwise expected.

Economic policy in Kyrgyzstan was different after each shock. After the collapse of the Soviet Union, Akaev declared himself a reformer and embarked on a program of macroeconomic stabilization and privatization. Some progress was made in economic reforms, but ultimately Akaev used privatization to enrich himself and his allies. He created a single-pyramid system of patron-client ties that dominated politics and kept alternative patrons weak (Hale 2015, 139). After the Tulip Revolution, Bakiev also used the language of reform and promised to combat corruption. His fight against corruption was mostly limited to going after Akaev's family, however, and he achieved little in the way of economic reform. Bakiev was able to use the power Akaev had concentrated in the presidency because, unlike in Ukraine, the power-sharing agreement reached after the revolution was informal and not institutionalized, and Kyrgystan retained its presidentialist constitution (Hale 2015, 315). He already had the symbolic powers of the constitution and, being president, Bakiev was able to use his formal and informal powers to attract clients and punish the disloyal while chipping away at Kilov's power. Bakiev simply had no need to aggressively pursue economic reform because the only thing that changed in Kyrgyzstan was the person at the top of the pyramid. Many business owners and other elites turned to Bakiev after having been loyal to Akaev. Thus Kyrgyzstan had completed something of a backwards transition from the neoliberal model to the patronage dynamics typical of the region. Kyrgyzstan is an important example that even positive election results are not a guarantee of the neoliberal transformation advocated after the collapse of the Soviet Union.

7. CONCLUSION

This dissertation examined the transition from Soviet-style administered economies to the market economies of the West after the collapse of the Soviet Union. This process involved not only building a market economy where there was none, but also the destruction of the old centrally planned economy. Politicians had no road map or previous experience to look to, so the reform process was rather haphazard, and what we know about the transition process is knowledge accumulated along the way (Fisher 2015). I examined the determinants the adoption of neoliberal economic policies and the effects of political shocks on reforms. I argued that previous research has ignored the variation within and between states by focusing on mean values of economic reform. Two shocks have had different effects on economic reforms. The Soviet collapse was perhaps a critical juncture, but initial elections do not explain the future course of reforms. Simply not electing former Soviets may correlate with increased reforms, but this does not tell us much about why some countries replaced the old Soviet elite while others did not. It also does not provide insight into why some countries that ignored reforms for the first half of the 1990s were able to begin them later, even in cases where they had elected former high-ranking Soviet officials.

My research fills a gap in the literature on the post-Soviet transition in that it focuses on the effects of political shocks on economic reform and provides a logic for the different responses to shocks. Much of the research on political shocks, and especially on the Color Revolutions, has previously focused on how shocks affect the prospects for democracy. There is less research focusing on the economic policy responses to political shocks. My focus on how shocks affect economic reform has allowed me to combine previously separate ideas of patronal politics and economic reform. I argue that economic reform has largely followed cycles of patronage and for this reason it has been previously difficult to understand and predict the timing and results of reform efforts. As a more informal model of political power, patronage relies on connections and distribution of rents and is difficult to analyze from a wider perspective. Official rules often belie the true exercise of politics in patronal societies. The variation within these states and between them and those that do not experience patronage dynamics is an important and complex variable to add to our understanding of the dynamics of economic reform. As a hegemonic shock, the Soviet collapse allowed for the expression of patronal politics in Eurasia, but in Central and Easter Europe, where these dynamics were not present, it led to the integration of new states into Europe.

Further, this dissertation presents an argument for the primacy of institutions. Economic reforms take place in an institutional setting, just as struggles for power and the distribution of resources take place within the given constraints of institutions. Because the neoliberal ideological model dominant after the Soviet collapse ignored the institutions necessary for political and economic reforms, the institutions created upon independence played a large role in subsequent market reforms. In countries that established institutions to constrain the negative side effects of market reforms, political and economic liberalization has been successful. Many other countries did not have these institutions at independence, however, and relied on the institutions they inherited from the Soviet Union, which relied on informal networks of power. These networks became the dominant expression of political power and created systems of patronage that conditioned the adoption of neoliberal economic policies. Elites compete for power and resources within these patronal institutions, and the interaction of elites and institutions in a country largely determines the course of economic reforms.

