

ued as in the past, the possibility of some kind of sudden crash would have been very real.

Although few observers had Mikhail Mishustin in their books, with hindsight his appointment as new prime minister makes a lot of sense. Among Russia's high-level state officials, Mishustin is almost the only one with a clear record of success, having fruitfully reformed the Federal Taxation Service between 2010 and 2020. Both the political establishment and the business community respect him as a skilled technocrat, a regard Medvedev had lost long ago. If somebody can provide the Russian economy with new momentum, he might be the man.

Still, is it going to work? Concerning the long-term objective and Putin's political future, nobody really knows. Indeed, it is quite likely that Putin will surprise everyone with an option nobody had in mind, once the time comes, as he has done many times before.

However, the real problem might actually be situated with the short-term objective, even though this aspect of the recent changes has attracted much less attention than the constitutional reform. The difficulties Russia's economy is suffering from are well known, and have recently been nicely summarized by Konstantin Sonin in an article for the Russian newspaper *Vedomosti*. First, for an economy in the 21<sup>st</sup> century to be successful, being well integrated into global networks of trade, exchange and technology transfer is imperative. Here, the siloviki-driven isolation since at least 2014 has been clearly harmful and counter-productive, and should be ended as soon as possible.

Second, *within* the country the heavy-handed—and still increasing—focus on economic and political control

has been dragging down the economy like a leaden blanket. For an economy to be innovative, the free exchange of ideas in open networks among businessmen, scientists, and other social actors is of crucial importance. Unfortunately, it is exactly this kind of collaboration and collective action that Russia's various security services have been busy suppressing during the last eight years. In this respect, the recent attempt to limit contacts between Russian and foreign scientists is just the latest of a large number of examples.

Finally, the replacement of Medvedev by Mishustin has not solved what is probably the most fundamental problem of the Russian economy. Russia is clearly what the social-science literature would describe as a *limited access order*, i.e. a society where the ruling elites use their rents to limit access to economic and political possibilities, in order to perpetuate the status quo and enjoy the benefits of resource-redistribution among a limited group of insiders.

To solve Russia's economic problems, this system would have to be fundamentally reformed, as the entire logic underpinning its existence is limiting the emergence of new talent and ideas. However, such a reform is a completely different animal than simply restructuring the tax service, and therefore—most probably—beyond the ability of Prime Minister Mishustin.

Ironically, it is possible that it is exactly Mishustin's inability to solve Russia's systemic economic problem that could lead to the political crisis, which, in turn, could initiate more fundamental change. If this eventuality materializes, focusing in January 2020 on constitutional reform and the 2024 political succession might prove to have been premature.

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## The Reality of Russia's Constitutional Reform: Limited Institutional Change Masks a Profound Shift in Economic Policy

By Regina Smyth, Indiana University

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Russia's 2020 constitutional reforms aim at two considerable regime challenges: the short-term problem of managing the 2021–2024 national election cycle and the longer-term persistent problem of building Russian state capacity to enable economic and political modernization. In response to these challenges, President Putin

proposed two broad solutions, constitutional reform and a redefinition of state-society relations rooted in expanded social spending programs.

Having precluded the emergence of a national successor, Putin remains the sole figure in the political landscape who can contain elite-infighting and predictably

win national elections. As a result, his departure from the political arena is fraught. Succession could resemble the devastating oligarch wars of the 1990s as elites compete to protect their wealth, power, and access to political rents. This conflict would spill over into electoral politics prompting opposition mobilization and unraveling the Putin system.

Uncertainty could also have high personal costs to Putin, who is vulnerable to charges of corruption and abuse of power. Proposed reforms provide him with a chance to audition new proteges and potential successors who can insulate him from these threats as he prepares to exit the political arena in the next decade.

Importantly, constitutional reform did not resolve Putin's formal role in the new system. Proposed amendments define a range of possible strategies for Putin to remain in an influential state position after 2024. Two potential options, to return to the prime minister position or to take up the leadership of the newly empowered State Council, require a staunchly loyal presidential successor. The alternative maintains the status quo. Given systemic reform, Putin can claim the right to return to the presidency—an office that is even stronger under the new system. The path forward will be decided after the outcome of the next parliamentary elections and will be subject to change should unexpected economic or political shocks occur.

What is striking is that all of these institutional reforms place a strong bet on the regime's ability to control election outcomes. The Kremlin appears confident that a well-developed set of practices that bias elections in the regime's favor, and particularly new electronic voting systems, will continue to deliver victories without sparking mass protests.

The longer-term goals of the reforms are to build state capacity and develop mechanisms that replace personalism as the fulcrum that balances elite conflict and ensures social support. In other words, Putin must solve problems that have challenged the regime since he took office. In this iteration, the failure to significantly diminish presidential power side steps a core challenge to strengthening the state and maintains the winner-take-all nature of elite contestation.

