

Russian Democracy in Eclipse

FORCE, MONEY, AND PLURALISM

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Nothing seems harder to understand about a great revolution than when it is over. Since the collapse of the Soviet Union almost 13 years ago, students of the new regime have been on the lookout for signs that the energy that brought down the communist system was exhausted. They wanted to know—to sample just a few of the most common metaphors—whether the dust was settling, whether the clay was hardening, or whether Thermidor was finally upon us.

The recent authoritarian direction of Russian politics has stimulated further assessments of this kind. Most analysts seem to agree that the disorderly pluralism of the Yeltsin era is at an end, and that the victorious *siloviki*—officials who began their careers in the old Soviet coercive apparatus—are restoring the dominance of Russian state institutions. Their project is broadly popular, and their leader, President Vladimir Putin, overwhelmingly so. As a result, it is argued, many years of stability—whether of prudent management or stultifying central control—lie ahead.¹

There is much to be said for this interpretation, but it is not the first time that we have heard that post-Soviet political institutions have taken their final form. Not so long ago, the system of “oligarchic capitalism” that Putin and his associates have now repudiated was widely considered too powerful to be changed.² And in the aftermath of the 1998 financial crash, many commentators announced that capitalism in Russia had been forever discredited; the country’s economic and social institutions would now be reconstructed in a form more consistent with its collectivist past.

Other so-called defining moments have also turned out not to define very much. After the 1996 presidential election, one of Russia’s shrewdest political writers declared that the elite would never again allow the

country's leader to be chosen at the polls. A year earlier, one of the U.S. government's best-informed analysts had described Russia's new regime as a system of "clans" balancing each other in a way that prevented the dominance of any one of them; today most of those clans do not even exist. (Let me add one of my own misjudgments to this list: At the end of 1993, I wrote that Russia had "turned the corner," and that the most serious threats to democracy had already been broken.³)

In such predictions, and others like them, observers of Russian politics repeatedly underestimated its dynamism, forgetting that changing conditions can give those unhappy with the status quo new opportunities to overturn it. And when we did envision such conflict, we often assumed that the existing system would come out of it more securely rooted than before. This lesson is still relevant. It reminds us, as we examine Putin's new order, not to invest it with greater permanence than it has earned.

When events take an unexpected direction, we are usually able—after the fact—to see how the new course emerged logically from circumstances that we knew about all along. What Putin has done in the last four years is a good example. From his first day in office, it was clear that he saw his job as cleaning up the mess that Yeltsin had left behind. Some observers thought that there were more appropriate missions for Russia's new president than merely to undo the mistakes of his predecessor, but Putin saw things differently, and his reasons were not entirely bad. Yeltsin's legacy had many deplorable elements, which any Russian president would, and should, have wanted to fix. Unless he attended to them, Putin might not have been able to accomplish much of anything else.

Consider the list of horrors that he might have drawn up while sitting at his new desk for the first time. Corrupt officials and organized criminals governed areas of the country as personal fiefs, and some members of the government ran their ministries as though they owned them. Enormous state-owned enterprises were managed without meaningful government oversight and had become the basis for huge illicit fortunes. The Russian government's financial default—little more than a year in the past—still tainted the country's standing in international markets. A long series of political and business murders remained unsolved, residential buildings in both Moscow and provincial cities had been blown up, and well-armed religious fanatics based in one region of the country had recently invaded another. The national legislature had repeatedly tried to impeach President Yeltsin, but was unable to pass laws on the most basic questions. Putin might also have added a personal complaint: Although possessing the full constitutional authority of the presidency, he was unable to replace his predecessor's chief of staff—a hint of hidden limits on presidential power.

It is now common to hear the 1990s described as a time of chaos and anarchy. This is an exaggeration, but an understandable one. At the time, many Westerners saw no cure for these pathologies, and some-

times implied that Russians simply had to get used to them. Open societies are by their very nature uncontrolled, they argued, and Russians who refused to accept that were only confirming how hard it was to overcome the old Soviet mindset.

