

## Russia 2009: Still Life with Crisis

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## SUMMARY

- During 2009, Dmitry Medvedev's first full year as president, the system continued the process of adjusting, reorganizing itself and adapting to the ruling tandem and the ongoing financial and economic crisis. Already weakened by the political course taken during Vladimir Putin's years in power, the institutions of government continued their decline. The last remaining strong institution – the presidency – lost its former status, thus speeding up the transition to a network state based on informal institutions and agreements. One of the ways the system of personified power has adapted to the new situation is to create a series of clone-institutions that can substitute for each other. The result is that Medvedev now has a sort of "development cabinet" in the form of the Commission on Economic Modernization, while Putin has his own version of the State Council Presidium in the Commission on Regional Development.
- This whole unwieldy system of government, focused on carrying out standardized tasks and transmitting signals from the top, is poorly adapted to operating in a crisis. Numerous glitches in the decision-making process are just one sign of how ineffective the system has become. It perhaps could have coped with adjusting separately to the tandem or to the crisis, but facing both at once is too much.
- The crisis has helped to decentralize political life, but the authorities have still not renounced the paternalistic "state/citizens" and "center/regions" model of relations, although the authorities' position has undergone some serious transformation during the year. This is especially evident in the election process. Afraid that the crisis would deepen, the authorities loosened their grip a little last spring and made a few changes, liberalizing the electoral system somewhat. But this liberalization did not last long, and the government evidently decided that the worst was over economically and that things could gradually return to normal.
- Those who saw the fall of Putin's social contract – under which the government guarantees rising living standards while citizens accept the role of passive spectator rather than active political participant – were too quick to jump. Sadly, the idea that the authorities would be capable of modernizing the system themselves for their own survival's sake has been proved equally wrong.

### What 2009 brought Russia

The year 2008 was the last of the boom years, a time of extensive growth during which Russia "rose from its knees", acquired new clout on the international stage, and so on. In contrast, 2009 was a watershed. The global

financial crisis played an important and very visible part in this turning point, but it was far from being the only factor. Russia had already begun slipping into its own governance crisis long before the storm clouds of the global financial crisis darkened the skies.



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While the crisis dominated the year, its central role and impact on the country and society changed considerably over the course of time. The year was marked by a dramatic economic downturn across the country, shifting the budget from surplus to deficit. However, many regional budgets, still supported by money from Moscow, have yet to feel the effects of the crisis. They will in 2010.

During 2009, the first full year of Dmitry Medvedev's presidency and the Putin-Medvedev tandem, the system continued the process of adjusting, reorganizing itself and adapting. The political system under Medvedev can now be fully assessed without having to make allowances for work in progress, inertia, implementation of earlier ideas, etc. It was also a year of some progress in relations with the outside world, including attempts to restructure relations with the countries of the former Soviet Union (Ukraine; the customs union between Russia, Belarus and Kazakhstan; etc.), and advancement of infrastructural and geopolitical projects such as the Nord Stream and South Stream gas pipelines, the Eastern Siberia-Pacific Ocean oil pipeline, and the reset of relations with the U.S., the European Union and NATO.

The crisis is a powerful force for change and at the same time provides a unique perspective, not only making it possible to see the system's internal anatomy, previously hidden from view, but also uncovering its physiology, the decision-making process, the way its mechanisms function, and so on. 2009 was thus a revealing year for the system in every respect.

### **"Under Medvedev" does not mean "after Putin"**

Neither 2009 nor Medvedev's presidency in general have brought any substantial change to the system's overall organization, except, of course, the weakening of presidential power – the one remaining strong institution

(which had previously increased its power at the expense of other institutions). In this sense, the deinstitutionalization of the political regime continued. On an individual level, Vladimir Putin maintained his dominant position (although the government he heads did not share in his empowerment).

The process of reformatting the many councils and commissions – now numbering more than two dozen – to suit the new president was completed in 2009. The numerous presidential councils and commissions can be divided into two groups: substantive and decorative. The recently formed Commission on Economic Modernization and Technological Development belongs to the relatively small first group.

Medvedev has two deputies on the Commission – Sergei Sobyenin and Vladislav Surkov, who hold weekly meetings of what the Commission's secretary, Arkady Dvorkovich, described as "a sort of presidium". The Commission itself has met every month since June 2009, each time in a new venue linked to the innovative economy: Moscow, Sarov, Pokrov, Fryazino, Lipetsk and Tomsk.

The Commission's members include two deputy prime ministers (Sergei Sobyenin and Sergei Ivanov),<sup>1</sup> several key ministers (Elvira Nabiullina [Economic Development], Andrei Fursenko [Education and Science], Viktor Khristenko [Industry and Energy] and Igor Shchegolyov [Telecommunications and Media]), and the heads of a number of state corporations. With this makeup the Commission looks like a sort of "development cabinet". A look through the list of people invited to the Commission's meetings further confirms this impression. Those selected included two important deputy prime ministers, Igor Shuvalov and Igor Sechin, regional governors and the heads of state corporations.

