



What Does Russia's Decline Look Like?

Nikolay Petrov

Prior to 2014, there were expectations that Russia's probable decline would happen as an Argentina-type scenario of steady sagging/decay. This looked rational in economic terms, but authorities—faced with political crises and basically unable to fix the problem of legitimacy following their electoral win in 2012—decided to switch to a different model of legitimacy: that of military-emergency, instead of electoral.

In 2014, Putin forced the issue greatly, raising the stakes and making the scenario of a steady decline practically impossible. The option of maintaining the *status quo* indefinitely without serious negative consequences has disappeared. The cost of a 20-percentage-point increase in Putin's popularity due to "KrymNash" ("Crimea is ours"—a slogan that became popular in Russia in connection with the Crimean annexation) was not only an economic slump but also an inflated public expectation of "the restoration of Russia's greatness." In other words, Putin has taken credit for his newly elevated popularity, and the interest rate is very high.

Causes and Conditions of Decline

Russia's decay derives not just from a single process but from a combination of a number of descending waves of different lengths. The longest of them, which began during the Soviet Union, is connected with an accumulation of technological underdevelopment caused by negative stimuli such as repressions, while alternative positive stimuli did not exist. The second downward wave appeared at the end of Putin's first presidential term, when authorities provoked uncertainty by changing their position with regard to property rights. The country was sucked into a vortex with a decreasing time horizon, with long-term investment—both financial and political—becoming irrational, and short-term goals taking priority. Finally, the third and shortest wave began in 2014, when Russia revised the rules of the game of international order, sparking a sharp confrontation with the West.

Moreover, Russia's decay is, by itself, of a multidimensional, nonlinear character. Its objective unevenness in time is worsened by the subjective perceptions of both elites and citizens. Decline

is, therefore, uneven in different directions, whether in economic, social, military-political, or ideological terms; and sometimes, it is not even unidirectional, which creates internal tensions. This is also the reason for growing inadequacy in decision-makers' brains. Putin's "maternal capital" program illustrates this point well, and also demonstrates the urge to find simplistic solutions for complicated problems. The program, designed to arrest Russia's decline in population growth, provided women with monetary incentives to encourage the birth of a second child. While an increase in the birthdate did occur, this coincided with a period during which the children of baby boomers were already having children. And, since that brief surge, birth rates have once again declined. Nevertheless, Putin continues to cite the program as proof that demographers were wrong and that he fixed the problem.

During his 16 years in power, Putin, as well as elites and citizens, became accustomed to growth and to flourishing on the basis of an ever-growing budget. The luxurious car that until recently was comfortably rushing downhill has all of a sudden found itself on a rocky, dirt road without any asphalt onto which the car can be pushed or even partly unloaded. What does the load signify? Two-thirds of the budget is allocated to: 1) *siloviki* (law enforcement and security agencies); 2) the military-industrial complex; 3) social obligations; and 4) the pension system. It needs to be cut drastically. In the case of points 2 through 4, the on-going election prevents full spending levels; in the case of *siloviki*, spending began with the reform of the National Guard. Budget reductions have not yet been too severe, but will be immediately following the elections, when authorities begin to make cuts in the social sphere, pensions, and military industry.

The most dangerous moment in terms of elites' and citizens' dissatisfaction is not when the smooth road ends, but rather when they realize that it will be at an end for a long time into the future. A state of quasi-martial law, in fact introduced by Putin, is considered to be temporary and not long-lasting, but this perception will change.

Possible Scenarios for the Future

Two basic options can be considered: (1) a crisis, although not a collapse, leading to authorities' attempts to react in ways similar to what they are doing now; that is, reacting to the decline of United Russia's popularity and the dismantling of regional political machinery; (2) collapse resulting from a crisis chain reaction/avalanche. The first option is by all means preferable, and there are some separate positive examples, such as United Russia's recent primaries leading to more public politics and more competition. Nevertheless, this scenario is plagued by three major problems: first, a shortage of time does not give hope to the idea that Putin will manage to adjust the system given the increasingly complex external challenges that must be addressed prior to the coming of a potential collapse; second, an increasing shortage of resources puts limits on the system's capacity to react as adequately as it had in previous crises; and third, the system itself does not enable forecasting or preparation for potential crises over a longer term, thus encouraging authorities to react only to immediate problems, rather than avoid future ones.

Partial collapse is an unlikely scenario as well. In the 1990s, the federal superstructure collapsed, but the regional structure kept the system from complete decay. It looks now as though the latter will be incapable of remaining intact, and decline will go further. This could happen in two basic ways: first, with local crises developing into national ones owing to the inability of degraded local

authorities either to fix or prevent crises from spreading. Yevgeny Gontmacher described this phenomenon in his “Novocherkassk 2009” piece. Second, authorities could provoke a growing crisis due to bad management and inadequate actions. One should add that if authorities prove somehow capable of dealing with separate crises, overlapping crises can have synergistic effects, making the possibility of timely and effective reaction much more complicated.

