

## The American Aid to the Russian Reforms at the End of the Twentieth Century

Yuliya A. Tarasova<sup>a</sup>, Lyubov S. Bolshakova<sup>a</sup>, Igor A. Yasenitsky<sup>a</sup> and Marija B. Larionova<sup>b</sup>

<sup>a</sup>Syzran Branch of Samara State University of Economics, Syzran, RUSSIA; <sup>a</sup>Syzran Branch of Samara State University of Economics, Syzran, RUSSIA; <sup>b</sup>Russian State Vocational Pedagogical University, RUSSIA

### ABSTRACT

The importance of the studied problem is caused by the USA's leading role in the development of modern world order and the economy, its influence in the international economic organizations. The article is aimed at revealing the reasons of choosing neoliberal strategy for Russian reforms, the amount and results of the American financial and technical aid to these reforms. The leading approach of researching this problem is the complex one. It allows finding out economic, internal political, geopolitical and cultural factors which influenced the implementation and the results of the American assistance to the Russian reforms. Authors draw a conclusion about considerable influence of the USA on domestic policy of Russia in the early nineties of the XX century. The amount and the content of the American financial and technical assistance to the Russian government are analyzed. Promises of massive financial aid from the international economic organizations and the USA were realized partially and much later, than it was necessary for economic transformations. The article's content and conclusions can be used in other scientific works on American-Russian relations history, Modern history of Russia, during elaboration the effective strategy of reforms for the countries which are in a condition of a transitional economy.

### KEYWORDS

US-Russian relations, american advisers, economic reforms, neoliberal strategy, aid programs

### ARTICLE HISTORY

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## Introduction

The period from 1992 to 2000 was one of the most dramatic in the Russian history. It was the end of the existence of the USSR and the long opposition with the West called the Cold War. At that time global reforms in the economy, state

**CORRESPONDENCE** Yuliya A. Tarasova ✉ [sangria80@yandex.ru](mailto:sangria80@yandex.ru)

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administration and the political system as a whole were held. The subject of the article concerns the role of the United States, American technical and financial assistance in carrying out transformations, their possible «designers», alternative scenarios of economic reforms in Russia and the influence of the US assistance on the development of bilateral relations in this period. The study of the American assistance in carrying out Russian reforms is particularly relevant in the light of the patronage of IMF and the USA upon the macroeconomic transformations in Ukraine.

It is necessary to mention that the problems of the American-Russian relations at the end of XX century received significant coverage. Many Russian researchers thought that the main cause of the unstable political relations between Russia and the US was inefficient economic cooperation (Batalov & Kremenyuk, 2002; Shakleina, 2006; Utkin, 2003; Bogdanov, 2015).

American political analysts J. Nye (2002) & D. Papp (1997) stressed the weakness of the Russian foreign policy resources. Russia was the passive party in the American-Russian relations in the 1990-s, while the United States got a chance to use their power in the construction of a new model of the world. According to S. Cohen (2000), the results of the US policy towards Russia were disappointing. He accused the Clinton administration in uninformed and poorly designed intervention into the Russian transition to democracy and market economy (Cohen, 2000).

It should be noted that the important aspects of the internal political struggle which has taken place in both countries and which greatly influenced on the foreign policy decisions often escaped from the researchers. On the contrary, great attention to internal factors was paid by S. Y. Shenin (2008a; 2010) in his monograph dedicated to American assistance to Russia in 90-s of the XX century (Retur, 2008) and in several articles.

Much more attention was given to American policy towards Russian reforms by foreign researchers. In particular, the British scientists M. Cox (2000), P. Rutland (2012) described the specificity of the "shock therapy" and changes in the Russian society attitudes towards pro-Western policy of Boris Yeltsin. Besides, the work of the Nobel Prize winner for economics J.E. Stiglitz (2002) is of great importance. He analyzed the results of market reforms in Russia in the context of the world economy globalization.

Unfortunately, existing research papers do not contain the question concerning insignificant, but, nevertheless, important positive experience in the development of the American-Russian relations at the regional level.