Now, as Putin set out to deal with the problems on his list, it became clear that he intended to provide the same one-note solution for each of them. Restoring top-down authority—what he called “the *vertikal* of power”—meant strengthening the state bureaucracy, curtailing the independence of those who had acquired some measure of it in the 1990s, and installing the president’s own people in their place. Supporters of this effort describe it in grand terms as the restoration and modernization of the Russian state. Some of Putin’s achievements—such as paying government employees and pensioners on time—have increased respect for the government and made the lives of ordinary citizens a bit more tolerable. Taken as a whole, however, and particularly because he has surrounded himself with so many alumni of the Soviet secret police, Putin’s enterprise has acquired an increasingly autocratic character. No amount of forward-looking rhetoric can hide the fact that his cure for Russia’s ills involves a heavy dose of coercion and intimidation.

Did Putin have an alternative? In principle, yes. He had the option of selecting a more pluralist strategy to deal with these problems. He could have empowered reformist political parties (and lent them some of his prestige), worked with parliament to create an effective modern legal system, encouraged the media to expose abuses of power, and made it easier for grassroots nongovernmental organizations to form and operate.

That Putin did not do so is surely traceable in large part to his professional background and personal outlook—why should someone from the middle rungs of the Soviet intelligence establishment be a visionary? But there were other reasons for his choice. The institutions that would have been part of a pluralist strategy were weaker than they seemed to many in the West—more readily suppressed by local authorities or corrupted by wealthy businessmen. Relying on them would have implied both a much longer time frame for success and a much greater risk of short-term failure. In early 2000, had Putin made a hard-boiled assessment of the most important centers of power on the Russian political landscape—that is, the forces that would determine his success—he would surely have focused on two: First, the bureaucracies that represented the residual coercive power of the Russian state; and second, the individuals and businesses that had acquired enormous wealth since the breakup of the Soviet Union.

Force and money are basic elements of power in any regime, but their special prominence in Putin’s calculations was another element of the Yeltsin legacy. In fact, one of the most striking features of Yeltsin’s presidency was his extraordinary passivity toward these two centers of power. His reliance on the oligarchs for his 1996 reelection is widely recognized, and so is the payoff that they received—state assets priva-

tized for almost nothing. Yet the oligarchs stayed as powerful as they did (who else made Putin president?) because Yeltsin failed to create a legal framework to limit and regulate the political power of wealth. The dubious legitimacy of their vast holdings, and their lack of unity, would have made the oligarchs an easy target for any Russian leader other than Yeltsin, whose failing health (both physical and political) kept him from any significant initiatives after the early months of his second term.

Yeltsin's passivity extended to Russia's "power ministries" as well. In the 1990s, they were no longer the tools of systematic repression and control that they had been under the Soviet system: The Soviet KGB had been divided into separate organizations at the beginning of the Yeltsin era, and the Interior Ministry, the prosecutor's office, and the judiciary had earned a reputation as among the most corrupt institutions of the new order. Yet Yeltsin never worked at renovating these institutions, either by bringing in new managers, by subjecting them to increased transparency (either via the media or the legislature), or by thwarting the symbiotic relationship of mutual exploitation that had sprung up between the power ministries and the new business elite.

This strange relationship between old force and new money defined the Russian system at the end of Yeltsin's presidency—and the political reality confronting Putin when he assumed power. His response has been to use one of these powers to check the other: bureaucratic coercion to subdue wealth. This strategy has rightly come to be seen as Putin's own brand of authoritarianism, but the contours of his choice—and the difficulties of pursuing an alternative—were shaped by Yeltsin himself.

A Revival of Pluralism?

Today, Putin's reconstitution of Russian politics looks complete. The state bureaucracy, centered in the presidential administration and directed by the *siloviki*, has become the most powerful institution of the new order. The legislature is easier to manage, regional officials are obliged to take direction from Moscow, independent television has been virtually eliminated, and while the wealth of rich businessmen has in general not been confiscated, their ability to influence the state has been checked.

