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Thomas E. Graham, Jr.*

Putin's Russia

Putin has now been nominally running the country for nearly a year. The question that seized us all earlier this year - Who is Mr. Putin? - has been long since answered, although in different ways. The issue that preoccupies us now is the broader, and more important, one of where Russia is headed. Putin is of course part of the answer, but only a part, and perhaps only a small part. Much more depends on the conditions and broad trends in Russia and the limits they place on possible Russian futures. The search for the answer therefore begins with a prior question: What kind of Russia did Yeltsin bequeath to Putin? Having answered that question, we need to take a look at what has changed under Putin's leadership. Only then can we lay out some plausible scenarios for Russia's development over the next few years.

Key words: Russia, economic and political system, Vladimir Putin

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Yeltsin's Russia

What kind of Russia did Yeltsin bequeath to Putin? Let me mention just three key features.

First, Yeltsin's Russia was in the midst of a deep socio-economic crisis. Although the country's decline dates at least as far back as the early 1970's, during the past decade it has accelerated. In the 1990's, Russia suffered a collapse unprecedented for a great power not defeated in a major war. The economy plunged by nearly forty percent. At the end of the decade, Russia's economy was one-tenth of the United States' and the European Union's and one-fifth of China's.¹ Over two-thirds of Russia's industrial equipment had been in place over fifteen years, and, by some estimates, two-thirds of its idle capacity had deteriorated to the extent that it could no longer be brought back into service. Russia's health profile was worse in many respects than those of many Third World countries.² The country had lost its sense of identity and purpose in the world, and its international prestige and clout had been in steep decline. Indeed, many observers, especially in the United States, did not believe that Russia matter that much more in the world any longer.

Second, the state itself was crumbling. Ambitious regional leaders exploited the disarray in Moscow to exert control over political and economic processes in their home regions, while aggressive businessmen seized key strategic enterprises. Corruption was rife, and much of the government - at all levels - was privatized, working for the benefit of private individuals not for the public as a whole. Ties between regions atrophied as production activities became increasingly localized and communications and transportation infrastructure deteriorated. Contrary to widespread opinion, the erosion of power in Moscow did not create strong regions. Like the country as a whole, the regions themselves were mired in grave socio-economic crises. A weak center faced weak regions; there were few concentrations of power anywhere in the country capable of governing effectively.³

Third, the Russian people were profoundly alienated from the country's political institutions. Bitter public battles within the ruling elite, widespread revelations of high-level corruption, ineffective - at times ruinous - policies, and Yeltsin's obviously enfeebled condition all undermined public support for the state. Yeltsin's approval rating hovered around 2-3%. Central government institutions enjoyed the trust of at most one-fifth of the population; regional and local governments fared little better. What was most striking was that for one of those rare moments in Russian history, the state was neither feared nor respected. The lack of fear was manifested in pervasive tax and draft evasion; the lack of respect, in the general disregard for public holidays honoring key events in the history of post-Soviet Russia.

Putin's Priorities

Putin came to power determined to stop the rot, to rebuild the Russian state, and to regain its standing in the world. "I am absolutely convinced," he said in an interview shortly after he became acting president, "that we will not solve any problems, any economic or social problems, while the state is disintegrating."⁴ Moreover, he made it clear that rebuilding the state required a recentralization of power in Moscow, or, more precisely, in the Kremlin. "From the very beginning," he has said, "Russia was created as a supercentralized state. That's practically laid down in its genetic code, its traditions, and the mentality of its people."⁵ While he has laced his remarks with talk about democracy, his views on the state reflect deeply on traditional Russian attitudes toward power and the state with their stress on its being strong, centralized, and paternalistic.

In taking this path, Putin is simply repeating the rhythm of Russian history, in which a period of recentralization follows one of drift, disorder, and anarchy. Moreover, he is pursuing a course that, at least in abstract, enjoys widespread support among the Moscow-based political elite. Indeed, almost any plausible alternative to Putin as president would likely have laid out a similar agenda; as has been the rule in past Russian succession struggles, the one to succeed Yeltsin was more about power than policy. Primakov had in fact pursued such a policy while he was Prime Minister; Luzhkov runs Moscow much in the way Putin would like to run the country as a whole; and communist leader Zyuganov has long supported the rebuilding of a strong, centralized state. All of them would have likely pursued this agenda with less energy and zeal, however, in part because each is by nature more cautious and perhaps because they have a deeper understanding of the complexities of the Russian political system.