So, three questions require investigation: the US role in Russia's transition to democracy and a market economy; the volume and the content of the American financial and technical assistance to the Russian government; the factors which determined the failure of market reforms in Russia and the cooling of the American-Russian relations in the 90-s of the XX century.

### Methodological Framework

To clarify all these questions we used the analysis of statistical information, biographical material. The authors developed a wide range of sources including periodicals, reports of the United States General Accounting Office, the American-Russian bilateral documents and agreements of the involved period. The main methodological approach used in the study is a complex one, which

allows considering the implementation of the American financial and technical assistance to Russian reforms in dynamics, in the system of relations with other phenomena of the Russian and American reality.

## Results and Discussions

In the early 1990s, changes in the political system and the economy were of great necessity for Russia. However, any changes require considerable resources. The government of the new state had no such funds. The economic potential of the country was broken. Based on the statistical services data of the CIS the report of Goskomstat contained the following: "in 1991, in the economy of all Commonwealth States ... the drop in production had a widespread character. It was directly determined by the destruction of the common economic space, the breaks of multi-sided industrial relations of sectors and regions, which had been developing for decades" (The Economy of Member Countries...1992). Despite the fact that Russia had maintained a dominant role among the CIS countries-members, its production declined by 19% in 1992 compared to the previous year.

In addition, as the legal successor of the Soviet Union, Russia had to service the multi-billion debt to the West countries. Established in the years of the cold war, massive military-industrial complex needed a partial conversion and modernization. Overall, the country faced a need of accelerated catch-up development of Western Europe countries and the United States.

In these circumstances it was necessary to enlist the help. Western partners who were the opponents in the cold war had to help the government of the new Russian President B. N. Yeltsin not only in overcoming economic difficulties. The help from the West was supposed to play an important role in supporting the authority of the President Yeltsin in the country, and to show that Russia, despite its temporary difficulties, was waited for in the community of developed countries, countries-leaders.

Formally, the international economic organizations - the International Monetary Fund (IMF) and the World Bank had to give the main financial and technical assistance to Russia. They were depending on the support of the countries from the Group of 7. However, the international financial institutions such as the IMF and the World Bank were influenced by the USA. It was Washington where Boris Yeltsin addressed in search of support and assistance.

The International Monetary Fund, the World Bank and other international economic organizations have provided assistance to the countries with transition economies on certain conditions, being, therefore, not only the guarantee of the stability in the world economy, but also the conductor of the globalization politics in the interests of its leaders – the USA, Western Europe and Japan.

The content of the reforms was inherently neoliberal. Neoliberalism is more widely interpreted as a political philosophy and not as an economic strategy. Nevertheless, the neoliberal approach involves the reduction of state intervention into the economy, the expansion of economic and political freedom of the person, and trade liberalization. P. Rutland (2013), considering the choice alternatives of the Russian reforms strategy, came to the conclusion that all possible options were anyway versions of the Washington consensus. The money was appropriated for this scenario. It was determined by the historically established ideas about the economy development in that period.



The program was not easy. The ability to remain in power in the process of carrying out such reforms was mainly determined by the massive financial support which could mitigate the inevitable costs in the form of inflation, unemployment, cuts of government subsidies. In addition, the reforms had to be conducted rapidly so that the first positive results of the work of the capitalism in Russia provided a favorable outcome of all events. The strategy of fast and complex economic reforms which had already been implemented in several countries was called the "shock therapy".

The quick and positive result was promised by the specialists of Harvard University, who arrived in Moscow in September 1991, - Jeffrey Sachs and Anders Åslund, to whom later David Lipton joined (Åslund, 2002; Sachs, 1997). The head of this group, Jeffrey Sachs, Professor of Harvard University, had a successful experience of economic reforms in Bolivia and Poland. Anders Åslund (2002) specialized in the study of Russian economy and politics. David Lipton was a graduate of Harvard University and a member of the IMF, what increased the credibility of American "anti-crisis managers" even more (Åslund, 2002).