Disintegration

Not only can disintegration not be excluded at some point, but it looks almost inevitable both in soft and hard forms. In fact, it is already happening. Growing regional autonomy is an inevitable result of the financial weakening of the center. The model of “buying” the loyalty of regional elites, especially of ethnic ones and particularly those from the Caucasus, is breaking down and may soon lead to serious consequences. One need only observe Kadyrov’s changing behavior to understand what can follow. In other cases, a tug of war by the regions may continue without sharp public démarches.

Times of crisis resulting from both centrifugal and center-rejecting moves will likely intensify. The return of public politics with elections and the understandable desire by elites—from both the center and the regions—to direct blame and responsibility for increasing socio-economic problems on those in power should serve as catalysts.

The disintegration of the USSR provides a useful model, with “the parade of sovereignties” increasing at first, followed by decay of the whole Soviet space resulting from a certain shock. Alternatively, in the absence of a big bang, regions that are less connected to the whole will secede one by one. Chechnya and the ethnic republics of the North Caucasus are clearly first in line.

A loosening of the unified tissue of the country may occur not only along regional, but corporate lines as well.

Degradation of Regional Elites

The quality of regional elites has degraded significantly compared with that in the 1990s, and only continues. Major reasons for this trend include extreme weakness of popular political engagement in the absence of normal competitive elections; corrosive choices made by the central power, which favor loyalty rather than efficiency; incitement by federal generals based in the regions against local elites; and troubleshooting by strong, authoritative persons capable of consolidating regional elites in the service of their own interests. One should add to this the outflow of talented individuals from the regions, who are both forced (pushed) and voluntarily (pulled) away, because of the centralist model.

The above analysis is concerned less with individual representatives of the regional elite, but rather the system of which they have become a part, which encourages diligence, not initiative, and does not assume autonomous responsibility and decision making. In many regions, a good portion of top managers consist of newcomers who have not had any connection to the region and will not have any in the future. Their psychology is that of temporary managers who are interested in getting as much from the region as possible without investing in its development. Further, not only

has the elite been diminished in many regions, but the cultural layer from which able successors could be recruited has been exhausted.

Degradation of Human Potential and Social Capital

The degradation of human potential due to prolonged underinvestment in the social sphere, especially in education, on one hand, and outmigration of the most active part of the youth from the country, on the other hand, has contributed to Russia's gradual downward slide. A landslide can be expected soon.

Such demographic dynamics can be described as negative, both in terms of birth rates/death rates and migration. Mass outmigration has perhaps exceeded the point of no return, at least in case of some regions. This trend results not only in a declining labor force, which makes impossible any further economic growth, but also deprives the most active and enterprising parts of society of potential modernization agents. This may lead to the *de facto* death of the Russian countryside, and thwart any hopes for modernization in the ethnic republics of the Caucasus.

Social capital, which had been growing in the early 2000s at a time of economic growth and development of civil society, is now being demolished by special efforts of the government. In demobilizing society, the regime has been effective in destroying credible personalities and not allowing new ones to emerge. The inner-elite trust has been ruined as well. In the short run, this decreases the risk of challenge to the government from within or from the outside. But in the longer run, it increases various risks in the event of social and economic crises. The regime fears the mobilization of society, and not without reason, but it is nearly impossible to find a way out of the current economic crisis without it.

An Abundance of State Weakness

The country's rent-redistributive economic model has led to serious disparities in the state system, owing to the entire design of its giant and ineffective state machinery. Such disparities increase with the lowering of hydrocarbon profits, which are inevitable, due both to lower prices and decreases in sales and extraction. Shrinking production in the economic sector prevents the maintenance of this huge superstructure, which has grown during fat years, along with an exaggerated power and law enforcement bloc (which is beginning to look like a mammoth on a melting ice floe.) Throughout Putin's rule, the system has been growing freely, and it has neither the sophistication nor built-in mechanisms to provide proportional means of reduction—everything must be done manually.

Also important is the fact that since 2005, the state machine has lived like a pig at the trough, only needing to open its mouth to be fed. In the meantime, dysfunctions have been growing in number and scale. This is particularly noticeable at a time when fewer resources are available to compensate for managerial inefficiency. In other words, when the excess food supply has shrunk, and foraging is necessary, it has become clear that coordination of different parts of the system needed to make the system function effectively is absent. In addition, regional interests are not being taken into account, not only when decisions are made, but also when it comes to implementation. This led, some time ago, to mass social protests in Vladivostok and Kaliningrad

(2009–2010), which will appear again in growing numbers whenever the system begins to move without direction. Returning to the scenario of disintegration, one can say that almost certainly decline will come from the center through ill-considered and imbalanced actions taken by the regime.

Decision-Making

As an organizational model, Putin’s elite now resembles a “Tsar’s Court” rather than a “Board of Trustees.” In support of Putin’s new autocratic legitimacy, the elites depend on him more than he does on them. He is surrounded not so much by partners and comrades-in-arms, but by loyal servants. No important decisions can be made without him. The old mechanism of separate elite clans agreeing on important decisions, which might require several iterations and take a long time, no longer works in practice. That method involved a lengthy process with decisions first announced, then disavowed, revised and postponed. Now, it appears that elite clans increasingly act on their own without preliminarily agreeing with others. Then, of course, Putin has veto rights and can override decisions, but the cost of this is extremely high.

