

# The Color of Money

## Privatization, Economic Dispersion, and the Post-Soviet “Revolutions”

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**Abstract** What accounts for the “colored revolutions” of the former Soviet Union? Analysis of postcommunist political economies reveals that states that underwent reform saw the emergence of a new capitalist class whose interests sometimes put them at odds with the regime. Following fraudulent elections, business elites played an active role in financing mobilization and signaling mass discontent, which undermined regime support and hastened regime change. Countries that did not privatize failed to develop an independent capitalist class and therefore faced smaller and weaker oppositions. This argument is demonstrated by analyzing mass protests that toppled regimes in Georgia, Ukraine, and Kyrgyzstan, and by the negative cases of Azerbaijan, Belarus, and Kazakhstan. It has implications for the study of hybrid regimes, social movements, and postcommunist political development.

Following the collapse of the Soviet Union, policymakers in several successor states implemented a set of reforms—privatization, liberalization, and stabilization—intended to bring about a market economy and liberal democracy. Their aim was to transfer state assets broadly into the hands of society, creating stakeholders who would defend their newfound wealth, demand property rights, and support the consolidation of a democratic system. Needless to say, it did not always work out as planned. Instead of creating a postcommunist middle class, reforms across the former Soviet Union have weakened the state, impoverished the majority of citizens, and produced a small, kleptocratic elite that uses political connections to serve its interests. There is some disagreement as to how permanent this configuration is, but there is a near consensus among scholars that the economic reform project failed to achieve its major goals.<sup>1</sup>

Economic reforms, though disappointing, have also had an unexpected and important political impact. Privatization helped to create a class of capitalists that has sometimes found itself at odds with venal and covetous state officials and irresponsible stewards of the economy. When these new stakeholders have perceived that a change in the status quo would benefit them, they have formed tactical alliances with opposition activists and parties to help unseat the ruling elite. In particular, this materially

motivated cohort was a critical but underrecognized actor in the mass mobilizations in Georgia, Ukraine, and Kyrgyzstan between 2003 and 2005—the so-called “colored revolutions.”<sup>2</sup> Examining these three cases, as well as three similar countries where incumbents held on to power, demonstrates the importance of early economic reforms and the resulting redistribution of resources in the toppling of semi-autocratic regimes.

Doing so reframes the debate about the colored revolutions, usually seen through the lens of democratic transitions, to focus instead on the balance of power between the regime and the beneficiaries of privatization. This framework involves two theoretical breaks with past research on the colored revolutions. First, this article takes a step back and considers insights from the literature on institutional creation. In early modern Europe, capitalism was the engine of democratization. An emerging merchant class sought to protect its interests through the creation of institutions such as independent parliaments, political parties, and the rule of law. Despite differences in economic starting points and social structure, a similar logic was applied to the post-Soviet region, where it was hoped economic reform would help bring about democratization. Yet scholars who have investigated the link between economic liberalization and democratization in postcommunism have disagreed about the nature of the relationship.<sup>3</sup> This article identifies a more subtle, yet potentially decisive, outcome of economic reforms—a shift in the balance of power away from the state. Resources in reformist post-Soviet states were redistributed from the state to societal actors, creating independent power centers and influencing the nature of subsequent political alignments.

Second, this article distinguishes the various actors involved in antigovernment mobilization and examines their motivations. Many scholars have attributed postcommunist protest to widespread frustration over corruption and economic hardship, and have identified political parties and civil society as the likely agents of change.<sup>4</sup> Yet observers have also lamented that civil society in the postcommunist world was weak, labor was passive, political parties were underdeveloped, and geography was decisive.<sup>5</sup> In order to resolve this contradiction and explain the surprising success of some protest movements in an otherwise inhospitable environment, I distinguish between two types of opposition: “activist,” which is typically ideological, pro-democracy, and represented predominantly by the urban intelligentsia; and “capitalist,” which is pragmatic, ambivalent toward democracy, and diverse in terms of background and origins. Only coalitions involving *both* groups can succeed in toppling a government, and this alliance can occur only in states that have undergone privatization.

This article adds methodological breadth to previous work on the colored revolutions by considering not only the three countries where a change of government took place, but also the negative cases of Belarus, Azerbaijan, and Kazakhstan, which border and otherwise resemble the three “success stories.” On three occasions, oppositions protested following elections in these countries, but the regime cracked down and neutralized the protests in each case. These six countries constitute a sizable sample from different parts of the former Soviet Union, with variation on both independent variable (economic dispersion) and outcome (mass mobilization causing a change in government). Comparing neighboring countries controls for geography, culture, and recent history, while isolating crucial differences in the degree of reform. Within the six cases,

I also pay attention to the *process* of both failed and successful revolutions, highlighting the relevant actors and revealing the points at which the cases diverged.

### Unexpected Activism

Following the collapse of the USSR, the 1990s offered hope of a fundamental break with the past, in which the newly independent republics would join the community of democracies. These high expectations were met in the Baltic region, where the three countries made necessary economic reforms and steadily consolidated democratic systems. But the rest of the region reverted to autocracy or implemented half-hearted reforms that benefited only a narrow stratum. In these countries, the state was little more than an arena for competition among elite factions, while the rebellious masses that toppled the Soviet regime retreated into passivity. Experts lamented the weakness of civil society and the decline of social capital, which limited the influence of citizens in politics.<sup>6</sup>

The first indication that the declaration of the demise of mass politics was premature took place in Georgia in November 2003, when protesters, led by Mikheil Saakashvili, a charismatic former justice minister, gathered in Tbilisi's central square after rigged elections. Unpopular and corrupt President Eduard Shevardnadze was overthrown in what came to be known as the "Rose Revolution." This was followed in 2004 by Ukraine's "Orange Revolution," when Prime Minister Viktor Yanukovich, the anointed successor to President Leonid Kuchma, won an election that independent monitors proved was fraudulent. His opponent, Viktor Yushchenko, gathered supporters in Kiev's central square, where they remained over seventeen days until the Supreme Court forced a rerun of the elections, which Yushchenko won. Perhaps the most surprising change of government took place in Kyrgyzstan where, despite a weak and divided opposition, after the 2005 parliamentary elections, localized protests broke out in two southern cities. After dislodging the government in several regions, demonstrators assembled in the capital, Bishkek, where they stormed the presidential administration building and sent Askar Akaev, president of fourteen years, into exile.