At first glance, Putin appears to have made considerable progress in reining in the competing power centers and reasserting the Kremlin's power and prerogatives.

He has taken aim at the regional barons by establishing seven "superregions" headed by personal representatives charged with coordinating the activity of all federal agents in their regions and monitoring compliance of local laws with the constitution and federal laws. The restructuring of the Federation Council to deprive governors of their seats - and immunity from criminal prosecution - and the adoption of a law allowing the president to dismiss regional leaders and legislatures for actions contradicting federal law have further enhanced his standing vis-à-vis regional elites. The new State Council, which has purely consultative powers, creates a mechanism through which Putin can keep abreast of the mood of key regional leaders.

Efforts that began with the raid on Most-Media headquarters shortly after Putin's inauguration and Gusinskiy's subsequent arrest are clearly intended to intimidate journalists and turn the media - even that which is nominally private - into reliable mouthpieces for Putin and his policies. The media's reaction to the Kursk tragedy indicates that it can still be sharply critical of the government and Putin personally on occasion. Nevertheless, censorship - or, more precisely, self-censorship - is becoming a more prominent feature of the landscape. Editors and journalists fear the Kremlin has the capacity to destroy them individually if it wants to. And with reason: Putin has forced both Gusinskiy and Berezovskiy into exile, and, as the latest news from Spain indicates, he has not given up on putting one or both of them behind bars in Russia.

A well-publicized series of attacks on business leaders during the summer - including the opening of some criminal cases for tax evasion - was intended to put the so-called "oligarchs" on notice that they would no longer be allowed to ride roughshod over the government. Putin has reassured the business elite by stressing that he has no plans to review the privatization deals of the past decade in general, although he might reverse some specific cases (presumably involving his critics). His goal is not to renationalize, but, more simply, to compel big business to work in the interests of the state. Indeed, Putin supports large concentrations of capital, monopolies, because he sees them as levers of control over recalcitrant regional leaders, surrogate tax collectors⁶, and instruments of foreign policy.

While taking on these various power centers, Putin has also sought to revive the symbols of statehood and to legitimize the Russia that emerged from the wreckage of the Soviet Union. He has catered to the interests of the military and increased its public prominence, not only because it was instrumental in his rise to power, but also because it has historically been a potent symbol of the Russian state. He has sought to restore the continuity of Russian statehood and underscore the fundamental legitimacy of today's Russia by reaching back to

both Soviet and Tsarist traditions. That effort was illustrated most recently by his decision to restore the old Soviet anthem (with new words) as the national anthem, while maintaining the pre-revolutionary tricolor and double-headed eagle as the national flag and herald.

As he moved to consolidate power at home, Putin launched - to the surprise of most observers - an activist foreign policy, with high profile visits to several European capitals, as well as to North Korea, China, Japan, and India since his inauguration. He has reenergized relations with a number of former Soviet client states, including Iraq, Libya, and Cuba. In this way, he has underscored Russia's interests around the globe and its Great Power pretensions. Recent polls suggest that this has helped restore Russian pride.

Throughout his first year in power, Putin has been blessed by a strong economic upswing and broad popular support. In 1999, the Russian economy recovered from the financial collapse of August 1998, growing by over 3 percent; this year, it is projected to grow by some 7 percent. By most accounts, optimism within the business community has grown exponentially over the past year (although the continued high level of capital flight raises questions about the depth of that optimism). In large part because of this economic success, Putin's popularity remains remarkably high. His approval rating has hovered around 60 percent since he was elected president, and it reached 70 percent in recent polling. This broad public support has been a critical impediment to the consolidation of any significant opposition to Putin.

Putin's Weaknesses

Not surprisingly, to many observers, Putin's first months in office look like something of a tour de force. But appearances can be deceptive. Putin is still far from having consolidated his power; major challenges lie ahead.