The issue was in the monetary resources. By estimate of J. Sachs (1997), for a favorable outcome of the reforms Russia needed Western aid in the amount of 15 to 20 billion dollars annually for the first five years until the stable economic growth (Shenin, 2010). However, the notion that the West was ready to provide financial aid had dissipated very quickly.

In early 1992, the economic reforms in Russia were started. Western consultants and local economists Yegor Gaidar and Anatoly Chubais tried to implement market reforms as quickly as possible (Gaidar, 1996). The prices were freed, the domestic market was opened for import. The prices increased with inflation running at 2525 percent by the end of 1992 (Table 1). Inflation, as expected, evaporate money overhang (excess money that was accumulated by the population and was not provided with the mass of commodities). However, despite the expectations it did not lead to a production recovery, because at the same time, the market was full of imports.

J. Sachs insistently sought for the Western aid. "Shock therapy" could not be successful without the massive financial injections. In April 1992, the US President George Bush and the German Chancellor Kohl (on behalf of EU) announced the decision about the aid package to Russia amounting to \$24 billion, the leaders of the G-7 approved 20 billion more for the aid to the other republics of the Soviet Union (Shenin, 2008b). However, these promises were not implemented. The US electorate traditionally disapproved the issues of spending their money on some alien needs, for example to support democracy in Russia. In conditions of the upcoming presidential elections, George Bush did not insist on the Congress adoption of those packages that had been already announced.

Meanwhile, the plan of the fast and radical reforms could not be implemented. A catastrophic drop in the living standards enlivened the opposition. Under its pressure the emission was increased, the state support of several enterprises of the military - industrial complex was expanded, the fixed prices were established for some products, such as gasoline.

Nevertheless, the government of "shock therapy reformers" decided to conduct a second phase of changes involving the transfer of state property into private hands. Gaidar and Chubais were strongly influenced by those arguments in favor of private ownership which were associated primarily with the

University of Chicago (Gaidar, 1996). According to them, the transfer of private ownership to private hands would lead to more effective management of enterprises compared with the public one. As noted by M.I. Goldman (2003), in the early 1990s, reform economists in Eastern Europe were often among the most fervent advocates of a private market economy - more so than many Western economists.

However, it was not done without the help and advice of American specialists, as Chubais had no actual experience of economy denationalization (Goldman, 2003). A young Harvard University Professor Andrei Shleifer was invited as a counselor (Goldman, 2003). He was specializing in corporate finance and management. He, in his turn, invited the Russian economist Maxim Boycko, and a recent graduate of Harvard Law University Jonathan Hay. They developed a privatization program in 1995 and reported on its successful completion (Shenin, 2008a). Indeed, by June 1994, nearly 16,500 large and medium state enterprises were transferred to private hands (they formally became the property of the 40 million citizens of Russia). But the real results of privatization proved to be not so univocal.

By estimate of J.E. Stiglitz (2002), the Nobel prize winner for economics, who had been working for some time in Russia in the 90-ies, privatization was carried too fast. When market reforms in Poland under the supervision of J. Sachs and D. Lipton were implemented, privatization of the public sector was carried out gradually, stretching for as long as the procedure of denationalization did not become painless for the society (Shenin, 2010). In Russia, where the Y. Gaidar (1996) government did not receive wide public support, privatization made more political than economic sense, it was necessary in order to deprive the opposition of the economic base. The control over the enterprises was given to the people who owned the insider information, close to the government.

Perhaps the "shock therapy reformers" hoped for the economic instinct of the new owners and the effect of the Coase Theorem. According to it, it doesn't matter how productive assets come to private hands, they will move from one manager or owner to another, until they get the most productive use. That is, even if the company falls into the hands of "wrong people", the right of private property encourages new owners to the best management of assets.

The reality was in sharp contrast with the theoretical conclusions. The new owners who got the property at bargain prices tried to pumped out all possible resources and transfer the money abroad without worrying about productivity or benefits growth. The action of the similar mechanisms in the Russian economy in the 90-ies of XX century was considered more detailed by the American researcher M. Goldman in "The Privatization of Russia" (Goldman, 2003).

