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Over-Managed Democracy: Evaluating Vladimir Putin's Presidency

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Sam Stone

When President Vladimir Putin first assumed office, Russian observers could engage in an interesting debate about the future trajectory of Russia's political system. There were ominous signs, as early as the year 2000, that Putin aspired to weaken checks on presidential power and eliminate sources of political and economic opposition. Yet, at that time, defenders of Putin could posit that some of the Kremlin's political reforms were not really antidemocratic, but rather policies aimed at restoring order and stability — that is, necessary corrections in response to the tumultuous 1990s.

By 2008, however, this debate was over. Among outside politicians, academics, and pundits following Russian affairs, an overwhelming majority concur that the Russian regime under Putin consolidated power beyond the point of 'true democracy'. The debate now surrounds the causes, severity, and final destination of this autocratic trajectory; only the most stalwart defenders of Putin continue to deny the trend line.

Putin did not inherit a consolidated democracy when he became president in 2000, and Russia today remains much freer and more democratic than the Soviet Union.¹ Yet, the actual democratic content of the formal institutions of Russian democracy has eroded considerably in the past eight years. Increasingly not just the substance, but even the form of the current Russian political system, appears authoritarian. Russian democracy is best characterized as "over-managed democracy," where elites pay lip-service to democratic norms while actually undermining them. Putin has not radically violated the 1993 constitution, cancelled elections or arrested thousands of political opponents – but the constitution has become largely irrelevant, elections are not competitive, and the political opposition has been effectively sidelined. Putin has systematically weakened or destroyed every check on his power, while at the same time strengthening the state's ability to violate the constitutional rights of citizens.

The Kremlin shaped its model of governance over the course of President Putin's first term in office: faced with a choice between strengthening the democratic elements introduced by former President Boris Yeltsin or tightening state control over the political, economic, and societal sectors, the Kremlin opted for the latter. The Kremlin coined the term 'managed democracy' to describe the increasing centralization of power in Moscow, and thus instigated the reforms they argued were crucial to getting Russia back on track as a world superpower. However, given the number and scope of the reforms implemented to increase Kremlin power and control over other branches of government and non-state actors, the term "managed democracy" understates the current state of Russian affairs. In reality, Putin has built an "over-managed democracy," characterized predominantly by a 'verticality of power' that ends at the Kremlin's door.

This paper traces why Putin was able to construct an over-managed democracy, the form over-managed democracy has taken, and the pitfalls of such a form of governance. Section I

¹ On the illiberal elements of Russian democracy before Putin, see Michael McFaul, *Russia's Unfinished Revolution: Political Change from Gorbachev to Putin* (Cornell University Press, 2001), chapter nine.

catalogs the reasons behind Putin's rise to widespread popularity in Russia – popularity he still holds today; this section concentrates on the consolidation of Putin's power through 'informal' means, or strategies and developments that did not involve legal changes to the Russian system of government. Section II catalogs the legal reforms to Russia's government that, in general, followed the informal consolidation of power at two levels, by both destroying Russian federalism and undermining the checks on the Presidency within the federal government; this section concludes by examining the 2008 Presidential election, which illustrates the essentially uncompetitive nature of democracy in Russia today. Section III examines the effects of the consolidation of political power on Russian foreign and economic policy, and concludes by evaluating the hopes for democratic liberalization in the near future.

Part I: Explaining Putin's Popularity

Boris Yeltsin's 1999 New Year's Eve resignation left Russia, and the rest of the world, astonished. Not only did Yeltsin turn over power before he was constitutionally required, but he left it in the hands of Vladimir Putin. Only months before, Putin had been a political nobody; now he was the front-runner in the upcoming presidential election. Compared with heavyweight candidates like Yevgeny Primakov and Gennady Zyuganov, Putin had little experience in the national spotlight. Yeltsin had made him a Deputy Prime Minister only four months before, and Putin had begun the position with an abysmal thirty-one percent approval rating. One leading oligarch, Boris Berezovsky—whose power would soon be crushed by Putin—speculated that if Putin won, he would be a puppet leader easily manipulated by Yeltsin's cohorts.

Eight years later, Berezovsky's speculation seems laughable. After winning the election, Putin's popularity rocketed upwards and his approval ratings remained above seventy percent for almost his entire time in office. Today, they reach almost ninety percent. During his second term, Putin enjoyed the most domestic support of any world leader. What propelled Vladimir Putin's meteoric rise? Some theorize that his popularity stems mainly from economic growth, but this explanation alone is insufficient. Putin's policies towards Chechnya, the media, the oligarchs, and Russian culture have all played essential roles in helping him legitimize the power he commands today, even after stepping down from the Presidency. Widespread approval enabled Putin's centralization of power; understanding the origins of his popularity is the first step towards understanding how Russia is ruled today.

Chechnya and Terrorism

Chechnya was to lift Putin – a figure with little national recognition in the summer of 1999 - to the “peak of the political Olympus.”² The only area of national policy where

² Lilia Shevtsova, *Putin's Russia* (Washington D.C.: Carnegie Endowment for International Peace, 2005), p. 39.

Putin had made an impact before his designation as Yeltsin's heir, Chechnya had already become inextricably linked to Putin in the minds of the Russian public during the 2000 Presidential campaign. In the run-up to the election, the western press speculated at length about the prospects for Russian democracy, but this masked the primary concern of most Russians: security. The Moscow apartment bombings dominated national discussion and many Russians were prepared to trade civil liberties for safety. The restoration of order in Chechnya, and the assuaging of the public's security concerns, was the first step towards Putin's eventual political dominance.

The predominantly Muslim republic of Chechnya has epitomized Russia's internal divisions for centuries. In 1994, President Boris Yeltsin sent Russian troops into the republic in an attempt to end separatist calls for independence, expecting an easy victory. Russian forces, composed largely of "untrained, unpaid, underfed, under-equipped, badly led conscripts," quickly found themselves in a quagmire.³ Many Russian soldiers objected to the invasion of Chechnya, and the Chechen 'guerillas' turned out to be better organized and armed than Moscow had supposed. Soon, families in Moscow and St. Petersburg were turning on their TVs every night to footage of body bags being flown back from Grozny. Chechen rebels successfully retook the capital in August 1996, and soon after, the fighting spilled over into neighboring regions when separatists took a hospital hostage in the adjacent region of Stavropol Kray. This proved to be the turning point in the war, and realizing he was clinging to power by a thread, Yeltsin sued for peace. The conflict ended in negotiations, from which Chechnya emerged with de facto independence.

The conflict did not die after the 1996 accords. Chechen paramilitaries continued to terrorize neighboring regions and in August 1999, Islamists operating out of Chechnya invaded the neighboring region of Dagestan. Rampant kidnapping became a way of life in Chechnya, and even far away from the Caucasus, the situation remained at the forefront of most Russians' minds. Chechen militants refused to halt their bloody campaign against civilians, which culminated in the September 1999 string of apartment complex bombings. After over three hundred people were killed in these bombings, Moscow finally drew the line: the newly appointed Prime Minister Vladimir Putin ordered Russian troops back into Chechen territory, thus performing his first act on the national stage.

From the outset of the Second Chechen War, Putin assumed personal responsibility for the campaign, declaring: "We will pursue the terrorists everywhere... If we catch them in the toilet, we'll wipe them out in the outhouse."⁴ He flew to Chechnya in a fighter jet—a publicity stunt that cemented his responsibility for the operation in the public eye. This time around, Russian forces were better trained, better equipped, and willing to raze

³ From Robert Cottrell, "Chechnya: How Russia Lost," *New York Review of Books*, Vol. 45.14 (September 24, 1998). For more on Russia's defeat in the first Chechen War, see Anotal Lieven, *Russian Power*, (New Haven: Yale University Press, 1998) and John Dunlop, *Russia Confronts Chechnya: Roots of a Separatist Conflict* (Cambridge: Cambridge University Press, 1998).

⁴ Quoted in Peter Baker and Susan Glasser, *Kremlin Rising: Vladimir Putin's Russia and the End of Revolution* (New York: Simon and Schuster, 2005) p. 55.

Chechnya to the ground. Moscow also sent more than triple the troops it had sent in 1994, and relied heavily on aerial bombardment to minimize casualties. In February 2000, Russian troops seized Grozny, just in time to give Putin an enormous popularity boost for the Presidential election. Three months later, newly elected President Putin appointed Akhmad Kadyrov to head the pro-Kremlin puppet government in Grozny and declared the war over.

The Second Chechen War had an enormous effect on Putin's political career, driving his approval rating from thirty-one percent in August 1999 to eighty percent by January 2000. His handling of what he deemed a 'counter terrorist operation' accomplished two key political objectives: first, feelings of fear and vulnerability united Russian society behind Putin, whom they perceived as a 'strong' and 'effective' leader to be respected.⁵ Furthermore, Chechnya served as the cornerstone of the Kremlin's promotion of Putin as the "strongman" that Russia needed to ensure order and stability in the country; this image of determination and ruthlessness was one Putin embraced confidently and would continue to exploit for years to come.

In reality, Putin has left a markedly mixed legacy in Chechnya. On one hand, today's Chechnya barely resembles the ruins of 1996. Under Akhmad Kadyrov, and his successor and son Ramzan, Moscow has established a powerful and extremely loyal government in Chechnya. Insurgents have largely disbanded and the most well known Chechen terrorist, Shamil Besayev, was killed in July 2006. The Chechen economy is booming and the capital Grozny has been largely rebuilt; many families have amenities like running water and electricity for the first time in over a decade. Aeroflot began daily flights from Moscow to Grozny in 2007 and there is even talk of turning Chechnya into a tourist destination.⁶

On the other hand, however, Chechnya remains a region plagued by violence. Chechen terrorists paid no heed to Grozny's official submission to Moscow and have continued to attack targets in both Chechnya and greater Russia. In October 2002, a group of masked Chechen fighters took Moscow's Nord-Ost theater hostage and demanded the evacuation of Russian troops from Chechnya. Putin refused to negotiate, opting instead to storm the theater to ultimately cause the death of over a hundred hostages. In May 2004, a bomb planted by Chechen separatists killed pro-Kremlin Chechen President Akhmad Kadyrov and, in September 2004, Chechen terrorists seized control of School Number One in the small town of Beslan taking over a thousand hostages, most of whom were children. Once again, Putin refused to negotiate and ordered troops to storm the school, and the operation was similarly bungled causing the death of over three hundred children. Kidnapping remains commonplace in Chechnya, and Kadyrov's administration has

⁵ In November/December of 1999, 61-70% of Russians polled approved of operation in Chechnya. From *Putin's Russia*, p. 39.

⁶ For more on the Chechen revival, see C.J. Chivers, "Under Iron Hand of Russia's Proxy, a Chechen Revival," *New York Times*, September 30, 2007.

suffered widespread accusations of committing human rights violations against its own citizens.⁷

Despite this, Chechnya has receded from the minds of most Russians – and thus Putin has accomplished what Yeltsin never could. After the Moscow apartment bombings, over two thirds of Russians supported military operations in Chechnya. In 2003, less than a quarter of Russians felt military operations were necessary, and by 2007 that number had dropped to eleven percent.⁸ The selective Russian media fails to cover the violence that plagues the region, and instead focuses on Chechnya's economic growth and stability under the Kadyrov administration. Chechnya has become a dead issue politically, since Russians have been sheltered from dissenting opinions and have largely accepted that the Chechen conflict is over due to Vladimir Putin's resolve.