In contrast, three next-door neighbors to the successful cases held elections during the same period, but despite valiant efforts, opposition activists were unable to overthrow their governments. Protesters amassed following elections in Azerbaijan in 2003 and 2005, and in Belarus in 2006, though not after Kazakhstan's elections in 2004 or 2005. Although independent observers considered all the elections flawed and oppositions in some cases held demonstrations for several days, the regime stood firm and resolutely ended the protests.

### Colorful Explanations

Two types of explanations have been proposed for the colored revolutions: structural arguments that identify a set of preexisting conditions that laid the foundation for

revolution, and *sui generis* explanations that offer a single overarching causal logic. From the first group, McFaul highlights seven variables, including both deeper structural variables (“a semi-autocratic rather than fully autocratic regime”) and more proximate ones (“an ability quickly to drive home the point that voting results were falsified”).<sup>7</sup> Bunce and Wolchik include international factors, while Beissinger focuses on the sequential nature (or “modular”) character of the revolutions, but also lists six “features” that he argues are probabilistically associated with revolutions.<sup>8</sup>

These variable-centered arguments offer a useful overview of the various factors involved in the toppling of governments, but they have some weaknesses. First, there is no variation on the dependent variable—the authors only consider successful revolutions. Second, multicausal models are far from parsimonious. When one adds the necessity of an election to spark mobilization and the contingency that depends on the extent of fraud and the opposition’s reaction to it, such explanations involve a large number of variables without a significant boost to predictive power.

Two analyses eschew variable-oriented explanations and focus on the specific dynamics that occur in hybrid regimes around elections. Tucker argues that a society fed up with corruption faces a collective action problem that is solved during massive electoral fraud. Recognition of fraud provides a focal point that lowers the cost of participation in mobilization and raises expectations about the probability of success.<sup>9</sup> While accounting for the timing of mobilization, this theory ignores the role of resources and organization in mass movements, and does not distinguish between movements that succeed and fail.

Hale looks more broadly at post-Soviet states and explains regime change in terms of elite behavior. In “patronal” systems, where presidential administrations survive by dispensing patronage, elites have an incentive to end up on the side of the “winner.” When the president’s rule nears its end, elites strategically migrate toward the anticipated future distributor of patronage. A change in power, perhaps accompanied by mass mobilization, occurs when a “lame duck” leader tries to retain power or install an unpopular successor.<sup>10</sup> This insightful argument captures the underlying dynamics of political change in many hybrid regimes but it leaves several sources of variation unexplained. In particular, the variables that determine whether elites defect en masse (for example, whether an incumbent, in fact, becomes a lame duck) are exogenous to the theory: the expected benefit of supporting an anointed successor; the viability and strength of a rival faction; and the ability of the opposition to mobilize large crowds to raise the costs of election fraud.<sup>11</sup> This article, which looks at the effects of economic reforms, can help explain the value of the variables so critical in Hale’s model. Economic dispersion creates elites who are not dependent on the regime’s patronage and endows this cohort with the resources to oppose the incumbent, thus encouraging members of the ruling clique to defect.

The link between economic dispersion and the weakening of authoritarian regimes has been identified in the post-Soviet and other contexts. Way, for example, cites privatization as one of the barriers to the consolidation of authoritarianism in Ukraine, Russia, and Moldova.<sup>12</sup> McMann explains regional variations of democracy in Russia

and Kyrgyzstan in terms of whether potential activists have access to economic resources autonomous of the state.<sup>13</sup> In a different context, Greene argues that the PRI in Mexico lost its dominance in part due to its decreasing ability to mobilize public resources as a result of privatization.<sup>14</sup> I share the same perspective as these scholars—what might be called the political economy of authoritarian breakdown—while also showing how social mobilization can be a crucial intervening variable between economic dispersion and regime collapse.

### **Economic Change and the Balance of Power**

Research on the first democracies to arise in Europe has demonstrated the political effects of changes in economic structure. A stylized account begins with the rise of a merchant class that grew rich from trade and agricultural capitalism.<sup>15</sup> The crown, intent on launching wars to maintain and expand its power, habitually taxed and expropriated property from merchants and landowners. As capitalists gained economic resources, and hence bargaining power, they sought guarantees against arbitrary expropriation. Forced to collect revenue to pay off debts, the king was compelled to devolve power to a parliament as a permanent counterweight to royal authority.<sup>16</sup>

Applying lessons from the birth pangs of democratization in Europe can give us significant leverage in understanding the relationship between economic dispersion and inter-elite conflict in postcommunism. Like Western Europe before industrialization, economic resources and political power in the Soviet Union were concentrated in the same hands. When the country dissolved, all of its constituent republics experienced severe economic shocks but only some underwent reform, yielding different outcomes.

Economic policies in the non-Baltic successor republics resulted in two dismal outcomes. First, some new states, including Belarus, Azerbaijan, Uzbekistan, Tajikistan, and Turkmenistan, carried out limited or no reforms and left most of the economy in state hands. In the second group—Russia, Ukraine, Moldova, Armenia, Georgia, Kazakhstan, and Kyrgyzstan—rushed and corrupt privatization transferred assets into the hands of well-positioned opportunists. Although both outcomes may have been disappointing to their citizens and reform-minded practitioners, they had different long-term political implications. The former retained wealth in the hands of the regime elites who also controlled economic policy, whereas the latter redistributed resources from the regime to a new set of economic actors whose support for the regime would not be automatic.