Working groups have been set up for each of the five main areas outlined in Medvedev's

article “Go, Russia!”: energy efficiency and energy conservation, nuclear technology, space technology and telecommunications, medical technology, and information technology and supercomputers.

Mikhail Prokhorov, the “modernizing oligarch” who sits on the Commission, has described its work as “removing pathologies in the system obstructing innovative development.” The Commission’s efforts have already resulted in a number of important federal laws: FZ-217, allowing public sector research organizations to set up private firms and use intellectual property produced with state funds for their own development; the law on energy efficiency; the law on technical regulation; and amendments to article five of the law on science, making it much simpler for private research centers to obtain state funding.

The question is whether the system is able to fit functioning substitute institutions into the new power configuration. After all, the new president has considerably narrower powers than did his predecessor. The system is able to tack on the substitutes like an added level to the overall construction. This added floor includes presidiums, headed by the prime minister in the presidential councils that are substantive and not simply decorative, and that either perform project management and oversight functions (such as the Council for Developing Physical Culture and Sports, Competitive Athletics and the Organization of the 2014 XXII Winter Olympics in Sochi and the XI Paralympic Winter Games), or act as instruments for coordinating the work of the various branches and levels of power (such as the Council for Developing Local Self-Government). There is nothing unusual about having a presidium as a smaller nucleus within a bigger, unwieldy body. But in this case it is not the council’s chairman who heads the presidium, but his deputy, in other words, not Medvedev, but Putin; not he who

reigns, but he who governs. Putin developed and tested this system in the Council for the Implementation of National Projects, which he headed at that time as president, but which had a presidium chaired by then first deputy prime minister Medvedev (they have now switched places in this council). Putin has also established a special government commission on regional development, which can be seen as a duplicate in some ways of the State Council Presidium. Since it was not possible to add a level to the State Council itself, a substitute was cloned.

**The second package of political measures, outlined in the 2009 annual presidential address, focuses on spreading the federal political system’s structural features to the regions. Above all, this includes holding elections to regional legislative bodies based on party lists only, which in the current context dramatically increases the weight of United Russia, leads to a sharp decline in public political competition, and weakens the channels for direct communication and feedback between the public and the authorities at every level.**

The political system that emerged in its current form toward the end of Putin’s second term in office has not undergone any significant change since then. It has come under fire at times from members of Medvedev’s entourage, and Medvedev himself has made strong statements of a general nature, but he has never filed specific proposals for changing the system. On the contrary, he frequently repeats that Russia has real, functioning political parties, that elections take place in an organized fashion, and that the system of appointing regional governors should remain in place for the next 100 years.

The first package of political measures, outlined by Medvedev in his 2008 presidential address and already implemented, amounts at best to trimming the existing system with

a few pseudo-democratic frills, such as the consolation prize of a couple of parliamentary seats for political parties that fail to pass the seven-percent threshold, and at worst to continuing to tighten the screws, such as by abolishing the old deposit system for candi-

direct communication and feedback between the public and the authorities at every level.

The courts have continued to see their independence dwindle, despite all the talk about the need for an independent judicial system. The amended law on the Constitutional Court, under which the president now effectively appoints its chairman, and restricted jurisdiction for jury trials are clear examples of this trend. Even the few positive notes regarding NGO's really just continue old trends. As with Medvedev's notorious 2008 measures regarding political parties, the Kremlin is following a gardener's logic with regard to NGO's, first pulling out all the unwanted weeds, and then cultivating the remaining plants.

The unwieldy system of power, often focused on carrying out standardized tasks and transmitting signals from the top, is ill adapted to function in a crisis. Bureaucrats are disoriented by the diverse and contradictory signals coming in, and in this sense the crisis does not bode well for the tandem, no matter how solidly established in formal terms or how internally harmonious it may be.

### To make or not to make decisions

Where there are no or almost no effective institutions or the accompanying decision-making mechanisms that would make it possible to take into account the interests of the various sections of the elite, either alternative decision-making procedures have to be developed, or the quality and timeliness of the decisions being made will suffer.

Increasingly frequent glitches in the decision-making process of late are signs of the system's growing ineffectiveness and the rise of malfunctions. The most obvious examples of decisions already made and announced that had to be considerably changed or even retracted are the replacement of the consolidated social tax with insurance payments; the decision to apply for accession to the World Trade Organization only together with

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dates registering to run in elections. There are two exceptions: the decision to increase the term in office for the president and the State Duma, which was dictated by higher strategic considerations, and the requirement that senators must first go through the process of local or regional elections. This second decision, which enters into force in 2011, seems to have been motivated by a desire to give the officials of the ruling party, United Russia, greater control over the Federation Council's makeup. The handful of changes Medvedev has made to the procedures for appointing governors, or rather, to the procedures for nominating candidates, change nothing substantially and, if anything, only serve to legitimize Putin's dominant role as leader of United Russia.