Taming Independent Media

Upon taking office in 2000, Putin was already intent upon reigning in Russia's media; much of this was of course motivated by Yeltsin's experience in Chechnya. The media's coverage of the first war in Chechnya forced Yeltsin to withdraw Russian troops, as reports by the privately owned television network NTV helped to shape public opinion in much the same way as American media did during the Vietnam War. The atrocities and horrors of the Chechen War entered the homes of the Russian people, and before long the war grew so unpopular that President Yeltsin had to stop it, or he would have no chance at being reelected for a second term in 1996. Having no intention to allow public opinion to dictate his policy, Putin knew he had to control the media before he ever assumed the Presidency.

Putin's desire to curb the media grew during his own presidential campaign. In late 1999, his affiliate Boris Berezovsky— a businessman, media tycoon, and political operator— used his television channel, ORT, to destroy Putin's political rivals. A sophisticated smearing campaign significantly reduced the opposition's popularity, thus clearing Putin's path to the presidency. Although Berezovsky had worked on Putin's behalf, the experience left Putin uneasy, increasing his desire to have the media—a tool with such significant power—exist under Kremlin control rather than in the hands of business tycoons with vacillating loyalties.

The establishment of state-controlled media got off to a bang on May 11, 2000, when the Kremlin embarked on a sophisticated campaign against its first media target, Media-MOST. Founded and owned by Vladimir Gusinsky and shaped in the mid-1990s, Media-MOST was the largest non-government media group. It included a popular radio station, a few high-quality periodicals, and, by far the most important asset, NTV. As Russia's highest-quality national television network, NTV was politically influential and enjoyed the public's affection. The Kremlin targeted Gusinsky for these reasons, but also because he refused to pledge allegiance to Putin during his presidential campaign. Additionally,

⁷ For more on Chechnya's ongoing violence, see Peter Baker, "Chechnya's Victims," *New York Times*, September 21, 2008 and Alexey Malashenko, "The Two Faces of Chechnya," *Carnegie Endowment for International Peace*, July 2007.

⁸ Levada Center Poll, Security Trends – Chechnya

Gusinsky's debt to Gazprom – of which the state owned a large share - made him vulnerable when the gas company's management switched loyalties to abet the government's attack on him. The campaign combined business litigation with personal intimidation, where Gusinsky was threatened with criminal prosecution and even briefly jailed. The Kremlin vehemently denied that the campaign against Gusinsky and his media group had anything to do with press freedom and state control over coverage. They did everything in their capacity to persuade the public that this was merely business litigation. The campaign took longer than the government expected and turned out to be fairly costly, both in terms of state resources and Russia's image in the West. Regardless, the Kremlin eventually achieved success: Gusinsky was forced to flee the country, and his television network was taken over by the government surrogate, Gazprom.

The campaign against Gusinsky bore two hallmarks of the basic Kremlin strategy, which it would use over the next five years to bring the rest of the media under its control. First, the state focused its energy on establishing control of major TV networks, with the underlying logic that TV is the primary and by far most imminent mass-media outlet in modern Russia. National television networks reach over ninety percent of the 140-million-strong Russian populace, while print media is virtually irrelevant. The distribution of mainstream dailies and weeklies is confined to a few large urban centers (mostly Moscow), and even their circulation in these areas rarely exceeds 100,000 copies. The largest mainstream daily newspaper, Izvestia, has a press run of 250,000, while others rarely exceed 100,000. Even Izvestia is read by only two percent of the national audience, and none of the other high-quality mainstream print media has a national audience of more than one or two percent.⁹

Second, the campaign to take control of Media-MOST targeted at an oligarch – Gusinsky – rather than the editors and managers working for him. Attacking individuals armed with weapons as innocuous as writing skills and a computer could have promoted public sympathy for the persecuted. Instead, the Kremlin went after the oligarchs who owned the stations, since their outright negative public image made them a better target. Furthermore, they were more vulnerable, since almost all of such station owners were engaged in questionable business practices; this made sense, as it occurred in the early stages of Russian capitalism. The owners, with huge property holdings, stood to lose a lot more than the average bureaucrat and thus were more easily intimidated. And better yet, the television network owners presented only a tiny group to confront, so with fewer individuals to overcome, it was a more secure way to take swift control of national television.

⁹ At least some of the Russian papers are high-quality publications (Kommersant, Vedomosti), employing aggressive and professional journalists who are able to procure politically relevant information that the government is unwilling to disclose. But however important this news may be, it remains irrelevant – with no response from either the government, or the public. Some Internet-based publications also maintain a liberal and critical editorial line and offer high-quality news and analysis. But the Internet's penetration of the public, though growing rapidly in recent years, still remains relatively low - the number of regular users remains under 10 percent of the population.

After NTV, the Kremlin wasted little time establishing control of the only other two networks with the national and political reaches—ORT and RTR. Boris Berezovsky, the very man who was instrumental in propelling Putin into power in 1999, was reputedly asked to relinquish his shares in ORT for \$150 million; when he refused, legal proceedings were initiated against him (allegedly for his handling of Aeroflot's finances) and he turned over control of ORT in October 2000. RTR was already state-owned, so Putin installed Kremlin-friendly managers with relative ease.

By the summer of 2003, all national TV networks were under the Kremlin's control; this control was further tightened in 2004, when the last live TV political talk show [Leonid Parfenov's 'Namedni'] was shut down, as well as the last political satirical show [Svik Shuster's Svoboda 'Slova']. Technically, the top manager of the channel made the decision, but there was little doubt he was acting on orders from the government. Moreover, a number of prominent TV figures were taken off the air, by virtue of their landing on the Kremlin "stop lists," where individuals perceived as political opponents or uncompromised critics were compiled and systematically barred from national television. The campaign came to a successful conclusion in 2005, when Anatoly Chubais, CEO of United Energy System and a leader in the liberal party Union of Right Forces, was compelled to sell his much smaller private television company, REN TV, to more Kremlin-friendly oligarchs.

Today, the Kremlin maintains control of all major national television networks. Two attempts to launch nongovernmental national television channels in 2002 proved unsuccessful; both were shut down with little regard to legality and barely any public reaction.¹⁰ Another important step was to centralize regional television. The All-Russia State Television and Radio Company [VGTRK] became the parent organization in control of many regional and federal TV stations, and VGTRK remains under the firm control of the Kremlin.

While the television networks have been the centerpiece of the Kremlin campaign against the media, state efforts have not ended there. Other media venues, primarily newspapers, but also radio stations, have suffered from state pressure – pressure that often involved far uglier tactics than those used against the television networks. Journalists examining taboo subjects too in-depth, for example, have found themselves attacked by thugs later shown to have links with the FSB. One such instance can be traced to the October 2006 murder of acclaimed investigative journalist Anna Politkovskaya—a case which led to international outcry, but was only one of many such cases. Since Putin's inauguration, over twenty journalists have been murdered in Russia, in apparent retaliation for their writing. Another more recent instance occurred in September 2008, when journalist Magomed Yevloyev was shot dead *while in police custody*. The Reporters Without Borders ranks Russia an abysmal 144 out of 169 countries for its freedom of press.¹¹

¹⁰ See Michael Wines, "Russian Court Orders Dissolution of Independent TV Network," *New York Times*, January 12, 2002 and Nikolai Gorshkov, "Killing Off Russia's Independent TV," *BBC*, June 23, 2003

¹¹ Worldwide Press Freedom Index 2007, available at http://www.rsf.org/article.php3?id_arti

Clearly, the campaign of intimidation has achieved its goal. Confirming Russian journalist Yelena Tregubova says, “Anyone who takes the place of Politkovskaya will take on a suicide mission;” Tregubova speaks from experience, having herself survived an attempt on her life in 2004.¹² Fear-inspired self-censorship has all but killed investigative journalism in Russia.

Kremlin control and persecution have resulted in news that is predictably favorable to political elites. Coverage of sensitive issues is thoroughly filtered to ensure that the picture of Russian life delivered to viewers is not politically disturbing or provocative. For example, in August 2000, the Russian submarine *Kursk* sunk in a routine exercise, as a result of a defective torpedo explosion. The Kremlin attempted to lie its way through a late and botched rescue attempt, but the media exposed officials’ attempted cover-ups. A furious and frustrated Putin lashed out at journalists, blaming them for subverting the Russian army and navy. The *Kursk* disaster strengthened Putin’s desire to prevent the media from having the ability to expose or embarrass the government again in the future.

Two years later, journalists did their best to investigate the events surrounding the Nord-Ost hostage crisis. In their attempts, they faced a barrage of accusations from Putin, implying their cynical and ulterior motives for profit: he claimed they were taking advantage of the tragedy, in order to attract more public attention and thus more advertising money. Shortly afterward, the top manager Boris Jordan of NTV, whose coverage especially enraged Putin, was replaced. His replacement, however, was a loyal director, to whom the Kremlin’s instructions were a much higher priority than the ethics of the journalistic profession. Public response to the tragedy of the hostage crisis was thus, as desired by the Kremlin, extremely limited.

Perhaps the emasculated state of Russian media today is most clearly epitomized by an even more recent example; its coverage of the 2004 Beslan crisis. As soon as the storming of the school ended, so did the television coverage; this was in spite of the crisis being one of the world’s most horrible terrorist attacks, as it claimed the lives of more than three hundred people, mostly children. All TV coverage stopped on day three after the end of the operation, and there were no survivors’ accounts, stories of desperate people who lost loved ones, independent experts’ analysis, nor public discussion whatsoever. When FSB chief Nikolai Patrushev appeared on television for the first time after the terrorist attack, a shocking full month later, the interviewing television reporter did not ask him a single concrete question about the episode. The reporter did not even inquire where Patrushev was at the time of the crisis, leaving unanswered rumors swirling; one claimed that he had arrived in North Ossetia—the Russian republic in which Beslan is located—but had expressly avoided appearing in public so as to avoid taking responsibility for the appalling tragedy. To continue the trend of silence, Putin’s yearly press conference in late 2004 again avoided the issue of Beslan altogether.

And in an extremely recent application of the state's media control, the Kremlin exerted contortion of economic news. In September 2008, the rapidly spreading global financial crisis crippled Russia's largest stock market, MICEX; the index lost two thirds of its value in just over two weeks. But most Russians had little idea of the extent to which the global financial crisis had affected their nation, since the TV networks had failed to publicize the stock market collapse. Amazingly, the networks were able to avoid reporting that government officials had halted trading multiple times, in vain attempts to prevent panic. Instead, Kremlin-friendly TV commentators focused on America's economic woes, emphasizing Russia's alleged (but false) resilience to western financial problems.¹³

Why, one might ask, has the Russian public stood passively by and watched the state systematically destroy freedom of the press? Part of the explanation lies in the role and quality of media during the Yeltsin years. Historians recall Yeltsin's professed loyalty to democratic freedoms, including freedom of the press, and conclude that he never directly constrained that freedom. Nonetheless, they forget that while Yeltsin's government never directly attacked press freedom, the fundamental principles that make it possible were compromised during his tenure before they had a chance to take root in the Russian soil. Problematic ownership of media assets, murky business practices, and institutional weakness all helped to erode the foundations of an independent media. Moreover, big businessmen, media tycoons included, were engaged in corrupt relations with government officials, thus gaining access to resources such as lucrative contracts, exemptions, or easy loans. The flaws of state institutions, the prevalence of secret collusion over open political competition, the large-scale lobbying unregulated by law, and the growth of corruption affected the activities of mass media during the 1990s. Paid-for articles and advertising, disguised as unbiased reporting, became common in the news media. So did the publication of smearing and compromising materials to undermine political and economic rivals.

