

Dinner seminar meeting at CSIS
Russia Balance Sheet Speaker
Series 2012



СТРАТЕГИЧЕСКИХ
РАЗРАБОТОК

SOCIO-ECONOMIC CHANGE AND
POLITICAL TRANSFORMATION IN RUSSIA

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January, 9 2012



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**This presentation is based on the report
by the Center for Strategic Research in
collaboration with the Russian Academy
of National Economy and Public
Administration**



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CONTENTS

- 1. About the previous political report**
- 2. Current political trends**
- 3. The role of the middle class**
- 4. The impact of two baby-boomer generations**
- 5. Medium-term perspectives**
- 6. Long-term perspectives**

About our first political report



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- **Our first report issued in March 2011 was perceived as “wishful thinking”**
- **But many of our predictions turned to be correct, while the probability of some others has increased significantly**
- **We were able to correctly interpret the internal logic of the political process**
- **We arrived to our conclusions mainly on the basis of focus groups.**
- **According to our previous experience, focus groups have the predictive power**
- **Our research also showed that the decline in popular confidence is a self-accelerating process with strong positive feedback.**



The predictions which came true

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- The aging of Vladimir Putin's political brand will continue, accompanied by the fast increase of his anti-electorate
- Dmitry Medvedev will be unelectable as the next President of Russia;
- Public reaction to the tandem swap will be negative and will trigger radicalization of public opinion
- Criticism of the leadership will soon reach out from the Internet to the broader mass media (including three main strictly censored TV channels)
- Political satire will become widespread and the culture of political jokes will revive
- The effectiveness of official rhetoric will decline; even the most constructive programs and concepts will be perceived negatively by the public



The predictions which came true

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- **The rhetoric leadership will be taken over by political opposition**
- **Protest sentiments will grow rapidly, especially in large cities**
- **A “critical mass” of political opponents of the regime will emerge shortly**
- **Pressure from determined opponents will trigger mass exodus of conformists into the opposition**
- **Signs of an inner split within the elite will be on the rise. The split will be marked by the exit of high-level officials**
- **Mass demand for alternative candidates for the president and prime minister will emerge**



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Recommendations of the first report

- **The first report contained recommendations that could have eased tensions and facilitated transition to competitive political model. For example, we recommended that:**
 - **the right wing opposition parties be registered**
 - **winning parliamentary majority for the United Russia should not become an objective because will not give any tangible advantages but will expose it to ever growing public criticism**
 - **coalition government could be the most preferable election outcome, consistent with strategic self-interests of the ruling class**
- **These recommendations were either ignored (for example, the scale of election fraud indicated the “business as usual” mentality) or implemented unsuccessfully (the attempt to revive a managed right-wing parliamentary opposition, led by Mikhail Prokhorov).**



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Inadequate response of the authorities

- **The initial response of the authorities to the crisis indicates poor understanding of the ongoing process of change**
- **The leadership is losing the political sensitivity that previously helped to successfully overcome difficulties**
- **The government's responses are lagging behind the political developments whereas**
- **Preemptive action towards political change may be the only effective way to cope with fast-moving events.**



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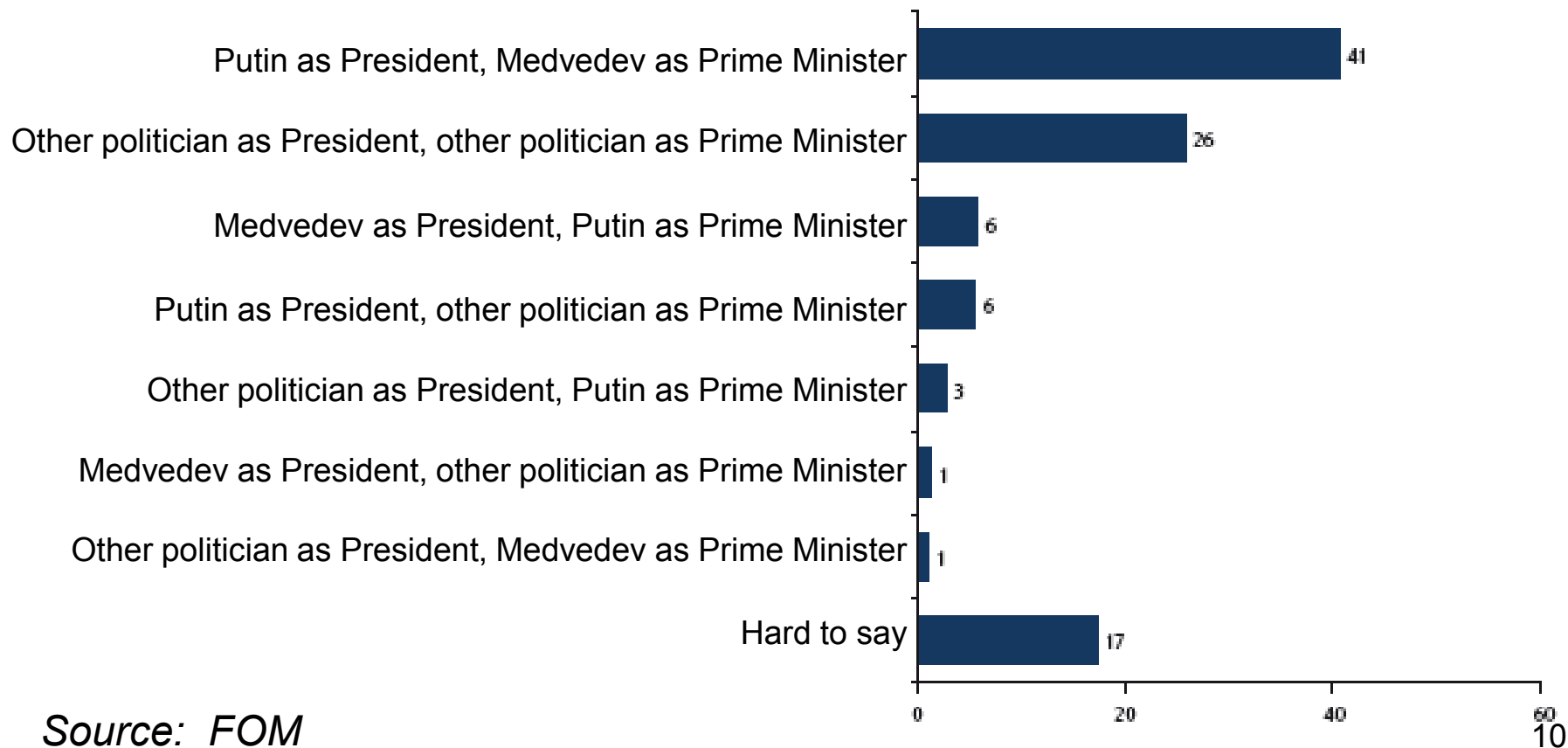
The plausibility of some scenarios from the first report increased

- **Parliamentary and presidential elections will be perceived as “unfair” and illegitimate**
- **Parliamentary and presidential elections will serve as a catalyst for further radicalization of the opposition**
- **Opposition party campaigns will be based on little else than the criticism of the ruling party and voters will support them of protest intentions, regardless of party platforms**
- **The chances to pursue a responsible economic policy and implement institutional reforms in the aftermath of the presidential elections will be slim**
- **Popular discontent will develop into open mass anti-government protests**



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Demand for alternative leaders sharply increases



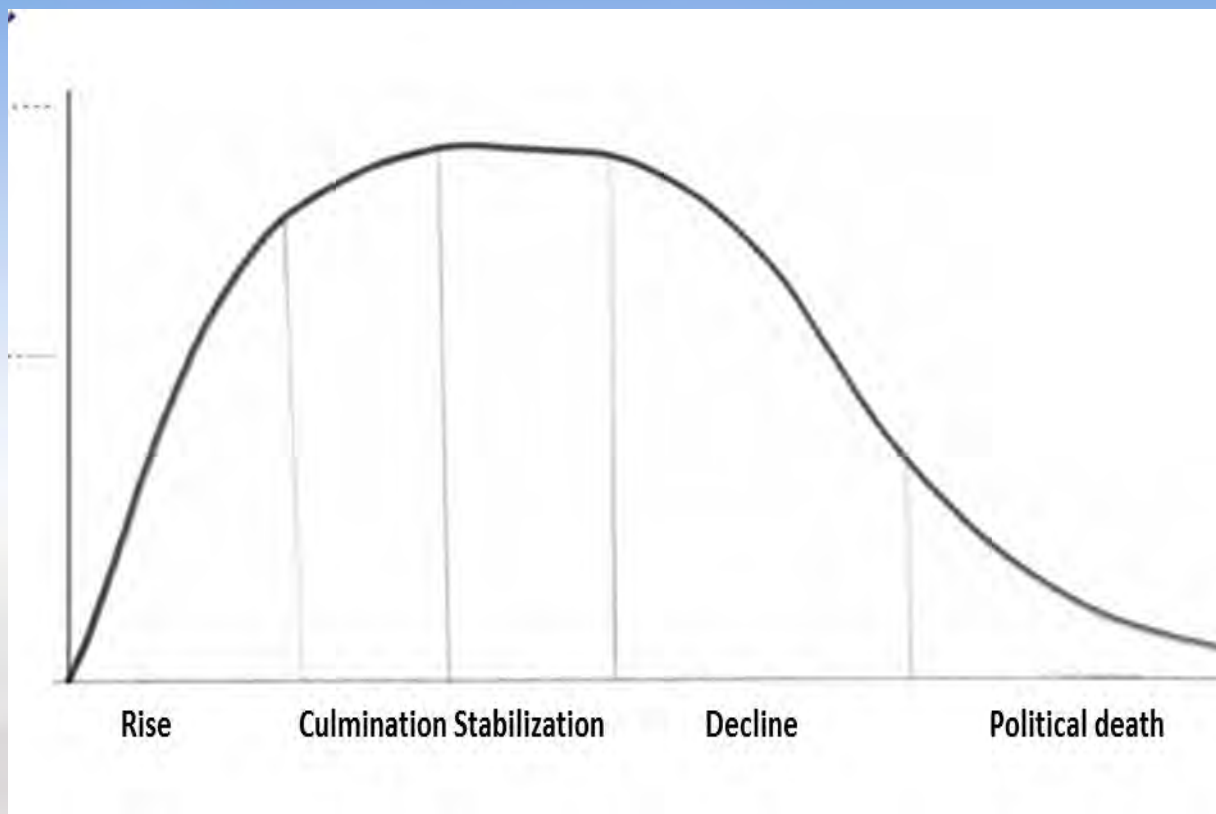
Source: FOM



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Lifecycle of political product

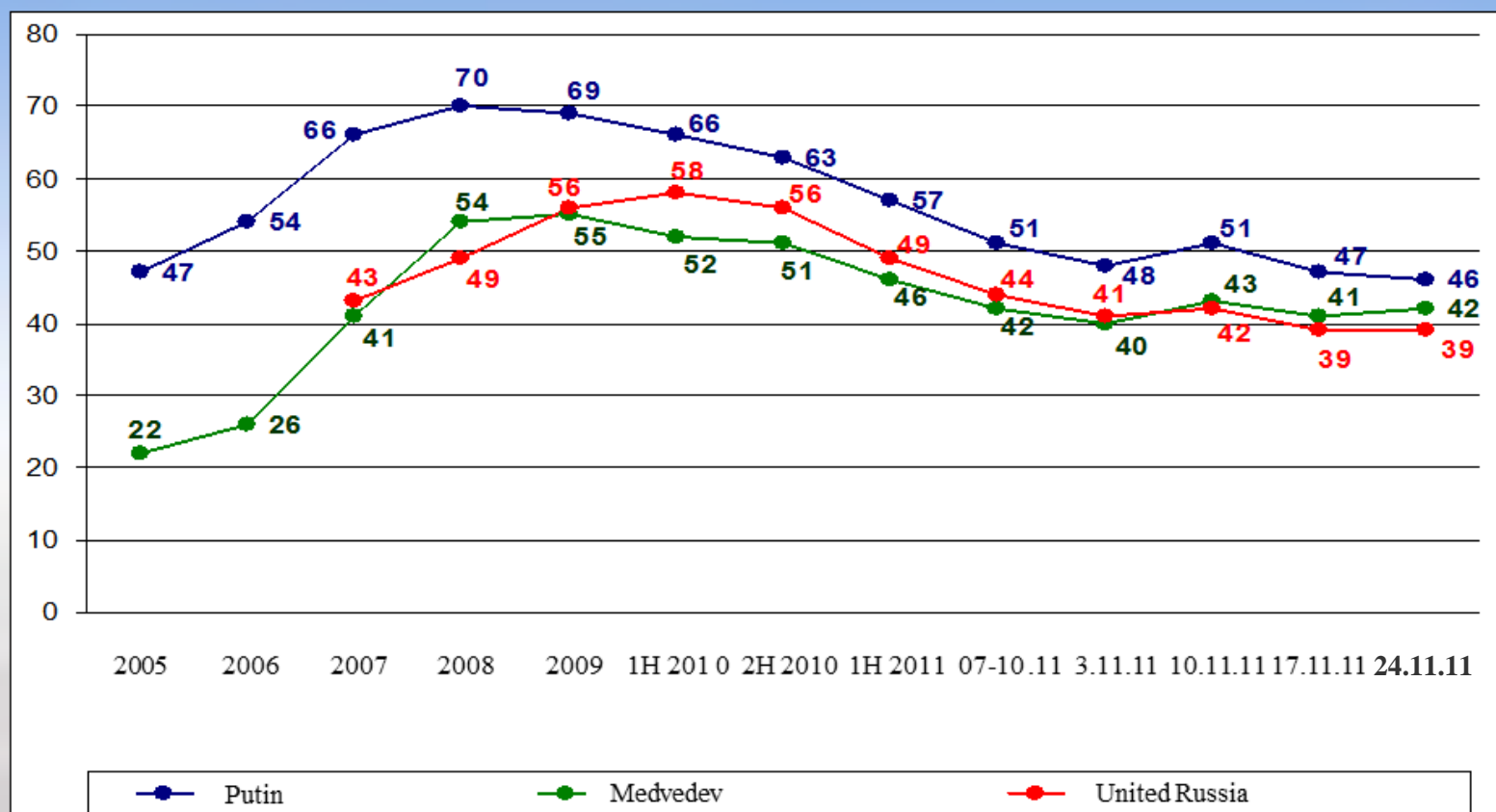




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Confidence ratings of Medvedev, Putin and United Russia