As a result, Russia has—to put it euphemistically—the most one-dimensional and centralized political system of any European country. The anomaly is so great, in fact, that some analysts have speculated about how the hard edges of the current system might be softened, and some rudimentary form of pluralism be revived. Lilia Shevtsova has suggested that Putin cannot afford to rely on a single power base.⁴ In this view, Russian pluralism may be kept alive by the leader's desire for self-preservation. Andrei Shleifer and Daniel Treisman see the regime being refashioned by economic development. For them, Russia is a typical middle-income developing country—a category not usually marked

by strong political pluralism. But sustained growth, they suggest, will before long put Russia in the ranks of the poorer developed countries, like Poland and Hungary, and because such countries are usually pluralist, Russia should develop in the same way.⁵

These are informed and sophisticated analyses, but they rely heavily on things that we do not know and of which we cannot be sure. Will Putin, who has clearly believed that concentrating power has served him best, now decide that it does not? If he tried to make Russia a developed country *without* pluralist politics, could he succeed? We should not assume that institutions, interests, and groups which today are neither independent nor politically active will become so tomorrow, or the day after. We should instead try to think through the process by which pluralism might be restored. Who would be the agents of a new diffusion of power? Under what circumstances would political participation be broadened? What would a more open system of interest-group representation look like?

The most important variable in defining the future of Russian pluralism continues to be the one that defined Putin's choices at the beginning of his presidency: the relationship between force and money. If business does not choose to re-engage in politics in some fashion, the prospects for pluralism will be poor. At present there seems little reason to believe that economic interest could again become a counterweight to state power. Businessmen insist they have no interest in challenging the president or his *siloviki*, and their response to the relentless escalation of official pressure on the Yukos oil company confirms their caution and lack of confidence. To openly, or even quietly, advance a policy agenda, business elites clearly need more urgent reasons and more favorable circumstances than they see today.

What they want is clear enough—to overcome what former economics minister Yevgeny Yasin calls “Turkish capitalism,” in which entrepreneurs, although officially encouraged to create and operate profitable companies, have to turn to the state bureaucracy for strategic direction and approval, leaving them continually vulnerable to political shakedowns.⁶ But what would motivate businessmen to mobilize against this system? Does their current passivity not show that the status quo is too firmly established to be changed?

Many analysts believe there is one scenario—a severe economic crisis or downturn—that could trigger a resurgence of political activity among the business elite. Russia's recent experience certainly supports the idea that economic failure begets political failure. It was the 1998 financial crash that brought down the government of “young reformers” under Sergei Kiriyenko, Boris Nemtsov, and others. Similarly, it was declining Soviet growth in the mid-1980s that narrowed Mikhail Gorbachev's options and obliged him to push reformist experiments further than he might have chosen to do in easier times.

The onset of an economic crisis would rob Putin of the aura of invul-

nerability that has protected him against political challenges since 1999. It would doubtless lead to calls for policy changes and renew a debate on development strategies in which business interests would have an extremely large stake. Many business figures would see this as an opportunity to challenge the discipline of the regime, to find alternative political protectors and allies, and to support different policies, even different parties. An economic crisis would make it harder for Putin to keep intact the current system of influence, and a more pluralist form of politics might emerge, if only briefly. If such a downturn took place before the next presidential election, many more elements of the business elite would want a say in settling questions associated with Putin's succession.

Yet if a serious crisis created an opening for pluralism, other powerful pressures would be working to close it. Many of the new businesses that have overextended themselves in the economic "bubble" of the last five years would be facing financial ruin, and would want the state to bail them out. State control of the vital energy sector—and domination of the entire economy—would almost surely increase. Antipluralist pressures, moreover, would not be confined to the economic realm. In a charged political atmosphere, many businessmen would surely doubt their ability to act openly and effectively in pursuit of their goals. As in 1998, many would fear a backlash against business in general. Rather than assuming a larger role, the business community would more likely aim to limit its visibility, and find a political protector—like Putin himself—who can do for it what it cannot do for itself.

Problems of Success

Our common-sense models of how political change occurs usually start with a failure of some sort. We assume that when the powers that be do not produce successful policy outcomes, those who lose out try to open up the system so that their interests are better represented. For the Russian entrepreneurial elite, however, an acute crisis may only heighten its feelings of vulnerability as a class, making it less likely that it will seek to regain a political role.