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Belarus and Kazakhstan; the law regulating trading activity; and the increase in the transport tax, which was subsequently rescinded. In all of these cases, arbitrary decisions made by the prime minister in the absence of a functioning system for coordinating interests turned out to be insufficiently balanced and subsequently had to be changed or renounced under the pressure of circumstances and in an equally arbitrary fashion. A number of episodes provide clear examples: the prime minister's sharp words against Mechel in the summer of 2008, which provoked a stock crash; the Chichvarkin affair; the closure of Moscow's Cherkizovsky Market; and numerous smaller cases, when clumsy and ill-conceived action by the authorities, often acting in certain corporate, ministerial or even personal interests, dealt a serious blow to the country's image and resulted in considerable economic losses. Finally, there was the strange and overall counterproductive gas war with Ukraine in January 2009. Not only did it damage Russia's image and cause direct financial losses because of under-deliveries of gas, but it also forced a substantial decline in Gazprom's position on European markets in 2009.

These increasingly frequent glitches in the decision-making process are caused by a decrease in the overall quantity of resources available and the increased competition for them; the need to make non-standard decisions in a tighter timeframe; low management effectiveness; and the notorious system of manual control, coupled with a lack of qualified managers, filters and "fool-proof" protection systems. Furthermore, deinstitutionalization and the substitution of institutions with clones performing the same functions have taken discussion of the most important issues out of the public realm and into the depths of the administrative system. The hierarchy effectively shuts civil servants' mouths, and the only possible outcome is

conflicts between various state agencies. When they do come to blows, there is just one referee – Putin – and it is to him that the rival groups appeal.

With no real division of power along horizontal and vertical lines, no decision can be considered final until Putin has had his say. At the same, just because a decision has been made does not automatically mean that it will actually be implemented.

Deinstitutionalization leads to discrepancies between the real decision-making practices and the formal procedures established in the laws.

Just as live broadcasts have disappeared from television, so direct procedures for institutionalized decision-making are now disappearing. "Managed democracy" is all about intervening in the work of democratic institutions on an "as needed" basis, but what we have now is "overmanaged democracy", which

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excludes direct action even with respect to managed institutions and turns institutions into auxiliary bodies, and decision-making mechanisms into consultative ones.

Practices such as the "zero cycle" are becoming more common for making decisions, for example, when the main approval process of a bill takes place before the government has submitted it to the Duma, not after (which is known as the "zero reading"). Another increasingly common practice is that of "United Russia-style primaries", in which the results of preliminary voting are not final and can be modified if necessary.

The same is happening with the appointment of regional governors. United Russia's national leadership formally submits a list of its selected candidates to the president, who then makes his choice. In practice, the procedure is much more complex and consists of multiple stages. First, the Kremlin makes its choice of nominees known to the regional officials and gets their reaction, and only after

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getting everyone's approval is the list of candidates officially announced. From the outside this procedure seems to function smoothly enough, but in reality it replaces the process of public discussion and approval of the candidates with behind-the-scenes bargaining, which leads to poorer quality decisions, lowers the responsibility of the participants in the process and encourages political corruption.

Decisions are often tailored to give politicians the answer they require. Expert and analytical support is provided not at the planning and decision-making stages, but only when the time comes to announce the decisions to the public, thus providing the propaganda to accompany the authorities' actions. Instead of the "known procedures and unknown results" inherent to a democratic system, we have "unknown procedures and known/programmed results," with inevitable consequences in the form of rising costs.

Rather than being a public process, the preparations behind decisions take place in strict secrecy and look more like special operations. The lack of public discussion means that there are no authors to take responsibility for particular decisions, and the only yardstick we have is the leader's popularity ratings. This distorted system creates a situation in which

the players in the process are motivated not by optimizing the overall result, but by optimizing their personal and corporate advantages, even if this means pushing through a decision they know is wrong or ineffective.

As a result, every time a big new project emerges, new management organizations are set up to accompany it. This was the case with the national projects, and the situation is repeating itself now with the Presidential Commission for Economic Modernization and Technological Development.<sup>2</sup> It is telling that even the implementation of the annual presidential addresses is now conducted via a special management system based on working groups in the presidential administration (and now in the Regional Development Ministry), as well as in each region.

Overall, decision-making procedures and management systems have become more primitive, even if in each specific case the newly installed management system might look more complicated and unwieldy than its "natural" equivalent, in the same way that mechanical imitations of living beings are more complicated than their organic prototypes. Not having built-in development mechanisms, the management systems are often individual structures built specifically for each separate case. Good examples of this are the special government commissions on Pikalyovo and Baikalsk, which are trying to use manual control methods to resolve the problems facing these two struggling towns.

### **The Russia, Inc. Human Resources Department**

Whether old or new, the entire management team running the country today is Putin's. Medvedev has scarcely made any changes even to the presidential administration that he inherited from his predecessor, doing no more than bringing in a couple of new faces.