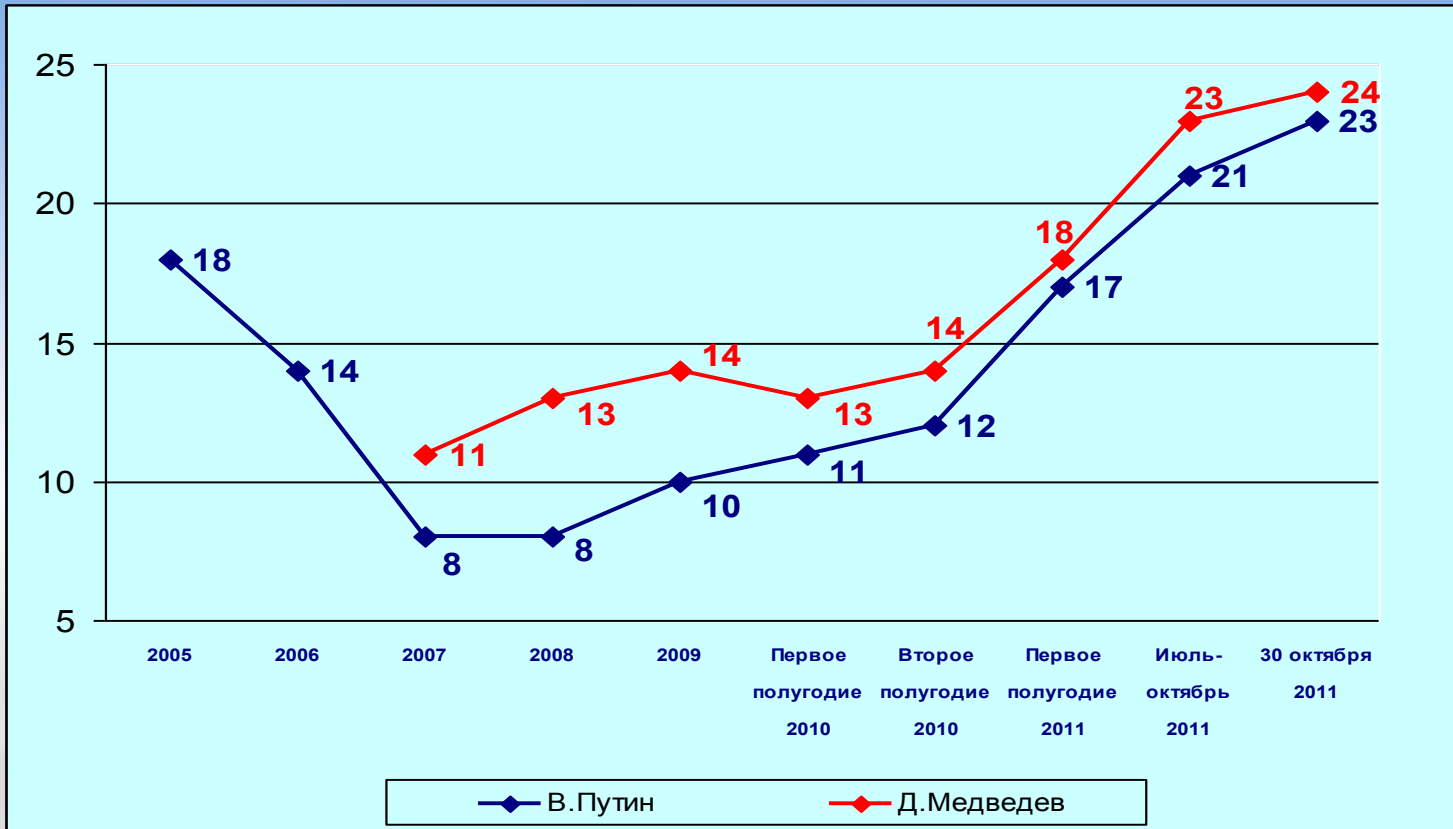


Source: FOM



Non-confidence ratings for Putin and Medvedev

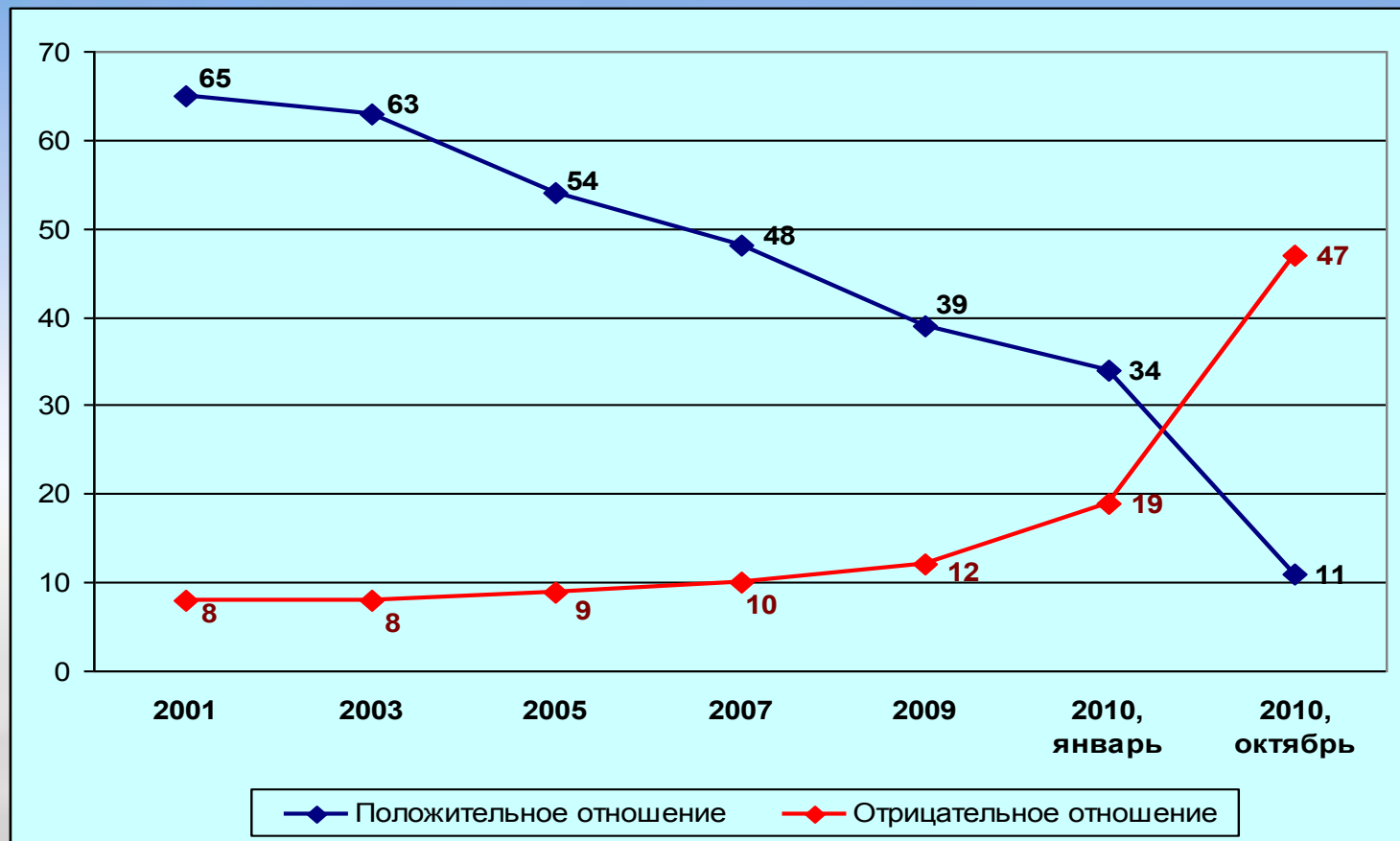
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Approval and disapproval ratings of Luzhkov

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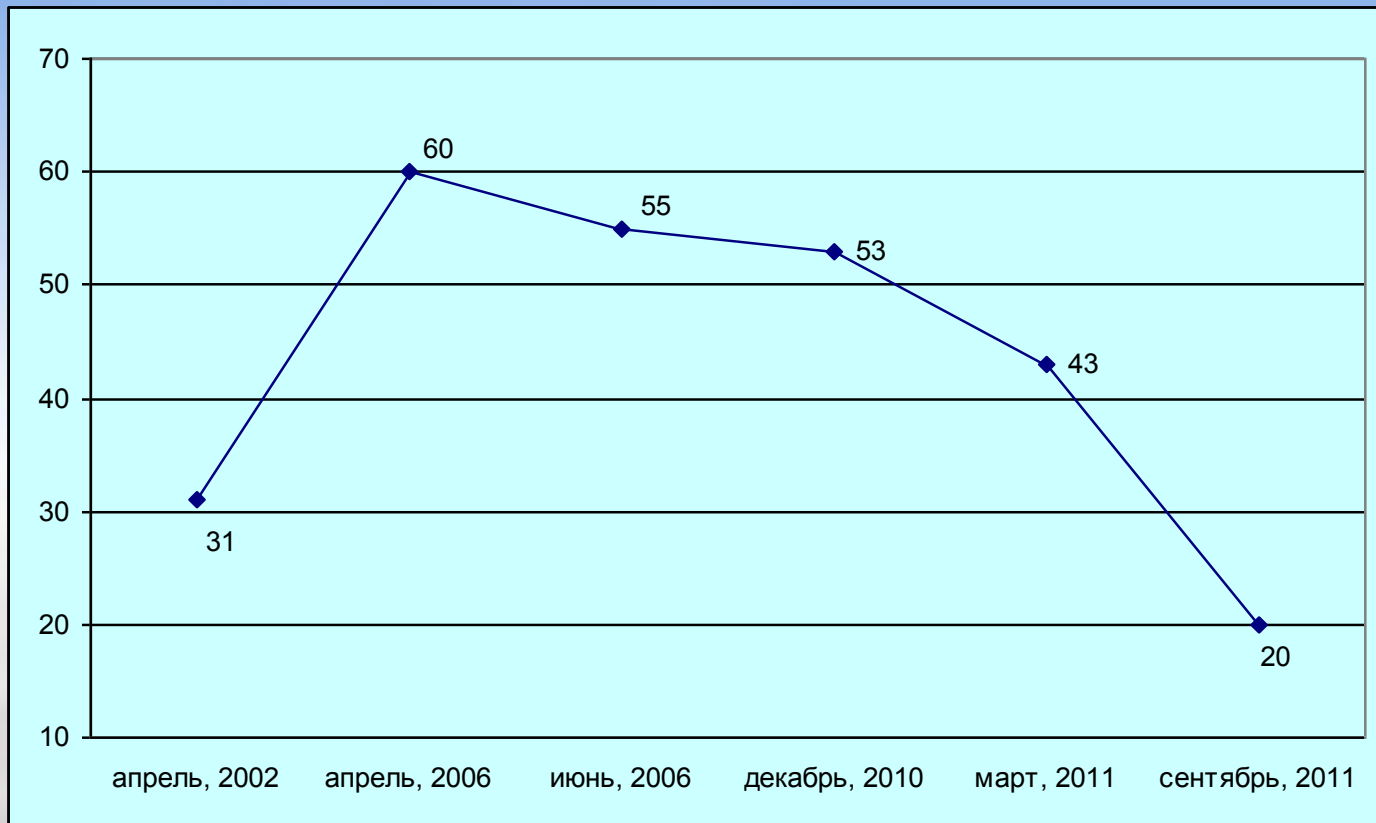


Source: Levada center



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Approval rating of Lukashenko



Source: NISAPI

Aging of rhetoric



СТРАТЕГИЧЕСКИХ
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- **During Soviet and post-soviet era problem of ageing rhetoric emerged several times**
- **One of the vulnerable aspects of Putin's rhetoric was that it developed in a relatively homogenous society.**
- **By the end of 2000s, the middle class had become more entrenched and influential, whereas the traditional rhetoric of Vladimir Putin and the ruling party was addressed to other social classes and failed to meet the expectations of the middle class.**
- **The mass spread of political satire on the Internet is the writing on the wall for the authorities**
- **In order to renew effective dialogue with society, the government will have to radically change the content of communications. But it will hardly be possible without changing personalities.**
- **Thus far, the top echelons of power face a severe shortage of new effective communicators.**



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Manipulative Party Politics Becomes Less Effective

- The party manipulation system was originally devised as a flexible and informal system of political control.
- The keystones of its success during formation of the power vertical, included fast and informal decision making, absence of red tape and an ability to risky improvisations breaking political stereotypes.
- The inevitable price to pay for this institutionalization was lower risk tolerance, path dependency and a reduced ability to improvise.
- Growing polarization requires more room to be given to opposition leaders and parties which appeal to ever more influential political minorities, but it also increases the risk that votes will be diverted away from the ruling party.
- Reduced risk tolerance undermined attempts to revive a right-wing party under the leadership of Mikhail Prokhorov – he was viewed as too independent.
- From an effective tool of political control, manipulative system becomes a risk factor to the regime.

