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From the issue dated September 5, 2008

FORUM

The Russians Are Coming

When the Russian army invaded the former Soviet republic of Georgia last month, it was little surprise to many observers, who have noted for several years the increasingly assertive and aggressive foreign policy of Vladimir V. Putin, Russia's prime minister and former president. But is Russia as resurgent as its recent military posturing might suggest? *The Chronicle* asked several experts to comment on the country's likely political, social, and economic prospects over the next 10 years.

Market Authoritarianism

By STEPHEN KOTKIN

The renewal of war in the Caucasus came as a shock to Americans because of profound self-delusions about the post-cold-war international order. Throughout China's continuing rise and Russia's resurgence, scholars, pundits, and government officials prattled on about a new "unipolar" era.

But today's Russia, with a gross domestic product of more than \$1.3-trillion in 2008 (compared with a low of \$200-billion under Boris N. Yeltsin) has barged back into the ranks of the world's 10 largest economies; in purchasing power, it is closing in on Britain, at No. 6. Most analysts dismissively attribute the rise to high oil prices, but Russia started its ascent years before they began to spike, in 2004. And few other petrostates can match the consumer demand of Russia's new 35-million-strong middle class.

At the same time, however, while oil and gas prices account for just 20 percent of Russia's gross domestic product, they make up 60 percent of its export earnings. When oil contributes one-third or more of export revenues, no country in history has ever made an enduring transition to genuine democracy. (Norway was a democracy before it discovered its hydrocarbon reserves.) Until alternatives to fossil fuels are introduced globally on a mass scale, Russia will mostly continue to be what it is: an autocracy.

A strong centralized state, many Russians believe, fits the country's tradition and enables it not only to resist foreign meddling — the humiliating experience of the 1990s — but also to extend Russia's influence abroad. Analysts who claim that Russia's elites are just out for the money are mistaken. Autocracy, no less than democracy, can be lucrative to the well connected, but autocracy, too, is a powerful belief system, linked to international power and prestige.

This is not the old Soviet system, however. Like China, Russia combines an authoritarian ruling system with a relatively open market economy integrated into the global economy. Forget about a feared axis of authoritarian regimes — Russia and China are rivals, with many clashing interests — but note that free trade and globalization are making autocrats richer and stronger, as happened during the last period of globalization, in the late 19th and early 20th centuries.

Still, globalization will not allow Russia to continue to beat its chest without more structural reform of its economy, because other countries, China included, are not standing still. Equally important, Russia's own success — 10 years of around 7 percent annual economic growth — has increased pressure on the Kremlin to do even better. Unlike Putin, Dmitri A. Medvedev cannot juxtapose his leadership against the 1990s. In fact, neither can Putin any longer: Precisely because of Russia's decade of economic expansion, Moscow faces soaring ambitions and popular expectations. But to reorient its modernization from high aggregate growth onto the path of high overall per capita income — which historically only a handful of countries have attained — Russia needs the one element that distinguishes all the most highly productive and innovation-driven countries: good governance. But here's the rub: Democracy and improved governance are related but far from identical.

Does the free market corrode moral character?

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Authoritarianism exists in many variants, some less and some more effective at addressing the myriad challenges of quotidian governance; some less, some more resilient and adaptable. The long-term vicissitudes of Russia's version of market authoritarianism, like China's, remain to be seen, although both countries have defied expectations for some time now.

In the future, Russia may find itself compelled to overhaul its autocracy to maintain or enhance its global clout, but already America finds itself forced to accommodate to authoritarian market-economy powers. In that regard, the nasty war between Russia and Georgia, ostensibly over the breakaway enclave of South Ossetia, has changed little but demonstrated a lot. At the same time, some genuinely momentous changes have been largely overlooked: namely, the major acquisitions that Russia-based companies are making globally, including in the United States. The Russians are coming — and for real this time.

As Russian capital continues to snap up U.S. assets, will Russians, even the Kremlin, feel they have a stake in America's overall economic success? Will Russian-owned assets on American soil finally afford Washington a potential lever over Moscow's behavior? Or will such a turn of events spark a major disruption in the globalization on which both countries depend?

Stephen Kotkin is director of the program in Russian and Eurasian studies at Princeton University. He is author of Armageddon Averted: The Soviet Collapse, 1970-2000 (Oxford University Press, 2001), which will be available in a revised edition in December.