To begin with, Putin has not yet mastered the Kremlin, where three groups are locked in a struggle for power and influence: "The Family" (Yeltsin cronies who were responsible for naming Putin Yeltsin's successor over a year ago), the security services (drawn from Putin's colleagues from his St. Petersburg days), and the liberal economists (many of whom also hail from St. Petersburg). According to well-informed circles in Moscow, Putin would like to distance himself from the Family, in order to demonstrate his own independence and free himself of any obligations he may have undertaken in exchange for Yeltsin's decision to designate him his successor. But Putin has had difficulty in doing this because the Family continues to control financial flows and key cadres and because Putin does not have a sufficiently deep team of loyalists to staff all the key positions in the government. But as long as the Family is ensconced in the Kremlin, Putin will not have free reign there.

Second, the oligarchs and governors have been far from tamed, even if their autonomy has been trimmed somewhat over the past few months. The Family is just one of the oligarchic groups that still controls extensive economic and political influence. What has changed since the Yeltsin period is that the oligarchs have become much less public in the way they seek to exercise power and influence in the Kremlin and government. As for the governors, they have displayed less of an inclination to become involved in national-level politics, and they have demonstrated a willingness to bring regional laws and constitutions in line with national statutes and the Constitution. But they have been tenacious in their efforts to retain power over local economic and political resources. The seven superpresidential representatives have not yet displaced the governors as the key powers in the regions, nor will they necessarily do that, given the severe resource constraints that they face. Most of them will in

fact be dependent on resources that only the governors can provide to carry out their work; many of their subordinates will find their meager salaries supplemented the regional elites. That will of necessity decrease their clout over the governors.

In addition, we should careful not to exaggerate Putin's ability to face these challenges. While Putin may be learning quickly on the job, as some observers claim, it is clear that his experience has not prepared him adequately for the job he now faces.

In the West, much has been made of Putin's service in East Germany. He knows the West better than any Russian leader since Lenin (or so we are told). That might be true, but it is also true that he has traveled relatively little around Russia (at least until he came to Moscow in mid-1996). In other words, he probably know Russia less well than any recent Russian leaders.

Similarly, his KGB experience has not prepared him for real politics. He tends to see governing in administrative terms. His initial actions have been focused on getting the organizational structure of the Russia state right. This is not insignificant, but a more important task is getting the politics right. Putin has demonstrated little skill at coalition-building with one - crucial - exception: the deal cut between the pro-government Unity party and the communist back in January that gave Putin a guaranteed majority in the Duma. Since then, Putin has preferred to operate the way he did as a KGB officer. As one official put it, Putin thinks you control governors the way you recruit spies, through ideology, money, or kompromat, not by taking into account their political and economic interests.

Finally, Putin lacks a grand strategy for Russia. During a recent trip to Moscow, a constant refrain I heard from political observers and Kremlin insiders alike is that Putin has gained a considerable amount of power but he does not know what to do with it. A key adviser admitted that Putin and the Kremlin had gotten bogged down in tactics over the past few months. A pollster close to the Kremlin said that Putin set rebuilding Russia as an important goal, but he lacks a clear conception of what that Russia should be.

Putin's inadequate experience becomes a greater hindrance because of the very severe resource bind he faces. While Russia might be a potentially rich country - in resources and human capital - the point is that its people and government are now poor. With a federal budget of some \$25-30 billion at current exchange rates⁷, Putin simply does not have sufficient resources to rebuild the military and security services, pay off pension and wage arrears, rebuild the educational and health systems, fight corruption, and so on. He is going to have to make difficult choices and trade-offs that could provoke greater resistance to his policies and retard his consolidation of power.

Moreover, the economic recovery that has yielded a spike in government revenues is fragile. It has been built primarily on high oil prices and a sharp devaluation of the ruble. Little, if any, of the growth has been due to greater efficiencies in the economy. While there has been much talk of reform and a few important steps, such as reform of the tax system and the passage of a balanced budget for 2001, much remains to be done and the government has not moved aggressively, for example, to root out corruption, regulate the natural monopolies, end domestic subsidies for energy and transportation costs, or build a reliable independent court system. Nothing has been done to relief the crises in health care and public education that will have severe negative consequences for the quality of the workforce, and therefore the quality of economic development, well into the future. As a result of all these problems, it is far from certain that the current recovery is sustainable. Clearly, an economic downturn will only complicate Putin's task.