Polarization of electorate and protest intentions



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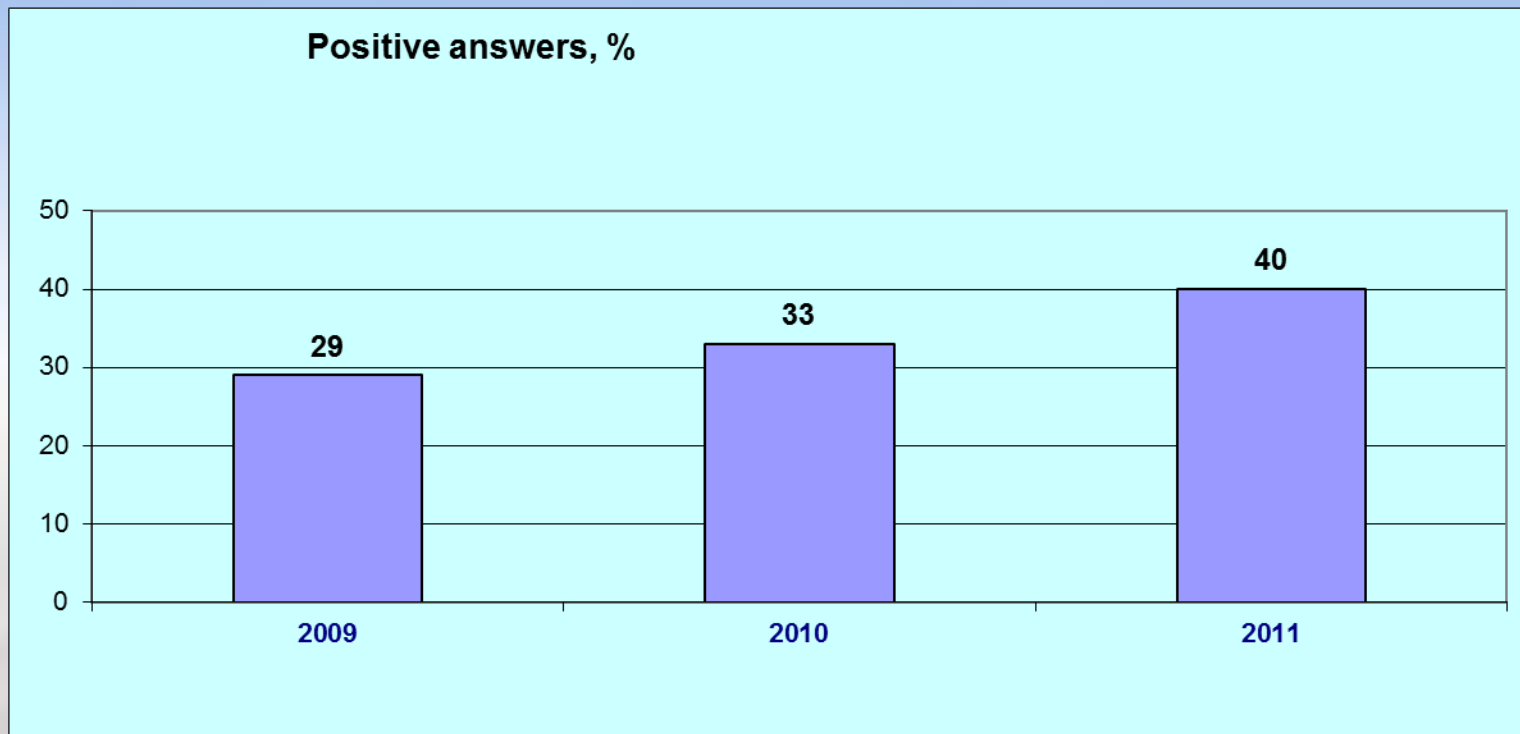
- **By the end of the past decade two social poles had evolved with well established and, in many respects, incompatible values, behavioral patterns and political expectations.**
- **As a result, the once consolidated centrist electorate began to gravitate towards newly emerged opposition-minded political poles.**
- **With growing social polarization, it is becoming increasingly difficult to reconcile conflicting interests within the non-competitive political setting.**
- **The existing system of governance has failed to secure political representation for the emerging urban middle class.**
- **A considerable part of middle class voters driven by protest intentions is forced to vote for left-wing opposition parties, whose programs are not consistent with their fundamental economic interests.**



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Protest intentions

Do you personally feel discontent and are you ready to participate in protests?

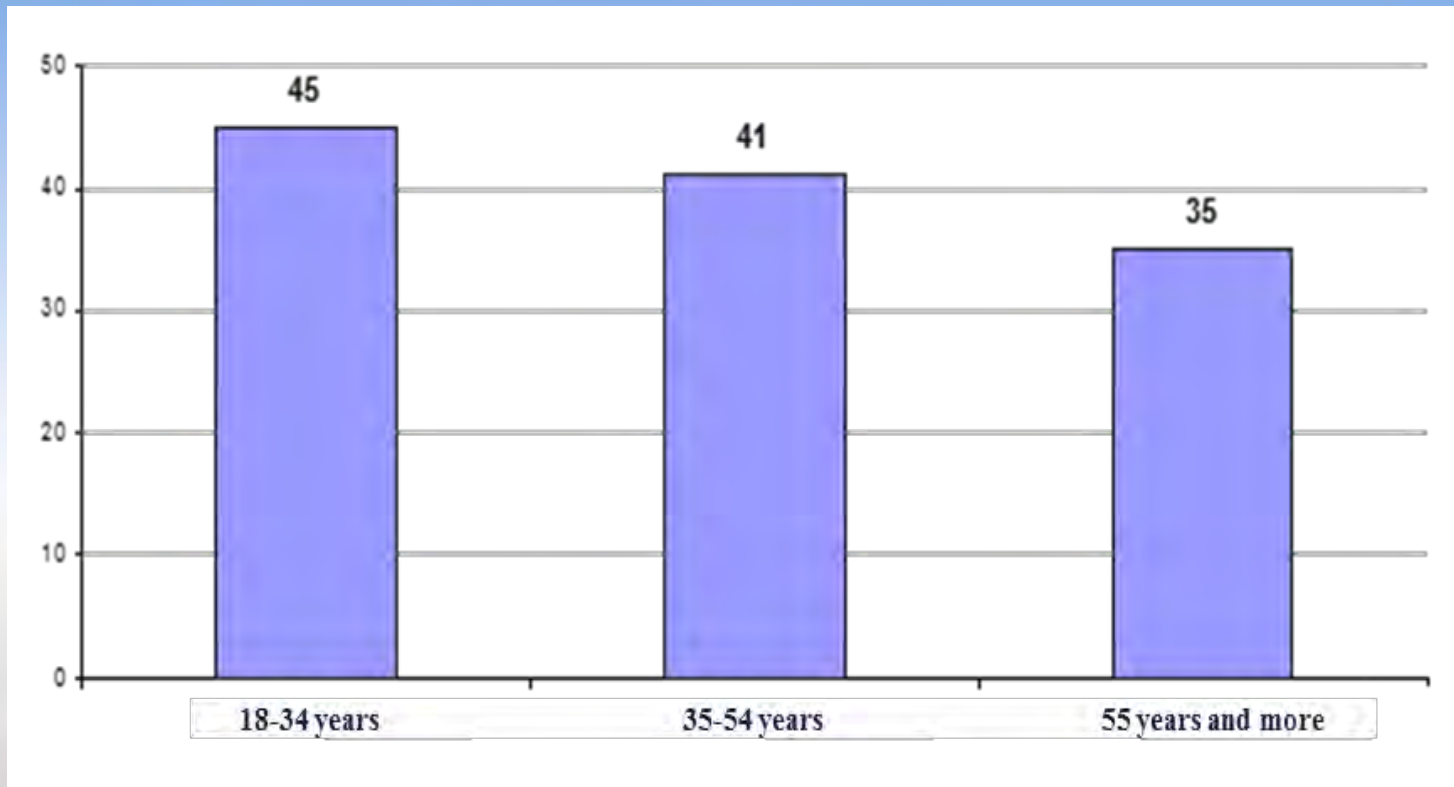


Source: FOM



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Support for United Russia by age groups



The role of passive majority



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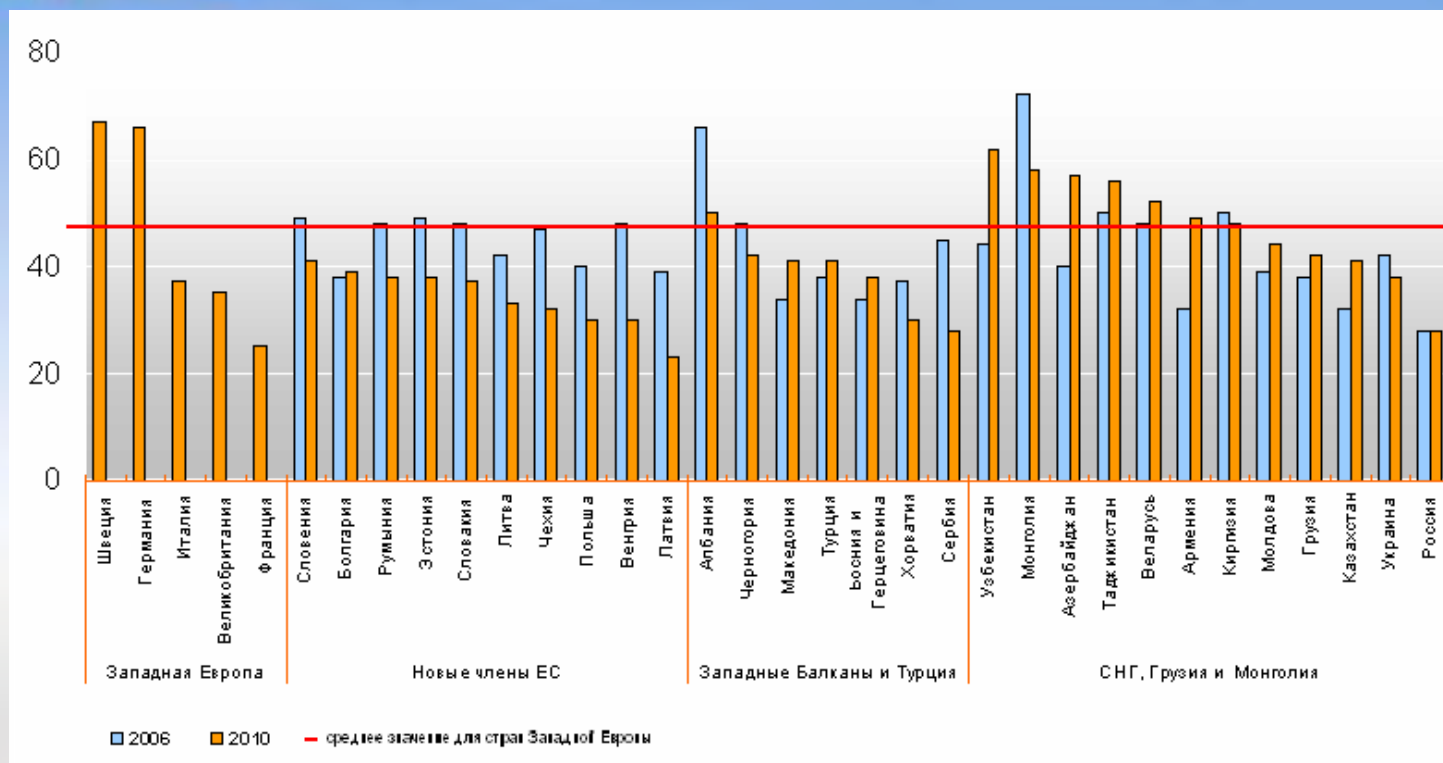
- The authorities have to increasingly rely on support from the intermediate social groups which lack homogeneity, consistent aspirations and established behavioral norms typical to social poles.
- This political base is unreliable because with time intermediate groups will gravitate towards opposition minded social poles. As a result, in the near term the process of political transformation in Russia could pass through three different stages.
 - The first stage involves the development of a critical mass of the opposition
 - The second stage could involve rapid weakening of the authorities due to massive switch to opposition of the passive electoral majority representing intermediate social groups.
 - At the third stage, which will be analyzed more closely in the second part of this report, we expect the political opposition to diverge towards opposing ideological poles.



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Attitudes to market



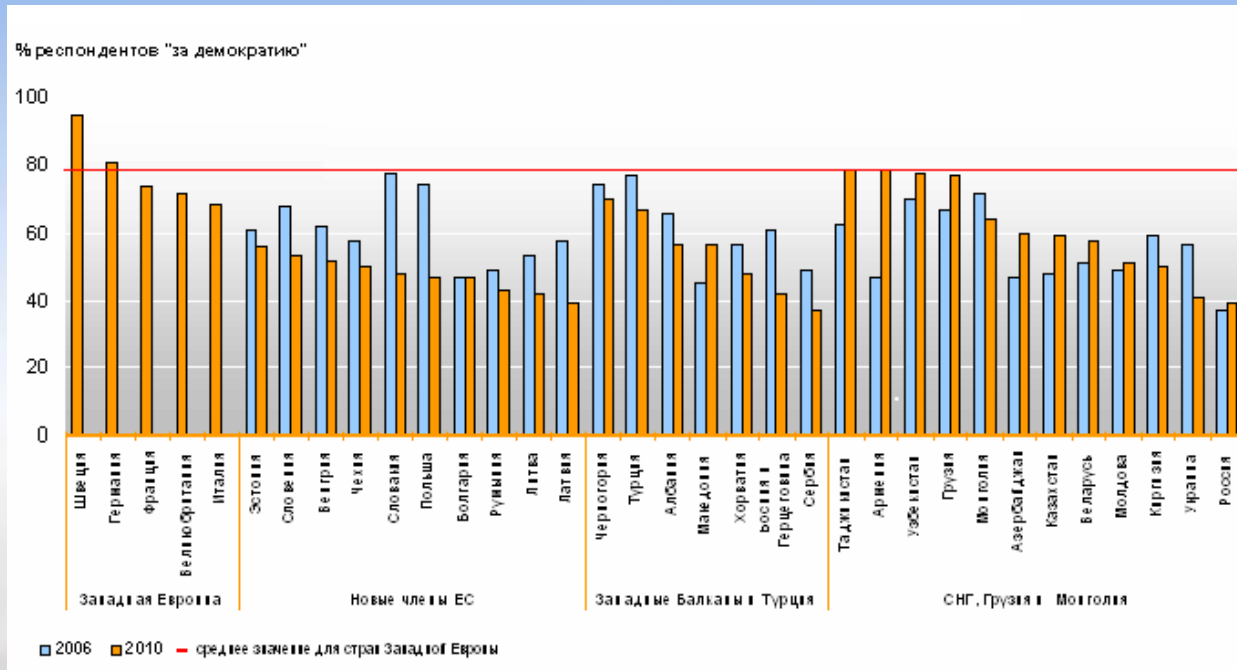
Source: EBRD

Attitudes to democracy



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Source: EBRD

The feeling of unfairness



СТРАТЕГИЧЕСКИХ
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What society is more fair – Russian or Western? (% of respondents)

западнее?