The economic advisors of the Russian government were involved in the corruption scheme. Andrei Shleifer and his wife Nancy Zimmerman began investing in Russian companies that were privatized with the participation of Shleifer (Goldman, 2003). Later the couple bought a large number of shares of the oil and gas sector, drawing J. Hay into this activity (Shenin, 2008b). Such activities were both unethical and illegal. In 1997 USAID, through which the US funding of technical assistance to Russian reforms was provided, initiate investigation concerning their activities, which resulted in a dramatic scandal.



After the fulfillment of the privatization program, the deal, called "loans-for-shares", was made. In order to fill in the state budget by private funds the shares of companies, which were still in federal ownership (primarily in the oil and gas sector) were sold. Another redistribution of property happened through loans-for-shares auctions, which were held privately and among a small group of banks and industry representatives. Companies were sold at prices far below their real market value. Further, representatives of USAID and the IMF strongly justified for the fact that they allowed making such a deal, which questioned the legitimacy of the entire privatization program and cast some doubt on the professionalism and moral qualities of American economists worked in Russia (Stiglitz, 2002).

Thus, the first years of reforms led to the high prices, the extinction of the human savings and the transfer of the state property to oligarchs. The failure of the reforms was demonstrated by the prolonged recession. As shown in Table 1, the stable economic growth began only after 1998.

**Table 1.** Russian Economic Performance Since 1992 (Annual percentage change)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
GDP Growth Rates	-14,5	-8,7	-12,6	-4,1	-4,9	0,8	-5,0	3,2	9	5,5
Inflation Rates	2525	847	223	131	48	11	84	36	20,2	15

Source: CRS Report: RL33407 - Russia (2006).

As the result the idea of economic reforms and the forces behind them – the government of Boris Yeltsin, the Western partners - was brought into discredit. The enthusiastic attitude of many Russians to the USA has changed by the disappointment and hostility.

M. Cox (2000) wrote that the assistance provided by the USA was inadequate to promises, and the economic reforms conducted in the absence of massive financial injections, led to a rapid narrowing of the social base of these reforms and the Russian government.

“The American failure, or refusal to back economic reform with massive injections of US money, had two rather unfortunate consequences. The first and least significant was to expose American rhetoric for what it was; so much hot air without little connection with Russian realities and needs. The second and more serious result, however, was to leave those who had initially backed the reforms inside Russia in an almost impossible position”.

The political consequences of the failure of "shock therapy" began to appear in late 1992. The government of "shock therapy reformers" was dismissed by Boris Yeltsin (The Economist, 1993). The appointment of the Prime Minister Victor Chernomyrdin was regarded by the American side as a defeat of the reforms, a return to centralized planning and the power of the military-industrial complex (The Economist, 1993). A few days after the resignation of Gaidar and Fyodorov the advisers J. Sachs and A. Åslund also left their posts (Åslund, 2002). The crisis had drawn to a head by the end of 1993, giving rise to

the dismissing of the Parliament by B.N. Yeltsin and the defeat of the party of radical reforms in the December elections.

It is necessary to mention that the assistance was provided, though later than promised date. The IMF lent \$3 billion to Russia in 1993–94 in the form of a Systematic Transformation Facility, followed by a \$6.5 billion standby loan in 1995, and a three-year loan, \$18.5 billion Extended Fund Facility in 1996. The World Bank lent \$7.8 billion to Russia in the 1990s for 33 projects, focusing on private sector development and infrastructure reform (such as the privatization of the coal industry) (Rutland, 2012).

However, these financial injections were not very effective. Peter Rutland (2012) saw the main reason of it in that the Russian government violated the loan conditions, particularly regarding the reduction of government expenditure. The violation was unavoidable, the reduction in government expenditure could be made only through the reduction of pensions, salaries and other social obligations of the government, and the position of Pro-Western reformers was too weak to risk such radical measures.