Medvedev's team lives for the most part in the imagination of experts, who see in the pro-

motion of the president's former Leningrad University law school colleagues, which began, incidentally, before Medvedev became president, some kind of organized expansion into various areas of government. There has indeed been an expansion, though very gradual and limited, into the judicial and law enforcement fields. However, there is practically no evidence that these newly promoted figures form a single team. Furthermore, they hold important posts only in the less significant agencies, while in the agencies that matter – the Prosecutor General's Office, for example – they do not hold key positions.

Medvedev's former classmates hold posts today in the Supreme Arbitration Court (Anton Ivanov and Valeria Adamova), the Bailiffs' Service (Artur Parfenchikov), the Presidential Control Directorate (Konstantin Chuichenko) and the Investigations Committee of Prosecutor's Office (deputy chief of the Committee Yelena Leonenko). Some of them hold posts in the regions: Nikolai Vinnichenko, plenipotentiary presidential envoy in the Urals Federal District; Alexander Gutsan, deputy prosecutor general in the Northwest Federal District; and Vladimir Kozhokar, head of the Chief Directorate of the Interior Ministry in the Central Federal District. Minister of Justice Alexander Kononov is also one of Medvedev's allies.

Of the couple of dozen regional heads appointed since Medvedev took office, only three can be seen as being motivated by a new political logic and reflecting the president's choice. They are Boris Ebzeyev, a former Constitutional Court judge appointed to head the Republic of Karachayevo-Cherkessia; Nikita Belykh, the former leader of the Union of Right Forces (SPS) political party, now governor of Kirov Region; and the new president of Ingushetia, Yunus-Bek Yevkurov, an army colonel. Each of these three appointees is interesting in his own right, but they don't

change the overall picture. In bureaucratic tradition, civil servants are loyal above all to the person who appointed them. In this respect, Medvedev already has quite a large following, especially in the State Council's new Presidium, which was appointed by Medvedev in December 2009 and for the first time is composed almost entirely of new regional governors appointed by Medvedev.

Human resources policy is a good example of the way the authorities come up with the

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simplest, even primitive, solutions, which often turn out to fall short of what the situation actually demands. Faced with a shortage of qualified people, instead of rebuilding the mechanisms that would ensure an ongoing supply of new professionals, the authorities have begun carrying out a project to build what they call a personnel reserve.

The work to build up a personnel reserve, first for United Russia, and then for the president, started at the same time that public politics shrank dramatically and the state's role continued to expand in all areas of life. What does this look like in practice? A good example is the list, published at the beginning of the year, of the first 100 names in the presidential personnel reserve, which received a positive response from experts and from the public. As head of the presidential administration Sergei Naryshkin explained it, he and Vladislav Surkov drew up a list of a couple of hundred experts, respected figures, but their names were not made public. The whole pro-

cess took place completely out of the public eye. Each of these experts then drew up lists of the people they consider to have the most merit, and the presidential administration then put all these lists together. The result was a list of a thousand names, from which they chose the hundred most “positive” and “attractive” people and declared that this was the presidential personnel reserve. The full list of 1,000 names was never made public, but an additional list of 500 people appeared at the very end of the year.

Thus, a public mechanism is replaced with public results from a non-public mechanism. But what is the sense of just another declaration of intent? An ineffective system is incapable of making effective choices. The result is no more convincing than Baron Munchausen pulling himself out of the swamp by his own hair. The problem is not that there is no selection mechanism, for the mechanism exists, but it is ineffective and even counterproductive.

### **Appointing regional governors: outsiders vs. predators**

Leonid Markelov, the governor of Mari El, whose name Medvedev submitted for a new term on December 29 and who was confirmed by the parliament on New Year’s Eve, became the 23rd governor appointed by Medvedev. He was also the last remaining elected regional head. Thus, the process that began in January 2005 of replacing elected regional governors with appointed ones has now been completed in all 83 regions.

The system of appointing governors has undergone some changes since Medvedev took office. For example, in February 2009, four governors were replaced all at once – in the Voronezh, Orel and Pskov Regions and the Nenets Autonomous District – for reasons that were not entirely clear. This was perhaps the Kremlin’s response to the rising tide of individual protests by governors,

which could have eventually led to collective action, with former Federation Council speaker Yegor Stroyev at their head. Thus, Stroyev was removed from his post as governor of the Orel Region, and the other three were replaced at the same time just to instill a bit of fear and keep everyone quiet. Another new twist was that instead of having the presidential envoys in the regions nominate candidates for governor, this right was transferred to the party holding the majority in the regional parliament. The trick here is that it is not the regional branches of United Russia (there is no other majority party in Russia) that have obtained the right to nominate candidates, but the federal leadership – in other words, Putin, as party leader.