Данные в % от всех опрошенных

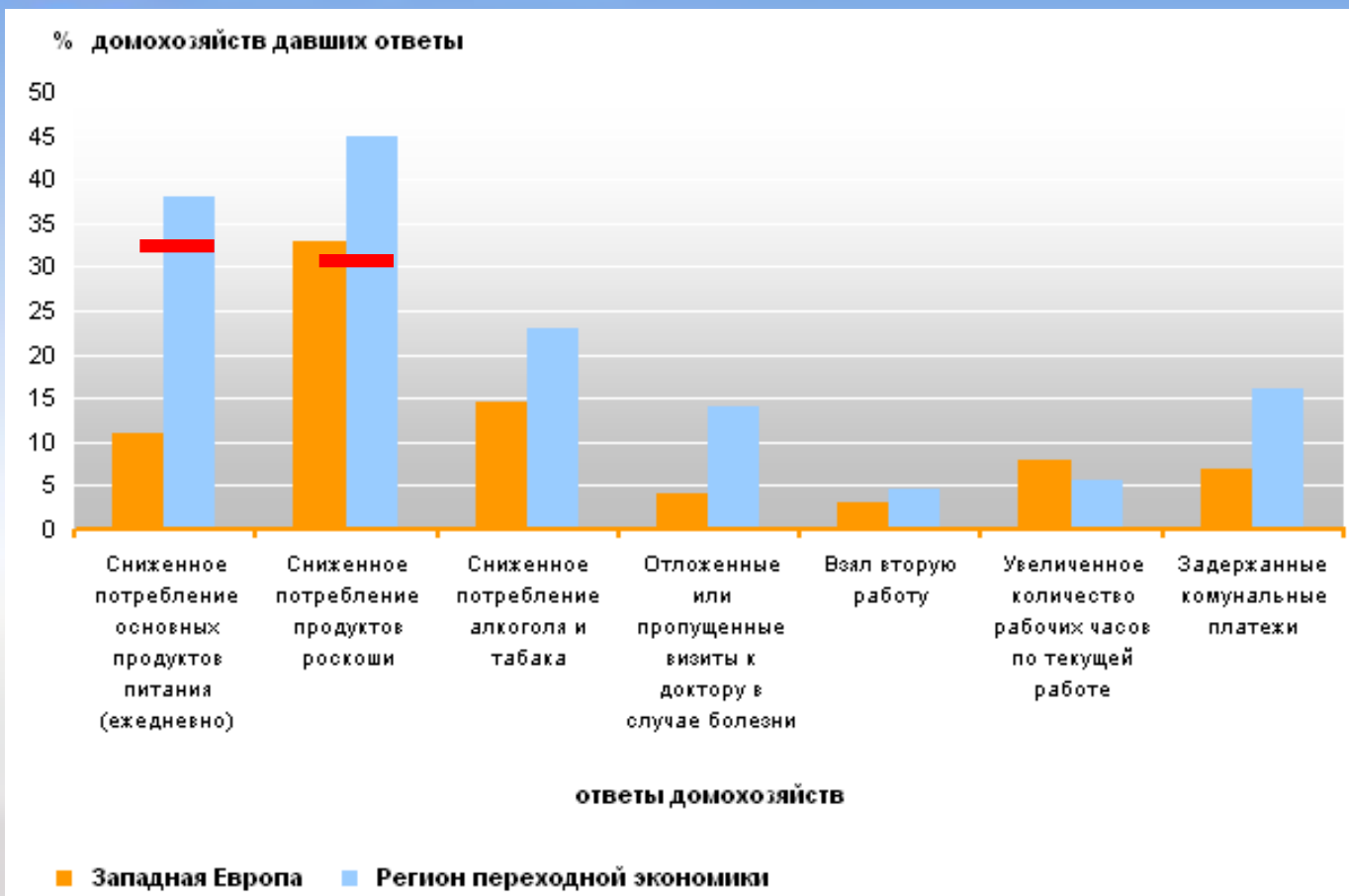


Is modern Russian society fair by comparison with the Soviet society in 1970s-80s? (% of respondents)

Данные в % от всех опрошенных



Incidence of reduction in consumption

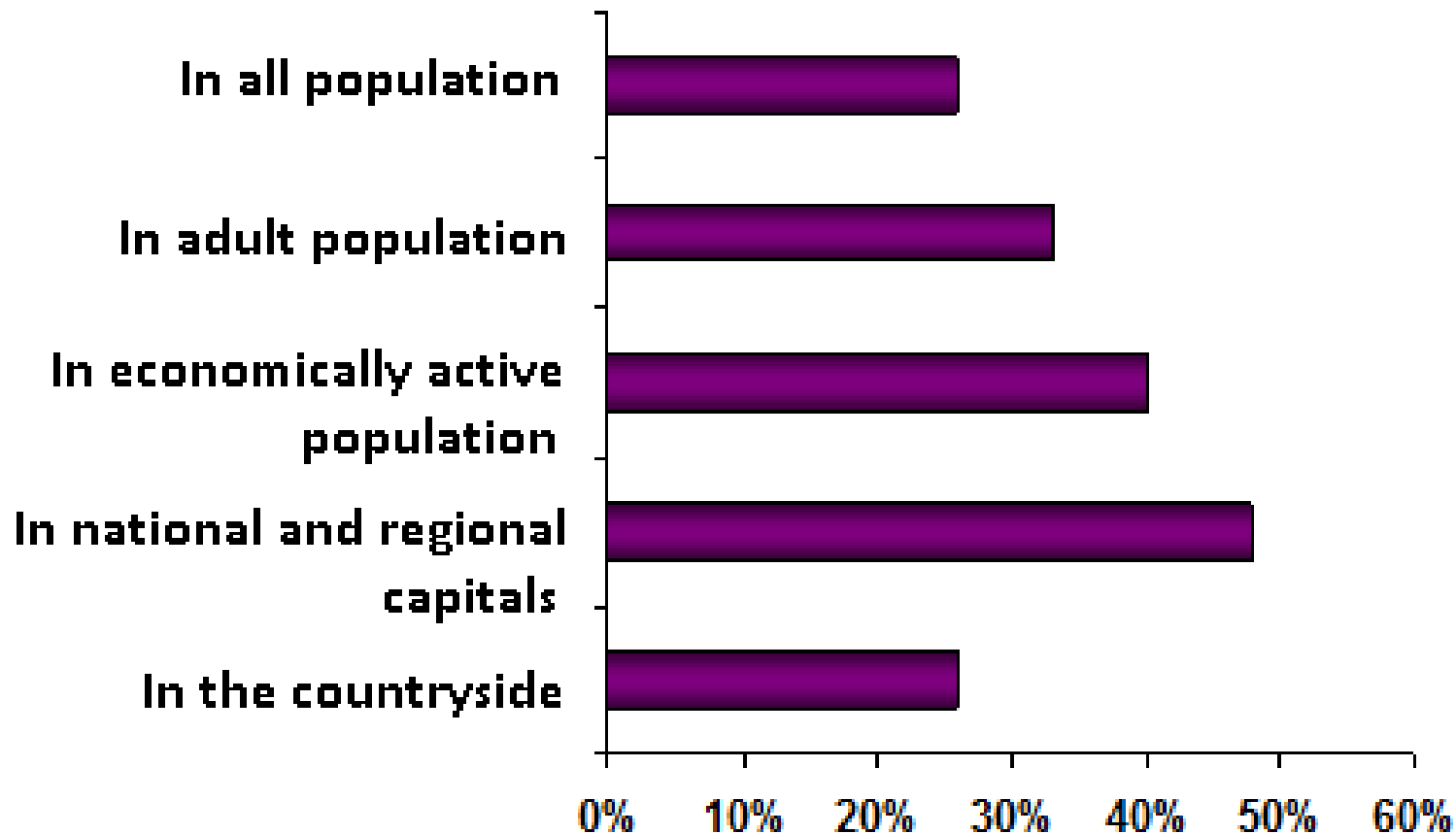


Source: EBRD



The share of the middle class

СТРАТЕГИЧЕСКИХ



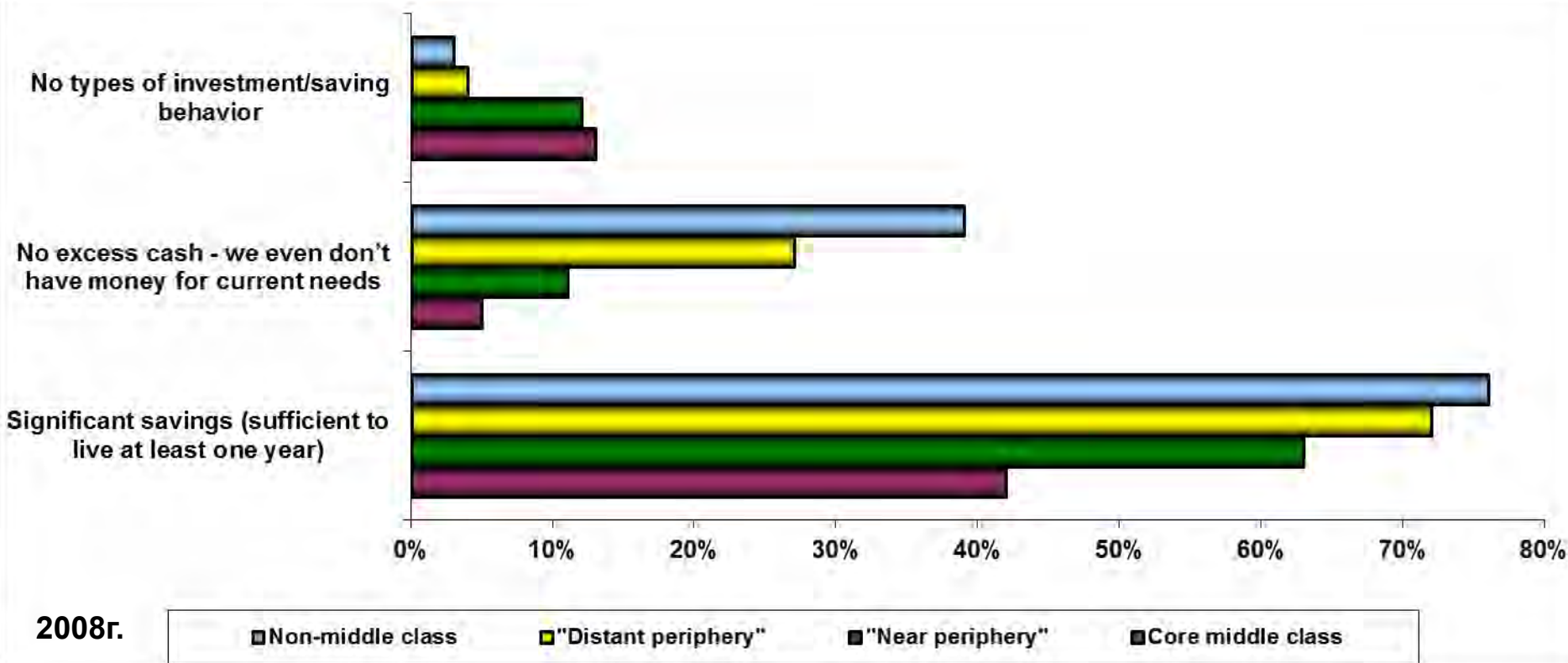


A typical case of social distribution:

