

Chapter 3

Russia's Putin and Putin's Russia: How They Work and What We Should Expect

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Many years ago Sir Winston Churchill said that Russia “is a riddle wrapped in a mystery inside an enigma.” These days, many Western analysts are still trying to uncover this mystery and to understand how the country works. They are particularly interested in the motives of Russia’s paramount leader, Vladimir Putin, who has become another life-long ruler of the nation so unfamiliar to any kind of democratic governance. The famous question “Who is Mr. Putin?” posed by the *Philadelphia Enquirer’s* Trudy Rubin in 2000, looks today much less important than the question “What does Mr. Putin want?” and what direction he is now taking not only his own country, but presumably the whole world.

I argue that what happens these days in Russia is explicable and in a great degree even predictable—but that to understand, one must forget about traditional norms and logic as they that exist in democratic nations. One must analyze Putin’s moves as they are, not interpret them “as if”.

We should start by assessing Putin’s primary goal, which is two-fold. Russia’s leader concentrates on money and on power. To put it bluntly, from the very beginning of his meteoric rise in the late 1990s he wanted to become Russia’s (and presumably the world’s) richest man, and he wanted to stay in power indefinitely. These two aims are closely interconnected, since to become rich in Russia one should have direct access to public funds and state property, and to stay safe one should control the rules of the game as long as possible. All along the way, Putin combined these two goals—whether by looting the St. Petersburg budget in the early 1990s, restoring state (but in fact his personal) control over Gazprom in the early 2000s, or appointing new “oligarchs” to manage all state assets and quasi-state corporations.

Putin succeeded in building a system that is based on a free exchange of power for money and money for power,¹ a system that is not rooted in traditional corruption, but one in which administrative power is little more than a form of business.² This system was completed in the mid-2000s, as Putin and a close circle of friends realized the enormity of Russia's oil windfall. Since that time the decision to stay forever was never debated. When I first mentioned that Putin wanted to become his country's leader for life (in an op-ed published in Moscow in September, 2006),³ I was criticized by every possible political camp as someone who does not understand either his intentions or how Russia's political system functions. But now this is sour reality.

I would add that Putin, now being one of the richest, if not the richest man in Russia,⁴ actually never ran a competitive business, so he does not believe in the market economy. He relies on state capitalism, where the last word is his own. As long as he is in charge, there is no hope for liberal economic reforms in Russia. Even falling oil prices will not change this course, because Putin simply doesn't know how any other system works.

The same applies to the political sphere. Until Putin appeared from nowhere to be elected President of Russia in March 2000, he had never before run for any elected office. He considered democracy to be a danger, not the natural order of things. Recall that he first saw his country crumble because of democratic transformation in the early 1990s, and he later witnessed the fall of his St. Petersburg boss Anatolyi Sobchak in

¹ Vladislav Inozemtsev, "Neo-Feudalism Explained," *The American Interest*, 2011, Spring (March—April), Vol. VI, No. 4, pp. 73–80.

² Ivan Krastev and Vladislav Inozemtsev, "Putin's Self-destruction," *Foreign Affairs*, www.foreignaffairs.com/articles/139442/ivan-krastev-and-vladislav-inozemtsev/putins-self-destruction, posted June 9, 2013.

³ Иноземцев, Владислав. "Вся надежда — на третий срок," *Независимая газета*, 1-2 сентября, 2006, с. 3 (Inozemtsev, Vladislav. "All the hopes are on the third term," *Nezavisimaya Gazeta*, Sept. 1-2, 2006) (Dutch translation: Vladislav Inozemtsev, "*Laat Poetin zijn karwei afmaken*," *NRC Handelsblad*, October 25, 2006, p. 7.

⁴ In 2007 Stanislav Belkovsky estimated Putin's fortune at \$40 billion (www.ilgiornale.it/news/ex-consigliere-accusa-putin-l-uomo-pi-ricco-d-europa-html). Bill Browder put the figure at \$200 billion in 2015 (<https://russian.rt.com/inotv/2015-02-16/Brauder-uveren-Putin-samij>). Andrei Piontkovsky estimates the sum at \$250 billion (www.sobesednik.ru/politika/2015-04-15-sostoyanie-putina-ne-7-millionov-rublej-a-250-milliardov). I doubt the latest figures, but one might assume that he controls directly Surgutneftegaz (with a cash pile of \$34 billion), and some parts of Gazprom and Rosneft, not to mention several companies formally owned by his friends. I would say that \$100–120 billion is a very realistic estimate.

the 1996 mayoral elections. With these experiences in mind, ever since his first term he has worked continually to secure his power position for decades. It is true that he strengthened the role of the state, but for Putin the state is the instrument by which he can own the whole country and keep his money machine running.