Moreover, the revised system remains consistent with existing informal presidential powers from the capacity to distribute rents to media control. Constitutional reforms do not define a ladder of ambition or pathway to create a new crop of potential rulers, maintaining the role of networks and ties as a critical determinant of political career success. They also do not define an institutional solution to elite conflict—as was present in the pre-1995 Mexican PRI—although clear term limits suggest such a mechanism could emerge from within United Russia regulations.

Such a mechanism could mitigate elite conflict but does not address the need to forge electoral majorities to secure office. While the announced changes do not directly alter voting procedures, Putin and his proxies presented the constitutional reform as a tool to increase government responsiveness and amplify citizens' voices. This approach creates the potential to win social support by responding to core citizen demands without compromising the regime agenda or relinquishing political control.

To solidify this support, the president announced a new national goal: increased living standards. Proposed constitutional reforms include amendments to guarantee annual adjustments of pensions and a federal minimum wage. These proposals partially offset persistent anger over the 2018 pension reform program that increased the national retirement age. Prime Minister Mitushin's government amplified institutional reform with new social spending, including increased benefits for families with young children and a nation-wide housing reconstruction program. These programs tap into core social demands without compromising state priorities.

Taking a page out of Keynesian economics, Putin is bargaining that more government spending will bolster consumer spending and investment and promote economic growth. This approach to economic policy marks a significant change in the regime's conservative pattern of economic management. Russia continued to invest in its national "rainy day" fund throughout the economic downturn amassing a sizable buffer against international financial crises.

While these spending increases may be nothing more than a short-term project designed to ensure a United Russia supermajority in the 2021 election, they may also signal a significant change in the Putin system. Renewed social welfare programs could indicate the emergence of a more permanent social contract that will restore the paternalism of the late Soviet period. Alternatively, broad spending could emerge as a form of state populism that pits the state and its loyal citizens against dissenters influenced by outside forces. In both cases, the regime can rely on social programs as carrots and sticks to reward loyal voters with regional transfers, benefits to social groups, and targeted spending.

In the longer term, these changes in the definition of state-society relations are potentially more significant than the formal amendments or the reinforcement of existing informal practices to maintain oligarchy. They are also risky. The regimes' advertisement for improved quality of life will raise social expectations about state performance and the quality of services in the context of a geriatric system that has been in power for 20 years.

If the government fails to meet expectations, the short-term project to insulate the ruler and his cronies is vul-

nerable to political unrest, and medium-term state development will be complicated.

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## Waiting for Change?

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Vladimir Putin's announcement on 15 January about amendments to the Constitution of the Russian Federation attracted the attention of a wide range of experts. However, in Russian realities, it is not so much the laws (including the Constitution) that matter, but the practice of enforcing them. In this context, the real significance for political life in the country comes not from the Constitutional amendments, but the decision to change the government.

Commenting on this event, it makes sense to focus on three questions:

1. What signal does the change of government give to the current elites?
2. Why was this decision taken now (and, for example, not in May 2018, when Vladimir Putin's new presidential term began)?
3. What should we expect from the new Russian government?

The answer to the first question seems quite unambiguous—the country is witnessing a change of generations in the bureaucratic elite. This process began in 2017–2018 with the renewal of the governors, when the Kremlin began to appoint young technocrats. Now it is the turn of the federal ministers. The general trend is that the new cadres must demonstrate both loyalty (as they did since the mid-2000s), but also the ability to solve problems in their area of responsibility using the available limited resources. This personnel renewal took place among the economic cabinet in the government, but it has hardly affected the security cabinet, whose representatives in recent years played a key role in strategic decision-making.

There are different possible answers to the second question about timing. On the one hand, it looks like the Kremlin, aware of the scale of the tension in society,

is simply trying to use the government as a “lightning rod”—shifting to Dmitry Medvedev and his ministers the responsibility for the economic stagnation and the lack of prospects for implementing the national projects Putin announced in 2018. But, on the other hand, one could assume that the old government was deliberately “held in place” so that it could then be blamed for the negative consequences of some strategic decisions—the pension reform and the “optimization” of the health care system. According to such logic, the old government could leave having done what it was supposed to do and the new government is summoned to address a new agenda.

Finally, what should we expect of the new prime minister and his team? One option is that the government will have to focus on implementing the national projects so that by the 2021 parliamentary elections the Kremlin can report visible positive results for society in specific sectors. This answer is the most simple and obvious. But it likely distracts attention from the main problem—implementing the projects does not depend on the ministers or governors, but concrete people at the level of companies, public sector entities, and municipalities using the resources accessible to them. The current design of the national projects directly assumes their significant co-financing by the regions and businesses. If these players do not see prospects for economic development as well as a positive vision of the future for the country and their place in it, they will not have an incentive to invest. This means that even with effective managers in the ministerial posts, the national projects (and the related social promises of 2018) will not be implemented.

Another way to answer the question of the Government's objectives is possible, based on the above alter-