

Degree in Political Science
Political analysis and public policy

You have 180 min to complete this task.

Read the article and analyze it critically in English. As guidelines use the questions below, at the end of the article.

Russia's Political Economy Since 1992

The "Big Picture"

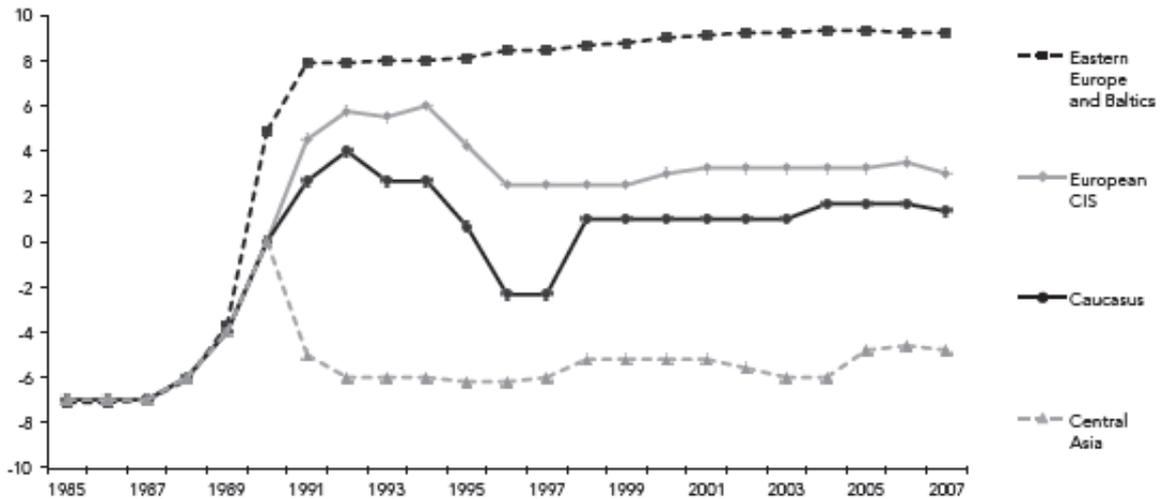
How have Russia's politics and economics changed during the last twenty years? In politics, one sees a tide of democratization rising during the early 1990s, reaching high tide around 1994 and then gradually retreating. But "democratization" is probably the wrong word. This was, essentially, a tide of disintegration, dissolution, and dismantling of Soviet era institutions and practices. However, the Soviet institutions that were dismantled were replaced everywhere by formally democratic ones. Practices also became much more democratic. Not only the central structures of government changed. The disintegration also affected the links between levels of the state. First authority decentralized, then it recentralized; administrative hierarchies were first flattened, and then rebuilt into a "vertical of power," a process that began several years before Vladimir Putin thought to popularize this phrase.

These trends in Russia's polity need to be seen in their geographical context. The same tide of disintegration and reintegration swept all the postcommunist countries, from Slovenia in the west to Tajikistan in the east. The effects varied in a way that correlated with the country's location on an east-west axis.⁴ In Central and Eastern Europe, administrative structures were rebuilt and hierarchies were reconstituted in a predominantly democratic context. This was also the pattern in the Balkans, although reintegration was delayed by a decade or so of war. By contrast, in Central Asia, the Soviet era institutions were only superficially dismantled, and then were repaired and repainted with a thin veneer of popular rule. Reconsolidation took place in an authoritarian setting, resulting in autocracy. The Caucasus (Armenia, Azerbaijan, and Georgia) and the European members of the Commonwealth of Independent States (Russia, Ukraine, Belarus, and Moldova) saw a much greater variation in outcomes, both across countries and over time. The re-creation of order was essentially authoritarian in Belarus and Azerbaijan. In Moldova, it was mostly democratic. In the other states—including Russia—it produced hybrids that combined elements of both genuine and formal democracy with some authoritarian features. Whether—and, if so, how fast—the hybrid regimes will gravitate to one pole or the other, becoming full-fledged democracies or consolidated autocracies, remains to be seen.

Figure 8.1 plots the average *Polity* scores—a measure of the extent of democracy—for the different groups of postcommunist countries over time.

