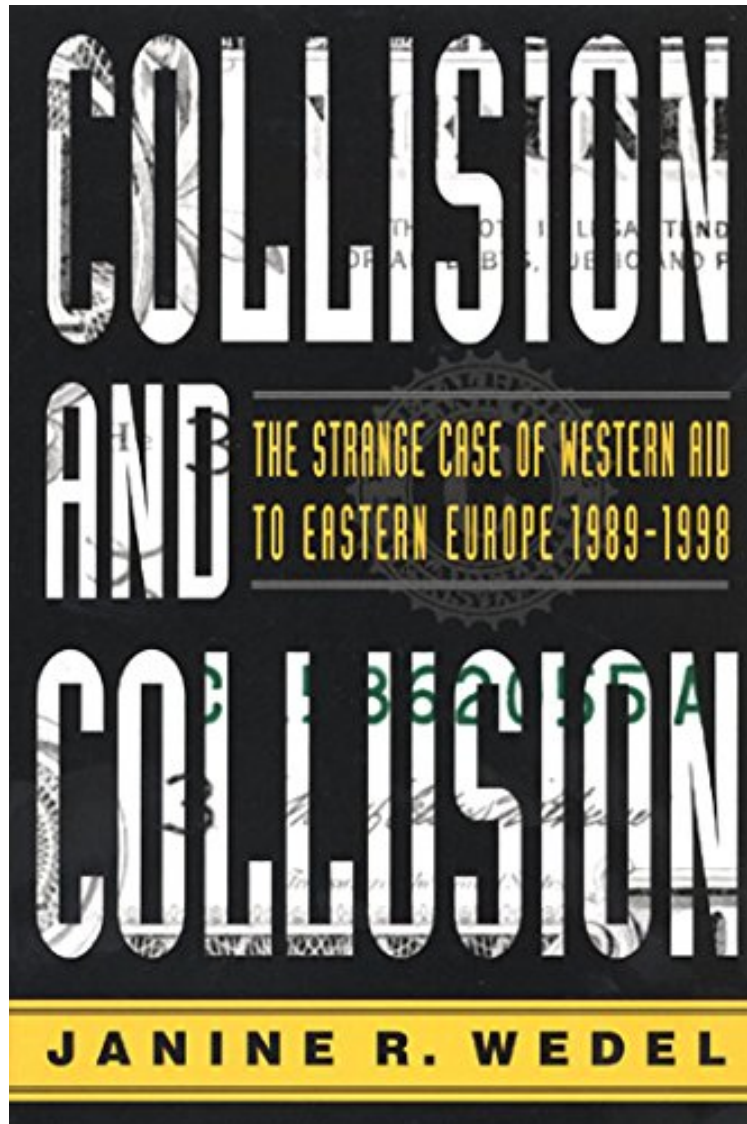


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# Collision and Collusion: The Strange Case of Western Aid to Eastern Europe

*Prof. Janine R. Wedel*

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**Prof. Janine R. Wedel : Collision and Collusion: The Strange Case of Western Aid to Eastern Europe** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Collision and Collusion: The Strange Case of Western Aid to Eastern Europe:

6 of 6 people found the following review helpful. the truth about how aid is backfiring in Eastern EuropeBy JohnI highly recommend this book as a "must read" for people interested in Russia.I arrived in the former Soviet Union in 1998 as an investor. This was just after the default in Russia. I was shocked to learn that many people in the region