Meanwhile, the intensified capital outflow from Russia abroad made the IMF and WB not only useless but also harmful. The burden of payment on loans, fast transferring by the corrupt officials to offshore accounts, fell on the shoulders of the population. The American support was a real help, because it was uncompensated. The volume of the financial support from the budget of the United States is shown in Table 2.

**Table 2.** Funding for Major U.S. Programs with Russia since 1992 (in billions dollars)

Program/Fiscal year	1992	1993	1994	1995	1996	1997	1998	1999	2000
Freedom Support Act	0.09	0.31	1.00	0.36	0.22	0.14	0.21	0.16	0.18
CTR Nunn-Lugar DOD	0.01	0.17	0.26	0.15	0.17	0.25	0.28	0.39	0.43
Agriculture	0.13	1.03	0.03	0.03	0.02	0.01	0.00	1.16	0.20
Other	0.02	0.04	0.03	0.02	0.14	0.19	0.22	0.42	0.25

Source: United States General Accounting Office. Foreign Assistance International Efforts to aid Russia's Transition Have Had Mixed Results. (November 2000). 165p.

The relatively large part of the allocated funds was spent on the programs of disarmament and humanitarian aid. As shown in Table 3, the largest amount of the financial assistance according to Freedom Support A was provided in 1994-1995. It demonstrates the intention of the American administration to support the President Boris Yeltsin on the way of reforms, which rapidly lost popularity among the population of Russia.

**Table 3.** Funds Budgeted for Freedom Support Act Assistance to Russia, Fiscal Years 1992-2000 (in \$ millions)

Address / Fiscal Years	1992	1993	1994	1995	1996	1997	1998	1999	2000
Urgent Human Needs Related to Transition	44,86	45,41	123,32	62,58	27,84	15,76	18,10	28,80	23,32
Nonproliferation	16,1	10,25	92,28	11,50	12,00	9,50	9,05	15,4	58,3



/	Security	4						5	5	
	Related Items									
Promote	Democracy and Rule of Law	8,05	52,86	213,33	74,00	42,40	46,56	57,48	72,44	64,06
Promote Market Reform		17,58	205,09	572,30	210,83	136,66	72,23	125,69	46,83	32,53

Source: United States General Accounting Office. Foreign Assistance International Efforts to aid Russia's Transition Have Had Mixed Results. (November 2000). 170p.

Even this rather limited financial and technical assistance became the reason for critics of President Clinton's policy towards Russia by the conservatives during the elections in 1996. The editor's article in "The Economist" urged to look more attentively at the Russian domestic policy and to cease to support Boris Yeltsin only for fear of communism return. Pointing to contradictory results of the Russian reforms, the magazine urged not to include Russia in the activity of the G7 and cooperation with NATO (The Economist, 1995).

The leaders of Congress opposition Robert Dole, Richard Cheney, James Baker and well-known politician Henry Kissinger accused the inefficient Clinton's policy in pouring the American taxpayers' money into the "rat holes" of the Kremlin without effective influence on the economic situation in the RF (The Washington Post, 1996). In opinion of the opposition representatives, there was no middle class in Russia which would guarantee the continuous movement of the reforms in the country. The policy of Russia's involvement in the activity of international organizations (such as G7) had born the illusions of Russia's status as the superpower.

The problem was so serious that it had been discussed at Hearings before the Congress in July, 1996 (Hearing, 1996). All attendees agreed with the opinion of the ambassador J. Collins that the policy of helping the Russian reforms brings benefits to the USA, doing the world safer and more stable, and Russia made great steps on the way to democracy. But it was noted that Yeltsin's government used the allocated funds inexpediently, and the reduction of the population's support compelled the Russian government to come back to the elements of a planned economy.

