

Schism in the Tandem Is Getting Larger

By [Anders Aslund](#)

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Since his Krasnoyarsk speech in February 2008, President Dmitry Medvedev has persistently said the opposite of Prime Minister Vladimir Putin. As Dmitry Muratov, editor-in-chief of Novaya Gazeta, put it, “Medvedev represents the Internet party and Putin — the television party.” Admittedly, the low-brow television party comprises a two-thirds majority, but the Internet party represents the future and is growing fast.

The differences between Medvedev’s Magnitogorsk speech in March and Putin’s address to the State Duma last week highlight how the conflict between the two leaders has come out into the open. Medvedev went out on a limb in his 10 points in Magnitogorsk, while Putin went out on the opposite limb in Duma speech. While Medvedev stands for ideas, Putin sounded like Leonid Brezhnev offering many details but without relevant comparisons and devoid of principles. Their two contemporaneous speeches offer us an excellent comparison of their declared economic policies.

Putin was not only satisfied but proud of the state of the Russian economy: “I think it is our common achievement that Russia successfully avoided serious shocks that could have

weakened the country, undermined its economic and human potential.”

But Russia’s gross domestic product plummeted by 8 percent in 2009, more than in any other Group of 20 country, and the recovery of 4 percent in 2010 was rather feeble, particularly when you consider that oil prices were high throughout the year and that Russia had the largest stimulus package of any G20 country. Before the crisis, Putin compared Russia to the dynamic BRIC countries, but since Russia now underperforms them all he has reverted to the extinct G8. What’s more, in the old days Putin used to call Russia an energy superpower, but now he denies that the high oil price caused Russia’s growth.

By contrast, Medvedev was entirely downbeat in his Magnitogorsk speech: “Until we make our country attractive for business and private initiative, we will not achieve our main goal of improving the quality of life for our people.”

Medvedev attacked corruption as the main evil in the Russian economy: “Corruption continues to affect the general economic situation, maintaining a stranglehold on the entire economy, and this hold is still as strong as ever. The result is clear for all to see: Money is fleeing our economy. Not as many people believe in the possibility of doing safe and successful business in Russia as we would like.” He called for numerous actions, for example: “I instruct the Prosecutor General’s Office ... to introduce a special procedure for examining complaints about state agencies’ actions or inaction that contain an allegation of corruption.”

Putin mentioned corruption only in passing, as if it were only a minor irritant: “Needless to say, we must counter corruption, increase responsibility of officials and eradicate the very conditions for illegal conduct and bribery.”

Medvedev’s persistent theme has been modernization and his four I’s — institutions, infrastructure, investment and innovations — from his Krasnoyarsk speech. His emphasis in Magnitogorsk lay on the necessity to improve the investment climate: “We must drastically improve the quality of the most common services for the investment community ... customs, the quality of services at airports, registration procedures, visa issuance procedures, work permit procedures and postal services.”

Another Medvedev phrase might have been meant as a veiled reference to Putin and his ilk: “We will have no choice but to dismiss those who continue to erect various barriers and obstacles, give preference to their friends or fail to take the required action on the basis of pretended state interests that have nothing in common with our people’s interests.”

Putin does not really talk about modernization of society as such. His Duma speech was dominated by multiple measures of arbitrary state intervention and subsidies in all sectors of the economy with phrases such as “the state helped.” Putin’s economic model is dominated by state capitalism and industrial policy. For example, in amazing detail he claimed that foreign automobile manufacturers should move production to Russia and produce at least 300,000 cars a year if they want to do business in the country. Rather than enticing foreign investors with attractive conditions, Putin essentially intimidates them.

One of the chasms between Medvedev and Putin is privatization. Putin is the father of state corporations and re-nationalization. He did not mention the word privatization in his lengthy speech, making evident that he opposes it. Instead, he suggests that “public-private

partnerships” can be an “efficient model.” Medvedev, by contrast, criticizes big state corporations and promotes privatization at length: “We need to ... stop state companies from exerting too great an influence on the investment climate. First, we should finally set and make public a timetable for privatizing large government shareholdings over the next three years. Second, we must end the practice of having government ministers responsible for regulation in particular sectors sitting on the boards of directors of companies.”

Another major divide between Medvedev and Putin is pensions. According to Putin, his greatest achievement in the last year was that he increased so-called working pensions by 45 percent. At the same time, he attacked France, Estonia, Greece, Poland and Latvia for raising the retirement age or freezing pensions, indirectly stating that he is against pension reform in Russia. Medvedev, on the contrary, worries about the increase in the social security tax from 26 percent to 34 percent of the payroll and demanded the government — that is, Putin — to reverse this increase in 2012. In this way, Putin appeals to old pensioners, while Medvedev cares about entrepreneurship and economic growth.

Nowhere is the difference between Medvedev and Putin greater than in their foreign policy. Medvedev has heralded the reset of Russia’s relations with the United States and many European nations, and he has persistently promoted Russia’s accession to the World Trade Organization. But Putin’s whole speech advocated protectionism, and he cheered the downgrade of U.S. debt. His bottom line was: “We must be independent and strong.” Characteristically, he did not mention the WTO, while he talked almost lyrically about the dysfunctional customs union with Belarus and Kazakhstan, which Ukraine has brushed off, much to the Kremlin’s disappointment. When directly asked about the WTO, Putin responded ambiguously: “It is a very important and a very difficult question,” worrying that Russia might not be allowed sufficiently large agricultural subsidies.

One must wonder whether Putin and Medvedev are talking about the same country, and why are they in the same government? Obviously, they represent opposing philosophies. Would it not make more sense if they were running against each other in the 2012 race? And perhaps others should be allowed to run as well. After all, Medvedev and Putin both claim that Russia is a democracy and that the voters should choose their leader.

Anders Aslund is a senior fellow of the Peterson Institute for International Economics.

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