

**THE DYNAMICS OF DEMOCRATIZATION IN POST-COMMUNIST
COUNTRIES:
THE CASES OF GEORGIA, UKRAINE AND KYRGYZSTAN**

by

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THE DYNAMICS OF DEMOCRATIZATION IN POST-COMMUNIST COUNTRIES:
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ABSTRACT

THE DYNAMICS OF DEMOCRATIZATION IN POST-COMMUNIST COUNTRIES: THE CASES OF GEORGIA, UKRAINE AND KYRGYZSTAN

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This study aims to contribute to the literature on democratization and economic liberalization in hybrid regimes, i.e. systems where democratic contestation is flawed. More specifically, it aims to see whether and how political liberalization can lead to economic liberalization in hybrid regimes. To address this question, a game-theoretic model is developed which identifies the actors and parameters that are crucial to the success of economic liberalization, demonstrates different scenarios of the interaction between these actors, specifies possible outcomes and conditions under which they are possible. The results suggest factors that facilitate economic liberalization after political liberalization, most importantly the consensus among different political parties about the need for market reforms and the presence of a parliamentary majority. Importantly, the possibility of repression can increase the likelihood of economic liberalization. Thus, in hybrid regimes economic liberalization may require curbing political liberalization. The model is illustrated by the cases of Georgia, Ukraine and Kyrgyzstan, three post-communist hybrid regimes where political space was liberalized as a result of mass protests which, despite the attempts of incumbents to prolong their rule through electoral fraud, brought highly popular candidates to power.

Keywords: democratization, political liberalization, economic liberalization, hybrid regimes, post-communist countries, state capture, game theory

ÖZET

POST-KOMÜNİST ÜLKELERDE DEMOKRATİKLEŞTİRME DİNAMIĞI:

GÜRCİSTAN, UKRAYNA VE KIRGIZİSTAN ÖRNEKLERİ

Yevgeniya Ovsiyenko

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Bu çalışma, hibrid rejimler (demokratik prensipleri çok eksik olan sistemler) kapsamında demokratikleşme ve ekonomik liberalleşme üzerine yapılan araştırmalara katkıda bulunmayı hedeflemektedir. Özellikle demokratikleşmenin, ekonomik liberalleşmeyi etkileme şekilleri incelenmekte; ve bu sorunun cevabı doğrultusunda, ekonomik liberalleşmede büyük rol oynayan aktörleri ve unsurları tespit eden, söz konusu aktörler arasındaki farklı etkileşim senaryolarının sonuçları ve bunların koşullarını gösteren bir oyun teori modeli yaratılmaktadır. Sonuçlar arasında baş gösteren en önemli faktörler, farklı partilerin ekonomik liberalleşme hakkında anlaşmaya varması ve parlamento çoğunluğunu sağlamalarıdır. Baskı politikası imkanı da, ekonomik liberalleşmenin ihtimalini artırıyor. Böylece ekonomik liberalleşme hedeflenirken, demokratikleşmenin sınırlanması gerekebilir. Gürcistan, Ukrayna ve Kırgızistan vaka analizleri modeli örneklemektedir. Bu ülkeler, seçim hilesini kullanan adayların tekrar iktidara geçmesini engelleyerek, popüler adayların seçilmesini sağlayan kalabalık protestolar sonucunda demokratikleşmeye başladılar.

Anahtar Kelimeler: demokratikleşme, ekonomik liberalleşme, hibrid rejimler, post-komünist ülkeler, devlet tutuklaması, oyun teorisi

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Introduction

After the collapse of the Soviet Union, the countries that emerged as a result were faced with at least two challenges at once: transition to democracy and market capitalist economy. The development on both of these dimensions has been highly uneven across countries. Seven countries with a Communist past were accepted to the EU in 2004, with Romania and Bulgaria joining in 2007. These countries rank high both in their democratic and economic performance which may be interpreted as a sign of the effectiveness of the EU membership incentive (Bunce 1999a, 1994; Fish and Choudhry 2007; Fish 1998b; Havrylyshyn 2006; Hellman 1998). Unlike these successful cases, those countries not having an incentive comparable to EU membership had their own endogenous dynamics of democratic transition and market reform.

The fact that market development and democratization success has often went hand in hand in the aftermath of Soviet Union collapse has been the focus of many scholars which analyzed it from different perspectives. Many authors recognize political competitiveness and democratic contestation at the root of market reform (Frye and Mansfield 2003; Fish 1998b; Hellman 1998). According to this reasoning, electoral threat was decisive for quick adaptation of comprehensive market changes. On the other hand, the adaptation of market mechanisms is seen itself as highly beneficial for democratic consolidation (Fish and Choudhry 2007; Havrylyshyn 2006). This discussion relates to wider scholarly debate about the relation between market liberalization and political liberalization. The so-called 'Washington Consensus', a rough blueprint for economic liberalization, yielded much critique and was contrasted with the so-called 'social democratic consensus' as an alternative for developing countries (Fish and Choudhry 2007; Gore 2000). Similarly, the relation between market reforms and democratization is one of the controversial topics in literature (Przeworski 1991; Williamson 1993; Giavazzi and Tabellini 2005).

The democratizing countries of the former Soviet Union have been a separate topic of scholarly discussion. Overwhelming number of studies recognize that comprehensive market reform is positively correlated with further democratization progress in the post-Communist world (Fish and Choudhry 2007; Havrylyshyn 2006; Bunce 1999, 1994; Fish 1998a). Yet, these studies largely focus on the timeframe within ten years from the collapse of the Soviet Union. While they contain an array of explanations for economic reform in the newly independent countries, they are lacking insight into later dynamics, in which two factors gained prominence. First, it is the so-called 'partial reform' in countries outside the EU

influence, i.e. limited progress in liberalization and corrupt schemes in privatization that favor only chosen groups with connections to the government and retain a non-transparent and corrupt market environment (Aslund 2009b; Aslund & Dmitriev 1999; Havrylyshyn 2006; Hellman 1998). Second, the political environment has changed greatly in the twenty years of post-Soviet development. Many politicians were initially chosen in a free and fair election; only later would they master different ways of political oppression and electoral fraud. For instance, the political history of Moldova saw the coming of the Communist party only in 2001; elected in a free election, they would not let go their grip on power, repressing mass protests in 2009 after parliamentary elections. In Georgia, the president Shevardnadze served eight years in office, and his term was marked by electoral fraud and human rights violations. Kuchma in Ukraine repressed mass protests under the slogan “Ukraine without Kuchma” which broke out after the ‘cassette scandal’ proving Kuchma’s role in the killing of a prominent journalist and illegal weapon trade. Foreseeing the end of his political career, he chose a loyal political heir similar to the Russian scenario with Medvedev replacing Putin. In Central Asian countries, virtually all incumbent presidents remained unchallenged throughout the years of independence (presidency of Heydar Aliyev in Azerbaijan lasted from 1993 to 2001, with his son, Ilham Aliyev, replacing him; in Uzbekistan, Islam Karimov has been president since 1990; the same has been the case for Nursultan Nazarbayev in Kazakhstan; Emomalii Rahmon has been President of Tajikistan since 1992; Saparmurat Niyazov held the presidential seat in Turkmenistan since 1990 until his death in 2006; only Kyrgyzstan witnessed more active political contestation).

The stability of such less-than-democratic systems led scholars to develop concepts such as ‘competitive authoritarianism’ (Levitsky and Way 2002) where elements of democratic contestation coexist with authoritarian tendencies (Ekman 2009; Grzymala-Busse 2008; Carothers, 2002; Levitsky and Way 2002; Bunce 2000; Zakaria 1997; Markoff 1996). Lagging democratization is often combined with incomplete market transition which is reflected in the concept ‘state capture’ (Hellman, Jones and Kaufmann, 2000) and denotes tight informal connections between public and private sector (Hellman, Jones and Kaufmann, 2000). It is different from administrative corruption since in a captured economy, a small number of captor firms function with disproportional advantage. In post-Soviet countries, state capture was enabled by the non-transparent mechanisms of privatization after the collapse and resulted in incomplete ‘partial’ market reform.

Under such conditions, completion of economic reform seemed unlikely. The ability to deter significant political opponents blocked the channels for entrance of new, reform-minded politicians that would have the political will to change the status quo. The incumbents themselves, due to close ties with business monopolists, or oligarchs, wouldn't be interested in liberalizing the economy which would increase competition in the domestic markets and challenge the positions of influential business groups. The only incentive for reconsideration of economic policies seemed to be the crisis, or the threat of such. Averting the upcoming crisis was the rationale behind Kuchma's appointment of reformist Yushchenko as Prime Minister in 1999, who was dismissed as soon as a series of vitally important measures leading to positive GDP growth, increase in budget income and removal of barter economy were completed. Otherwise, market transformation is complicated by the fact that it involves much more than implied by the 'Washington Consensus' package. First and foremost, effectiveness of any reforms in captured economies is contingent upon the efforts to fight corruption and ensure accountability (Manzetti 2003). In a non-transparent environment, privatization is unlikely to be effective.

In a limited number of cases, the opposition managed to break the rule of authoritarian incumbents through mass protests. Competitive elements in hybrid regimes were used to ensure the success of massive street protests, so-called 'color revolutions' that brought down the corrupt leaders in four post-communist countries (Serbia, Georgia, Ukraine and Kyrgyzstan) and failed in many others. Despite the label, these elite changes did not necessarily fulfill the criteria of a revolution, or a complete change in the power structure. They can even be viewed as struggles over the next 'patronal president', thus leaving the defunct political institutions of hybrid regimes intact (Hale 2006). Nevertheless, color revolutions were moved by the widespread desire to have accountable political leadership with a clearly set reformist agenda. Also, they increased political competition, allowing political forces that otherwise would be effectively kept out to enter office.

The color revolutions are examples of indigenous political liberalization in post-Soviet context. It is important to look whether they managed to bring about economic liberalization. Thus, the research question of this study goes as follows: How does political liberalization refer to consequent economic liberalization in hybrid regimes? The aims of the study are listed below:

- To add to the existing literature, bridging the gap between the discussion of hybrid regimes, on the one hand, and political and economic liberalization, on the other;

- To create a theoretical model for the analysis of the actors crucial for economic and political liberalization in hybrid regimes and test its implications;
- To provide insights into the challenges and dynamics following the regime change; and
- To demonstrate different scenarios of regime change.

The study has both theoretical and practical importance. On the theoretical level, it contributes to the literature on the relation between economic and political liberalization, in particular, by combining it with the literature on hybrid regimes and state capture. Also, although many studies have focused on the dynamics of political and economic liberalization in the first years of post-Soviet independence, more recent developments in this sphere have been largely overlooked by scholars. Practically, the study is important since it summarizes the effects of revolutionary regime change, its potential and dynamics.

The organization of the argument is as follows. First, main arguments in the wider literature about the relation between economic liberalization and political liberalization are summarized. Then, the literature concerning post-Soviet democratization, market transformation, and their interplay in hybrid regimes is addressed. The literature review serves the purpose of both listing all various explanations that are contradictory or complementary to the present research, and specifying gaps in the literature that the model aims to fill. Next, the proposed model is explained in detail, and some predictions are generated from it. Then, we turn to the countries, trying to estimate how the parameters in the model played out in each case. Only three post-communist countries that underwent a color revolution are included in the study; Serbia, chronologically the first country to experience power change through mass protests, is excluded because of the strong role of the EU in its further democratization process. The conclusions will summarize the significance of the study, the findings from the model and the cases, and directions for further research. In the appendix, all possible model outcomes are listed.

Research Question & Methodology

As discussed in greater detail in the literature analysis, the typical pattern among those post-Soviet countries that did not face a clear prospect of EU entrance has become the politics of partial reform, progressive and fast until a point in time and frozen after that (Aslund 2009b; Aslund & Dmitriev 1999; Havrylyshyn 2006; Hellman 1998). This is explained by the fact that those economic elites that profited greatly from the development of market institutions gained significant influence over the state, and thus were able to stop the economic development at the point when it would grant them the preservation of rents and keeping the potential opponents out (Havrylyshyn 2006; Hellman and Schankerman 2000; Hellman 1998). Such exaggerated potential to influence policies has earned these regimes the term ‘state capture’ coined in a World Bank research working paper. It is a specific form of oligarchic influence different from influence and administrative corruption: “...State capture refers to the capacity of firms to shape and affect the formation of the basic rules of the game (i.e., laws, regulations, and decrees) through private payments to public officials and politicians” (Hellman, Jones and Kaufmann, 2000, p.1).

A theoretically compelling and practically important question is the degree of stability in this system. A ‘captured’ economy is not effective since it favors monopolists that are connected to the government and prevents innovative newcomers from entering the market. Due to the influence that business elites can exert on the ruling apparatus, the development of small and medium business can be complicated at the legislative level as well. Most importantly, a corrupt economy is not motivated to become transparent, which, through perpetuating the vicious circle of corruption, scares off vitally important foreign investment (Kenisarin and Andrews-Speed, 2008).

Despite all these shortcomings, an oligarchic economy is likely to perpetuate itself. Its mechanism has been showed by using game-theoretic models (Acemoglu 2008; Acemoglu and Robinson 2008). While one could rightfully assume that there could emerge a political force promoting reform, long-term ‘capture’ of economy has been made possible through the underlying political structure that kept alternative voices out of power. In post-communist context, elections indeed are weak points for authoritarian incumbents (Levitsky and Way 2002). Yet even these do not necessarily provide a window of opportunity for reform-minded politicians. Firstly, the incumbents have in their hands a large number of pressure and fraud mechanisms to defer competition. Secondly, as some research has pointed out, systematic rent-seeking can continue despite the change in ruling party or president. A specifically post-

Soviet way of system's self-maintenance, 'patronal presidentialism' (Hale 2006), is one possible conceptual explanation.

Thus, the present essay aims to find whether and if so, under what conditions political liberalization induces economic liberalization, limiting itself specifically to the post-Soviet hybrid regimes. The research question can be formulated as follows: How does political liberalization refer to consequent economic liberalization in hybrid regimes? In fact, the study aims to answer two questions. Given the political liberalization in a country, i.e. that new players are able to enter the political arena;

- Is it likely to be sustainable (i.e. would repression happen again)?
- Is it likely to bring economic liberalization (i.e. what conditions are necessary for the reform to be successfully initiated)?

In order to answer these questions, a model is proposed, where the outcome in terms of political and economic liberalization is the result of the interaction among the newcomer political forces. This approach allows the study to name the key actors in the process; state the actions or choices available to them; and by specifying their expected payoffs, identify their strategies, the resulting scenarios and the conditions these scenarios are contingent on.

Also, the choice of cases reflects the aim to exclude the exogenous variable of EU membership prospects, focusing instead on indigenous factors.

Choice of Cases

The approach chosen is the most similar systems design as described in King, Keohane & Verba (1994). In the countries of focus, many realities are similar; the variables that are different in each case and important for model outcomes are represented as model parameters. The focus on countries within post-Communist region is in line with Bunce's claim that countries within one region possess similar socio-economic characteristics, thus it makes sense to infer conclusions about democratization from a regionally bound group of cases (Bunce 2000). Such an approach corresponds to the principle of most similar systems design as well. The choice of specific cases requires explanation.

First, a number of cases were rejected on the basis of their ties with the EU. Since the study aims to research indigenous democratization, caused by internal rather than external factors, the strong support of EU towards candidate countries (and member countries by now) was a reason not to include them into the analysis.

Second, the original dataset of 'capture economy' developed by Hellman, Jones and Kaufman was addressed. The authors measure the 'capture economy' as a compound index that consists of six indices measuring the influence on firms of various state institutions: parliament, president, Central Bank, criminal courts, commercial courts, and party finance. The peculiarity of this index is that it includes both 'losers' and 'winners' in the reform race, i.e. the EU member countries can also be found here. Scoring high on the 'capture economy' index are Azerbaijan, Bulgaria, Croatia, Georgia, Kyrgyzstan, Latvia, Moldova, Romania, Russia, Slovak Republic, and Ukraine.

Finally, to correspond to the aims of this study, the countries in focus needed to have the experience of political liberalization. Characteristic for post-Soviet countries outside the EU was the strengthening of ruling parties. In Belarus and most Central Asian countries, the regimes grew to be increasingly repressive and authoritarian; the Freedom House democracy score for Belarus worsened from 6.25 to 6.57 2000 through 2011, positioning the country in the 'Worst of the Worst' report of today's most oppressive regimes and approaching the lowest score of 7. Similarly, the scores of Central Asian countries, while never greater than 5.29, got only worse 2000 through 2011, according to the Nations in Transit evaluation. A similar situation was expected in Ukraine, Georgia, Kyrgyzstan, Moldova and Armenia if not for the following fact: after the Serbian overthrow of Slobodan Milosevic in 2000, many post-Soviet countries experienced mass uprisings labeled as 'colored revolutions' aimed at regime change. Successful in some cases, they failed in many others. One of the reasons for

authoritarian stability in Armenia could be its military force: “In the former Soviet Union, the clearest example of a strong coercive state is Armenia, which in 1994 successfully captured 20 percent of neighboring Azerbaijan in a war over the Nagorno-Karabakh region. That war has directly facilitated authoritarian stability by providing leaders with a force that has the experience, the stomach, and the cohesion to put down one of the most mobilized oppositions in the postcommunist world” (Way 2008, p. 63). Similarly, Way sees the reason of regime stability in Moldova in the cohesion of its party structure, directly inherited from Soviet tradition, with Communists coming to power in 2001. These or other reasons prevented the political establishment from revolutionary change, and challenging the incumbents in another way proved complicated. In Russia, political development has been characterized by the strengthening of the ‘power vertical’, a term brought into use by Putin.

As a result, the cases for our analysis are those authoritarian competitive regimes with captured economies where semi-authoritarian leaders failed to ensure their continuous rule, either personally or through political ‘heirs’, and where political space was liberalized as the result of mass uprisings that brought popular leaders to power.

Limitations

As stated earlier, the approach used in this study is the most similar systems design. According to it, the cases that are chosen resemble each other in most ways, yet differ in the dependent variable (in our case, the outcomes of the model); in this way, it is easy to find those independent variables (model parameters) that lead to differing results. Using the literature and case studies, we tried to identify those parameters that have crucial impact on the outcomes. However, the countries in focus, although they all were hybrid regimes with captured economies, have an array of other differences, such as the level of natural resources and economic development, size, ethnic, religious and linguistic heterogeneity, trade patterns and the like. For the simplicity of modeling, it is impossible to include all potentially important factors into the model. To address this limitation, the factors that are not represented as parameters in the model are addressed in the country studies, and their impact on the parameters is estimated. However, this does not rule out the possibility of alternative explanations for the dynamics of political and economic liberalization in hybrid regimes.