With regard to the economy, the last two decades have transformed Russia in three ways—marketization, modernization, and globalization.

Figure 8.1 Democracy in the Postcommunist World (Polity Scores)



Note: Polity scores range from 10 for pure democracy to -10 for pure autocracy. Eastern Europe and the Baltics includes Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Estonia, Latvia, and Lithuania. European Commonwealth of Independent States includes Belarus, Moldova, Russia, and Ukraine. Caucasus includes Armenia, Azerbaijan, and Georgia. Central Asia includes Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

Source: Polity IV, September 2009 revision, www.systemicpeace.org/polity/polity4.htm.

First, a centrally planned economy has been replaced by one dominated by markets and private ownership. A total of 69 percent of Russian workers today have jobs in the nonstate sector, compared with 17 percent in 1990.⁵ Since that year, the housing stock has gone from about 30 percent to 82 percent privately owned.⁶ By 2009, Russia had the world's thirteenth-largest stock market.⁷ Along with marketization, output increased. Even going by the official statistics for gross domestic product (which exaggerate the value of output before the Soviet collapse), GDP per capita adjusted for purchasing power parity grew from about \$8,000 in 1990 to \$19,000 in 2009. Real final consumption by households more than doubled between 1990 and 2008.⁸

Since 1990, Russia has also undergone a dramatic modernization. For most Russians in 1990, personal computers were the stuff of science fiction. By 2008, every second family owned one.⁹ Almost 40 percent of households are now connected to the Internet, and more than two-thirds of households in Moscow and Saint Petersburg. In 1989, fewer than one Russian family in three had access to a telephone of any kind.¹⁰ By 2008, there were 1.4 cell phones per person in Russia, up from 0.004 in 1992.¹¹ The number of institutions of higher education has more than doubled since 1990, with the most rapid growth occurring among nonstate colleges and universities.¹²

Gross enrollment in tertiary education increased from 52 percent of school leavers in 1991 to 75 percent in 2007—a higher rate than in France, Italy, or the United Kingdom.¹³ In 1990, 401,000 Russians completed higher education; in 2008, 1.4 million did.¹⁴ Since 1992, the proportion of the employed population with a college degree has risen from 16 to 28 percent.¹⁵

At the same time, Russia has reengaged with the world, especially Europe. One can see this in statistics on trade, travel, and other kinds of contacts. Russia's exports grew from \$54 billion in 1992 (12 percent of GDP) to \$472 billion in 2008 (28 percent of GDP), while imports increased from \$43 billion (9 percent of GDP) to \$292 billion (17 percent of GDP).¹⁶ The number of Russians traveling abroad to countries beyond the former Soviet Union almost tripled, from 8 million in 1993 to 22 million in 2009.¹⁷ The most popular destinations were Finland (3.0 million), Turkey (2.4 million), Egypt (1.8 million), China (1.7 million), and Estonia (1.6 million). In 1990, Russians made 41 million international phone calls; in 2002, they made 1.1

billion. In 2007, they talked on international phone lines for 29 million hours—about 12 minutes per person.¹⁸