To the second presidential election in Russia it became clear that Russia's transition to capitalism with the assistance of Washington and the IMF turned bad. According to J.E. Stiglitz (2002): "radical reform strategy did not work: gross domestic product in the post-1989 Russia fell year after year. The stabilization/liberalization/privatization program was intended to set the preconditions for growth. Instead, it set the preconditions for decline. Not only was investments haltered, but capital was used up – savings vaporized by inflation, the proceeds of privatization or foreign loans largely misappropriated". He believed that the Clinton administration's Treasury and IMF experts misunderstood the real situation in the country, where the corruption was too disseminated to allow market economy work in a proper way.

To manage the situation Western partners turned from federal center to Russian regions. It was decided to implement the Regional Investment Initiative Program which included financial, informational and technical support to

several regions of the Russian Federation with the aim of attracting foreign investments there (Public Papers of the Presidents of the United States, 1997).

Differences in industrial development of various regions of the Russian Federation, supplying with natural and human resources predetermined various degree of their appeal to the foreign capital. It should be mentioned that there were a few regions with stable economic situation. Only 11 from 89 subjects of the Russian Federation were the "donors" of the federal budget. The number of the regions attractive to foreign investments was also very small. In 1995 eight Russian regions (Moscow, Tyumen Region, the Republic of Tatarstan, Nizhny Novgorod Region, Samara Region, St. Petersburg, Sakhalin Region and Tomsk Region) attracted 77,1% of all foreign investments (Rossiyskaya Gazeta, 1996). Moscow, large machine-building centers, raw regions and regions most closely located to foreign investors took the leading places in foreign investments inflow.

At the beginning of the RII program it was decided to implement it in two regions: Novgorod Region and the Far East (Khabarovsk territory). Obviously, they were not leading regions such as Moscow or Leningrad areas but rather stable with high income level of the population. Other peculiarities of these regions were the American-Russian trade and highly developed economic relations on their territories. The choice of the regions was also guided by the commitment of their governors to western democratic values and the tendency to carry out market reforms and by the real economic potential and experience of cooperation already existing in the region with the American business. In 1997 the choice was made in favour of Samara region.

Though the political relations between the USA and Russia in 1995-96 were rather cold, the shift of attention of the American administration from the federal center to the province opened many prospects for Russian regions' economic growth.

On the territory of Samara region the RII project included the programs for business development such as financing of small and middle business, consulting services, regional development and attraction of investments, support of democratic initiatives (including the anti-corruption program), strengthening of social sector and health care, development of non-profit organizations and regional mass media, education and professional trainings for the specialists of various branches. About US \$23 million were spent for these programs by the American partners and the Samara region government.

The program which supported the use and application of the Internet technology for the US-Russian collaboration can be considered the most successful. It increased public access to Email and the Internet through the establishment of seven Public Access Internet Centers. The exchange programs which allowed students and lecturers of the Russian Universities to train or conduct researches in the USA were of special importance. Carried out with financial support of the United States Agency for International Development (USAID) and administration of IREX (International Research & Exchanges Board) they considerably expanded possibilities of interpersonal communications.

Formally, the RII program was carried out till 2002 but its most essential projects took place till the end of the nineties. It was influenced by the deterioration of the economic situation in Russia and the USA and intensive growth of tension in bilateral ties at the state level. The crisis of 1998 made the



great impact on the international activity of the Russian regions. It did not affect the development of extracting industries, however, the income of manufacturing industries was strongly reduced. The direct foreign investments in the Russian economy were reduced too. That is why the results of the main trend of the Regional Investment Initiative (to promote economic growth in the Russian regions) became unclear.

The sharpening of the American-Russian relationships at the state level was also harmful. At the end of the nineties each of the sides had got serious reasons to suspect each other in bad intentions. NATO expansion to the East which began in 1996 revived traditional and quite reasonable fears of Russia for safety of its own territory. As S. Talbott (2002) wrote in *The Russia Hand. A Memoir of Presidential Diplomacy*, Clinton's conception of NATO considered Russia's accession in the future but in 1996 NATO's expansion was the main reason of tension in the US-Russian relations.

