

Putin Puts Russia Inc. Under New Management

By [Leonid Bershidsky](#)

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Few appointees have meaningful experience in the private sector. **Yekaterina Shtukina / POOL / TASS**

The new lineup of the Russian government, announced on Tuesday evening, means significant changes in how the world's [11th-biggest](#) economy by nominal gross domestic product is run. President Vladimir Putin expects a new generation of senior officials, who have made their entire public-sector careers under his rule, to boost growth with efficient, tightly monitored and well-targeted government spending. Reality probably will soon make a dent in these expectations.

Previous Russian governments usually included a few highly qualified economists and economic managers but also lots of ballast: Political loyalists and conservative ideologues who kept their jobs just because they irritated the opposition and the West, intelligence-service veterans, lobbyists for important industries and relatives of Putin cronies. In Prime Minister Mikhail [Mishustin's](#) new cabinet, Dmitry Patrushev, the son of Nikolai Patrushev,

Putin's old friend and secretary of his influential Security Council, still serves as agriculture minister. But the balance has shifted toward a new breed of public servant — those with a proven ability to run complex projects and with self-presentation skills equaling those of private-sector executives.

The average age of the 31 members of the Mishustin government is just over 50, compared with 53 for the previous cabinet under Dmitry Medvedev. Three of the new appointees are under 40; there was only one minister that young in the Medvedev cabinet. Few of these people, however, have any meaningful experience in the private sector. The achievements that led to their appointments were notched in the service of the state or in state-owned firms.

State companies and the government have long been the preferred employers among young Russians. In a poll of recent graduates conducted by the RAEX rating agency, 53.7% wanted to work for state-controlled companies and 28.4% wanted to go into public service. Many of the new ministers have lived this dream in the 20 years of Putin's rule, and made the most of it.

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Deputy Prime Minister Marat Khusnullin was responsible for Moscow's construction boom under Mayor Sergei Sobyanin, including 40 new subway stations and an overhaul of the capital's public transport infrastructure. Deputy Prime Minister Dmitry Chernyshenko ran the organizing committee of the 2014 Winter Olympics in Sochi. Economics Minister Maxim Reshetnikov, coming from a stint as a regional governor in Perm in the Urals, is considered in Moscow a successful regional manager; in Perm, he ran long Q&A sessions with local residents on Instagram. Culture Minister Olga Lyubimova was respected as the manager of the ministry's program to support the movie industry; coming from an old Moscow theatrical family, she's far more acceptable to the capital's intelligentsia than her conservative predecessor. Education Minister Sergei Kravtsov was responsible for introducing standardized testing in Russian schools.

This, however, is a classic glass-half-empty, glass-half-full situation. Khusnullin is a favorite target of anti-corruption investigations; his friends apparently have [benefited greatly](#) from the Moscow construction boom. The \$50 billion Sochi Olympics can be seen as a great success or a monstrosity of misspending, depending on which side you're on. Reshetnikov's cost cuts in Perm resulted in the demise of a much-loved soccer team, and he failed to keep Teodor Currentzis, an international celebrity conductor, from leaving his post as artistic director of the Perm opera. He's also been [targeted](#) by anti-corruption activist Alexei Navalny as the owner of surprisingly expensive real estate in Moscow and has provided only [incomplete](#) explanations.

Lyubimova has failed to shield Sergei Dvortsevov, the director of "Ayka," a film that won one of the prizes at Cannes in 2018, from a huge fine imposed by the Culture Ministry for having finished the filming later than promised. The Dissnet community, which analyzes officials' and celebrities' doctoral theses, [found](#) unacknowledged borrowings in Kravtsov's.

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This is Putin's Russia, in which the state wields all the economic power. The public servants who project it are executives in a kind of Corporation Russia, which rewards them with a level of personal prosperity not usually afforded to public servants elsewhere. They aren't incompetent or focused on stealing as much as they can. They are just trained to reach the key performance indicators set by the state for the furtherance of the state rather than the nation. Raised on management-consultant-designed metrics, this new breed of public servants has developed a certain cynicism and contempt both for private actors who operate in their areas of expertise and for ordinary people. The interests of the state are seen as separate from the interests of the plebs.

The new government's main job, clearly, is to implement Putin's so-called "national projects," worth \$400 billion in infrastructure and social services investment, until 2024. In 2019, the officials responsible for implementing these projects failed to get visible results or even spend all the available funding, so it seems clear that Mishustin was told to assemble a dream team of top achievers who would finally execute to Putin's satisfaction. His first deputy prime minister is Andrei Belousov, until recently Putin's top economic adviser and, as a qualified economist respected even by his opponents in academia, the brain behind the "national projects." Anton Siluanov, who held the first deputy prime minister's job under Medvedev and kept spending so tight that Russia has accumulated \$554 billion of international reserves, has been demoted to a mere finance minister.

But Russia's slow growth (1.2% last year, according to economists tracked by Bloomberg) isn't really an execution problem. It is, in large part, the result of a smoldering conflict between an all-powerful and increasingly all-seeing state and the rest of Russian society, from wealthy private entrepreneurs to ordinary workers stuck in hopeless poverty. By creating this new cabinet in the last four years of his presidency, Putin bets on more subjugation, more state planning, more milking of the economy — in which oil and gas account for a mere [6.5%](#) of GDP, down from a quarter in 2010 — to achieve growth through government-led redistribution.

The careerists on the new team are good at that kind of thing, and they'll probably get some results, enough at least to enhance their resumes. But the kind of results they know how to get doesn't translate into the kind of economic exuberance that only unleashed private initiative can achieve. That, however, can only be tried after Putin is gone. He doesn't believe in that kind of thing.

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