

Unattainable Utopia: How Alexei Kudrin Plans to Reform Russia's Economy (Op-Ed)

Putin and his cronies will never give liberals the right to change a country that they feel belongs to them alone.

By [Boris Grozovsky](#)

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Former Finance Minister Alexei Kudrin **TASS**

Former Finance Minister Alexei Kudrin deserves the accolade of Russia's greatest optimist: he is once again creating a strategy for the country's development. Heading a group of experts formed at the president's behest, Kudrin is formulating a program for Putin's re-election bid in 2018 that plots the country's economic future. He and his team have until April to complete the task.

In this respect, Kudrin is like an elderly schoolteacher who tries for the umpteenth time to

explain a basic lesson to a teenage student. The teen has long been hooked on drugs, runs with a local gang, and has a long criminal record for theft. However, the teacher does not see the student as an incorrigible thug, but as a well-meaning child who is simply having a little trouble mastering the lesson.

Kudrin resigned from government in late 2011 after a falling out with then-President Dmitry Medvedev over military spending. At the time, it seemed more a pretext than a reason for his departure. But it turned out that Kudrin saw where things were headed. Spending on defense, national security, and law enforcement in 2011 had reached 2.78 trillion rubles (\$46.9 billion), or 25.4 percent of the government's 10.93 trillion rubles in total outlays. The militarization of Russia was in full swing.

But that was only the beginning. Such spending peaked in 2014-2016 at what is surely an unsustainable high. The Finance Ministry has probably managed to cut costs in some areas, but outlays for the siloviki (security agencies) in 2016 were projected to reach 5.7 trillion rubles—a staggering 34.2 percent of a budget totaling 16.64 trillion rubles (\$281.2 billion).

The pendulum has clearly swung to its full amplitude. In demonstrating its military capabilities, Russia made the whole world fear its every move. Now, Russian leaders must demonstrate not their strength, but their readiness to reach reasonable compromise and their determination to modernize.

That's why they called Kudrin back.

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His last attempt to devise plan for economic development was five years ago. That project was called Strategy 2020. However, government officials only picked parts they liked from the hefty report and embarked on an opposing strategy—moving into Crimea and the Donbass, scaling back political freedoms, and coming into confrontation with the West.

Kudrin and his associates are very sober in their assessment of the economic situation in Russia. In a recent article, they wrote that one of the main obstacles to development is the way that Russians, lacking any vision of the future, focus only on the immediate short-term situation.

This comes from the shock of the Soviet era, when longterm planning was very popular but ultimately discredited. Until the Russian people “look to the future” again, they will never take concrete actions. Russia's current myopia leads it to embark on impulsive ventures like Crimea and the Donbass, satisfying immediate desires but undermining long-term development.

Speaking at the Gaidar Forum in Moscow in mid-January, [Kudrin explained](#) that Russia's technological backwardness and undynamic development are consequences of this shortterm thinking, and that the government is a hindrance in the matter. He argued that by subsidizing innovation, the government inhibits rather than accelerates development.

But it is impossible to formulate a long-term goal while the government broadcasts an endless barrage of propaganda and silences opposition. What meaningful discussion can take place if the authorities label it extremism when someone expresses the opinion that Russia's annexation of Crimea was a geopolitical disaster?

A prison cell is not the best place from which to lay the groundwork for the future. In a police state, citizens' lives lie not in their own hands or even in the hands of the law, but in the hands of the police and senior officials. It is said that they have a better view from Moscow and must know what's best. But such an attitude suits authoritarian leaders perfectly: it gives them *carte blanche* and frees them of all accountability.

As a result, all of Alexei Kudrin's liberal plans will once again amount to nothing more than an unattainable utopia. The authors claim it will improve the effectiveness of the state. Perhaps – although not in serving the needs of the people, but in controlling them. They claim it calls for reforms to the judicial system. Of course, but politicians and state-controlled businesses know perfectly well that even if they violate the law, the courts will dutifully hand down whatever decision they request. They claim the plan will spur individual initiatives and reduce government regulation of the economy and society. Sure, but the state will retain the most profitable businesses for itself by occupying the “commanding heights” of the economy – including oil, gas, and defense – while continuing to reduce its commitments in such “unprofitable” sectors as healthcare and education. The authors claim the plan will shift authority from the federal center to the regions and spur regional development. Yes, but Moscow will retain all financial and political control while the regions will be tasked with maintaining social stability.

This is how Kudrin's liberal strategy for economic development actually looks because it will find implementation not in a vacuum, but in the unyielding power vertical of Putin's Russia.

Putin and his cronies will never give liberals the right to change a country that they feel belongs to them alone. At most, they will hand liberals control over the unprofitable part of business while retaining a “controlling share” of the rest. When agreeing to hire on for a job, it is always best to clarify exactly what task your employers actually want you to accomplish, and just how much authority they will give you to do it.

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