viewed economic support from the West as a deliberate attack by the West with a purpose of weakening Russia. How could this possibly be? This certainly wasn't the intention of the Western taxpayers who paid for the economic support. Having gained experience dealing with organizations like the EBRD, IMF, and World Bank, I have learned first hand that the economic support to the former Soviet Union has been so badly managed that it has completely backfired and resulted in the takeover of the region by organized crime. You won't learn this by reading the self-congratulatory press releases from these organizations. But, you will learn this by reading "Collision Collusion." Professor Wedel researched the topic thoroughly with years spent in Eastern Europe meeting many people involved in the attempted re-construction. She covers the period 1989 to 2000. She explains how Western-funded aid organizations identified certain Eastern Europeans as "reformers" and funded those people through a privatization process in which establishment of rule-of-law was neglected. The author's background is in anthropology, and her approach in writing this book reflects that. She explains the reasons why the "transactors" in Eastern Europe behaved the way they did. The book begins with a discussion of Poland. The author spent a lot of time in Poland between 1989 to 1992. The EU Phare program and the US AID Enterprise Funds are covered. But, the part about Poland was not the most interesting to me because that is not where the big disaster took place. The book moves on to the big disaster: Russia. The author includes a thorough study on the activities of the USAID-funded Harvard Institute for International Development and the "Chubais Clan" and the interactions which led to the takeover of the Russian economy and government by a small circle of corrupt oligarchs. Specific horrendous events are reviewed, such as when Anatoly Chubais "conned" the IMF out of \$4.8 billion and when notorious Stolichny Bank, funded by the EBRD and World Bank, took over a chunk of the Russian economy in the "Loans for Shares" scheme. Hungary, Ukraine, and other countries are mentioned as well but in less depth. Vladimir Putin is mentioned a few times, but he just became prime minister at the close of the book and therefore the book is not about him. Anyway, the oligarch structure that was created by the botched privatizations of the 1990s still persists today and therefore the book is still 100% relevant. Also, sadly, the IMF, World Bank, and EBRD are behaving exactly the same way today as they were in the 1990's. It seems the employees of those institutions have not read Professor Wedel's book and therefore continue to make the same mistakes as their predecessors. John Christmas, author of "Democracy Society" 1 of 1 people found the following review helpful. Sensationalism disrupts good research By James R. Maclean (The author of this review has no professional experience in regards to Central or Eastern Europe; this is only a review of a book using publicly available information. My conclusions about Russian history, etc., such as they are, could well be wrong. In the first comment of this review, readers can find a link to the full-length version of this review. I welcome criticism and comments. Thanks for reading!) One of the maddening things about this book is that Prof. Wedel seems to have no discernible philosophy. On the one hand, she objects to the strategy, adopted by USAID, of attempting to bypass existing governments in favor of direct assistance to privatizing firms (see p.36); on the other, she objects to the US government being co-opted by specific politicians (the gist of Chapter 4). On the one hand, she objects to capricious control over funding by bureaucrats in Washington (who did not give field representatives enough autonomy--pp.33-34); on the other hand, regional organization of US aid rather than national programs gave program managers too much power to shift funding to politically pliant governments (endnote 74, p.35). On the one hand she objects to the politicization of economic policies, so that consultants took sides in political elections. On the other hand, she attacks the arrogance and certitude of the (naturalized Russian-) American advisers. Wedel's writings are the Q-document of allegations that the US government, deceived by Harvard, decisively and maliciously intervened to promote fake market liberals like Anatoly Chubais and Yegor Gaidar (instead of real ones like Grigory Yavlinsky or Boris Fyodorov\*\*), thereby turning Russians against the ideals of democracy and free markets. Even Matt Taibi and Mark Ames (in *The Exile*, 2000, p.237\*), distinguished journalists themselves, cite Prof. Wedel's work as evidence of this. Wedel focuses mainly on expenditures as conclusive evidence of agency; this agency is always decisive, and always misguided (actually, insidious). While authors at *The Exile* (and its successor, *Exiled* where a lot of archives from *The Exile* are routinely printed) are generally hostile to capitalism and its ideological hold over the USA; Wedel's premise is that the authorities in the USA betrayed capitalism. Anyone with the slightest familiarity with the authors who wrote for *Exiled*, or friends like Matt Bivens (1997), knows these people are not remotely admirers of USAID. But they're also not enthusiasts for the ideology of free markets embraced by Janine Wedel. For them, the problem was not that voucherization was adopted (whether under foreign pressure or not), it was that privatization was given top billing. If I have understood them correctly, the real problem was that actual markets, let alone free markets, simply did not exist in Russia c.1991-1996; so "privatization" would necessarily mean plunder, not competitive management. And arguably radical market reforms really weren't what Russia needed, then or now. That's a matter of personal outlook, and it does need to be said that good journalists aren't wedded to particular policies, because of they were, they'd fail to acknowledge when that policy was failing. However, this brings me to my final point. Wedel focuses on flaws in the process of privatizing Russia, but not on what these flaws led to (aside from the generally prevailing anomy of Russia today). She mentions that the Supreme Soviet of the RSFSR had passed a privatization law that would prevent corruption (p.137), but Russian Pres. Yeltsin's appointees pressed for a system that ensured corruption. How did the first law prevent corruption, and why is Prof. Wedel so certain it would have? Yes, she's certainly correct