This transfer of power from the presidential envoys to the majority party, United Russia, when nominating gubernatorial candidates has not made the procedure for selecting people to run the regions any more effective, but it has made it more transparent and public. By the end of 2009, United Russia had nominated 51 candidates in 15 regions, with appointments made by the end of the year in only five cases: the Sverdlovsk, Astrakhan, Kurgan and Volgograd Regions and the Republic of Mari El. The number of candidates on the regional lists varies from three to five. In all cases except that of the Jewish Autonomous Region they include the incumbent governor (appointed in three cases out of five). The lists also include deputy governors and heads of regional governments (in 9 out of 15 regions, and in one case, the Volgograd Region, the new governor came from this category); speakers of regional parliaments (6 regions); Federal Assembly deputies (5 regions); federal government officials (4 regions, including the Sverdlovsk Region, where one nominee from this category became governor); mayors (2 regions); and university heads (2 regions).

**Table 1. Appointments of regional governors by year, 2005-2009.**

Year	Number of appts.	Reappointed/ New	Share of reappointed, %	1	2	3	4
2005	44	32/12	73.0	2	6	4	9%
2006	8	5/3	62.5	1	2	—	—
2007	25	14/11	56.0	3	4	4	13%
2008	12	2/10	17.0	2	1	7	60%
2009	15	6/9	40.0	1	2	6	40%
2005–2009	104	59/45	56.7	9	15	21	20%

NOTES: 1 – number of top-level members of the regional elite among appointees; 2 – number of other “local” appointees; 3 – number of appointees from outside the region; 4 – overall share of appointees from outside the region.

Table 1 shows the changes in regional governor appointments since the new system took effect.

As the data shows, the Kremlin initially was quite willing to reappoint incumbent

would suit the main local clans. Furthermore, it is easier to maintain control of someone appointed from outside than a local person. Thus, increasingly frequently, faced with a choice between the greater loyalty of the out-

**Table 2. Appointments of regional governors during the acute phase of the crisis, 2008-2009.**

Period	Number of appts.	Reappointed/ New	Share of reappointed, %	1	2	3	4
2008 (Jan.- Aug.)	7	2/5	28	1	1	3	43%
“Crisis year” (Sept. 2008- Aug. 2009)	15	3/12	33	1	1	10	67%
2009 (Sept.- Dec.)	5	3/2	60	1	1	—	—

NOTES: Key as in Table 1.

governors, and when it did replace them, it was usually with local people rather than people from outside the region with no connection to the local elite. However, the share of reappointed governors has decreased over time. There are two reasons for this: the initial task was to cement the system in place rather than replace specific governors, but as time went by it became apparent that it was a lot easier to find people from outside the region rather than to look for a local candidate who

side candidates and the greater effectiveness of the local candidates, the Kremlin chooses loyalty.

Since the crisis began, the Kremlin has made increasing use of outsiders when appointing governors (see Table 2), as it had already begun doing earlier when appointing “regional generals” – regional Interior Ministry heads, prosecutors, judges and even chief federal inspectors. In the crisis, loyalty to the federal authorities proved a more im-

portant criterion for candidates than their ability to communicate with the region's elite and how well placed they were. Effectiveness at the national level, understood as obedience and subordination, was preferred to effectiveness at the regional level.

### **Elections: Back and forth?**

So much has already been said about the 2009 elections that even the simplest review of the main theses and conclusions would take up a lot of space. However, one important detail is worth noting, namely, that the March 1 and October 11 elections demonstrated opposing trends, a swinging pendulum.

In the March elections, with the crisis in full force and an unknown outcome for the authorities, the Kremlin displayed a more complex and flexible approach than in previous elections. Electoral laws remained as repressive as ever, but electoral practice was liberalized. This was particularly evident in the Sochi mayoral election, which, though not a “full-blooded political battle”, as President Medvedev called it, did mark visible progress

took part from start to finish. This had obviously gotten the green light from the top and looked like an experiment to test political battle tactics in a crisis situation with the aim of vaccinating the political system and mobilizing it to combat the “opposition virus”. Another goal was to improve the authorities’ image by showing that, rather than suppressing the opposition, they could easily defeat it in elections. The experiment was controlled from beginning to end, with the authorities ready to intervene at any moment to remove Nemtsov from the running if need be. The need did not arise. With the odds heavily on its side, Putin’s new faceless populism defeated the old democratic populism of the Yeltsin era.

It seemed in the spring of 2009 that the authorities, reassured by this performance, would loosen the reins somewhat and take steps to liberalize the election practice a little, but by summer the authorities were backtracking on this political adaptation process, having evidently decided that the worst was over in the economy and they could gradually go back to their old ways. The mayoral election in Astrakhan in October stood in strong contrast to the Sochi mayoral election in April. In Sochi, the issue was more one of legitimizing the radical opposition’s participation in elections, while in Astrakhan, where the mayor “with clout”, Sergei Bozhenov, faced a challenge from left-wing politician Oleg Shein, running under the banner of A Just Russia, power was the issue.

Overall, the October elections produced an extremely disheartening picture. Having reassured themselves that they had managed to maintain their high popularity ratings despite the crisis, the authorities gave their local people a free hand to produce the desired results.

