



CONFERENCE REPORT

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The Putin Era In Historical Perspective



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Summary

Participants in a November 15, 2006 conference sponsored by the National Intelligence Council broadly agreed that *Russia has never developed a capitalist culture or the institutional structure of a modern capitalist state; that Russians historically have believed that autocracy is the only viable system for their country because it is too large and ethnically diverse to survive intact under any other form of rule; and that being a great power is a central part of Russia's historical identity.* Given the continuity of these long-held attitudes, *change in Russia probably will come only when a leader is willing to confront and transcend the roots of this historical legacy, which the Putin administration is unlikely to do.*

- Russia has never had legally enforceable property rights, an essential feature of a functioning capitalist society. For centuries, property rights and business associations have existed in limbo, enjoying no legal status or protection. Instead, the principle of *kormleniye*—currying favor with the leaders to protect one's property—has prevailed.
- *The continuation of these practices under Putin presents an impediment to economic development.* A small group of Putin's close allies occupy the commanding heights of the economy, driving growth through natural resource extraction and enjoying privileges through *kormleniye*. The lack of a firm dividing line between public and private, and the symbiosis of state and organized crime elements, are a real danger to long-term prosperity.
- *Most Russians fear the disorder that many believe would result from a more open, pluralistic system.* The system historically has been stable because some form of authoritarianism is the default mode, and opportunistic attempts to introduce more freedom have been the exception.
- Compared to other imperial collapses, the Soviet disintegration was relatively orderly and non-violent. *Bereft of its former empire, Russia still aspires to be a great power and to be respected as such.*
- *Participants disagreed over whether Russia had developed an identity as a post-imperial power.* They did agree, however, that Russia is increasingly using tougher forms of “soft power” in dealing with its neighbors.

Introduction

The National Intelligence Council and the Department of State's Bureau of Intelligence and Research held a conference entitled, *The Putin Era in Historical Perspective*, on 15 November 2006. The goal of the conference was to examine the historical roots of the current Russian political and economic system—one in which an increasingly authoritarian state has recaptured the commanding heights of the economy, where capitalism has developed through a symbiotic relationship between political and economic elites, and the Kremlin is pursuing a more assertive foreign policy. Conference speakers were experts on Russian history: Professors Richard Pipes (Harvard), Stefan Hedlund (Uppsala University), Thomas Owen (Harvard), Stephen Kotkin (Princeton), Marshall Poe (*The Atlantic Monthly*), Nigel Raab (Loyola Marymount), Eric Lohr (American University), Dominic Lieven (London School of Economics), Ronald Suny (University of Chicago), and Arnold Horelick (RAND).

State Capitalism: The Long View

Participants agreed that **Russia has never developed either a capitalist culture or the institutional structure of a modern capitalist state.** Since the 15th century, the Russian state has controlled land, natural resources, and labor. The notion of private property only emerged in 1785 and, even today, only 24 percent of Russians consider the protection of private property a fundamental right, while a majority believes that natural resources should be controlled by the state.

- Russia never has had legally enforceable property rights, an essential feature of a functioning capitalist society. For centuries, property rights and business associations have existed in limbo, enjoying no legal status or protection. This resulted in a system that, at its heart, lacked accountability.
- Where there are no institutions that can call an autocrat to account, property rights are always conditional upon one's personal influence with the autocrat. Throughout the centuries, under both the Tsars and the Soviets, the principle of *kormleniye*—currying (and purchasing) favor with the leaders to protect one's property—has prevailed, but *kormleniye* is conditional and can always be revoked.
- Citizens have never had access to the institutionalized means by which they could hold their autocratic leaders accountable. The business elite has never had a political party to represent its interests and has often been stigmatized because of its wealth.
- Russia has long been suspicious of foreign involvement in its economy. During the Tsarist era, foreign businessmen would win concessions and present detailed plans to the government for developing natural resources, only to have the state revoke the concession and have Russians appropriate the foreign business plans.

Participants agreed that, **under Putin, many of these traditional features have resurfaced, and present an impediment to long-term economic development.**

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- Russia's current growth—largely based on high energy prices—has not stimulated sufficient demand for contracts and property rights. A small group of Putin's close colleagues occupy the commanding heights of the economy, driving growth through natural resource extraction. They enjoy privileges through *kormleniye* as well as increasingly through excluding foreign companies after allowing them to do much of the initial investment work in energy projects.
- There is too much room for arbitrariness in the economy. The current tax system leaves people in limbo, with the rights of the state always superior to the rights of the individual. The tax police do not act as impartial professional auditors, but maraud in black ski masks and intimidate businessmen.

Government-business relations in the late Tsarist period, however, could serve as a positive model for today's Russia, as high officials were prohibited from holding business positions. Novgorod, returning to its historical roots as a trade city, remains an encouraging example of what is possible in Russia. Its political and business leaders are seeking to become a model of transparency and honesty in dealings with Western investors.

