

which is more than twice that of Britain. India's output is the second largest in Asia, behind China but ahead of Japan.

About two fifths of the present growth in world output can be marked up to the great expansion of China and India. In other words, when the GDP of the entire world grew by about \$3.3 trillion in 2008, more than \$1.3 trillion of this growth came from China and India. Some people, at least, may note with satisfaction that neither of these countries denies that they have drawn inspiration from Poland in certain areas, both positive (what to do and how to do it) and negative (what to avoid doing and why). For my part, I have tried through numerous publications, including some in Chinese, dozens of visits, and direct consultation, to offer as much effective advice as possible. Especially in the case of China, the development strategy deserves the greatest acknowledgment. It is amazing, especially in comparison with other countries, to see how astutely formulated and timely the questions asked by politicians responsible for economic matters are. It is also amazing to see that, unlike other political luminaries, they are capable of listening and drawing the right conclusions.

Today China and India are the two countries that are changing the face of the world. Statistically speaking, their mushrooming share of world output is having a powerful impact on the averages. Their combined share of world GDP in 2008 was 20 percent, more or less as much as that of the United States or the European Union. Their population mass influences the statistics. The combined 2.5 billion Chinese and Indians constitute almost 37 percent of the world population. As a result, all data coming out of these countries immediately affect the averages. Yet these countries are changing the face of the world in other ways beyond the statistics. Their presence, in terms of people, goods, restaurants, and recently, capital, can be seen almost everywhere in the world, no matter how remote. Above all, they are a model, and a guide.

There is also a third vast country, Russia, which has a particular kind of experience of neoliberalism. It was a disastrous experience. Not as a result of the Soviet legacy, but more as a result of the erroneous policies of the 1990s, production fell by a total of about 60 percent during that decade. This is astounding in peacetime conditions. Amazingly, however, the advocates of neoliberalism in both the East and the West hail it as an achievement. There is a plain psychological explanation: The many economists, analysts, advisers, and politicians who played a role

in that era want desperately to save face. There are two more reasons for trying to place things in context.

First, neoliberalism is an ideology and an economic program with a definite agenda. Beneath the lovely slogans about freedom, democracy, and enterprise, it is an instrument not only for enforcing effectiveness, but also for redistributing income for the benefit of the elite, at the cost of the general population. Second, neoliberalism is a tool for plunder on a gigantic scale. The depletion of the national wealth on a scale like that in Russia is a rare event in history. No reasonable person, of course, will insinuate that neoliberalism in its essence is an instrument of plunder and theft. However, the weakness of economic institutions makes such things possible. This is why it happened in Russia, and why it could not happen in China.

For some people, the neoliberal policy in Russia was great business. Zbigniew Brzezinski, the influential political scientist who was President Jimmy Carter's adviser, admits as much. Placing the key words in quotation marks, he notes that a swarm of Western "consultants," most of them Americans, often conspired in "privatization" with Russian "reformers" and made themselves rich, especially through privatization of energy assets.²³ I know that warnings to this effect reached the very top of the political establishment in Washington but were ignored. This "larcenous" privatization, the role that American partners played in it, and the tolerance shown by the American authorities have all been described in analytical and specialist studies, and elsewhere. However, the cacophony of neoliberal propaganda and the pressure from the interest groups that benefited drowned out these warnings.²⁴ High-ranking American officials, right up to the White House, sounded the alarm about the disastrous consequences of pathological Russian-American neoliberalism. Fritz M. Earmath, a former senior CIA officer, told me at a Jamestown Foundation conference in Washington in the summer of 1999 that one such urgent report came back with a one-word annotation by the vice president: "Bullshit." Zbigniew Brzezinski was also present at this conference and criticized the discreet sympathies between some elements of the American establishment and corrupt Russian politicians.

Why did dubious excesses take place on such an enormous scale in Russia, but not, for example, in Poland? The fact that structural reform policy was much better carried out there, especially in the mid-1990s, had something to do with it. Mainly, however, it was because Russia

contained far more resources to pillage and control, and still does. The neoliberal trend combined with the general disarray made things all the easier. The one-of-a-kind Russian-American “public-private partnership” was in its element. Earmath wrote to me in the fall of 1999 that, “The fortunes to be made and moved out of Russia were so huge that they, like gravitation attraction of mass bodies, attracted powerful Western stakeholders. Perhaps Poland benefited not only from better initial conditions and policy, but by not being so rich in plunderable resources.” He had no doubts either then or now—how could he?—that the truth about the Russian transformation was known to those in the United States with a need to know. He stated that “the whole top echelon of our administration pretty much knew the true picture in Russia all along. They have to have known that, at least after late 1997, the GKO (Russian short-term securities) market was being used by Russian officials and all speculators as a means of plundering the Russian budget and the IMF money. What do you think Talbott, Summers, Lipton, Chubais, and Berezovsky chatted about when they got together in July 1998?”