In short, there is no hope for genuine liberal economic and political transformation in Russia as long as Putin rules the country. Putin allowed Medvedev to stay as President for four years since he was sure Medvedev would remain loyal to him, and at that time Putin wanted to be considered as a rule-abiding guy. But he immediately foreshadowed his comeback by extending the presidential term from 4 to 6 years. Medvedev's time was a time of possible change, but Putin secured all the necessary levers to return to the Kremlin. The "windows of opportunity" that were widely open in the 1990s, and again briefly during Medvedev's time, are now firmly shut and securely locked with the support of the majority of the Russian people.

The Primacy of Domestic Politics

To retain and secure his power position, Putin needs to control popular moods and to adjust his policies in ways that match the hopes of the vast majority of the population. He doesn't believe in electoral democracy (presumably thinking about it as about a senseless Western invention unsuitable for Russia), but he pays considerable attention to popular opinion and does not go against it. His main method to rule the country is to consolidate public opinion around a particular focus point, and then to characterize all other points of view as "dissenting" rather than as "opposing." In Putin's system there cannot be an opposition, there can only be dissidents. The difference is clear. "Opposition" connotes those who wish to correct the way the country is going by proposing more effective or alternative policies. "Dissidents" connote those who want to derail the nation's rise, presumably since they do not understand and share people's wishes.⁵ Putin is a populist, not a democrat, which means that domestic, rather than foreign, policies are, and will remain, his primary focus.

⁵ Иноземцев, Владислав. "Страна, подавляющая большинством" на сайте slon.ru: www.slون.ru/posts/51273, размещено 7 мая 2015 г. (Inozemtsev, Vladislav. "The Country Which Suppresses By Majority (in Russian)," www.slон.ru/posts/51273, posted May 7, 2015.

This point should be understood quite clearly—once again because Putin is very interested in Russia's history and its spiritual uniqueness. Both of these factors support his attention to domestic issues, since he understands well that during the past 700 years Russia was never conquered by any foreign power, and that after every aggression the country appeared even stronger and more influential than it had before. At the same time, however, Russia was often plagued by internal unrest and conflicts that destroyed its state power, diminished its administrative capacities, and even put the country on the brink of collapse. The strife of the early 17th century, the revolutionary wave of 1917–1921, and then the collapse of the Soviet Union and the “horrible 1990s”—all of these terrible times were generated by mistakes—and, potentially, acts of treason—that originated at home. That is why Putin believes that domestic politics are much more important than everything else. His actions in the “wider world” are primarily driven by his efforts to shape and consolidate public opinion inside his own country.

Agenda-Shifting

How does Russia's President act to achieve his goals on the domestic front? His tactics are quite sophisticated and developed to a degree of perfection. First, he identifies and then inflames a particular aspect of the public agenda in ways that make it the headline issue for popular opinion at any given moment. He employed this tactic for the first time in 1999, when the bombing of two apartment houses in Moscow turned Russians' attention away from political struggles among different Kremlin factions toward the danger posed by Chechen terrorists. The episode provided Putin with *carte-blanche* support to wage a victorious war, after which he became president. Periodically since then a new topic is chosen (the “fight with the oligarchs” in 2003–2005, the priority of economic growth over political freedoms in 2005–2008, national unity in the face of efforts to undermine stability in 2011–2012, combating Western influence in 2012–2013, the war for the “Russian world” in 2014, saving the world from U.S. dominance, etc.). These headline issues are changing ever more quickly because incessant day-and-night coverage of an “overheated” topic can exhaust popular attention. But there is no doubt that as soon as one issue goes away, another will arise, and the cycle will begin anew.