The Moscow City Duma election was particularly scandalous. Despite public opinion surveys and exit polls to the contrary,<sup>3</sup> as

compared to the practice seen in recent mayoral elections. In the usual cases, the United Russia-backed candidate (usually the incumbent mayor) is challenged by either a candidate from the Communist Party, or a manager, also from United Russia or from business circles. The March 1 elections provided plenty of examples of these kinds of challenges, and in a number of cases, in the Urals and the Northwest, for example, incumbent mayors backed by United Russia were even defeated.

The surprise element in the Sochi election was that an opposition leader, Boris Nemtsov,

## **The transition to a system of having Moscow appoint regional governors has substantially diminished the authorities’ ability to effectively stem social protest when it does arise in the regions.**

well as elementary statistical rules of voter behavior,<sup>4</sup> the authorities declared an impressive victory by United Russia and high voter turnout (35.6% instead of the actual 20-25%). United Russia's lists of candidates garnered 66.26% of the vote (compared to 47.25% in 2005), won in all 17 single-seat districts and took 32 of the Moscow City Duma's 35 seats, with only one other party, the Communist Party, managing to gain access to the capital's parliament. Outraged by the flagrant fraud that gave United Russia 20-25% of votes actually cast for other parties and that left 2-3 parties outside the City Duma, even though, according to exit polls, they should have crossed the threshold, and seeing in the election a trial run of the "one-and-a-half party" model that could be used in the next State Duma election, the Communist Party, the Liberal Democratic Party of Russia, and A Just Russia took the unprecedented step of boycotting the State Duma's work until the president agreed to meet with them and take the necessary measures.

What was the extent of election fraud? There is no doubt that most of the officially announced election results do not reflect the real picture. As for how the authorities obtained these results, it is simply a matter of adding names to registration lists, organizing "merry-go-rounds", with one and the same person voting many times using absentee ballots in various districts, and removing undesirable candidates or parties from the race. The methods themselves are not so important. The standard method effectively used to prove election fraud since the late 1980s, which examines the correlation between actual numbers of votes cast and the numbers of votes claimed by the parties, showed in Moscow's case that the picture for the first 20-25% of votes is relatively honest, but all of the votes from then on were counted for United Russia.

Practically all of the country's regions went through the election process. In some outlying areas, for example in Rzhev, Yuzhno-Sakhalinsk and the Amur Region, local elections were less closely managed and produced relatively realistic results, above all

### **A growing avalanche of systemic breakdowns and malfunctions is not just a consequence of continued reliance on the aging Soviet technical infrastructure, but the result of the deterioration of the management system itself.**

a rise in popularity for the communists. The dirtiest elections at every stage of the process were in Moscow and Astrakhan. The only new development is in the way innovations are spread: previously, there was a spread of relatively honest election practices from Moscow and St. Petersburg to the provinces, while now we can speak of the "chechenization" or "dagestanization" of Moscow's elections, while oases of relatively honest elections remain in the provinces.

Those who predicted the collapse of Putin's social contract – under which the authorities guarantee rising living standards while citizens accept the role of passive spectator rather than active political participant – were too quick to jump. Sadly, the idea that the authorities would be capable of modernizing the system themselves for the sake of their own survival has been proved equally wrong.

### **Society and the authorities: Is the social contract still in effect?**

Overall, the year was marked by relative social calm, coupled with increasing populism from the authorities, largely preventive in nature.

The year began with debate over the mass social protests in the Far East in December and the authorities' tough response. This developed into discussions of the tacit social contract, under which the public refrains

from intervening in politics in return for rising living standards, which is no longer working, due to the crisis.

What is important is that the crisis in the Far East is systemic in nature and arises from the government's sector-by-sector approach to decision-making (addressing issues in the automotive industry, forestry, etc.), without taking regional interests into account or even properly analyzing the consequences these decisions will have in the regions. A whole number of decisions resulted

**In 2009, the crisis primarily affected the wealthiest and most successful regions, where budget revenues shrank by 30% or more, but in 2010 it will hit the weaker regions, heavily subsidized by the federal budget, which is shrinking by 20%.**

from this, from subsidizing the shipment of Russian-made cars from the European part of the country to opening an auto assembly plant in Vladivostok. There is also a program in place now to subsidize plane tickets for Far East residents flying to European Russia. A state commission headed by deputy prime minister Igor Shuvalov has been working since December 2008 on social and economic development in the Far East, Buryatia and the Trans-Baikal and Irkutsk Regions. Massive investment is pouring into Vladivostok in preparation for the 2012 APEC summit. The authorities have managed to stabilize the situation overall, but their actions were largely reactive, dealing with the circumstances as they arose. At the very end of 2009 and start of 2010, mass protests shifted to the opposite end of the country – to Kaliningrad.

Other smaller social protests also took place. Director of the Institute of Collective Action Carine Clément calculated that protestors blocked roads on 18 occasions<sup>5</sup> in

2009. The cases that grabbed the most attention were in Pikalyovo and Gorny Altai. At the end of the year, the government submitted a bill to the State Duma considerably toughening penalties for blocking roads.