Fleeting Oil Supremacy

By NINA L. KHRUSHCHEVA

Russia's resurgence is largely the result of international economic conditions, in particular the world's energy crisis. As long as the price of oil remains high, Putin will be able to promote an image of Russia — one of the world's main energy suppliers — as a divinely ordained nation, destined to withstand the decay and destruction of the West. Judging by Russia's recent incursion into Georgia, that is more than just a slogan. Putin is proudly uninterested in Western criticism, which has earned him broad popular support at home. He believes that Russia's quick show of force has taught a lesson to the United States, Georgia, and all of the former Soviet satellites seeking closer ties with the West. His popularity will allow him to go on to make the case that Tbilisi, Sevastopol, and Tallinn belong to Russia and — if necessary — should be taken by force.

In such a state of affairs, Putin could remain a prime minister for many years to come, aided by a string of presidents — like Medvedev — who are nominally elected but hold little or no power.

That scenario, however, is unlikely. The unstable conditions that are stoking Russia's current economic boom may soon bring about a crisis similar to the financial meltdown of 1998, when, as a result of the decline in world commodity prices, Russia, which is heavily dependent on the export of raw materials, lost most of its income. Widespread corruption at every level of private and state bureaucracy, coupled with the fact that the government invests little of its oil money in fostering areas like technological innovation, corporate responsibility, and social and political reform, could spin the economic balance out of control. Rampant inflation might bring the Putin-Medvedev Kremlin down.

Even if Russia withstands that scenario, global forces will ultimately burst its economic bubble. The temporary release of the U.S. oil reserves, and tough economic and legal sanctions against oil speculators around the world, should end Russia's oil supremacy and hasten its economic collapse. And sooner or later, alternative solutions to the world's dependence on oil and gas will be found.

Only then will a weakened Russia begin the hard work of confronting its tired old paradigm of greatness, which has traditionally been grounded in natural resources or military-industrial capabilities. Thus far Russia's economic development hasn't improved the average Russian's life as much as it has helped the country prop up its image. Joseph Stalin's industrialization killed millions — and became obsolete within 30 years. Putin's oil-and-gas-based economic boom will prove equally unsustainable.

The only enduring solution for Russia is to begin investing in its human capital, which will lead to the development of an economy of goods and services — the foundation on which every responsible capitalist nation has built its prosperity.

Nina L. Khrushcheva is an associate professor of international affairs at the New School and author of Imagining Nabokov: Russia Between Art and Politics (Yale University Press, 2007).

A Fascist Kleptocracy

By EDWARD LUCAS

Russia will be weaker in 10 years. Its population is falling by a million people a year. From a Slavic Russian-chauvinist point of view (i.e., that held by many senior officials), even that dismal statistic is too optimistic. Russia's Muslim minority, currently around a fifth of the population, is growing fast, just as "ethnic Russians" are shrinking in number.

Russia will be weaker militarily, partly because it will lack the numbers of young men it needs to sustain a conscript army, but also because of corruption. Like all others engaged in public procurement in Russia, the military finds it almost impossible to spend large sums of money honestly and effectively.

That is a symptom of a wider problem: the failure of the Putin experiment to modernize Russia's archaic system of public administration. Putin's successor, Medvedev, talks a lot about anticorruption efforts.

But it is hard to see those starting where they need to start: at the very top. It is there that tens of billions of dollars have been diverted into the "pocket companies" of the elite, such as RosUkrEnergo, Gunvor, and the like. Without a free press or a real opposition to ask embarrassing questions, such criminally cozy arrangements will persist.

The slide into a fascist kleptocracy is corrosive to Russia's chances of joining the rest of the developed world, where — by virtue of its education level and aspirations — it certainly belongs. That decline endangers even Russia's survival as a unified country.

One key issue is ideology. How much of the propaganda about a "new Byzantium" do those in power really believe? Is it sentiment just made up to fool the Russian people? Or is it becoming the guiding principle for policy decisions?

Second, will the business and professional class that has grown up since the financial crash of 1998 morph into a real middle class? That could change Russia's prospects: A middle class demands both a law-governed state and moral values in society. But the signs are not promising. The huge opportunities for graft in Russia are creating a self-interested state bureaucracy that does not want to change the system off which it feeds. Middle-class incomes are not the same as middle-class values.