Yet, under Yeltsin, these activities were not universal. The best publications, television stations, and journalists retained their passion for investigation, curiosity for truth, and ethical principles—and through the 1990s continued to perfect their skills in these areas. Yet their professional mastery could not address the main problem: the declining credibility of the media and reputation of the journalistic profession in post-Soviet Russia. The few criminals to honest journalism—such as owners exploiting their influential outlets to further their own political and business goals, were able to spoil the profession on the whole, and such violators caused further damage to the media's image.

The Russian people, throughout the 1990s, were becoming increasingly disillusioned with a democracy that failed to meet their expectations of a better life, and they began to openly abhor the new rich as well as greedy officials developing throughout the nation. The Russian populace thus resumed their habitual attitude: a deeply ingrained mistrust of the government and of each other, supported by apathy and cynicism. The mass media

¹³ See Anna Smolchenko, "Economic Crisis Will Not Be Televised," *Moscow Times*, October 9, 2008 and Clifford Levy, "Stock Slump Imperils Putin's Effort to Pump Up Russian Wealth, and His Legacy," *New York Times*, October 12, 2008, and

failed to evolve as a means of advancing public politics; this was due in part to the reduced sphere for vigorous debate, as few Russians sustained hopes of using the media to hold authorities accountable. When Putin started restricting media, the public may have felt sorry for its favorite journalists, some of whom chose to go off the air rather than work under the Kremlin's command. Unfortunately, the protest was not powerful enough and quickly faded away, and in 2004, sixty four percent of Russians either supported or remained neutral about the intensification of state control of the media.¹⁴ Although the eviction of the two biggest media tycoons and the takeover of their television networks meant the end of political diversity on television, most Russians did not regard the government's efforts as an infringement on their rights. Rather, the public saw media as a tool of the oligarchs, and equated the newfound restriction on mass media with the popular policy of curbing oligarch power.

Furthermore, the public failed to prevent Putin from taming the media because the resulting state-run media satisfies most Russians. Contemporary media censorship differs markedly from Soviet control of days past, as it is confined to the subjects "of strategic importance"—primarily political in nature. Other domains remain free and diverse, so that television stations broadcast reality TV shows, papers publish extremely cynical business critiques, and theaters show provocative foreign films; consumers are entertained. In a country where political apathy runs deep, this has been more than enough to placate the ordinary citizen.

Reigning in the Oligarchs

The public's approval of Putin's persecution of media owners like Gusinsky and Berezovsky testifies to a widespread, deeply rooted hatred of Russia's newly rich oligarchs. Putin declared he would do away with the oligarchs during his 1999-2000 campaign, a pledge that met with near-universal acclaim. After eight years in office, however, his performance bears a startling resemblance to the legacy he left in Chechnya - Putin failed to live up to his promises, but simultaneously gave the impression of affecting great change.

The oligarchs rose to prominence during the rapid, poorly regulated privatization of Russia's economy under Yeltsin. As Yeltsin's approval ratings eroded throughout the 1990s, he allowed well-connected businessmen to buy huge chunks of Russia's economic infrastructure for a fraction of their true value—a corrupt exchange for their political support. Afraid of raising taxes and in desperate need of new revenues, Yeltsin sold massive quantities of treasury bonds to a small group of businessmen in the mid nineties. What set the oligarchs apart from other rich businessmen was their potentially devastating financial power; if any one of the oligarchs had jettisoned his bonds during the mid-nineties, it would have likely caused Russia's fragile financial system to collapse.

¹⁴ Levada Center nationwide survey, conducted October 15-18, 2004

The oligarchs were quick to take advantage of this leverage. Lilia Shevtsova writes, "Oligarchs kicked open the doors of government offices and ran for their own benefit the remnants of the economy."¹⁵ Meanwhile, as the oligarchs reveled in newfound wealth, most Russians struggled financially, striving to cope with a dramatic drop in real income and a steep increase in prices. In 1992, only one year following the break-up of the Soviet Union, over a third of Russians lived below the poverty line; yet, little improvement occurred, and three years later, over a quarter were still living in poverty.¹⁶ Russia's Gini coefficient (the standard measure of economic inequality) rose from .26 in 1992 to .41 by 1994.¹⁷ Many Russians, yearning for the stability and relative equality of Soviet times, felt that the country had lost more than its economic footing; appalled at oligarchs' gaudy displays of wealth, they despaired that the country has lost its moral compass as well. Well aware of this public sentiment, Putin also knew that he was less tied to the oligarchs than Yeltsin and that he could move against them. In his 1999 campaign, Putin played to public opinion by railing against the oligarchic power. He demanded that, "Not a single clan, not a single oligarch should be allowed to be close to regional or federal power."¹⁸

The oligarchs, with their deep political and economic connections, were challenging targets, albeit targets Putin could not afford to ignore. Public opposition to their power ran high – in July 2003, seventy seven percent of Russians viewed "big capitalists" somewhat or completely negatively.¹⁹ The monetary reforms Putin instigated following the 1998 financial crisis significantly reduced the oligarchs' economic clout. But it was only after declaring 'victory' in Chechnya and establishing control of the media that Putin affronted the real heavyweights. The media campaign, beginning with the described persecution of Gusinsky and Berezovsky, had even larger hurdles to overcome yet. After Gusinsky and Berexovsky, the Kremlin looked to charge further with its campaign to control the media. On October 25, 2003, it confronted and arrested Russian tycoon Mikhail Khodorkovsky, owner of Russia's largest private petroleum conglomerate Yukos and sixteenth richest man in the world. Khodorkovsky was charged with fraud and tax evasion, and is currently serving out a nine-year prison sentence. Khodorkovsky's story exemplifies the treacherous rise and fall in the 'new Russia'. A brilliant young entrepreneur, Khodorkovsky capitalized on the business opportunities made available after the collapse of the command economy. He was successful in rising through the ranks and became one of Russia's leading oligarchs with close ties to Yeltsin's 'Family'. But Khodorkovsky was not content with economic clout—he wanted to extend his influence into politics. Khodorkovsky had hinted he would run for President in 2008 and allegedly offered Russia's two liberal parties, Yabloko and SPS (the Party of Right Forces), \$100 million to unite and campaign together in opposition to Putin and his United Russia Party.²⁰ Shevtsova argues:

¹⁵ *Putin's Russia*, p. 8.

¹⁶ "Russia's New Problem — Poverty." *US Department of Commerce, Census Brief*, September 1998. Available at < <http://www.census.gov/prod/3/98pubs/cenbr985.pdf> >

¹⁷ Andrei Shleifer and Daniel Treisman, "A Normal Country," *Foreign Affairs*, March/April 2004

¹⁸ Quoted in Andrew Meyer, "The Brain Trust," *TIME Europe*, March 27, 2000.

¹⁹ Leon Aron, "The YUKOS Affair," *American Enterprise Institute, Russia Outlook*, October 1, 2003.

²⁰ Marshall Goldman, "Putin and the Oligarchs," *Foreign Affairs*, November/December 2004.

It was not Khodorkovsky's wealth but the fact that he had begun thinking politically that was making him a threat to the regime – he was independently making contacts with Western governments, especially with the American administration, without working through the Kremlin, and he was opening up his company and reducing its dependence on the state.²¹

The result was his incarceration and the auctioning off of Yukos' most valuable assets – which promptly ended up in the state's hands. The western media largely decried Khodorkovsky's arrest, especially the failure to provide him with a fair trial. Subsequently, many western investors, afraid that the affair signaled the re-nationalization of private companies, pulled their money out of Russia. But Khodorkovsky's incarceration was wildly popular in Russia. After the arrest, Putin's approval ratings jumped ten percent, and three-fourths of the public supported the Kremlin's "anti-oligarchic revolution."²² Somewhat surprisingly, however, the public appeared to see through Moscow's official line that the arrest was motivated solely by bad business practices.²³ Russians understood that the arrest of Khodorkovsky signaled Putin's intent to break the power of the oligarchs, but this was still a policy they supported.

It appears, at first glance, that Putin has delivered on his promise to bring down the oligarchs. Three of the most prominent oligarchs (Berezovsky, Gusinsky, and Khodorkovsky) were prosecuted and held accountable for their illegal business practices and corruption; both Berezovsky and Gusinsky fled the country. Beyond these headline-grabbing prosecutions, Putin's record grows dimmer. In 2003, Putin appointed Mikhail Fridman, the banking magnate behind Yeltsin's scandalous "loans-for-shares" policy, to the chair of the National Council on Corporate Governance. Roman Abramovich, who acquired a large stake in oil giant Sibneft at the height of Yeltsin's corporate negligence, was appointed governor of Chukotka province in 2005—oddly enough, even as Abramovich's primary residence is in England. Putin's haphazard campaign against the oligarchs has allowed many of the prominent players of Yeltsin's era to remain in place, and the triumph of political considerations over business practices has allowed shady dealings to continue.

In reality, oligarchs remain a potent force in Russia today, albeit in a slightly different form than under Yeltsin. The oligarchs of the nineties have been supplanted by 'bureaucrat-oligarchs,' individuals who command authority over both government bureaucracies and private corporations. During Putin's presidency, Dmitri Medvedev served as both Deputy Prime Minister and chair of the board of directors of Gazprom; Sergei Ivanov, another deputy premier, chaired the board of the United Aviation Building Corporation. Igor Sechin, the deputy head of the presidential administration, chaired the board of Sibneft. The list goes on and on. Rather than doing away with oligarchs, Putin's tenure has been characterized by the formalization of the oligarchs' ties

²¹ *Putin's Russia*, p. 277.

²² "Putin and the Oligarchs"

²³ *Putin's Russia*, p. 281.

to the government. In many ways, the power of Putin's bureaucrat-oligarchs far surpasses that of Yeltsin's 'Family.' Shevtsova writes, "the Yeltsin oligarchs look like a group of dilettantes in comparison to the new cohort of bureaucrat-oligarchs."²⁴

Appeals to Russian Culture

The tumultuous transition to capitalism produced, in addition to a hatred of the oligarchs, a natural longing for the stability of the Soviet era in large swaths of the Russian population. With selective memory already setting in and recollections of mass repression fading fast, Russians began to grumble that at least they had jobs under Brezhnev. Economic recovery did not end this phenomenon, but rather fueled it. Flush with cash, and irritated by a decade of being shoved to the side of the world stage, Soviet nostalgia refocused on the superpower status Russians were used to enjoying. In 2007, after capitalism has been entrenched for over a decade, over a third of Russians liked the idea of returning to the Soviet political system.²⁵ Putin, an unabashed admirer of the Soviet Union, has catered to this sentiment. Shortly after taking office, he proclaimed the fall of the Soviet Union "the greatest geopolitical tragedy of the 20th century." He restored a host of Soviet symbols, including the Soviet anthem, the Red Army flag, and the tradition of military parades.²⁶ Even the less-savory side of the Soviet era has been given a face-lift; Putin appears to cherish the legacy of the Soviet secret police. Upon a visit to Lubyanka (the old-KGB headquarters), he half-joked, "Comrades, our strategic mission is accomplished – we have seized power." Putin has conjured up an image of the Soviet Union as a strong, stable power – a legacy to be carried on in today's Russia by none other than Vladimir Putin himself, the old KGB spymaster.