This kind of propaganda proves to be extremely effective due to one crucial feature. Putin acts very fast, changing the agenda well before his opponents adjust their positions and consolidate to criticize his approach. He stakes out a seemingly mainstream position (who will oppose combating Chechen terrorists, fighting oligarchs or securing Russians' rights in Crimea?) while cautioning the public that such approaches could have costs (tolerating Kadyrov's de facto independent state in Chechnya, enduring tougher economic times as a result of Western sanctions, budget crises and tough business conditions in the wake of the annexation of Crimea, and so on). By the time the consequences appear, however, Putin has moved on to the next topic, taking public opinion with him. Kadyrov may neglect federal laws in Chechnya, but now the biggest problem is to defend Russian kids from gay propaganda coming from the decadent West. Capital and thousands of young professionals are fleeing Russia, but that is less urgent than the need to "retake" the "holy" Crimea from "fascist" Ukraine. There is chaos in Donbas, the ruble is falling and the economy is faltering. Yet all this may need to wait until we finish with ISIS somewhere in the Arabian deserts. As soon as one "crucial" issue wanes, another comes to replace it. That makes the system in some sense immune to significant criticism, since no one wants to hear about topics that are not longer top priority, and very few will disagree with Putin on those that still are headline issues. Putin is betting that he can manipulate this whirling kaleidoscope of issues to stay in the center of public attention for as long as he wishes.

Strategic Goals

Given all this, one may ask whether Putin has a long-term strategy for his country. The question is provocative and the answer is complicated. The right answer is "no and yes," or more precisely, "no, since yes."

To understand this, one should completely forget the context of the 21st century globalized information world to which contemporary Westerners are accustomed. German Chancellor Angela Merkel was definitely right to say that "Mr. Putin lives in another world," but few really understand how different this world is. The Russian President perceives the new realities as some disturbing deviation from the "normal world" of the 19th or 20th centuries with their great armies, contested territories, industrial might, and all that was important to policy-

makers a century or more ago. He praises the world system as it emerged, if not from the Congress of Vienna, then from the Potsdam Conference (and he really believes it would be better to restore the Yalta system, which, as he noted when speaking at the UN in September 2015, was designed “in our country”). He used to describe himself as “a conservative,” but he is not so much conservative as befuddled, refusing to accept the world as it is. Putin does not use the internet, his administration orders new typewriters to be secure from any leaks on the web, he trusts the reports his aides present to him, and he believes in the power of television. He sees in every popular movement a conspiracy organized by his adversaries, and he believes that Russia needs to seize more lands from its neighbors to consider itself again a great power. Moreover, Putin does this all simply because he believes the “good old world” will soon be back and “history will resume.” Herein lies the answer to the main question of strategy.

Putin has stated many times that his primary goal is to maintain “stability,” by which he means no domestic change at all. It’s like the Second Coming: those who are buried closer to the East will resuscitate first—so if Russia does not change too much, it will be better able to adjust to the old world when it returns. Every change in today’s Russia is seen simply as an anomaly—just look at the regime’s economic strategy, which is only about how to survive until the oil price will “inevitably” rebound. Putin’s strategy is to “preserve” the current Russia until the time the world recognizes that the country’s conservative path was the only true course. This approach presupposes no strategic moves, since the only goal is to resist change. Any actions that may in fact generate change are mainly viewed as tactical adjustments within this broader strategic frame of preservation. This may seem incredulous, but I can offer no other explanation for Putin’s political course. Only a strategy that encompasses a belief in the “eternal return” can explain what he is doing in both the economic and political realms. He strongly—and willingly—rejects the contemporary world, and centers his entire strategy on outliving it. The sad side of this story is that Putin has little chance to succeed, and when he is gone, perhaps in a decade or two, his country is likely to face enormous challenges, even as the postmodern world hurtles forward with little prospect of turning into a new Middle Ages.

Another issue often debated in the West is whether Putin is good or bad at cost-benefit analysis—in other words, does he take the principle of effectiveness seriously enough? Many signs suggest that he does not,

but one should take into consideration his extremely specific sense of “rationality”.

For Putin these days, specific goals and tasks simply do not exist. His rationale is built on the long-term goal of possessing Russia, and its wealth, for the rest of his life. This has provided him with tremendous returns many years in a row. Windfall profits from rising oil prices have been at least \$2 trillion since Putin's first term in the Kremlin began. Even more important is that these profits were increasing consistently over the course of his tenure in top leadership positions. These “excessive” annual earnings peaked in 2012–2013 at \$400 billion, surpassing those Russia received in 2000.⁶ Given this flows of funds, Putin's cost-benefit assessments of such projects as construction of the Olympic venues in Sochi, building new launching sites in the Far East or a high-speed railway between Moscow and Yekaterinburg⁷ are made less in terms of money than in terms of influence on public opinion and their role in elevating his personal approval ratings.

