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# AGENDA AND CHALLENGES FOR PUTIN'S NEW TERM



German Association for East European Studies | Institute for European, Russian, and Eurasian Studies The George Washington University | Research Centre for East European Studies University of Bremen | Center for Security Studies ETH Zurich | Center for Eastern European Studies University of Zurich

INTRODUCTION

# Agenda and Challenges for Putin's New Term

On the occasion of Putin's re-election last month, we have asked some of the leading academic experts on Russia to provide a short comment focusing on an issue of their choice related to the agenda and challenges for Putin's new term. We have taken care to approach a balanced group of experts in terms of geography and nationality. However, not all experts we asked have managed to provide a comment. All comments which have been submitted in time are reproduced here in alphabetical order.

*The editors of the Russian Analytical Digest*

COMMENT

# The Beginning of Putin's Endgame: Expect the Unexpected

By Henry E. Hale, George Washington University

## Introduction

With Vladimir Putin's resounding 77 % win with 68 % turnout in Russia's 2018 presidential election, Russia's "national leader" demonstrated his master grip on the Russian polity. For the moment. And this moment may not last long.

## Russia Is Transitioning to a Transition

With his reelection, Putin has won the right to be a "lame duck" in the specific sense that the constitution does not currently allow him to run again. While his new term is long, allowing him to serve six years until 2024, he and the people around him will at some point have to start thinking about what position they want to occupy (or avoid) when Putin leaves the presidency. And this situation brings risks of instability at the top as people start to prioritize angling for a post-Putin future over what Putin wants them to do today.

These considerations are likely to come to the foreground long before 2024. In Russia, parliamentary elections are often seen as "primaries" for the more consequential presidential elections that follow, and Russia's next State Duma elections are scheduled to take place already in 2021. Different forces that are now allied with Putin, as well as some that are not, are thus likely to see these elections as a test of strength for the political resources they wield. These resources can include everything from public appeals to political machinery to the ability to provoke crises that might help outcomes break the right way. This is not a recipe for political stability, and it will be a major challenge for the Kremlin to control it.

## How Public Opinion Will Influence Succession Politics

Despite Russia's authoritarianism, public opinion is likely to be a major influence on this transition. Despite Russia's authoritarianism, it is an unquestioned assumption in its political establishment that the succession will be formalized with an official election result, and this gives a political edge to whoever can demonstrate the ability to mobilize support. If the people around Putin think that he would win even a free and fair election, they have little incentive to "defect" under the banner of democratization. And there is less reason to engage in outright ballot-box fraud, which can be risky. Outside opposition can also be demoralized, finding it harder to mobilize large numbers in the street.

All this is why the Kremlin itself pays so much attention to Putin's public opinion ratings. And so long as Putin remains the unchallenged public opinion leader, his strong endorsement alone may be enough to make a designated heir the undisputed favorite in the race, which will deter defections from within the regime and make for a relatively smooth transition.

## What Can We Expect?

Keeping in mind this basic logic of Russian politics, then, what can we expect over the next six years?

### *Cabinet Appointments as Signals*

Most immediately, whoever winds up in Putin's Cabinet upon his May inauguration will likely signal something about how the Kremlin plans to manage the impending succession. With only three years to go until the cru-

cial (expected) Duma election, people who hold visible positions in the Cabinet are likely to have an advantage in accumulating potentially useful resources for that battle, though they may not be the likeliest candidates themselves.

### *The Possibility of a Pro-Western Shift*

Second, Russia's behavior in foreign policy is likely to be even more difficult to predict than usual. With current economic performance no longer working strongly in Putin's favor politically, he has benefited since 2011 from a whole series of largely unexpected initiatives that yielded new connections with the Russian electorate, most notably his "conservative turn" in 2012, his annexation of Crimea in 2014, and his intervention in Syria in 2015. While he still appears to be continuing to reap political rewards for Crimea, Putin cannot count on its lasting through 2021 (much less 2024), so new initiatives are likely that the Kremlin calculates may periodically inject new sources of support into the public.

Here, the Kremlin has shown a strong ability to "think outside the box," frequently taking observers by surprise and launching initiatives that run counter to what had previously seemed like the regime's normal practices. Thus while policy analysts in the West are largely focused on the possibility of new kinds of foreign relations adventurism or new ways of demonizing the US to generate rally-around-the-flag effects, we should also be prepared for the possibility of something different. I would not be surprised, for example, if the Kremlin at some point decided to make a strong pro-Western turn, a move that public opinion research indicates could win Putin a great deal of support at home if framed correctly.

### *Constitutional Changes Putin May Consider*

Third, Putin is going to have to find a place for himself after 2024 that is different from the place he occupies today, and here we should also expect the Kremlin to be thinking outside the box. Of course, he could orchestrate a constitutional change (following recent events in China and much earlier moves in post-Soviet countries like Kazakhstan and Belarus) that would allow him to remain president beyond 2024. But he did not do this in 2008 when he had the chance. And in his post-election remarks in 2018 he seemed to downplay that possibility, and in any case he cannot escape father time. So what might be other options?

The most obvious is a repeat of 2008: Return to being prime minister and head of the United Russia Party, a combination that would give him significant potential checks on any moves made by his successor that he may not like. If he decides to stay more fully in charge, he could also convert the presidency into something like the British monarch and assume control of a souped-up prime ministership, this time intending to stay in the post indefinitely.

If Putin actually decides to take the risk of fully leaving high politics, two routes are likely to be considered carefully. One would be to leave a strong presidency in the hands of someone he trusts completely, but it is most unclear who that would be now. Medvedev proved his loyalty during the "tandem," but now has relatively weak support among both masses and elites that would have to be redressed somehow, a prospect that seems daunting as of 2018.

An alternative would be to decentralize executive power in Russia, creating multiple centers of power and installing trusted colleagues from separate political-economic networks in each top post, pressing them to engage in a form of collective leadership. In principle, this could let him claim to have "modernized" Russia and leave office without leaving any one person in charge wielding enough power potentially to turn against him without being defeated by the others.

## Conclusion

Overall, while Putin's slogan has been stability, Russian politics under Putin has in fact been all about change, with the system altering itself in some way almost constantly. But starting with 2018, we may see a change to a new kind of change.

*About the Author*

Henry E. Hale is a professor of political science and international affairs at George Washington University and the author of Patronal Politics: Eurasian Regime Dynamics in Comparative Perspective (Cambridge University Press, 2015).