The reforming post-Soviet governments were—like industrializing Europe—forced to balance among a wider array of interests than the nonreformers. The main beneficiaries, the new capitalist class, commanded significant resources and began to place their own interests above those of the state. Exemplified by the “oligarchs” of Russia and Ukraine, they bridled at state predation and poor economic management that deterred foreign investment, and used their resources and political connections to defend against encroachment.<sup>17</sup> Some parlayed their fortunes into political careers, most often to win a seat in parliament that came with immunity from prosecution.

Economic liberalization also helped determine how loyal political elites would remain to the regime and whether a substantial political opposition could develop. Where there were greater economic opportunities outside the state than within it, political elites faced incentives to forgo formal posts in the state structure and instead pursue careers as “entrepreneurs,” for which their connections would prove useful. Similarly, ordinary people were more likely to work in the private sector and less likely to be dependent on the state for their livelihood than in nonreforming countries, and were able to participate in opposition politics.<sup>18</sup>

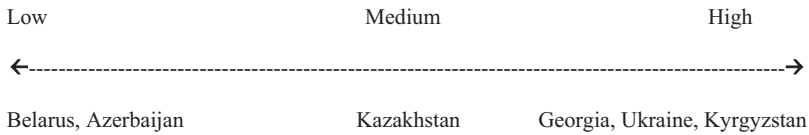
As challenges arose to their political hegemony, regimes sometimes attempted to prevent independent actors from coalescing. Their success depended on the extent of dispersion of resources. Where the state had thoroughly divested itself of the country’s major assets, new capitalists were more numerous and better endowed, and regimes lacked sufficient resources to co-opt or repress independent businessmen and potential defectors. Desperate measures in the form of targeted harassment of opponents, confiscations of property, or falsifying election results, were futile or even counterproductive, reinforcing perceptions that the regime was weak and not a reliable protector of property. This could cause a loss of confidence in the regime and increase defections further, even leading to its collapse. A post-reform regime determined to stay in power by rigging elections or neutralizing opponents had to ensure that it acted within its means, or risked exacerbating the very problems it was trying to solve.

In the states where liberalization was limited, different dynamics were at work. First, an independent business class failed to develop. Those with significant resources were, by definition, closely allied with and highly dependent on the state. Second, there were few opportunities in the private sector, so elites were less tempted to abandon the certainty of access to state resources. The regime was in a favorable position to offer material incentives to ambivalent elites to remain in the ruling coalition, while most citizens were wedded to the state for their livelihood, limiting their autonomy. In such states, defections from the regime—usually occurring for personal reasons—were not likely to accumulate and could be dealt with individually.

Where economic dispersion was partial—the intermediate case—the balance of power tilted neither toward the state nor toward capitalists. Important assets fell into private hands and could form the basis of an opposition, as with the thorough reformers. At the same time, state elites also maintained access to significant economic rents from nonprivatized or semiprivatized assets. They could use these revenues to co-opt or repress potential oppositions and stave off defections. The success of this strategy depended on whether the regime controlled enough resources to make loyalty more attractive than defection.

The six countries in Figure 1 fall into the above three categories in terms of the extent of economic dispersion. Georgia, Ukraine, and Kyrgyzstan liberalized and experienced high amounts of dispersion. Belarus and Azerbaijan did not reform their economies and saw low levels of dispersion. Kazakhstan divested part of its economy to private actors but also left important resources under the regime’s control, resulting in a medium level of dispersion.

**Figure 1** Level of Economic Dispersion



### Economic Dispersion and Protest

Opposition movements in the former Soviet Union have faced immense challenges due to the region's many barriers to citizen participation in politics. First, civil society is weak or disorganized. Second, as a legacy of the command economy, state officials have retained direct or partial control over resources that, in western democracies, could strengthen civil society.<sup>19</sup> Third, economic downturns and the withdrawal of the social welfare state since independence have decreased standards of living of the majority, reducing their ability to act autonomously.<sup>20</sup>

Despite these challenges, since 1991 most post-Soviet regimes have faced political oppositions, usually comprised of members of the urban intelligentsia. Many of these activists operate NGOs or have coalesced into opposition parties, and some have received (often substantial) western funding for political activities. Yet although these movements might be able to maintain a foothold and possibly gain seats in parliament, if the economy remains in state hands, they ultimately owe their existence to the regime's indulgence.<sup>21</sup>

Where reforms have dispersed economic resources, new capitalists who become disillusioned with the regime may find it beneficial to ally themselves with the opposition. The activist-capitalist alliance is still at a disadvantage compared to the incumbent, who controls the levers of state power, but it can compensate for its weakness through contentious collective action, "the main and often the only recourse that ordinary people possess against better-equipped opponents or powerful states."<sup>22</sup> With the support of private capital, the opposition has a greater chance of extracting concessions or forcing the incumbent's resignation.

One advantage conferred on the opposition by capitalists is the resources to campaign, recruit, and organize mobilization. Independent economic actors can provide money to develop opposition networks beyond activists' primary base of support (usually the capital city), especially to extend into regions where people have less access to information and fewer independent resources. They can control media outlets that are independent of the state and broadcast information favorable to the opposition. They may hire operatives to recruit and establish ties with latent supporters, transport people to the site of demonstrations, and provide sustenance for protesters. Business elites from rural areas also sometimes have clients or supporters—who are otherwise not inclined to join with progressive civic activists—whom they can mobilize to strengthen and broaden an opposition coalition.