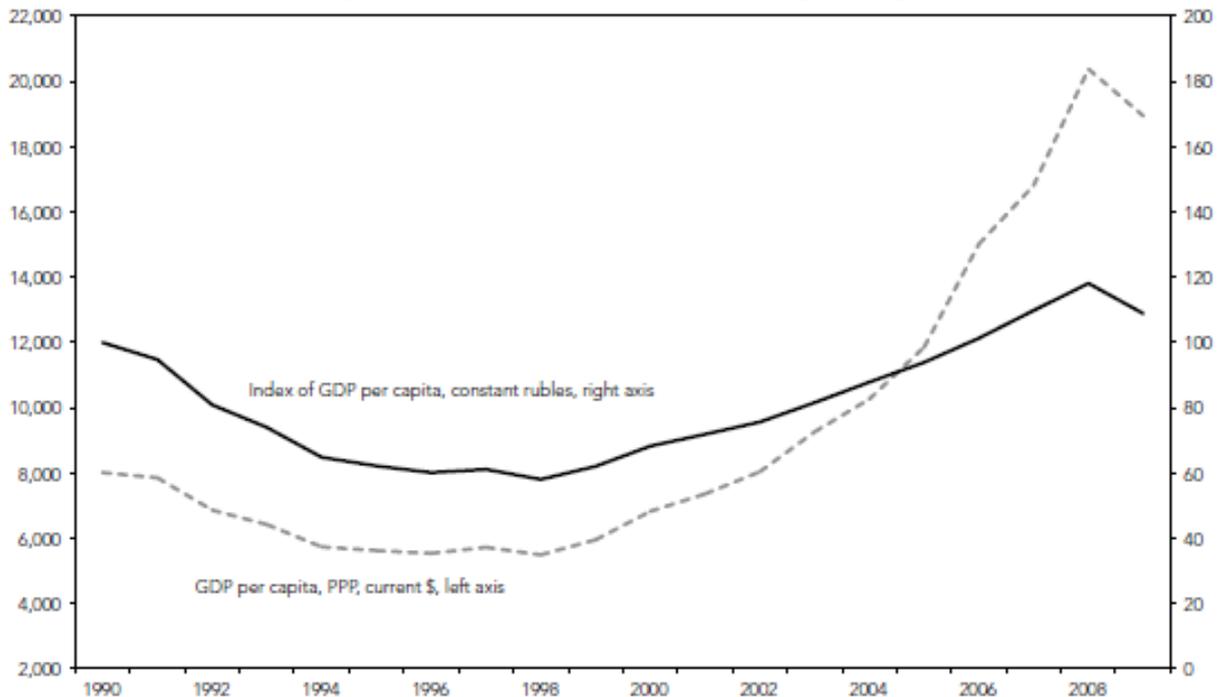
An increasing number of Russians study abroad. According to UNESCO, the number rose from 20,000 in 1999 to 41,000 in 2008, of which 20,000 were studying in Western Europe and 10,000 in Central and Eastern Europe.¹⁹ Russians have been investing in real estate abroad—\$10 billion worth each year, by one estimate—and not just in the French chateaus of the oligarchs: realtors report major demand for inexpensive apartments around London, Berlin, and Stuttgart.²⁰ These days, a majority of Russians— 53 percent—say they would like their country to join the European Union if given the chance.²¹

Thus, the “big picture” shows a powerful trend toward marketization, modernization, and integration into the world, especially Europe. Yet, at the same time, it reveals a political system stuck somewhere between the democratic and authoritarian poles. Those who believe, as argued by Seymour Martin Lipset, that modernization tends to engender more political freedom expect that at some point, if the economic trends continue, politics will evolve toward greater openness. Just as democracy moved south into the Balkans in the 1990s, it will move east into the European members of the Commonwealth of Independent States. Others think the authoritarian elements in the current regime will stifle the positive economic trends. Although both trajectories are possible, the first seems to me more likely.

The “Close-Up View”

What if one looks from a closer vantage point, focusing not on long-run trends and processes but on shorter-term dynamics? Consider first economics. Although the long-run trend is toward modernization and development, the shorter run has seen extreme volatility. Russian income fell sharply in the early 1990s, before rising rapidly after 1998, only to stall in the throes of the global financial crisis of 2008–2010 (see figure 8.2). The initial fall was caused by a combination of external shocks and homegrown weaknesses. The main external shock was the plunge in the oil price in the 1980s and its subsequent dip to less than \$9 a barrel in 1998. This combined with the chronic economic problems inherited from the Soviet era (poorly designed and obsolete capital stock, illogical geographic configuration of industry) and the legacy of Gorbachev’s disastrous improvisations (which tripled the money supply between 1985 and 1991, accrued large foreign debt, and destroyed central coordination without sufficiently liberalizing markets).

Figure 8.2 Gross Domestic Product per Capita in Russia, 1990–2009



Sources: World Bank, *World Development Indicators*, October 2010; Rosstat data, October 2010.

The rebound after 1999 resulted from, first, the positive effect of devaluation in 1998; second, the rise in oil and gas prices; and, third, the positive impetus of the market reforms of the 1990s. And since 2005, as argued by Vladimir Milov in chapter 10 of this volume, growth has also been supported by large inflows of foreign capital.