The same may be applied also to some purely economic projects. In 2013, for instance, Rosneft, the leading state-controlled oil company, acquired TNK-BP for \$53 billion in cash and equity just before the start of a downward wave in the Russian stock market, and now the united company is valued less than the amount it spent on the acquisition. In a normal market economy the CEO would be immediately fired, but Igor Sechin remains the president's closest ally, not least because he controls the state-owned oil assets that provide such huge tax revenues for the federal budget.

Putin does not care about shareholder value because he believes he is the main, if not the sole, proprietor of the whole country. This explains his “cost-benefit” analysis. He is not so interested in assessing special investment projects, since he sees Russia as a huge corporation that can

⁶ Vladislav Inozemtsev, “Russia's European Home,” Project Syndicate, January 5, 2015, www.project-syndicate.org/commentary/sanction-putin-not-russian-people-by-vladislav-inozemtsev-2015-01.

⁷ See for more details: Zubov, Валерий и Иноземцев, Владислав. “Белые слоны! российской экономики: на что государство тратит деньги,” РБК, 2015, 1 сентября 2015, с. 11; “Почему государству надо перестать инвестировать” в: РБК, 2015, 14 сентября, с. 7; “Экономика «чудес»: почему государственные компании так неэффективны” в: РБК, 2015, 29 сентября, с. 9 (Zubov, Valery and Inozemtsev, Vladislav, “The ‘White Elephants’ of the Russian Economy,” *RBC Daily*, September 1, 2015, p. 11; “Why the State Should Stop Investing,” *RBC Daily*, September 14, 2015, p. 7; “The Economy of ‘Miracles’: Why State Corporations Are So Ineffective,” *RBC Daily*, Sept. 29, 2015, p. 9.

afford some “branding” projects such as those that are channeled into sport and infrastructure projects. Putin is well aware that such efforts are in fact extremely effective compared to other, often more expensive, means of securing popular support.⁸ In this regard Putin may be considered very effective since he does not take into consideration any small and insignificant points. He prefers to concentrate on the big picture. To some degree this explains his changing attitude towards Soviet history, and in particular to Stalin’s personality: the late tyrant is now openly praised as an “effective manager.” This means that if you leave the country stronger in military means, bigger territorially and more “respected” in the world, any economic inefficiencies and even vast loss of human lives may well be considered justified and reasonable. I am not arguing that Putin may become another Stalin in a decade or so, but many aspects of his thinking resemble those of Soviet leaders.

What ways and means does Putin have at his disposal to achieve his goals? This may be the most crucial question facing Russia today. Putin’s toolbox is very limited, and it is the result of what he has done with Russian society.

For more than quarter of a century Russia has been turning into a country where only money matters. As Putin went about constructing his system, he eliminated any other means of appealing to the people for getting things done. The so-called “vertical of power” that he established was, and still is, a sophisticated system for securing loyalty, based at every level on sufficient bureaucratic autonomy to organize “business schemes” for self-enrichment. During the first ten years of Putin’s reign the system worked quite well, since there was a growing pool of money from rising oil income available both for social spending and “investment needs” from which bureaucrats could profit. In these years the Kremlin was ready to boost spending on almost anything reliant on growing oil revenues. The result was rather predictable—infrastructure

⁸ According to 2013 federal budget outlays, Russia spent 1.084 trillion rubles on its federal government, which equaled \$34 billion at the average 2013 exchange rate of \$1.00 = 31.848 rubles. The U.S. federal budget for the same year allocated to “general government” totaled \$28.1 billion (www.usgovernmentspending.com/federal_budget_detail_fy13bs12015n). On the figures for road construction see the interview with the head of the State Road Construction Agency of the Russian Federation at www.rbc.ru/interview/business/20/07/2015/559d5f049a79470cc3c8a450. Also Иноземцев, Владислав. “Дешёвая пропаганда. Как оценить эффективность государственных инвестиций в СМИ” на сайте slon.ru: www.slon.ru/posts/54993, размещено 11 августа 2015 г. (Inozemtsev, Vladislav. “The Cheap Propaganda: How One May Assess the Effectiveness of State’s Investment into Media,” www.slon.ru/posts/54993, posted on August 11, 2015.