The Kremlin likes to argue that Russia is different, that democracy does not suit Russia's history and geography, that democracy has been tried and failed. That's effective propaganda for a population bruised by the chaos and sleaze of the 1990s. But it is untrue. Russia's history is not only about authoritarianism and imperialism. It is also the story of astonishingly brave men and women who struggled for freedom, like the eight protesters who went to Red Square in August 1968 to denounce the Soviet-led invasion of Czechoslovakia. Like countless others in past decades, their slogan was: "For your freedom and ours."

The best way that the outside world can help Russia now is by example. The West has squandered the moral authority it had at the end of the cold war. Dick Cheney's America and Silvio Berlusconi's Italy don't look much different from Putin's Russia, at least when viewed from Moscow. We have to practice what we preach before we can expect anyone else to believe it.

Edward Lucas is the Central and Eastern Europe correspondent for The Economist and author of The New Cold War: The Future of Russia and the Threat to the West (Palgrave Macmillan, 2008).

Little Hope for Democracy

By ELLEN CARNAGHAN

The fruits of Putin's efforts to undermine democracy in Russia could be seen clearly during the March 2008 presidential election. By applying electoral laws unevenly, the government prevented the more viable democratic candidates from running. Television stations devoted little air time to the opposition candidates who were permitted to run. Financial support for opposition groups evaporated following legal prosecution of politically ambitious oligarchs and restrictions on foreign nongovernmental organizations. As a result, Putin could select his successor, Medvedev, confident that the "popular" election would affirm his choice.

Given that most Russian citizens responded to that clearly managed election by dutifully voting for Putin's choice, or by quietly staying at home, an observer could be excused for wondering whether ordinary Russians care very much about democracy. In truth, Russians may care more about the relative order that Putin's government provided through consistent economic growth and strong control over a variety of political actors. But it would be inaccurate to say that Russian citizens do not value the essence of democracy. Most Russians treasure the personal freedoms they have enjoyed since the collapse of the Soviet Union. They recognize the benefits of a government responsive to the needs of citizens and restrained from capricious actions.

Even so, it seems unlikely that ordinary Russians can look forward to a more democratic government in the near future. Governments become more democratic when political leaders so choose, when external pressures prove inexorable, or when citizens effectively struggle to get more rights and opportunities. None of those factors seems likely in Russia.

Russia's current leaders have constructed a mighty fortress to protect their own power. Barring the emergence of splits within the ruling elite, they have no incentive to move beyond the appearance of democracy. Nor do they have to worry much about external pressure. A lowering of oil prices, which might undermine budget surpluses and leave the regime less able to satisfy key constituents, seems unlikely. With Western Europeans heating their homes with Russian natural gas, and with American moral suasion undercut by the Iraq war, Russian leaders have little reason to respond to calls for greater democracy from other governments. The Russian invasion of Georgia brought into high relief the government's disregard for criticism from abroad, as well as the limited effectiveness of the carrots and sticks that Western governments might choose to wield.

Change from inside, through popular resistance, faces enormous logistical challenges. The winner-take-all presidential system gives overwhelming power to the president and works against small political parties. Vocal opponents of the status quo often find themselves in jail, leaving less bold citizens wary and uncertain about what they can accomplish. Most hopeful is the emergence of locally focused citizens' groups. The actions of such groups — to improve housing and clean up neighborhoods — do not immediately challenge state power, so they are subject to less pressure. Such groups can serve the real needs of real people, helping unpracticed citizens see the connection between their political activity and their daily lives. Over the long haul, locally focused political action could teach Russians how to get the government they want. But in the short run, Russian citizens are likely to be stuck with the

government they have.

Ellen Carnaghan is a professor of political science at Saint Louis University and author of Out of Order: Russian Political Values in an Imperfect World (Penn State University Press, 2007).

Moscow's New Swagger

By MARSHALL I. GOLDMAN

Predicting where Russia will be four or five years from now is risky; predicting where it will be in 10 years may actually be less hazardous. In 1987, when I told my wife that I had been asked at a Congressional hearing to predict what would come of Mikhail Gorbachev and perestroika in four years, she became visibly upset: "You idiot. If you are going to predict, do it for 10 years, not four. In 10, everyone will have forgotten what you said." (Fortunately, I had said that by 1991, he would no longer be the Soviet Union's president.)