Financial behavior

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РАЗРАБОТОК

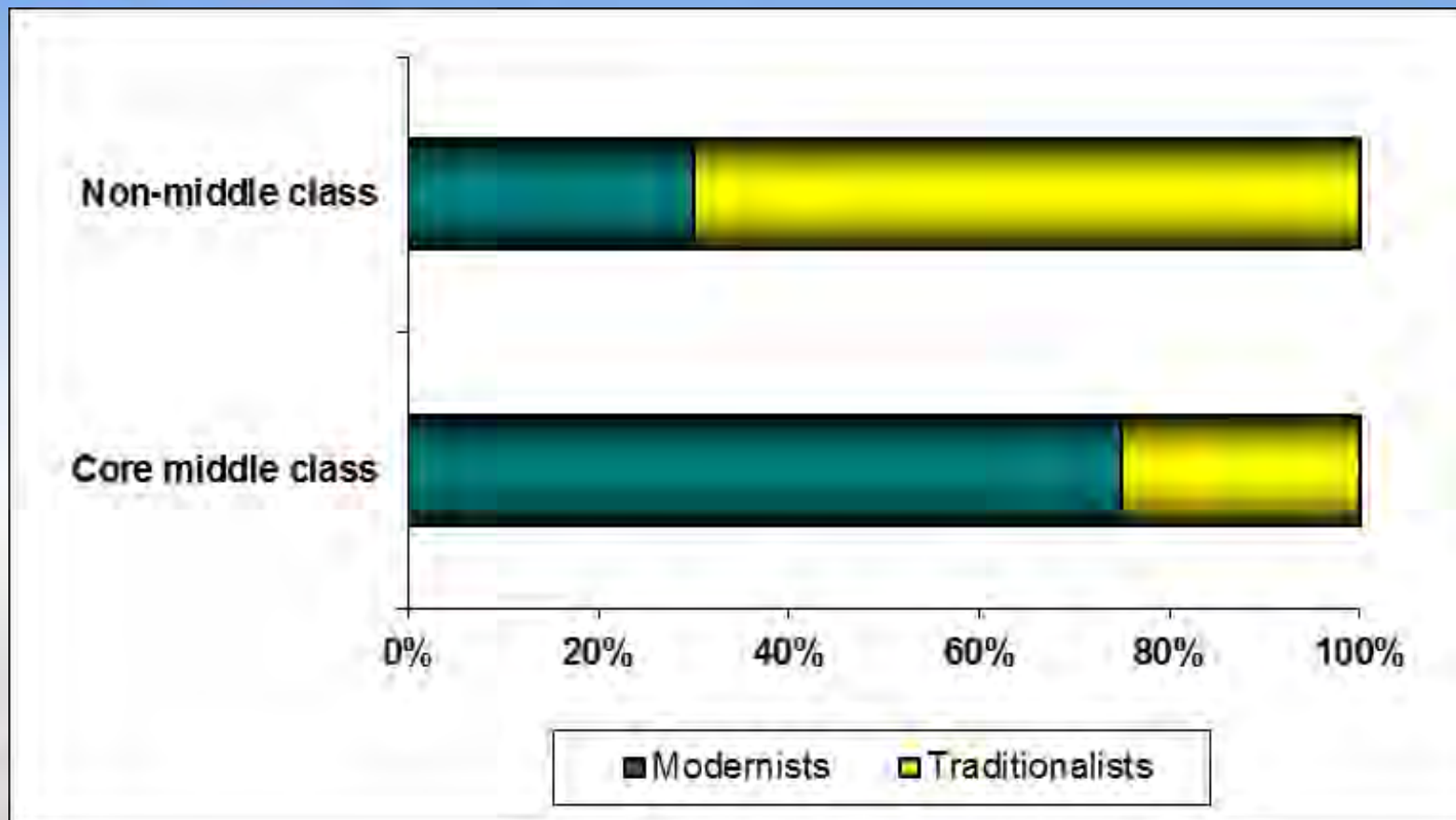
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Middle class and the modernists

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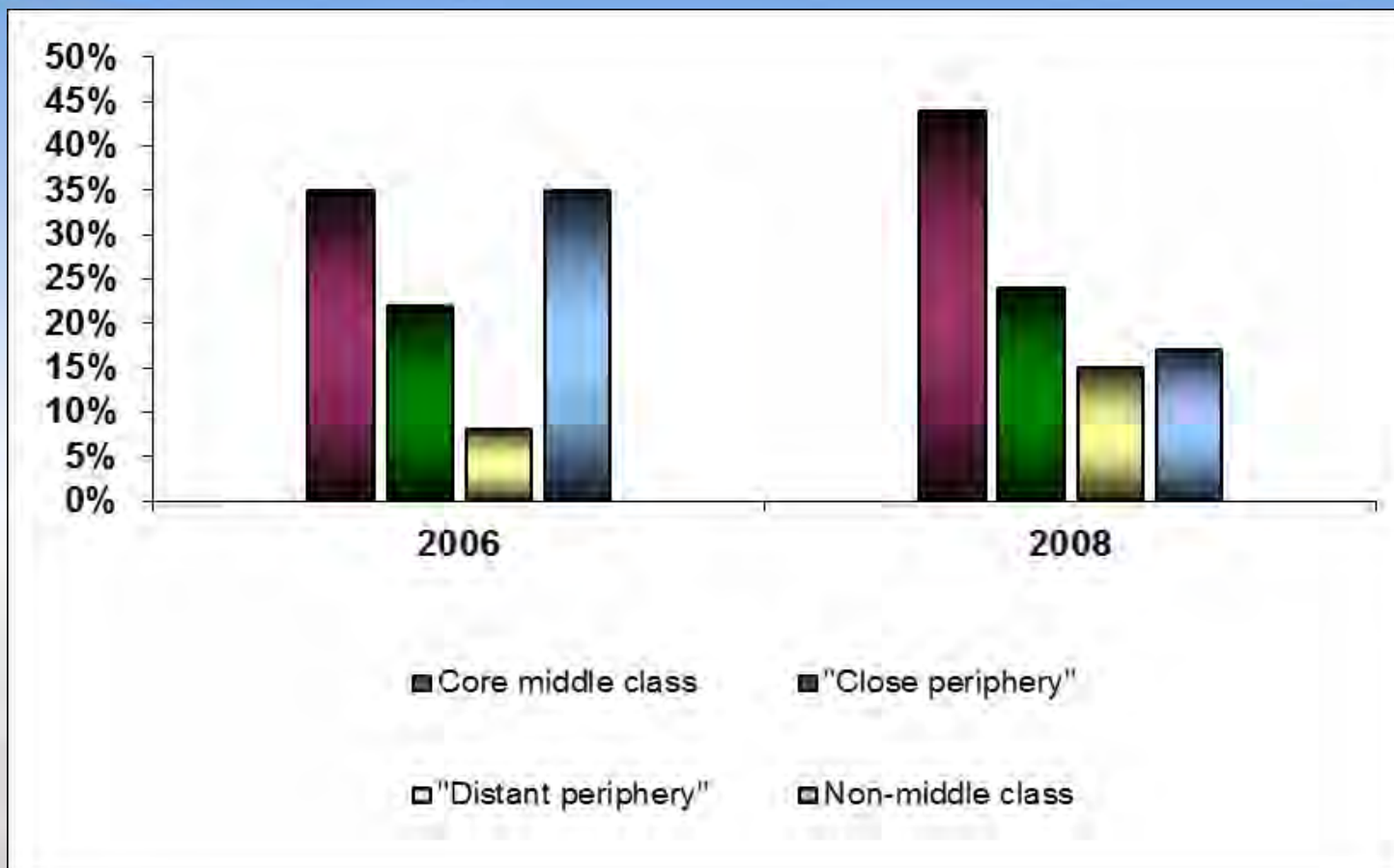




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The core of modernists

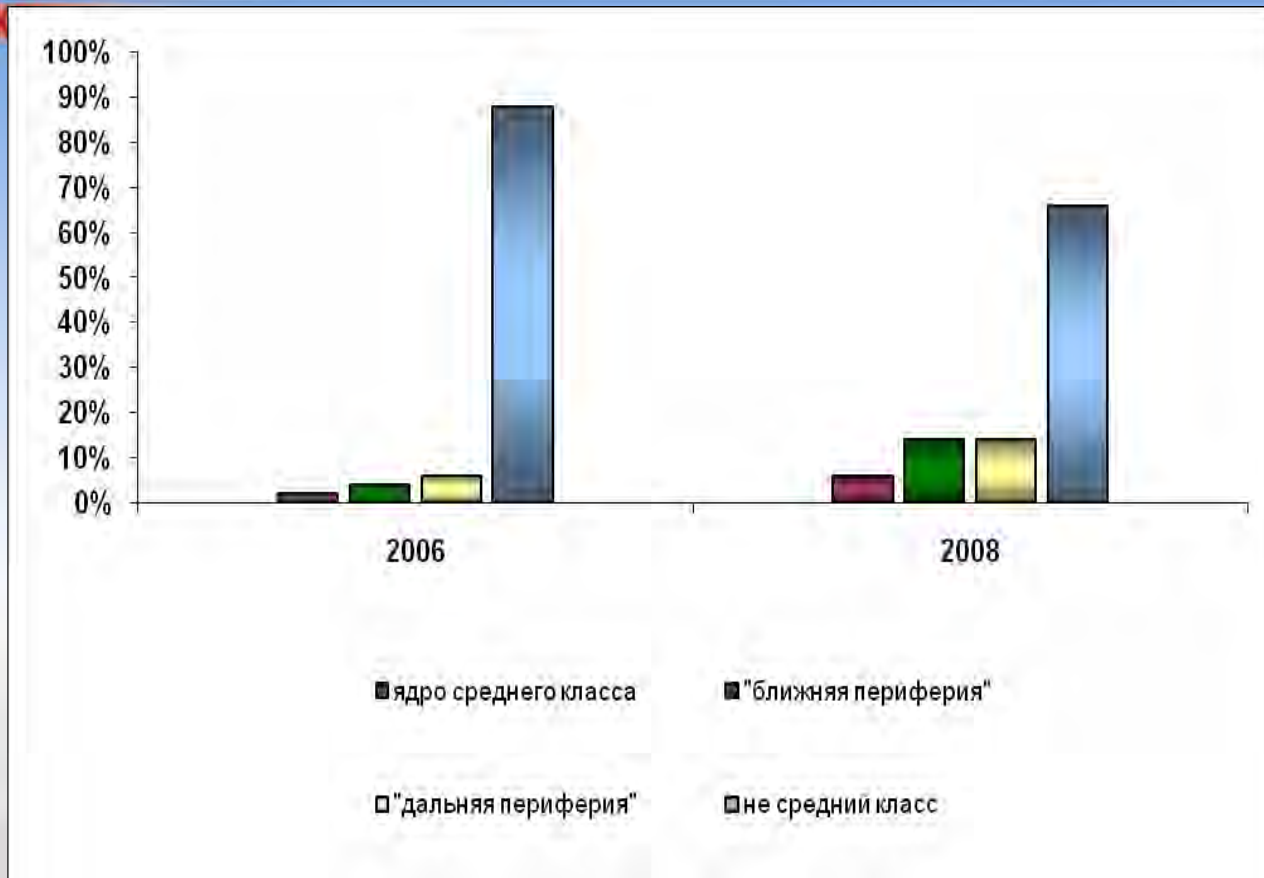




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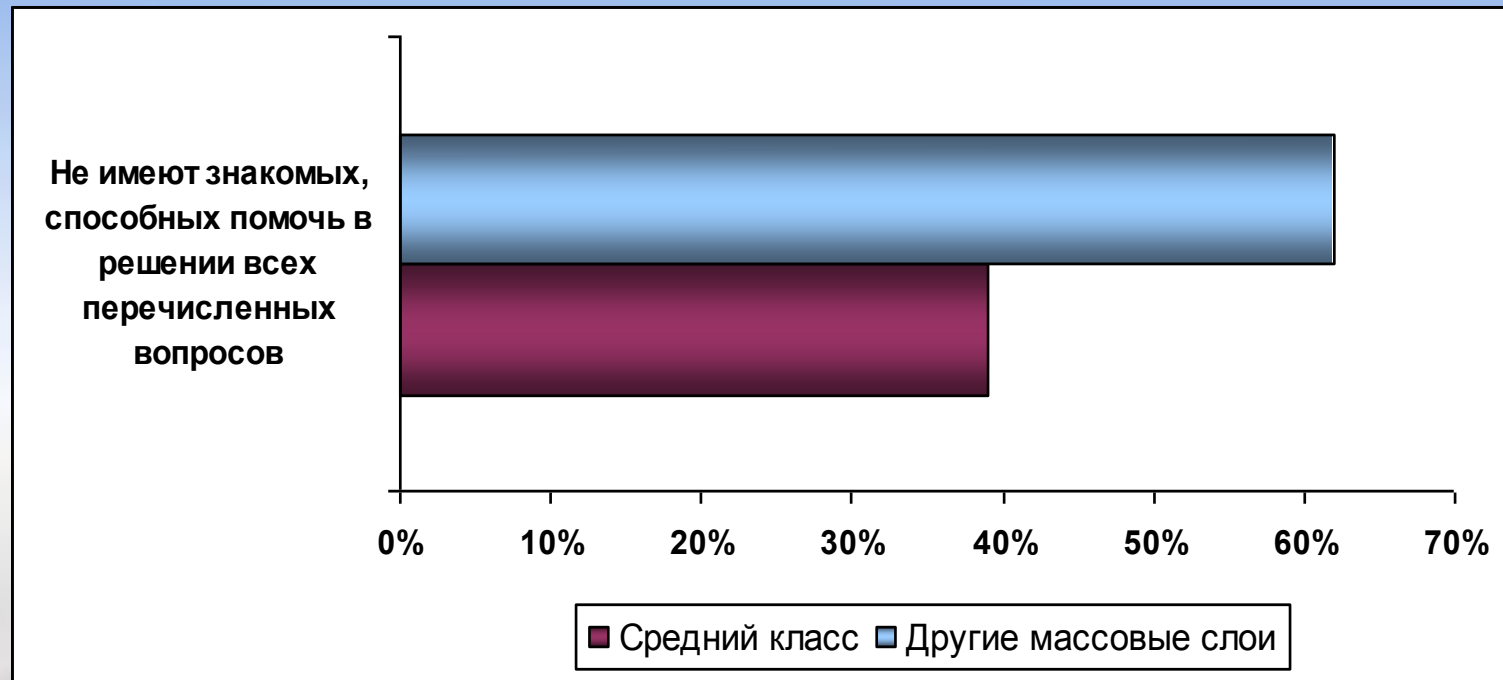
The core of traditionalists