# Reforming Russia's Court System: Fine Tuning Is Not Enough

Ekaterina Khodzhaeva, North-West Institute of Management, St. Petersburg

## Introduction

It is expected that during his fourth term as Russian president, Vladimir Putin will focus on challenges related to economic development. Due to Western sanctions, low oil prices and very significant military expenses, the economic situation in Russia is becoming increasingly unstable. While the Russian government is looking for tactical and short-term means to increase taxes (for example, raising the VAT from 13% to 15% is on the post-election agenda) or to reduce expenses for pensions through a likely increase in the retirement age, the President has also launched a reform of professional routines in the Russian court system.

The respective proposal for new legislation is not officially called a "reform" and is discussed only in narrow professional and legal circles. This proposal is primarily based on recent recommendations from the experts at Alexei Kudrin's Center for Strategic Research.

## Reasons for Low Quality

The need for reform is obvious. A special report based on broad empirical research on the Russian judiciary and law enforcement system has shown three main reasons for the low quality of the Russian court system (Bocharov et al. 2018).

The first is human resources. The unstable and opaque process of judge appointment leads to a non-professional judiciary; more than 40% of Russian judges have received their legal education through distant education. More than one third of judges were recruited from court administration staff, and every fifth judge was recruited from prosecution. The chances of lawyers from the private and non-governmental sectors being appointed as judges have been decreasing over time (see Volkov/Dzmitryieva 2015).

The second is the de facto dominance of the chief of the court and his control over the judges' decisions. To minimize faults, the system results in a lack of independence of Russian judges at both the practical and routine level. Judges are looking for their chiefs' guidance to elaborate on the kind of decisions that will be accepted in appeal courts, as verdicts that are changed by the appeals court are treated as a failure and may lead to the judge's removal. As a result, the judge is only the final stage in a judicial conveyor belt; the prosecution sets the scene. In criminal cases, the share of acquittals stood at a mere 0.3% in 2017.

The third reason is the high workload, produced primarily by state organizations, resulting in superficial and "templated" verdicts.

All of these problems taken together make the Russian court system inadequate for addressing the real social and economic needs of justice and conflict resolution.

## Current Reforms

Two law drafts were already submitted by the President to the State Duma during the two weeks following the presidential election day. The first law proposes downgrading as a new disciplinary punishment for judges. The current version of the Law on the Judiciary Status in the Russian Federation (26,06,1992 #3131-1, art. 12.1) contains only three forms of punishment for judges: 1) a reprimand, 2) a caution for non-significant misconduct and 3) the removal of judge as a reaction to a significant fault or professional ethics violation. This massive gap between light and severe forms of punishment, together with very amorphous and fuzzy criteria of what a fault by a judge might be, is frequently considered to be one of the primary reasons for the dependence of judges on their chiefs (see Pozdniakov 2014). The President's suggestion to add a new form of punishment may resolve the issue of the high price of the first significant fault being the judge's responsibility.

The second draft law focuses on very practical topics. It prescribes the following:

- The automatic distribution of cases among judges within one court. This distribution may diminish the role of the chiefs of courts. Currently, chiefs of court personally assign cases to specific judges and thereby control the judges' workload.
- The mandatory audio recording of all open court litigations. Despite the fact that every court room is equipped with an audio recording system, the written record made by the secretariat of the court currently remains the only mandatory document. Audio recording will reduce the risk of changes to the written record by the judge and will provide all participants with better opportunities to appeal against a court verdict.
- Adding participation in the preparation of the written decision to the list of duties for judges' assistants. This proposal may legalize current practices in some courts or may reduce the judges' workload in courts where judges prepare the texts by themselves.

## Conclusion

The proposed changes in the draft laws submitted by Vladimir Putin at the beginning of his fourth term as

president are very technical and do not appear to be large court reforms. Moreover, the most significant recommendations for diminishing informal internal hierarchal control over the judiciary and external dependence on law enforcement agencies are still not on the Duma's agenda.

At the moment, we are observing a very moderate "fine-tuning" of courts' routines that may give some results but will not substantially change Russian judiciary practice. If the president truly aims to have a working court system that can promote economic development by adequate conflict resolution and delivery of reliable justice, he must strive for more than technical improvements. This issue poses a new dilemma of choosing between economic improvement and political control.

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# Six Myths Exploded by the 2018 Russian Presidential Election Theater

By Robert W. Orttung, George Washington University

## Introduction

While no one was shocked by Putin's victory in the presidential election performance on March 18, 2018, the staged non-event makes it possible to debunk a number of myths about the current regime in Moscow.

**Myth #1. Putin Is Popular with the Russian People.** That Putin was able to generate turnout of 68 % and win the support of 77 % of the voters suggests that he is popular. So do numerous polls in Russia and the arguments of some observers. In fact, Putin only won this election because he banned all genuine opposition candidates, tightly controlled the media, prohibited the most prominent independent polling agency from publishing its results in the run-up to the voting, threatened dependent employees in the work place, and deployed a host of other techniques to ensure that the election brought no surprises. Putin himself barely even bothered to campaign, trying not to annoy voters too much. If the Russian people had options, they most likely would have chosen someone with some fresh ideas for moving the country forward.

**Myth #2. Putin Is a Lame Duck.** According to the Russian Constitution, Putin will have to step down as president in 2024 and many people think that he is now basically a lame duck. In fact, Putin will leave power when he dies, not in 2024. He is too afraid to have a new person come to power and then blame all of Russia's problems, and especially the rampant corruption, on the past leadership. Someone like that might even try to put Putin in jail! Putin dealt with this problem in 2008 by letting Medvedev sit in the president's office and change the constitution so that the president is elected to six-year terms rather than four. After his current constitutional twelve years in office, Putin will simply find another way to stay in power. He and China's current president-for-life see eye-to-eye on this one.

**Myth #3. Domestic Change in Russia will Come Peacefully.** Putin presents himself as the defender of stability and warns that the election of anyone else would lead to chaos or Russian subjugation to hostile foreign invaders. His campaign put forward no new ideas for how Russia can speed up the growth of its economy or reduce

the current dependence on fossil fuel sales. While such a policy may work in the short-term, economic decline and irrelevance are on the horizon as technology changes increase non-Russian fossil fuel production and speed the adoption of alternative energies. Since the current regime fears any sort of change as destabilizing, the situation will remain stable only until the next surprise. Most likely this will be a revolt from below as disgruntled workers compare their declining standard of living with the corrupt leadership.