While endorsing a highly selective legacy of the Soviet Union, Putin has not been afraid to embrace cultural symbols shunned by his predecessors. He explicitly supports the Russian Orthodox Church, declaring in his 2000 Christmas Eve address, "[Orthodoxy] has been not only a moral touchstone for every believer but also an unbending spiritual core of the entire people and state...Orthodoxy has largely determined the character of Russian civilization." While contemporary Russia remains a highly secular society, the Church is a widely trusted institution – the most trusted 'institution' after Putin himself.²⁷ The political benefits of an alliance between the church and the President were clear: "Putin knew that he needed the church and not for reasons of personal faith but for reasons of state. The church offered a bridge to the rebuilding of national unity, as the guardian of national values and religious traditions."²⁸

²⁴ Ibid, p. 109

²⁵ Levada Center survey, conducted November 5-10, 2007.

²⁶ See Megan Stack, "In Russia, Nostalgia Blooms for Soviet Era," *Los Angeles Times*, May 10, 2008.

²⁷ See Vladimir Shlapentokh, "Trust in Public Institutions in Russia: The Lowest in the World," *Communist and Post-Communist Studies*, Volume 39, Issue 2, June 2006, Pages 153-174

²⁸ Wallace Daniel, *The Orthodox Church and Civil Society in Russia* (College Station: Texas A&M University Press, 2006) p. 72.

In return for the Church's unflagging support, the Kremlin helped crack down on variety of religious groups. Many new groups had taken advantage of the new religious freedoms under Yeltsin, and had tried to establish a beachhead in Russia. This trend ended quickly, however, as smaller religious groups—mainly Protestant—have been relentlessly harassed in recent years, reducing their membership and thus indirectly, helping the Orthodox Church.²⁹

Appeals to Soviet nostalgia and Orthodox values reach select, nontrivial audiences. But Putin's public appearance and presentation has resonated most strongly with ordinary Russians. Putin has benefited greatly from the inevitable comparisons to his predecessors, most noticeable through his health and vitality. During the Brezhnev era, much of the geriatric Soviet leadership could not appear in public without assistance. Yeltsin was so sick he had to have heart surgery while in office. Putin, on the other hand, wields a black belt in judo and enjoys talking about his physical fitness regimen. Less noticeable on first glance, but ultimately no less important, are his oratorical skill. Russia has not been blessed by a succession of leaders with great public speaking abilities – Yeltsin slurred his words, Krushchev resorted to vulgarity, and Stalin spoke with a thick Georgian accent. Brezhnev once read the same page twice while giving a speech.³⁰ While considered brusque by the western media, Putin's often-coarse language appears to resonate strongly with the majority of Russians.³¹

Economic Growth

Russia's economic performance is most often cited as the primary reason for Vladimir Putin's astronomical popularity. Indeed, the nation's economic performance under Putin appears impressive. GDP growth averaged over nine percent per year between 2000 and the end of 2007.³² GDP per capita more than tripled during his time in office, climbing from \$4,200 in 2000 to \$14,800 by the end of 2007.³³ Yet Putin can take little credit for Russia's robust growth. Unlike the four factors detailed above, the relationship between Putin's policies and economic growth is not causal. On the contrary, Putin has had a net detrimental effect on economic growth, lowering growth rates that would likely have been higher otherwise.³⁴

²⁹ See Clifford Levy, "At Expense of All Others, Putin Picks a Church," *New York Times*, April 24, 2008.

³⁰ Anders Åslund, *Russia's Capitalist Revolution: Why Market Reform Succeeded and Democracy Failed* (Washington D.C.: Peterson Institute For International Economics, 2007), p. 30.

³¹ For more on the significance of Putin's speaking ability, see Perry Anderson, "Managed Democracy," *London Review of Books*, January 25, 2007.

³² International Monetary Fund, 2008 World Economic Outlook, available at <[http://indexmundi.com/russia/gdp_\(purchasing_power_parity\).html](http://indexmundi.com/russia/gdp_(purchasing_power_parity).html)>

³³ CIA World Factbook, available at <<https://www.cia.gov/library/publications/the-world-factbook/geos/rs.html>>

³⁴ Despite the acclaim it has received, Russia has averaged the lowest rate of growth in the CIS in recent years. For more on the detrimental effects of Putin's policies, see Michael McFaul and Katherine Stoner-Weiss, "The Myth of the Authoritarian Model," *Foreign Affairs*, January/February 2008.

Two engines have driven Russia's economic growth over the past decade: tight fiscal policy and high energy prices, neither of which can be accredited in the slightest to Putin. Fiscal austerity stemmed from the 1998 financial crash, which compelled Yeltsin's government to adopt a tight budgetary policy and devalue the ruble; these measures have generated the first positive economic growth in Russia since the fall of the Soviet Union. The 1998 crash was really a catharsis, compelling Yeltsin to embrace the liberal economic framework laid by Prime Minister Yegor Gaidar in 1992. Ironically, Yeltsin turned to Yevgeny Primakov, an avowed communist, to fix Russia's budget deficit in 1998. Prime Minister Primakov did just that, slashing state expenditures by fourteen percent over the next three years, thus jump-starting Russia's growth.³⁵ By the time Putin took office, Russia's economy was already moving in the right direction, having grown 6.4% during the previous year³⁶

Initially, Putin appeared intent on continuing economic reform. Upon his inauguration, he brought in three prominent liberal reformers, appointing German Gref Minister of Economic Development, Alexei Kudrin Minister of Finance, and Mikhail Zurabov Minister of Health and Social Services. However, early warning signs signaled the liberal reformers did not have the President's full trust. Putin chose not to make Gref a Deputy Prime Minister, an unusual move, which undermined Gref's ability to carry out his reform package. Yet in 2005 Gref, along with Zubarov and Kudrin, managed to push through much-needed legislation replacing inefficient social benefits (i.e. government provided medical care) with cash payments. The reforms aroused protests, mainly amongst the elderly, and Putin responded by publicly scolding the trio. They were allowed to stay in office, but liberal reforms ground to a halt from that point forward.

Only Kudrin remains in the government today, but his influence has long since waned (one analyst referred to him as a 'bean-counter'). However, Kudrin will leave at least one positive legacy: Russia's Stabilization Fund. Putin's most significant economic achievement, the Stabilization Fund is Russia's attempt to avoid the 'resource curse' that plagues countries heavily dependent on commodity exports. In some respects, Moscow has worked hard to avoid the problems that typically plague resource rich states. It has successfully reduced national debt to seven percent of GDP and has run a budget surplus for seven straight years. It has pegged the budget to oil revenues of \$70 per barrel – a relatively conservative estimate (oil was selling for as much as \$145 a few months ago) leaving Russia better protected from the drop in oil prices than countries like Venezuela and Iran. The sense of fiscal conservatism instilled by the 1998 crash appears to remain strong. By January 2008, Moscow had managed to stash \$157 billion in the Stabilization Fund.³⁷

Rising oil prices have served as a secondary engine of economic growth. Supporters of the "oil boom" hypothesis often forget that oil prices lingered around \$25 a barrel until 2003, at which point Russia had already experienced four straight years of solid

³⁵ For more on Gaidar and Primakov's reforms, see *Russia's Capitalist Revolution*, p. 189-231.

³⁶ IMF, available at < http://indexmundi.com/russia/gdp_real_growth_rate.html>

³⁷ "Russia's Stabilization Fund at \$157 Billion," *RIA Novosti*, January 9, 2008.

economic growth (averaging over six percent growth per year).³⁸ When oil prices began to shoot skywards in 2003, they accelerated the trend, but were not the fundamental cause behind it. Furthermore, even the most ardent Putin supporters admit he had nothing to do with the rise in oil prices. On the contrary, Putin's policies have minimized the benefits of the oil boom.

Putin's placement of his friends, the bureaucrat-oligarchs, in the top spots of the energy sector has led to massive rent-seeking, deterred exploration and production, and undermined the industry's efficiency. Between 1998 and 2005, output in Russia's then-mostly privately owned oil sector rose by fifty percent, but production in the gas sector, dominated by state-owned Gazprom, plateaued. The Kremlin's consolidation of oil production under state-dominated enterprises has had similarly detrimental effects on production, causing Russian oil production to level off since 2005.³⁹ In 2003, *Fortune* magazine named Yukos the world's second most efficient company. In 2006, the *New York Times* reported that Rosneft, which had taken over Yukos' main assets since Khodorkovsky's arrest, was wasting enough gas per year to supply a city the size of Denver – despite the fact that state-dominated Rosneft had better access to Russia's pipeline network than Yukos did.⁴⁰

Regardless of the damping effect his policies have had on economic growth, the rising standard of living has inevitably boosted Putin's approval ratings. Yet closer examination of how ordinary Russians have perceived economic growth shows surprisingly little satisfaction, implying that economics accounts for only a small part of Putin's popularity. Over the last four years – when Russia's growth has been the most robust – the percentage of Russians who identify their family's living condition as 'good' has shown only a slight increase, climbing from eight to thirteen percent.⁴¹ The benefits of economic growth are concentrated amongst the urbanized elite in Moscow and St. Petersburg. To credit most of Putin's popularity to economic growth ignores the fact that the rising standard of living has failed to satisfy the vast majority of Russians outside of these small circles.

Instead, explaining Putin's rise in popularity necessitates five interconnected stories. Putin's actions in Chechnya fostered his popular image as a 'strongman,' while also winning him the support of the military. The interwoven campaigns to tame independent media outlets and the oligarchs who owned them succeeded in clearing the horizon of all serious threats to his power, be they in the form of respected critics or influential businessmen. Simultaneously, a variety of cultural appeals strengthened the image Putin

³⁸ Data taken from the Bank of Finland, available at http://www.balticdata.info/russia/macro_economics/russia_macro_economics_russia_GNP_GDP_summary.htm

³⁹ Zeyno Baran, "EU Energy Security: Time to End Russian Leverage," *Washington Quarterly*, 30:14 (Autumn 2007).

⁴⁰ Andrew Kramer, "In Russia, Ample Supply, Few Pipelines," *New York Times*, March 28, 2006

⁴¹ Levada Center, Welfare Trends Surveys, 2004-2008.

established in Chechnya as a unifying, strong leader. Economic growth, while important, was just the icing on the cake.

Part II: Illiberal Reforms of the Russian Government

Putin's popularity in Russia gave him an unofficial mandate to pursue illiberal policies as long as he maintained the appearance of providing security, stability, and economic growth. Using this mandate, he introduced legal reforms that enabled him to centralize power, eliminate political competition, and push Russia towards autocracy. Today, Russian federalism no longer exists, while the legislature and judiciary have been emasculated as independent political actors. Executive dominance extends even into civil society, where Kremlin-backed groups crowd out independent thinking. Putin has trampled the Russian constitution and ended competitive democracy, all done under the cover of preserving order and stability in Russia. This democratic backsliding aroused a surprising lack of opposition, testifying to Putin's enduring popularity and his ability to shape public opinion.