Simultaneously promoting financial and technical assistance to RF the USA limited the flow of the Russian goods such as products of ferrous and nonferrous metallurgy and space branch on the American market (Crock, 1999). At the same time, the cooperation of Russia with Iran developing nuclear program was a sore subject for the United States ('Russia', CRS Report: IB92089, 2001). At last, the conflict in Kosovo and the American bombings of Serbia caused too negative reaction of Russia (Talbott, 2002).

On the 24th of March 1999 the Russian Prime Minister Evgeniy Primakov was flying to Washington to co-chair the Gor-Primakov Commission Summit (Lapskii, 1999). He ordered to turn the plane back to Moscow when he learned the US wouldn't stop bombing Serbia even during the Summit. The Prime Minister's reaction caused the failure of regular session of the bilateral Gore-Primakov Commission, that is why the consequences of this situation were rather unfavourable. Though the majority of the RII projects had already been either fulfilled or put in work, the conflict in political relations discredited the results of the Program and in many ways predetermined its ending.

At the beginning of the twenty-first century the new administrations of Vladimir Putin in Russia and George Walker Bush in the USA came to power. It started a new stage in the US-Russian relations, though it began with the internal transformations in Russia. The reform of local government which considerably strengthened the control of the federal center over the regions was carried out. This policy caused the concerns of Russia's return to authoritarianism.

The economic growth allowed the Russian government to refuse the American support. Further activity of the American non-profit organizations such as the Peace Corp or the Open Society Foundation were forbidden in Russia. Unfortunately, it meant the impossibility of carrying out the RII program in other Russian regions. Tomsk region which was included in RII in 1999 did not receive technical assistance from the USA because there was no opportunity of its implementation in 2001.

## Conclusion

Considering the American assistance to the Russian reforms in the 1990-s, we can conclude that the huge US influence on the Russian domestic policy in this period is obvious. However, it would be a significant simplification to

consider that the cause of all the expenses of economic transformation such as the fall in living standards, stagnation, inflation and the corruption growth was the plan of the US Administration for the collapse of the post-Soviet Russian economy. Many other factors of history, culture, economy and geopolitics also have played a negative role.

Justifying the strategy of "shock therapy", the supporters of the neoliberal approach, especially George Sachs, Peter Rutland (2012) and others indicate that it was not fully implemented in the country, moreover, it did not even start. The government costs and the money creation were not cut, the subsidies for uncompetitive companies continued under the pressure of the opposition. In the absence of massive financial support the Executive branch had to retreat from the course of radical reforms.

J.E. Stiglitz (2002) thinks that one of the reasons for the reforms failure was the improvidence of the American side, which was pushing the Russian government to a quick transformation in the absence of a legal base for a market economy and protection of private property. The researcher addresses a greater reproach to the neo-liberal strategy itself, indicating that the market opening for foreign goods in a developing country leads to the suppression of the national production, and it was clearly demonstrated by the Russian experience.

In the 90-s of XX century the American-Russian relations were unstable, partly due to the lack of deep economic affairs, trade and investment cooperation. Each of the parties overestimated the capabilities of the partner.

Nevertheless, the important positive results of the US assistance to the Russian regions were the knowledge and skills received by young specialists in the field of entrepreneurship, voluntary work, work in information systems. RII Programs smoothed the informational and technological gaps between the Russian province, closed in the years of the cold war, and developed countries, between provincial cities and Moscow.

### Disclosure statement

No potential conflict of interest was reported by the authors.

### Notes on contributors

**Yuliya A. Tarasova** is Candidate of Historical Sciences, Associate Professor of Syzran Branch of Samara State University of Economics, Syzran, Russia.

**Lyubov S. Bolshakova** is chair of Law and Social-Economic Disciplines, Associate Professor of Syzran Branch of Samara State University of Economics, Syzran, Russia.

**Igor A. Yasenitsky** is chair of Law and Social-Economic Disciplines, Associate Professor of Russian State Vocational Pedagogical University, Ekaterinburg, Russia.

**Marija B. Larionova** is Candidate of Historical Sciences, Associate Professor of Russian State Vocational Pedagogical University, Ekaterinburg, Russia.

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