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Social capital

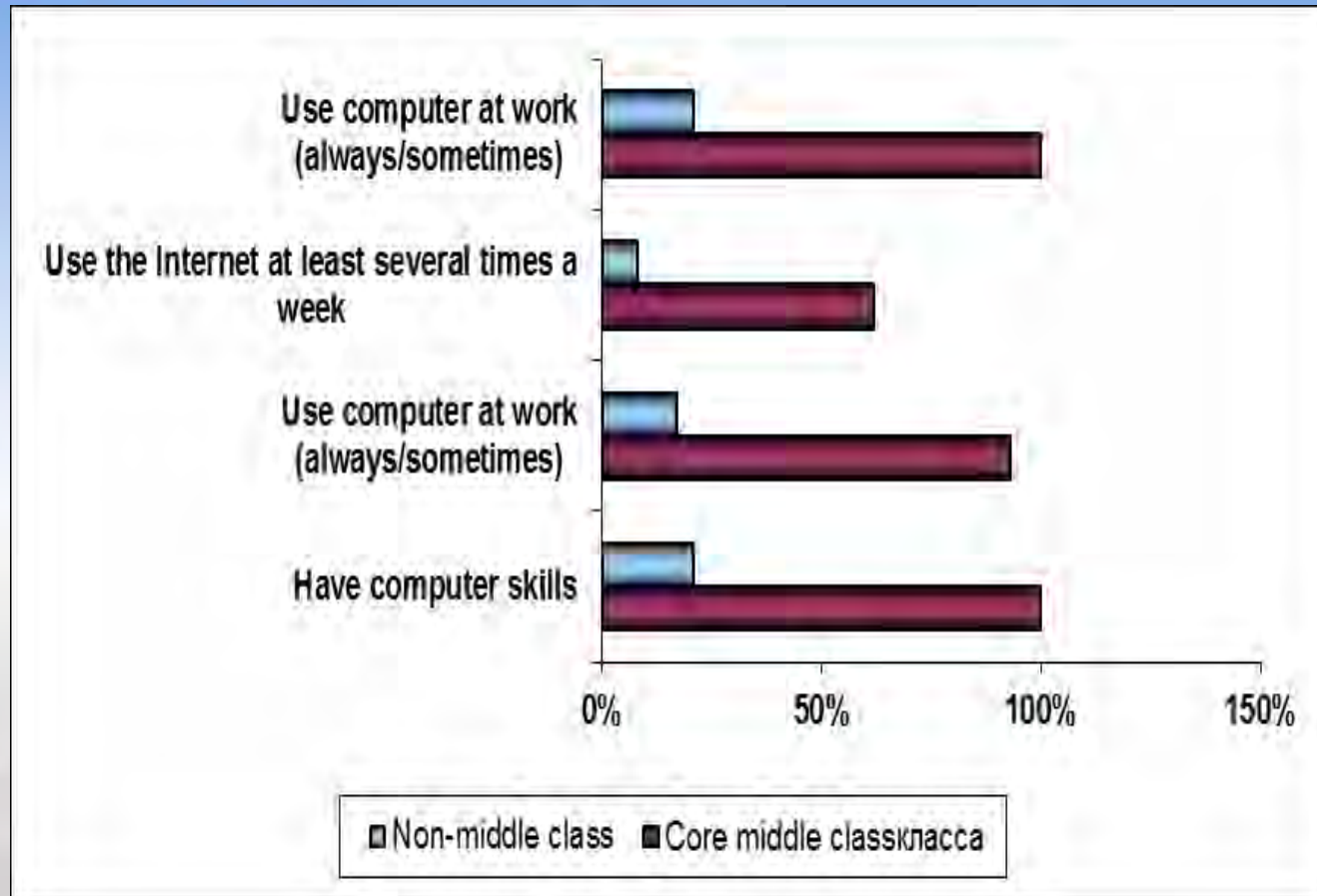




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Access to ICT

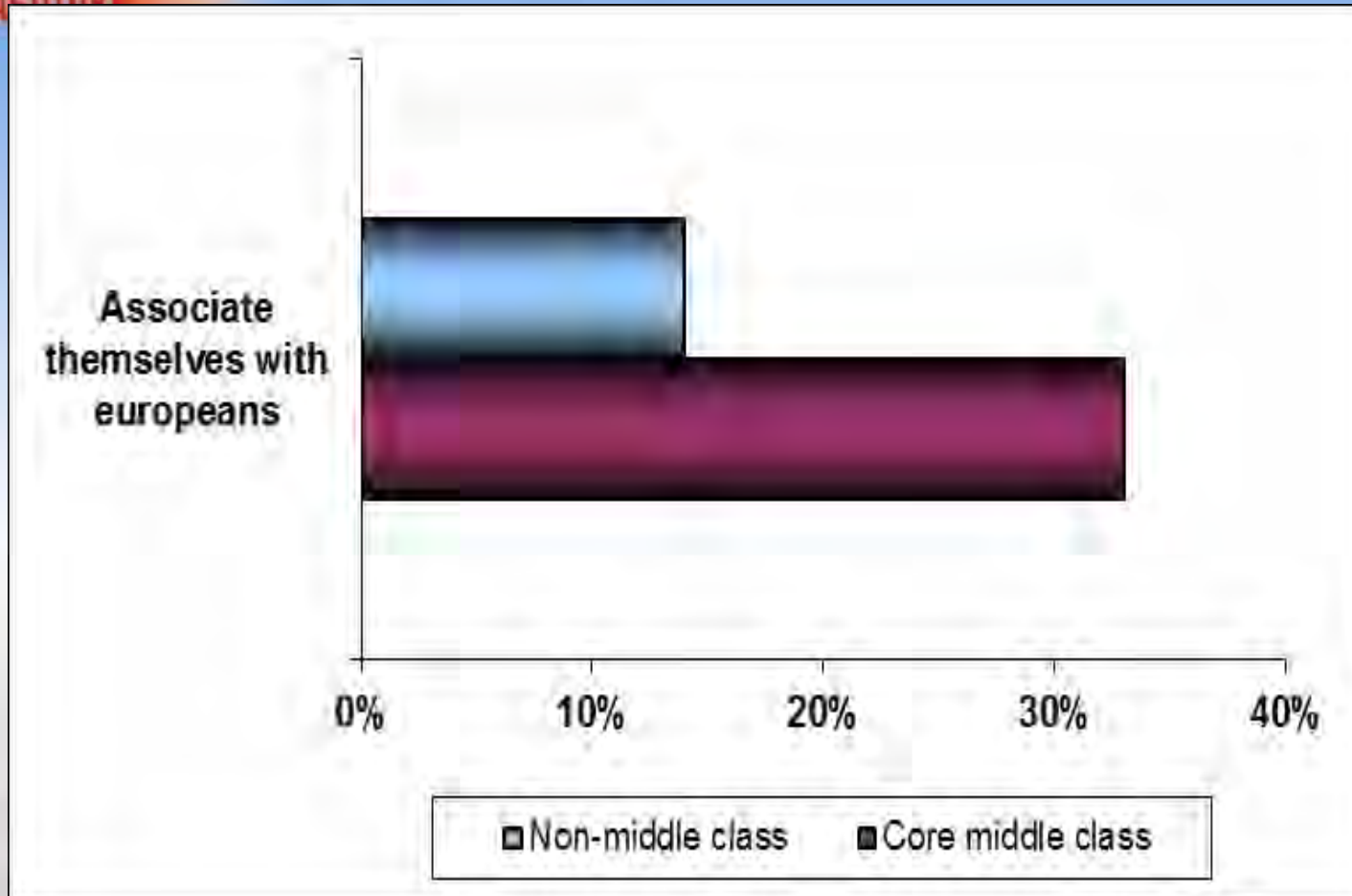




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European values

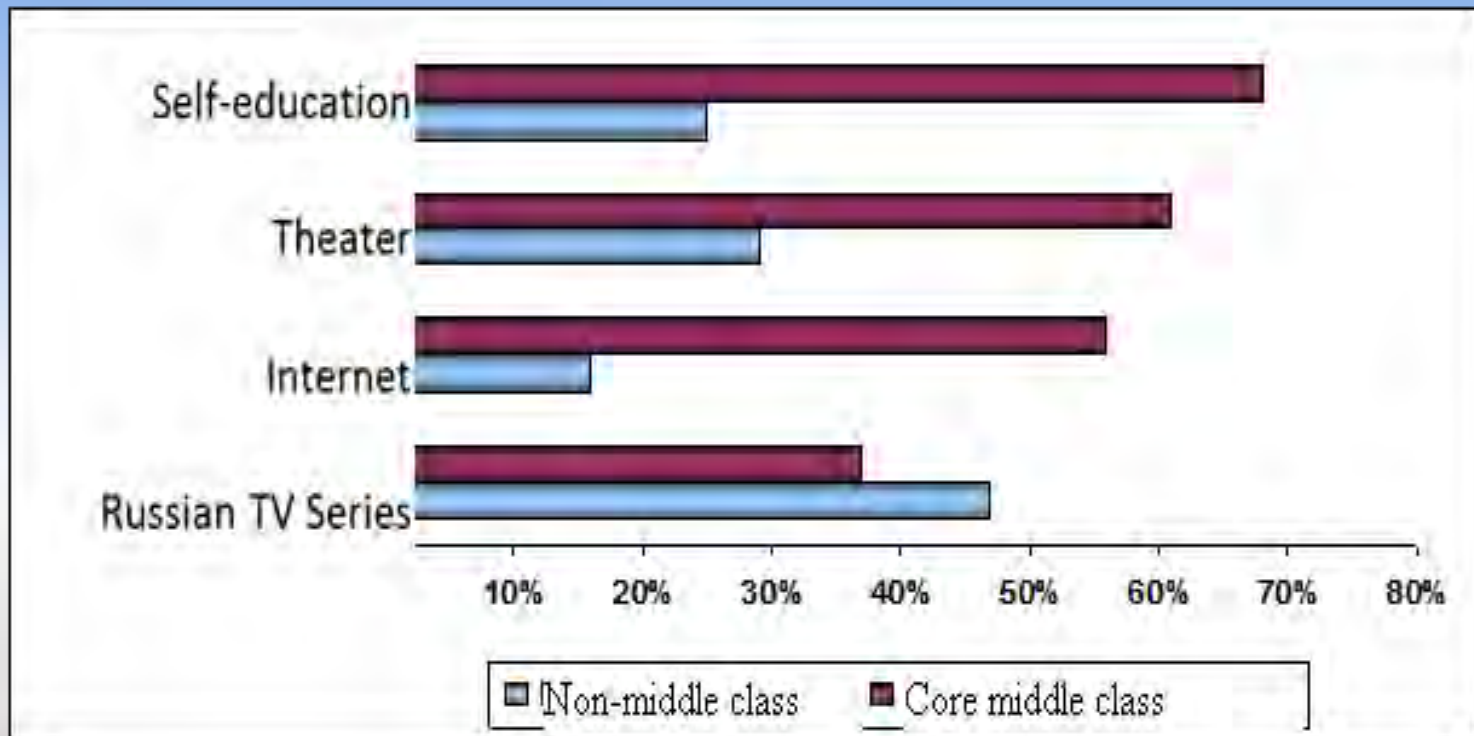


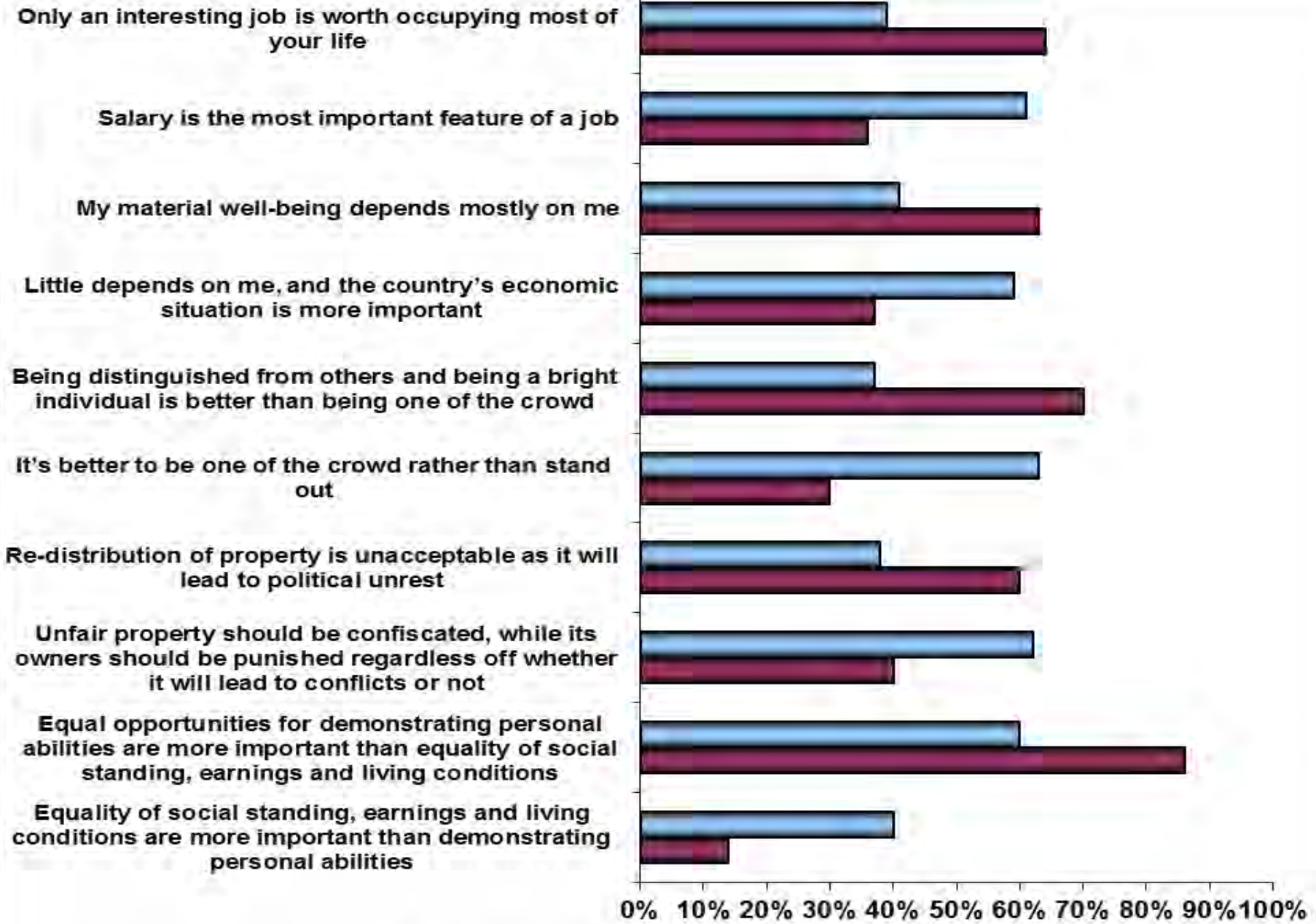


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Cultural preferences



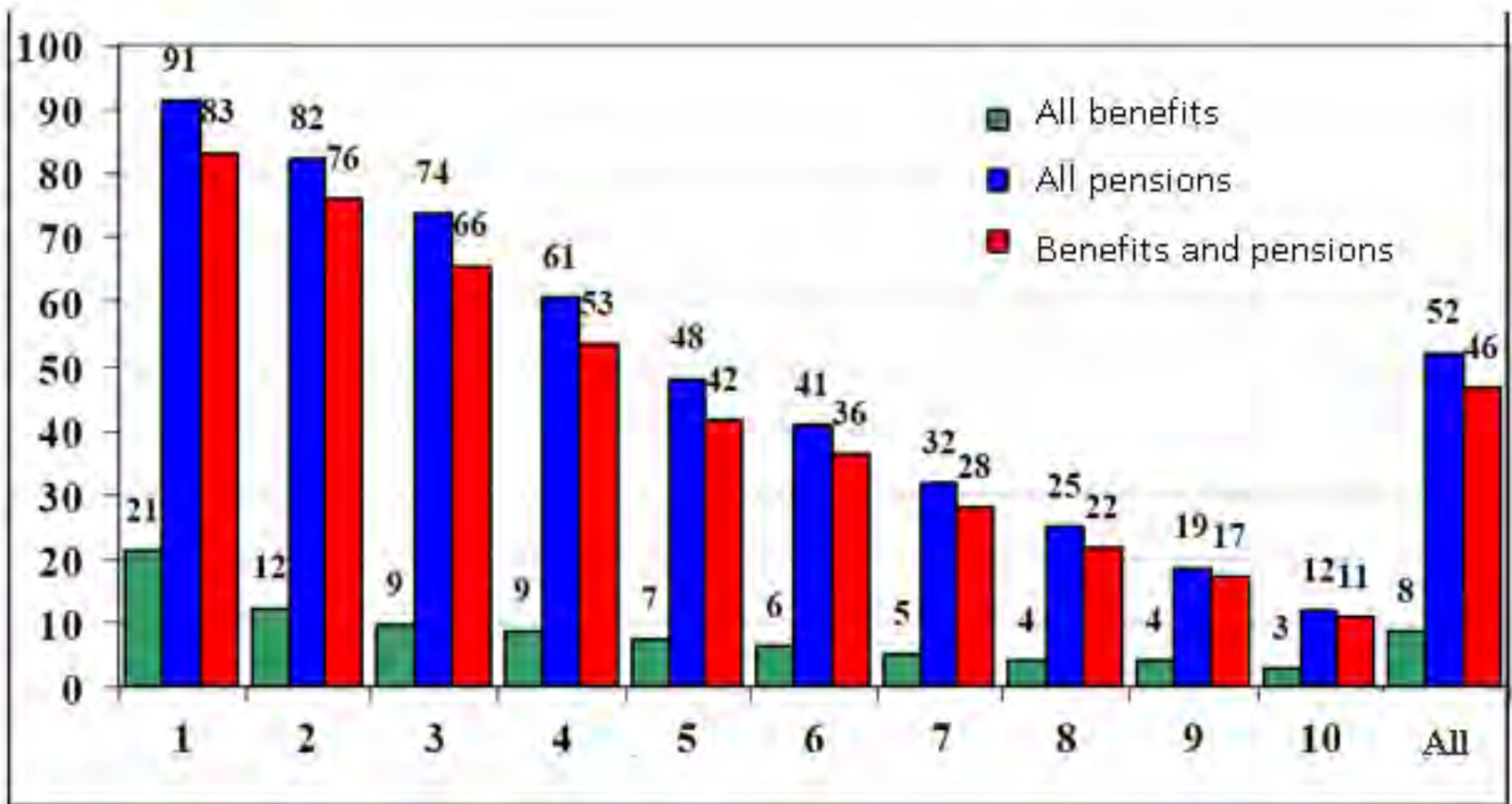


Source: Natalya Tikhonova

■ Non-middle class ■ Core middle class

Middle class does not rely on social transfers

Share of social transfers in aggregate household incomes by income deciles



Source: calculations by S. Misikhins based on a nationwide opinion survey "The parents and the children, men and women in a family and society" 2007. M.A.Malkova. State social transfers. Conference "Family. Society. State." Independent Institute for Social Policy. Dec. 17, 2009.

Asymmetric political influence