Undermining Federalism

Under Yeltsin, regional leaders often ruled supreme, unchecked by Moscow and reliant only upon their local support base. Regional laws often contradicted the constitution and renegade governors refused to contribute local revenues to the federal budget. Putin worked from the outset to reverse this decentralization of power that had occurred under Yeltsin. In one of his first nationally televised speeches as President, Putin lamented:

It's a scandalous thing when a fifth of the legal acts adopted in the regions contradict the country's Basic Law, when republic constitutions and province charters are at odds with the Russian Constitution, and when trade barriers, or even worse, border demarcation posts are set up between Russia's territories and provinces.⁴²

At the time he gave this speech, Putin had already begun the process of reigning in the regions. Only six days after his inauguration, on May 13, 2000, Putin issued Presidential Decree No. 849, establishing seven supra-regional districts [okrugs], to be run by presidential appointees. These new super-governors were assigned the task of taking control of all federal agencies in their jurisdictions, many of which had developed affinities if not loyalties to regional governments during the Yeltsin era. These seven representatives of federal executive authority also investigated governors and presidents

⁴² Vladimir Putin, Television address by the Russian President to the Country's citizens, Rossiiskaya gazeta, 19 May 2000. Translated in the Current Digest of the Post-Soviet Press 52(20), p. 5.

of republics as a way of undermining their autonomy and threatening them into subjugation.⁴³

The system of Presidential viceroy proved to be largely ineffectual, with rare exceptions. In reality, the envoys did little more than conduct formal consultations with the public about the candidates for governor.⁴⁴ Yet Putin did not wait to see for the envoys to prove ineffectual; he had already turned to undermining regional representation in the Duma. On August 5, 2000, he signed Federal Law No. 112-F3, which emasculated the Federation Council, the upper house of Russia's parliament, by removing governors and heads of regional legislatures from this chamber and replacing them with appointed representatives from the regional executive and legislative branches of government.

Putin next began a process of merging regions, claiming that Russia's 89 administrative districts caused excessive bureaucratic inefficiency. In 2003, Putin announced that the Perm Region and the Komi-Permyak Autonomous District would be consolidated into a new unified federal district. Most recently, the Kamchatka Region and the Koryak Autonomous Area were merged in October 2005. Ethnic minorities protested the consolidation of their semiautonomous territories into larger districts, finally gaining national attention in April 2006. The proposed merger of the Adyge Republic with the Krasnodar Territory caused Adyge leader Khazret Sovman to speak out publicly against the plan. Afraid of inciting unrest in the north Caucasus, Putin called off the merger and announced there were no more plans for mergers in the region, leaving Russia's regional total at 83. However, the already-accomplished consolidation of regional districts helped the Kremlin undercut the power of unruly regional actors and scared other governors, afraid of consolidation, into submission.

The fatal blow to Russian federalism came in late 2004. On September 13, Putin announced gubernatorial elections in all Russia's regions would be replaced by the direct appointment of governors from Moscow. The proposal was quickly passed by the Duma and signed into law on December 12, 2004 and the last gubernatorial election was held in January 2005 in the Nenetskiy Autonomous Area. In the wake of the Beslan tragedy, deputy chief of the Presidential Administration Vladimir Surkov justified the new law by claiming it would facilitate anti-terrorism efforts and permit central authorities to freely crack down on extremist infection in the regions.⁴⁵ The reform aroused little opposition from governors themselves. Most were already Putin loyalists and they remained confident they would keep their position. Moreover, the new legislation abolished term limits, garnering the support of those governors facing the prospect of forced retirement in the near future.

⁴³ C. Ross "Putin's Federal Reforms and the Consolidation of Federalism in Russia: One Step Forward, Two Steps Back," *Communist and Post-Communist Studies*, Vol. 36 (2003). pp 34. It is also worth noting that 5 of the 7 of the current appointees have a background in either the FSB or the army.

⁴⁴ Ivan Sukhov, "The Power Vertical and the Nation's Self-Consciousness," *Russia in Global Affairs*, No. 2 (April-June 2008). The only area where the supra-regional envoy has exercised real power has been the South Federal District.

⁴⁵ *Komsomolskaya Pravda*, September 29, 2004; *Russia Profile*, October 14, 2004.

Mayoral elections may be the next to go. The tensions between elected mayors and appointed governors – who often come from different parties - have largely worked to Moscow's benefit, allowing the center to play regional actors off against each other. However, Putin also undercut the power of mayors. In Kaliningrad, the majority of the mayor's duties have been assumed by a city manager hired under contract, while criminal proceedings have removed the mayors of Vologograd, Arkhangelsk, Vladivostok and Tomsk from their positions.⁴⁶ Currently, discussion is underway about abandoning mayoral elections entirely.

Establishing the Power Vertically

The death of Russian federalism has been accompanied by the systematic destruction of any and all checks on the power of the executive. Putin pushed through legislation that curtailed opposition parties and independent politicians from winning seats in the State Duma, turning the legislature into a rubber-stamp for executive decrees. The judiciary has been defanged as an independent political force, raising no serious objection to Putin's trampling of Russia's constitution.

December 2002 marked the passage of the law "On the Election of Deputies of the State Duma," the second installment in Putin's political reform package after emasculating the Federation Council, the upper house of parliament. The new law fundamentally altered the manner in which deputies would be elected to the lower body of parliament, which had served as the last bastion for opposition politicians. Previously all 450 deputies in the State Duma had been elected from single-member districts (where a geographic district elected one deputy based on majority voting), but now half of the Duma, 225 deputies, would be voted on via proportional representation, from party lists.

Proportional representation became the only form of election to the legislature in 2005, when Putin signed into law an initiative to do away with all single-member districts. Beginning with the 2007 State Duma elections, all seats have been awarded based on party standings. The same legislation prohibited unregistered parties from winning seats in the Duma and increased the voting threshold for representation from five to seven percent. Putin claimed that these reforms, aimed at reducing the number of parties in the Duma, would strengthen the party system; although this was true, consolidation was the underlying aim and more relevant result.

Russia's historical lack of political pluralism has inhibited parliament from acquiring real power. Analyst Stephen White suggests because most Russians do not belong to a political party or identify with one, the parties remain weak and highly vulnerable to manipulation by the government.⁴⁷ Putin's reforms to the Duma have furthered this trend, evidenced by the results of the 2007 elections. In 2003, only four parties (United Russia, the Communist Party, the Liberal Democratic Party, and Motherland) passed the 5%

⁴⁶ Igor Dmitriyev, "'Mayors for Hire' Program Behind Kremlin Shake-Up," *Moscow News*, June 6, 2007.

⁴⁷ Stephen White, "Russians and Their Party System," *Demokratizatsiya*, Winter 2006.

threshold for party list seats. However, politicians from 8 others parties won 32 seats, and independent politicians won 68, for a total of 100 out of 450 total seats. The abolition of single-member districts dramatically changed the nature of opposition politics. In 2007, the same four parties were the only ones to pass the now-7% threshold for list representation. But this time, there was no room left for any independent or minor party politicians.⁴⁸

For the first time since 1992, no party represented in the Duma serves as a real liberal opponent to Kremlin policy. All parties associated with liberal opponents of Putin – Grigory Yavlinsky’s Yabloko, Boris Nemtsov’s Union of Right Forces, Garry Kasparov and Mihail Kasyanov’s Other Russia – fell short of the 7% threshold and thus, as a result of new Kremlin law, have no voice in today’s Duma. Between United Russia and the Kremlin-backed spin-off Just Russia, the Kremlin controls 78% of the seats in the State Duma, giving it a super majority large enough to amend the constitution. The Liberal Democratic Party of Russia, founded before the fall of the Soviet Union in 1989, is not a Kremlin creation and its fiery, nationalistic leader Vladimir Zhirinovskiy commands the ability to captivate mass audiences. Yet the LDPR has been undermined by rampant corruption – and its support has been effectively purchased by the Kremlin. The Communists receive support from only a narrow audience (generally elderly pensioners disenchanted with the vagaries of capitalism) and remain more reactionary than United Russia itself. The Communist Party’s independence actually serves the Kremlin, allowing it to claim that political pluralism thrives in Russia, when, in fact, there is effectively nothing more than a façade.

Putin came to power promising to deliver *diktatura zakona* - “a dictatorship of law” - but left office having dramatically weakened the rule of law.⁴⁹ At first, Putin appeared to embrace judicial reform, as he brought regional laws into line with federal laws and the Constitution, instituted the adoption of a new procedural code designed to empower judges, and approved a massive budget increase in the funding of courts to raise judges’ pay and modernizing judicial facilities. The number of cases heard by juries in both regional and federal courts, as a result, increased rapidly.⁵⁰

But Kremlin policy in application would prove to contrast any idea of just judicial reform. The arrest and prosecution Mikhail Khodorkovskiy, for example, violently scuttled these trends. In a trial that grabbed national headlines, Khodorkovskiy found himself denied rights including an independent and impartial tribunal, an effective legal

⁴⁸ Motherland merged with two smaller parties, the Russian Party of Life and the Russian Pensioner’s Party, to form Just Russia in 2006. Almost all the parliamentary members of Motherland joined Just Russia.

⁴⁹ Anders Åslund, *Russia’s Capitalist Revolution: Why Market Reform Succeeded and Democracy Failed* (Washington D.C.: Peterson Institute For International Economics, 2007), p. 190.

⁵⁰ Peter Solomon, “Putin’s Judicial Reform: Making Judges Accountable As Well as Independent,” *East European Constitutional Review*, Winter/Spring 2002.

council, and examination of witnesses and evidence.⁵¹ At the same time, the use of kangaroo courts to expropriate Yukos' assets severely undermined the value of fledgling property rights in Russia.

The Khodorkovsky affair may have been a singular incident - the other oligarchs appear to have understood Putin's message to stay out of politics and keep their fortunes safe. However, Khodorkovsky's show trial has been followed by what Peter Solomon has labeled a sweeping campaign of judicial counterreform - "measures [to] reduce either judicial power or judicial independence in an unreasonable or unjustifiable way."⁵²

The primary target of judicial counter-reform has been the Judicial Qualification College, the body that approves judicial appointments, oversees promotions, and possesses the power to override the lifetime tenure most Russian judges enjoy. Since 1993, the College had been comprised solely of judges, but in 2001 membership was broadened to include one member of the general public (usually with legal training) for every two judges. In addition, the President was allotted one direct appointment to the College. In 2000, Putin floated a proposal to replace the lifetime appointment of judges with fifteen year terms, but backed down after strong protests. In 2004, the composition of the College was changed to further reduced the influence of judges, pitting ten judges against ten members of the public and one presidential representative. For the first time, judges compromised a minority, allowing for a meeting of the College to dismiss a sitting judge without the consent of any judges. Furthermore, both judges and members of the public are no longer chosen by the judicial community, but rather by the President, pending the approval of the Federation Council. In general, the Kremlin has been extremely secretive about all plans regarding judicial reform, in many cases failing to include judges in discussions of court reorganization.⁵³

The failure of Russia's Constitutional Court to prevent or even object to Putin's rollback of political rights, which constitute clear challenges to the constitution, belies the court's impotence as a political check on the executive. However, judicial reforms under Putin have also impeded the delivery of justice outside the political realm. Despite the initial promise they showed, jury trials have faltered over the past decade. According to Russian legal scholars, the Supreme Court overturns between 25% and 50% of the not-guilty verdicts delivered by juries.⁵⁴ Prosecutors' ability to retry defendants until they are eventually found guilty undermines the core of an adversarial legal system. Russian citizens have not failed to notice these trends; trust for judicial institutions is at an all-time low. In March 2006, 60% of Russians reported they did not trust the court system or

⁵¹ Robert Amsterdam and Dean Peroff, "White Paper on the Abuse of State Authority in the Russian Federation: The New Politically Driven Charges Against Mikhail Khodorkovsky," February 7, 2007

⁵² Peter Solomon, "Threats of Judicial Counter-Reform in Putin's Russia," *Demokratizatsiya*, June 22, 2005, pp. 325-346. Pg. 4

⁵³ *Ibid*

⁵⁴ Peter Finn, "In Russia, Trying Times for Trial by Jury," *Washington Post*, October 31, 2005.

prosecutors.⁵⁵ But amazingly, this negative sentiment has not been accredited or directed toward its subversive implementers in the Kremlin executive.

