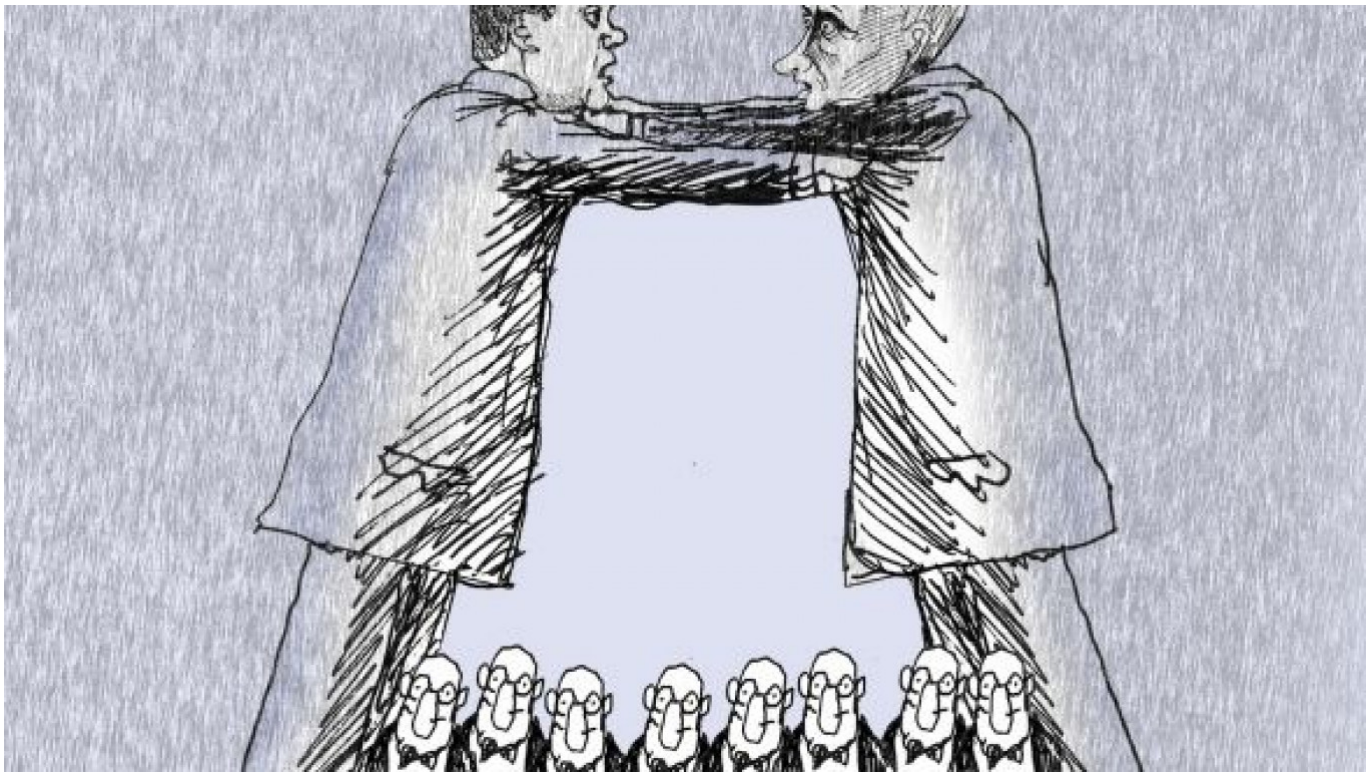
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Two Heads Are Better Than One

By Georgy Bovt

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Russian business has always been highly dependent on the government and good relations with authorities. This interrelationship between business and the state is nothing new. It even existed in imperial Russia, when private business grew not so much as the result of personal initiative and skill as it did by permission of the tsar.

Russian business is just as scared of the state and government officials as it is dependent on them. Businesspeople in most countries are careful to avoid doing anything that would bring harm to the state, but in those countries with an effective legal system, they at least feel protected from abuses by government officials.

But these protections do not exist in Russia. If a businessperson tries to take a mayor or governor to court, he knows he might lose his business and even end up behind bars himself. In Russia, any sizable business has traditionally sought protection not with the courts or the state, but by following direct instructions from the chief executives of the country.

Under the tandem, however, Russia has two "chief executives" — President Dmitry Medvedev and Prime Minister Vladimir Putin. Which of them would business owners prefer as the next

president, and which could they rely on to protect their interests?

It would seem that Medvedev is the obvious answer. After all, he is the one who said that "freedom is better than a lack of freedom," that the authorities should stop "nightmarizing" businesses by harassing them with onerous, unnecessary inspections. It was Medvedev who suggested that criminal punishments for economic crimes be mitigated and who has made the battle against corruption one of his top objectives. In addition, Medvedev has never waged a personal attack against an oligarch.

In recent weeks, the Kremlin has disagreed with the White House about the need to reduce taxes on business. The presidential administration believes that the government's decision to raise the social tax from 26 percent to 34 percent will suffocate business and has demanded that the government find a way to lower the tax. The government has all but ignored the demand. At the same time, the two sides can't agree on a compromise proposal to raise the tax on profit by 4 percent in exchange for lowering the social tax to 26 percent.

Meanwhile, Putin has been quite active in the past few months meeting with small and medium-sized business groups and attending business forums. Judging by his remarks at these meetings, Putin sounds very much like a liberal who supports the market economy. What's more, Putin has commissioned a team of prominent liberal economists headed by Vladimir Mau and Higher School of Economics president Yaroslav Kuzminov. Ironically, the country's economy is being entrusted to people whom the authorities not long ago labeled as "modern-day Yegor Gaidars."

It looks like both tandem members are campaigning and trying to position themselves as "business-friendly" candidates. So, which of the two is better for business?

Probably the best answer is neither. The main reason is that neither Putin, as president and prime minister, nor Medvedev has succeeded in curbing corruption. Both have proven powerless to defeat — or even tame — a corrupt bureaucratic leviathan that, more often than not, simply ignores instructions from above, including direct orders from the president and prime minister.

Neither Medvedev nor Putin is able to break the existing system without radically reforming and restructuring the entire system of governance by introducing more competition and establishing an independent judiciary. Neither of them has the political will — or the necessary tools — to implement such reforms.

Because neither Putin nor Medvedev is better than the other for business, the private sector would probably benefit most if the current tandem continued intact in one form or another. That is because competition between the president and prime minister gives business a taste of freedom that neither of the tandem partners could provide separately. Even when the competition is staged, competition still motivates each tandem member to outdo each other in winning voter support.

In reality, however, the tandem will not survive past the State Duma elections in December, much less the presidential election in March. Soon we will find out who will drop out of the tandem and who will remain as the presidential candidate. Unfortunately, the business community will play only a minor role at best in determining who that candidate will be.

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The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.

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