This institutional argument offers an explanation for why political shocks produce different results in the same countries. Including shocks in the analysis allows me take into account how potential critical junctures alter the institutional settings of power and provides a good test for theories of path dependence. Shocks have the potential to be critical junctures in that they can permanently change the rules of politics. The shocks I examine had different effects. In the post-Soviet countries of Eurasia, the first shock resulted in the expression of patronal dynamics, and the cycles of patronage have coincided with economic reform. Patronal politics are the efforts of elites to consolidate power. The Color

Revolutions, on the other hand, turned out to be less important for economic reform than might have been expected. Rather than real systemic shocks, they were high-profile elite turnover, led by elites who used the government's corruption to garner public support. It is not surprising, then, that economic policy followed familiar patterns after them. Focusing on the economic aspects of patronage reveals that patronal elites use shocks as an opportunity to align politics in their favor. Economic reform is an important instrument used toward consolidating power since it allows the top patron to distribute benefits (especially from privatization) to a small group and creates a mutually dependent relationship. This also helps explain why reform happens when it does. When a president seeks to consolidate or strengthen power, economic reform is likely. During periods of uncertainty or elite competition, reforms are less likely, but when the cycle begins again with a new president, it is likely to include new reforms as he seeks to establish his patronage and punish rivals. That the first shock brought out or allowed for cycles of patronage bodes in favor of it being a critical juncture and adds to the explanation of economic reform. Patronal politics, not initial elections, have largely influenced economic reform in the long term.

The three case studies offer support for this argument. Each country responded differently to the collapse of the Soviet Union, with Georgia and Ukraine dealing with issues of identity, nationalism, and civil strife, and Kyrgyzstan needing foreign aid to survive the post-Soviet depression. Akaev in Kyrgyzstan moved to establish his patronage network before the first presidents in Georgia and Ukraine. In fact, the latter presidents failed to create any sort of pyramid structure and were ousted or defeated within a few years. The next presidents in Georgia and Ukraine quickly established single-pyramid patronage structures, using economic reform as a critical tool in doing so. After the Color Revolutions, Georgia and Kyrgyzstan's presidents briefly used economic reform to consolidate power and punish former rivals, before again neglecting reforms in favor of patronage. Ukraine's changed institutional setting after the Orange Revolution, with the divided-executive system, made it impossible for the new president to use reforms to consolidate power, and he was defeated in after his first term having failed to deliver on reforms. His successor quickly reverted back to the presidential system and established a patronage network based on an ambitious package of economic reforms that lasted only a brief while.

My quantitative analysis presents mixed results for the effects of political shocks on economic reform, but they are largely what was expected. The results of political shocks vary in the statistical analysis, just as they vary in the real world. Overall initial elections and openness have little influence on long-term economic reform, but the Soviet collapse and government type do add to the explanation. In the long run, presidential regimes are less likely to pursue economic reforms, and Eurasian countries are also predicted to be less reformed. Further, presidential regimes are almost exclusive to Eurasia and only one country in the region has moved away from full presidentialism. The logic borne out in my case studies finds support in the statistical analysis: the Soviet collapse created the conditions for patronage to emerge, and in Eurasian countries without the institutional configurations to prevent it, patronage hindered economic reform because presidents in these states used reforms as a tool to consolidate power and arrange politics to their benefit.

This dissertation has focused on political shocks in the post-Soviet world and economic policy in their wake. The case studies of Georgia, Ukraine, and Kyrgyzstan illustrated that when stakeholders believed that a change in the balance of power between them and their patron (the president) would benefit them, they have aligned themselves with the opposition to help unseat the regime. Patronal politics provides the logic to understand how alliances were formed and why political shocks had the specific effect on economic policy they had. In the wake of political shocks, economic policy is a tool consolidate power. Presidents can use economic liberalization and market-oriented policies to direct wealth into the hands of their supporters, and anti-corruption crusades are methods to cloak the elimination of rivals under the guise of legitimacy. Thus the logic developed in this dissertation makes it possible to recognize the regularity and relative predictability of the timing and success of economic reform efforts. Elites use economic reform to distribute benefits to their supporters, and when they seek to consolidate or strengthen their power, they will implement reform programs as one of the instruments to that end.

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