NGOs and Civil Society

Traditionally in Russia, the strong state has dominated over a weakly consolidated society. The policy of strengthening the state undertaken throughout Putin's terms in office revisits the familiar Russian pattern: the state is ubiquitous, encroaching upon public territory and crowding out genuine public initiatives uncontrolled by its operatives. Having "streamlined" the media, big business, political parties and other non-governmental institutions, Putin and his state apparatus is currently engaged in expanding their control over Russia's already weak "civil society".

In keeping with that objective, the Kremlin first decided to force independent NGOs to the margins of society by devoting massive resources to the creation of stated-sponsored and state-controlled NGOs. On March 16, 2005, the Kremlin announced its Public Chamber Project, which President Putin named as one of the most significant political achievements of 2005. Its official role is to serve as the oversight consultative body on legislation and the activities of the parliament, and to monitor federal and regional administrative bodies. The Public Chamber has 126 members, all of whom are to be individuals with widely recognizable personalities who are neither politicians nor businesspeople. One third of the members are selected by the President, one third are nominated by civil society organizations, and the remaining third are appointed by the already selected members. In essence, the Project calls for Russia's civil society to organize vertically in a three-tier system – at the national, district (*okruzhnoi*) and regional levels. Of the roughly two thousand delegates who participated in regional conferences, just 42 representatives of regional nongovernmental organizations made it into the federal Public Chamber. The delegates were informed that they were forming the "gold reserve of civil society," and that the regime would be counting on them in the future. Putin described the body as a "channel of influence of civil societies, of the citizens of the Russian Federation on the decisions made in the country."⁵⁶

Other Kremlin creations have taken on a more menacing form. Putin funded and publicly supported youth groups like *Nashi* and *Molodovaya Gvardia* with highly nationalistic missions and unwavering support for Kremlin policy. Founded in the wake of youth-led protests that toppled the government of Ukraine in 2004, these groups are intended to prevent any similar swelling of youth-led opposition in Russia. Instead, they serve to dispense inflammatory rhetoric about unfriendly foreign powers and harass political opponents.⁵⁷

In addition to creating state-sponsored NGOs to crowd out independent organizations in society, the Kremlin next began to actively restrict the operations of unfavorable NGOs.

⁵⁵ Levada Center for Public Opinion Poll

⁵⁶ Quoted in Masha Lipman, "Putin's Chosen 'Public'," *Washington Post*, September 16, 2005.

⁵⁷ Steven Lee Myers, "Youth Groups Created by Kremlin Serve Putin's Cause," *New York Times*, July 8, 2008.

The first targets were foreign NGOs; in his annual address to the Federation Assembly in April 2007, Putin struck a xenophobic note when he warned of Western plots to undermine Russian sovereignty. He asserted, "There is a growing influx of foreign cash used directly to meddle in our domestic affairs.... Not everyone likes the stable, gradual rise of our country. Some want to return to the past to rob the people and the state, to plunder natural resources, and deprive our country of its political and economic independence."

Putin has matched his rhetoric with actions. In January 2006, he signed a new law on NGOs which affords the state numerous ways to harass, weaken and even close down organizations considered too political. For example, under the new law, foreign NGOs have to inform government registration officials about their projects for upcoming year and the money allotted for each project; Russian officials decide which projects "comply with Russia's national interests," and those that fail to make the grade are prohibited. If a foreign NGO disregards the state and implements a banned project, it could find its offices closed down. Putin's government has already tossed out the Peace Corps, closed down the office of the Organization for Security and Cooperation in Europe in Chechnya, declared *persona non grata* the AFL-CIO's field representative, Irene Stevenson, raided the offices of the Soros Foundation and the National Democratic Institute (NDI), and most recently forced Internews-Russia to close its offices after accusing its director of embezzlement.

Reducing Electoral Competition

Control of the media has served as the most important check on electoral competition, but it has been accompanied by legislative reforms that restrict political parties from participating in national elections.

On July 11, 2001, President Putin signed his first major political reform package into law, with the passage of Federal Law No. 95-F3, "On Political Parties." The law enacted stricter requirements for the formation and registration of a political party – under the new legislation, all political parties must boast 10,000 members nationally and operate organizational branches in at least 45 regions to be registered by the Ministry of Justice and compete for political office. Additionally, each regional office must have at least 100 members. The law had the effect of disqualifying the vast majority of Russia's 188 political parties that existed at the time from competing in elections.

Two years later, Putin signed the federal electoral law 'On Fundamental Guarantees of Electoral Rights,' which redefined the concept "electoral bloc" to mean an alliance of one or several political parties. The legislation restricted the formation of new electoral blocs, and prohibited more than three member parties from forming a bloc. This hurt smaller parties most, which relied heavily on bloc formation for gaining a voice in the Duma.

In July 2006, Putin signed a law banning political parties from nominating non-members to office. The law also prohibited any serving State Duma deputy from changing party affiliations once in office. A series of amendments enacted in the same legislation also

included the elimination of the “against all” option on the ballot. Previously voters had the option of voting “against all” candidates, an option that functioned as the primary means of expressing voter dissatisfaction with the elections or candidates.

On December 6, 2006, Putin signed another law “On Amendments to the Federal Law on the Basic Guarantees of Russian Federation Civil Procedural Code,” which added new ‘filters’ to the numerous existing ones that helped screen unwanted candidates from elections. The election commissions reacquired the right to eliminate from the party slate those candidates who have provided incomplete or false information about themselves. Additionally, all candidates and parties are now banned from criticizing their opponents in TV ads. Those individuals who have a record of “extremist activity” (this includes both criminal and administrative activity) are barred from running for any elective office. The concept of extremism is very broadly defined, allowing for significant latitude on the part of courts and law enforcement agencies to interpret the law. For example, “impeding the operation of government bodies” associated with “violence of a threat to use it” as well as “public slander with regard to persons holding government office of the Russian Federation or a region thereof accompanied with accusations of such a person of committing a serious or especially serious offence” may all be classified as extremism.

Significantly, the law also abolishes the minimum turnout requirement for elections at every level. Previously the standard minimal requirement was 20 percent for local elections and 50 percent for federal races. From now on, an election will be considered valid, even if no one turns out except the members of the electoral commission.

The defining feature of the “over-managed democracy” established by Putin over the past eight years is an omnipotent executive branch, with all real power concentrated in the Kremlin. The configuration of power is highly rigid, with all decisions relegated to the Kremlin and no existing system of checks and balances. There are three tiers of control in the system involving management of actors, institutions and the rules of the game. The basic elements of Putin’s Russia are: (1) a strong presidential system of management at the expense of all other institutions and actors, including regional elites, both houses of parliament and the judiciary; (2) state control of the media and civil society, which are used to shape public opinion through dosed and filtered messages; (3) controlled elections which no longer function as a mechanism of public participation, but serve to legitimize decisions made by elites.

Part III: The Pitfalls of Over-Managed Democracy

The placement of Putin’s close associates in the top spots at Russia’s largest enterprises, known internationally as cronyism, has been one of the defining characteristics of economic development over the past eight years. Most of these bureaucrat-oligarchs are old friends of Putin, having worked with him in the security services or in St. Petersburg, where Putin served as the assistant to Mayor Anatoly Subchak. Prominent bureaucrat-oligarchs include ex-director of the Presidential Administration Igor Sechin, who worked

with Putin in both the KGB and St. Petersburg (chairman of the board of oil giant Rosneft) and Minister of Defense Sergei Ivanov, another ex-KGB member, (chair of the United Aircraft Corporation), Deputy Prime Minister Sergei Naryshkin, yet another KGB friend of Putin, (chairman of United Shipyards Corporation). Any discussion of bureaucrat-oligarchs is not complete with mentioning Dmitri Medvedev, who was First Deputy Prime Minister and chairman of Gazprom – the Kremlin’s most prized enterprise – between 2005 and 2008. Medvedev relinquished direct control of Gazprom only to become President – perhaps the only office powerful enough to entice the new breed of bureaucrat-oligarchs to give up their lucrative business positions.

Under Yeltsin, the most prominent oligarchs made their fortunes through shady, or even outright illegal, business dealings. They were not a group of men afraid to flout the law. However, after the turmoil of the ‘loans-for-shares’ scandal subsided, the oligarchs played an important role in restoring legality to Russia. Tired of paying outrageous sums for ‘protection,’ the most prominent oligarchs hired their own security services, undermining the power of organized crime and decreasing violence during the late nineties.⁵⁸ When it became clear that continued growth necessitated western investment and expertise, the oligarchs were willing to play by the rules. Khodorkovsky’s Yukos led the way, bringing in firms like McKinsey to help clean up its books and increase transparency. Yet today’s bureaucrat-oligarchs have reversed this trend towards transparent business practices. Having won their positions through political connections rather than business acumen, they do not have the entrepreneurial instincts of their predecessors. Labeled “anticompetitive, capricious, inattentive to consumer demand, and unwilling to pay factors the value of their marginal products,” this new brand of executive is more concerned with using political connections to line his own pockets than foster long-term corporate growth.⁵⁹

As oil prices have skyrocketed, rent-seeking behavior has exploded under Putin’s watch. This is especially dangerous for Russia, because failure to prevent oil revenues from causing rent-seeking behavior is the leading cause of the resource curse.⁶⁰ Nothing exemplifies this behavior better than corruption. When Putin took office in 2000, Transparency International ranked Russia the 82nd least-corrupt country. At first, corruption continued to decrease – Russia dropped to 71st in 2002, but then the trend reversed itself. Today, Russia is ranked 147, tied with pariah state Syria. The INDEM Foundation estimates that companies pay \$316 billion in bribes to government officials – seven percent of total corporate revenues. In October 2008, a senior government prosecutor claimed corrupt officials will embezzle \$120 billion out of a total national budget of \$376 billion.⁶¹ If this is even close to true, it is a truly staggering figure. When

⁵⁸ Åslund, p.150.

⁵⁹ Steven Rosefielde, “Russia: An Abnormal Country,” *European Journal of Comparative Economics*, Vol. 2, Issue 1, pp. 3-16

⁶⁰ See Terry Karl, “Oil-Led Development: Social, Political, and Economic Consequences,” *Working Paper*, Stanford Center for Democracy, Development, and the Rule of Law, January 2007, available at < http://iis-db.stanford.edu/pubs/21537/No_80_Terry_Karl_-_Effects_of_Oil_Development.pdf>

⁶¹ Ed Bentley, “Corruption Costs Russia \$120 Billion,” *Moscow News*, October 6, 2008

corruption levels reach as high as they are in Russia, they seriously impair economic growth. Only New Guinea experiences more corruption than Russia, and even with its tribal persistence and dependence on Australian aid, New Guinea still enjoys a higher GDP per capita.