project costs shot up, as did the costs of keeping the state machine working (in 2013, Russia spent 20 percent more on the state apparatus [at market exchange rates] than did the United States federal government).⁹ These days the country spends around 15 percent of what China spends on road construction, but annually delivers only around 2 percent as many new roads as China. The state is forced to pay more and more every year to get things done, lest the principles of loyalty be violated, since local and federal bureaucrats are not accustomed to tighten their own belts. This is the main problem for Putin today, because he has no other means to make the bureaucracy work. All other motives have been largely downgraded, and no one would do anything she or he should out of regard for ideological principles, patriotic feelings, or sense of duty or honor. If this were not true, the government would have found some means to reduce the budgetary spending during the crisis—but it was unable to do so in 2015 compared to 2014, and is also unlikely to cut the budget deficit in 2016.

Searching for an Ideology

The topic of ideology must be investigated in greater detail. Of course, ideological issues are widely debated in Russia these days, but I would not say that there exists something that may be understood as ideology in the strict sense of the term. The “search for ideology” (or “national idea”) that had been underway within Russia since the fall of the Soviet Union has never resulted in any meaningful concept—and this may be explained by the fact that Russia is currently a nation-state, not the “ideological empire” the USSR sometimes was. Nevertheless, the search for ideology continues, largely because it is considered a crucial element of the “glory” once possessed by the Soviet Union.

The problem with ideology in today's Russia is even more profound, since any possible kind of ideological doctrine for the country would be entirely particularistic, whereas ideology should have a strong universalist dimension. Russian political elites want to invent an ideology not only because they look to the Soviet Union as an ideal they want to resemble, but also because they are trying to challenge the United

⁹ ноземцев, Владислав. “У государства имущества на 100 триллионов, а оно залезает в карман пенсионеров” в: Комсомольская правда, 2015, 2 октября, с. 7 (Inozemtsev, Vladislav. “The State Controls 100 Trillion [rubles] In Assets, But Tries to Take the Last from the Pensioners,” *Komsomol'skaya Pravda*, Oct. 2, 2015, p. 7.

States, which might be considered less an “historical” than an “ideological” nation. It seems that the only possible option for the Russian political class, however, is to adopt an exceptionalist ideology based on the religious uniqueness of Christian Orthodoxy. This explains why there is such a huge religious revival underway in the country—a revival that by no means originates from the grassroots, but is actively propagated and even imposed by the state. One may even say that the Orthodox version of Christianity is now becoming the new Russian ideology, based on belief in the special path of the country, in the superiority of the Russian people, and in the unique, almost sacred role of the state. This factor becomes even more important because Putin presents himself as a deeply faithful person for whom issues of religion and “morality” are more important than those of politics or economics.

This may be seen clearly in the case of Russia's so-called “pivot to Asia”—its turn away from the West towards China and Central Asia. This shift has forceful religious-ideological causes and dimensions. To explore them, one must turn to 13th century Russian history, notably the story of Count Alexander of Novgorod, who became the ruler of a northwestern Russian county at the time of the Mongol invasion, by far the most devastating period for the country in centuries. The Mongols had not advanced towards Novgorod, but the Teutonic knights emerged from the West, trying to impose Catholicism on Russian lands. Count Alexander engaged in war with them, defeated Germans and Lithuanians in several battles, and then went to Saray and Karakorum where he proclaimed himself the vassal of the Mongols and subsequently was appointed the sovereign of Kiev, Vladimir and other Russian domains. The Count was canonized by the Orthodox Church in 1547.

Why is this story so important? St. Alexander fought for the Orthodox faith (i.e., ideology), which was threatened from the West, and later requested the union with the Mongols, who wanted subjugation but were oblivious to religious issues. Today, it seems that Putin would rather become a junior partner of China and hand over to the Chinese some of Russia's natural wealth than, in his view, “surrender” to an immoral and virulent West that wants to deprive Russia of its unique spirituality. Putin's particularistic “ideology,” therefore, has become a significant roadblock to rapprochement between Russia and the West, as well as to Russia's adoption of contemporary human rights doctrine. Whatever ideology Russia seeks to adopt, across the centuries it appears to be unalterably anti-Western.

When discussing ideology, one should not forget the idea of the “Russian world” that is often seen to be a part of the new Russian ideology. I would disagree with such an assumption, because the “Russian world” doctrine is ill-suited to serve as either an internal or external ideology. In the first case, it is very dangerous to exploit nationalistic ideas inside a multicultural and multiethnic country. In the second case, a doctrine that seeks to unite all Russians, including those who live outside the current borders of the Russian Federation, may be seen, understandably, as dangerous for neighboring nation-states.