**Myth #4. Russian Civil Society Has Influence.** Sure some groups can affect policy changes around the edges, such as policies addressing the treatment of orphans, the destruction of stray dogs, or construction in urban areas, but such groups have essentially no voice on national policies that matter, such as the federal budget or the deployment of Russian troops abroad. Most people, young and old, are apolitical and are focused on their careers, their families or their hobbies. Most believe that they cannot change anything any way, so why bother even trying. Such actions are rational at the individual level.

**Myth #5. There Exists such a thing as a Meaningful Russian Nation on this Planet.** The Kremlin propaganda machine likes to promote the Russian nation, both in terms of the ethnic Russians and the broader multi-ethnic patchwork of ethnic groups who live inside the Russian Federation. It even seeks to build ties with Russian-speakers living abroad, in some cases, with success. But, in fact, there is no nation as such. Rather the "nation" is a collection of individuals who are pursuing their short-term, individual interests. This collection of individuals does what it has to in order to get by. Except for a few isolated cases, money is a much greater motivator than any national idea. The fact that most people chose to vote for Putin, rather than speaking out honestly about Russia's problems, proved that once again.

**Myth #6. U.S. Government Engagement with the Putin Regime is a Good Idea.** Working with Putin is pointless for the U.S. government because it only legitimizes a corrupt and illegitimate regime. Mutual assured destruction is the best guarantor that there will be no major wars. The U.S. needs to defend itself against Russian aggressions of all kinds. But it should spend its energy cleaning up its own house and the mounting domestic problems. To the extent that there is engagement, there should be more contacts on the cultural and scientific levels, but even these are increasingly difficult given the Russian obsession with "foreign agents" and "undesirable organizations." The fundamental problems of Russia's annexation of Crimea and intervention into the U.S. elections block progress for any U.S. administration. The U.S. will not be able to build any kind of relationship with Russia while the special prosecutor is looking into ties between the Trump campaign and Russia and addressing the possibility of the obstruction of justice.

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# Putin's Challenges

By Jeronim Perović, University of Zurich

## Introduction

The overwhelming vote for Putin in the presidential elections of March 18, 2018, is not an expression of optimism, but a sober choice for stability and predictability. Russians want a better life and are in favor of reforms, but in times of economic difficulties and international tensions, they prefer national unity and continuity. Putin has been masterfully playing on the people's fears of radical change, and has been using the image of a hostile West in order to rally the Russians behind the flag. But the president lacks a clear vision for a modern Russia, let alone a concrete program of reforms. His key goal is to maintain the system of power he created, rely on a strong Russian military, and keep society in check.

## The President's Rhetoric

Putin is aware of Russia's challenges. At least at the rhetorical level. During his state of the nation address on March 1, 2018, it came as no surprise that Putin spoke at some length about the need for economic and social reform. After all, with the presidential elections only two weeks away, this was a barely disguised campaign speech. Putin boldly declared that Russia must "assert itself among the five largest global economies, and its

per-capita GDP must increase by 50 percent by the middle of the next decade." He named healthcare, education, science, technology and infrastructure as key tasks for the future. Most astonishing (or cynical, depending on one's perspective) was his testimony that to achieve a change for the better, an expansion of "freedom in all spheres," the strengthening of "democratic institutions, local governments, civil society institutions and courts," and the opening of Russia to the "world and to new ideas and initiatives" were necessary. He portrayed a country in need of change, and made it clear that he is ready to embrace it.

Such words would normally make the heart of every liberal-minded person jump—if only Putin meant what he said. Since the Russian president has been talking about the necessity of structural reform for a long time, everybody knows that nothing really dramatic is likely to happen any time soon. But most Russians do not seem to mind. To be sure, Russians know perfectly well what democracy is. They are aware that their democratic freedoms and choices have been gradually shrinking since Putin came to power some eighteen years ago.

Moreover, they read the signs and understand that the economic indicators are anything but promising. Real household income has been declining for the fourth consecutive year, while the poverty rate has been growing. Some of Russia's regions are in dire straits, and more and more people are discontent with their personal situation. But public order, stability and a strong state are important values as well. In fact, many see these as integral elements of a functioning democracy. The tragedy for many Russians was not the disintegration of the Soviet empire but the virtual dissolution of the Russian state that followed. The privatization of the 1990s turned into a ruthless grab for state assets, making a few people very rich, but driving millions into poverty and ill health.

## Cultivating the Myth of the "Wild" 1990s

Putin has been a master in cultivating the myth that everything that happened during the chaotic years of the 1990s was essentially bad, and that it was only thanks to him that the country's "time of troubles" was overcome, law and order was restored, the specter of the country's territorial disintegration averted, and economic decline halted. This is not the whole truth, of course. The country's economic upturn during Putin's first two terms as president was also a result of the structural reforms of the 1990s. But these seem to be subtleties in the eyes of those who suffered, and the majority of the population subscribe to the Kremlin's point of view. Russians want a better life, but they dread the prospect of falling back into the chaos of the 1990s.

Many therefore see no alternative to Putin. He got almost 77 percent of the vote in the presidential election because many people chose stability which Putin impersonates. They see Putin as the one who made Russia strong again, enabling Russia to defend itself against seemingly hostile international forces; moreover, as shown by public opinion polls, most Russians continue to support the government's tough line in domestic and foreign policy affairs. This all fits perfectly well with Putin's own agenda, as Russian propaganda feeds on people 's belief in an anti-Russian Western conspiracy and the deep seated fears of radical change and revolution, using the cases of Ukraine, Libya or Syria as effective deterrents.

To be sure, the Russian government has been talking about reform for a long time, and many reasonable programs and plans have since been drafted and discussed; and almost ritually, in every state of the nation address, Putin has referred to the need to diversify the economy away from its dependence on raw materials and the necessity to support small- and medium-sized business. But the stability he has built rests to a large degree on a firm grip of the state over key sectors of the economy, mostly oil and gas, and is held together by a system of patronage built around the institution of the presidency.

A significant strengthening of small- and medium-sized business would potentially mean the rise of a class of entrepreneurs who are likely to be less easy to control than a handful of loyal oligarchs. The same goes for the delegation of real power and autonomy to the regions, the empowerment of local governments, or the strengthening of civil society organizations. All this would undermine the system Putin created over the past two decades and that has worked so well for him and the people dependent on it.