There can be no doubt that we were dealing not so much with neoliberal obtuseness as with simple criminality. This, it should be added, was superorganized crime. Earmath concluded:

I have come to understand another dimension of this, which is more crime than folly. From various very credible Russian sources it is now clear that the short-term government debt (GKO) that was soaking up so much public money in 1997–98 became, not a grotesquely irresponsible and risky means of bringing money into the budget, but a means by which government officials, Central Bank bonzes, and speculators (Russian and Western) plundered the state budget . . . deliberately. And the clear purpose of the last IMF tranche in summer 1998 was to keep the bubble up for a last round of profiteering and a well-timed collapse for the benefit of insiders, Russian and Western. This is so widely understood in Russia now that they are bored with the topic. The really interesting question is what USG and IMF leaders knew and thought about what was going on, especially when Chubais came to Washington in July to arrange the last tranche with Summers, Lipton, and Talbott. There are only two possibilities: Either they were ignorant of activities that involved dozens of knowing players, and hundreds of speculators and this was, hence,

a hugely expensive blunder of intelligence and policy; or they wittingly bought into the scheme for some reasons of greed or pressure. I am convinced this picture is true.

So am I.

Earmath added:

You could have a considerable voice when the discussion turns to the question of future policy. . . . Maybe wait and see if any debate is provoked and reconsider this . . . But, by all means, write a fresh piece, and offer alternatives to the IMF. Maybe we could provoke Congressional hearings on this topic. . . . The most important thing: It is vital that you and others who can do so get into this debate to educate the politicians about what did and did not work in the most successful transition so far, Poland. . . . Call it chance, call it Allah's mysterious ways: It is our job to take advantage. . . . People must be reminded over and over again about the real Polish story, as well as the folly of the IMF in Russia.²⁵

When I was working on this book eight years later, I asked Earmath for permission to use excerpts from our correspondence. He consented without hesitation, because he is more convinced than ever that he was right. He added: "American political and business interests got involved with Russian corruption and plundering from the beginning. It has continued to this day." Nevertheless, Russia repudiated the naïve neoliberal line that it followed through most of the 1990s, and enjoyed seven fat years from 2001 to 2007. People laughed when President Vladimir Putin announced that GDP would double within a decade, but it started coming true. Yet isn't this more a matter of the high price of Russia's key exports, oil and gas, than of structural reform? Well, that only shows that the country is capable of taking advantage of opportunities and circumstances—both those that turn out to be favorable regardless of policy choices and those that the right policies can bring about. Even if those policies have been insufficiently reformist and did not squeeze all the possible benefits out of an oil boom that turned out to be impermanent, they are nevertheless fundamentally different and qualitatively superior policies.

In the current decade, Russia is trying in its own way to combine its policies for systemic change with policies for development, while

refraining from letting go of its national wealth and natural resources too quickly, or too cheaply. The country wants to profit as much as possible from hitting the ground running in the international economic arena while coming out ahead on globalization, rather than allowing others to take advantage of it. It is refusing to allow itself to be turned into another “emerging market,” which would mean forfeiting its economic sovereignty and submitting to pressure from supranational capital. It’s hardly surprising to hear the arrogant question, “Who lost Russia?” still being asked in the West. People started asking this question when it became clear that Russia was going its own way, that the country with the largest land area and the richest natural resources in the world was not going to allow itself to be sucked into the neoliberal whirlpool. The fact is that some companies lost what had looked like a good chance of gaining access to vast natural resources at bargain-basement prices. No one lost Russia, however, because no one ever had Russia. It is Russia that is slowly finding its way among the post-Soviet and postsocialist realities, in the reality of globalization and the game for its own future place in the world. That place will be increasingly important.

As a side note, it is embarrassing to see neoliberal publications of the stature of *The Financial Times* or *The Economist* advocate the sanctioning of lawbreaking under the cloak of a concern for democracy. They admit over and over again that one oligarch or another is no saint and that some of the things done during the Russian privatization of the 1990s cry out for punishment. Yet, at the same time, they call for leaving the present state of those oligarchs’ holdings untouched in exchange for the payment of a quasi-fiscal “windfall profits tax.” As much as this might be justified for small businesses moving out of the shadow area and into the official, registered, and taxed economy, it amounts in the case of the oligarchs to tolerance for economic crimes. Of course, this would safeguard the interests of companies with a “pro-Western orientation.” Companies should have a pro-profit orientation and not worry about points on the compass. Unfortunately, there are those who are always willing to treat democracy not as a value in itself, but as an instrument useful for protecting private interests. Or are “pro-Western” energy companies automatically associated with “freedom” and “democracy,” and all others with “authoritarian tendencies”?