But predicting where Russia will be 10 years hence is not as risk-free as it may seem. Unlike the histories of most of Western Europe and the United States, Russian history is marked by abrupt, indeed revolutionary — not evolutionary — changes. The events of 1905 and 1917, not to mention 1991, are examples. But even linear change in Russia is difficult to anticipate. After Russia's bloodletting and near defeat in Chechnya, and the disastrous August 17, 1998, financial crash, no one I knew of believed that in less than 10 years, Russia would be able to recover and not only pay off its debt but refill its empty treasury. Today Russia has close to \$500-billion in reserves and an annual trade surplus of \$120-billion, as well as a ruble whose value keeps increasing relative to the dollar.

The economic contrast with the United States is especially striking. Whereas Russia in 2006 had a foreign-trade surplus of about \$130-billion, the United States had a deficit of about \$880-billion. Much of the U.S. deficit came from importing about 13.6 million barrels of oil a day, at a cost of about \$450-billion, including \$10-billion worth of oil imported from Russia. In contrast, Russia was able to export 5.7 million barrels a day.

Assuming Russia remains strong economically for at least a decade — that its oil and gas reserves, the reason for its economic turnaround, last that long — it will continue to reassert itself as a political superpower internationally. Its bully-like behavior in Georgia is a perfect preview of Russia's new swagger.

Of course Russia has problems. Its population shrinks by at least 700,000 people a year; that makes it hard to sustain a work force and an army. More, Russia has to worry about China, which has a growing population and an economy and military force that continue to expand. Some Russians are also concerned that their country's petroleum reserves will not be able to sustain production at the present level, and that its oil output may already be declining. Russia has little else to rely on. Oil exports generate two-thirds of the country's export revenue. If that revenue shrinks, so would Russia's prosperity and political influence. Putin and Medvedev have a lot to worry about.

Sometimes even those on the ground in Russia are unable to predict the future. A Muscovite named Ivan was asked, "Why weren't you at the last meeting of the Communist Party?" Embarrassed, he replied, "If I had known it was the last meeting, I certainly would have been there."

Marshall I. Goldman is an emeritus professor of economics at Wellesley College and a senior scholar at the Davis Center for Russian Studies at Harvard University. His most recent book is Petrostate: Putin, Power, and the New Russia (Oxford University Press, 2008).

Russia's Response to NATO

By SEAN KAY

Russia's foreign policy is driven by Moscow's quest to dominate the countries on its periphery, which positions Georgia, Ukraine, Poland, and the three Baltic countries — burgeoning democracies that are either members of NATO and the European Union or are actively seeking membership — as flashpoints. Last month the United States and Poland signed a deal to establish a missile-defense base 115 miles from the Russian border. Moscow's response? "Russia will be forced to react, and not only through diplomatic" means, warned the Foreign Ministry. A senior Russian army general was even blunter: "Poland ... is exposing itself to a strike — 100 percent."

Such provocative bluster aside, the Russian military, which has modernized elements of its armed forces, remains weak. And though Russia's brazen invasion of Georgia demonstrated a willingness and ability to use its military for tactical gains and to send strategic messages, Moscow risks overplaying its hand. Russia's economic gains depend heavily on European energy consumers. That fact gives Moscow leverage with Europe, but also requires it to moderate its behavior towards its neighbors, so not to risk pushing the West toward a more assertive response. After all, Germany, for example, recently reiterated its belief that Georgia and Ukraine will become NATO members, which was agreed to at the last NATO summit in Bucharest in April.

Both NATO and Russia will tread lightly. NATO is likely to continue to try to enlarge its membership, but the United States will probably make it plain that the organization's presence in the former Soviet block is intended to unite Europe, not antagonize Moscow. Because NATO rules and procedures do not allow a country's membership until certain criteria — including the settlement of territorial disputes — are met, the United States and its NATO allies have considerable leverage in dealing with conflict between Russia and Georgia. If Russia overreaches, those rules may be revisited. If Georgia does not work

effectively and in good faith with Russia to resolve the situation in South Ossetia and Abkhazia, then NATO might reconsider Georgia's bid for membership.

I expect that the United States will begin working with its allies to build an institutional capacity in the Organization for Security and Cooperation in Europe (OSCE) to more effectively engage in peacekeeping operations in the Caucasus. In addition the United States and the European Union will probably launch a concerted diplomatic campaign to reduce growing tensions between Ukraine and Russia over the Crimean region of Ukraine. Finally, I hope the United States moves away from its "Putin first" policy and instead builds on grassroots connections that give average Russians more of a stake in their own future. Russia, if it chooses to cooperate, can play an important role in solving 21st-century security challenges. Moscow has, however, lost considerable trust and prestige in recent weeks — the burden of proof now lies with Russia.

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