The anxieties that a systemic crisis would evoke in the business community would be far less acute in a milder downturn. In fact, it is in such circumstances—slow growth, stagnation, or some other form of sustained economic underperformance—that it is easiest to imagine businessmen mounting a challenge to the policies of the Putin regime. The centerpiece of Putin's tenure—the goal of doubling Russia's GDP in this decade—is so ambitious that it virtually invites challengers. By setting the bar so high, Putin has created a situation in which failure is always just one year of mediocre growth away. The result has been to create an opening for those who desire a change of course.

It is in this context that the owners and managers of medium-sized

enterprises—the hundreds of companies that now have \$300 to \$400 million in annual revenue—have already begun to mobilize in support of the creation, for the first time, of true capital markets. The years of strong growth during Putin's first term were extremely good ones for such companies, but they now argue that unless they have access to increased supplies of capital, they will not be able to keep growing—and Putin's growth target will not be met. Given their interest in being able to expand without depending on political favors, medium-sized enterprises have a reason to try to overcome the barriers to political influence that Putin's bureaucratic order imposes on them. Particularly if the economy slows down, they are likely to be even less satisfied with the status quo—a system in which the *siloviki* do much to pick the economy's winners and losers.

The likelihood that Russian entrepreneurs would gain a larger political role in a stagnating economy than in a true economic crisis raises an intriguing question: What will they do if Putin succeeds? It is widely assumed that the continuation of the current boom will strengthen the existing distribution of political power and enable the *siloviki* to rule forever. Like most conventional wisdom, this scenario has a great deal of good sense behind it. But it does not tell the whole story.

Consider what Russia would look like if the strong growth record of the past five years continued through the rest of the decade: The country would stand at or near Putin's goal of doubling the size of its economy; diversification would have made GDP growth less dependent on energy prices; the ranks of those living in poverty would have shrunk further; and the strength of state finances would permit a real assault on the appalling infrastructural deficits that made Russia seem so backward in the 1990s (and continue to do so even today).

It may seem absurd to suggest that a regime with such a successful record would be under any pressure to change. It would certainly not be in any danger of collapsing. Yet even success creates new demands on policy, and to think that these will all be managed without political change may underrate the dynamism that is inherent in rapid growth. Already a half-decade of economic resurgence has expanded the class of successful businessmen far beyond the few and fabled oligarchs of the Yeltsin years. *Forbes* magazine's most recent listing shows that the number of Russian billionaires has gone from 25 to 36 in the past few months, and even this number—widely considered a low estimate—does not include the much larger group of entrepreneurs whose wealth, though it falls short of the \$1 billion mark, is nevertheless rising rapidly.⁷ Such quick growth, one could argue, inevitably threatens to shift the political balance between force and money back toward money. If nothing else, the swelling ranks of successful Russians mean that the *latent* power of business—that is, the disproportion between its actual and potential role—is increasing.

It is, moreover, wrong to assume that, because the economy is growing, business has no grievances, no political agenda, and no desire to change the status quo. Strong growth may actually give businessmen a greater reason to focus on one goal in particular—increased protection against the efforts of the state bureaucracy to rip them off. Why should the *siloviki* be entitled to a large share of rewards that they have had no real part in producing? Putin himself has already begun to pay increasing lip service to the goal of reforming the “power ministries” to prevent what one leading business figure calls “blatant government racketeering.”⁸

In order to envision a revived political role for business we need to look beyond the oligarchic model that became the stuff of legend in the Yeltsin years. Putin has succeeded in delegitimizing the kind of direct influence that Boris Berezovsky and Vladimir Gusinsky were thought to wield behind the scenes in the Kremlin in the 1990s, and it seems unlikely that anything quite like this could ever be recreated. Yet despite the uproar created by the Yukos affair, Putin has actually been less successful in delegitimizing those activities of Mikhail Khodorkovsky that are thought to have incensed the president most—support for opposition parties, too-vigorous lobbying and vote-buying, and speaking out publicly on undecided policy issues.

It is in these areas that the Kremlin and the business community have yet to work out (or even really discuss) the rules of the road for a modernized system in which business interests are legitimately represented in Russian politics. For now, business has not openly challenged the poorly drawn lines that limit its political activity. But it has not quite accepted them either, and why should it? Russia’s successful entrepreneurs may calculate that time favors them over the *siloviki*—that sustained economic growth will soon enough make constraints on their political role look increasingly arbitrary, at odds with reality, and easier to ignore.

