The Past and Prospects of Russian Liberalism: An Interview with Sergey Aleksashenko, former Deputy Finance Minister of the Russian Federation

Interview by Grayton Goldsmith

Sergey Aleksashenko Biography

Sergey Aleksashenko is a Russian Economist and former Deputy Finance Minister of the Russian Federation. After graduating from Moscow State University with a PhD in Economics, he was invited to join the Soviet government, where he joined a team that worked toward the liberalization of the Soviet economy. In 1993, Aleksashenko was named Deputy Finance Minister of the newly-independent Russian Federation. From 1995 to 1998, Aleksashenko served as the First Deputy Chairman of the Central Bank of Russia. His extensive experience in government, as well as his subsequent ventures into the private sector as head of Merrill Lynch Russia and as a board member for prominent Russian corporations such as Aeroflot and the United Grain Company, have equipped him with unique insight into Russia's current economic and political realities.

Since his permanent departure from Russia following the 2014 invasion of Crimea, Sergey has become a vocal critic of Putin's regime. He is a founding member of the Russian Anti-War Committee, a big-tent Russian opposition group formed in 2022 to oppose Vladimir Putin's war in Ukraine. He is also a founding member of the Boris Nemtsov Foundation for Freedom, a group formed in 2015 following the assassination of its namesake Russian politician. The foundation supports students, journalists, and human rights activists who hope to affect change in the Russian political sphere with scholarships and grant funding. Aleksashenko has amassed upwards of 150,000 subscribers on his Russian-language YouTube channel, where he posts unfiltered commentary on Russian domestic and international politics. Designated by the Russian government as a "foreign agent," there has been a warrant out for his arrest since 2023 on the grounds that he "was engaged in shaping sanctions against Russia."[1]

1. *To begin with your experience in the Russian government, how did you first ascend to your position as Deputy Finance Minister?*

I graduated from Moscow University and became a senior research fellow [there]. My boss, Yevgeny Yasin, in September or October 1989 got an invitation to join the Soviet government. [At] Gorbachev's direction, a special commission on economic reform was established, and Yasin was nominated as a head of one of the departments in this commission. He invited four people from his staff to join him, and only I accepted. In the beginning of 1990, I became a very junior expert in the government of the Soviet Union. So my mailing address was Moscow, Kremlin, USSR Government—Aleksashenko, which was funny.

When I got this invitation from Yasin, I was unsure if I should accept it, because by that time, my career in the university was going rather well. I got my Russian equivalent of a PhD or doctorate, so I got a promotion. Yasin told me, "Look, even if you spend a year, two years in the government, you will understand much more about real life and how policy operates on a governmental level. You will never be able to get this experience otherwise." That was true. I gained a very strong understanding [of government], and I believe that today, I'm one of very few people who knows how the Soviet system operated. Although I was at a very junior level, discussions on economic reform and economic transformation of the Soviet Union [through the 500 Days Program] were very active. As Yasin was one of the key members of this team, he started to invite me to meetings of this group. I was just 30 years old and a very junior expert, but I was known by the Soviet Prime Minister [Gorbachev], the deputy prime ministers, and other ministers. I became a part of this group—discussions with them were interesting and provided a lot of information. However, the results of this commission were not very satisfactory, because Gorbachev did not have enough courage to make a jump.

One of the brightest pages of this story was a visit to Poland at the very beginning of my job in this commission. In February 1990, I organized a trip of experts to Poland, where [Leszek] Balcerowicz had launched his reform in January 1990.[2] We were in Warsaw in the first week of February, so it was impressive to see empty streets, [likely] because gas was so expensive that no one was able to purchase it. We were also able to receive information first-hand from Polish reformists. Another bright spot was in August 1990 [when the government instituted] the so-called 500 Days Program.[3] Gorbachev and Yeltsin organized a joint group to draft [the 500 Days Program], a plan of transformation of the Soviet economy that should have been sponsored by two of them. In the end, Gorbachev refused. In April 1991, the commission was dissolved following the replacement of the Prime Minister. Valentin Pavlov succeeded Ryzhkov, and he didn't need such an entity. I then joined the Russian Industrialist Union, managed by Arkady Volsky, who was the former head of the Committee on the Operational Management of the Soviet Economy.