- One presenter argued that Russia will change the way its economy is structured only when the rest of the world finds a cheap, widely available alternative to fossil fuels. As it is, this presenter contended, Russia is seeking to imitate Asian models of capitalist development and could easily continue to enjoy high rates of growth, as has China, without introducing rule of law, independent judiciary or property rights.
- Other experts contend, however, that even a modest decline in energy prices could help spur economic reform and diversification, and that Asian models of development are not readily applicable to Russia, whose economy is significantly more dependent on resource-extractive industries.

Managing Society From the Top Down

Conference presenters agreed that, since the 16th century, **many Russians have regarded autocracy as the most viable government for their country because it is too large, populous and ethnically diverse to survive intact under any other form of rule.** Although many states have experienced centuries of autocracy, what is unique is that Russia maintained its autocracy while more democratic governments developed around it.

- The Russian elite traditionally has feared the disorder (*bezporyadok*) and state collapse that would, they believe, result from a more pluralistic system. Even today, polls show that 85% of respondents claim that order (*proyadok*) is more important than freedom. Russians also prefer a truly *grozny* (awe-inspiring) leader.
- **The system is historically stable, because some form of authoritarianism is the default mode** and opportunistic attempts to introduce more freedom have been the exception.
- Putin inherited a state shaped by five centuries of predatory, militarized, centralized statism and government for the elite by the elite; a large, untrustworthy, ineffectual bureaucracy; an amorphous, atomized, dispirited society; a poorly-structured economy; and a fractured

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empire with large fissures, much of which is beyond Moscow's ability to control. Putin understands that the tools he has at his disposal have failed every time a Russian leader has tried to effect change deliberately.

Presenters did identify some precedents for greater pluralism and burgeoning civil society in Russia. In the late imperial period, non-state activity—in the form of charitable associations and volunteer fire departments—grew as Russia urbanized. Ultimately, however, all of the organizations sought the state's protection, allowing themselves to be co-opted in return for state assistance.

- Participants agreed that a primary task is to identify what is useable in a positive sense in Russian history—for instance, high literacy rates, high standards of education and prowess in science, and the relative success of interethnic relations.

One speaker expressed concern that roughly one-third of Russian youth express support for “skinhead” values. Whereas it once was thought that the youth would be the vanguard of liberalism, increasingly it appears that they are more inclined toward fascism.

Dealing with Lost Empire

Presenters agreed that **being a great power is a central part of Russia's historical identity.** Russians traditionally have confused size with greatness and today this means that retaining whatever is left of the empire—namely the Russian Federation—is a key Kremlin goal. The quest for great power status always has coexisted with an inferiority complex manifested in an overreaction to perceived foreign slights, lest the country appear weak. **Today, this has created expectations of power and respect and the responsibilities of empire without the resources, in a world where Russia continues to struggle to maintain its status.**

- Russia's leaders' perceptions of weakness and insecurity—both domestically and in the international arena, given Russia's huge population, geographic location, and borders that are difficult to defend—have driven and distorted Russian foreign policy for centuries.
- Managing the transition from empire to nation state has been difficult for all previous empires. This is especially true for those that are land-based rather than maritime, because land empires have more integrated economies, greater difficulties in shedding the burdens of empire given physical contiguity, no clear distinctions between the metropolis and the colonies and thus little “state” affinity. **Compared to other imperial collapses, the relative lack of disorder and violence in the wake of the USSR's disintegration is remarkable.**
- The USSR's collapse is not comparable to the end of the Austro-Hungarian or Ottoman empires because Russia does not face or accept the options they had—being taken over by another power or voluntarily accepting less than great power status.

Presenters disagreed about Russia's identity as a post-imperial power. One speaker argued that Russians know who they are, based in large part on their strong military-patriotic tradition and their rich culture. Another argued that, with the dissolution of the USSR, Russia lost its identity and empire at the same time and has yet to redefine it. Another speculated that, given

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Russia's imperial history and fragmented identity, it is difficult to define national interests, generating fear that change could undermine or destroy the state.

- Putin is a state-builder, not a nation-builder, who has restored order, maintained Russia's territorial integrity, aspired to regain great power status, but has decided to work within the existing international system because he recognizes Russia's weakness. He is a patriot, not a nationalist, craves order for the public good, and tries to avoid foreign policy defeats because he recognizes they weaken foreign policy in general.
- **Putin is willing to use "hard" soft power**, such as border closures, deportations and other measures short of military force, to achieve his goals. But Putin's Russia is not an empire, because it does not rely on the perception that the center can dictate to its subjects. Russia retains imperial pretensions in some areas, but its "near abroad" policy mostly reflects a desire to remain the dominant power in the region.

Participants agreed that Russian's collective memory and culture argue against a transformation into something different in the next few decades. Change will come only when a leader is willing to tackle crime and corruption and scale back great power ambitions. Russian society today is depoliticized and dissocialized and there is little impetus for change from below at this time.

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