Why Elections Are Still Important

Those who exaggerated the stability of Russian politics in the past decade—and that includes most of us—underestimated the ways in which the status quo could be challenged. To avoid making the same mistake now, we should not look for new sources of pluralism exclusively within the changing balance between force and money. In particular, we should not ignore what has over the past decade been the most consistently dynamic force in Russian politics—the much-derided electoral process.

Elections have repeatedly kept those in power from consolidating their positions, have mobilized constituencies that had not had much prior involvement in politics, and have brought new issues to the fore. It was the parliamentary elections of December 1993 that blocked the Russia’s Choice party from becoming the true party of power, showed the potency of populist rhetoric, and made Vladimir Zhirinovskiy a na-

tional political figure. The presidential election of 1996 drew the oligarchs into politics as a more or less united force. The parliamentary elections of 1999 represented the first occasion on which a sitting prime minister—in this case, Putin himself—actually gained strength at the ballot box, mobilizing support for himself among voters who might otherwise have cast protest ballots.⁹ Each of these was a largely unanticipated result with enduring consequences.

Despite this record, the current status of elections—like the current relationship between business and the state—makes it difficult to treat them as a source of future political pluralism. Since 1999, Russian elections have instead been a vehicle for strengthening incumbent forces and for gradually reducing the pluralism of the political system as a whole. The party of power has succeeded at the polls, not only by offering the electorate economic growth and a vaguely defined “stability,” but by tapping a vein of popular anger as well. In 1999 and 2000, the target of this anger was Chechen separatism; in 2003 and 2004 it was “malefactors of great wealth”—and the formula seems far from exhausted. One reason, in fact, that the Putin regime looks so formidable is precisely that it has been able to present itself to the voters simultaneously as a successful and competent establishment and as a cadre of populist tribunes.

Over the next generation, the Russian ruling elite will surely try to retain this dual profile. It will repeatedly claim to be the force that took control of the country back from a band of unprincipled entrepreneurs and governed with a firm hand on behalf of the common good. Myth or not, this may prove a highly effective long-term platform, evoking as it does both class resentment and Russian deference to authority. Khodorkovsky certainly seems to think so. His recent letter from prison reflected a fear that Russian oligarchs have made themselves a useful political target for years to come.¹⁰

Yet no matter how skillful the regime has been in building popular acceptance for itself, the electoral process will remain a source of potential vulnerability. With all the advantages of incumbency (and in Russia “administrative resources” make these advantages very great), elections are by their nature a tool for mobilizing popular unhappiness with the status quo. Any number of issues could raise such unhappiness to politically meaningful levels, but in the absence of a deep systemic crisis the most potent of these is likely to be corruption. It would not take much for the voters to come to see the *siloviki* and the Putin-backed United Russia party as little different from the rascals whom they claim to have thrown out—self-interested, predatory, and above the law. A future populist electoral insurgency would surely allege that the *siloviki* had not thrown the oligarchs out at all, but merely settled with them—at the people’s expense—for a share of the loot. Even Putin’s reported warning to the oligarchs at the beginning of his tenure—make all the money you can, but stay out of politics—can be reinterpreted as a kind of protection racket.

The past 20 years of Russian history, starting even before the collapse of communism, have seen a succession of leaders inaugurate their rule by declaring war on corruption. And it has been a rallying cry for political outsiders as well. (Perhaps the best known of the latter was a Soviet functionary named Boris Yeltsin, who created a minor sensation in 1986 by speaking out about the abuse of party privileges.) In the end, of course, every new leader has done much more to refashion—and even expand—abusive practices than to stop them.

The current regime is no exception. To the contrary, it has the look of a gigantic corruption scandal, or a series of smaller ones, waiting to happen. When it does happen, leaders and movements at all levels of Russian politics will be judged by how convincingly they can assume the role of angry spokesmen for the common man. Despite his record as architect of the current regime, Putin will clearly be ready for this moment. In fact, his effort to make reform of the state bureaucracy a *leitmotif* of his second term may suggest that he thinks it is coming soon. Other politicians (even, incredible as it may seem, the leadership of United Russia) will also quickly adopt anticorruption rhetoric and policies in the event of such a scandal. Among opposition figures, Sergei Glaziev, who ran his party's parliamentary campaign last fall on a populist platform of this kind, may be the best positioned to make effective political use of the issue of corruption.