A second consequence of the independence of the capitalist class is the fragility of a regime's support base. The backing of the business community is critical to the survival



of a regime, as it provides investment and taxes that sustain the economy and contribute to the government's budget. Business support also signals to foreign investors and the international community that a government is stable and reliable. By the same token, the ambivalence or failure of business to rally around an embattled autocrat can signal to a loss of confidence and, by indicating that the opposition represents more than a clique of pro-democracy activists, weaken the regime's claim to popular legitimacy.

If the opposition decides to mobilize, the complicity (or even neutrality) of business can have further effects by hastening the dissolution of regime coalition. Once it becomes clear that a critical mass of capital is hedging its bets or supporting an alternative leadership, the incentive for regime officials to waver or abandon the president increases. As Hale argues, perceptions of the incumbent's weakness can influence the calculations of political elites about whom to support. The actions of the business class may tip the balance. Its failure to support the incumbent signals the opposition's strength, delegitimizes the regime, encourages defections, and raises the costs of repression.

By contrast, nonreforming countries are able to stop this process before it begins. Civic groups and opposition parties may be able to bring people out onto the streets in response to rigged elections, but without the patronage of business, they face numerous and significant barriers. First, they have fewer resources to finance the organization of mobilization, making it difficult to gather a large and disciplined assemblage of protesters. Instead, they are forced to rely on the spontaneous participation of courageous individuals. Second, the media is likely to be state owned, allowing the incumbent to control the dissemination of information, to report only official election results, and to frame coverage of demonstrations in a pro-government manner (or ignore them).

Third, without an independent business class, the opposition has difficulty claiming to speak for the nation. The demonstrators who show up are predominantly of the activist type—thoroughly devoted, but financially and organizationally weak and unable to attract elite allies. This enables the regime to claim that the opposition is limited to a narrow segment of the citizenry that does not reflect broader attitudes—or that it is sponsored by foreign governments—allowing it to put down the protests at a low cost to its domestic legitimacy. Finally, where politics and economics are fused, elites have few political or economic incentives to abandon the state, so the regime averts the threat of defection from within its ranks.<sup>23</sup>

### **Successful “Revolutions”: Georgia, Ukraine, and Kyrgyzstan**

All of the states that experienced a “revolution” underwent a thorough redistribution of resources in the 1990s, laying the groundwork for regime change ten years later. The reformers—Georgia, Ukraine, and Kyrgyzstan—transferred major state assets into private or semiprivate hands and developed a reasonably sized small and medium business sector. Over time, some members of this cohort began to lose confidence in the ability of the incumbent to provide stability and defend their interests, and gravitated toward opposition politics. In each country, after fraudulent elections, an alliance of political



opposition and domestic financiers started a movement devoted to changing the election results and brought thousands of citizens onto the streets. Members of the business class remained neutral or joined the opposition rather than support the incumbent, and critical members of the regime defected. The resulting weakening of the regime, rather than “people power” per se, gave the opposition legitimacy and undermined the ability of the regime to sustain itself by using force.

**Georgia** Civil conflict in Georgia in the early 1990s fragmented the state and led to de facto pluralism among former *nomenklatura*, mid-ranking officials, and criminal and paramilitary groups. Order was restored only when Eduard Shevardnadze assumed the presidency and mediated between warring militias. Though much of the country’s wealth had already fallen into private hands, a strengthened Georgian state began carrying out privatization in earnest in 1995.

Georgia’s economic transition was not smooth or equitable, but it did preserve the redistribution of assets. Voucher privatization served to enrich state officials and their clients, but the executive was so decentralized that it had little control over these assets. By 1996 Georgia had privatized 77 percent of agriculture and 65 percent of industry.<sup>24</sup> Entrepreneurs faced high levels of corruption, including byzantine regulations to operate a business, which required kickbacks to various ministries and protection from state officials (*krysha*).<sup>25</sup> Nevertheless, an independent economic class emerged with interests that did not always conform to those of the president.

The political impact of Georgia’s economic pluralism was felt several years before the fateful election of 2003. Disaffection with Shevardnadze’s regime led members of the business community to weigh their options. In 2001 several prominent businessmen previously loyal to Shevardnadze created a political party called New Rights, which protested his economic management and demanded a reduction of the budget deficit and reform of the tax code. In the run-up to the 2003 elections, the president attempted to win these renegades back to his side by granting the party’s leaders business-related privileges, but was only partially successful.<sup>26</sup> Several political defections from Shevardnadze’s ruling circle, including Justice Minister Mikheil Saakashvili and parliamentary chairman Zurab Zhvania, further weakened Shevardnadze’s coalition.

By the time of the November 2, 2003 election, the opposition was not united, but Shevardnadze had been so weakened by defections that he could not carry out a full-fledged falsification of the vote without repercussions. Official results showed Shevardnadze’s party winning the most seats, but they were contradicted by independent counts. The opposition, led by Saakashvili but also involving the Burjanadze-Democrats and several NGOs, responded by holding demonstrations, which continued intermittently until Shevardnadze’s resignation on November 23. The majority of protesters were assembled by Saakashvili’s National Movement, which had been planning demonstrations in the case of election fraud, and had constructed a grassroots network of supporters throughout the country.<sup>27</sup> Others joined spontaneously, after seeing alternative vote counts on television. The actions of private business contributed in several ways.