Andrei Shleifer and Daniel Treisman argue that, given its GDP per capita, Russia has ‘normal’ levels of corruption.⁶² While Russia’s corruption level may be comparable to other similar countries, primarily the other ex-Soviet Republics, the problem is that Russian corruption is increasing, while corruption in the rest of the CIS is decreasing.⁶³ Many of the hard-fought gains of the past ten years appear to have been lost. One of Yegor Gaidar’s biggest accomplishments was reigning in Russia’s supposedly unstoppable military-industrial complex; today, a third of all defense funding is estimated to be embezzled.⁶⁴

Corruption in Russia stems not from poor salaries; its pervasiveness at the very top levels of government show a deep disregard for the rule of law. The most glaring incident was the 2006 embezzlement conviction of Leonid Reiman – Putin’s Minister of Communications – by a court in Zurich. Reiman is estimated to have funneled almost \$6 billion in state assets into his personal bank accounts; but instead of being prosecuted for the stolen funds, Reiman remains at his post and the matter has been ignored by the Russian media.⁶⁵ The creation of Putin’s ‘vertical power’ has come at the expense of the institutions of ‘horizontal accountability’—those which Stanford University economic development expert Larry Diamond identifies as necessary for restraining corruption.⁶⁶

The economic impact of government interference in the economy is most clearly seen in Russia’s energy sector. Recently, rent seeking in this sector had presenedt itself in the form of bizarre, unprofitable corporate decisions. In 2003, Rosneft purchased oil conglomerate Severnaya Neft for \$622 million – at least twice its fair value (Khodorkovsky correctly accused that this deal was based on massive kickbacks—candor that likely precipitated his arrest soon thereafter).⁶⁷ Not to be outdone, Gazprom purchased oil company Sibneft in 2005 for \$13 billion. It appears that Gazprom grossly overpaid, but the deal ended up being quite lucrative for Sibneft owner and Putin favorite Roman Abramovich.⁶⁸ Gazprom has also acquired a variety of non-core assets – the newspaper Izvestia, Black Sea resorts, even farms – that are economically foolish, but

⁶² Andrei Shleifer and Daniel Treisman, “A Normal Country,” *Foreign Affairs*, March/April 2004

⁶³ Åslund, p. 262.

⁶⁴ “Advancing, Blindly,” *Economist*, September 18, 2008

⁶⁵ Glenn Simpson, “Russian Regulator Under Fire,” *Wall Street Journal*, November 14, 2007

⁶⁶ Such institutions include an independent judiciary, a counter-corruption agency, a network of audit agencies, and independent economic regulatory agencies. For more, see Larry Diamond, “Building a System of Comprehensive Accountability to Control Corruption,” in Adigun A. B. Agbaje, Larry Diamond, and Ebere Onwudiwe, eds., *Nigeria’s Struggle for Democracy and Good Governance* (Ibadan: Ibadan University Press, 2004), pp. 221-240.

⁶⁷ Nina Poussenkova, “Rosneft as a Mirror of Russia’s Evolution,” *Pro et Contra*, Volume 10, Issue 2, June 2006

⁶⁸ Catherine Belton, “Gazprom Scoops Up Sibneft,” *Moscow Times*, September 29, 2005

politically useful. Meanwhile, these government-controlled behemoths have failed to explore and develop new oil and gas deposits, the core of their business model. Production in the natural gas industry has increased very slowly and export levels regained their level of the late 1990s only in 2006.⁶⁹ The largely privatized oil industry increased average output growth by 8.5 percent a year from 1999 to 2004, after which the state interference has led growth to fall to 2 percent a year for the ensuing three years.⁷⁰

The consolidation of the Russian economy into industrial behemoths controlled by the Kremlin extends beyond the energy sector.⁷¹ The state has fostered the creation of ‘national champions including the United Aircraft Corporation (three quarters state owned), the United Shipyard Corporation, and Russian Railways. They are all controlled by ex-KGB friends of Putin – Sergei Ivanov, Sergei Naryshkin, and Vladimir Yakunin, respectively.⁷² Putin has supported the creation of these monopolies, arguing that vertically integrated enterprises keep valuable resources in Russian hands and maximize Russian leverage on international markets. Yet the creation of ‘national champions,’ modeled on companies like France’s Total, while convenient for foreign policy, remain economically foolish.⁷³ The Kremlin commands energy conglomerates as if they were foreign policy weapons, but the creation of these entities owes more to the vast opportunities personal enrichment they present than to their ability to dominate international markets.

While focusing on big businesses, the Kremlin has paid little attention to the growth of small enterprise and labor productivity. According to the European Bank for Reconstruction and Development, small enterprises produce an estimated twelve percent of Russia’s GDP, far below EU and US levels that range from fifty to seventy percent.⁷⁴ Small businesses play a crucial role in diversifying the economy away from oil and natural gas, but the same study found that 35 percent of Russian small businesses are unable to obtain bank loans, versus 15 percent in Germany. The failure to foster small business growth is closely tied to Russia’s flagging productivity growth – the metric the World Bank labels “probably the single most important indicator of a country’s economic progress.”

Labor productivity grew rapidly between 1999 and 2005, but Russian firms appear to have largely exhausted the post-crisis productivity gains. These gains, derived from utilization of idle capacity and labor shedding in the wake of financial crisis, have subsided and without new liberal policy implementation, productivity growth has slowed. The World Bank concluded that further productivity gains would be driven by investment in information and communication technologies, which have played a small role to date.

⁶⁹ Robert Pirog, “Russian Oil and Gas Challenges, *CRS Report for Congress*, June 20, 2007

⁷⁰ Åslund, table 7.1.

⁷¹ It is worth noting that important sectors like metals, retail trade, and construction remain firmly entrenched in the private sector.

⁷² Åslund, p. 252

⁷³ “Breaking Up Is Hard To Do: Reforming Europe’s Energy Markets,” *Economist*, September 13, 2007

⁷⁴ EBRD Transition Report 2006

⁷⁵ This does not bode well for Russia, which invested only 1.07% of GDP into R&D in 2006, lagging far behind economic powerhouses like the US (2.57%) and Germany (2.51%) and rapidly developing countries like China (1.34%).⁷⁶ The Kremlin's 'big business' emphasis has choked small businesses, limited productivity gains, and restrained R&D investment – all factors that conspire against continued economic growth.

Other factors also constrain economic growth. Infrastructure development stagnated during the past eight years, most glaringly in road maintenance and development. Perhaps the most important component of infrastructure economy, roads rarely merit much discussion in developed countries as they are taken for granted as a basic and long-established service; oddly, this is not the case in Russia. Under Putin's rule, the length of roads officially designated as paved fell 50,000 kilometers - a decrease of 6.7% in the total amount of paved roads. At the same time, the cost of opening one kilometer of new road has risen five-fold, mainly due to corruption.⁷⁷ The development of a true national highway system spurs economic growth, as was the case in the U.S. in the 1950s. Yet Russia still has yet to develop such a system. The largest country in the world, Russia has fewer miles of paved highway than its minute neighbor Finland.

The healthcare system is even more problematic than the corroding roadways. Over the past ten years, the average male life expectancy has plummeted ten years, due much to alcohol abuse and the prevalence of smoking.⁷⁸ This has pushed an already stressed healthcare system beyond its capacity, and as a result, Russians are dying out faster than they are being born. The country's negative growth rates have led demographers to predict that Russia's population will decline by one-third in the next fifty years. These fears may be overstated – the population has dropped only three percent over the past seventeen years.⁷⁹ But the economic costs have been enormous regardless. Putin more than doubled spending on healthcare, but it has had little effect – Russia achieves the same performance as countries that spend 30-40% as much on health, relative to their GDP.⁸⁰ Once again, the gross inefficiency of the Russian healthcare system has its roots in corruption. Experts at the Russian Academy of Sciences estimate that up to 35 percent of money spent on health care consists of under-the-table payments.⁸¹ Russia's supposedly free healthcare system underpays doctors, while simultaneously fostering corruption and preventing poor patients from obtaining treatment. Low birthrates have

⁷⁵ Russia Economic Report No. 15, Chapter II, World Bank, November 2007, available at <http://siteresources.worldbank.org/INTRUSSIANFEDERATION/Resources/rer15_En.ver.pdf>

⁷⁶ "Composition of GDP and R&D/GDP for selected countries," (table) *National Science Board, Science and Engineering Indicators 2008*, available at <<http://www.nsf.gov/statistics/seind08/start.htm>>

⁷⁷ Boris Nemtsov and Vladimir Milov, "Putin: The Bottom Line," March 31, 2008

⁷⁸ Female life expectancy has done much better, mainly because alcohol abuse is less prevalent amongst women.

⁷⁹ Aslund, p. 303

⁸⁰ Patricio Marquez, "Public Spending in Russia for Health Care: Issues and Options," *World Bank Report*, August 2008.

⁸¹ From the Open Health Institute, quoted in Maria Danilova, "Despite Oil Wealth, Russia Faces Huge Health Care Problems," *International Herald Tribune*, June 28, 2007

little to do with Russia's 'demographic crisis.' Instead, any expert would testify, the failing healthcare system has lead to unusually high death rates.

The Russian Economy Today

In the fall of 2008, the Russian economy was struck by twin shocks – a stock market crash and plummeting price of oil. Between the beginning of August and the end of September, the RTS Index lost over two thirds of its value. How much of the blame for this falls on Putin and how much on events beyond Russia's borders?

Although still some source of ambivalence, the current financial crisis indubitably has its roots in the US. The experts almost unanimously point to the sub-prime loan disaster that started in the US but ultimately generated a global credit crunch in late summer 2008. Yet Putin's actions failed to protect Russia from a predictable market 'correction' and exacerbated the eventual downturn. The Kremlin ignored ominous warning signs of a discrepancy between the stock market and real investment. While the RTS and MICES both climbed rapidly over the past eight years, real investment has lagged far behind. As a percentage of GDP, gross fixed investment was stagnant at around 18% from 2000 to 2005, and actually even decreased in the past three years. Once again, Russia's supposedly 'normal' performance lags far behind the other ex-Soviet Republics; successful economic transitions like those in Estonia and Latvia have been accomplished only with investment ratios around 35% of GDP.⁸² Russia's stock markets became a bubble that would inevitably and violently burst.

However, instead of trying to protect the bonanza of foreign capital that had accumulated in Russia by the summer of 2008, the Kremlin continued to take politically aggressive actions. Thus, Russian economic policy scared investors away; after the dismantlement of Yukos, investors have been understandably skittish of *any* government interference. In 2007, Moscow's attempts to pressure TNK-BP to sell its stake in Sakhalin to Gazprom caused the company's stock to plummet. On July 24, 2008, metallurgical giant Mechel's stock plunged almost 38 percent after Putin made derisive comments about its executive. Moscow must have known that the Georgian War would drive foreign investors out of Russia. Sure enough, over \$16 billion in foreign capital fled Russia in the week after August 8. Russia would have suffered as America's financial crisis spread across the globe in September, but the Kremlin's actions undoubtedly accentuated the downturn to come.

Yet, despite all of the Kremlin's missteps, Russia looks relatively well positioned to weather the crisis. Russians consider the stock market fare more speculative than most Americans, so fewer middle or lower-class Russians will be deeply affected. As Prime Minister, Putin has moved swiftly to bail out Russian banks, pouring money from the Stabilization Fund. On top of the Stabilization Fund, over \$600 billion in foreign currency reserves give Putin significant flexibility to protect Russian businesses.