Literature Review

Political and Economic Liberalization: Theoretical Debates

The long-standing debate in the literature about the relationship between economic and political liberalization has important practical implications. Various processes that constitute economic liberalization are often referred to as ‘Washington Consensus’. In its classical formulation, the Washington Consensus includes such elements as fiscal discipline; reducing and restructuring public expenditures; tax reform; market-determined and positive interest rates; competitive exchange rates; import liberalization; liberalization of foreign direct investment; privatization of state enterprises; deregulation; and legal enforcement of property rights (Williamson 1990). Williamson described it as a set of measures applied to address Latin American debt crisis.

A review of the scholarly critique of neoliberalist assumptions is beyond the scope of this paper. Yet, a discussion of the relation of democracy to economic liberalization has to be outlined. The ‘blueprint’ of Washington Consensus principles has often been advocated under the pressure of crisis: ‘Reforms undertaken in response to such conditions were often embedded in an ideological discourse about the virtues or dangers of a "minimalist" state limited to such "basic" functions as protecting property rights and providing certain essential collective goods. In most countries, however, macroeconomic adjustments and privatization programs were motivated less by these broad visions than by the urgent need to confront accelerating inflation and to reduce massive fiscal and balance-of-payments deficits’ (Haggard & Kaufman 1994, p. 8). Already in the wake of Soviet Union collapse, the prevailing strategy was that political and economic liberalization must take place simultaneously, which was also projected on other regions, such as Africa: ‘The dramatic changes of 1989, Africa’s politico-strategic marginalization, and the search for a new foreign policy rationale by Western industrial democracies meant that economic conditionality was joined by forms of political conditionality, under the assumption that, as in Eastern Europe, economic and political liberalization must go hand-in-hand’ (Callaghy 1993, p.468).

Empirical studies shed some light on the real-life implications of theoretical arguments. Quantitative analysis suggests that those countries that first liberalize their economy and open domestic markets to trade and then democratize demonstrate better economic performance than those that follow an opposite order (Giavazzi and Tabellini 2004). However, those countries that adopted radical reforms improved their democracy score to a significantly lesser extent than more ‘cautious’ reformers (Huber and Solt 2004). As Manzetti demonstrates

in his article, the success and effectiveness of reform is largely contingent on the political institutions in a given country, particularly their accountability: ‘At the cross-national and regional level of analysis, consistent with the initial hypothesis, the article has provided evidence showing that the lack of accountability in government action is associated with countries suffering severe economic crisis. When checks and balances are missing, corruption, crony capitalism, and political patronage are likely to thrive and create serious transaction costs that will deeply undermine the economic results of market reforms and have dire consequences for democracy’ (Manzetti 2003 p. 359-360). Finally, the relation between regime type and economic reform may be difficult to measure quantitatively: ‘First, the concept of "political regime" is too loose to be employed as a causal variable in rigorous empirical testing. Classification of regime types is based on formal institutions rather than substantive political processes. The effectiveness of government varies enormously among countries ruled by similar political regimes. Whether democratic or authoritarian, regimes that boast competent technocratic institutions, well-insulated from societal interests and political influences, display higher degrees of governmental effectiveness than those without such institutions. To the extent that governmental effectiveness significantly affects the outcome of economic reforms, this regime-neutral qualitative variable can seldom be captured by quantitative data in a way precise enough to meet rigorous standards of empirical testing’ (Pei 1994).

Scholars that consider economic liberalization a precondition to political opening often use the argument that the emerging class of entrepreneurs would constitute a counterweight to the state. To summarize this argument: ‘Economic liberalization pluralizes power. It takes economic power out of the hands of those who also control the coercive agencies of the state. In the absence of considerable nonstate economic power, open government is unlikely, unless one believes in the unflagging benevolence of rulers’ (Fish and Choudhry 2007, p. 258).

Historically, growing bourgeoisie has supported the XVII and XVIII century revolutions in the West that led to the fall of feudal rule. Moore (1966) developed an explanation of the early democratization processes where only those countries where the middle classes were the driving force behind the widening of the franchise developed into capitalist democracies, whereas other paths resulted in communism and fascism. Moore’s argument is plausibly interpreted by Acemoglu and Robinson (2000) as the agreement of middle classes to extend the franchise in order to receive greater political representation as a result of the inclusion of the lower classes. In their own analysis, the threat of revolution from the lower classes was

the key reason for widening the franchise. Similarly, Rueschemeyer, Huber Stephens and Stephens (1992) show how development of capitalism allowed the working classes organize and defend their interests, thus democracy emerges as the way to balance the interests of classes in the society. In the Cold War, the argument gained an ideological backing as well. Discussing the 'closed' Communist societies, Riker concludes: 'No government that has eliminated economic freedom has been able to attain or keep democracy, probably because, when all economic life is absorbed into government, there is no conceivable financial base for opposition' (Riker 1982, p. 7).

Later on, the theoretical reasoning that economic liberalization is beneficial to liberalization gave place to practical argument that authoritarian regimes are more capable to undertake such task. An economic reform is associated with many pains and at least temporarily disadvantages large groups in the society. Hence the assumption that an authoritarian regime, less dependent on wide public support, is more effective at a reform of economy. In twentieth century examples, a telling one is Chile, where economic reforms were imposed during the dictatorial rule of Augusto Pinochet, and democratization followed some twenty years later. Many Asian countries developed market economies under authoritarian regimes, which was called the 'Asian model'.

In an effort to explain Asian exceptionalism, scholars have addressed two issues. First, the probability of these countries to become democratic has been lower than in other cases. In Asia, the spread of democracy has been hampered by many factors. External pressures for democratization were traditionally low in the region, and authoritarian regimes strategically supported by US during the Cold War. Indonesia and South Korea have had negative experience with democratic rule which enforced the suspicion of regional powers about democracy. China opposed democracy and could exert significant influence through its economic presence in the region (Pei 1994).

Second, many factors have facilitated economic growth and smooth process of the reform. Explaining the reasons behind the success of reforms, Pei (1994) identifies a number of macroeconomic factors that facilitated the progress of reforms in Asian countries, thus attributing the success of reforming to favorable environment rather than to regime centralization. An important factor has been the wide penetration of the East Asian markets by Chinese and Japanese companies: 'As soon as a state in the region takes a critical step toward economic reform (as China, Vietnam, Burma, and the Philippines have now done), the twin networks instantaneously mobilize and channel capital and management know-how into that

particular country' regional economic cooperation'. In China, the first step of the reform was the liberalization of foreign direct investment, benefiting enterprises which both served as 'laboratories' of capitalism and increased the competitiveness in the market. In this way, opposition to reform was lowered, and economic liberalization took place without attempts at political liberalization (Gallagher 2004). Also, the reforms were implemented gradually, with an effort to minimize losers of this process (for example, refrain from rapid privatization of state-managed enterprises and even supporting them in the liberalized market environment): 'Indeed, in both China and Vietnam, successful rural reforms freed up huge numbers of severely underemployed rural laborers, who formed the driving force in the rapid development of a new private sector operating fully on market principles... Thus in China and Vietnam, economic reforms created winners before losers and avoided an up-front battle with the entrenched labor and bureaucratic interests of the state sector.' (Pei 1994, p. 98).

There are plenty of examples of economic mismanagement in authoritarian system, possible precisely because of the nature of political system, and avoidable in democracy (Maravall 1994). Concerning the statistical preponderance of authoritarian success in reforming, Geddes discovers a logical fallacy in such reasoning: 'Evidence that appeared to support a relationship between regime type and likelihood of economic liberalization came from some of the earliest liberalizers, especially Chile, South Korea, Taiwan, Mexico, and Ghana. Many of the studies of these cases are classic examples of what social scientists call "selection on the dependent variable": cases were chosen for examination because they had experienced the outcome the analyst sought to explain--in this instance, economic liberalization... When an unbiased sample is used, the evidence supporting a causal link between regime type and likelihood of economic liberalization is weak' (Geddes 1994, pp. 106). Thus, scholars that take a critical stance towards the idea of 'authoritarian advantage' urge not to confuse dictatorship with cure to reform hardships.

A somehow different claim supporting the precedence of economic liberalization to democratic opening holds that entrepreneurs are interested in the emergence of property rights and thus the rule of law to protect them (Shleifer 1995). Yet, it would be a mistake to consider the interests of business to be unified; rather, favorable initial conditions and careful crafting of the reform can ensure that key actors are not alienated, and beneficiaries of the reform created (Sullivan 1994). This has been a part of China's reform strategy: 'In actuality, this growth-centered reform strategy has succeeded in rapidly developing a new private sector without undertaking mass privatization of state-owned enterprises (SOEs). Rising tax

revenues from the private sector have helped to offset dwindling receipts from the poorly performing SOEs. In China, the initial low debt burden of the government also allowed it to take on new debts to keep loss-making SOEs afloat' (Pei 1994, p.99). In Poland, small-scale privatization has played an important role: 'In Poland, for example, while large-scale privatization has languished for years, nearly all of the small shops and services were privatized quickly through auctions, employee buyouts, liquidations, and other means. The result was that the nature of market conditions changed radically, eliminating shortages and providing employment' (Sullivan 1994, p. 152).

At the same time, providing and enforcing property rights requires an accountable political environment. This has been emphasized by the critics of the Washington consensus: "While theoretically sound in principle, the Washington consensus for the most part neglected the importance of strengthening institutions of accountability" (Manzetti 2003, p. 317). If accountability is lacking, entrepreneurs may not be interested in the rule of law; 'capitalists will favor rule of law not out of benevolence or ideology but only if it is in their interest' (Havrylyshyn 2006, p. 40).

Hoff and Stiglitz (2004) develop a model in response to the views claiming that fast and massive privatization would create a powerful class of entrepreneurs interested in enforcing property rights and other market-supporting institutions, and the failure to complete economic reform should be blamed on the rule of law. The agents in the model are assumed to have access to enterprises. They can either make an irreversible commitment to build the value of the enterprise, or strip the assets of the enterprise, to the extent that is determined by a given parameter. After it, the constituency decides on whether it wishes the rule of law or not. In this game, the economic preferences of the actors define their political preferences as well: those supporting value building would want the rule of law, and vice versa. Both value building and stripping assets can be rational. However, under a set of conditions defined by the ability of agents to strip, although value building and rule of law leaves the agents better off, it is an unstable equilibrium.

The model is illustrated by situation at the very outset of democratization and market reform in the Russian case. It can be modified by adding the so-called 'agents with civic virtue' who always prefer the rule of law independently of their economic interests. This largely increases the space within which the rule of law equilibrium can be realized; at the same time, the decrease in civic virtue strongly enforces the emergence of the opposite equilibrium. Similarly, Polishchuk and Savvateev (2004) demonstrate how under the conditions of

production inefficiency and unequal access to ownership, wealthier agents would prefer less than full protection of property rights.

The proponents of the argument that democratization fosters economic liberalization indicate that democratization will naturally lead to the rise of proponents of economic reform. In the words of Tabellini: ‘The benefits of international trade typically accrue to citizens at large: consumers, new producers who find profit opportunities in the liberalized sectors, but also owners of factors of production employed in export oriented sectors. The opponents of liberalizations, instead, are typically large incumbent producers in the import competing sectors... Hence, when a country becomes democratic, the political influence of those who benefit from international trade is likely to increase, at the expense of the large incumbent firms in the economy’ (Tabellini 2005, p. 299). Also, scholars list such advantages of democracy as the free flow of information, lower transaction costs, ability to restrict predation, and legitimacy (Maravall 1994). Democracy is best suited to establish institutions of accountability that can be of crucial importance for economic reform (Manzetti 2003).

In the practice, however, this logic is constrained by a number of factors. First and foremost, many authors emphasize that economic liberalization disadvantages many groups and creates benefits only in the long run. Hence the assumption that economic hardships created by liberalization will undermine the belief in democratic institutions and cause a setback to authoritarianism: ‘The advent of a new democratic regime usually generates very high expectations about positive change, especially strong distributional ones. New democratic leaders must worry about gaining and sustaining sufficient legitimacy and coalitional support to stay in power. Frequently, the short time horizon generated by such concerns is intensified by fears of the return of authoritarian domination’ (Callaghy 1993, p.480). New democratic governments care about the issues of credibility and popularity, and economic mismanagement is likely to be blamed on the democratic regime itself (Nelson 1994). Also, the citizens in newly democratizing countries may demonstrate general mistrust towards politicians (Maravall, 1994).

Still, although the labor is expected to be most disadvantaged by short-term reform outcomes, in many cases it is hardly likely to translate its demands into political force sufficient to influence the course of reform; the labor also rarely threatens regime survival, and even less so for democratic regimes (Geddes 1994). On the contrary, reforms can be hampered by more influential political players: ‘In many countries the biggest, and certainly the most articulate and politically influential, losers from the transition to a more market-oriented economy are

government officials, ruling-party cadres, cronies of rulers, and the close allies of all three. These are groups whose ability to make effective demands does not decline as regimes become less democratic, which explains why many authoritarian governments have had difficulty liberalizing their economies' (Geddes 1994, p. 113). Thus, it is important to identify the winners and losers of economic liberalization and their ability to influence the process. Maravall (1994) emphasizes that rather than type of regime, the combination of economic hardships severity and strength of the political mandate is important for reform progress.

Another reason to be skeptical is the capacity of democracy to undertake a thorough reform – or the lack of such. According to some authors, due to increased political contestation immanent to democratic regimes, the reform-oriented democratic government is likely to be less effective in pursuing the desired reform path. Their reasoning can be summed up as follows: “Dictators” are less likely to open up the economy. But when they do it, like Pinochet in Chile, they crush whoever opposes the reforms and hence economic liberalization is more pervasive and complete. A liberalizing democracy, instead, is bogged down by veto players and it is forced to compromise or to compensate the losers' (Tabellini 2005).

Nelson (1994) lists the problems that can occur if economic liberalization and democratization are launched simultaneously. The reform is both hard to initiate and to sustain. For the reform to be launched, a wider consensus is important. Determination to initiate liberalization measures can relate to the assessment of country's earlier economic performance. Unlike Latin America, in Central European countries, the majority considered Soviet economy unprofitable and unsustainable which accounted for readiness to tolerate temporary economic hardships during economic transition (Duch 1993). Yet, a consensus is needed for reform continuation as well, since a general direction has to be agreed upon. Some groups, especially the opponents of the old regime, may express dissatisfaction with the reform only at its later stages. Moreover, implementation may require institutional, legal and other changes, to complete which, one must engage wide range of actors, including legislature and courts.

Describing the South Korean case, Jesse, Heo and DeRouen (2002) develop a model that illustrates this by using a 'nested game' approach. Here, the government plays a number of simultaneous games with various actors that are influential in the political environment which include opposition, labor/unions, and a centralized organization representing the interests of large business. While in order to increase its political standing, the government had an incentive to pursue economic reforms within the game that is played with the opposition, the

other two games make the continuation of status quo more preferable. The economic elites and the labor organizations were positioned against each other: while each of them had to pay the cost of economic reform, neither of them wanted to make concessions. Aiming to preserve power balance, the government maintained the status quo – a decision that looks irrational if only one game is taken into account.

Some authors identify specific conditions under which democracy is conducive to economic liberalization: ‘The costs of liberalization to politicians are lower, and consequently the probability of sustained reform is higher, when the national executive 1) comes from a party or faction previously excluded from enjoyment of the spoils of state intervention, and 2) enjoys the support of a working majority in the legislature and a disciplined party. Taken together, these observations point to situations in which democracy and economic liberalization, far from being contradictory goals, can be expected to reinforce one another’ (Geddes 1994, p. 117).

Post-Communist Democratization

The Collapse of Soviet Union/Transition from Communism

Some meta-theoretical analyses and review papers shed light on the tendencies in democratization research and its variance across regions in focus. Bunce (2000) notices that although South European, Latin American, and Eastern European countries all encountered the need to break from the authoritarian rule, establish democratic institutions and induce cooperation from former elites, there are significant differences in the ways these processes took place, and it has been reflected in the literature. The research on democratization in Southern Europe and Latin America largely focuses on the role of elites in transition. Analyzing Eastern European and African countries, as well as 18-century Europe, scholars identify structural forces that determined the flow of events.

A number of generalized assumptions about democratic transition, underlining the role of elites and drawing largely from Latin American democratization experiences, can be collected under the label of ‘transitology’. Thus, there is a body of research that identifies the negotiated pacts between the incumbent elites and the challengers as key events in the establishment of democratic ‘rules of the game’ (O’Donnell et al., 1986; Higley and Burton, 1989; Roeder 1998; Przeworski 1991; Karl and Schmitter 1991). This tradition can be traced back to the seminal work ‘Transitions to Democracy’ by Rustow (1970) that signaled a break from the previous structural approach towards elite agency approach. However, many authors conclude that in post-communist regimes, the underlying balance of power was decisive for the type of democracy that emerged, so that where one side had a clear advantage it used it to dictate the rules (McFaul, 2002; Colomer 2000; Fish 1998a, 1998b). Thus, these authors switch the focus from the deliberate will and decisions of the elites to more structural or legacy-based explanations. Geddes (1999) notes that the post-communist and African countries challenged the previously dominant assumption about the necessity of splits within the elite for the initiation of transition.

Research suggests that pacts between authoritarian elites and the opposition forces were less effective for successful transition in the post-communist countries or Africa than transitions through mass protests, unlike in other parts of the world (Bunce 2000). For example, McFaul (2002) uses the distinctive outcomes of post-communist transitions to differentiate between the third and the fourth wave of democratization: “...The causal pathways of the third wave do not produce the ‘right’ outcomes in the fourth wave transitions from communist rule. Imposed transitions from above in the former communist world produced not partial

democracy but dictatorship. It is instead revolutionary transitions – the mode of transition thought to be least likely to facilitate democratic outcomes by third-wave theorists – that have actually produced the most stable and consolidated democracies in the postcommunist world. Balanced, stalemated transitions – those most likely to facilitate the emergence of democracy-enhancing pacts in Latin American and Southern Europe – have instead led to unstable regimes of both the democratic and the autocratic variety in the postcommunist world.” (McFaul 2002, p. 221). This conclusion is in line with other research according to which shows that unlike Southern Europe, post-communist Eastern European democratization has been more successfully secured by a sharp break with the past and not bridging old authoritarian with new democratic elements (Bunce 1998).