Historically, I had a highly competitive relationship with Yegor Gaidar's team, so when the government was established [with him as finance minister,

and later as acting prime minister], I was out.[4] However, it was interesting to observe from the outside. I spent the first half of 1992 in the Bank of Finland's research department, in a division called BOFIT (Bank of Finland Institute for Emerging Economies). In December 1992, Gaidar was replaced by Viktor Chernomyrdin as prime minister. My good friend, Boris Fyodorov, was nominated as Minister of Finance. He was a member of the 500 Days Program team, and he invited me to become the Deputy Minister of Finance. So that was my way.

2. *Did you find it different working under the Soviet Government versus that of the Russian Federation?*

Yes, of course. The main difference was that the Soviet government had a hierarchical structure. In every department and any commission in the government, there was a boss who decided what was right and what was wrong—if he was against your ideas, you had no chance of [pursuing them]. Saying that, I should remind you that I was at a very junior level [in the Soviet government] and I had no executive power. My official job was to prepare papers, draft answers to letters, and analyze trust in legislation. When I became the Deputy Minister of Finance, both Boris Fyodorov, my boss in the ministry, Sergey Dubinin, who replaced him, and Victor Chyrnomyrdin, the Prime Minister, followed the Russian saying, "Power is not what is given to you, power is what you take." Russia needed to build everything from scratch: every piece of economic legislation [and] economic practice—that's why in both the Ministry of Finance and in the government, the overall behavior was to allow people to do what they believed was right.

Therefore, I had an informal agreement with Fyodorov, Dubinin, and Chyrnomyrdin, that in my capacity [as Deputy Minister of Finance]—I was in charge of tax policy, macroeconomic policy, accounting, budgetary planning, and negotiations with the IMF—I was allowed to do what I believed was right. I was advised to recognize my limits, but if I was sure that I didn't require agreement from above, I could proceed. If I believed that [the decision] should be made by someone at a higher level, I would know [to go to them]. It was a very flexible structure of decision-making. The same style of decision-making continued when I moved to the central bank, when Dubinin became chairman. I used this practice [of discretionary power] with my subordinates.

But this spirit of transformation disappeared by the end of Yeltsin's term. Around 1999 he became ill, and prime ministers were replaced very often—Primakov, Stepashin, Putin—therefore this was no longer the time for any breakthrough in state policy, but during Chyrnomyrdin's time, it was very efficient.

3. *How did you find the political and economic atmosphere of the Yeltsin years? Obviously, it was a very turbulent time for Russian history, but also a very hopeful one. What was it like working under that government, and more generally, what were the feelings amongst the Russian populace?*

From the viewpoint of the ordinary people, the period of the 1990s was very tough. Though it was very inefficient in the end, with shortages of everything,

the collapse of the old system was bound to be painful. Russia experienced a significant decline of economic activity. Of course, when inflation exceeds 100 percent per year, it's very difficult to measure any statistical indicator [of the economy], and, moreover, to compare GDP, for example comparing industrial production with market prices and with fixed prices. Regardless, [the situation was indeed dire, [as] many companies were closed. People were forced to change their jobs, [and] to look for other business, even if these jobs were not tailored to their skills. The healthcare system and education system changed, and their quality declined. The state budget was very often, at least within my time, insufficient and not all budgetary commitments could be fulfilled. So for ordinary people, it was a tough time.

If I must make a general assessment, if you take the end of 1991, when the Soviet Union collapsed and Boris Yeltsin—under whom I spent much of my bureaucratic career—became the president, as a starting point, and 1999, when he resigned, as an endpoint, there was a clear vector of the development of Russia as a country, as a state, and as a society. There was a movement from a planned economy to a market economy, from totalitarianism to democracy, from a unitarian state to a federation with power-sharing, and checks and balances, with efforts made to build an independent judiciary. It was a movement from a country that was in a Cold War with the United States and the West, to a country that tried to build a friendship with the West. So, there was an enormous transformation in all aspects of life. It's [also] very important to mention that when the Soviet Union collapsed, it was not possible to use any piece of the old structure to build the new one. Yeltsin's results were [produced] from scratch. It's like after an earthquake, you have to live in the same place and build a new house without being able to use all the trash that remains there. Yeltsin managed to show this [newfound] direction, and despite all problems, concerns, and troubles, it was evident where the country was going. That's the main result of Yeltsin's era, and that was, I believe, what I'm a part of.