The “Russian world” idea serves a very local purpose. Putin uses it to convince his core electorate that he is willing to help compatriots who live abroad and who, presumably, are being oppressed by local authorities. This was applied in Crimea and Donbas, but it seems likely to fade since it cannot be applied successfully anywhere else (unless Putin wishes to destabilize northern Kazakhstan, which seems unlikely). It may also become harder for Putin to employ the “Russian world” theme since a quite different Russian world is now emerging—a world of successful Russians who leave Putin’s Russia and settle in Europe and in the United States, where they can build their future much more effectively than in their own homeland.¹⁰ Since Putin dislikes this group and has adopted a series of measures preventing its members from being civil servants in Russia or to run for elected office, it will be harder and harder for him to present himself as the protector of a united “Russian world.”

To conclude, I will reiterate some of the most important points. First, Putin’s Russia is a country where the political class seeks both power and money, and one doesn’t exist without the other. Second, Putin is a talented populist who has designed a sophisticated system of seducing the crowd. This system continues to work well and gives his opponents little chance to succeed. Third, the Russian leadership seems not to care about strategic goals since, on the one hand, it believes that its strategic goal consists in preservation of the country in its current state, and, on the other hand, no one looks beyond his own lifespan. Fourth, the emerging Russian ideology (or identity) is extremely confabulated and full of religious or quasi-religious elements that make it incompatible with the 21st century post-modern world. The Russian leadership definitely lives in another world, but this world is calculable and predictable.

¹⁰For more details see Wladislaw Inosemtzew, “Wer gehört zur „russischen Welt“?” in *Internationale Politik*, 2014, no. 6 (November-December), pp. 94–101.

It is important not just to understand how Putin's world works, but to explore how stable it is and how long the "normal" world may be forced to coexist with Putin's world. This is a huge problem. I submit that the "normal" world should prepare for a cohabitation that could last for decades.

How Long Can Putin's Regime Last?

Putin's Russia can neither develop nor modernize.¹¹ This simple fact, however, says nothing about how stable it may be (I reiterate that stability in today's Russia means the absence of change, and therefore non-development is actually desirable). Moreover, such non-development may now easily be "sold" to the public, and therefore one can expect Putin's regime to last as long as its leader is alive. I will mention just a few reasons for such an assumption.

First, there is the effect of state propaganda and the specific nature of the Russian people. The vast majority of Russians these days believe that Russia is rising from its knees and is on the right path to redeem Soviet "glory". They have already forgotten about the hardships of past times, and instead have become inspired by the late country's political and military might. The state has been very successful in convincing the people that the Soviet Union broke down because of Western conspiracy. This "explains" the current showdown between Russia and the West, since according to this narrative the West doesn't want Russia to become sovereign and strong once again. This line of argument inculcates two feelings: on the one hand, Russia should not embrace the new realities, but rather try to restore the world that existed earlier—which Putin and his inner circle represent; on the other hand, all Russians should unite lest they fail to win the "final battle" with their opponents, the implication being that they should not demand any improvement in living standards in coming years. This "defending" and "backward-looking" consciousness ideally secures the regime.

Second, one should admit that the quality of life in Russia has improved dramatically during Putin's years in power. Real incomes now exceed 2000–2002 levels by at least three times, if not more. Russia has

¹¹ Vladislav Inozemtsev, "Dilemmas of Russia's Modernization" in Ivan Krastev, Mark Leonard and Andrew Wilson (eds.), *What Does Russia Think?* London: European Council on Foreign Relations, 2009, pp. 46–52.

turned into a modern consumer society, and given all the forces of destabilization, the economy could be doing much worse than it is doing now. By the end of 2015, the real disposable incomes of an average Russian may have been down 8–9 percent from a year earlier, but this type of decline is definitely not enough to change the mood of the people. In my view, even current levels of well-being must decline by at least 25–30 percent to provoke real disillusionment in the public's mind. Such a tremendous downturn does not seem very probable, due to significant financial reserves that can keep the economy afloat for at least two years; to some degree of import substitution that reduces the price (and, of course, also the quality) of many daily consumable goods; and, of course, due to inertia within the entrepreneurial community (many businesses now run in the red, but their owners do not close them because they hope for the better and understand how hard it would be to get back into business if they were out of it for some time).