Many scholars focused on the regime collapse itself and the initial democratization process. Game-theoretic approaches helped explain how the protesters overcome the ‘free rider’ problem. For example, Karklins and Petersen (1993) introduce the ‘dual assurance game’ where the point after which protest activities become a credible option differ for each group in the society (dissidents, students, workers, and party supporters, ordered by the height of the tipping point from lowest to highest). By engaging in protest, the groups with a lower tipping point assure others of the safety of such actions, and the movement gains momentum. Ginkel and Smith (1999) assume that the incumbent government, the dissidents and the broader masses all have different levels of information, and the success of the revolution is positively correlated with the potentially costly dissident action, since it convinces the population and ensures trust in movements leaders. Another important insight of their model is the ambiguous nature of governmental concessions: though potentially able to prevent the revolution, concessions also signal weakness.

Nalepa (2010) develops another model with imperfect information that illustrates why the new post-authoritarian leaders do keep their promises to guarantee amnesty, although the power is firmly in their hands. The basic idea behind the explanation is the so-called ‘skeletons in the closet’, or infiltration of ex-opposition parties, while the information about its extent is available only to the authoritarian leaders.

The starting point for the influential model of Przeworski (1991) is the split between Liberalizers and Hardliners within the incumbent regime prior to the transition. There are different possible outcomes (status quo, broadened/narrowed/more strict dictatorship, successful/not successful repression, and transition), and the players have different preference orderings over these. As a result, actors arrive at different types of consequent regime. Apart

from equilibrium outcomes, there are possibilities of false beliefs or belief upgrading, as well as sociological and psychological explanations.

Others linked the mode of transition to further success of democratic consolidation. McFaul (2002) classifies the countries of the former Eastern bloc according to the balance of power at the moment of transition, on the one hand, and the present state of regime (democracy, partial democracy, and dictatorship), on the other. The more consolidated democracies are those where the power is on the side of challengers, and the opposite goes for dictatorships. Empirical evidence supports his claim that it was precisely the imbalance of powers in favor of democratic forces that resulted in accomplished transition. In his words, if the actors – elites – ‘believed in democratic principles, then they imposed democratic institutions. But if they believed in autocratic principles, then they imposed autocratic institutions’ (Mc Faul, 2002, p. 224).

Also, many authors identify structural reasons, or legacies, that influenced the mode of transition. A study by Kitschelt and colleagues indicates three possible types of communist rule based on their levels of formality of state apparatus and the mechanisms used to instill compliance among the population, namely patrimonial communism, national-accommodative communism, and bureaucratic-authoritarian communism. These types resulted in different configurations of regime change. Eventually, these lead to certain institutional design choices, i.e. ‘rules of the game’, a connection that has found a moderate but robust confirmation. This theory traces the continuity of causal factors from a very long perspective: the degree of formal bureaucracy here stems from the presence or absence of capitalist market economies before the advent of communism, and the feasible compliance mechanisms were available inasmuch as the parties had bargaining power from the pre-communist times. The wholeness of factors resulted in four possible transition strategies: preemptive strike by an elite faction, hardliners-reformers split in the elite and negotiations, regime implosion, and revolution (the only possibility that has not been realized, according to the authors) (Kitschelt et al. 1999).

While this study focuses mostly on institutional impact of legacies, Pop-Eleches (2007) argues that some of them can provide clues to understanding why there is a gap between political institutions and actual democratic performance. For example, Grzymala-Busse and Jones Luong (2002) identify two legacies that were important for the quality of democracy in post-communist states. The first one concerns the degree of societal voluntary organization into distinguishable and recognizable groups and is in its turn based on the extent to which the preceding communist regime was successful in blurring the line between the ‘state’ and the

‘society’. More voluntary organization translates itself into representative competition, while the absence of such leads to self-contained elite competition. The second legacy is the presence or absence of centralized state apparatus. Especially in rapid transitions, the elites do not have the options to build completely new institutions and thus rely on existing ones, be they centralized and formal, or personalized and informal. The same holds for voluntary organizations. The process of post-communist state formation is seen as ‘elite competition over the authority to create the structured framework of policy creation and implementation’ (Grzymala-Busse and Jones Luong 2002, p. 537); different configurations of elite competition (representative vs. self-contained and formal vs. informal) produce four ideal types of post-communist statebuilding: democratic, autocratic, fractious and personalistic.

The authoritarian or totalitarian legacy has been studied in regard to its impact on civil society both in post-communist countries (Howard 2003) and generally (Bernhard and Karakoç, 2007). The general conclusion is that history of dictatorship has a negative influence on the development of civil society. However, as the study by Bernhard and Karakoç suggests, the key factor in the strength of this negative influence is not the communist regime itself but rather its duration: the core Soviet countries have experienced the authoritarian or totalitarian rule for a significantly longer amount of time than the Central-East European, Baltic or ex-Yugoslavian countries.

Assessing the democratic performance of post-communist countries after the transition from communism, scholars identify the important role of external factors, most importantly the prospects of EU membership. From an international relations perspective, the active presence of such actors as OSCE, EU and CEE is precisely what differentiates the post-communist democratization from earlier waves (Tudoroiu 2010). The invitations from international organizations have thus served the function of socializing the transition countries into democratic norms (Tudoroiu 2010, Schimmelfennig 2005). This reasoning seems to be especially effective for explaining one of the puzzles in transition studies which is the widening gap in democratic progress between Central-Eastern European countries, on the one hand, and Eastern European and Central Asian countries, on the other.

Hybrid Regimes

Analyzing the ‘third wave of democratization’, Markoff (1996) draws readers’ attention to semi- and pseudodemocracies, namely regimes with formally democratic institutions and ‘rules of the game’ which fail to translate themselves into actual reality.

There are different definitions and criteria of democracy. These can be classified as constitutional, substantial, procedural and process-oriented definitions of democracy (here see Tilly 2007 p. 7). Constitutional definitions belong mostly to the proponents of the role of institutional framework for democracy. However, ‘good’ institutions per se do not grant effective democratic rule. So, substantial definitions look at whether the regime in case is able to distribute the goods associated with democracy. They, too, by looking only at whether the regime is able to distribute the goods associated with democracy, tend to overlook important issues in democratic governance.

Procedural definitions look at whether the procedures of democratic contestation, most importantly elections, fulfill the necessary criteria, and whether they take place on a regular basis. It is a closer approximation to reality than constitutional definitions, and still these approaches have been criticized for being insufficient. Nevertheless, procedures, being observable and easier to estimate, continue to be most important for demonstrating the degree of democracy on international arena: “Fair elections are the main, if not the only, characteristic that certifies countries as democratic before other governments and international opinion. Nowadays this certification has important advantages for countries and for those who govern them” (O’Donnell, 1996, p. 45). The more comprehensive concept of process-oriented democracy, as outlined by Dahl, includes five criteria: effective participation, equality in voting, gaining enlightened understanding, exercising final control over the agenda, and inclusion of adults (Dahl 1998). Here, not only the form but also the essence of procedures is emphasized.

Some of hybrid regimes can satisfy procedural criteria of democracy. More often, however, they try to imitate the elements of procedural democracy to create the visibility of a democratic regime. Yet, the real democratic contestation and power sharing in hybrid regimes is inhibited by opposition repression, restrictions on the actual authority of the president or the parliament, fraudulent elections, or foreign countries interventions; in broader terms, there may be constraints on 1) the capacity of individuals to choose; 2) the range of available choices; and 3) the degree of elections’ decisiveness in determining the power holder (Markoff 1996).

Diamond claims that the number of semi- or pseudodemocratic regimes has also proportionally outstripped the spread of democracies in the third wave: ‘if we use a very demanding standard of democracy, encompassing not only democratic elections but solid protection of civil liberties under a strong rule of law, then the proportion of intermediate

regimes truly swells because so many of the new “democracies” of the third wave are “illiberal” (Diamond 2002, p. 25).

Many authors aimed at classifying the so-called hybrid regimes. This poses a serious challenge, in part because of the understandable obscurity of such regimes. In the words of Diamond: “Regime classification must, in part, assess the previous election, but it must also assess the intentions and capacities of ambiguously democratic ruling elites, something that is very hard to do” (Diamond 2002, p. 22). Nevertheless, scholarly contributions to the conceptual apparatus of hybrid regimes studies are ongoing. Markoff attaches the label ‘semidemocracy’ to those countries that combine elements of democracy and authoritarianism, and ‘pseudodemocracy’ to those with the mere façade of democratic rule. The tendency to maintain elections, however flawed, earned the hybrid regimes the nickname of ‘electoral authoritarianism’ (Diamond 2002).

Another term is ‘competitive authoritarianism’, coined by Levitsky and Way. The authors refuse to characterize the regimes falling short of basic democratic requirements as a form of democracy with a diminishing adjective, instead preferring to view them as less than fully authoritarian. Symptomatic for the countries classified as such are regular human rights violations, lack of legal protection and the rule of law, harassment against opposition forces, and systematic violations of democratic principles. At the same time, this type of regime retains a certain degree of competitiveness, particularly in the electoral and judicial branch and the media.

Yet another concept is ‘illiberal democracy’ (Zakaria 1997) which reminds us of the fact that although in Western countries, democracy and constitutional liberalism have long been seen hand in hand, it does not have to be like that in other countries following different paths of development. Liberalism here is seen as state’s obligation to protect individual autonomy against coercion. The author concludes that while constitutional liberalism has led to democracy, it does not necessarily work this way in the opposite direction.

Integrative approaches to the variety of concepts and measurement problems have already been attempted. Bogaards (2009) adds to the conceptual clarity in the field, summarizing the scholarly work on hybrid regimes classification and particularly introducing the less known contributions of German scholars (specifically, the notion of ‘defective democracies’). He argues that if all sorts of hybrid regimes are diminished subtypes, then the important question

is the root concept from which the deviations occur. Bogaards demonstrates that the possible definitions of this concept offered in the literature have been developed in the interaction with the deviations themselves. At the end, a double-root strategy of regime classification is outlined, with democracy and authoritarianism having to be situated at the poles of a spectrum, and other regimes in between.

Ekman (2009) develops a comprehensive framework for analyzing hybrid regimes, integrating the findings and insights on the topic. Competitive authoritarianism is operationalized in terms of competitiveness in the electoral arena, executive-legislative relations, level of judiciary corruptness, and the level of public discontent and potential for political change. The scale of 'authoritarian competitiveness' combines six empirically measurable indicators: competitive elections, levels of corruption, democratic quality, media freedom, civil liberties, and rule of law. The three countries that are analyzed thereafter, Tanzania, Russia, and Venezuela, have yearned high scores on the scale (the former two having the highest score), yet they are different in terms of their regimes' origins. An analysis of political participation and public opinion reveals interesting conclusions about the nature of political culture and the lack of interplay between opposition and the wider population in hybrid regimes. At the same time, researchers are encouraged to apply and develop the proposed framework.

Diamond (2002) classifies the regimes in accordance with four dimensions, making use of the concepts of competitive authoritarianism and uncompetitive hegemonic regime, as well as distinguishing between electoral and liberal democracy (the latter being broader). According to his classification, by the end of 2001, there were 21 (10.9%) competitive authoritarian, 25 (13%) hegemonic electoral authoritarian, 25 (13%) politically closed authoritarian, and 17 (8.9%) ambiguous regimes in the world according to his analysis. These are large numbers, especially if we follow the assumption of the author and lump regimes tagged ambiguous together with hegemonic electoral and competitive authoritarian regimes, plus keep in mind that their number has been rising at a faster pace than that of democracies.

Eventually, the 'transition paradigm', i.e. the tradition to think of post-communist states as slowly but gradually moving towards democracy, has lost much of its appeal in the academic discussion (Carothers, 2002). Imitating democracy has been a trend among states falling short of democracy the superficial nature of which of course did not escape the eye of outside

observers. In Hassner's characteristics of Putin's Russia, "the predominant strategy sought to maintain the appearance of democracy while progressively emptying democratic institutions of their content" (Hassner 2008, 9). This is the reality in many post-communist regimes apart from Russia. The reasons for keeping a visibility of democracy can be various, from consolidating obedience within the country to the pressure from the Western world (Diamond, Linz and Lipset, 1995). Collected under the umbrella term 'hybrid regimes', these regimes 'combine the uncertain results of democracy with the uncertain procedures of authoritarianism' (Bunce 2000, p. 714-715).

Political Liberalization in Hybrid Regimes

Markoff (1996) and Levitsky & Way (2002) are unanimous in their opinion that precisely these democratic elements in non-democracies, however deficient, entail the potential for democratic transition. Whether the regimes kept these institutions to keep up some relationships with the West or just were not able to get rid of them, rudimentary democratic organs present space for democratic contestation in some cases. According to Markoff, attempts at creating a tame opposition often turn out to be disastrous for authoritarian incumbents. According to Levitsky and Way, the electoral, legislative, and judicial arenas, together with the relatively independent media, are weak points for authoritarian incumbents where their power may be contested, although this is not happening on a regular basis as in a truly democratic system of checks and balances. The existence of contestation areas provides a possibility to overthrow oppressive regimes; still, the authors are quick to notice that even successful regime change does not necessarily directly lead to democratization.

Indicating a path towards genuine democracy from competitive authoritarianism and other kinds of hybrid regimes is indeed both challenging and hard a task for democratization scholars since, as time passes, the so-called 'countries in transition' are proving to be unusually stable non-democratic regimes, and what was interpreted as transition is rather a political equilibrium resistant to change (Carothers 2002). Breaking the vicious circle of regime fraud requires effort and strong political motivation: "While an opposition victory is not impossible in a hybrid regime, it requires a level of opposition mobilization, unity, skill, and heroism far beyond what would normally be required for victory in a democracy" (Diamond 2002, p. 24).

It needs to be taken into account that in many today's post-communist countries which can be characterized as 'hybrid regimes', party formation and competition is fundamentally flawed. Haggard and Kaufman (1995) identify four ways in which the opposition can be effectively kept out of office in dominant-party systems: mixing the boundary between state and the ruling party in favor of the party, restrictions on the freedom of party formation, or outright banning of the newcomers. There are mechanisms to ensure electoral victory for the incumbents or preferred candidates specific to the post-communist regimes, such as the use of administrative resource (Allina-Pisano 2010). Administrative resource basically means the threat of losing services and goods that normally any taxpayer would be entitled to, such as salaries, public transportation or welfare. This method of pressure is widely used in post-communist regimes, as the remains of administrative apparatus of the Soviet Union ensure state control over a wide variety of public goods which is especially harmful for the impoverished population. This particular mechanism is different from other widely studied means of political manipulation since in this case, the social contract is re-negotiated. Administrative resource is "primarily subtractive for publics, who stand not so much to gain through compliance as to lose through non-compliance" (Allina-Pisano 2010, p. 374).

External actors are also important players here that can have crucial role in supporting the fledging democracy, as demonstrated in Havrylyshyn's analysis and shown in the quantitative assessments of Kopstein and Reilly (1999). The question is thus whether the impulse for democratization has to come from outside or domestic action can be decisive. Yet, the vicious circle of these enforcement efforts is that the EU expects the countries to demonstrate 'true commitment' to democratic development and the rule of law, on the one hand, and the countries have no incentive to do so unless the prospect of entering becomes more outspoken, on the other.

In Serbia, Georgia, Ukraine, and Kyrgyzstan large-scale protests ousted incumbents that intended to prolong their rule through electoral fraud. Sometimes unexpectedly large numbers of people in the streets, as well as the consolidation of the opposition, has led many to believe in the truly democratic nature of these protests, as the triumph of democratic aspirations and civil society (McFaul, 2005). They have been labeled revolutions, although the label can be discussed. Similar protests were attempted in a number of other countries, but failed. Among the successful ones, there have been considerable differences. Yet, some elements have been consistent. Beissinger (2007) outlines six main features that are visible in every case of

successful revolution, although other things have largely been different: stolen elections as the pretext for mobilization; foreign support for local pro-democracy movements; organization of radical youth movements that made use of unconventional protest tactics; united opposition (either willingly or out of necessity); external diplomatic pressure and electoral monitoring; and, finally, massive mobilization after the fabricated elections results have been announced.

It is a common point of view to see the colored revolutions in the so-called Eastern bloc as something similar to a chain reaction, and is reflected in the concept of ‘modular phenomena’. One of the points the Beissinger underlines is the use of specifically non-violent protest tactics. He then goes on to describe the sharing of experience and the spread of tactics among the youth organizations that paved ground for regime change. Also, to describe the actions of the elite which were crucial for the success of the mobilization, Beissinger develops two possible distinct patterns of behavior: elite defection model, which worked in the case of successful revolutions, and the elite learning model that happened otherwise. In this logic, he is supported by the fact that a number of relatively sizeable efforts at a revolution, namely the ones in Azerbaijan and in Belarus, happened in the aftermath of the winning revolution and failed. Thus, the elites have learned their lesson and did not allow for a power change to happen.

The ‘modular phenomena’ approach to the revolution is useful for explaining the emergence and timing of the revolutions in the post-Soviet world and can also be fruitfully applied to the studies of the Arab Spring. At the same time, the elite defection and elite learning models fail to provide a sufficient account of the processes that lead to success or failure of revolutions. Particularly, they lack insights into the structural factors at work. Way (2008) indicates a number of structural conditions that (provided that all or most other factors mentioned by Beissinger are in place) accounted for the success or failure of the revolutions. First of them is the establishment of a powerful ruling party the members of which would not possibly have an incentive to defect from it. Wherever the revolutions have been successful, the leader relied on a rather loose coalition of party united by short-term interests; however, in Belarus, for example, it has not been the case. Another factor is the strength and commitment of coercive apparatus. An important observation is that most reliable coercive forces are those that have recently won an international conflict, such as the one in Armenia. To present a contrast, the Georgian police has been withheld the payment of wages for three months – which obviously means they had no incentive to obey Schevarnadze. Indeed, the Georgian

revolution has been one of the easiest ones in terms of potential danger, time and human involvement.

Concerning the degree of oligarchic capture of the economy and its role in the revolutionary prospects, Way concludes that the more state control over economy (as in Belarus, Tajikistan and Uzbekistan), the securer the position of the leader. The ability to control the flow of finances gives state more place to maneuver, and thus makes it to a larger extent ‘revolution-proof’. However, when the business controls the state rather than vice-versa, the democratizing forces can either rely on its support and sponsorship (as in the case of Ukraine) or at least face no threat. In a counterintuitive fashion, the more the state is the instrument of oligarchs’ will, the higher the chances of regime takeover. (Whether it also increases the democratization potential is another question that will be addressed in the model). This corresponds to the argument that when successful, privatization created an active capitalist class that can be interested and support regime change (Radnitz, 2010).