This cycle in economic performance had notable effects on politics. Changes in the state of the economy, as perceived by the Russian public, influenced the level of popular support for the incumbent political leaders.

As in other countries, when citizens saw the economy prospering, the incumbent leaders were popular. When the economy performed poorly, the leaders' ratings plummeted. Other factors also mattered. Both Chechnya wars on balance cost the Kremlin support, although at moments of terrorist attacks or intense fighting, the public sometimes rallied behind the flag. The 2008 war in Georgia prompted a jump of 10 to 15 percentage points in the ratings of both Putin and Medvedev. But economic perceptions have done a consistently good job of predicting the trends in presidential approval.²²

At the same time, the capacity of leaders to implement policies has increased or decreased in tandem with their approval ratings. Falling ratings have encouraged opposition, prompting elites and special interests—in Parliament, regional governments, the federal bureaucracy, the media, business, and elsewhere—to press mutually contradictory demands and block implementation of any coherent policy. By contrast, at times of high presidential popularity, obstacles to the president's agenda have largely disappeared.

Consequently, when the leader was popular, the country's policy course and the style of government depended strongly on that leader's views and objectives. During his early years of high popularity (1987–1989), Mikhail Gorbachev chose to loosen social controls, experiment with economic decentralization, and move slowly toward democratic political institutions. In his moment of acclaim (1990–1992), Boris Yeltsin opted to introduce fully competitive elections, to

support self-determination for other Soviet republics and significant autonomy for Russian regions, and to lay the foundations of an economy based on private property and free enterprise. And during his ten years of sky-high ratings, Putin has chosen to empower law enforcement agencies, erode civic rights and protections, and manipulate elections, while enacting conservative macroeconomic policies and assisting Kremlin associates in their business endeavors. Changes in formal institutions have had far less effect on the outcomes of politics than changes in the economic context and in public opinion. The enactment of the 1993 Constitution did not, as critics feared, empower the president to impose whatever policies he liked on a reluctant Parliament. On the contrary, reforms were even more thoroughly blocked than before by opposition-minded deputies, governors, and business interests.

Conversely, the major recentralization of power in 1998–2002 occurred without any significant change in the nature of political institutions. What changed was how politics worked, both within and outside the confines of the formal institutions.

For example, the formal mechanism for filling top offices has remained the democratic election. Over time, however, the practice has degenerated. Various tricks, pressures, and devices have been used more and more blatantly to favor incumbents in elections at all levels. Because the national incumbents have been genuinely popular, such manipulations have not yet produced outcomes in national elections that were very different from those implied by credible opinion polls. If the country's leaders tried to use the same techniques at a time when they were very unpopular, it is not clear that these techniques would still work. This is a major source of uncertainty for the future.

Most of the time, Russia's presidents have sought to increase their popularity by (1) fostering growth—or, at least, preventing decline—in the population's real incomes, even at cost to longer-term goals, and (2) choosing policies that the public favored on a variety of issues. Yeltsin's decision to proceed with rapid economic reform in 1991 matched public opinion at the time, as did his decision to slow reforms down the next year. His use of force against the Parliament in October 1993 was backed by a majority. Putin's rhetorical support for “order,” his (moderate) expansion of the state's role in the economy, his reinstatement of the Soviet era music to the national anthem, and his assaults upon the oligarchs were all popular.²³ In fact, Putin went against the public's declared preferences primarily when this was necessary for accomplishing the first objective; his more liberal economic policies were the least popular of his initiatives.

To summarize, the dynamics of politics in the last twenty years, when viewed from close up, have been shaped by the interaction of two things: first, economic performance; and, second, the goals and, to some extent, the tactical skill, of the Kremlin incumbent. Public opinion on specific issues has also seemed to matter at various times. Changes in these factors have been more important than changes in the formal institutions.

Notes

1. Philip E. Tetlock, *Expert Political Judgment: How Good Is It—How Can We Know?* (Princeton, N.J.: Princeton University Press, 2006), 20.