Under these circumstances, the risks of making and implementing poor decisions that go against the interests of the system—or of not making decisions on time—are growing.

Factors for Change

The current crisis poses serious risks to the system, owing both to a shrinking financial-economic base on which the regime rests; as well as to recent changes in the political-economic model. In addition, the aging/degradation of technical, socio-economic and managerial infrastructure creates risks, along the lines of the three different wavelengths of decline described earlier.

On one side, an archaic and extremely primitive/simplistic political-managerial model is less and less capable of facing complicated external challenges, and thus needs to be modernized. On the other side, there are no more resources to sustain it, which makes a change in the model inevitable. However, the short time horizon and fear of repeating Gorbachev’s *perestroika* failure prevents the authorities from attempting to change anything.

Legitimacy is another important factor pushing the authorities to change. Incapable of maintaining the current, extraordinary level of legitimacy reaped from Putin’s “military victories,” the authorities cannot, at the same time, easily switch back to electoral legitimacy. Electoral legitimacy is weaker, and if Putin were to obtain a “normal” 60 percent in the polls today, it would make him a much weaker leader, a chieftain who lost. To combine electoral, bottom-up legitimacy with that of a top-down chieftain, Putin would need 90-plus percent of votes and 90-plus percent of turnout, like in Central Asia. This looks impossible in Russia, where the political machinery has been dismantled. The only escape for Putin from this “ultra legitimacy trap” is either to not participate personally in elections by backing someone else, or by transforming elections into a plebiscite.

Major Risks

With the Kremlin weakening and losing its monopoly on power, public politics may reappear and strengthen. Negative socio-economic dynamics and a huge gap between public expectations (e.g. over Crimea or Syria) and reality may lead to frustration. A growing threat may then emerge as some play the nationalist card in elections, which could be extremely risky in the potential absence of Putin and nationalist firebrand Vladimir Zhirinovskiy (who is widely perceived as having ties to the Kremlin).

The regime could perhaps defer such risks if the easing of Western sanctions make it possible to borrow money from external markets, enabling it to survive without undertaking changes.

In 2016, a realization of the depth and duration of the crisis argues for a more proactive approach, rather than just waiting for a rise in commodity prices. However, memories of the birth trauma of Gorbachev's *perestroika*, when attempts made to improve the system led to its total collapse, overshadow any new strategy, as does the tactical calculation to maintain the *status quo* until the Duma elections. This situation heightens by the day the risk of collapse into an inefficient and decrepit system run by the autocratic party of the elderly Zhirinovskiy; the Communist party, led by unknown leaders; or the bureaucratic United Russia.

The main change in the regime's political-economic base, which has already begun, can be described as an oscillation of a gigantic pendulum, which was moving for too long toward the center, both in relations with the regions and with corporations. It should now move in the opposite direction, and the center can exercise two alternative strategies in this regard. It can either adjust to new realities and try to minimize losses, or try to keep the pendulum in its present position by not letting it move by any means. The Kremlin has chosen the latter—but trying to avoid losses today only increases their risks and scale tomorrow. If the oscillation of the pendulum away from the center is inevitable, in accordance with all economic forecasts, any attempts to prevent it are doomed and will lead to more radical changes as the pendulum gravitates in the direction of new realities.

Change of Leader and Replacement of Elites

One particular and growing risk is the regime's over-reliance on the persona of its leader, given the limits of age and senescence. Moreover, the regime's inability to reproduce cadres has become more and more evident as it attempts to renew some of its key elite representatives, replacing Putin's closest associates, such as Vladimir Kozhin, Vladimir Yakunin and Victor Ivanov, with younger managers, who lack political weight—including the children of Putin's elite, Il'ya Shestakov and Pavel Fradkov. One can say that the current elite is, therefore, disposable and that the departure of its leader will lead to a radical transformation.

Time Limits

The life expectancies of the political regime and of the country are not the same. A transformation of the regime could probably take place within a year. Putin's departure and a change of the top elite will likely take place within the next five years. No other means exist for the regime to survive, and the alternative to radical transformation is collapse. In the latter case, it is difficult to make

any forecasts because the regime will leave behind a political desert without any resources, without working institutions, with no credible politicians, and with a degraded population.

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Nikolay Petrov is a visiting fellow at the European Council on Foreign Relations, and is chair of the Carnegie Moscow Center's Society and Regions Program. Dr. Petrov worked at the Institute of Geography at the Russian Academy of Sciences from 1982 to 2006. He served as chief organizer of the Analysis and Forecast Division in the Supreme Soviet (1991–1992); advisor and analyst for the Russian Presidential Administration (1994–1995); and scholar at the Kennan Institute for Advanced Russian Studies (1993–1994) and at the International Foundation for Electoral Systems (1994). From 1996 until 2000, Dr. Petrov worked at the Carnegie Moscow Center as a senior consultant and scholar-in-residence. He earned his Ph.D. from Moscow State University.