Thus, unlike Havrylyshyn, Way focuses on indigenous rather than exogenous factors. Of course, it has also the reasons that the two authors write from different time points. Besides, Way also includes the role of the West in his analysis; he combines a larger number of variables that include both indigenous and exogenous factors that can be of key importance for transition: ”In those low-linkage cases where Western pressure played a less decisive role in defeating postcommunist autocrats, regime collapses have resulted more from authoritarian weakness than opposition strength” (Way 2008, 62).

However, the success of collective protests does not automatically translate itself into democratic progress. Hale (2006) views revolutions as normal vehicles of ‘patronal presidentialism’, another subtype of a hybrid regime that is said to be prevalent in Eastern European countries. Hale associates the revolutionary transformation in Georgia, Ukraine, and Kyrgyzstan with the fact that the incumbent president in these countries was a ‘lame duck’ with obviously no political future. This opened up the opportunity for the elites (rather economic than political) to rally around the new (revolutionary) leader because he or she seemed to be more likely to distribute benefits to them. Yet, the elites would do so in the case of a non-revolutionary ‘chosen’ successor as well. Thus, in Hale’s view, colored revolutions represent usual patterns of patronal presidentialism rather than true democratic opening.

What is lacking in the literature is the assessment of color revolutions from today’s perspective. Many authors singled out the factors that influenced the success of revolutionary

power change (Way, Radnitz, Beissinger). Only a limited number of countries where mass protests took place managed to overthrow incumbent semi-authoritarian incumbents and ensure the victory of a popular candidate. Out of these countries (not taking into account Serbia), only one managed to implement comprehensive economic reform and make a big step towards market liberalization. Looking at the countries that successfully arrived at power change and liberalized the political arena can demonstrate the factors that played out differently and led to different outcomes.

Relation between Political and Economic Liberalization in Post-Communist Hybrid Regimes

Economic Reform and Democratization in the Region

The literature on economic liberalization suggests that it creates short-term losers that would aim to reverse the process. For this reason, democracies, especially recent ones, are ill-suited for the task of reforming the economy. In the post-Soviet transition to market economy, wide support for reform was combined with low assessment of Soviet economic performance. Duch (1993) shows that here the support for economic reform is positively correlated with commitment to democracy and negatively associated with the assessment of economic conditions within the Soviet Union. Looking even further into the past, the better a country's economic and political performance before the communist era, the more comprehensive its economic reform afterwards (Horowitz 2004).

At the same time, comprehensive economic reform is strongly correlated with democracy progress in the region. Firstly, the comprehensiveness of the reform has been determined by degree of democratic contestation. Among five variables measuring cultural, political and economic factors, Fish (1999) finds that sustained economic reform can only be predicted by the degree of democratic commitment in the inaugural elections in the immediate aftermath of socialism collapse. This is similar to Hellman's discovery of a strong positive correlation between the political rights over the course of transition (1993-1994) and EBRD's measure of economic reform (Hellman 1998). Importantly, he looks at the inclusiveness of the political system, operationalized as the size of coalition governments¹, and finds another significant correlation between the number of political forces in the government, on the one hand, and the

¹ This measure is a modified version of an index developed by Roubini and Sachs (1989). The lowest score denotes a one-party authoritarian government, and higher scores indicate the increase of the number of parties in the government coalition.

comprehensiveness of economic reform, on the other one. Frye and Mansfield (2003) find that in democracies and non-democracies alike, power fragmentation fosters trade liberalization.

The general conclusion is that precisely the vulnerability of governments to the electoral threat presented by the short-term losers led to the introduction of most comprehensive reform; where there were no electoral pressures, the reform has hardly been successful. Another explanation distinguishes between the insiders and the outsiders in the privatization process. In illiberal democracies, a specific pattern of privatization that rewards the insiders is chosen, and it prolongs the rent-seeking practices harmful to genuine economic development. The competitive principle inherent in liberal democracies makes no distinction between the insiders and outsiders, by means of which liberalization is more effective.

The prospects of EU membership seem to influence both economic reform and democratization. Kopstein and Reilly (1999) identify that the factor of closeness to the EU has largely influenced the competitiveness of the initial elections in post-Communist countries, which in its turn was related to the scope of economic reform. Some authors directly identify the material benefits associated with EU accession as the driver of democratization (Kurtz and Barnes 2002). An alternative to EU has been Russia, whose support to Belarus, for example, made its economic adjustment less painful (Mario Nuti 2005).

Second, the countries that adopted most comprehensive reforms were also the most successful democratizers (Bunce 1999, 1994; Fish and Choudhry 2007, Fish 1998a). Comparative studies show that the effects of reform on democracy are negative in Latin American cases and positive in post-communist ones (Kwon, 2004).

Thus, the typical ‘losers’ in the liberalization have often been supportive of the reform. However, many winners were interested in prolonging it (Aslund & Dmitriev 1999; Havrylyshyn 2006; Hellman 1998). These have included “enterprise insiders who have become new owners only to strip their firms' assets; from commercial bankers who have opposed macroeconomic stabilization to preserve their enormously profitable arbitrage opportunities in distorted financial markets; from local officials who have prevented market entry into their regions to protect their share of local monopoly rents; and from so-called mafiosi who have undermined the creation of a stable legal foundation for the market economy” (Hellman 1998, 204).

Contributing to the attempt to comprehend the logic of uneven development of democracy in the post-communist countries, Havrylyshyn (2006) develops the so-called ‘safe harbor’

model. He uses the 'navigation' metaphor to illustrate the patterns of post-socialist transitions. The state that is about to float into the unknown waters of free market economy needs to decide on the navigation course. If it spends too much time deciding, this increases the possibility of 'pirate' attacks on its resources. The 'pirates' here are the oligarchs who are understood as rational economic actors that seek to maximize their benefits. If the liberal reform is delayed, they use the opportunities to concentrate as much capital as possible in their hands.

The last component is the 'safe harbor' to which the ship may be heading. This role has mostly been performed by the EU, although it is assumed that any other organization such as the IMF or NATO can serve this function. Regionally, however, EU has had the most effective influence. The countries that have been offered a realistic perspective of entering had an incentive and ready guidelines for the transformation of the regime. As can be seen, the exogenous factor of third party involvement is crucial here. Havrylyshyn describes the policy of EU enlargement in the nineties as fostering democratization by means of 'carrots and sticks'. EU's demonstration of willingness to accept the newly democratizing country into its ranks, combined with domestic commitment to European integration, accounted for the rapid economic reforms that were necessary to prevent oligarchic seizure of influence over the state (or state continued hold over economy). Presence of a strong incentive of EU membership made the political elites to conduct more thorough and transparent economic reform policy, most importantly in privatization. Although it is largely an economic model, qualitative analysis suggests that together with economic liberalization, the countries heading to the 'safe harbor' have been performing better on democracy-related measures as well. Up to the present point, all the countries Havrylyshyn was mentioning in this context have successfully completed all the requirements and entered the EU.

The resulting so-called 'partial reform' can be illustrated by the model developed by Hoff and Stiglitz (2004). The partial reform can be relatively stable: economic institutions can under some circumstances be more stable than political ones, both because of the ability of the elites to increase their de-facto power in case the de-jure power pattern changes, and because of the increased durability of economic institutions as compared to political institutions (i.e. defunct arrangements favoring the elite can continue under democratic regime as well) (Acemoglu and Robinson 2008b). The de-facto power of the economic elites and their prevailing influence on political arrangements is often referred by the scholars as 'state capture'.

State Capture

The 2000 World Bank Policy Research Paper uses the term ‘state capture’ and distinguishes it from influence or administrative corruption by the fact that only in a captured state, oligarchs have the resources to form the actual rules of the game (Hellman, Jones and Kaufmann, 2000). The measure is as a compound variable including the impact measure, i.e. the share of firms who report having benefited from the purchase of laws, et cetera, and the behavioral measure, measuring the self-reported actual behavior. This accounted for the creation of the state capture index. Countries scoring relatively high on it were Azerbaijan, Bulgaria, Croatia, Georgia, Kyrgyzstan, Latvia, Moldova, Romania, Russia, Slovakia and Ukraine. Trying to measure the economic cost of capture (with the best data available), the authors come to the conclusion that captor firms perform nearly four times as good as other ones in ‘captured states’, but perform worse where the level of capture is low. The social costs include the considerably lower growth of sales and real investment rates, as well as negative influence on the level of property security. Although state capture is an elusive phenomenon, the methodology of measurement seems to fulfill the task of capturing it (Hellman and Schankerman, 2000).

The concept of state capture also served for refinements in regime classifications; thus, Grzymala-Busse (2008) utilizes two criteria, namely the form of rent distribution and the toleration of competition, to distinguish between four types of state capture: clientelism, predation (cleptocracy), institutional exploitation, and fusion of party and state. Most of the post-communist regimes would likely fall into the institutional exploitation category, although the exact level of model’s applicability to post-communist environments, especially to the so-called hybrid regimes, remains unclear.

The roots of state capture lie in the realities of initial post-communist market transition (Havrylyshyn 2006). At the beginning of the transition process, entrepreneurs support efforts to liberalize the economy, but only to the extent that it serves their interests. As soon as a number of them reach enough wealth and usurp a large share of the economy, the reforms cease to be a priority. Since the power of the oligarchs controls the state apparatus, they can influence policy making in the desired direction and stop the reform process short of complete transformation. This analysis is in line with the contributions of other authors (Hellman 1998). In a comprehensive fashion, Aslund and Dmitriev (1999) describe the processes preceding the Soviet collapse and up to the financial crisis of 1998 that effectively blocked the continuation

of economic reform. In the immediate aftermath of regime change, the new businesspeople focused mainly on such rent-seeking activities as export of domestically cheap products through export licenses and quotas, credits at subsidized rates from the Central Bank of Russia, and import subsidies for food that was later sold at the domestic market. All these actions were made possible by the compliance of the state, and allowed the entrepreneurs to generate huge fortunes in no time. 'In a few short years, - the authors state, - Russia went from having an income differentiation close to the European average to having one of much higher Latin American proportions' (Aslund and Dmitriev, 1999, 97). Eventually, those rich with a stable lobby in government continued to push for disastrous politics even when the crisis was obviously approaching. The laws passed or dismissed as a result of this lobby served both as a trigger and the reason of the crisis, such as the refusal of the value-added tax proposal.

Basically, the oligarchs' grasp upon the state has two important consequences. First, the 'lawlessness' is the desired state of affairs despite the claim of many authors that business elites would eventually inevitably push for property rights (and thus, law for all). This need is neutralized by the positive prospects of rent-seeking in a non-transparent environment; after all, with the help of informal nets the property rights can be bought. Second, the monopolists would want to avoid competition and thus hamper the development of small and middle business, forcing these to higher taxation, red tape and forced bribery. Such a state of affairs is an equilibrium which is relatively stable and thus offers pessimistic prospects for transition.

The Model

The three cases of successful revolutions in Georgia, Ukraine and Kyrgyzstan all resulted in defeating the incumbent and establishing the opposition candidate in the presidential seat. It has been reflected in the literature that although the opposition may have been dispersed before the revolution, it managed to unite and present a single presidential candidate to defeat the authoritarian leader (Beissinger 2007). However, the incumbent presidents had to rely on the partnerships with their revolutionary allies after the revolution as well. In Georgia, Saakashvili's coalition included such popular politicians as Zurab Zhvania or Nino Burjanadze. In Ukraine, a strong charismatic leader was Yulia Tymoshenko who actively led protests during the revolution, headed a popular party and aspired for the position of Prime Minister. In Kyrgyzstan, Bakiyev was largely a compromise candidate whose wide support was largely based on the decision of Felix Kulov and Roza Otunbayeva to give up presidential ambitions. Not surprisingly, after the opposition leader was successful installed in office, the process of parliamentary coalition making, distribution of seats in the executive, and deciding upon the policy course revealed the differences in the ambitions and ideological orientations of the revolutionaries. Thus, it is important to recognize the splits within the revolutionary front and the way these played out in reform dynamics.

We assume that the coalition of forces that participated in staging the revolution consists of two parties: the Newcomers (NE) whose representative occupies the presidential seat; and their allies (NE'). They both have their levels of popularity which translate themselves into parliamentary representation:

$$P_{ne} \in (0;1)$$

$$P_{ne'} \in (0;1)$$

At the same time, although the revolutionary success demonstrated widespread support for former opposition forces, the political players of the previous regime did not disappear from the political arena altogether. While the presidential party The Citizens' Union of Georgia (CUG) was drastically losing popularity before the revolution, other parties related to the old regime (New Rights Party of Georgia and Industry Will Save Georgia) kept some degree of support and were able to win parliamentary seats in post-revolutionary elections. In Ukraine, the party of Yushchenko's main opponent was enjoying considerable popularity, especially in the East and South of the country. In Kyrgyzstan, the daughter of the defeated incumbent

Akayev demonstrated intent to remain in politics. After the revolutions, the previously pro-regime parties have found themselves in opposition to the new regimes.

Thus, another force in the political arena is the party that represents the interests of the business elites (BE) related with the previous regime. It does not act as a player and is represented as an exogenous factor:

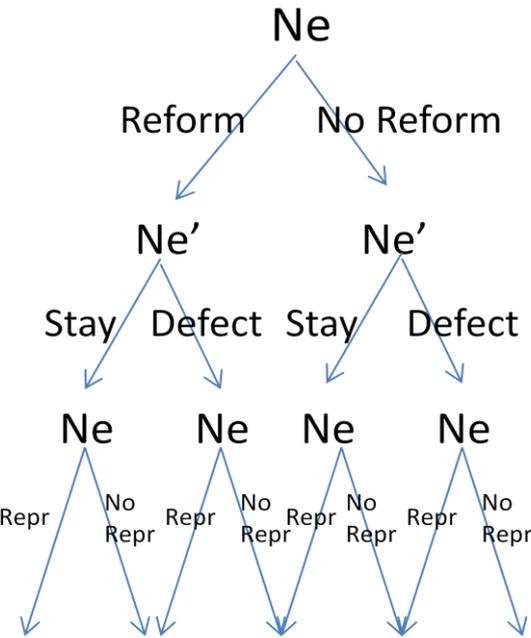
$$P_{ne} + P_{ne'} + P_{be} \leq 1$$

As underlined by many scholars, market liberalization is likely to increase economic hardships and create many opponents in the short term; thus, to implement a comprehensive series of reforms, the ruling party may have to enjoy widened executive powers or make use of the 'political honeymoon' when the support of the population is at its highest. Also, to implement reforms, a consensus between different actors is needed; otherwise the continuation of reforms is likely to be blocked by veto powers. Hence, we assume that successful economic liberalization is possible only when the revolutionary coalition retains unity, i.e. NE' stay in coalition with NE.

At the same time, the attitudes of different political forces may vary. During the protests, the revolutionaries appealed to public sentiments by putting market reforms, fair privatization, and anti-corruption measures on their agenda. Both Saakashvili and Yushchenko had a certain record in economic reforming (particularly Yushchenko who made his reputation during his term as the Prime Minister that helped divert the economic crisis in 2000). However, in reality, their intentions to reform the economy may have been complicated by numerous factors such as the need to honor the commitments of large capital owners to the success of the revolutions, economic or political ties with the regional power Russia, or informal ties with business elites. Bakiyev, on the other hand, was a relatively less known political figure in Kyrgyz politics before the revolution. Moreover, the attitudes of revolutionary allies towards market reforms may have differed from those of presidential parties. Let us denote the attitude of NE towards economic reform by $Q > 0$. If $Q < 1$, then NE oppose the reform. If $Q = 1$, they are indifferent towards it, and if $Q > 1$, then NE support the reform. Similarly, the attitude of NE' is reflected in $q > 0$. Again, $q < 1$ means that NE' oppose reform; $q = 1$ means that they are indifferent and $q > 1$ demonstrates their support.

Finally, an important feature of politics in democratizing hybrid regimes is the threat of repression. All countries of analysis were presidential regimes with wide executive powers; only Ukraine switched to parliamentary-presidential system as a way out of the political

deadlock during the revolution, yet still did not become a parliamentary republic. The incumbents in pre-revolutionary regimes used their presidential authority to repress political opponents and the opposition. Although the revolution took place under the banners of democratization, the existing constitutional and institutional structure as well as political tradition provided the newcomers with the possibility to repress their political opponents – even more so since repressing the previous ruling party could be presented as punishing perpetrators of the old regime.



The interaction between NE and NE' is presented as a sequential move game. Presidential party NE moves first and decides whether to initiate reforms or not. After observing their move, NE' decide whether to stay in the coalition with NE or to switch to opposition (and thus join BE). Lastly, NE decide whether they repress their political opponents or not.

Let us now turn to the payoffs. First, we will describe the outcomes when NE do not choose repression at the last subgame. For these outcomes, the payoffs of the players are

determined by the size of their coalition and, in the case of successful reform, by their attitudes towards reform. If reform is initiated and NE' stay, the payoff of NE equals $Q (P_{ne} + P_{ne'})$, and the payoff of NE' equals $q (P_{ne} + P_{ne'})$; if NE' defect, the payoff of NE is P_{ne} and the payoff of NE' is $P_{ne'} + P_{be}$. If reform is not initiated and NE' stay, the payoff of both NE and NE' is $P_{ne} + P_{ne'}$ and if NE' defect, the payoff of NE is P_{ne} and the payoff of NE' is $P_{ne'} + P_{be}$.

The choice of repression, as said before, can represent the intention of the newcomers to punish perpetrators of the old regime and curb corruption. At the same time, repression throws a shadow at the genuine democratic intentions of the newcomers declared during the revolution. In Kyrgyzstan and Georgia, the repressions by the ruling party caused mass protests and drew criticism of international observers and human rights groups about the quality of post-revolutionary democracy. Repressions can alienate not only the supporters of the repressed party but also one's own former supporters and is especially dangerous for the

regime if a relatively unpopular incumbent represses his more popular opponents as it has been the case in Kyrgyzstan.

Thus, we assume that the choice of repression can have differing results for the presidential party NE. The less popular the repressed political force is comparing to the ruling party's coalition, the more beneficial repression is for the ruling party. However, if the popularity of the repressed force is greater than that of the ruling party coalition, then repression is detrimental to the regime. In reality it can also mean that the ruling party which does not have a majority in the parliament must trespass the law to launch political investigations, which is detrimental to the legitimacy of their rule. If NE' stay in coalition with NE, repression is directed against BE only; if NE' defect, repression is directed against both BE and NE' since they both are in opposition.