First, while the role of international organizations such as the Soros Foundation in funding the opposition has been discussed in detail elsewhere,<sup>28</sup> businessmen, including prominent billionaires and millionaires, also gave it financial support, which helped it to assemble a large and sophisticated organizational apparatus to mobilize citizens.<sup>29</sup> The owner of an independent television station, Rustavi 2, Erosi Kitsmarishvili, helped finance the National Movement and broadcast coverage favorable to the opposition throughout the post-election period. His station released exit poll results that showed the National Movement handily defeating Shevardnadze's party and openly encouraged viewers to join the demonstrations in mid-November.<sup>30</sup> Badri Patarkatsishvili, Georgia's richest man, reputedly hedged his bets by supporting both Shevardnadze and several opposition parties, including Saakashvili's.<sup>31</sup> Other wealthy businessmen, including David Bezhuashvili, the boss of Sakgazi (Georgian Gas),<sup>32</sup> Temur Chkonია, the head of Coca-Cola Georgia,<sup>33</sup> and lesser members of Tbilisi's business community supported Saakashvili financially. Overall, one analyst estimates, Georgian entrepreneurs contributed \$15–20 million to opposition parties throughout the election campaign.<sup>34</sup>

Significant finances contributed to an operation that amassed up to 100,000 people from throughout the country and sustained an occupation of Tbilisi's Freedom Square for twenty days. Although the majority of demonstrators were probably from Tbilisi, the opposition also bused in people from Georgia's regions. On November 17, 2003, dissatisfied with the number of demonstrators, opposition organizers spent two days canvassing regions outside Tbilisi to recruit more people, especially from western Georgia, a region long opposed to Shevardnadze from which Saakashvili "launched his three-kilometer-long column of vehicles."<sup>35</sup> The opposition also provided logistical support for the rallies, including flyers, sound equipment, and tents, along with buses and trucks intended to block riot police from entering the square.

Perhaps most important, the ambivalence of the business class during what later became known as the Rose Revolution weakened Shevardnadze's regime to the point that it could not remain in power through appeals to legitimacy or by force. The New Rights Party did not actively participate in demonstrations, yet its members' open opposition to the government signaled to others that Shevardnadze had lost their confidence. Much of Tbilisi's business class remained neutral rather than declare its support for Shevardnadze, making it easier for the opposition to claim broad public support. As Shevardnadze negotiated with an increasingly popular and emboldened opposition, he could no longer count on the security services to obey if he were to order a crack-down. The combination of massive protests and the collapse of his legitimacy—both helped along by the actions of the business community—left Shevardnadze with few options, and led to his premature resignation.

**Ukraine** Ukraine's government sowed the seeds of its own opposition when it divested the state of some of its most vital assets. After getting off to a slow start, Ukraine had privatized "99 percent of small retail, trade, and service firms" by 1998.<sup>36</sup> More important in creating a counterbalance to the executive, however, was the crony-based privatization of the country's industrial sector. In the first years of independence,

large parts of Ukraine's steel and coal industries fell into semiprivate hands. Those who acquired such resources, usually by having ties to high regime officials, were able to trade them internationally and build financial-industrial groups to expand their domestic market share. In this manner, oligarchs emerged who, albeit initially loyal to their patrons in the state structure, also strove to increase their independence. To defend their interests, new businessmen sought seats in parliament, coalesced into political parties devoted primarily to translating their interests into public policy, and backed favored politicians from their native regions.

Unlike in Georgia, where business elites were ambivalent toward Shevardnadze, Ukraine's oligarchic groups openly took sides and figured prominently in politics. Kuchma's designated successor, Victor Yanukovich, was supported by wealthy industrialists from the Donetsk region, including mega-oligarch, Rinat Ahmetov. Reformist former Prime Minister Viktor Yushchenko did not receive the support of the commanding heights of the economy, but enjoyed the backing of a large number of disaffected business leaders.<sup>37</sup> Competition between these groups culminated in a cutthroat presidential contest between Yanukovich and Yushchenko in 2004, in which over \$1 billion was spent on the campaign and its aftermath.<sup>38</sup>

The mass mobilization that led to the Orange Revolution was not a spontaneous outburst (although many people joined on their own), but rather a well-organized operation that owed much of its success to the contributions of private capital. In the summer of 2004, Yushchenko and his Our Ukraine party traveled the country holding meetings and rallies to build support. With their \$150 million war chest, they invested in a network of activists along with offices, advertising, video cameras, and "tents, mobile military kitchens, and old buses to use as barricades..." for the protests.<sup>39</sup> After a ham-fisted attempt by Kuchma and Yanukovich's proxies to falsify the vote, Yushchenko's supporters gathered at Kiev's central square and erected a miniature city of 1,500 tents to help demonstrators brave subfreezing temperatures. A long line of buses arrived to transport people to the square from outside the capital. Organizers distributed food and hot drinks, and set up a massive stage and sound system.

As peaceful demonstrations continued through the beginning of December and the candidates entered into negotiations, Yanukovich could not count on the business community to close ranks behind him. On television, Channel 5, which was controlled by Yushchenko's ally Poroshenko, broadcast coverage favorable to the opposition. Businessmen in Kiev, eager to be on the winning side, openly began supporting Yushchenko,<sup>40</sup> while Yanukovich's main supporters lay low (or went abroad) in the face of charges of fraud and corruption. A vicious circle ensued, whereby the regime's legitimacy continued to wane, leading Yanukovich's supporters to hedge their bets, resulting in greater dissatisfaction with the status quo.<sup>41</sup> Presiding over an increasingly fragile coalition and unable to depict the massive crowds as marginal or unrepresentative, Yanukovich agreed to a deal to rerun the election but change the constitution to reduce the powers of the president. On December 26, in the presence of foreign observers, and with the overwhelming support of business, Yushchenko won the revote by eight points. He subsequently met with Ukraine's leading oligarchs to assure them of his intention to respect their property.<sup>42</sup>

**Kyrgyzstan** When Askar Akaev, the only Central Asian leader who was not a former Communist Party first secretary, became president of Kyrgyzstan, he presented himself as a democrat in a sea of dictatorships and accepted the advice of western advisors on economic policy. True to form, Akaev immediately privatized small enterprises, dismantled collective farms, and opened the country to foreign trade. Among other achievements, Kyrgyzstan joined the World Trade Organization in 1995. These reforms generated economic opportunities that would lead to the creation of a new cohort who could accumulate wealth without being loyal to the regime.