The authorities tried a carrot and stick approach to social protests. The stick was wielded in Vladivostok, where riot police specially sent in from the Moscow Region spared no force in dispersing demonstrators. The carrot was tried in Pikalyovo, where Putin turned up in person and, with the TV cameras rolling, forced business to cooperate. Incidentally, after Pikalyovo, Medvedev, speaking to his envoys in the regions, said, "I want it to be made absolutely and unambiguously clear to the regional heads that either they sort out these problems, or I will be forced to dismiss them from office, regardless of the services they have rendered and the economic developments underway. This is the responsibility of the regions' leaders. They need to get down to work there, visit the factories, meet with the workers, call the owners in for talks, and not wait for these decisions to come from Moscow or from the capitals of the federal districts. Otherwise, the administration will grind to a halt. It's no good hiding under the table – you need to go out to the factories and talk with the employees. Instead, every time a problem comes up, the bosses from Moscow are called in. If everything keeps on going this way, we have to ask ourselves, why do we even need bosses in the regions? Let's just schedule trips around the whole country instead, come out from Moscow and make decisions on site."<sup>6</sup>

It is important to note, however, that the transition to a system of having Moscow appoint regional governors has substantially diminished the authorities' ability to effectively stem social protest when it does arise in the regions. Further, it has reduced the governors' role as shock absorbers. Moscow can display as firm a hand as it wishes toward the gover-

nors, but public discontent with them almost automatically switches to Moscow instead. This explains why anti-Putin slogans could be found side-by-side with slogans against the regional governors at protests in Vladivostok and Kaliningrad.

In a crisis, having full power also means having to take full responsibility. A continued rise in the tendency to protest could leave the Kremlin facing the negative effects of policies that have weakened political parties and created a lack of influential politicians in the regions. As a result, it will be hard to channel spontaneous protests along parliamentary or indeed any manageable lines and to convert destructive energy into constructive effort.

The main positive result of the year is perhaps that the country managed to avoid the social conflict scenario predicted by Yevgeny Gontmakher at the end of 2008.<sup>7</sup> The downside is that no systemic improvements were made to reduce the likelihood of such a scenario in the future.

The social contract is still in place but is gradually eroding. The authorities are paying a high price to maintain it and look increasingly like hostages to this contract, which they need less and less. "Putin's majority" is not an active but a passive majority, a majority for inaction, not for action, and is incapable of providing the support the authorities would need to carry out modernization.

### Skating on thin ice in the regions

There actually was some decentralization of political life in 2009. The country's social, economic, political and media geography turned out to be a lot broader than usual for the authorities and for the public. The year threw the spotlight on the huge number of single-industry towns, whose problems require special attention from the government: Tolyatti, Pikalyovo, Baikalsk, Zlatoust, Rubtsovsk... and some 400 others, with at least 50 of them causing real headaches for the government.

The first half of the year was an active one on the part of the political elite. They continued the "crisis policy" that began in autumn 2008 with Moscow mayor Yury Luzhkov's and Tatarstan President Mintimer Shaimiyev's calls for a return to direct gubernatorial elections and an end to excessive intervention by the federal authorities in regional education programs. (Shaimiyev threatened to hold a referendum otherwise.) Since the start of 2009, regional leaders have concentrated their action chiefly against United Russia, which was in the process of becoming the main channel for spreading federal influence to the regions. The results can be interpreted differently, but they are clearly not in United Russia's favor. The only defeat for the governors in their public conflicts with United Russia came when governor of the Murmansk Region Yury Yevdokimov was forced to step down, and even then, this was United Russia's revenge for failing to get the result they wanted in the Murmansk mayoral

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election. In the cases of Murtaza Rakhimov (Bashkortostan) and Nikolai Vinogradov (the Vladimir Region), it was the regional leaders who won. Furthermore, none of the United Russia party officials on the lists of candidates for governor in Vladimir, Volgograd, Sverdlovsk and other regions ended up getting the position.

Quite often, the secretaries of United Russia's regional branches also proved insufficiently loyal to Moscow. Caught between a rock and a hard place, they often sided with the local elite and went against the federal authorities' views. This was most evident in Vladivostok over the social protests and in

ment, the transportation system, and so on. In the troubled psychological and financial climate created by the ongoing economic crisis, there is little hope that the system will hold up. Even if it holds for now, there's no guarantee that it will continue to do so tomorrow; after all, the problems are not going away, but only piling up. As in the case of the North Caucasus, what we are looking at are serious systemic problems that have built up over time to a such a high level that no quick fix will be able to resolve them.