Third, Russian society has changed a lot in recent years—and the major result of Putin's policy is that it is now too “individualized” and atomized to be an agent of change. For more than a decade the current power elite designed a system in which a person can achieve almost everything if he or she individually bribes officials, secures special conditions for his or her business, neglects some rules, etc. At the same time, any kind of collective action was crushed, and its participants never achieved anything they desired.¹² Authorities in Russia are quite open to individual negotiations, but they fiercely oppose any collective claims. Therefore, no protest movement has ever achieved any significant result for which it has fought (the last success dates back to 2005, when pensioners organized protests aimed at increasing compensation for the loss of their right to use public transport and to acquire some medical support free of charge). Faced with economic difficulties, some people take on additional jobs, while others prefer to emigrate. Russia today is a country where there are only individual, not collective, paths out from its systemic contradictions. This is not fertile ground for transformation.

¹² See: Vladislav Inozemtsev, “Russie, une société libre sous contrôle autoritaire” in: *Le Monde diplomatique*, 2010, No. 10 (Octobre), pp. 4–5.

How May the Current Regime End?

Two options are now the most realistic. The first option presents itself if Putin dies or becomes incapacitated for some reason (it is unlikely that this would happen as a result of a *coup d'état* or a conspiracy). As was seen clearly in 2011–2012, Putin's regime is not a systemic regime, such as ones established in Mexico in the early 20th century or in China after Mao's death.¹³ It is purely dependent on just one particular person. Those in Putin's circle owe their positions and wealth only to him, and they have no basis to claim that they somehow are a better fit or more qualified for the top job in the country. Therefore, one may expect either a quarrel that could destroy the "power vertical," or a change in political course that could allow the Russian political/financial elite to renegotiate its relationship with the rest of the world to secure its wealth and avoid an unnecessary showdown. Putin's disappearance is unlikely to bring to power even more conservative people, since the current break with the West could be orchestrated only by such a charismatic figure as Putin himself (and it took even him more than a decade to turn from a "Russian European" into the foe of the Western world). Any other politician would not be as argumentative, and thus less likely to exacerbate or continue current trends.

A second option may be considered if the current economic crisis becomes more aggravated, oil prices dip under \$35/bbl and Western sanctions continue to ruin Russia's financial sector. Since Russia these days appears more like a big corporation that delivers quite healthy profits and benefits for the politicians and bureaucrats who own it, this option may be considered if the "corporation" goes into the "red" and begins to generate constant losses. If you are a governor of a particular region and you profit from the construction company that belongs to your son; if you are Putin's close friend and build bridges or railroads funded from the budget, pocketing half of the money; or if you are the minister for agriculture and at the same time Europe's biggest landlord—everything goes well as long as people buy the apartments you build, the budget has funds for the bridges you construct, and the land you own constantly grows in value. But if there are no buyers, the budget is deep in the red, and everybody wants to sell land rather than

¹³ See: Иноземцев, Владислав и Павловский, Глеб. "Иноземцев vs. Павловский" в: *The New Times*, 2010, 22 марта, сс. 14–17 ("Inozemtsev vs. Pavlovsky (in Russian)" in: *The New Times* [Moscow, Russia], March 22, 2010, pp. 14–17)

buy it, things look different. You may take a few million dollars from your Swiss accounts and cover the losses for a year or two, but you cannot do this indefinitely. And if the state has no money, it will press even oil and commodity companies and take away their profits. With no investment there would be no perspective—and at this point the government would lose its attractiveness. As the Soviet elite just disappeared in late 1991, the new Russian elite might render up their positions one by one and settle abroad, where everything is ready to accommodate these “devoted patriots.”¹⁴

The system Putin created in Russia should be studied further, and in a deeper way, since it is one of the most sophisticated authoritarian systems that ever existed. It possesses enormous reserves to confront any changes and any challenges, and it is headed by a highly talented populist who has every chance to rule the country for the rest of his life. What this system cannot do, however, is sustain itself after Putin leaves office. And nobody today can say with any certainty how Russia may look “after Putin.”

¹⁴See for more details: Как рухнет российский режим. Возможный сценарий” на сайте slon.ru: www.slon.ru/insights/1202339, размещено 5 января 2015 г. (Inozemtsev, Vladislav. “How the Regime May Fall: A Prospective Scenario (in Russian)”, www.slon.ru/insights/1202339, posted on January 5, 2015.