Despite his impressive start, Akaev, like Shevardnadze and Kuchma, eventually lost support among both elites and the populace due to the country's economic problems and widespread corruption. Despite his troubles, Akaev, like his counterparts, dug in. He cracked down on opposition publications, harassed political opponents, began regulating NGO activity, and changed the constitution to increase presidential power. In run-up to the 2005 parliamentary election, Akaev sought a loyal majority in parliament, and used administrative patronage to help favored candidates and obstruct his opponents.<sup>43</sup> He also attempted to cajole independent businessmen to support him, but as patronage resources in Kyrgyzstan had never been plentiful and had dwindled since independence, his leverage was limited. Thanks to early reforms, resources had shifted from the state to the private economy, demonstrating that allegiance to Akaev was no longer the best way to become prosperous or powerful.

Kyrgyzstan experienced successful mass mobilization—despite poverty, weak civil society, and weakly institutionalized political parties—thanks to the initiative of new businessmen who also had political ambitions. Following the first round of elections, wealthy losing candidates in six of Kyrgyzstan's seven regions organized and financed local-level protests. Candidates used their campaign teams to recruit people for demonstrations, bus them from outlying villages to the oblast center, distribute food, purchase amplification systems, and set up yurts (the Kyrgyz equivalents of Ukraine's tents) for the long-term occupation of the central square.<sup>44</sup>

As in Georgia and Ukraine, the business community was initially divided, but once large crowds had amassed, otherwise ambivalent business and political elites began to bandwagon with the opposition. Candidates who had not initially mobilized because they had won their seat, in addition to businessmen who had not run for parliament, contributed money or brought people from their own villages to join the movement. Once the opposition—a confederation of local elites linked together by former members of Akaev's regime—had seized several regional government headquarters, they sent protesters to Bishkek by bus.<sup>45</sup> The regime could no longer count on the support for Bishkek businessmen, while the opposition worked to ensure that the security forces would not open fire on the demonstrators. Akaev was left to defend his office with several hundred plain-clothed mercenaries, who were quickly overpowered by the throngs in the square. Akaev fled the country to save his life, and resigned ten days later. Like his counterparts in Georgia and Ukraine, Akaev had set the wheels for his ouster in motion over a decade earlier by his decision to reform.

## **The Buck Stops Here: Azerbaijan and Belarus**

Unlike the reformers, neighboring Azerbaijan and Belarus never developed the preconditions for revolution. Both maintained command-type economic systems, which concentrated wealth in the hands of the regime and severely limited independent business activity. The regimes maintained power through patronage and by starving the opposition of resources, even while holding regular, albeit flawed, elections. When elections were held between 2003 and 2006, opposition parties organized demonstrations in the capital, yet their efforts flagged without an independent business community to back them.

**Azerbaijan** With proven oil reserves of seven billion barrels, Azerbaijan's "transition" allowed the executive to maintain control over most of the economy and precluded a dispersion of resources. By maintaining ownership of its oil fields while inviting foreign companies to help develop them—the 1994 "contract of the century"—the regime managed to pocket significant wealth without making major concessions to reformers. Privatization took place on a very limited scale. According to European Bank for Research and Development (EBRD) estimates, by 1998 only 30 percent of GDP came from the private sector.<sup>46</sup> The result was a political economy very different from Georgia's. Economic power was concentrated and thoroughly fused with political power. According to one analyst, "access to resources runs through the state, which functions as a network for the informal distribution of income. Private businesses exist, but the ruling clique keeps them dependent in ways that stop them from backing opposition movements."<sup>47</sup> By 2003 the opposition faced a number of impediments that limited its ability to mobilize resources: it lacked access to oil rents, sources of revenue independent of the state, and allies within the regime.

In the October 2003 election, Ilham Aliiev, the son of Azerbaijan's president Heydar, who had become ill, won with 76 percent of the vote despite independent preelection polls indicating a much closer margin over Isa Gambar, leader of the opposition Musavat Party.<sup>48</sup> After the results were announced, several hundred supporters of Gambar gathered in front of Musavat's headquarters to protest, then moved to Baku's central square, where the numbers grew into the thousands. Police were mobilized to disperse the crowds, killing one person and arresting 200 in the process.<sup>49</sup> Over the following days, the government arrested opposition members and violently attacked demonstrators, a move which risked sparking a backlash, but instead brought an end to the protest.

Opposition parties campaigned feverishly in anticipation of the November 2005 parliamentary elections. However, despite being more united, the opposition again performed badly in rigged elections and decided to boycott parliament. Claiming that they were robbed of up to fifty seats, opposition leaders organized demonstrations over a period of two weeks. Though the crowds were larger than in 2003, the police made numerous arrests and succeeded in forcibly dispersing the demonstrations.

How did Azerbaijan avoid the Georgian outcome? The absence of an independent capitalist class created immense challenges for the opposition to assemble a strong and broad-based movement. Thanks to the state's monopoly of resources, the regime controlled

the media, maintained leverage over state employees, and gave security service personnel no reason to defect to the opposition. Following both the 2003 and 2005 elections, protests involved democratic activists and their sympathizers in Baku and were centered on the personalities of courageous but politically weak party leaders. Lacking resources that could otherwise flow from the business community, the Azerbaijani opposition did not have the organizational and financial wherewithal that helped build the large and inclusive opposition movements of Georgia and Ukraine.

**Belarus** Belarus, though not as well endowed as Azerbaijan because it did not possess oil and gas, followed a similar path of nonreform. President Aleksander Lukashenko, a former collective farm chair, preserved state control over all parts of the economy, including heavy industry and agricultural land. As of 1997, only 15 percent of GDP came from the (formal) private sector.<sup>50</sup> To a greater degree than in other post-Soviet states, the informal barriers to private business—regulation, harassment, and arbitrary and changing legislating—hindered the private accumulation of capital.