Alternative Futures

So what does this analysis mean for Russia's future? First, the extreme scenarios are improbable. Putin is not likely to build the supercentralized state that he dreams of. There are simply too many countervailing forces in Russia society today and too few resources at Putin's disposal. But neither is the country in danger of disintegration, as many in the Russian elite feared just a year and a half ago.

Rather, the most likely scenario for Russia under Putin is movement in the direction of what I would call Brezhnev's Soviet Union plus the New Economic Policy of the 1920's minus Marxism-Leninism plus private property. Others have called this the Mexican variant. This outcome could garner broad support within the elites, who are tired of the *bespredel* (lawlessness and arbitrariness) of the Yeltsin period and want to be able to enjoy in relative peace what they acquired - or stole - over the past decade or more.

At the elite level, we are witnessing the slow consolidation of an oligarchy akin to the collective leadership of the Brezhnev period. Putin will be a key figure - simply because of the position he occupies - but not necessarily the dominant one. He will be surrounded by others who control critical elements of the political and economic system at the national and regional levels. What Putin, or better the Kremlin, will demand of the oligarchs and governors is political loyalty and a payment of tribute (called taxes), in exchange for which they will be able to run their enterprises or regions much as they please.

Much of the facade of democracy will remain, but the substance will grow increasingly thin. Why abolish elections or return to 99 percent majorities, when you can get the desired result with 60-70 percent majorities - through the use of "political technology" - and not have to worry about the West's blasting you as anti-democratic? Why institute censorship, when you have the means to induce very strict self-censorship? Why disband the parliament when you can drain it of its autonomy?

While the elite will control the commanding heights of the economy, movement will continue toward a more open, market-type economy at the lower levels. Small businesses in the retail and service sectors will remain in private hands (as they did during NEP). This arrangement, it is hoped, will meet consumer demands and thereby encourage social stability. An effort will be made to bring as many of the people operating in these sectors out of the gray zone into the open, so that they can be taxed and their resources mobilized for national purposes.

Such a Russia would be the logical successor to Yeltsin's'; in many ways, it would mark the consolidation of that regime. But it would not solve the multiple problems afflicting Russia, as Brezhnev's Soviet Union and Mexico suggest. Massive corruption would continue. The public health and educational crises would not go away. There could, of course, be periods of rapid growth, but they would be followed by crises. A boom and bust cycle would do little to help Russia close the gap with the world's leading economic powers. This is not a promising picture for Russia's long-term revival. But, if there is a glimmer of hope in this picture, it is that the current stability might provide the atmosphere in which a new, larger, and more self-confident and selfless group of reformers could emerge and consolidate their position over time and launch another round of reform, only this time with greater chances of long-term success.

Notes

¹ See Table on GDP PPP 1999, World Development Indicators database, World Bank, 8/2/00.

² For details on Russia's health crisis, see Nicholas Eberstadt, "Russia: Too Sick to Matter?" *Policy Review* 95 (June/July 1999) at <http://www.policyreview.com/jun99/eberstadt.html>.

³ For further on this matter, see Thomas E. Graham, "The Prospect of Russian Disintegration is Low," *European Security* 8/2 (Summer 1999), pp. 4-7.

⁴ Interview with Acting President Vladimir Putin, ORT, January 4, 2000. Transcript available in the Kremlin Package, Federal News Service, January 5, 2000.

⁵ Vladimir Putin, *First Person: An Astonishingly Frank Self-Portrait by Russia's President* (New York: Public Affairs, 2000), p. 186.

⁶ These monopolies provide the overwhelming bulk of tax revenue to the federal government. They, rather than government tax collectors, in fact extract the resources from the population that the government needs to fund its activities. What the government was the monopolies to do is to pay a greater share of their tax burden in cash, which then gives the government greater discretion in spending. To do that, the government has to compel the monopolies themselves to take more of the payments for their goods and services in cash and not in kind.

⁷ The budget is larger when expressed in terms of purchasing power parity. It should be stressed, however, that for the next few years Russia faces a substantial foreign debt burden of several billion dollars. That debt is paid in dollars at the current exchange rate not in purchasing-power-parity dollars.

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