If NE choose repression, additional values are added to their payoffs functions (i.e. to $Q(P_{ne} + P_{ne'})$; $P_{ne} + P_{ne'}$; or P_{ne} , depending on the size of the coalition and the progress of the reform). If NE' stay, and repression is chosen, $(P_{ne} + P_{ne'}) - P_{be}$ is added to the payoff of NE; if NE' defect, and NE choose repression, $P_{ne} - (P_{ne'} + P_{be})$ is added to their payoff. By taking either positive or negative value, these additions show that repression can have different results for the presidential party. According to the payoff formulae, NE would always prefer repression if $P_{ne} > P_{ne'} + P_{be}$. In other words, if the support for the ruling presidential party is larger than the compound support for all other forces in the political arena (and its parliamentary representation is greater than that of other parties), then repression is always preferred. If it is not, their choice depends on the decision of NE' to stay in the coalition or not. For NE', the impact of repression is represented by $r \in (0;1)$. If they decide to defect and NE choose repression, their payoff is $r(P_{ne'} + P_{be})$.

How is reform possible?

The game described above is a sequential-move game with perfect information. To solve it and find the Nash equilibria of this game, we need to use sequential rationality, i.e. look which action would be preferable for the players at every subgame of the game starting with the last one where NE make a decision between repressing and not repressing their political opponents. Since the game is defined by the value of many different parameters, there will be many Nash equilibria (they are described in the Appendix). Here, we will describe the pool of Nash equilibria in which reform is successfully implemented, i.e. the newcomers choose to

implement the reform, and the revolutionary coalition stays united (NE' decide to stay in coalition with NE). For better understanding, the payoffs for both players are represented in the tables below.

Reform

		NE'	
		Stay	Defect
NE	Repress	$Q(P_{ne} + P_{ne'} + (P_{ne} + P_{ne'}) - P_{be})$, $q(P_{ne} + P_{ne'})$	$P_{ne} + P_{ne} - (P_{ne'} + P_{be})$, $r(P_{be} + P_{ne'})$
	Not Repress	$Q(P_{ne} + P_{ne'})$, $q(P_{ne} + P_{ne'})$,	P_{ne} , $P_{be} + P_{ne'}$

No Reform

		NE'	
		Stay	Defect
NE	Repress	$P_{ne} + P_{ne'} + (P_{ne} + P_{ne'}) - P_{be}$, $P_{ne} + P_{ne'}$	$P_{ne} + P_{ne} - (P_{ne'} + P_{be})$, $r(P_{be} + P_{ne'})$
	Not Repress	$P_{ne} + P_{ne'}$, $P_{ne} + P_{ne'}$	P_{ne} , $P_{be} + P_{ne'}$

For reform to take place, NE need to initiate it, and NE' need to stay in the coalition with NE. Under what conditions does it happen, and how does repression refer to it? First of all, if $P_{ne} < P_{ne'} + P_{be}$, repression is never preferred by NE. If $P_{be} - P_{ne'} < P_{ne} < P_{be} + P_{ne'}$, repression is preferred only if NE' stay, thus NE cannot influence the decision of their allies NE' to stay through the threat of repression. In these cases, NE' stay if $q(P_{ne} + P_{ne'}) > P_{be} + P_{ne'}$; i.e. if

$$q > \frac{(P_{be} + P_{ne'})}{(P_{ne} + P_{ne'})}$$

Obviously, if $P_{ne} > P_{be}$ and NE' support the reform (i.e. $q > 1$), NE' always choose to stay. If $P_{be} > P_{ne}$ and NE' oppose the reform (i.e. $q < 1$), NE' always defect, and the reform never happens. NE choose reform if $Q \geq 1$ and if they know that NE' will stay.

Repression is always preferred if $P_{ne} > P_{ne'} + P_{be}$. In this case, NE' take into consideration the fact that if they defect, they would be affected by repression. Thus, they stay if

$$q > \frac{r(P_{be} + P_{ne'})}{(P_{ne} + P_{ne'})}$$

Compared to the previous condition, this one is much more conducive to success of the reform. First, even without r , the equation is below 1 since $P_{ne} + P_{ne'} > P_{be} + P_{be'}$. Second, the impact of repressions r makes the equation even smaller, resulting in the conclusion that the political force has to oppose the reform very much if it chooses to defect in the face of repression.

There are two additional observations that follow from the model and have to do with the choice of reform. These are situations when players strategically act contrary to their reform preferences to ensure higher payoff. Consider the situation when NE prefer reform, thus $Q > 1$, and have a numerous advantage ($P_{ne} > P_{be}$); however, $P_{ne} < P_{ne'} + P_{be}$, so NE cannot choose repression if NE' defect. If $q < \frac{(P_{be} + P_{ne'})}{(P_{ne} + P_{ne'})}$, NE opt for no reform in order to preserve their coalition, although it is contrary to their preferences about the reform.

Similarly, if NE prefer no reform ($Q < 1$), and $P_{ne} < P_{be}$, in case of no reform NE' would defect. Thus, if $q > \frac{(P_{be} + P_{ne'})}{(P_{ne} + P_{ne'})}$ and $Q > \frac{P_{ne}}{(P_{ne} + P_{ne'})}$, NE would have an incentive to opt for reform (although they don't prefer it) in order to preserve the coalition.

The description of all possible equilibria can be found in the appendix. Now let us look at the cases and the way the predictions of the model worked out in every case of analysis.

Georgia

In Georgia, to defeat the corrupt incumbent Shevardnadze, the opposition forces merged into a party entitled 'United People's Alliance' under the leadership of Saakashvili. Parties that joined this alliance included the United National Movement previously led by Saakashvili, the United Democrats, the Union of National Solidarity and the youth movement "Kmara".

The successful revolution took place in November 2003, and the new parliamentary elections were staged in March 2004. However, the Alliance retained considerable unity. In February 2004, United National Movement and United Democrats amalgamated to enter parliament as one faction called National Movement – Democrats. NMD took 67% of the vote with the rightist opposition obtaining the second-largest 7.6% of the vote, which enabled them obtain 135 out of 150 seats assigned for proportional representation.

After this, the coalition of Saakashvili undertook a comprehensive reform package that was aimed at both liberalizing economy and increasing state capacity and accountability. First, a massive anti-corruption campaign took place, at the result of which Georgia's ranking in the

Transparency International Perception of Corruption index improved from 1.8 in 2003 to 4.1 in 2009 (on the scale of 10). Second, efforts at economic liberalization led Georgia to the 12th place in the World Bank ranking of ease of doing business in a country. Also, the country began a wide-ranging process of nationalizing and selling illegally privatized property as a result of which the budget soared. It has become increasingly easy to start a business in Georgia, which supposedly was done with the perspectives of foreign investment in mind.

At the same time, a wave of repressions affected many prominent figures associated with the old regime who could have been a potential counterweight to Saakashvili. These included ministers of the previous government, Chairman of Control Chamber and members of ex-president family, but also a number of Saakashvili’s allies. His rule witnessed a number of allegedly politically motivated killings that lacked convincing investigations. The death of Saakashvili’s ally Zhvania, officially presented as poisoning due to an accident, raised suspicions about its nature. Later, when another politician Okruashvili blamed the death on the president, he was arrested and confessed that his accusations were false; however, this statement may have been done under duress. In 2007, police used tear gas to violently put an end to the demonstrations that gathered about 50.000-100.000 participants.

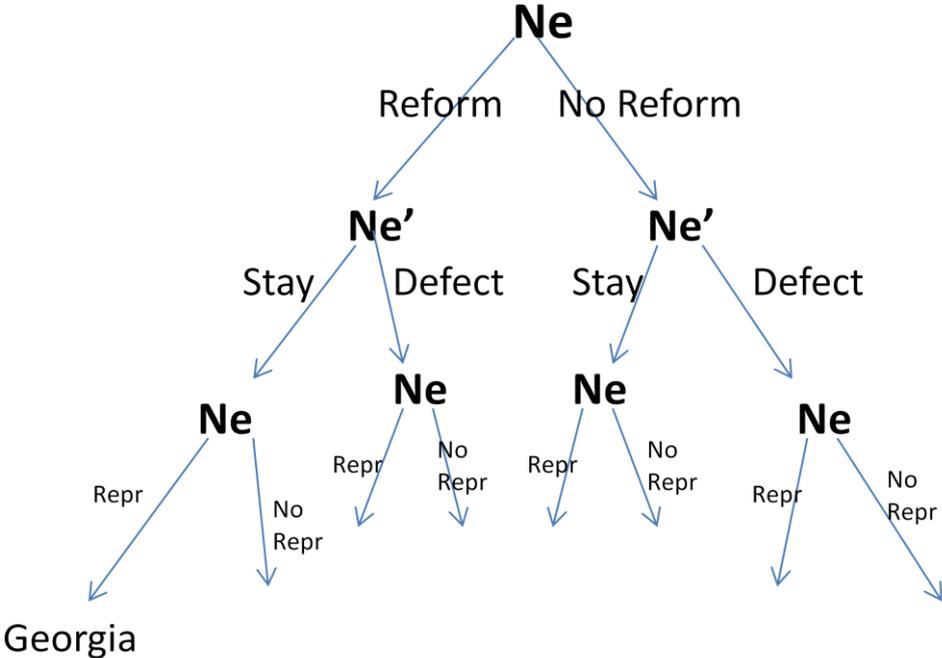


Figure 2. Georgia

Figure 2 represents the place of Georgia in terms of model outcomes. According to model’s predictions, such outcomes are possible under one of the following sets of conditions:

- 1) $Q > 1; P_{ne} > P_{ne'} + P_{be}; q > \frac{r(P_{be} + P_{ne'})}{(P_{ne} + P_{ne'})}$
- 2) $Q > 1; P_{be} - P_{ne'} < P_{ne} < P_{be} + P_{ne'}; q > \frac{(P_{be} + P_{ne'})}{(P_{ne} + P_{ne'})}$
- 3) $Q < 1; P_{ne} < P_{be}; q > \frac{(P_{be} + P_{ne'})}{(P_{ne} + P_{ne'})}$

Since the popularity of Saakashvili's party was higher than that of all other parties, and it had a clear plan for reforms, the first two sets of conditions can be applied to this case. One possible explanation is that the popularity of the presidential party was so high that repression would be feasible whether it required repressing the parties related to the old regime or one's own allies. Another explanation is that while the presidential party would not be able to repress its opponents had its allies chosen to defect, the support of the allies towards reform was high enough to make them stay in the coalition.

In order to assess the validity of model's predictions and to ensure that our estimation of the parameters' values is correct, let us look at the Georgian case in more detail.

Popularity of the players

According to Way (2008), a strong presidential party united by common ideology makes it harder for the revolutionaries to defeat the incumbent leader. Also, it is able to generate a support base beyond the mere patronage network that it serves. For instance, although the recent crisis affected the rating, the president of Belarus Lukashenka, with his centralized party apparatus and the commitment to state-owned economy, enjoyed considerable support despite undemocratic policies (Wikileaks, 2008).

In Georgia, with its many regional centers of influence and separatist tendencies in Abkhazia and South Ossetia, the president was assigned a role of a broker rather than a political heavyweight in the agreements in the beginning of the nineties (Gould and Sickner, 2008). The 1995 constitution established a presidential system, yet de facto the strength of the president was limited by regional powers. The so-called *gamgebelis*, or regional governors, possessed significant influence, both formally and informally. Moreover, family relations were strong in Georgian society, leading to the prevalence of 'connections' to achieve desired economic and political results. Apart from the president and the parliament, there were numerous centers of power and influence, such as the Ministry of Internal Affairs or the businessmen in the Taxpayers' Union (Wheatley 2005).

Consequently, the presidential party The Citizens' Union of Georgia (CUG) was a loosely-connected patronage network rather than a centralized apparatus of regime influence. Its popularity was shrinking, and it lacked ideological orientation and coherence. Yet, the same could be said about the rest of Georgian pre-revolutionary political spectrum. Georgian parties usually lacked a clear program and ideology: "The inner logic of most of them was not to implement a set of policies for the good of the Georgian people. The main rationale, or 'hidden agenda', for entering Parliament was access to the lucrative resources that could be gained by protecting or lobbying certain business and sectoral interests from within the legislature... In reality, the Georgian electorate was presented with no clear policy choices and had little idea of what they were voting for" (Wheatley 2006, p. 158). The presence of strong influential regional leaders and their constituencies proved to be an effective base for the establishment and operation of patronage networks which were characterized by a couple of authors as 'feudal', having a powerful patron in the upper echelons of power (Jones 2000; Muskhelishvili and Akhvlediani, 2003): "These patronage-based networks have common interests and are seen by ordinary Georgians as a web-like Mafia, but they also compete – region against region, party faction against party faction, commercial bank against commercial bank, conservatives against reformers in the ministries, the judiciary, and the army" (Jones 2000, p. 67). These regional leaders depend a lot on the president for privatization and other resources and in response can ensure the administrative and financial resources necessary for victory (Devdariani 2004). The local leaders were loyal to Shevardnadze due to appointment, provision of important business opportunities, or because they rendered it safer this way; however, it was a tactical decision to exercise support as long as the president was able to grant benefits in reward (Wheatley 2006, p. 120).

Importantly, Shevardnadze did not choose a political 'heir'. Common in post-Soviet hybrid regimes, this practice, by means of administrative pressure and electoral fraud ensures the victory of a new and more popular politician that would provide guarantees to the old regime leaders. This mechanism brought first Putin and then Medvedev to power in Russia and was intended by Kuchma in the wake of Orange Revolution in Ukraine. Traditionally, one of the powerful leaders has been the governor of Adjara region, Abashidze, who benefited from the oil refinery in Batumi and managed to sustain considerable autonomy and influence. However, his support was region-based, and competitiveness between regions, as stated above, has long been characteristic for Georgia.

Apart from CUG, Shevardnadze's regime relied upon the parties that represented the interests of large business. Such were the New Rights Party of Georgia and Industry Will Save Georgia. Both of them were not particularly popular due to their linkages to Shevardnadze regime, especially the New Rights Party: "Party leaders David Gamkrelidze and Levan Gachechiladze both come from business. Gamkrelidze headed the Aldagi Insurance Company, while Gachechiladze was one of the founders of the Georgian Wines and Spirits (GWS) Company. Both companies have enjoyed privileges and favorable treatment from the Shevardnadze government. Initially, the New Rights Party was created to counterbalance the young reformers of the SMK² and represented a pro-presidential force" (Devdariani 2004, p. 108).

Saakashvili, along with Zurab Zhvania and other reform-minded political figures, belonged to the so-called section of reformers in the presidential CUG party; thus, he was visible in the Georgian political environment. Active since 1995, only in 1998 did the reformers manage to get one of their members into the executive; after 1999 elections, they gained more representation in the ministries (Wheatley 2006). After establishing the party New National Movement in 2001, Saakashvili materialized his popularity into a potent political power. So, after the revolution, the only fraction that could overcome the 7 percent threshold (the Rightist Opposition, alliance of the New Rights Party of Georgia and Industry Will Save Georgia) gained only 7.6% of the votes and 15 seats in the 2004 parliamentary elections. Compared with 67% of Saakashvili's alliance, they presented an insignificant political force. The United National Movement had a clear reform agenda that appealed to many constituencies. At the same time, since the pretext for the revolution were the stolen parliamentary elections, the new parliamentary elections were held in the immediate aftermath of the revolution, unlike in the case of Ukraine where the revolution was triggered by fraud in presidential elections and parliamentary elections were postponed. The post-revolutionary euphoria and high level of trust towards the revolutionaries may have boosted the high electoral success of Saakashvili.

Important factor in the success of Saakashvili was the support of other prominent political figures, such as Zurab Zhvania or Nino Burjanadze. Yet, their popularity was lower than that of Saakashvili, and, importantly, they did not possess a separate party structure. Burjanadze announced about the creation of her own party only in 2008. If detached from the United National Movement, these politicians had lower chances of electoral success.

² United National Movement, Saakashvili's party

Attitudes towards reform

The record of market reform in Georgia is a similar story to other post-communist transition countries. Shevarnadze managed to liberalize trade, stabilize economy and free prices, yet the non-transparent mechanisms of privatization left most of the assets in the hands of their previous managers. Before the revolution, country's economic conditions were deteriorating. Georgia is a relatively poor country, with serious humanitarian problems in some of its areas. Since the post-Soviet Georgian economy has been heavily attached to that of Russia (Muskhelishvili and Akhvlediani 2003), after the 1998-1999 Russian economy crisis, the number of people that were poverty-stricken increased; many of self-employed and those in the private sector were affected by the crisis, and the conditions of the poorest deteriorated due to lack of market access or social support (World Bank 2002). Despite growth, the poverty increased due to structural reasons, and the level of education, health services, and nutrition worsened (Tvalchrelidze 2003).

Thus, the need for economic change was strongly felt. The emergence of parties like Industry Will Save Georgia, or New Rights Party demonstrated the perception that economic reforms were needed (Muskhelishvili and Akhvlediani, 2003). However, these parties represented the interests of large business and were not popular because their success was largely indebted to their relations with the regime. Along with the tendencies of monopolization and locating large businesses in the hands of influential politicians (Jones 2000), there were many artificially created obstacles to business. For example, the Tax Code was set to high that no businessman would be able to pay it in full; in this way, corrupt schemes were enforced (Wheatley 2006). As summarized by the World Bank: "Informality remains the prominent mode of doing business in Georgia. Lack of enforcement of existing regulations and weak fiscal discipline do not create a paradise for businesses, however... 8 Georgian enterprises pay the highest proportion of their revenue as bribes in the region" (World Bank 2002, p. 5).

Obviously, the visions of economic change were not identical among all stakeholders. Private owners of companies and managers of state-owned manufactories had differing views on many issues like privatization, role of the state, subsidies, and protectionism, and these divisions are deepened by regional differences (Jones 2000). The rightist fraction that entered parliament in 2004 favored more nationalist and protectionist policies than Saakashvili's alliance (Devdariani 2004).

Saakashvili, together with his allies, positioned himself as a Western-oriented reformist. The reformers had an advantage of a clear and appealing political agenda, together with the team and qualifications to fulfill it (Saakashvili himself was a Western-educated lawyer with his diploma from Columbia University, and many members of his team also received education abroad).