2. Fernand Braudel, “Les modalités du temps historique,” in *Écrits sur l'histoire* (Paris: Flammarion, 1969), 44–51.

3. In this chapter, I draw on several previous works: Daniel Treisman, *The Return: Russia's Journey from Gorbachev to Medvedev* (New York: Free Press, 2011), esp. chap. 7; Daniel Treisman, “Russian Politics in a Time of Economic Turmoil,” in *Russia After the Global Economic Crisis*, edited by Anders Åslund, Sergei Guriev, and Andrew C. Kuchins (Washington, D.C.: Peterson Institute, 2010); and Andrei Shleifer and Daniel Treisman, “The US and Russia: They Don't Need Us,” manuscript, University of California, Los Angeles, 2010.

4. Daniel Treisman, “Twenty Years of Political Transition,” UN-WIDER Working Paper, 2010, www.sscnet.ucla.edu/polisci/faculty/treisman/Papers/Final%20Helsinki%20paper%20nov%2009.pdf.
5. Goskomstat Rossii, Rossiiskiy statisticheskiy yezhegodnik (Moscow: Goskomstat Rossii, 2009).
6. Goskomstat Rossii, Sotsial’noe polozhenie i uroven’ zhizni naseleniia Rossii (Moscow: Goskomstat Rossii, 2009).
7. World Bank, World Development Indicators, 2010. The total market capitalization of listed Russian companies came to \$861 billion.
8. Calculated from *ibid*.
9. Goskomstat Rossii, Rossiiskiy statisticheskiy yezhegodnik. There were 47 personal computers per 100 families.
10. Goskomstat Rossii, Sotsialnoe polozhenie i uroven zhizni naseleniya Rossii (Moscow: Goskomstat Rossii, 1996).
11. Goskomstat Rossii, Rossiya v tsifrakh (Moscow: Goskomstat Rossii, 2009); Goskomstat Rossi, Sviaz v Rossii (Moscow: Goskomstat Rossii, 2003).
12. Goskomstat Rossii, Rossiiskiy statisticheskiy yezhegodnik.
13. World Bank, World Development Indicators, 2010.
14. Goskomstat Rossii, Rossiiskiy statisticheskiy yezhegodnik.
15. *Ibid*; Goskomstat Rossii, Rossiiskiy statisticheskiy yezhegodnik (Moscow: Goskomstat Rossii, 1996).
16. Goskomstat Rossii, Rossiiskiy statisticheskiy yezhegodnik, 1996 and 2009; World Bank, World Development Indicators, 2010.
17. Goskomstat Rossii, Rossiya v tsifrakh (Moscow: Goskomstat Rossii, 1996 and 2010).
18. Goskomstat Rossii, Sviaz v Rossii; Goskomstat Rossi, Sviaz v Rossii (Moscow: Goskomstat Rossii, 2008).
19. Statistics from UNESCO at <http://stats.uis.unesco.org>.
20. Gordon Rock, “Aktivnost rossiyan na rynke zarubezhnoy nedvizhimosti: Itogi 2009 goda,” February 10, 2010, http://gordonrock.ru/news/?tema=97&news_id=488; Svetlana Kononova, “The Russians Are Buying,” *Russia Profile*, February 2, 2010.
21. Levada Center, *Obshchestvennoe mnenie 2009* (Moscow: Levada Center, 2009), 176.
22. Daniel Treisman, “Presidential Popularity in a Hybrid Regime: Russia Under Yeltsin and Putin,” *American Journal of Political Science*, forthcoming, 2011.
23. For the details, see Treisman, *Return*, chap. 7, and Daniel Treisman, “Russian Politics in a Time of Economic Turmoil,” in *Russia After the Global Economic Crisis*, ed. Åslund, Guriev, and Kuchins.

Source: Daniel Treisman. Russia’s Political Economy: the Next Decade // Russia in 2020. Scenarios for the Future. Moscow Carnegie Center. 2011.

Questions:

1. Specify and describe the main issue of the article.
2. Do the described events/issues refer to the public sphere? Do they influence the formation of public policy?
3. Are the described events/issues topical for public policy and why? Interests of what groups and actors do they affect?
4. What political actor should solve the described problem of public policy? Describe political mechanisms which can be used by a political actor to do this?
5. Name the actor interested in solving the described problem, disclose this actor's. interests and motivation. Suggest your recommendations for the actor in solving this problem.