What is not clear, but will be extremely important for the future of Russian pluralism, is how business will react to this opportunity. It is quite possible that populist politics will again evoke a sense of insecurity among the moneyed elite. If so, it will not be a surprise to see business figures turning again to the *siloviki* for protection. The issue of corruption could offer Russian business an opportunity to open up the current closed political system, but making use of such an opening would be difficult under the best of circumstances. Russian business will have to do much more than it has to date to free itself from the taint of the privatization scandals of the 1990s, to associate itself with a political agenda that promotes the interests of Russian society as a whole, and to advance the goal of political pluralism. The reasons for business to shrink from such an expanded role are obvious enough. But it is also clear what the price of doing so will be. An entrepreneurial class that lacks the confidence to enlarge its role in Russia's national life will remain trapped in a dependent, abusive relationship with both the current regime and its successors.

Vladimir Putin seems to consider political pluralism ill-suited to Russia's traditions and needs, and his second term is therefore likely to see a continuation of the antipluralist strategy of his first. Yet there is a difference between disliking pluralism and preventing its reappearance. Property rights, freedom of speech, and regular elections are inherent wellsprings of pluralism, and all of them—even in the highly attenuated

form to which Putin has now reduced them—remain a part of the system over which he presides. Whether, and how successfully, they are used to reinvigorate pluralism will depend above all on choices made by Russian business. Of all the potential forces in Russian politics, “money” has the strongest material base and the greatest doubts about its own legitimacy. How it resolves this dilemma will, as much as any other factor, tell us whether Russia’s political system has assumed its “final” post-Soviet form.

NOTES

1. For conflicting assessments, see Michael McFaul, “Vladimir Putin’s Grand Strategy for Anti-democratic Regime Change in Russia,” *Weekly Standard*, 17 November 2003; and William Browder, “Making the Case for Putin,” *Moscow Times*, 21 January 2004.

2. This system is vividly described in David Hoffman, *The Oligarchs: Wealth and Power in the New Russia* (New York: Public Affairs, 2002). For the idea that the system would defeat Putin’s efforts to change it, see Thomas E. Graham, Jr., “Fragmentation of Russia,” in Andrew C. Kuchins, ed., *Russia After the Fall* (Washington, D.C.: Brookings Institution, 2002), 56: “As a consequence of the breakdown of the state in the Yeltsin period, there are simply too many countervailing forces in Russian society today and too few resources at Putin’s disposal.”

3. Stephen Sestanovich, “Russia Turns the Corner,” *Foreign Affairs* 73 (January–February 1994): 83–98.

4. Lilia Shevtsova, “Russia’s Electoral Time Bomb,” *Moscow Times*, 1 March 2004.

5. Andrei Shleifer and Daniel Treisman, “A Normal Country,” *Foreign Affairs* 83 (March–April 2004): 20–38.

6. Yasin is quoted in Alexander Shmarov, “Putin’s Economic Mission,” *Expert*, February 2004, 14.

7. Yelizaveta Osetinskaya et al., “There Are Already 36 Billionaires: The Russian Edition of Forbes Compiles Its Own List of the Wealthiest Russians,” *Vedomosti* (Moscow), 13 May 2004.

8. The phrase is that of Andrei Bugrov, deputy CEO of Interros holding, *Expert*, February 2004, 15. It is perhaps telling that much of the impetus for such a reform effort has come from those members of Putin’s entourage—Dmitry Kozak and German Gref, for example—whose own ties to the *siloviki* are weakest. Just as growth tends to shift the overall power balance back toward money, within the state bureaucracy it may shift the balance in favor of those who are most receptive to what money has to say.

9. See Timothy J. Colton and Michael McFaul, *Popular Choice and Managed Democracy: The Russian Elections of 1999 and 2000* (Washington, D.C.: Brookings Institution, 2003).

10. Mikhail Khodorkovsky, “The Crisis of Russian Liberalism,” *Vedomosti*, 29 March 2004.