Repression

As some scholars point out, an accountable political environment is of key importance for the success of market liberalization (Maravall 1994, Manzetti 2003). This argument is applicable for the Georgian case where accountability of state institutions used to be lacking drastically. On the one hand, the levels of corruption in pre-revolutionary Georgia were remarkably high and reached out to all spheres of political interaction. On the other hand, state capacity was not sufficient for law enforcement: “Georgia has the attributes of a weak state, and this is a far more serious challenge to its democratic development than open authoritarianism (of which signs are also to be found in Georgia)” (Darchiashvili and Nodia, 2003). Although it is common to see state administrative structures in post-Soviet countries as intruding and omnipresent, the reality often reveals a lack of essence behind the network of informal relations (Grzymala-Busse and Jones Leong, 2002).

In the face of lacking state capacity, corruption became a means of political interaction: “Above all, it was used as a means of control; when all (or nearly all) state officials are corrupt, it was always possible for the leadership of the state to collect sufficient compromising material (*komproamat*) on subordinate officials to ensure their loyalty” (Wheatley 2006, p. 104). State positions were usually bought, automatically involving the buyer in the vicious circle of *komproamat* and further corruption; low state salaries provided additional motivations.

Thus, the action package of Saakashvili’s alliance tried to address all of these issues. First, the constitutional amendments after the Rose Revolution strengthened presidency and established the post of Prime Minister (Legislationline). Second, along with economic reform, the new incumbents launched a campaign against corruption. However, since corruption, as stated before, was omnipresent, the campaign affected a large number of officials associated with the old regime. It was not always carried out in full accordance with the law, sometimes wittingly using false evidence; ironically, ‘a government led by lawyers, which was

supposedly trying to create a state based in the rule of law, was using means that were far from the spirit of the law in order to achieve its goal' (Wheatley, p. 204). At the same time, it also brought revenues to the budget: "The fight against corruption was the most high-profile and controversial feature of the post-Shevardnadze area. Beginning in December 2003, a number of high-level officials and businessmen were arrested, mostly on suspicion of corruption and misuse of state funds... All were sentenced to three months' pre-trial detention but many were subsequently released after handing over substantial sums of money or assets to the state budget. The most spectacular example of this was Jokhtaberidze, who was released on 26 April after his wife, Manana Shevarnadze, allegedly paid US\$15.15 million to state coffers. Similarly, Chkhaidze was released after paying around three million US dollars, Chakhnashvili regained his liberty after shedding around US\$370.000. Finally, Shalikiani was freed after most of his business were renationalized" (Wheatley 2006, p. 203). At the same time, there is reason to believe that repressions did not touch some prominent supportive oligarchs, or those closely connected to the previous president Shevarnadze (Gould and Sickner 2008).

Ukraine

The mass protests after the alleged fraud in 2004 presidential elections resulted in new elections that brought to power the opposition leader Yushchenko with 52% of the vote. His opponent, the pro-regime candidate Yanukovych, obtained 44% of the vote. The parliamentary elections were set to 2006. Until that time, the president had to rely on the results of the 2002 elections which were largely manipulated. Yushchenko's party Our Ukraine held 112 out of 450 seats, the pro-Kuchma party For United Ukraine held 101 seats, with the rest of parliamentary representation shared between various pro-regime and oppositional parties. In the next election in March 2006, the Party of Regions obtained the largest number of seats, 175, the bloc of Yushchenko's revolutionary ally Yulia Tymoshenko gained 156 seats, and the presidential party obtained only 72 seats. The president thus had to rely on a coalition with Yulia Tymoshenko and other political forces.

The process of coalition-making among the revolutionary forces had been protracted and eventually unsuccessful. For joining the coalition, Tymoshenko demanded the position of the Prime Minister, and the Socialist Party of Ukraine wanted to appoint the parliament speaker. This added to the fact that the creation of the coalition was combined with great delay, even more so because Yushchenko was categorically opposed to any political unity with his rival in

the presidential election Yanukovych. Eventually, the 30 days foreseen by constitution for establishing the coalition have passed, and the coalition was formed by Yushchenko's opponent Yanukovych that united with the Communist and the Socialist party of Ukraine (allegedly through a large-scale bribery).

The struggle between the president and parliamentary majority that was formed and led by Party of Regions resulted in a political crisis. The parliament was so fractionalized that in April 2007, president dissolved the parliament and called for re-election which was scheduled to September. However, similar results were obtained, with the only substantive rise in rating by Timoshenko's party (to 30.71%). Although the 'orange' forces were technically able to form a coalition with a slight numerical superiority over the opposition, constant fights between two former allies, Timoshenko's defection to vote for limiting presidential powers in favor of the Prime Minister made it an unstable formation and resulted in another call for early elections, although it eventually did not realize.

Apart from a number of re-nationalized and sold enterprises, most noticeably Kryvorizhstal, there have been no efforts at market liberalization at the legislative level. While World Bank Ease of Doing Business in Ukraine does provide some slight improvements since Kuchma times (such as the cost of opening the business lessening from 25.6% of per capita income in 2004 to 5.5% in 2009), large-scale allegedly illegal privatized enterprises and the interests of rich groups have been mostly left untouched, and legislative framework for market liberalization lacking. Privatization was largely stopped by Yushchenko who legally protected the objects which were 'of strategic importance' to the state. According to one observation, "After the Orange Revolution, there was no economic crisis and euphoria prevailed. Not surprisingly, no reform followed" (Aslund and Paskhaver 2010, p. 11). At the same time, limited presidential powers and the inability to form a coalition in the government (which was later formed by Yushchenko's main rival) made it impossible for the ruling party to persecute their opponents or the representatives of the previous regime within the existing legislative framework.

The location of Ukraine in terms of the model outcomes can be seen in Figure 3.

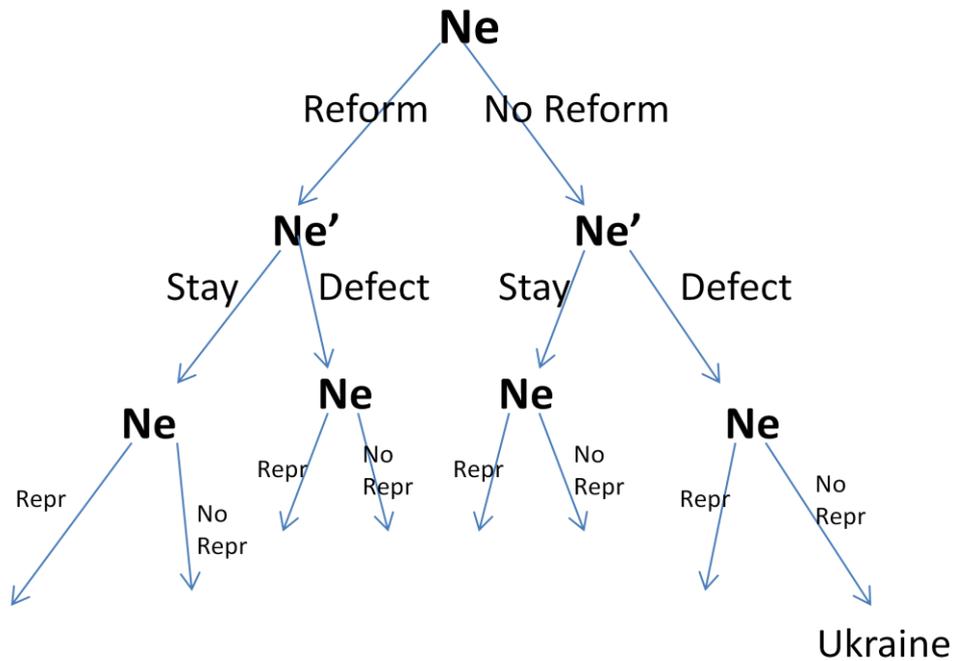


Figure 3. Ukraine

- 1) If NE do not repress after NE' defect, it means that $P_{ne} < P_{ne'} + P_{be}$.
- 2) If there is no reform, NE' defect if $P_{ne} + P_{ne'} < P_{be} + P_{ne'}$, i.e. $P_{ne} < P_{be}$.
- 3) If NE' support reform ($q > 1$), NE could have prevented NE' from defecting by choosing reform. Since they did not do it, either NE' don't support reform, or the popularity of NE was so low that NE' preferred to defect even though they support reform (in both cases, $q < \frac{(P_{be} + P_{ne'})}{(P_{ne} + P_{ne'})}$).

Thus, either the ally's support for reform or the popularity of the presidential party was low – or probably both. A closer look at the case lets us estimate the validity of model's prediction.

Popularity of the players

In Ukraine, the contestation between two opponents has been much more heated than in Georgia. The pre-revolutionary incumbent president Kuchma was backed by the Party of Regional Revival of Ukraine that was created before the 1998 parliamentary elections. In 2001, the party joined forces with four other parties to create the Party of Regions; although its parliamentary representation was increased through electoral fraud, it also had genuine popularity, especially in the more Russia-oriented Eastern regions and the Crimea. The

popularity of pre-revolutionary president Kuchma shrank drastically, which was demonstrated by mass protests under the slogan “Ukraine without Kuchma” in 2000-2001. With the incumbent president being a ‘lame duck’, in 2003 the party gained a new leader, a more popular politician Viktor Yanukovych, former governor of the Donetsk Region and Prime Minister. He eventually became the presidential candidate in the elections that resulted in the Orange Revolution. Although fraud was used to ensure the victory of Yanukovych, his actual popularity was high enough to obtain 44% in the run-off election against Yushchenko after the revolution. Similarly, in the parliamentary elections in 2006 Yanukovych party obtained 32% of the votes which allowed it gain the largest number of seats in the parliament.

One prominent factor in the Orange Revolution has been the regional division between Ukrainian-speaking West and predominantly Russian-speaking East that has been reflected in politics since long time. Previously, it has often been the case that one of the key differences between two politicians boiled down to their place of origin (Aslund 2009b). While Yushchenko represented the Ukrainian-speaking West, Yanukovych’s close association with Ukrainian East (since he was a Russian-speaking former governor of Donetsk region) assured him a support base there.

At the same time, president Yushchenko’s popularity shrank within the first two years that did not bring significant reforms. According to the polls of the influential Razumkov Centre, the peak of Yushchenko’s popularity was in 2005, with 48.3% and 49% of the respondents expressing full support to him in February and April, correspondingly. Already in September 2005, it dropped to 19.8%, never to rise over 21.3% again. The percentage of respondents that strongly opposed him, on the other hand, steadily rose since 2005, reaching 82.1% in 2010, the year of presidential elections.

The rating of the revolutionary ally Tymoshenko has been at its highest in February through August 2005. After this, the number of people who ‘supported her completely’ fluctuated from 17 to roughly 30%, never getting lower than 16% until late 2008. Her popularity level was similar with that of the pro-regime party candidate Yanukovych that demonstrated comparable numbers (Razumkov Centre, 2011).

Attitudes to the reform

Ukrainian record of market transition is similar to other post-Soviet countries who, lacking incentives similar to the EU candidacy, were vulnerable to economy capture and whose reform was frozen at some stage (Havrylyshyn 2006; Aslund and Dmitriev 1999). Anders Aslund, who was part of the Soros-sponsored advice team to the Kuchma's reform team in the nineties, documents how the president slowed down his active reform efforts after the presidential powers got widened, with important areas such as land reform and social expenditures left untouched. Importantly, non-transparent and cumbersome privatization schemes ensured the access to objects by former managers or nomenklatura. Ukrainian business faced obstacles that were typical for the post-Soviet environment, such as corruption or red tape. In the 2000 assessment of economy capture, Ukraine rated considerably high, sharing the same position with Russia and superseded only by Azerbaijan and Moldova (Hellman, Jones, and Kaufmann, 2000). The popular support for reforms was considerably high. In 2005, influential Ukrainian research centre asked the question whether the respondents supported the intentions of the current political elite to nationalize some previously privatized enterprises. The overwhelming majority of the respondents (71.1) stated its positive attitude towards such plans (Razumkov Centre, 2005).

The revolutionary leader Yushchenko has made a reputation of a responsible national banker and a qualified reformer. Aslund comments on his decision to cut down on credits in 1995: 'Yushchenko's credit squeeze was a curious incident. No public or major political discussion preceded it, but it lasted for seven months. It was a silent act by one powerful individual... Yushchenko has made his political reputation as the first hero of Ukrainian stabilization' (Aslund 2009b, p. 73). In 2002, Yushchenko's efforts as the prime minister helped avert the upcoming crisis. His competence, demonstrated by previous record, as well as the rhetoric during the protests, earned him an image of a committed reformer.

After the success of the revolution, however, Yushchenko changed the tone of his voice, referring to the need for 'consensus' between the new ruling elite and the business (Ukrainska Pravda 2004), and expressing his gratitude for the financial support that business provided to the revolution (Yushchenko 2004). Indeed, Orange Revolution has been a costly enterprise, with long-lasting and massive protests, broadcasting at the Independence Square, the tent camp in the middle of the main street Kreshchatyk, food for the protesters, numerous leaflets, brochures and other materials. Despite the tendency of underlining Western influence in the so-called colored revolution, some observers specifically point out to the huge role domestic

business has played in financing Yushchenko's campaign: "In countries where there had been extensive privatization, however – Georgia, Kyrgyzstan, and Ukraine, for example – the opposition was able either to draw on domestic business support or to benefit from the business community's neutrality. Most notably in Ukraine, the business oligarchs provided major financial backing to Yushchenko's Our Ukraine movement beginning with the 2002 parliamentary elections... This scale of domestic support puts Western aid in critical perspective" (Way 2008, p. 65). One of Yushchenko's closest allies, Petro Poroshenko, owner of the largest confectionery enterprise in Ukraine, a TV channel and a number of other enterprises, is believed to be one of the main revolution sponsors.

The commitments to powerful business groups may have been a factor that limited the flexibility of newcomers' economic politics. It has been absent, for example, in Georgia where the ousting of incumbent Shevardnadze has been relatively easy and short due to the weakness of the state (Way 2008). The informal ties between the president and business elites must have limited it even more; the WikiLeaks cable provided information about the close relations between Yushchenko and Firtash, one of the richest Ukrainian oligarchs (Onyshkiv 2010). Finally, any kind of restrictions on the activities of the most influential oligarchs would necessarily cause a tension with Russia since the tight interconnections of official and unofficial business activities between two countries. Although the position of Russia has traditionally been seen as supportive of Yanukovich, the unofficial sources suggest that Russian fugitive oligarch invested large sums of money to keep the protests alive, supposedly in hope of repeating the experience in Russia (Varfolomeyev 2005).

The unwillingness of the Timoshenko fraction to liberalize the market can be explained from the composition of her party lists which included many of the well-known monopolists as well as members of the previous regime's elite. Timoshenko herself, the so-called 'gas princess', was the general director of Ukrainian Petrol Corporation and later the president of the United Energy Systems of Ukraine, the latter being one of the most important importers of Russian gas to Ukraine. During that time, she was believed to avoid taxation and engage in other economic activities that actually made her one of the richest oligarchs in Ukraine.

Timoshenko's activities did include efforts at privatization and demonopolization of the Ukrainian markets. The most successful example was the case of Ukrainian steel giant Kryvorizhstal which was previously sold for \$800 million, much below its market price to the son-in-law of Kuchma, the president at the time, in 2004. During Timoshenko's term as a Prime Minister, the enterprise was re-nationalized and sold to the international company

Mittal Steel for \$4.8 billion, a sum that even surpassed original expectations (Marone, 2010). Another example is the exclusion of the middleman RosUkrEnergo owned by Firtash from the energy trade deals between Russia and Ukraine, as well as attempts at removing intermediaries in gas trade at local levels to reorganize the highly corrupt energy sector (Rachkevych, 2010). However, these sporadic efforts often resembled efforts to get even with former rivals rather than a comprehensive reform plan (Aslund 2009a).

Repression

The original constitution of independent Ukraine was adopted in 1996 and presupposed a presidential rule. One of the motivations for a strong executive was the need to push through market reforms to ensure transition from state-planned system. Yet, it proved counterproductive: “Kuchma claimed his main purpose with the new constitution was to intensify economic reforms but after his victory he lost interest in them. With reinforced executive power, he no longer needed to react to popular pressure” (Aslund 2009b, p. 86).

The revolutionary leadership accepted the switch to the presidential-parliamentary system defined in the first Ukrainian constitution largely as a concession to the Yanukovich party supported by ex-president Kuchma; the revolutionaries did not want to escalate the polarization and violence to break out, so they opted for compromise (Aslund and McFaul 2004). At the same time, it effectively transferred the authority for political investigations to the parliament, hence supporters of the former regime or owners of illegally accumulated monopolies in the Ukrainian market did not fear repression as long as the revolutionaries were not able to form a stable parliamentary coalition: “Because the constitutional reform gained force only in 2006, he [Yushchenko] effectively wielded Kuchma’s superpresidential powers for about a year yet did not use them like Kuchma did. Yet with a clear time limit set on his wielding these powers, elites knew that any blandishments or punishments he was likely to mete out could be changed as soon as the parliament gained its new powers.” (Hale 2006, p. 313) By that time, it was clear that the president’s party was not likely to gain overwhelming support in the upcoming parliamentary elections.

Kyrgyzstan

Kyrgyzstani revolution followed a similar pattern to that of the Georgian one. The fraud parliamentary election in February and March 2005 caused mass protests, which, unlike their

prototypes in Georgia and Ukraine, did see some violence, with a number of people dead. As a result, incumbent president Akayev was ousted. In July 2005 Kurmanbek Bakiyev gained a landslide presidential victory (88.9%). However, he was rather opposition's compromise candidate rather than a prominent leader. Another influential politician was Roza Otunbaeva, former Kyrgyz foreign minister and ambassador to the UK and the US. Yet another prominent figure was the dissident politician Felix Kulov, popular in the North of the country.

The distinctive forces managed to unite and put forward a single candidate. However, as the tendency for power centralization and lack of reforms became visible, Bakiyev's allies in the revolution abandoned him before the 2007 parliamentary elections, moving into the opposition. The party Ata-Jurt, led by Otunbayeva, was one of the moving forces behind the Tulip Revolution. She heavily criticized the politics of Bakiyev reminiscent of Akiyev's power centralization (Al Jazeera, 2010). Kulov, who was promised and appointed to the post of Prime Minister as a result of political compromise during the revolution, in 2007 formed the United Front for a Worthy Future for Kyrgyzstan and joined the opposition in its demands for presidential resignation. Popular dissatisfaction with Bakiyev's policies switched voters' sympathies towards his former allies (Marat 2006).