I will not go into the effect the crisis has been having on the economic climate in the regions, something that is being monitored in detail by Natalia Zubarevich on the website of the Independent Institute for Social Policy (NISP).<sup>8</sup> However, I do want to make just one comment regarding crisis management and investment strategy. The approach to fighting the crisis in the regions in 2009 is sowing the seeds for potential risks in the future. Deciding to focus above all on keeping society calm, the authorities maintained the budget's social spending levels and made cuts to everything else, including investment in infrastructure. They also put great pressure on business to prevent a rise in unemployment at any cost. This means that the consequences of the crisis will continue to make themselves felt even after the crisis itself is over. Also important is that in 2009, the crisis primarily affected the wealthiest and most successful regions, where budget revenues shrank by 30% or more, but in 2010 it will hit the weaker regions, heavily subsidized by the federal budget, which is shrinking by 20%.

### Results and outlook

The political system as a whole has changed little since Putin's second term as president. Deinstitutionalization and personalization of the system have persisted. Substitute institutions have continued to adapt to the new power configuration at the top with varying degrees

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Dagestan with regard to nominating candidates for the post of president of the republic. The result was a high turnover of regional party secretaries during the year.

Russia was shaken by a number of major accidents and technological disasters in 2009. There was the accident at the Sayano-Shushenskaya Hydroelectric Power Station in August, the fire at a military ammunition depot in Ulyanovsk and the derailment of the Nevsky Express in November, and then the terrible nightclub fire in Perm in December. Each of these cases can be explained individually by a tragic confluence of circumstances, oversights by this or that agency, the human factor, etc. But taken together they form a bleak picture of a growing avalanche of systemic breakdowns and malfunctions and disorder in the management system. This is not just a consequence of continued reliance on the aging Soviet technical infrastructure, but the result of the deterioration of the management system itself. Without making any dire predictions, there are many patches of dangerously thin ice in Russia that could crack, including the housing and utilities infrastructure, aging industrial equip-

of success. The most vivid example of the new substitute institutions is the Presidential Commission for Economic Modernization and Technological Development, which plays the role of Medvedev's "development cabinet".

The Kremlin's version of "managed democracy" has turned out to be an evolutionary dead end. The years of financial prosperity used to "improve" the system technologically led to the onset of "Russian disease". The result is a car in which the steering wheel turns like a charm: the political parties are completely under control, the governors are loyal, and civil society is being organized into a hierarchy through public chambers set up at various levels. The only problem is that all of this wanton turning of the steering wheel has worn the drive shafts down and the wheels no longer turn. As long as the car keeps running in idle, it does not really matter, but at some point it needs to start going somewhere.

Have the imitation democracy and its mostly imitation management system withstood the test of the crisis? The answer is probably not. The authorities have bought themselves time with the help of the reserve fund, meaning that they can hold on for a while longer without changing anything, including themselves. As a result, the economy, society and the political system came through 2009 relatively unscathed, but they have not gone through any transformation. The authorities have concentrated mostly on the economy, less so on the political system, and even less again on society. The new modernization priorities, which the authorities have been discussing actively since the end of spring, when the acute phase of the crisis ended, follow a similar pattern.

We began by saying that 2009 was a watershed year. Much has been left behind: new great power ambitions in the economic and political spheres, as well as a model for accelerated economic development, based on state

corporations. There has been an erosion of paternalism, both that of the state toward its citizens, and that of Moscow toward the regions. However, what lies ahead is not yet clear. The authorities continue to pursue a very costly populist policy, and they will feel increasing pressure to do so, at least until the next Duma and presidential elections take place. People are gradually starting to understand now that things have changed and that no matter what direction the crisis takes, and no matter how Russia emerges from it, there can be no return to the past, to "Putin's golden age". The question is, will the political elite wake up to this fact? If so, will they seek change, and will they even be capable of carrying it out? ■

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## RESOURCES

<sup>1</sup> They were joined in 2010 by a third deputy prime minister – finance minister Alexei Kudrin.

<sup>2</sup> Medvedev himself formulated the Commission's purpose in the following terms: "The Commission's main task is to push through difficult decisions, and I say this quite frankly and openly. Otherwise there would be no sense in setting it up in the first place: we have the government, and we have the various ministries and agencies that all have tasks they must perform, but given the fact that we are not managing to properly address all of these tasks and have a huge number of routine obligations that bog us down, the Commission's purpose is to carry out precisely this work." <http://news.kremlin.ru/transcripts/5647>.

<sup>3</sup> See, for example, the detailed report by the Levada Center <http://www.levada.ru/press/2009122501.html>.

<sup>4</sup> For a detailed analysis see D. Oreshkin and V. Kozlov, "Nepравitelstvenny doklad," *Novaya gazeta*, # 118, October 23, 2009.

<sup>5</sup> *Russky Newsweek*, # 5, 2010, P. 22.

<sup>6</sup> <http://www.kremlin.ru/transcripts/4401>.

<sup>7</sup> Y. Gontmakher, "Stsenarii: Novoчеркасск-2009," *Vedomosti*, November 6, 2008.

<sup>8</sup> [http://atlas.socpol.ru/overviews/social\\_sphere/kris.shtml](http://atlas.socpol.ru/overviews/social_sphere/kris.shtml).

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