## What Really Matters: Russian Military Power

Putin is unlikely to allow change that has the potential to disrupt the system he built, which he views as the only guaranteed way of keeping Russia politically and economically stable and its society under control. But this is only one part of the story: Putin firmly believes that a highly centralized form of governance is an essential condition for the state to channel enough resources into the Russian great-power project. If Putin during the first half of his two-hour state of the nation address made his audience believe that his first priority is indeed the "well-being of the people and the prosperity of Russian families," he later made certain that everybody understood what his *real* priorities were: to re-store Russia's rightful place in the world, largely through the build-up of its military capabilities. Putin was sure to portray this

as a mission of peace, not war. He sees "Russia's growing military power" as a "solid guarantee of global peace," underlining that, much like during the Cold War, only a strong Russia will make certain to restore and preserve "strategic parity and the balance of forces in the world."

As if speaking at an international weapons exhibition, Putin dedicated over an hour of his talk to explaining the newest military technology in great detail, displaying videos showing nuclear-powered missiles that can fly at supersonic speed with an "unlimited range," which are "absolutely invulnerable to any air or missile defense system" and are able to hit any target on the planet. While he mentioned "missile" some sixty times during his talk, and "nuclear" twenty-seven times, the word "democratic" popped up only twice and "civil society" only once. Thus, whatever he was discussing in the first section of his speech paled in light of what he was sharing with his audience later.

His message to the people at home and abroad was clear: Russia is not only back on its feet but able to actively shape international relations; this is good for Russia and the world, and he, Putin, will do everything in his power to ensure that it stays that way. "Russia is not threatening anyone" but wants to "sit down at the negotiating table and devise together a new and relevant system of international security and sustainable development for human civilization." In short: if the world has ignored Russian interests in the past, now they will listen and eventually talk to Russia, or so Putin believes.

### Maintaining the Current System

Clever macroeconomic politics and a rise in oil prices have provided the state with enough financial means to alleviate social hardship and allocate some of the money to the social sphere, not only to the modernization of Russia's military. But Putin firmly believes that only if Russia is strong (and Russia's military is currently the most important indicator of how strength is measured) will it succeed in effectively protecting its foreign policy and security interests and maintain national unity at home. Therefore, it is clear where the state's budgetary priorities lie, if choices need to be made: in the defense and security sector, not so much in healthcare, education and other civil projects. So, this is Putin's mission for the next years: allow change if such change does not pose any threat to the current system of power and patronage, but do everything that is necessary to maximize Russia's standing in the world, preferably at low cost to the Russian economy. Putin is not even trying to be enigmatic. His vision, at least when it comes to the creation of a new international order, is abundantly clear. His plan for serious economic and social reform is far less so.

For the time being, it seems the Russians are willing to tighten their belts and carry the costs of Putin's great-power mission. The president can count on the people's support, but the Russians will want something tangible in return at some point in the future.

*About the Author*

Jeronim Perović is Professor of Eastern European History and Director of the Center for Eastern European Studies (CEES) at the University of Zurich. He is the author of *From Conquest to Deportation: The North Caucasus under Russian Rule* (London and New York 2018) and editor of *Cold War Energy: A Transnational History of Soviet Oil and Gas* (London 2017).

## Agenda and Challenges for Putin's New Term

By Nikolay Petrov, National Research University Higher School of Economics (HSE), Moscow

### Finishing the Transition from the "Epoch of Carrots" to the "Epoch of Sticks"

Most likely the next six years of actions by the government will be driven by three major groups of processes: (1) the political regime transformation with the preparation for transfer of power from Putin the President to Putin the leader in another capacity; (2) unpopular economic reforms aimed at the adaptation to a new economic and foreign policy environment, which were postponed for almost three years due to the long federal electoral cycle; and (3) repair and reconstruction of the primitive and archaic political system, established at a time of "fat cows" and no longer capable of facing new challenges. Of course, any attempt to implement serious economic reforms, which are badly needed, will cause increasing tensions and crises in the system which has not changed since 2005 and needs to learn anew how to evolve peacefully.

This all means that (1) the Government should be overhauled to become a real team to lead the ship of state through the reefs, instead of being a board of directors to keep the balance between major shareholders; (2) the

party system, which exhausted its resources long ago, should be renewed radically for the 2021 elections, not only in terms of replacing aged party leaders but also changing the whole party-political landscape; (3) mass social protests should be expected and the authorities are preparing for them by strengthening their repressive potential; and (4) the repressive machine is already working actively with regard to elites—both federal and regional—and will gain momentum considering the gap between needs for social-economic development from one side, and capabilities to provide it in conditions of tough confrontation with the West, from the other. The previous presidential term was thus the transition from the epoch of carrots to the epoch of sticks.

## The Regime Shapes the Elite, and the Elite Shapes the Regime

One should expect serious shifts in the political system in the near future. In fact, they are already under way. Putin's new legitimacy, as a military chieftain rather than an electoral leader, has already changed the system's political design. Putin, who has already become the major source of legitimacy, depends less on political elites, who in turn depend less on citizens. Starting in 2014 a radical renewal of Russian elites is under way and it is of a strategic, rather than situational, character. We are witnessing a reshuffling of elites which results from regime changes in interaction with the regime's further evolution caused by changing elites.

The system in its present form is not capable of reproducing itself given the intensive personnel reshuffling in the course of the last three years concerning corporate players such as the siloviki, and regional elites. This reshuffling goes beyond simply reproducing Putin's regime of manual control, and is instead a change in the system's character. It looks like the transformation of the political system will continue not in accordance with any master plan, but as a kind of reactive political modernization through a chain of crises. Where should these crises be expected to appear first of all? In relations between society and a government which has lost any connection with it. And in the system of state management due to the degradation of the managerial elites, lack of flexibility in the system, short time horizons, and growing tension between levels of authorities—federal, regional and local—and between numerous power verticals, including law enforcement as well as between elite clans to distribute shrinking rents.

In the absence of an institutional framework, the alignment of elite interests and conflict settling is taking place in a manual regime in which Putin much get involved, but the number and scale of disputes will increase, leading to more and more serious crises.

## Center—Regions

The reconstruction of the whole system of the center's relationship with the regions looks inevitable. For most of the last two decades, there was a zero-sum game with the interests of the center and the Kremlin "towers" being better represented in the regions, while the interests of the regions lost representation in the center. The 2009–2010 mass protests in Vladivostok and Kaliningrad have shown what happens if the federal government neglects regional interests. The system of taking regional interests into account when making federal decisions did not become better since that time, and there were no similarly large protests only due to the inaction of the government.