While the popularity of Bakiyev dropped, repressions against opponents grew harsher. Bakiyev abused his position by appointing members of his family to political posts, repressing free press, and centralizing the power apparatus (thus, in 2008 he prohibited the ministers and other subordinate organs to make statements or announcements without the permission of the Prime Minister). International observers have strongly disapproved of the violent dispersion of opposition demonstrations in April 2007 and of the human rights record of President Bakiyev in general (Marat E. 2010, Freedom House Nations in Transit Report on Kyrgyzstan). For example, before the 2008 local elections, Ishenbay Kadyrbekov who served as interim president and parliament speaker after the revolution in 2005 was arrested on charges of corruption when he registered as a candidate for local government elections from his opposition party Ata Meken (Marat E. 2009, Freedom House Nations in Transit Report on Kyrgyzstan). Also, Bakiyev's rule was marked by repressions against prominent political opponents, and a number of supposedly political killings which lacked investigation.

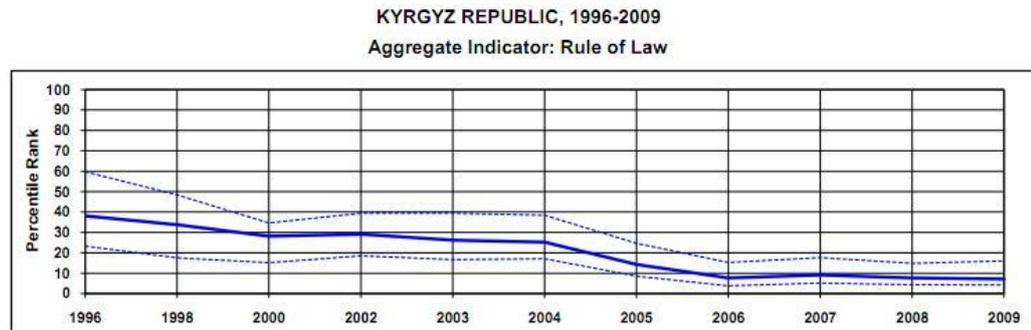


Figure 4.

Source: Worldwide Governance Indicators, Country Data Record for Kyrgyz Republic, 1996-2009

© World Bank Group, 2010

Bakiyev lacked a visible reform strategy, and his policies rather resembled efforts to centralize power and bring large business under control. Most importantly, the executive was still most decisive in economic policy. For instance, the important issue of privatization was transferred to the executive: ‘On 17 April, when it was called upon to discuss arguably the most important economic decision facing Kyrgyzstan today, privatisation, parliament sent it back to the Council of Ministers, telling it to decide. A law passed on 26 May subsequently gave the government exclusive responsibility for most aspects of the privatisation policy’ (ICG Asia Briefing No 79, 2008, p. 6). Yet, its inability to deal with the upcoming crisis soon became visible: “In the months following the April demonstrations, Kyrgyzstan's economy faltered and the country endured steadily rising food prices... The government's 10 percent raise in pensions and public salaries could not compete with 30 percent inflation for food products. This demonstrated that the government was unable to foresee price hikes related to inflation in neighboring Kazakhstan and Russia. The government also showed that it lacked a coherent economic strategy even for the short term” (Marat E. 2008, Freedom House Nations in Transit Report on Kyrgyzstan).

At the same time, large enterprises were affected by the effort of the presidential family to control profitable business. The story of the Canadian-based mining company Centerra is telling in this regard. The pressure put by the government on its largest investment-earning company which owns the goldmine Kumtor, one of the largest ones in Central Asia, is seen

by some as an effort to lower the mine’s selling price and exhaust Centerra through courts and investigations (ICG Asia Briefing No 79, 2008). The strengthening of state authority and the ruling party had the result of uniting the patronage networks under Bakiyev. State protection became necessary, thus the officials enjoyed increased revenues from business (ICG Asia Briefing No 79, 2008).

Eventually, having been pressured by former revolutionary allies that switched to opposition and by mass protests, Bakiyev announced a program of reforms in 2009 that were largely focused on downsizing the public sector, making it less cumbersome (New Europe, Issue 862, 26 November 2009). The benefits for the private sector would be indirect and result from the easing of bureaucratic pressures and the presumably pro-business goals of the new reformed executive. However, the amount of attention towards executive restructuring and its respective cadre changes led critics to suggest that Bakiyev is using reform rhetoric only to increase his authority; and doubts were raised about the relevance of the reform which was planned behind closed doors (EurasiaNet, 20 October 2009). The end to Bakiyev’s rule was put by 2010 protests when he was ousted from power.

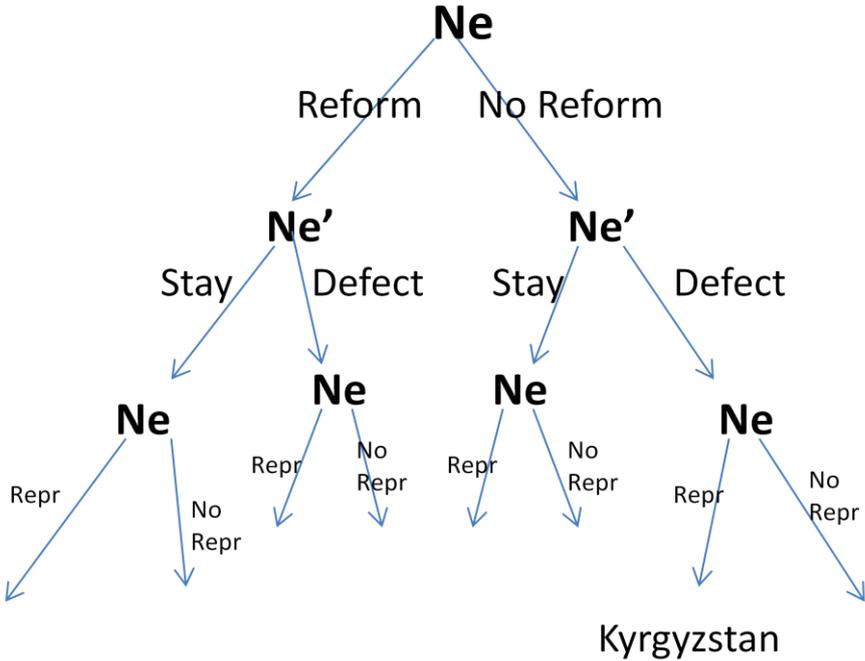


Figure 5. Kyrgyzstan

The case of Kyrgyzstan presents an outcome that would normally never be reached in the equilibrium. If reform does not happen, and NE repress after NE’ defect, it means that $P_{ne} > P_{ne'} + P_{be}$. However, NE’ would only defect if $P_{ne} + P_{ne'} < r(P_{be} + P_{ne'})$. These two conditions are

contradictory. Before stating that the model does not work in this case, or that the players were not acting in their best interests, it is worth to consider one possible explanation which is based on two different dimensions of P_{ne} . In the game, P is defined as popularity which translates itself into parliamentary representation. Since post-revolutionary elections in other countries have been relatively competitive, free and fair, it is a fair simplification. However, the 2007 elections in Kyrgyzstan have been marred by numerous violations and, due to the fancy conditions of electoral code, resulted in the absolute dominance of Bakiyev's party in the parliament. Thus, if P_{ne} stands for parliamentary representation, repression is feasible. Foreseeing this, NE' would not choose to defect. If P_{ne} stands for the actual popularity, then repression is not the preferred option. If NE' were basing their predictions on this measure, their choice to defect is logical.

Popularity of the players

The contestation of political power in Kyrgyzstan has always been marked by the regional division between the North and the South. Along with other Central Asian countries, Kyrgyzstan has been characterized as a 'clan society' (Khegai 2004; Collins 2002); however, the split here is more clearly divided across two regions. Khegai (2004) investigates the mechanisms through which clan structure was enforced during Soviet administration processes. Today, the way leaders get support is partially based on clan ties, and voting behavior is largely personalized: 'In Kyrgyzstan, numerous election-monitors' reports from 1994 through 2000 note that local elders typically determined the vote of everyone in their family networks. Even in a region of weak parties, the strength of personalized voting in Kyrgyzstan is noteworthy' (Collins 2002, p. 147). At the same time, the 'pacts' between the clans in the wake of post-Communist transition have ensured some kind of power balance enough to contain civil strife (Collins 2002). The presence of such underlying structure may have accounted for the absence of an overwhelmingly popular leader, which became visible during the events of 2005.

Akiyev who comes from the North brought many northerners into state institutions by appointing loyal people. When his successor Bakiyev, a southerner, was ousted from the office and eventually from the country, the protests started in the North where Bakiyev was accepted largely because of his tandem with the northerner Kulov (Marat 2005). When Kulov joined the opposition, Bakiyev was left without a support base in the North. Otunbayeva

seems most close to a compromise candidate since, born in South, she spent a lot of time and political career in the North (Pannier, 2007).

Bakiyev was much less of a charismatic leader than the revolution leaders in Georgia or Ukraine. His confident victory in the presidential elections was made possible by the agreement with Kulov who abstained from presidential race: “Not all of those who voted for Bakiyev genuinely supported his candidacy. Many voted for stability in the country, fearing the fragile situation could unravel if a national leader was not clearly defined. The Bakiyev-Kulov partnership was a key factor in Bakiyev gaining nation-wide approval... His [Bakiyevs] wide support is, therefore, susceptible to sharp decline” (Marat 2006, p. 59).

Not only in this regard was his candidacy a result of political compromise: “According to Otunbayeva, Bakiyev was pushed forward by political figures from southern parts of the country shortly before the parliamentary elections in February-March 2005. She claims that three years ago, Absamat Masaliyev, an “elder statesman” of Kyrgyz politics and a parliamentarian from the south, informally anointed Bakiyev to become the next presidential candidate. Political figures such as Usen Sydykov pledged to follow Masaliyev’s orders after his death and supported Bakiyev as the Tulip Revolution unfolded” (Marat 2006, p. 115).

Attitudes towards reform

Market transformation in Kyrgyzstan has been more comprehensive in comparison to other Central Asian countries (World Bank 2001, Jones Luong 2004). Surprisingly, pre-revolutionary incumbent Akiyev has played a rather positive role in its implementation. Hale (2006) reminds us how different Akiyev’s profile was in the beginning of his rule: exceptionally for the Central Asian region, he was perceived to have potential for genuine democratic and market development of the country. Still, these efforts were insufficient to make the country attractive to investors since ‘low exposure and poor performance across the CIS-7 countries suggest that investing in a more advanced reformer like the Kyrgyz Republic is as challenging as investing in a lagging reformer like Uzbekistan’ (Vandycke 2004, p. 238).

Kyrgyzstan, along with Tajikistan, is one of the poorest countries in the region, lacking access to oil resources as Kyrgyzstan, and with economics crippled in the very beginning by Soviet-time debts. Although the CIS countries and particularly the Central Asian region have shown the potential to develop new small- and medium-size enterprises potentially more effective and growth-increasing than the old privatized large-scale enterprises (Vandycke 2004), the

latter have initially been built as self-sustaining, and the small ones need additional input and capital equipment (World Bank 2002). Taking into account the systematic state interference into economy (e.g. the agricultural sector), the risks related to growth and exposure because of corruption, and the lack of incentives to operate formally (for instance, disclose one's revenues to tax authorities) (Vandycke 2004), it becomes clear that functionality of economic system in Kyrgyzstan could be achieved only through presence of a political will to eradicate corruption and strengthen private sector. Preceding and during Bakiyev's term, the need was more urgently felt as the economic crisis was approaching (ICG Asia Briefing No 79, 2008).

A market reform required a lot of effort: "Unlike the cases of Uzbekistan and Tajikistan, the primary impediments to economic reform in the Kyrgyz Republic lie mainly with the implementation, rather than the adoption, of market reforms. These include a predatory business environment, official corruption, limited access to information, trade and transit barriers, and contraband" (Jones Luong 2004, p. 228). Moreover, as in the other cases, success of reform was contingent on institutional change, another dimension of popular expectations. Taking into account the seriousness of economic and particularly energy-related hardships in Kyrgyzstan, effective crisis management was virtually impossible without installing accountability in the power institutions: 'The December 2007 elections and creation of a subservient legislature was a successful operation executed in a very narrow political framework – and one where the Bakiyev team held all the cards, from a pliant judiciary and Central Election Commission to well-controlled electronic media. The leadership would be profoundly mistaken if it thinks it can solve the energy and food problems with similar ease. Inflation and the energy crisis are tests not of political technology but of governance. They threaten to lay bare the profound weaknesses of the administrative and political structures, as well as their top-to-bottom corruption' (ICG Asia Briefing No 79, 2008, p. 15).

On the other hand, keeping the status quo could provide all economic benefits traditionally associated with political power: "Political power has always been intertwined with business in Kyrgyzstan. Political office or membership of parliament allows a politician – or businessman turned politician – to promote his interests and those of his allies. It provides an inside track to contracts, acquisitions of valuable real estate and businesses, as well as what is known, in a term borrowed from the criminal world, as a "roof" (*krysha*) or shelter against the predations of the tax authorities and competitors. This whole process has been aptly characterised by a leading Kyrgyz political scientist as the conversion of power into money" (ICG Asia Briefing No 79, 2008, p. 3).

There are numerous mechanisms through which money influences politics, from direct buying of the votes or bribing local leaders to ensure desired results, to paying the opponents so that they withdraw their candidacies (ICG Asia Report No 97, 2005). Personality is usually not sufficient for electoral victory, even despite the strength of clan affiliations. As some candidates claim, the people are disenchanted in electoral promises and the program; they tend to prefer the candidate who can pay them on the spot (Crisis Group interview, Bishkek, 2 March 2005; ICG Asia Report No 97, 2005). An important area of influence is also the media, controlled by influential elite or by the state.

Bakiyev, a relatively less-known politician, did not show commitment to economic reforming, at the same time misusing his position and centralizing the power apparatus. When Bakiyev came to power he was aware of how incorporation of business would give him a support base. At the same time, it would be diverted from sponsoring opposition: ‘Money is the lifeblood of Kyrgyz politics – not just the decorous world of party politics, but also of street revolts and extraconstitutional action... Pressure on the private sector serves both to enrich the president’s allies and ensure that his enemies’ war coffers remain empty’ (ICG Asia Briefing No 79, 2008, p. 10). His opponents used it in their rhetoric, criticizing his rule and demanding the reforms took place.

Repression

The general tendency for the Central Asian region (including Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan) has been the gradual strengthening of presidential power (Khegai 2004). At the end of his term, as it usually happens in ‘patronal presidential’ regimes (Hale 2006), the accumulation of power and wealth in the hands of Akiyev, his family and close supporters has become increasingly costly to give up power easily. This explains the desperate attempt to maintain the grip on power in the time preceding the Tulip Revolution.

At the same time, wide presidential authority can be interpreted as a result of clan politics and a tool for ensuring the dominance of a certain group. In the view of some authors, the underlying informal clan structure translates itself into formal state structures (Collins 2002, Khegai 2004). Following this logic, although a president in regionally divided Kyrgyzstan is necessarily a result of a political compromise, he or she follows family and clan ties in political appointments, and thus both ensures their dominance and relies on their loyalty in

response: “Owing to the fact that most of the superior positions are given to the president’s or his wife’s clanmates, since according to the country’s constitution the president appoints the members of the government with the consent of the parliament, the majority of members of which are northerners, the president has a means to pass any legislative act through all necessary instances. These tools permit him to consolidate his power, manipulate the institutional and legal changes in the country” (Khegai 2004, p. 15).

One of the main demands and expectations from regime change was the switch from the presidential to parliamentary rule in order to prevent power concentration in the hands of one group. However, the revolution did little to challenge the power distribution. So goes the conclusion of an International Crisis Group briefing: ‘Thus far the changes have achieved one result: parliamentary democracy in Kyrgyzstan has been hobbled. The task of the new legislature, presidential aides say bluntly, is to implement the president’s will with minimal discussion and zero dissent’ (ICG Asia Briefing No 79, 2008, p. 1).

At the same time, harsh centralization of control and influence was all too similar to the previous regime and thus associated with the betrayal of the revolution. During Akayev’s term, referendum as a vehicle of constitutional change was manipulated by him several times in 1994, 1996, 1998, and 2003, when the suggestions of the key opposition members were ignored (Marat E. 2008, Freedom House Nations in Transit Report on Kyrgyzstan). A similar schema was applied by Bakiyev in 2007 when the referendum endorsed proportional voting system and some other electoral changes but also had the result of reversing constitutional amendments and returning the full authority to the president (ICG Asia Briefing No 79, 2008; Pannier 2007). It was also largely falsified: “The referendum on October 21, which amended the Constitution and electoral legislation, was marked with widespread falsifications... local nongovernmental organizations (NGOs) called the referendum the ‘most cynical’ in Kyrgyzstan’s history” (Marat E. 2008, Freedom House Nations in Transit Report on Kyrgyzstan). In December 2007 parliamentary elections, Bakiyev’s party Ak-Zhol won less than half of the votes, and nevertheless took more than 70 out of 90 seats because no other party was able to gain the necessary distribution of votes. OSCE heavily criticized this election.

Apart from elections, Bakiyev also used other cards to effectively keep his opponents out of the political arena. Thus, he is likely to have prevented Otunbayeva from obtaining the Foreign Minister portfolio (BBC, 2010). Using a smart move, he also got rid of opponent Kulov: “According to the December 2006 Constitution, Parliament was allowed no more than

three attempts to approve a prime minister or it would be dissolved. Although Bakiyev twice nominated Kulov to head the government, Parliament rejected the choice in both cases. Had Bakiyev named Kulov a third time, Parliament would have had to approve him to escape its own dismissal. But Bakiyev selected Azim Isabekov, former minister of agriculture and largely unknown to a broader public. Parliament was bound to vote in favor of Isabekov to avoid dismissal, thus ending the two-year Bakiyev-Kulov political tandem” (Marat E. 2008, Freedom House Nations in Transit Report on Kyrgyzstan).

Despite all these attempts, president Bakiyev and his allies proved unable either to silence the opposition or to strengthen the regime to the extent when it could violently assert its rule. In other words, power centralization may have created the illusion of virtual invincibility of the presidential party, but in reality its popularity was too low and opposition too strong for the wider population to tolerate repressions and curbing democratic practices.