In order to retain a modicum of domestic and international legitimacy, Belarus held numerous presidential and parliamentary elections following independence and tolerated a limited opposition. Yet, having witnessed three popular regime changes, Lukashenko took no chances in the 2006 presidential election and used various means to preemptively weaken the opposition. Lukashenko's opponents, deputy-governor Alaksandar Milinkevich and former university rector Alaksandar Kazulin, had studied Ukraine's Orange Revolution and talked optimistically of a "denim" revolution. After Lukashenko's resounding victory in the March 2006 presidential election, ten to twenty thousand demonstrators gathered in Minsk's October Square, waved a banned Belorussian flag, and shouted "freedom" and "down with dictatorship."<sup>51</sup> Police responded by blocking access to the square and arresting demonstrators en masse. This "soft repression" of fines and short, mostly symbolic prison terms was no less effective than Azerbaijan's use of violence—both squelched public disobedience without provoking a backlash.

The state's stranglehold on the economy and society inhibited the participation of Belarus's citizens at all levels and limited the opposition's hopes of ousting Lukashenko. For members of Lukashenko's ruling circle, defecting would bring no economic rewards but would carry significant risks. Lower level political and economic elites, such as collective farm bosses and factory directors, were also constrained since they owed their power and wealth to state patronage. On the bottom rung, ordinary citizens, such as collective farmers and employees of state enterprises, were dependent on the state for their livelihood. They were compelled by their employers to vote for Lukashenko and would endanger themselves by having any association with the opposition. Like in Azerbaijan, without the help of an independent business community, the opposition, though brave and committed to its cause, lacked the resources to recruit, communicate its message, and provide transportation to potential demonstrations. This, in turn, made it difficult to find regime defectors who would lend legitimacy to the opposition and weaken Lukashenko.



## **Stability in the Steppe: Kazakhstan**

Kazakhstan represents an intermediate level of economic dispersion, one that was not as thorough as in Georgia, Ukraine, and Kyrgyzstan, but not as limited as in Belarus and Azerbaijan. Kazakhstan is, at first glance, a puzzling case. It was initially praised for its rapid economic reforms,<sup>52</sup> yet the regime was able to emasculate the opposition and did not face major antigovernment protest. A closer look at Kazakhstan's political economy reveals that it divested its most precious assets—including oil and gas fields in the Caspian basin—to foreign rather than domestic investors because it required immediate capital and technical assistance. Although this won Kazakhstan plaudits among international financial institutions, this form of privatization did not disperse resources widely to domestic actors. On the contrary, it allowed the president's family and close allies to receive a constant flow of revenues, which they used to undercut potential oppositions and prevent a wave of regime defections.

Kazakhstan was an enthusiastic early reformer. Beginning in 1991, the state auctioned off or sold most land, housing, and small enterprises, and privatized large enterprises on a case-by-case basis.<sup>53</sup> Banking reforms and a favorable investment climate provided opportunities for the small and medium business sector to flourish in the 1990s. Unlike Belarus and Azerbaijan, Kazakhstan saw the emergence of an independent capitalist class that gained control of major privatized assets. Many of these businessmen came to resent the privileges of the ruling elite and sought to protect their property through collective action. For example, in 2001 a group of businessmen—mostly early beneficiaries of privatization and former government officials—created a reform-oriented movement called Democratic Choice of Kazakhstan (DCK), which possessed “independent resources with which to finance their political activities.”<sup>54</sup>

At the same time, the rights to explore and develop the Caspian oil fields were sold not to domestic investors, but to foreign firms such as Chevron and British Gas, a move that “slowed indigenous modernization and the formation of a national bourgeoisie.”<sup>55</sup> The bulk of revenues from the commanding heights of the economy flowed not to new entrepreneurs, or even to corrupt insiders-turned-oligarchs with sufficient distance from the regime to develop their own interests, but to the ruling circle, in particular the president's extended family. President Nursultan Nazarbaev's daughter Dariga and her husband Rakhat Aliev accumulated enough assets to build a financial-industrial group. Nazarbaev's other son-in-law, Timur Kulibaev, controlled the country's major oil and gas pipelines and transport networks, along with media outlets.<sup>56</sup> Other members of the family obtained significant control over banks, metals, and energy infrastructure.

With the two major groups of beneficiaries from Kazakhstan's political economy—an independent capitalist class and a favored clique arrayed around the president—increasingly in tension, the regime took measures in the late 1990s to shore up its political survival. In order to limit independent centers of power, Nazarbaev used a combination of cajoling, co-optation, and coercion, to bring independent capitalists to heel. Most, shrewdly, fell into line behind the president. The regime also took measures to prevent



the opposition DCK from winning any seats in parliament, then jailed two of its leaders on charges of embezzlement and finally ordered the party's liquidation in 2005.

Kazakhstan's opposition had two opportunities to emulate earlier popular mobilization—parliamentary elections in September 2004 and the presidential election in December 2005—but did not attempt to start a revolution. The Nazarbaev regime had effectively constructed a firewall against opposition contagion. Independent business was cowed or co-opted. A small middle class possessed independent sources of income, but, as in other cases, they were inclined to follow the lead of wealthier and more powerful actors.<sup>57</sup> Pro-democracy activists, lacking elite allies and facing a government with a decisive resource advantage, were isolated and opted against organizing rallies in Almaty's central square.<sup>58</sup> Nazarbaev, whose completely loyal parliament later passed a law eliminating presidential term limits, secured his political survival at the expense of reliable economic institutions.