Instead of improving institutional mechanisms to harmonize the interests of the federation and regions, the Kremlin has undertaken a massive campaign against regional elites which culminated in a purge of the governors last year. In 2017 almost a quarter of the governors were replaced according to a new concept of managerial efficiency. The vast majority of the new appointees appeared to be not only "Varangians", outsiders to the regions where they were sent to serve, but a kind of Moscow assault force. Not only did they have no connections to regions where they were assigned, but they had not been independent actors since they had made their careers working in the federal ministries. The new governors consider the regions to be a temporary step in their careers, meaning that they are motivated to get maximum personal benefit from their governor's position, and to leave.

At some point, it is possible that power will fall from the federal level into the hands of the regional elites, as happened in the nineties. The problem is that at present the regional elite has degraded and is hardly capable of exercising this power effectively. It lacks ties to its own territory, is simply a collection of Putin's favorites, is generally paralyzed as a result of recent repressions, and lacks unity. The problem of developing a high quality regional elite can be fixed through processes of decentralization and refederalization, but that takes time.

## Outlook

We've managed just to mention briefly some of the most important problems and trends in Russia's social-political development, including its regional dimension. If the government is smart, it can adjust to objective realities, for example, by reversing the "Center-Regions" pendulum swing toward the regions, and maximizing its benefits. A less smart government would try to resist objective processes and, like a miser, would end up paying twice, if only there is something left in the treasury to pay. If not, another government will come to replace the one currently in power.

*Please see overleaf for information about the author.*

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Nikolay Petrov is Professor at the National Research University Higher School of Economics (HSE), Moscow. He is the author or editor of numerous publications dealing with analyses of Russia's political regime, the post-Soviet transformation, socioeconomic and political development of Russia's regions, democratization, federalism, and elections, including most recently Nikolay Petrov and Eugenia Nazrullaeva, Regional Elites and Moscow, In: Daniel Treisman, ed., The New Autocracy. Information, Politics, and Policy in Putin's Russia, Brookings, 2018, p. 109–135.

# High Wages as the Key to Technological Innovation

By Peter Rutland, Wesleyan University

## Introduction

It is widely understood that in order to escape the middle income trap (see e.g. Elsenhaus/Babones) countries need to progress up the value-added chain by developing more technology-intensive sectors. Only a few countries have succeeded—all of them in East or South East Asia. China now seems to be succeeding, while Russia is failing. Why?

## The Role of Investment

The basic reasons are well known, as detailed in a series of books by Loren Graham looking at the last 150 years of Russian innovation—weak property rights, an excessive role for the state, and lack of competition. Russian companies just do not invest at the same level as their rivals. Samsung e.g. spent 3 bn US-Dollar in R&D in 2013 (6% of its global revenues), and employed 65,000 research staff.

Karl Marx assumed that capitalists would inherently be driven to innovate in order to compete. However, some capitalists are more innovative than others. Why is this?

Economic historian Robert Allen argues that the explosion of innovation that produced the Industrial Revolution in Britain was not due to superior institutions (more brilliant scientists, more open-minded society) as suggested by Douglas North and others. Good institutions were a necessary but not sufficient condition. Similar Enlightenment institutions were widespread across the Continent and scientific ideas travelled freely: France or Germany produced just as many inventions as Britain.

## Wages

Allen argues that British entrepreneurs brought steam engines into factories not only because of cheap coal but also because the high cost of labor was a powerful incentive for capitalists to substitute machinery for manpower. This enabled entrepreneurs to capture the huge productivity gains from technological innovation. It was important that high wages were not confined to a small number of innovative sectors, but spread across the economy, stimulating capitalists in other sectors to innovate.

There is also a demand-side picture to this story. High wages create a large domestic market that enables manufacturers to benefit from economies of scale. This is key to long run sustainable growth, to going from a middle income to high income country.

## Exports

Export-led industrialization can produce very high rates of growth for 10-20 years, but these are competed away by other countries. In China exports are now only 10% of GDP. Wages have been rising, creating a huge domestic market and encouraging business to innovate. Meanwhile, China's exports shifted from low-skill manufacturing such as textiles to high value added electronics.

Globalization has unleashed a new wave of cut-throat international competition. Trade as a share of global GDP went from 9% in 1970 to 31% in 1990 and 52% in 2008, slipping back to 45% in 2015. This has brought more intense international competition—as manufactured goods drift down towards the "China price" (the cost of producing them in China). In the developed economies this has led to stagnant wages and a declining share of labor in GDP , as Thomas Piketty has noted. In Russia the share of labor in GDP stands at about 50%, that is 5-10% below the OECD average. But - unusually amongst all the developed economies - the share of labor actually increased in Russia by about 3% after 1995.

## China and Russia

Both the Russian and Chinese governments are committing large sums of money to R&D but the results are much more positive in China (as measured by patent filings and share of high-tech in exports). One important reason is that real wages have been rising rapidly in China, but not in Russia (since 2009).

What causes wages to rise? It may be demographics, but also the rise of the labor union movement and democracy. In China it is also a result of a state pol-

icy committed to raising up the rural poor in interior regions. In Russia 10 million migrant workers from other countries on the territory of the former Soviet Union play a role in keeping wages down.

Obviously, many other factors are at work. Russia unlike China is primarily a raw materials exporter, and the "oil curse" looms large over Russian economic development. Manufactures account for 20% of Russian exports versus 94% in China, 69% India, 48% South Africa, and 36% Brazil. This tends to inflate the exchange rate and boosts the consumption of the rich, creating a small rent-seeking elite who benefit from the status quo. They need to be balanced by a profit-seeking elite that will spread innovation to other sectors.

## Outlook

Nearly all observers agree that the Russian economy is in for a period of economic stagnation absent serious structural reforms to introduce more competition and reduce the influence of state control over key sectors of the economy. At the same time, few observers expect to see serious reforms anytime soon, given that the elites controlling those sectors are closely tied to President Vladimir Putin, who is settling down for another six-year term.

Rather than waiting for a liberalization that will not happen, it is worth looking for other strategies to restart Russia's economic growth. One option is to try to build a coalition in favor of increasing wages, a strategy that Putin started applying in the state sector in 2012. Being realistic, the absence of strong independent labor unions, and the non-competitive nature of Russia's electoral democracy, make it unlikely that such a coalition will emerge. But the Russian state remains a powerful economic actor, and it could put its own efforts into such a policy.

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# Putin's Fourth Presidential Term

By Richard Sakwa, University of Kent

## Introduction

Vladimir Putin has now been in power for longer than Leonid Brezhnev's 18 years, but each of his periods in office has been different. This will undoubtedly be the case now with his fourth presidential term. Six issues will shape his renewed incumbency of the Kremlin.