4. *Do you find that your experience in economic governance during the Yeltsin years and otherwise informed your later work in the private sector?*

Yes, of course. As in any country, when you work in the government, you build relations with different people in different sectors. Moreover, if you are capable of demonstrating your capacities in the government, people know about you. They know who you are and what you're able to achieve, and they know your strengths and weaknesses.

Being in private business and international business, I use the skills I developed through negotiations with the IMF that I held in the Ministry of Finance and in the Central Bank. One of the main skills was the ability to understand your counterpart's wishes. It's much easier to run negotiations when you can put yourself in the shoes of your opponent. If you understand his interests and you understand your interests, that allows you to find the path to compromise. In Merrill Lynch and in Interros,[5] [this skill] was very useful because we run a lot of [merger and acquisition] transactions and negotiations with Russian

partners and with international companies. So it was much easier to negotiate and understand what your opponent wanted. This experience is valuable, and I use it even today, because there are still a lot of people in the government or in Russian business who remember me from that time.

5. *What drove you to leave Russia when you did, in 2013?*

I left the Central Bank at the end of 1998 after the financial crisis. In the beginning of the 2000s, though Putin's government under [Prime Minister] Kasyanov initially invited me to several of their discussions, they later decided that I should not be included. [In their eyes], I was responsible for the debt default and for the financial crisis, so I was a scapegoat. I believed at that time, while I was at Interros and Merril Lynch, that my career in government was over, and that I would have to be in private business, though it's not completely what I would have wanted. But suddenly, when Medvedev became president, something started to change. One of the first steps [his government took] was replacing governmental representatives on the boards of directors in the companies where the government has a stake. I got an invitation to become a member of the Aeroflot board, then the United Grain Company, as well as the United Aircraft Company. All three were companies in which the government either held a majority stake or maintained control. It was interesting working in different sectors, and I was happy having this job while at the same time being in academia at the Higher School of Economics. However, looking back, I have to recognize that Medvedev's liberalization was very slow and inconsistent. Nevertheless, it did continue.

Medvedev also liberalized political life, and I became one of the co-founders of a party named PARNAS.[6] I became involved in political activity, and I was among the organizers of the Moscow protests in December of 2011 just at the time when Medvedev and Putin announced [that] Putin [would be] returning to the Kremlin. If you recall, in May 2012 there was a huge demonstration in Moscow just before Putin's inauguration. [There were] severe clashes with police, and by that time, Putin had started his political repressions and had begun to prosecute political opposition. I saw that many people involved in political activity and in the events of December 2011 were prosecuted or punished. I also started to recognize that my business contacts and business contracts started to diminish. So even with old contracts, my counterparts would say, "Okay, we have to close it, to cancel it," and my negotiations about new contracts were terminated. They would say, "Okay, we changed our minds, we are shifting into other directions."[7]

Suddenly, in June 2013, there was a very crucial turning point—perhaps this was the "last drop in the glass of water." There was a shareholders meeting of Aeroflot, where I was nominated to the board once again. A representative of Alexander Lebedev, who holds a big stake in the company, was not registered for the meeting. After that, I realized that I had no contracts at all, and I had a lot of free time. I talked to my wife, and I said, "It seems to me that the political situation is changing. I do not see any danger at the moment, but

I see the movement. I see a movement in a direction I don't like." Moreover, we had a son who was four years old by that time, and I said, "Look, I have no duties in the country that I cannot fulfill being outside of the country. Let's take a gap year. Let's travel." We decided that we would spend three months in the U.S., three months in Europe, and then, once again, three months in the U.S. We would leave in August 2013 and return by May 2014, coming back to Moscow for the summer. We thought that [after we came back] something might change and life would become normal once again.

In March 2014, Crimea was annexed by Russia, and I recognized that this was not just a temporary movement [in the wrong direction], but a significant shift. I was opposed [to the annexation] and I criticized the idea. The NTV channel called me a traitor [to] the nation, and I recognized that I had to [stay abroad indefinitely]. I assessed my personal risks, and I talked to some friends within security agencies in Russia, and they told me, "At the moment, you can live in Russia, but you will have no job, and you will have no money. Nothing will happen with your safety right now, but we don't know what will happen one month later, six months later, or one year later." My wife and I agreed that this was the end of the Russian story, and we would have to return to Moscow to pack our stuff and to move from Russia to the U.S. for an unpredicted period of time. In September 2014, I left for the States on a permanent basis, and I am here for the eleventh year in a row.

