EUROPE 04.02.2020 | Branko Milanović

Russia's path toward a better political capitalism

Branko Milanović explains the possible thinking behind Vladimir Putin's recent clouded constitutional announcements

To understand the recent reshuffle at the top of the Russian state, one needs to point to three objectives which the president, Vladimir Putin, presumably has. The first is to ensure that the transition from himself to a new leader does not lead to another bout of lawlessness or revolution, as has often happened in Russian political history.

The second is to overturn the cyclical Russian economic history of deep declines in income due to wars, revolution and anarchy, recoveries at blinding speed and then long eras of stagnation — where the economy is right now. And the third is for Putin to preserve some key levers of power for himself and to avoid possible humiliation (including criminal prosecution, or home imprisonment, as happened to Nikita Khrushchev after leaving power in the Soviet Union in 1964).

Many western commentators are obsessed with Putin, alternatively demonising and lionising him, and fail to notice that these three objectives are not particularly novel or original. They are exactly the same as those of Boris Yeltsin, the first post-Soviet leader and his predecessor in the Kremlin.

Quick succession

The ageing and sick Yeltsin realised that he needed somebody to keep the (diminished) country together, as he increasingly recognised he was unable to do. This was why three out of the four last prime ministers he appointed in quick succession were KGB men. Only the intelligence apparatus, the story went, was able to introduce some order. Incidentally, it was not a calculation very different from the one made by the members of the Politburo of the Communist Party of the Soviet Union when in 1982, following years of stagnation, they selected Yuri Andropov, the head of KGB, as the candidate of change after Leonid Brezhnev's death.

Yeltsin, too, wanted to stop the decline of the Russian economy — not only the first slide, 'the transitional depression' for which he was largely to blame, but also the second, due to the contagion created by the Asian financial crisis and default on the Russian debt. And, obviously, he wanted protection from criminal prosecution for himself and his family.

Yeltsin's choice of Putin, which was to a large degree fortuitous — Putin was the *protégé* of the later alienated oligarch Boris Berezovsky — paid off. All three objectives were achieved: Putin was able to end the chaos of the 1990s, he reversed the economic downturn and he left 'the family' (Yeltsin's) intact with all its money. Putin now hopes in turn that his choice will be equally inspired.

It is not democracy — with strong undertones of anarchy in the official mind — that is the main issue in Russia today, but robust economic growth and reduction of corruption.

With Putin firmly in charge of foreign policy and 'geopolitics', the most pressing issue — in terms of shoring up his own power and legacy and ensuring a relatively smooth transition — is the state of the economy. The Russian economy has grown only sluggishly in the past ten years. It suffices to compare it with China's to see how Russia is increasingly falling behind and how even Putin's clever foreign policy must ultimately fail if it is based only on the threat of nuclear annihilation and the export of oil and gas.

In the ten years after the Global Financial Crisis, Russia's average annual growth in *per capita* gross domestic product was 0.3 per cent, against more than 7 per cent for China. Thus, in the past decade alone, the income gap between China and Russia doubled: while in 2009, China's GDP in international dollars was about 3½ times that of Russia's, the ratio is 7:1 today.

Fuelling protests

Lack of growth, combined with an unchanging and rather uninspiring cast of characters at the summit of government, is fuelling protests among the urban middle class. Despite the heavy-handed and unconstitutional banning of many liberal anti-Putin candidates, gerrymandering and possibly even fraud, the last Moscow elections still produced a city Duma in which Putin's United Russia enjoys only the tiniest majority.

The leading opposition figure, Alexei Navalny, has rightly decided to focus his fire on the corruption at the top. His principal target, Dmitry Medvedev, the prime minister Putin has now summarily removed, was

both corrupt and seen as effete and ineffective. One did not need to watch Putin and Medvedev speak for more than 15 minutes to realise that while the former speaks in clear terms, the latter talks in clichés.

In that context, the selection as Medvedev's successor of Mikhail Mishustin, a rather unknown official among Kremlinologists, not only has an element of surprise (which Putin must relish) but, on reflection, makes sense. Who better to jump-start the economy than the person who was able to reform the notoriously corrupt and inefficient system of Russian taxation — so that it now looks, according to the *Financial Times*, as 'the tax system of the future'? If Mishustin brings with him likewise technocratically-minded and effective leaders in their 40s and 50s, and if they remain politically shielded by Putin (the way the reformers in China in the 1990s were 'shielded' by Deng Xiaoping), Putin might just have a chance to reverse the circular economic history of Russia and produce an economic upturn.

If this were to happen, then in four years' time, when Putin's fourth presidential term expires, he could safely retreat to the shadow of the Security Council of Russia, which he already chairs. From that post, as Nursultan Nazarbayev does it in Kazakhstan today or Li Kuan Yew did it in Singapore in the past, he could carefully monitor his legacy and ensure a relatively smooth transfer of power — in the form of the 'managed democracy' which he inherited from Yelstin and which in Mexico the Institutional Revolutionary Party learned how to implement over more than half a century.

It is not democracy — with strong undertones of anarchy in the official mind — that is the main issue in Russia today, but robust economic growth and reduction of corruption.

This article is a joint publication by Social Europe and IPS-Journal.



Branko Milanović
New York City

Branko Milanović is a visiting professor at the City University of New York. Prior to that, he was, among other things, senior economist of the research department at the World Bank. For his book *Global Inequality. A New Approach for the Age of Globalization* he won the Hans-Matthöfer-Prize awarded by the Friedrich-Ebert-Stiftung. Most recently he published *Capitalism, Alone: The Future of the System That Rules the World*.