⁸² UN Economic Commission for Europe 2007, Aslund, p. 256, fig. 7.4

Paradoxically, the financial crisis and plummeting oil prices can serve as a catalyst for long-term growth, much the same way the 1998 meltdown fostered a decade of growth. As detailed above, Russia's economic growth has stemmed mainly from liberal reforms – which are only politically plausible when oil prices are low. Russia now has the opportunity to make much needed reforms, and can replace the emphasis on personal enrichment (bureaucrat-oligarchs) with institution building. Only when institutions are sufficiently developed to restrain corruption can key facets of a successful economy like small business growth, infrastructure development, and healthcare reform be achieved.

Unfortunately, it looks like Putin is using the financial crisis to deepen government interference in the economy, rather than reduce it. “A huge redistribution of property is taking place due to the crisis,” writes Nikolai Petrov, “as the political elites in the Kremlin are sure now that they've been right all along about the need for greater state control.”⁸³ If this is the case, Moscow is squandering a much-needed opportunity to get Russia's economy back on track.

Hopes for Democracy?

The election of Dmitri Medvedev in February 2008 confirmed the essentially uncompetitive nature of national politics in today's Russia. Medvedev's two and half years as Deputy Prime Minister, and his two terms as the chairman of Gazprom, demonstrated his loyalty to Putin—but little ability as a national leader or electoral campaigner. Regardless, Putin's public endorsement of Medvedev on December 10, 2007 caused Medvedev's approval ratings to shoot from 24% to 70%, and ended any real debate about who would be Russia's next President.⁸⁴

Medvedev refused to debate his opponents and ran a campaign that averted discussion of Russia's most important issues, but he nevertheless dominated state-controlled media coverage. Between December 10 and February 26, there were 1,832 references to Medvedev on national television, while the other three candidates combined accounted for only 1270. NTV allotted Medvedev 17.3 time the airtime given to all other candidates, while TV Center and Channel One's ratios were 5.5 and 1.8, respectively. Only Ren-TV's coverage was anything resembling equitable. When an opposition campaign filed a case demanding equal airtime on Channel One and Russia, it was thrown out by a Moscow court that claimed the mere fact that all candidates had appeared on television meant they were receiving equal access.⁸⁵

Only three rivals were allowed on the ballot: Communist candidate Gennady Zyuganov, LDP candidate and Vladimir Zhirinovsky, and Democratic Party Andrei Bogdanov. Both

⁸³ Quoted in Fred Weit, “Crisis Spares Russia's Average Joe,” *Christian Science Monitor*, October 21, 2008

⁸⁴ “Dmitry Medvedev: Putin's Successor,” Deutsche Welle, May 7, 2008 available at <<http://www.dw-world.de/dw/article/0,2144,3162246,00.html>>

⁸⁵ Nabi Abdullaev, “Medvedev Slammed for Airtime Monopoly,” *St. Petersburg Times*, February 29, 2008

Zyuganov and Zhirinovskiy – who were once fierce Kremlin opponents - rarely speak out against Kremlin policy nowadays. Indeed, when they did find themselves in the spotlight, their reactionary platforms (Zyuganov called for a return to Soviet-era policy while Zhirinovskiy called for an ultra-national xenophobic anti-immigrant campaign) made Medvedev's appear progressive. Bogdanov, a little known figure who had previously worked as a public relations advisor to United Russia, was rumored to have been asked to run by the Kremlin to foster the appearance of pluralism.⁸⁶

All politicians with platforms critical of Putin's policies found themselves barred from running. Garry Kasparov, an outspoken critic of Putin's and a leader of the loose political coalition 'Other Russia', was forced to end his candidacy after he found himself unable to rent a meeting hall for a required "initiative group" meeting. It appears the Kremlin had instructed landlords and property owners not to rent Kasparov the space. Mikhail Kasyanov, former prime minister and Putin critic, was forced to end his candidacy after the Central Election Commission declared too many of signatures he had collected for his electoral petition invalid.

Perhaps most amazingly, even public assembly was no longer tolerated. Other Russia attempted to organize public meetings in Moscow in July 2007. Before the conference convened, Russian authorities attempted to deter those invited from attending, resorting to forced detentions and false criminal charges. The meetings themselves were later disrupted by the presence of thousands of police officers, special forces, and pro-Putin youth groups like *Nashi* and *Molodaya Gvardia*. Hundreds of demonstrators were arrested.⁸⁷ When Other Russia tried to hold a march in Moscow in November, Garry Kasparov found himself arrested and imprisoned for five days. Repression this horribly overt has not occurred in Russia in at least twenty years.

Accordingly, Medvedev won in a landslide and garnered 70.3% of the vote – a total reminiscent of Soviet-era elections. The Kremlin showed its ability to generate a groundswell of support for its chosen candidate through blanket media coverage, as well as its willingness to keep genuine opposition politicians off the ballot by any means necessary. Worse yet, it has assembled all the tools necessary now to prevent competition from interfering with future elections.

The Prospects for Pluralism

The ease with which Medvedev won the 2008 Presidential election, and the apparent satisfaction of the Russian people with the election's result, does not bode well for a return to pluralism. The high level of popular support the ruling elite enjoys makes the possibility for a reforming grassroots demand for democratic extremely unlikely. Furthermore, the constraints placed on opposition politicians inhibit them from having the national reach necessary to gain representation in today's government. If Russia is to move towards political pluralism in the

⁸⁶ Tony Halpin, "Q&A: Russia's Presidential Election," *Sunday Times*, February 29, 2008, available at <<http://www.timesonline.co.uk/tol/news/world/europe/article3460483.ece>>

⁸⁷ David Remnick, "The Tsar's Opponent," *New Yorker*, October 1, 2007

near future, it will be because of a fracture amongst the ruling elite, rather than the arrival of new and independent political parties.

It remains possible that President Medvedev will find himself unable to uphold the façade of ‘imagined democracy’ that Putin so carefully cultivated.⁸⁸ Medvedev lacks certain key tools Putin possessed, primarily the strong connections to the security services that allowed Putin to intimidate (and financially entice) politicians like Zhirinovsky into the following the Kremlin line. If the economic crisis continues to worsen, politicians with their own party structures may start to abandon the Kremlin bandwagon. If oil prices remain low and recession provokes unrest amongst middle and lower-class Russians, Zhirinovsky could mobilize the existing machinery of the LDP to criticize Kremlin policy. Yet public opinion would need to undergo a dramatic shift before the subversion of such criticism would outweigh the benefits of Kremlin support.

Medvedev’s ‘war on corruption,’ although somewhat admirable, also has the potential to undermine support for his policies, and could even cause elite dissension. Should Medvedev go too far in his efforts to clean up shady profit-seeking through Kremlin connections, he is likely to offend bureaucrat-oligarchs already wary of his power. However, his efforts to make official earnings more transparent remain half-hearted, and have done little more than encourage prominent politicians to transfer their assets to family members’ accounts.⁸⁹

Medvedev’s background as a lawyer and technocrat sets him apart from the bulk of those occupying top positions in the government, the majority of whom have a background in the security services and are keen to protect the profits they accumulated under Putin’s administration. The leaders of the ‘power ministries’ – the FSB, Ministry of the Interior (MVD), and Ministry of Defense – all continue to be occupied by Putin loyalists with little personal connection to Medvedev.⁹⁰ The continued presence of Putin loyalists within Medvedev’s administration belies the fact that Putin still controls the real reigns of power. As long he continues to do so, scenarios of elite fracture remain unlikely. Since assuming the post of Prime Minister on May 8, 2008, Putin has continued to be as visible a figure as President Medvedev. Immediately after Medvedev’s inauguration, some analysts argued that Medvedev might turn out to be less pliant than Putin expected.⁹¹ Kremlin elites have long tried to pick pliable successors, only to watch them consolidate power against the anointing

⁸⁸ Lilia Shevtsova, *Russia: Lost in Transition* (Washington D.C.: Carnegie Endowment for International Peace, 2005), p. 49.

⁸⁹ For a critical review of Medvedev’s counter-corruption efforts, see, Georgy Satarov, “Throw Anti-Graft Plan in the Trash Heap,” *Moscow Times*, October 15, 2008.

⁹⁰ The Ministers of Defense, the MVD, and the FSB are Anatoly Serdyukov, Rashid Nurgaliyev, and Alexander Bortnikov, respectively. Serdyukov and Nurgaliyev were appointed under Putin, and Bortnikov, while appointed by Medvedev, spent over two decades serving in the St. Petersburg security forces apparatus, much of it alongside Putin. However, some speculate he is one of the few Medvedev loyalists in the ruling circle; see Simon Saradzhyan, “FSB Shuffle Seen Helping Medvedev,” *Moscow Times*, May 13, 2008.

⁹¹ Amy Knight, “The Truth About Putin and Medvedev,” *New York Review of Books*, Volume 55, Number 8 · May 15, 2008

clique; such was the case with Putin, and similar conclusions can be drawn about leaders including Gorbachev and even Khrushchev.

Yet Medvedev has showed few signs of veering much from the Putin way. On the contrary, two events indicate the real decision-making power still lies with Putin, and it will likely remain in his possession for years to come. First, in August 2008, the war with Georgia grabbed international headlines and took Russian foreign policy into waters untested since the height of the Cold War. At this critical moment, Putin quite clearly remained Russia's wartime leader. While Medvedev displayed rhetorical restraint, remarking, "We simply want respect for our state, for our people, for our values," Putin traveled to North Ossetia, near the front lines, to rally support for the troops and speak out publicly against what he termed Georgian war crimes. His statements stood out in stark contrast to Medvedev's. When asked if he thought Russia had overreacted to Georgian provocation, Putin responded with characteristic colorfulness, "In this situation were we supposed to just wipe away bloody snot and hang our heads?...When tanks, multiple rocket launchers and heavy artillery are used against us, are we supposed to fire with sling shots?"⁹² His hard-line attitude against Georgia played well with Russian audiences, and confirmed that the most important policy decisions remain Putin's prerogative.⁹³

A second time that Putin's continued prominence in the near future was outlined was on November 5, 2008, when Medvedev gave his first State-of-the-Nation address. In it, Medvedev indicated little ambition to consolidate his own power, and instead called for a lengthening of Presidential terms from four years to six – a change that would not apply to his own Presidency. The lengthening of Presidential terms would, however, greatly benefit Putin, who is widely believed to be loaning his office to Medvedev for only a brief interlude. Many analysts speculated that the lengthening of Presidential terms was Putin's brainchild, but that he had Medvedev propose it to keep his own hands clean. Others wondered whether Medvedev would resign and call for pre-term elections, where Putin would be a shoe-in choice.⁹⁴

The story of Vladimir Putin's rule is not yet over, and we can surmise he will be reassuming the Presidency by 2012 at the latest. It appears that Putin's system of over-managed democracy may be around for a long-time to come.

⁹² Owen Matthews, "A Respectable Russia," *Newsweek*, August 23, 2008

⁹³ For more on the Russian role in provoking the conflict, see George Friedman, "Georgia and the Balance of Power," *New York Review of Books*, Volume 55, Number 14 (September 25, 2008)

⁹⁴ Ellen Barry, "Medvedev Speech Sparks Rumor of Putin's Return," *New York Times*, November 6, 2008