6. *How has your experience in and knowledge of the inner workings of the Russian government and political system informed your later work as an opposition activist and researcher in exile?*

Being in exile from a country with a dictatorial political regime does not make your life easier, and the longer I stay outside the country, the more attention I draw from the Kremlin. My life is becoming more and more difficult. I have a criminal case against me, I'm called a foreign agent, and very often today, when I try to communicate with people in Russia, they refuse to [speak with me] because they are afraid. Whether friends or people in government or business, communication is not easy. My previous experience—my previous life—does not make it easier, because they treat me today more like a political activist or political enemy of Putin, rather than recognizing my other capabilities.

In research, I have unique experience analyzing life from different viewpoints. I was in the government, I was at the central bank, I was in academia, and I was in both Russian and international business. Each of [these areas] have their own values, principles, and interests. That is why when I look at different stories and different situations, I am able to view them from different angles. This helped me to write my book, *Putin's Counterrevolution*, because I was able to examine the history of Putin's rule from 2000 to 2018 [from different angles], analyzing Putin's behavior as a political actor. Having this multi-sectoral experience paints a brighter and fuller picture of the current situation.

7. *From what I understand, one of the central arguments of your book is that Russia's road to authoritarianism was long and winding—the result of various different manipulations by Putin, rather than an abrupt and heavy-fisted consolidation of power or move toward authoritarianism. Do you agree with this characterization?*

I agree to a certain extent. First of all, there was no plan. You are right when you say that there was not an abrupt decision [to move toward authoritarianism]. It was a slow and steady process, though it was not a straight line. We can say that it was like a staircase with steps that have gaps at different heights. The initial step was in the very first days of Putin's rule, when he started his offensive against free speech and media and dismissed the Federation Council. The next step was sometime in late 2003 to the beginning of 2004 when he organized the criminal prosecution of Khodorkovsky and Lebedev, destroying the biggest Russian company by market capitalization, Yukos.[8] The next step was in 2011, when Putin decided that he was above the Constitution and came back to the Kremlin for a third presidential term. From then, he became not more authoritarian, but more dictatorial. He started to prosecute his political opponents and destroy political competition. The next step came in 2020, when he re-drafted the Constitution so that he could stay in power indefinitely, or at least until 2036, and the next step after that was the Ukrainian war.

8. *I want to challenge you a little bit there and ask: Was Russia ever truly on the path to democracy, or do you think that the relatively open atmosphere of the Yeltsin years and the early years of the Russian Federation were more a result of the weakening of the state apparatus of The Soviet Union?*

First of all, of course the collapse of the Soviet Union was not the result of any democratic movement in Russia. We may say that there was a democratic movement or anti-colonial movement in the Baltic countries, but the Soviet Union collapsed [primarily] because of the failures, mistakes, and corruption caused by the rust of the Soviet system. The Soviet system faced tremendous problems that it was not able to solve, and the attempt of the hardliners to solve the problems via coup d'etat—by dismissing Gorbachev—resulted in the collapse of the country and of the system.

Democracy is another part of the story. Democracy is a process. The U.S. was a democracy in 1800 and the U.S. is a democracy today, but American democracy in 1800 and in the present are not the same. When Russia emerged as an independent country and Yeltsin became president, there was a desire, not to keep or to restore the authoritarian system, but to start a movement toward democracy. The pillars of democratic governance are checks and balances, sharing of power, freedom of speech, and an independent judiciary. All of that was being built in Russia. They may have emerged in other places more successfully or quickly, but nevertheless, it was a process in Russia, and it was a process that was going on for all of Yeltsin's eight years. So I don't buy your thesis [that the openness of the Yeltsin era was the result of a weakened state apparatus rather than a true movement toward democracy].

9. *So, if Russia was democratizing, how can we get back on track? Is there a path forward after Putin?*

If there is a will, there is a way. Still, we have to remember that democracy is not an overnight experiment. Putin has been in power for 25 years. If we imagine that Putin stays in power for another ten years, most of the individuals alive today that will be drafting policy in the future will not have experienced life under a different political system.. After the Soviet Union, this was the biggest difference between the Baltic countries—where there were still many people who remembered life before the Soviet era—and other parts of the Soviet Union, where historical memory was demolished completely. After Putin, it will be very difficult to explain to people that life should be different, and that political life should be organized more openly. Twenty-five years is a human generation. If Putin is in power for a generation and a half, I do not believe that it is possible to make Russia a more or less democratic country in less than a generation.

