

The Economic Consequences of Autocracy

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The Economic Consequences of Autocracy

By Michael Rochlitz (University of Bremen)

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In competitive democracies, elections are an institution to hold a government accountable. Good performance is rewarded, whereas poorly-performing governments have difficulties getting reelected. This holds especially true in terms of economic performance; the fate of the economy probably remains the most important factor in liberal democracies to determine if incumbent governments get reelected.

During Russia's parliamentary elections in 2003 and 2007, this was not so much different. After the economic crash of the 1990s, Russia's citizens were grateful for the economic upturn, and for a government that seemed less erratic than the administration of Boris Yeltsin. Despite some irregularities, the decisive victories of United Russia in 2003 and 2007 seemed to be a genuine reflection of the public mood.

Things changed in 2011. Eclipsing the effect of some useful reforms during the Medvedev presidency, Vladimir Putin's decision to run again for president and to head United Russia resulted in a 15% loss for the party in the December 2011 Duma elections, as compared to 2007. United Russia only managed to keep its majority through massive electoral fraud, sparking the most intense public protests since the end of the Soviet Union.

To crack down on protests, Putin tightened the screws upon his return to the presidency, sidelining Medvedev's more liberal economic team and extending the powers of the country's security services. The increase in repression was almost immediately accompanied by a downturn in economic growth, although global oil prices remained at an all-time high. While Russia's economy grew at an average yearly rate of 4.2% between 2010 and 2012, growth was down to 1.5% in 2013.

By the time of the 2016 elections, the situation had become even worse, with Russia's economy contrac-

ting by 1% in 2014 and 2.2% in 2015. To limit electoral repercussions, the Kremlin decided to play it safe by making the election as uneventful as possible. United Russia refrained from conducting any meaningful campaign, and the date of the election was brought forward to mid-September, when most Russians were just coming home from their summer holidays. The strategy worked, with low turnout and significant fraud ensuring that United Russia kept its majority in the Duma.

Five years on, the economic situation has now turned into a disaster. According to data from the World Bank (including an estimated economic contraction of 4% for 2020), Russia's GDP per capita in early 2021 is below its value in 2008. In other words, the average Russian citizen today is worse off than they were 13 years ago. In any competitive democracy, a government with such a dismal economic record would have been voted out of office long ago.

The problem is not so much the fall in oil prices since 2014, but rather a complete lack of strategy and vision by the Russian government. While Putin was mainly concerned with questions of foreign policy, Prime Minister Dmitry Medvedev showed himself to be almost embarrassingly weak and unable to address the problem of Russia's sluggish growth. When he was finally replaced by Mikhail Mishustin in January 2020, the Covid-19 pandemic prevented Mishustin from introducing any significant changes, even though observers generally consider him to be a more competent manager than Medvedev.

The weakness of the Russian government was amplified by a shift in relative power within the Russian ruling elite, away from the more liberal, technocratic managers that were influential before 2012, and towards the security services, or *siloviki*. The latter either do not care about the business climate and the economy, do not understand the effect of increasing repression and

control on the performance of a modern market economy, or both.

Unfortunately, the situation has only become worse in recent years. Since about 2018, not only firms and entrepreneurs are constantly harassed and under attack, but increasingly also science and academia. As innovation is a crucial input to diversify an economy away from oil and gas, the longer-term effects of these developments will be devastating. For most scientists working in Russia, the assertion by Russia's security services that the country's scientific output has to be protected from predatory foreign powers sounds bitterly ironic. If Russia's researchers are no longer allowed to cooperate in any meaningful way with the international scientific community, and most promising young researchers either leave academia or the country, there will simply be nothing left to protect.

In Dmitry Medvedev's defense, one has to say that when he was president between 2008 and 2011, there actually was an economic strategy. At the time, the crisis of the years 2008 and 2009 had served as a wake-up call, pushing the government to adopt more business-friendly policies. Institutions were put into place to protect entrepreneurs from repression, the government tried to build its own Silicon Valley with the Skolkovo Institute of Science and Technology, and the police reform of 2011 actually resulted in a significant reduction of lower-level corruption. One can only speculate what would have happened had these policies continued.

About the Author

Michael Rochlitz is Professor of Institutional Economics at the University of Bremen. Two recent publications on topics related to that of this article are "Property Rights in Russia after 2009: From Business Capture to Centralized Corruption?" (with Anton Kazun and Andrei Yakovlev, *Post-Soviet Affairs*, 36(5–6): 434–450) and "Control over the Security Services in Periods of Political Uncertainty: A Comparative Study of China and Russia" (with Nikolay Petrov, *Russian Politics*, 4(4): 546–573).

Preparing for the Parliamentary Elections of 2021

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

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The upcoming September 2021 parliamentary elections in Russia have already become a battlefield between the regime and the opposition. With the constitutional amendments that allow Vladimir Putin to run for another term, control over the State Duma has become crucial to ensure a smooth transition. However, retaining United Russia's (UR) majority is a challenging task: the party's ratings are at a historic low, and the "smart voting" strategy promoted by Alexei Navalny threatens UR's

In contrast, Vladimir Putin's economic record since 2012 looks bleak. Most economic reforms and initiatives that were started under Medvedev either fizzled out or were discontinued. The average overall growth rate over the past eight years stands at almost exactly 0%. This is much too low for an economy with the potential of the Russian Federation. Even worse, there does not seem to be a light at the end of the tunnel.

This lack of a perspective has led to the emergence of a new generation of young, motivated and talented politicians who see their future taken from them by an aging and incompetent political leadership. Despite immense odds, they try to participate in politics, to offer alternative solutions to Russia's many problems. By coming up with the system of "smart voting" during the 2019 Moscow city elections, they have even managed to put up a real political challenge to the incumbent party, in view of the upcoming Duma elections.

Unfortunately, instead of accepting the necessity of change, the Kremlin is only further tightening the screws. By repressing all genuine opposition, and increasingly allowing only pro-Kremlin hardliners to run even in the systemic political parties, elections have started to resemble what they looked like in the Soviet Union. If the policies of the last years continue, this might well happen to Russia's economy as well.

dominance in the districts. Consequently, the regime increasingly relies on coercion and filtering of opposition candidates. As the struggle over the Duma seats intensifies, even the systemic opposition parties can't feel safe: their ratings are not in good shape either, and their potential candidates are likely to experience an additional pressure to clear the electoral space for the ruling party.

The state of the economy will clearly be at the center of the agenda. Real disposable incomes have fallen six years