Conclusions

Analyzing the dynamics of democratic and economic transition in post-Soviet countries, scholars developed such concepts as hybrid regimes and state capture. Hybrid regimes, specified as semi- or pseudodemocracies (Markoff 1996), illiberal democracies (Zakaria 1997), competitive authoritarian regimes (Levitsky and Way 2002), have only very limited democratic contestation, and their mechanism of incumbent change is fundamentally flawed. Often, the incumbents are able to secure victory for themselves or for loyal candidates by using means of electoral fraud or administrative pressure on local administrations. State capture refers to the ability of powerful and influential business groups, or oligarchs, to influence political decision-makers (Hellman, Jones and Kaufmann, 2000). State capture is particularly detrimental to economic reforms because the business elites oppose further market liberalization that would increase competition in the market, support privatization only when they have a privileged position in this process, and generally prefer the lack of rule of law to keep their privileges.

In the 2000s, a number of mass protests took place in many post-Soviet countries, some of which resulted in power change and displacement of unpopular incumbent presidents or presidential candidates. These events were labeled color revolutions, but both their outcomes and interpretations vary. Some scholars see them as genuine democratic openings and the triumph of civil society (Aslund 2009b). Others are skeptical about their role as vehicles of change and claim that the underlying political structures of patronage remained unchanged (Hale 2006). Nevertheless, the reports of international observers do confirm that, unlike previous ones, the elections that took place in the immediate aftermath and as the result of color revolutions were relatively free and fair, thus representing the true political preferences of countries' populations.

An important test for the renewed regimes has been the continuation of market reforms. Three post-Soviet countries that experienced revolutionary change of power – Georgia, Ukraine and Kyrgyzstan – all scored high on the index of state capture. Studies demonstrate that state capture is costly for economy (Aslund and Dmitriev 1999; Kenisarin and Andrews-Speed, 2008), and the support in all countries for market reforms has been high. In line with these expectations, the revolutionaries expressed their intentions for economic reforms. However, only one of the countries in which revolution took place – Georgia – undertook a comprehensive reform package.

There is wide literature discussing the relation between economic and political liberalization. Authors that claim that democratization must precede economic liberalization point out that since democratic regime aims to implement the will of the majority, democratic regimes are more likely to launch market transformation, as market reforms benefit the wider population (Tabellini 2005). However, rapid economic transformation can be costly and disadvantage many groups in the short term. Hence the argument that authoritarian regimes are better equipped for launching reforms since they do not have to sustain consensus among numerous interest groups and are immune to electoral threats. Scholars turn to the experience of Asian countries or Pinochet's Chile as examples of economic liberalization preceding political liberalization. This argument is criticized since in statistic comparison, non-democratic liberalizers do not perform better than democratic ones (Maravall 1994).

Post-Soviet countries were faced with the challenges of creating market economies and democracies both at once and naturally drew attention of many scholars. Research shows that contrary to the Latin American case, here comprehensive market transformation has been beneficial for further democratization (Kwon 2004). At the same time, some studies recognize a reverse connection, showing how initial democratic commitment made market reform possible (Fish 1998). This research, however, refers to the time period in the immediate aftermath of the collapse. Since then, the abovementioned phenomenon of state capture came into prominence, and the obstacles to economic liberalization mounted. Later studies showed how countries with more developed market economies were more supportive of democratic liberalization and successfully ousted the old regime through mass protests (Radnitz 2010, Way 2008). However, this is insufficient to explain different levels of success of revolutionaries in economic liberalization.

The proposed model identifies elements that were important for scenarios of post-revolutionary politics and reform dynamics. These include the popularity of the parties that staged the revolution, their preferences for reform, and the popularity of the parties that represent the previous regime/business elites (or, importantly, the degree of their institutionalization). To sum up, let us describe the main findings of the model. The players that influence reform dynamics are not only the new presidential party but also their allies who have supported them and ensured the success of the revolutions. Thus, the model underlines the fact that the opposition to the pre-revolutionary regime has been varied, and while it was able to unite to fight a common enemy in the face of the regime, its political ambitions and ideologies often proved to be different after the revolution. Also, the model

introduces the political force associated with the previous regime that is interested in the status quo and opposes the introduction of economic reform. Although they are not active players in the model, their popularity is an important exogenous factor that influences possible equilibrium outcomes. As the model shows, in a liberalized political environment, the business elites can oppose economic reforms if they are represented by a well-organized political force, as it has been the case of Ukraine. If the popularity of this force is low, as in the case of Georgia, business elites are less likely to avert economic liberalization.

According to the model, repression is not always a feasible option since it can be politically not attainable under democratic rules of the game when the ruling party does not control a parliamentary majority, or threaten regime survival if done by circumventing democratic norms. However, if repression is possible, it increases the possibility of a successful reform since the model supposes that reform is only possible if the revolutionary coalition stays united. Fearing repression, the fractions of the revolutionary coalition are more likely to stay. If repression is not feasible, reform can be achieved if the presidential party has a substantial advantage over other political forces or if all fractions of the revolutionaries support the reform. This presupposes high support of the population for the party of the post-revolutionary president and/or the consensus of the political forces that staged the revolution.

The predictions of the model speak to many findings in the literature. For instance, the chances of reform success are believed to be higher if the national executive holds a working majority in the legislature and a disciplined party (Geddes 1994); and if a strong political mandate is in place (Maravall 1994). As the model states, majority in the legislature greatly enhances the likelihood of reform. Strength of political mandate is not directly addressed in the model, but the case studies showed it to be an important factor for repression. In Ukraine, presidential powers were limited, which made repression not feasible. In Georgia and Kyrgyzstan, they were strengthened; however, since the popularity of the ruling party in Kyrgyzstan was diminishing, repression only strengthened the opposition. In the end, while strength of political mandate may facilitate reform, the present study shows that political motivation and consensus among the revolutionary forces are more decisive.

Other findings help explain the values of the parameters in the model. Geddes (1994) states that the costs of reform for politicians are lower, and thus its probability higher if the national executive comes from a party that previously did not have access to the rents enabled by state intervention in the economy. This factor is potentially useful for explaining the attitudes of different political forces towards reform. For example, the leaders of the revolutionary party

UNM in Georgia had only limited involvement in state politics before 2003 (the party came into being in 2001, and its future founders gained limited representation in the executive only in 1998-1999); so they could not have benefited much from state intervention. On the other hand, Tymoshenko of Ukraine became an influential businesswoman in 1990, more so during her term as a prime minister. These differences may have played out in their attitudes towards reform. According to Maravall (1994), one important facilitating factor for the success of economic liberalization in newly democratizing countries is the deepening economic crisis. . Deteriorating economic conditions and the prospects of crisis could also have influenced the attitudes towards reform; thus, the revolutionary forces in Ukraine did not feel the urgency of economic reforming since their mandate coincided in time with the period of economy growth (Aslund and Paskhaver 2010). At the same time, approaching crisis in Kyrgyzstan did not prevent Bakiyev from predatory economic practices.

The importance of consensus among different groups for the success of the reform has also been emphasized in literature (Maravall 1994, Nelson 1994): “Indeed, achievement of consensus on questions of economic policy can even substitute for a strong electoral mandate in paving the way for reform. If politicians of all stripes agree that there is no alternative; if trade unions can be persuaded to accept neocorporatist arrangements; and if citizens believe that reforms are necessary and that the government will implement them competently and fairly, a window of opportunity for reform may suddenly appear” (Maravall 1994, p. 23). If consensus is lacking, reform in democracy is likely to be blocked by veto players (Tabellini 2005, Heo and DeRouen 2002).

This argument is directly addressed in the model. If the consensus among the revolutionary parties is lacking, the presidential party can elicit compliance through the threat of repression. However, if all forces in the revolutionary coalition hold the same positive views about reform, then the pool of equilibria in which reform is the outcome is increased greatly. The task of reforming a captured economy is a hard and challenging one, with numerous obstacles that require not only economic measures but also efforts at building accountability and state capacity. To achieve these goals, there is often only a short span window of opportunity that requires the cooperation of all sides. Competition between political parties is normal in a democratic system. Yet, to push through a comprehensive package of market reforms in democratizing hybrid regimes, consensus, at least within the short timeframe, is important.

The cases suggest that strong regional division can be detrimental to consensus. In Ukraine, the division between the West and the East of the country has been long prominent in politics

and played a role during post-revolutionary coalition-making as well. In Kyrgyzstan, the division between the North and the South required finding a compromise candidate. The presence of such division implies that political rule of one candidate is perceived as dominance of one part of the country. While Georgia is strongly regionalized and experienced separatism in some of its regions, it did not have a prominent divide between two parts of the country.

Let us turn to the scholarly discussion about the relation between political and economic liberalization. The analysis of Giavazzi and Tabellini (2005) demonstrates that in most of the cases, democratization precedes economic liberalization. In the cases, political liberalization was conducive to reform since the incumbent leaders before the revolution were interested in economic reform inasmuch as it could ease the burden of crisis and, enjoying the benefits of a captured economy, did not have an incentive to undertake a thorough reform. Democratization opened a political window of opportunity to implement reforms. The way incumbents used this opportunity proved to be different among the cases.

Democracy is a system that aims to represent the interests of the wide population; since economic development is beneficial for many people, democracy is conducive to economic liberalization (Tabellini 2005). At the same time, a more authoritarian regime is believed to be better equipped for the task of reforming the economy because it is immune to electoral threats and thus can allow to ignore the criticism of the population that was disadvantaged by economic reform; and because it can impose its will on the conflicting groups that otherwise would not have reached agreement (Jesse, Heo and DeRouen 2002).

The model does not focus on public attitudes to reform. Moreover, in all countries reforms have been highly popular among the population, and these sentiments were strengthened by deteriorating economic performance and low living standards. However, the model provides partial support for the second thesis stating the authoritarian advantage as the immunity to the veto powers of other players and the ability to impose one vision of economic reform. If the newcomers are powerful enough to repress their political opponents without threat to their own regime survival, the reform is likely to happen even if other players oppose it. Yet, repression does not correspond to democratic values pronounced in the course of revolution. Thus, economic liberalization may require harshening of the regime and curbing some of democratic freedoms.

The model is illustrated with three different patterns of regime change. In the Georgian case, the revolutionaries started a comprehensive program of economic reforms, combined with efforts at fighting corruption and improving governance. At the same time, a large number of state officials were arrested on charges of corruption, and some protests violently dispersed. The coalition remained relatively stable which can be explained either by the relative popularity of the presidential party or by the commitments of the fractions to reforms (possibly, by both of these factors).

In Ukraine and Kyrgyzstan, there were no comprehensive efforts at reform. In both cases, the coalition did not hold, but in the Kyrgyz case, the post-revolutionary regime engaged in repression against its political opponents. In the Ukrainian case, the dynamics is explained by the fact that the popularity of the presidential party was relatively low, and repression was not a feasible option. Kyrgyzstan case presents an out of equilibrium outcome which can be explained by the misinterpretation of the ruling party of the feasibility of repression. While Bakiyev managed to fabricate the parliamentary election, the opposition to his regime was so strong that in the end, he repeated the fate of previous president Akayev and was ousted from the country.

The developed model suggests that political liberalization is necessary but not sufficient for economic liberalization in hybrid regimes. Consensus among parties, strong support for the new presidential party, and motivation of the leaders to pursue reforms are important factors after the revolution that can foster reform. At the same time, repression can cement the consensus of the revolutionary coalition. Thus, ensuring market liberalization may require curbing political liberalization.

Future research is important for rigorous empirical estimations of model's insights. Looking from a longer time-span, it could link revolutionary and post-revolutionary dynamics to further developments in the countries of analysis. Even more importantly, it could focus on other explanatory factors that the present model does not focus upon. Economic factors could include the nature of the countries' economies, the specifics of economic development, threat of crisis, patterns of trade and the role of international trade organizations and regional leaders such as Russia. The country studies also reveal many political factors that possibly could be important for the dynamics of political and economic liberalization in hybrid regimes generally or particularly in the post-Soviet region, such as ethnic, religious and linguistic heterogeneity; the identity, ideology and previous political involvement of political elites; the nature of the regime (presidential or parliamentary); strength of executive powers; and

strength of democratic institutions. Another important question is the perceived complexity of market reforms in each case and its relation to other factors.

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Appendix

Payoffs of the players in the table below.

Reform

		NE'	
		Stay	Defect
NE	Repress	$Q(P_{ne}+P_{ne'} + (P_{ne} + P_{ne'}) - P_{be})$ $q(P_{ne}+P_{ne'})$	$P_{ne}+P_{ne'} - (P_{ne'} + P_{be}), r(P_{be}+P_{ne'})$
	Not Repress	$Q(P_{ne}+P_{ne'}), q(P_{ne}+P_{ne'}),$	$P_{ne}, P_{be}+P_{ne'}$

No Reform

		NE'	
		Stay	Defect
NE	Repress	$P_{ne}+P_{ne'} + (P_{ne} + P_{ne'}) - P_{be}$, $P_{ne}+P_{ne'}$	$P_{ne} + P_{ne'} - (P_{ne'} + P_{be}), r(P_{be}+P_{ne'})$
	Not Repress	$P_{ne}+P_{ne'}, P_{ne}+P_{ne'}$	$P_{ne}, P_{be}+P_{ne'}$

Possible equilibria listed below.

Reform, Stay, Repression

NE always choose repression if $P_{ne} > P_{ne'} + P_{be}$.

NE choose repression if NE' stay and $P_{be} - P_{ne'} < P_{ne} < P_{be} + P_{ne'}$

If $P_{ne} > P_{ne'} + P_{be}$, NE would repress whether NE' stay or defect. Thus for NE' to stay the following has to hold:

$$q(P_{ne}+P_{ne'}) > r(P_{be}+P_{ne'});$$

$$q > \frac{r(P_{be}+P_{ne'})}{(P_{ne}+P_{ne'})}$$

Since $P_{ne} > P_{ne'} + P_{be}$, automatically $P_{ne} + P_{ne'} > P_{be} + P_{ne'}$. Thus, even if $q < 1$ (thus, NE' oppose the reform), their tolerance to reform must be very low to prefer to defect.

If $P_{be} - P_{ne'} < P_{ne} < P_{be} + P_{ne'}$, NE will repress only if NE' stay.

NE' stay if

$$q(P_{ne} + P_{ne'}) > P_{be} + P_{ne'} ;$$

$$q > \frac{(P_{be} + P_{ne'})}{(P_{ne} + P_{ne'})}$$

This condition is more restrictive. First, $P_{ne} + P_{ne'}$ can be bigger than $P_{be} + P_{ne'}$. Second, there is no threat of repression, so that r does not increase the pool of equilibria where NE' stay.

NE choose reform if $Q > 1$.

Reform, Stay, No Repression

If NE' stay, NE choose not to repress if $P_{ne} + P_{ne'} < P_{be}$

In this case, $P_{ne} + P_{ne'} < P_{be} + P_{ne'}$.

NE' stay if

$$q(P_{ne} + P_{ne'}) > P_{be} + P_{ne'} ;$$

$$q > \frac{(P_{be} + P_{ne'})}{(P_{ne} + P_{ne'})}$$

Thus, q necessarily has to be bigger than 1 (NE' have to support reform).

If so, NE choose reform if $Q > 1$.

Reform, Defect, Repression

If NE choose to repress after NE' defect, $P_{ne} > P_{ne'} + P_{be}$.

Thus, $P_{ne} > P_{be}$. If NE' still choose to defect, it means that they strongly oppose reform, i.e.:

$$q < \frac{r(P_{be} + P_{ne'})}{(P_{ne} + P_{ne'})}$$

Had NE not chosen reform, NE' would have stayed in coalition with them. Thus, if NE choose reform, their payoff is $P_{ne} + P_{ne} - (P_{ne'} + P_{be})$, and if they do not, their payoff is $P_{ne} + P_{ne'} + (P_{ne} + P_{ne'}) - P_{be}$. Under these conditions, NE would never choose reform because

$$P_{ne} + P_{ne} - (P_{ne'} + P_{be}) < P_{ne} + P_{ne'} + (P_{ne} + P_{ne'}) - P_{be}; P_{ne} - P_{ne'} < P_{ne} + 2P_{ne'}$$

So, this is not a possible Nash equilibrium of the game.

Reform, Defect, No Repression

NE choose not to repress after NE' defect if $P_{ne} < P_{ne'} + P_{be}$.

After NE choose reform, NE' choose to defect if

$$q < \frac{(P_{be} + P_{ne'})}{(P_{ne} + P_{ne'})}$$

Under these conditions, if $P_{ne} + P_{ne'} < P_{be} + P_{ne'}$, i.e. $P_{ne} < P_{be}$, NE are indifferent whether to choose reform or no reform since NE' would defect anyway. However, if $P_{ne} + P_{ne'} > P_{be} + P_{ne'}$, i.e. $P_{ne} > P_{be}$, NE would prefer NE' from defecting by not choosing reform.

For NE to prefer reform, $Q > 1$.

No Reform, Stay, Repression

If NE choose to repress after NE' stay, it means that $P_{ne} + P_{ne'} > P_{be}$.

If $P_{ne} > P_{ne'} + P_{be}$ (i.e. NE always choose repression), NE' stay if

$$P_{ne} + P_{ne'} > r(P_{be} + P_{ne'}).$$

Since $P_{ne} + P_{ne'} > P_{be} + P_{ne'}$, NE' will always stay.

If $P_{be} - P_{ne'} < P_{ne} < P_{be} + P_{ne'}$, NE' stay if $P_{ne} + P_{ne'} > P_{be} + P_{ne'}$, i.e. $P_{ne} > P_{be}$.

NE choose not to reform if $Q < 1$.

No Reform, Stay, No Repression

If NE do not repress after NE' stay, it means that $P_{ne} + P_{ne'} < P_{be}$.

NE' stay if $P_{ne} + P_{ne'} > P_{be} + P_{ne'}$, i.e. $P_{ne} > P_{be}$. These two conditions contradict, so this is not a possible Nash equilibrium.

No Reform, Defect, Repression

If NE repress after NE' defect, it means that $P_{ne} > P_{ne'} + P_{be}$.

NE' defect if $P_{ne} + P_{ne'} < r(P_{be} + P_{ne'})$.

These two conditions contradict, thus there is no such Nash equilibrium.

No Reform, Defect, No Repression

If NE do not repress after NE' defect, it means that $P_{ne} < P_{ne'} + P_{be}$.

NE' defect if $P_{ne} + P_{ne'} < P_{be} + P_{ne'}$, i.e. $P_{ne} < P_{be}$.

NE are indifferent whether to choose reform or no reform since NE' would defect anyway.

However, if NE' support reform ($q > 1$) there can be a possibility to prevent NE' from defecting by choosing reform.