Much will also depend on those who will be in power after Putin. What will be their desires and intentions? Will they be looking for Putin 2.0: less cruel, a little bit softer, but still an authoritarian leader? Will they be in opposition to the West, or will they say that Russia should go back to the Euro-Atlantic community? That's one side of the coin. Another side of the coin is the political behavior of Western countries toward Russia. How will they treat Russia after Putin? Will they treat Russia as an eternal enemy, despite who is in charge, or will the West be ready to cooperate with new Russian leaders? I cannot predict the future, but there are a lot of options.

10. *After the tragic death of Alexei Navalny last year, who do you think will be the next standard-bearer for the Russian opposition movement?*

I do not believe that the Russian opposition has any chance to take power [electorally] after Putin. To take power, you can either organize a revolution and change the regime completely, or you can be elected. All polls in Russia show that the support of pro-Western, pro-Democratic ideas in Russia does not exceed 20 to 25 percent. Therefore, in the very best scenario, all opposition combined will be able to obtain 20 to 25 percent in the parliament. [In this case] the presidential candidate of the opposition, if a single person, would advance to the second round of elections [but would pose no real electoral challenge]. This [scenario] assumes that the opposition vote is not split amongst different interests, which it very likely would be. The only way for the opposition in exile to be in power after Putin is to draft a plan for the transformation of Russia, [which would have to be] accepted by other strong actors who are in Russia today.

I do not believe that the Russian opposition will have one leader. I believe that there will be several sectors with different leaders, but I do believe that we will identify Putin's successor. Under Putin's regime, saying, "After Putin, I will do this," is something that you cannot discuss even with your wife at night, in bed. It's too dangerous. [Because political discourse in Russia is so repressed,]

there is an opening for the [exiled] opposition to draft a plan of transformation. When Putin passes away, it will be the only plan on the table. Still, even if Putin passes tomorrow and all of us return to Russia, it will take months, if not years, to build relations with the Russian electorate. However, that is my dream scenario.

Notes

1. *via Reuters, "Russia Places Former Central Banker Aleksashenko on Wanted List," November 18, 2023.*
2. Leszek Balcerowicz was the Minister of Finance and Deputy Prime Minister of Poland from 1989–1991 and from 1997–2000. He is the namesake of the Balcerowicz Plan, the shock therapy program under which Poland transitioned to a market economy. (*Balcerowicz, Leszek "Poland's Transformation" in "Finance and Development," 2000.)*
3. The 500 Days Program (программа "500 дней") was a Soviet shock-therapy program designed to liberalize the Soviet economy in a span of two years.
4. Yegor Gaidar was one of many economists vying for influence during the early days of the Russian Federation. He advocated for a comparatively accelerated transition to a market economy than did his counterparts. (*Economist. "Yegor Gaidar," 2009.)*
5. A multinational wealth management firm based in Cambridge, Massachusetts and a Russian conglomerate, respectively.
6. PARNAS (ПАРНАС), or the People's Freedom Party, was one of the first opposition political parties to emerge in the final years of the Soviet Union. Founded in 1990 as the Republican Party of Russia, it re-emerged in 2010 as PARNAS. It was dissolved by order of the Russian Supreme Court in May 2023 because it did not meet the requirement of having offices in at least half of Russia's 83 federal subjects. PARNAS disputed the ruling, arguing that it could not feasibly have offices in any of the four annexed territories of Ukraine. (*Moscow Times, "Russia Dissolves Oldest Opposition Party," May 25, 2023.)*
7. Aleksashenko felt that his business and governmental contacts were diminishing due to his opposition to Putin and overall involvement in the political sphere.
8. Mikhail Khodorkovsky and Platon Lebedev are former executives of the now-defunct Yukos Oil Company. Both were convicted of tax evasion and embezzlement and subsequently imprisoned. There was widespread speculation that the charges were politically motivated. Their imprisonment was seen as a major obstacle in attracting foreign investors to Russia and convincing outside observers that the country's legal system was fair. (*via www.khodorkovsky.com/resources/other-victims.)*