## Plebiscite on Putin's Performance

First, this will in all probability be the last of his presidencies. In March 2018 he was elected by a landslide for a new six-year term, and the size of his majority—77% of the vote on a turnout of 68%, with for the first time over half of the total electorate voting for him—in part reflected support for what he had done and that he deserved a good send-off. Many other factors shaped the vote, but the sense that the ballot represented an assessment of the Putin era was one of them.

This was reflected in the way that the campaign was conducted. In contrast to the stream of policy papers published during the 2011/12 campaign, this time there was almost nothing on detailed policy plans for the fourth term, and instead the focus was on the man him-

self. The only major intervention in this respect was the much-postponed address to the Federal Assembly on 1 March 2018. The first two-thirds dealt with domestic social and economic matters, while the final third announced a range of new nuclear and other super weapons. In effect, Putin promised both guns and butter in his new term.

## Succession Problem

Second, the vote became a plebiscite on Putin's performance, but it immediately opened up the problem of the succession. Putin has dismissed suggestions that he will change the constitution to allow a third consecutive term in 2024, and the idea that he could run again in 2030, when he would be 78, is dismissed as fanciful. Of course, it is quite possible that he could end up in some sort of guardianship role after 2014, comparable to that of Deng Xiaoping or Lee Kuan Yew, as he seeks to preserve his legacy.

However, the other option, of him returning as prime minister to recreate a 'tandem' as practiced between 2008 and 2012 with President Dmitry Medvedev, cannot be entirely discounted. Putin will keep his options open to the last minute to avoid becoming a 'lame duck', but the question of the succession will dominate discussion in the coming years.

## Problem of Regime Stability

Third, the problem of regime stability will be paramount. As the reality of the Putin era coming to an end becomes a factor in political calculations, the various factions that shape Russian politics will seek to consolidate their positions to shape the succession. This is a matter of power and property, but it will be fought publically in the terrain of policy.

The choice of prime minister after the inauguration in May will be crucial, but only part of the broader process of elite renewal underway at present. The last two years have seen a new generation of younger and more technocratic regional governors appointed. The presidential administration is also led by a relatively young and energetic team. Anton Vaino, the chief of staff, is a far more active figure than some of his predecessors, while the deputy head of the presidential administration (PA) responsible for political affairs, Sergei Kirienko, greatly consolidated his position as a result of his successful management of the presidential election. Meanwhile, as speaker of the State Duma since October 2016, Vyacheslav Volodin has reshaped parliament to reflect his concerns. Factional and institutional jockeying for position will intensify in the coming years.

## Struggle over Economic Policy

This brings us to the fourth point, the struggle to shape economic policy. Although the country returned to growth in the final period of Putin's third term, this has at best been anaemic. The state-of-the-nation speech on 1 March reflected current thinking on economic strategy, including some bold ideas about Russia leaping into the future through the use of digital technologies.

There are three major alternative approaches on offer: the mobilisation model offered by various neo-traditionalists, with the economist Sergei Glazyev prominent among them; the re-industrialisation school headed by the director of Russian Technologies (Rosstekh), Sergei Chemezov, with the support of some key figures in the PA as well as the business ombudsman and presidential candidate Boris Titov; and the statist liberals like the former finance minister Alexei Kudrin, who has been advising the president on economic policy.

Putin's speech indicated that the mobilisers have lost out, and that Putin's fourth term will represent a combination of re-industrialisation and digital transformation. It is unlikely that there will be immediate plans for structural reform to strengthen the rule of law and property rights, or to change social policy (notably by raising the pension age) and industrial policy (allowing a shake-up of enterprises including unemployment and redeployment of workers).

In broad terms, the existing Putinite social contract will continue, but tempered by continued initiatives to diversify the economy. This will not allow the country to fulfil Putin's election pledge to raise the rate of economic growth above the global average, but it will allow the trend towards economic diversification to continue.

## International Affairs

Fifth, in international affairs it is unlikely that there will be any major change. Economic sanctions will continue and will possibly be intensified. Unless some major 'black swan' event intervenes, drawing Russia closer to its Western partners to face common challenges, the estrangement will intensify. The impasse in relations between Russia and the West is total, and thus as many Russian commentators note, the task of the renewed presidency will be 'conflict management'.

Grand ideas of 'strategic partnerships' with the US and the European Union are long gone. By contrast, relations with China will continue to strengthen, reinforced by a common position on the main trends in global politics. Although there are many points of tension in relations and impediments to economic cooperation, there is fundamental agreement on what can be called a position of 'anti-hegemonic alignment'. Russia will continue its neo-revisionist critique of Western practices while seeking common positions at the levels of international society, notably in the UN, while diversifying its range of diplomatic and other international initiatives.

## Facing Global Challenges

The sixth and final point is a short but crucial one. The next few years will be exceptionally dangerous, and any discussion of what we can expect in Putin's fourth term must be tempered by a broader awareness that humanity is entering a time of major difficulties. Climate change, population shifts and migration pressures, numerous proxy wars in the Middle East and the post-Soviet space, require cooperation between the major states and institutions. The fundamental question is whether Russia will become a partner or an adversary in dealing with these issues, and the answer to that question does not lie in Moscow alone.

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# Dealing with the Opposition: How Will the Kremlin Counter its Rivals in the 2018–2024 Cycle?

By Andrei Semenov, Center for Comparative History and Politics, Perm State University

## Introduction

The March 2018 presidential voting in Russia was anything but an election: with principal independent candidates like Aleksei Navalny blocked from the ballot, the process resembled a plebiscite with the Vladimir Putin of 2018 competing with himself from the past. For the opposition, the two questions of primary interest were who comes second to the incumbent and what was the "right" electoral strategy—join Navalny's boycott, vote for anybody but Putin, or consolidate around one of the alternative candidates.

Unlike in the 2011 parliamentary elections, when the calls to punish United Russia elicited a response from the public and consolidated the votes around figures like oligarch Mikhail Prokhorov, this time no unified strategy emerged and the opposition—again—was left in disarray. The KPRF's Pavel Grudinin did not pass his self-established 15 percent bar, Zhirinovsky, whose LDPR gathered more than 13 percent of the votes in the 2016 State Duma elections, gained only half as many votes as his party, and the liberal flank represented by Sobchak, Yavlinskii, and Titov barely crossed the 3 percent threshold combined.