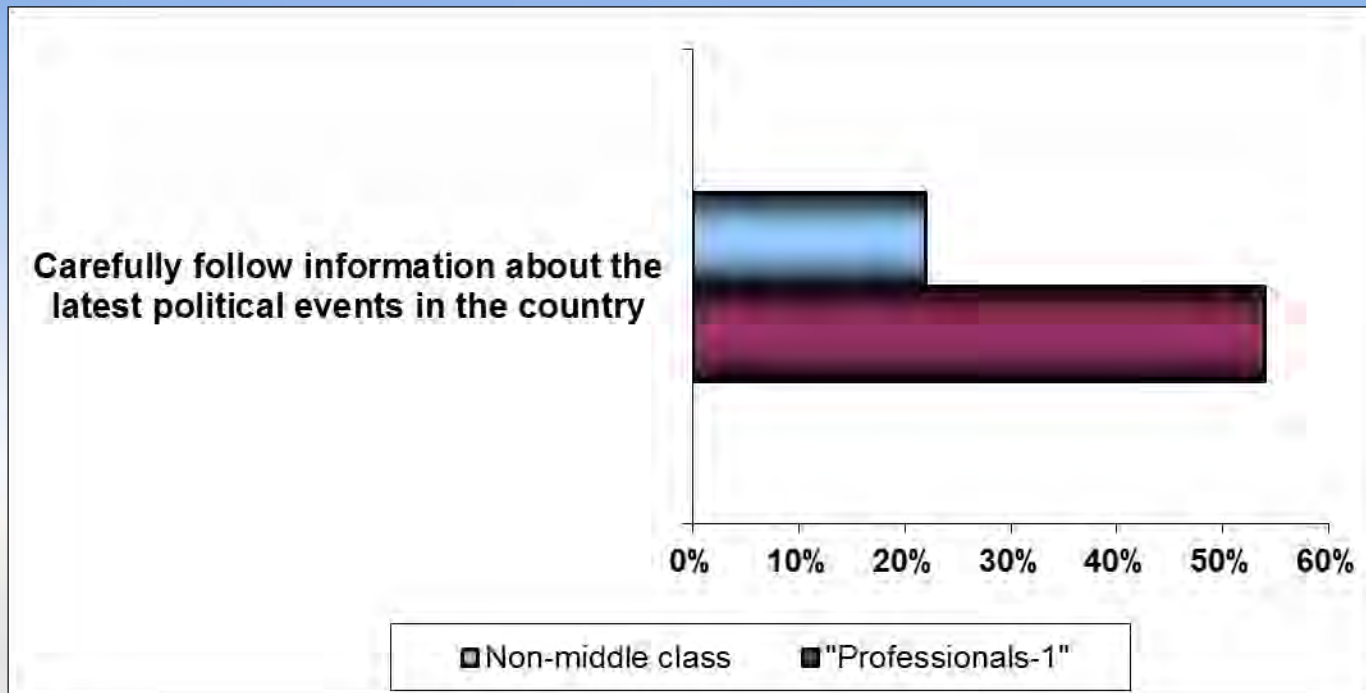


СТРАТЕГИЧЕСКИХ
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- **High social capital, Internet access, a dominant presence in the mass media and concentration in large cities – all this raises the middle class potential for self-organization and for informal pressure on the authorities.**
- **Represented in neither the party nor the political system, the middle class will increasingly resort to extra-parliamentary pressure on the authorities to realize its interests.**
- **Conversely, the opposite traditionalist pole does not have similar means at its disposal.**
- **It exerts political influence primarily through its numerical electoral strength and high turnout rates by voting for well-organized left opposition parties.**



Interest to politics

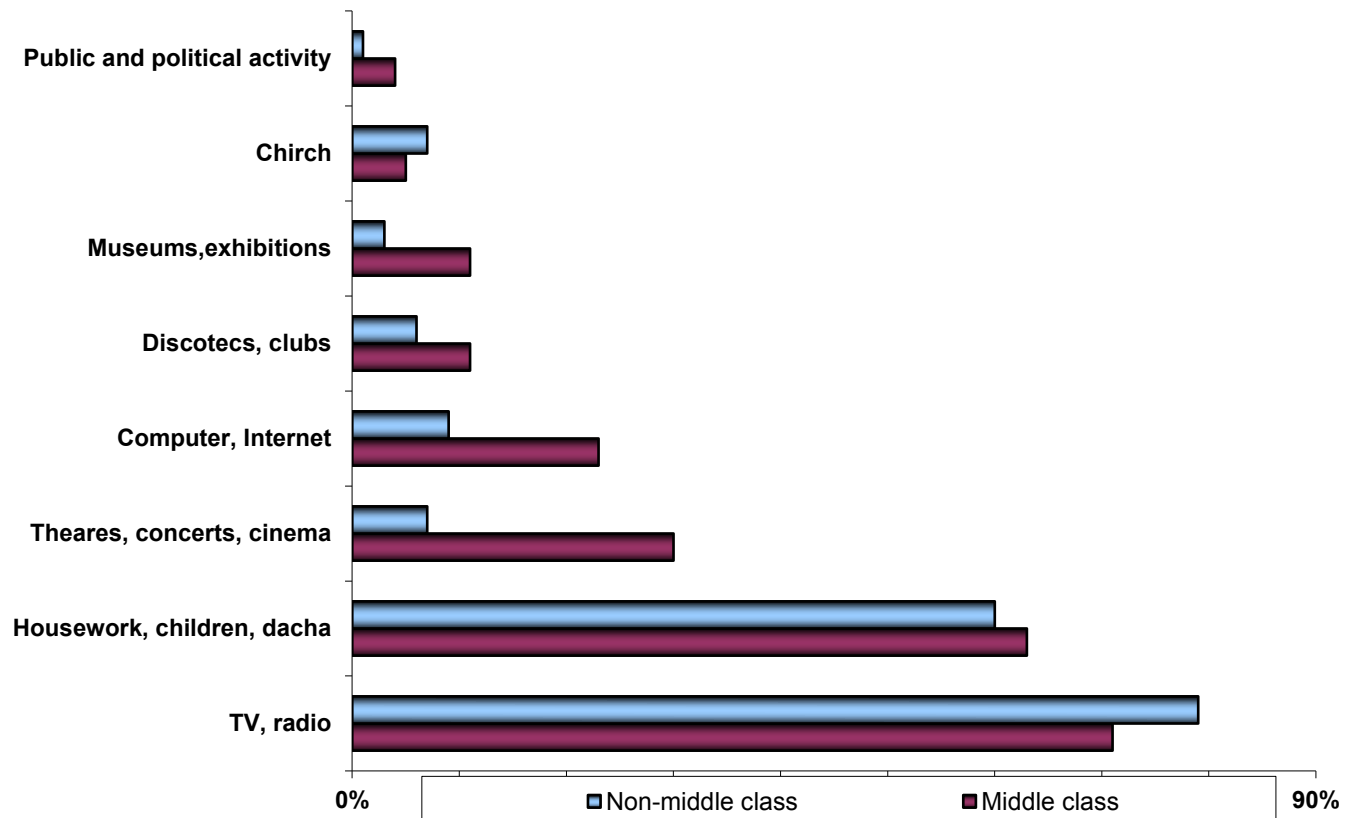




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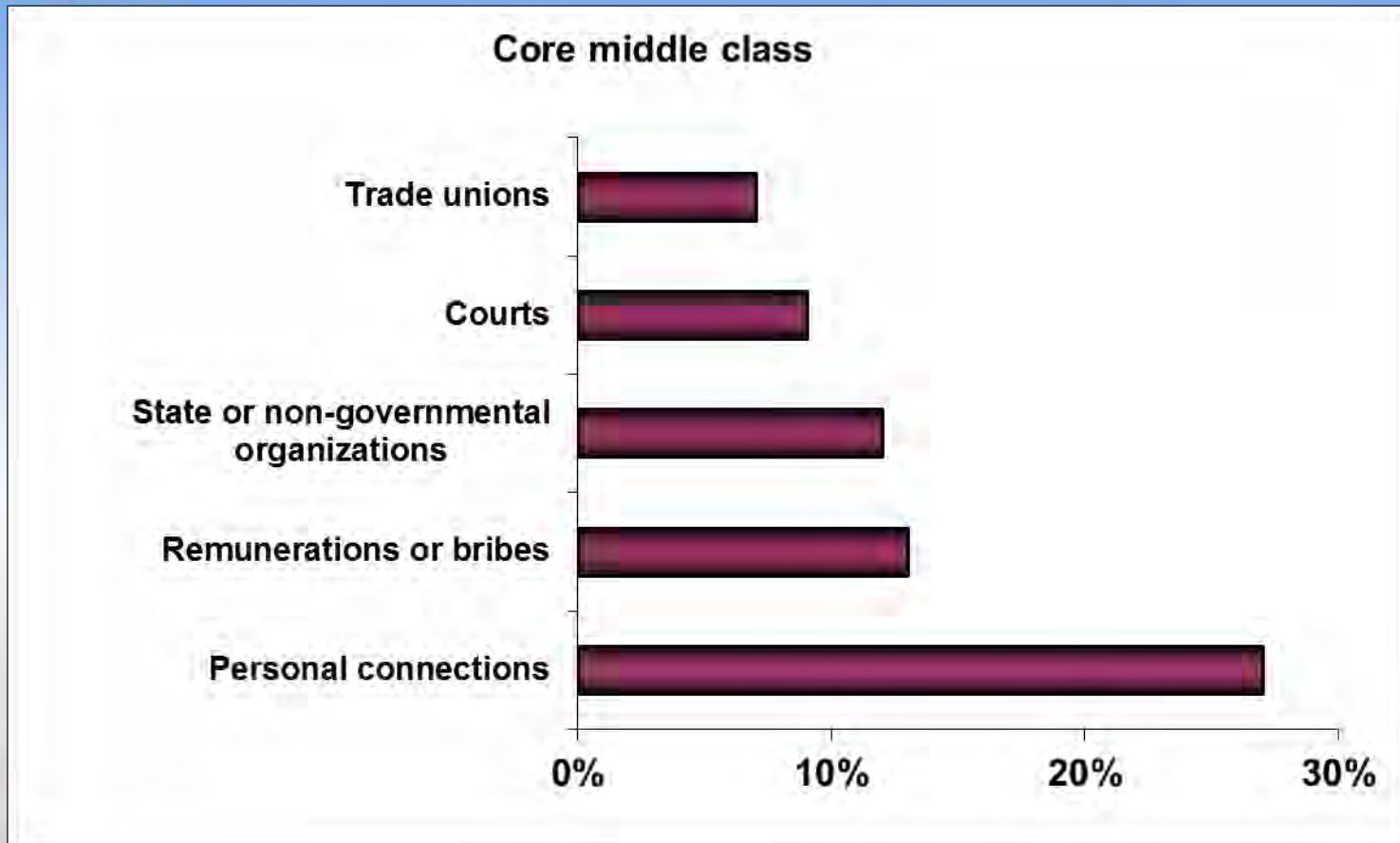
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Leisure Activities