Taxes are paid on legitimately earned income and profits from capital with honest origins. Taxes may also occasionally be applied to assets

when their value increases radically as a result of beneficial circumstances that have nothing to do with their owners. The British government did precisely this in regard to certain energy companies in the recent past. Yet this is not the right way to treat wealth arising in large part from fraudulent transfers that cheat a country and its citizens. Taxes are not a way of settling the accounts for crime, but rather a means of redistribution in the name of economic and social equality. Prosecutors and judges, not tax collectors and the revenue service, deal with criminals. Illegal deals in the style of some of the Russian oligarchs in whose defense *The Economist*²⁶ has amazingly spoken out would earn sentences of ninety years in the United States, not nine, and no one would accuse the judges of being politically motivated.

Things are worst when the abnormal becomes the norm. Yet what is normal, and what is abnormal, and who has the right to decide this? History? Certainly, but we have no time to wait for history's verdict, because some matters must be settled here and now, and not in the distant future, when the controversy has died down. Controversy springs from emotion and from cold calculation, from differences of values and from intractable conflicts of interest. Much controversy derives simply from radically different interpretations of what is happening.

This is the conclusion that Peter Mandelson, then European Commissioner for Trade, arrived at fifteen years after the fall of the Soviet Union. Following a visit to Moscow, he realized that the Russian skepticism about the introduction of Western-style democracy and free markets was based to a large extent on the negative experiences of the systemic transformation. What looked normal in the West did not necessarily look that way in Russia, and vice versa. Above all, Russians assess the facts in cold, concrete terms, "in view," as the BBC reported, "of the unhappiness caused by economic liberalization and privatization during the 1990s."²⁷ This is indeed true of a considerable part of the Russian public and political elite, and also of the many economists who, in their unsparing criticism, certainly did not treat the misguided choices made during the 1990s as something normal. Forced democratization and free markets *à la Russe* were a far cry from what the West regards as normal democracy and a normal market.

The missionaries and warriors of the neoliberal ideology continue to regard the Russian economy as nonmarket and the country as undemocratic. They are less picky in regard to China, which has learned to deal

with them. They act like sixteenth-century Spanish conquistadors who wondered whether the natives they encountered were people with souls, or whether it would be better to chop off their heads than to go to the trouble of trying to convert them. However, as the old Polish folk saying goes, “He who laughs last laughs best.”

We do not know who will have the last laugh, since history is ongoing and the roles will reverse many times more, but it will surely not be the neoliberals, neither the orthodox ones from the West nor the naïve ones from the East who think that following the ideology is the best way to turn themselves into the West. They don’t have much to laugh about when it is not some Beijing or Moscow party organ, or even an English-language newspaper from New Delhi, but rather the CIA that writes in an online report that “global output rose by 5 percent in 2006, largely thanks to growth in China (10.5), India (8.5), and Russia (6.6)”²⁸ These three great countries do not follow the Washington Consensus because they did not cave in to pressure from special interest groups and the associated neoliberal ideology. The population of these three growing economies is 40 percent of the world’s total, and their share of world output is almost one fourth. These are three dynamic societies with ever-greater human capital, and the first person to stand on Mars will come from one of them. He who laughs last will last best.

Furthermore, the eminent Chinese economist from the University of Beijing, Justin Yifu Lin, who for many years was a member of the Academic Council of the TIGER think tank, of which I am the director,²⁹ became vice president for development and chief economist of the World Bank. One swallow does not make a spring and we should be under no illusion that his appointment will change things much, but it represents at least a chance that the neoliberal orthodoxy will no longer be so dominant and that a more balanced approach to development will take its place.

We might therefore expect that more and more of the economies emerging from neocolonialism, statism, socialism, or isolationism will search for recipes of their own. They will carry out this quest somewhere between the unprecedented Chinese success and the antiliberal Latin American approach, between the positive example of India and the not particularly encouraging experiences of a Mexico that has remained under the powerful influence of Washingtonian neoconservatism, between the accomplishments of Scandinavian social democracy and the positive experiences of some East-European countries. In turn,