## Post-Election Situation

For the Kremlin, this post-electoral situation is not new: Putin has not faced a genuine challenger since he was elected in 2000—mainly due to his efforts to marginalize the opposition, control civil society and the media, and tweak the regulations of the political system to maintain the regime. However, despite the incumbent's apparent invincibility, at least some developments in the oppositional camp seem to worry the Kremlin.

Putin's team is a steady learner: it accommodated every past wave of contention with a combination of coercion, cooptation, and tactical innovations. For example, after the 2011–2012 For Fair Elections! movement, when social media apparently played a significant role in disseminating the mobilization frames and coordinating campaign events, the regime simultaneously tightened control over the Internet and poured substantial resources into pro-governmental online activism.

How different will the Kremlin's strategy toward the opposition be this time? In other words, what's the agenda for the regime in dealing with dissenters? I argue that for the 2018–2024 cycle the strategy is disrupting the principled opposition networks, maintaining subnational political machines, preventing the opposition from consolidating, and gaining traction with mass public and societal actors. These challenges are not unique to the regime either; nevertheless, Putin has to deal with them under the new circumstances in order to shape the flow of events.

## Aleksei Navalny

Aleksei Navalny and his network of supporters have mounted the most feasible threat to Putin so far. Navalny's 2016–2017 grassroots-oriented, tech-savvy, Western-style campaign amassed a considerable volume of diverse resources and proved to be a useful tool for mobilization. Not surprisingly, regional authorities and security services tried to counter the mobilization with traditional means of coercion, intimidation, and harassment.

As the Kremlin does not see any value in principled opposition, these tactics are likely to be deployed in the future with more efforts to disrupt communications and coordination within the network.

Hence, targeted actions against online crowdsourcing platforms and messengers/social media that are not cooperative with the state might take place. Likewise, as the regime is convinced that the younger generations constitute the core of Navalny's supporters, co-opting them through state-sponsored social activities (much like in the mid-2000s) and engaging them in their natural digital environment is another priority.

## Controlling the Regions

A less obvious, yet essential issue is maintaining the subnational political machinery, a task that requires both material resources and proper institutional guidelines. The Kremlin is well-aware that it is the (in)capacity of regional elites to deliver the electoral and social-economic returns that stand at the core of its survival. To prevent elite fracturing and defections, the central government has to share the spoils and constrain appetites simultaneously. This task is harder to implement against the background of a lackluster economy and continuing confrontation with the developed democracies.

While regional elites' loyalty to Putin is unquestioned at the moment, there are certain expectations that the Kremlin has of the governors; hence, center-periphery relations should be adjusted accordingly. After all, in the electoral cycle to come, subnational elections will take place every year and the ruling party does not enjoy the same level of popular support as the president.

## Divided Opposition

Zooming out to the larger picture, the prospects of consolidation (or at least better coordination) within the opposition camp remain a major political stake. At the moment, the Kremlin should feel comfortable with the situation. All the attempts to bridge the divides between loyal and principled, left and right opposition groups have failed. The disconnect between the latter and other societal actors is also evident: official labor aligns with the ruling party while independent trade unions are weak; the third sector is under severe restraints and "the foreign agents law" discourages independent NGOs from taking bold political stands; civic and local activists are suspicious of political parties and detach themselves from politics. Keeping the opposition divided, therefore, might not be a proximate priority for the regime, however, in the long run, undoubtedly this task will elicit more attention.

## Outlook

At the moment, dealing with the opposition is not of great urgency for the Kremlin, and the regime might safely rely on the established strategies. International politics, internal struggle within the ruling coalition, economic decline, and governance issues should be of primary concern. Nevertheless, as these challenges reinforce each other, it will be up to the opposition whether to exploit them or stay within the confines circumscribed by the regime.

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# Challenges to Vladimir Putin's Next Term

By Denis Volkov, Levada-Center, Moscow

## Introduction

On March 18, Vladimir Putin won an unconditional victory in Russia's presidential election, receiving almost 77% of the vote. The electoral campaign was rather dull, as most candidates did not put much effort into advertising their cause. Long before the election took place, it was pretty clear who the winner would be. It might seem that Vladimir Putin received a good mandate for yet another term in office and now may rest on his laurels.

## Putin's Popularity

However, already during this triumphant campaign, there were alarming signs that the high level of support for Putin and his regime gradually was fuming away. The effect of the annexation of Crimea, which boosted

the legitimacy of the political system in 2014, has largely been exhausted; the larger share of Russian society now disapproves of the government, the prime minister and parliament. It is only Putin who still enjoys the support of the public. When and if his approval rating goes down, it may bring the political system back into a crisis similar to that of 2011 and 2012. Indeed, there were some ghosts of such kinds of popular unrest in the form of protests during the previous year in Moscow and in larger Russian cities, as well as some current protest rallies in the Kemerovo and Moscow region. However, the current level of support for the president caps wider protest potential for now.

### Social Sentiment Clouding

The authorities also may feel uneasy as another positive trend in public opinion is seemingly coming to an end. In the past two years, people gradually adapted to the new post-crisis economic conditions. This led to a rather consistent rise in optimism about the future, which has been visible in opinion polls since the second half of 2016. However, optimism started to decline by late 2017. The increase in social payments that the government introduced during the electoral campaign helped to maintain the positive mood for another month, but the slow deterioration in sentiment continued in January–February of this year. The next months will reveal whether this downward trend in social sentiment will continue. It is also not clear what the government is going to do to keep people happy and supportive of the regime under such circumstances. This is even more true as the government is failing to introduce economic reforms that might revitalize the economy and bring higher economic growth rates.

Despite the success that the government so far demonstrated in maintaining macroeconomic stability (a low level of inflation, balancing the state budget and adjusting the economy to the conditions of lower oil prices and economic sanctions), Russia remains too risky and unpredictable a place for doing business and investing money. If the government wants to boost the economy, it needs to bring in more fair competition, limit the arbitrary power of influential elite groups, bring in international investors, and build closer ties with the global economy. The problem is that such goals contradict the patrimonial interest of influential power groups and the country's geopolitical interest, as viewed by Vladimir Putin and other individuals.

### Outlook

Finally, under the current version of the Constitution, Vladimir Putin has to leave presidential office at the end of his term in 2024. To secure his personal future, Putin either needs to appoint a successor, or the Constitution should be amended to allow him reelection for yet another term. For now, both options seem possible as the United Russia Party has the parliamentary majority to make the necessary constitutional amendments and the current level of Putin's popular support enables him to seek reelection, as well as propel any successor he chooses into the presidential office. However, again, if the social optimism keeps evaporating, in six years, the transition to the next presidential cycle may be much more stressful than it seems now, whoever the incumbent may be.