that privatization in both Russia and Ukraine occurred in a manifestly corrupt way, and this was a byproduct of the laws, but it's really important for readers to know specifically how it did and what plausible alternatives existed. For example, Russia was not the first country in Europe to experience a transition to a capitalist economy; and one could argue that, in 1991, the results of "experiments" in Central Europe were far too spotty to draw any valid conclusions. But there had been a widespread consensus among economic historians in the capitalist bloc that the Third Reich had been a command economy--albeit, with notionally private ownership. One could argue that, in 1992, post-1947 Germany provided a much more convincing case of successful transition to market capitalism than did post-1989 Czechoslovakia--the model that was actually used. This is understandable, especially in so far as it advances her case polemically. For example, even the most cursory glance at the politics of transition makes it obvious that something was very wrong. The method by which Yeltsin secured control over the Russian government after the 1993 constitutional crisis, for one thing, cast a pall over whatever happened--or could have happened--afterwards. Even if enthusiastic support from the US had nothing to do with Yeltsin's conquest of power, it still was morally wrong for Washington to provide it. And so, in the end, Wedel's points are about a morally purblind Washington and its biggest thinktank, Harvard. That's a fairly weak polemical position to have, because nobody wants to defend the 1990s. And saying "we" or "the USA" as if the typical American reader had the slightest thing to do with it, makes one look unhinged. This was a period of total confusion; all of the systems of accountability had broken down, in the sense that everyone was improvising, typically in a fog of ignorance. No one possessed a constitutional mandate to react to what was happening. This book is like a postmortem of a massive earthquake, heaping scorn on the conduct of officials once the earthquake has begun. The collapse of the USSR was certainly a crisis, but at the time officials in NATO member states did not realize it was, and when they did, they were overruled by their most ruthless, purposeful colleagues--or bosses. Usually, when times are "normal," processes spawn policies: the American electoral system, with its money and corporate-controlled news outlets, for example, help determine the decisions that politicians will make. But in a revolutionary upheaval, this is backwards: the policies taken long ago, like the Cold War strategies of the rival blocs, determined how leaders would perceive the situation, and what potential disasters they hoped to avoid. Once the earthquake of August 1991 hit, no human planner had the ability to master the situation. No one even knew what it was.

\* The Exile was a biweekly newspaper founded by Mark Ames in 1997; later, Ames Taibi wrote about the experience in the book linked above. See James Verini, "The unlikely life and sudden death of The Exile, Russia's angriest newspaper," Vanity Fair (Feb 2010). The newspaper was indeed shut down by the Russian authorities in May 2008. It resumed publication in July, in online form, from an undisclosed location, as "The Exiled: Mankind's Only Alternative since 1997." Later, semi-revived as NSFwCorp.\*\* Sorry, if I were saying this, it would be mordant sarcasm. I have tried to quit sarcasm, which is like a resident of Ust-Kamenogorsk trying to quit smoking. Wedel plainly wants to make this argument in a totally unironic way. 19 of 20 people found the following review helpful. Very well written, accurate and revealing. By BP -I have worked in the former USSR part time for 4 years now, and spent a lot of time there. I have become intimately familiar with what has transpired and the situation. I have read a great deal, Russian history and much scholarly work on USSR and post. Frankly, the latter is almost 100% scholarly dreck, suitable for enriching lawns. Nobody else has captured the essence of what has happened in the aftermath of the breakup of the USSR as well. I could add to it, for instance, the social difficulty of suddenly inverting the Marxist value system is a huge problem. Russia is trying to walk through the looking glass. Other authors should build on Janine's work. Basically, she documents an outrage of foreign policy and the horrible idiocy of (mostly) well meaning intellectuals and academics. Read this book thoroughly. If you do, it will change your mind. I watch and seethe as the same game continues today. Five star hotels get built which house the "5-Star" aid class of contractors sometimes sincerely trying to help, far too often coldly pretending with utter cynicism, and much too frequently collaborating with local people to rip off millions. What Janine does not discuss, and should be written about by those who build on this seminal work, is the way that the ripoff game works. Billions get stolen, by heads of nations, by contractors who start banks, by so many. The legal system cannot stop it because there is no structure of law that can create a venue for prosecution of people who pull this off in places where it is done in collaboration. Janine doesn't talk about the "warlord game" by which thugs enrich themselves either. I will not name names here, though I could. I could go on, but I won't. Bottom line - read this book. Every American should start to understand how this works. Others should follow this courageous woman. The American people should get mad and get changes made, and most of all, travel - get out there, lend a hand to people out there with business opportunities, and find out what is being done by jerks in our name.

When the Soviet Union's communist empire collapsed in 1989, a mood of euphoria took hold in the West and in Eastern Europe. The West had won the ultimate victory--it had driven a silver stake through the heart of Communism. Its next planned step was to help the nations of Eastern Europe to reconstruct themselves as democratic, free-market states, and full partners in the First World Order. But that, as Janine Wedel reveals in this gripping volume, was before Western governments set their poorly conceived programs in motion. *Collision and Collusion* tells the bizarre and sometimes scandalous story of Western governments' attempts to aid the former Soviet block. He shows how by mid-

decade, Western aid policies had often backfired, effectively discouraging market reforms and exasperating electorates who, remarkably, had voted back in the previously despised Communists. *Collision and Collusion* is the first book to explain where the Western dollars intended to aid Eastern Europe went, and why they did so little to help. Taking a hard look at the bureaucrats, politicians, and consultants who worked to set up Western economic and political systems in Eastern Europe, the book details the extraordinary costs of institutional ignorance, cultural misunderstanding, and unrealistic expectations.

“Impressive and informative . . .” *Foreign Affairs*; Wedel . . . is good at conjuring up the sense of adventure and psychological complexity that ensued . . .” *The Wall Street Journal*  
About the Author  
Janine R. Wedel is an associate research professor and a research fellow at the Institute for European, Russian, and Eurasian Affairs at George Washington University.