An alternative explanation would be that Kazakhstan, along with Azerbaijan, averted a popular uprising not due to its lack of privatization but by virtue of its endowment of energy resources—an outgrowth of its "resource curse."<sup>59</sup> If this explanation were correct, then one would expect resource-rich states not only to avoid popular regime change, but also to experience few elite-level defections and face little opposition. Yet, as this article has shown, the energy-rich states faced oppositions of varying strength. Azerbaijan's opposition was relatively weak and centered on the intelligentsia and young activists, while Kazakhstan's, consisting of disillusioned elites and new capitalists, was a much more serious threat. Meanwhile, Belarus, which possessed virtually no energy resources, experienced—like Azerbaijan—little opposition and few elite defections. Thus, variation in opposition strength among the three negative cases is better explained by the extent of privatization than by resource endowments. It was precisely Kazakhstan's early privatizing reforms that gave rise to an independent business class which, if not repressed, could have widened into a formidable movement. Yet because it did not see privatization through to completion—as opposed to Georgia, Ukraine, and Kyrgyzstan—Kazakhstan's ruling elite retained sufficient patronage resources to co-opt and neutralize actual and potential oppositions.

Another way resource rents may have contributed to regime outcomes was in ensuring that the coercive apparatus was well paid, cohesive, and effective in undermining opposition challenges, as it was in Azerbaijan and Kazakhstan, as opposed to the revolutionary cases, where the security forces weakened and fragmented in the face of opposition. However, economic control probably mattered more—unreformed Belarus also maintained a cohesive security apparatus and averted elite defections despite being resource-poor.

## **Conclusion: The Color of Money**

This article, in explaining the presence and absence of revolution as a function of the distribution of resources, highlights the nexus of economic power and political influence in the post-Soviet region. Beginning from a centralized concentration of resources, some

republics purposely widened the scope of actors eligible to share some of assets of the new state, while others ensured that resources would flow predominantly to a narrow clique that also ran the government. This initial divergence, and the distribution of power that evolved from it, can help explain variation in political contestation over a decade later. Close inspection of the process of mobilization reveals the role of elites—specifically those from the new capitalist class—in determining whether opposition protests failed or succeeded.

When considered alongside existing theories on the colored revolutions, the political economy approach adds explanatory power. Most explanations, as recounted earlier, focus on political factors (the character of the regime, the strength of civil society, the unity of the opposition) as independent variables. Yet there is also a theoretical benefit to taking a causal step back and looking at initial conditions. Examining the economic policies of post-Soviet states in the early years of independence helps account for the divergence of the political variables over time. By starting from an earlier point in the causal chain, we can better make sense of events fifteen years later.

Yet this article also has an additional purpose—to reframe the debate by conceiving of mobilization as a struggle for power among groups with competing interests and differential resources, rather than in terms of democracy versus autocracy. The colored revolutions occurred not where people were most aggrieved, but where the balance of power at the time of elections did not heavily favor the regime. Pluralism prevailed in Georgia, Ukraine, and Kyrgyzstan (and to a lesser extent, in Kazakhstan) in the 1990s as the beneficiaries of privatization constrained an otherwise dominant executive. Such pluralism was absent in Belarus and Azerbaijan. The effects of economic dispersion were not immediate—experience from other regions demonstrates that authoritarian regimes can rule over liberalized economies for an extended period, provided they maintain economic growth and keep the opposition divided.<sup>60</sup> However, if resources are dispersed, the regime's margin for error is small.

This being the case, what can we expect of states that have carried out extensive reforms, but where the regime is only weakly constrained by institutions, such as in Russia? Russia's privatization was early and dramatic, as it divested resources rapidly to a new set of elites through "shock therapy." The first round of privatization put small and medium enterprises into the hands of managers and employees, who did not owe any allegiance to Yeltsin. Later reforms, especially the loans-for-shares arrangement, divested major state assets at bargain prices to regime "insiders," but such people could quickly turn into "outsiders." An informal understanding before the 1996 presidential election preserved the status quo—the oligarchs could retain the fruits of Yeltsin's hasty and corrupt economic reforms if they would support his presidential bid.

Under President Vladimir Putin, the state subjected prominent oligarchs to increased pressure and reasserted state control over the media and strategic assets such as oil and gas. Putin's other initiatives, such as the creation of federal districts answering directly to the Kremlin, and appropriating the right to appoint and remove regional governors, further concentrated power in the center.

However, Yeltsin's reforms released a genie that his successors will be unable to put back in the bottle. Much of Russia's economy still lies outside state control.

Financial-industrial groups at least partly independent of the state wield significant power on the regional level and collaborate with local politicians to resist state directives.<sup>61</sup> In addition, high oil prices and foreign investment have combined to create a new middle class, especially in major cities, that is mobile, well informed, and confident.

Is Russia immune to “revolution”? Despite the prevailing pessimism over Russia’s authoritarian turn, the possibility of mass mobilization cannot be ruled out. Indeed, the country has experienced a sizeable amount of localized protests in recent years over issues such as wage arrears and unemployment. Many of these protests have occurred with the tacit knowledge, if not active participation, of local and regional leaders signaling their disagreement with Moscow.<sup>62</sup> For its part, the Kremlin has tolerated such isolated outbreaks without resorting to coercion. Mobilization on a scale large enough to challenge the regime (taking into account Russia’s vast size) is an altogether different proposition, requiring the active collaboration of elites from different regions. Putin made cross-regional coordination more difficult by directing all interaction between regions through the Kremlin. Thus, a putative opposition faces immense collective action problems. Nonetheless, thanks to Yeltsin, resources are irretrievably dispersed. When the economy has boomed, the regime has prevented defections. However, a prolonged economic downturn and less savvy leadership could conceivably weaken the regime and lead to an alliance of disaffected economic elites with the beleaguered opposition.

## NOTES

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