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Denis Volkov works at the Levada-Center, a Moscow-based independent sociological research organization, as analyst and head of one of the center's analytical departments. Volkov has authored works on civil society, protest activity, and sources of support of the political regime in Russia. He holds a master's degree in political science from the Moscow School of Social and Economic Sciences and the University of Manchester.

## About Signals and Expectations

By Andrei Yakovlev, National Research University Higher School of Economics, Moscow

### Russia on Its Own

Some experts might have suggested that after the presidential elections—with confirmation of his high popularity and on the basis of a "mandate of trust" from voters for another six years—Vladimir Putin will try to improve relations with the West and achieve an end to or at least a limitation of sanctions. But now after Putin has shown video clips of drones with nuclear ammunition to parliamentary deputies on 1 March 2018 and with the "Skripal affair" going on, it has become clear that no changes should be expected. International sanctions will remain in place for years and, in the best case, they will not be expanded.

However, in this context serious questions about economic policy arise. Obviously for today's Russian elites the key priority is sovereignty in all dimensions. The political and military dimensions are clear-cut—Russia regularly demonstrates its independence in all possible forms. The economic dimension, however, marked by integration into world markets mainly through raw material exports and a strong dependence on foreign technology, remains a visible weak spot.

In the period of "geopolitical euphoria" in 2014–15, when fundamental political decisions were made without concern for their economic consequences, this fact was not fully recognized by the leading political elites. But starting in early 2016, after world market prices for oil shortly dropped below 30 US Dollars per barrel, disillusionment set in, leading to the realization that in the long term geopolitical independence can only be secured on a sound economic basis. In my point of view, exactly this "disillusionment" led to the initiative "Corporate Social Responsibility-2.0" under the leadership of Alexei Kudrin and to the vivid discussion of the Stolypin Club. The joint outcome of all these discussions (despite all the differences in approaches and methods) was that the political, military and social challenges facing the country cannot be solved without accelerated economic development and without a substantial increase in public wealth available for redistribution.

However, economic growth and the technological modernization related to it are impossible without investment. After Russian "muscle flexing," a stream of Western investment (and technology transfer) is hardly to be expected. Earlier hopes of a fast effect from the "turn to the East" have also faded as it became clear that if China offers Russia something, then only on its terms and only in pursuit of its own interest. Of course, there is Japan, which fearing a strategic rapprochement between China and Russia, might engage in a "special relationship" with Russia. But there are serious doubts whether Japan's main geopolitical partners (first of all, the US) would accept such a scenario. That means Russia has to rely on its own strength and its own financial possibilities.

## Available Investment Funds

What is the state of these possibilities? Russia's official statistics indicate that despite the decline in GDP in 2015 and the following stagnation, there are free financial resources in the Russian economy. According to Central Bank figures, the total sum of deposits of physical persons in the Russian banking system had reached 25.9 trillion rubles (equal to 457 bn. US Dollars) as of 1 March 2018—compared to 24.1 trillion rubles a year earlier (at that time equal to 413 bn. US Dollars). The total sum of deposits by judicial persons (not including individual entrepreneurs) stood at 13.8 trillion rubles (243 bn. US Dollars) compared to an earlier 12.1 trillion rubles (208 bn. US Dollars). For comparison: According to data from the Russian Federal State Statistics Service, the total amount of investment into fixed capital stood at 14.6 trillion rubles (238 bn. US Dollars) in 2016. In other words: the average company keeps financial means in its bank accounts (and does not invest them), which are roughly equal to the annual investment into fixed capital. Moreover, these figures do not include financial resources which are kept in offshore accounts by companies or "under domestic mattresses" by the population.

What can motivate the holders of these financial resources to invest them? Entrepreneurs as well as solvent clients of banks (which account for the lion's share of deposits of physical persons and, according to a recent assessment by VTB, comprise less than 1% of the population) could invest their money in new projects instead of saving for a "rainy day" if they expect that the economic situation will be better tomorrow than it is today. That means in order to change the model of behavior of potential investors, it is necessary to change expectations. At the same time, not much time remains for such a change in expectations as there will be parliamentary elections in 2021 and at that moment the political leadership will already need to point to a positive dynamic in developments.

The expectations of economic agents are formed on the basis of signals which they get from markets and from the state. For example, in 1999 positive expectations were formed thanks to economic growth. A key precondition for this was the sharp devaluation of the ruble, which increased the competitiveness of exports and offered domestic producers of consumer goods the opportunity to serve domestic demand. Another precondition was the crash of the market for short-term state obligations which had extracted money from the real sector of the economy. The role of the state—in the person of Prime Minister Evgeny Primakov—was minimal, in fact it simply did not intervene with the developing processes of economic recovery. Only in autumn 1999, after Vladimir Putin had been appointed as prime minister, did the state start to create positive signals, including confirmative action in the second Chechen war (which changed the sentiment of the mass of voters, whose support formed the basis for the policy of "resurrecting the state" in the early 2000s) and the announcement of the development of the Strategy-2010 (which became an important signal for the business elites).

## Positive Signals Needed

Today no positive signals are visible in the economic sphere. Accordingly, the only source of positive signals

can be the state. To what kind of signal would potential investors react? Broadly speaking this would be signals about radical change in the business climate and the solution of key problems hindering investments. In this context I see two major problems: First, the inability of the government to develop and implement a prudent policy of economic development. Second, the political dominance of "siloviki", who with their noisy activities spoil all stimuli for any initiative in business as well as state administration.

Which measures could help to give positive signals? One of the most obvious ways would be the renewal of the personnel composition and structure of the new government (including the group of siloviks). The inclusion of renowned figures with a good reputation into the government could promote a change in expectations. Obviously these expectations would then have to be supported immediately by a broad range of related practical measures in the context of a realistic model of development and a "vision of the future," which would be understandable and convincing for those with financial resources.

So far no one has seen such a program of action. But even if we assume that it exists in the offices of the presidential administration, it is important to keep in mind that even completely prudent practical steps will most likely fail if they are taken by the old people who do not command the trust and respect of business and society. Also we should keep in mind that the formation of a new government after the elections is a one-off action. Later changes of individual ministers will not have a similar effect and changing the whole government too often will only serve as an indicator of its instability and weakness.

Will Vladimir Putin use this chance to change the trajectory of economic development? This answer will be known in the coming two to three months.

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