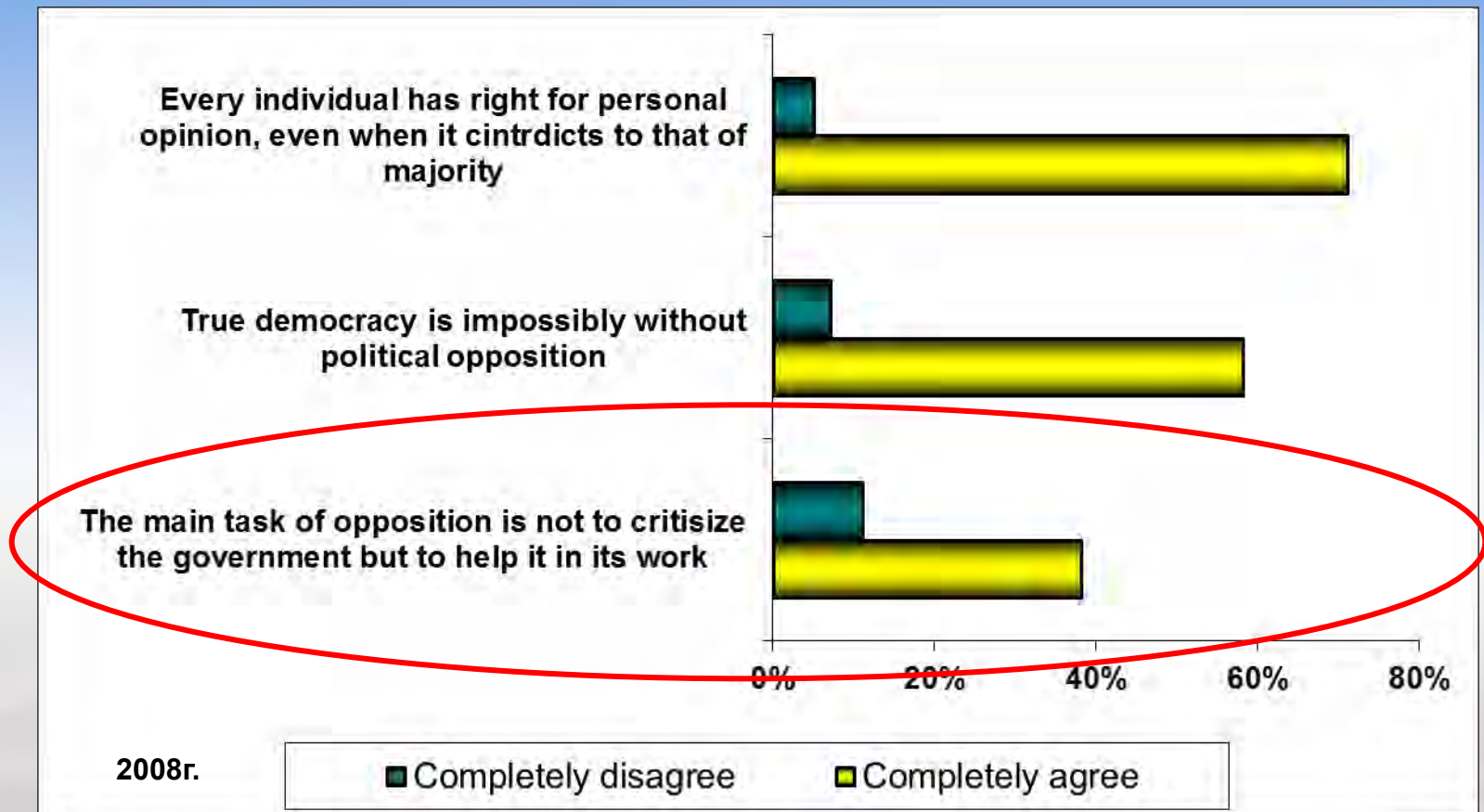
The methods to protect the interests





Political attitudes of the middle class

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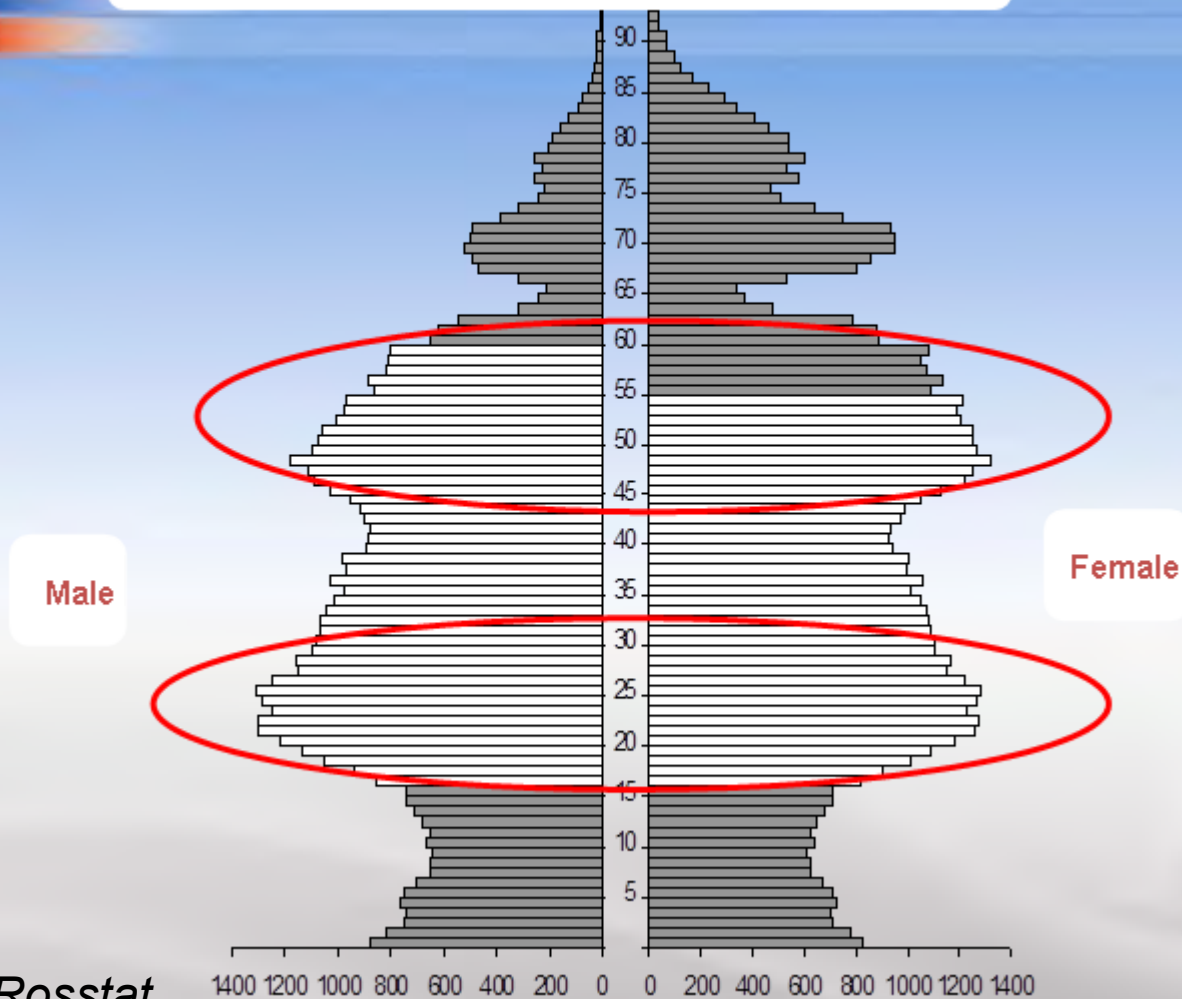




Two generations of baby-boomers

Russia's Population by Age and Sex (as of January 01, 2009)

ЦЕНТР
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Source: Rosstat



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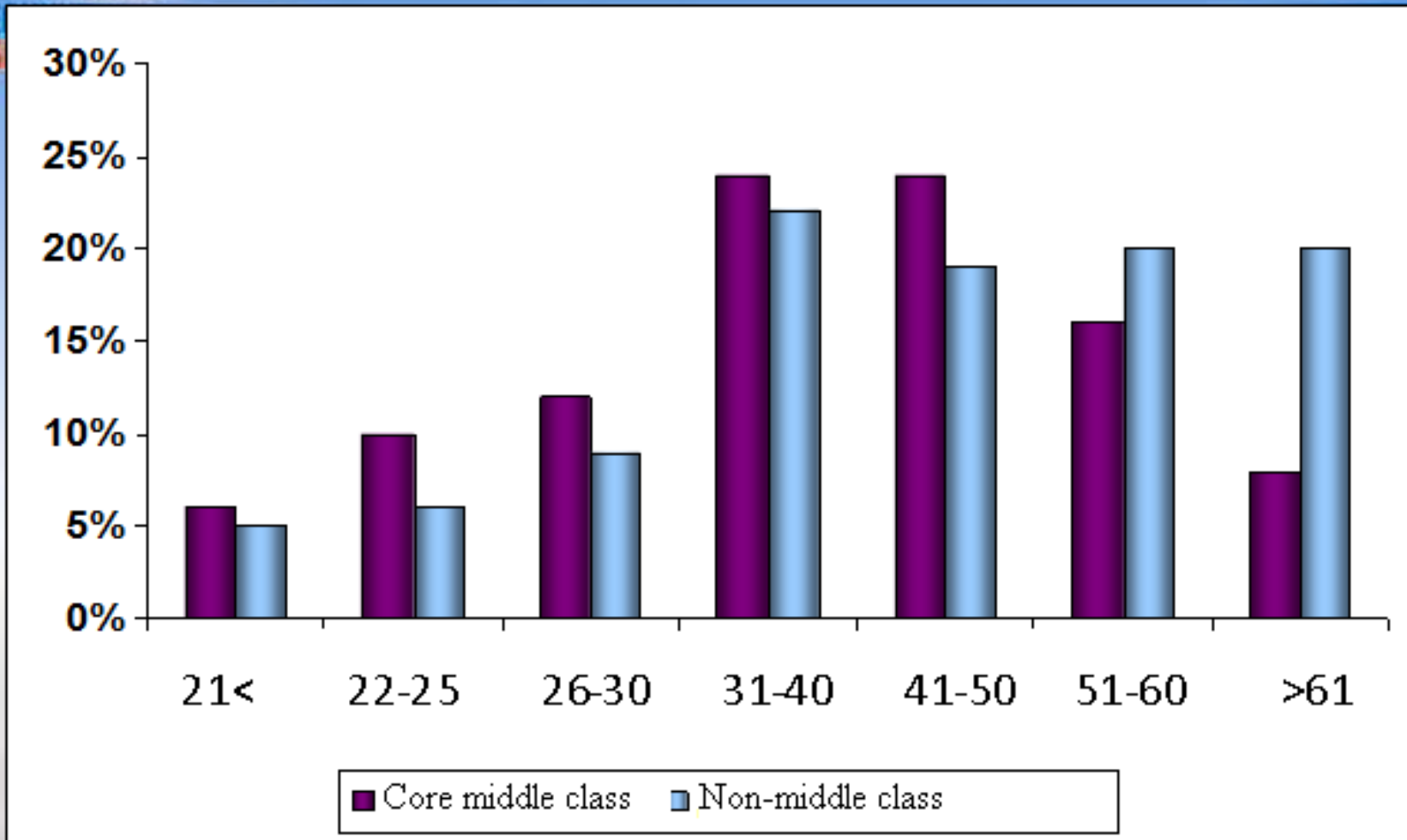
Demographic forecast

| 10-year cohorts From to | | Year | | | | |
|----------------------------|----|-------|-------|-------|-------|-------|
| | | 2009 | 2019 | 2029 | 2039 | 2049 |
| 0 | 9 | 14,3 | 16,5 | 14,0 | 13,3 | 13,8 |
| 10 | 19 | 16,0 | 14,6 | 17,0 | 14,6 | 13,9 |
| 20 | 29 | 24,4 | 16,2 | 15,0 | 17,4 | 15,2 |
| 30 | 39 | 20,5 | 24,2 | 16,4 | 15,4 | 17,8 |
| 40 | 49 | 21,1 | 19,8 | 23,5 | 16,3 | 15,5 |
| 50 | 59 | 20,8 | 19,1 | 18,4 | 22,0 | 15,5 |
| 60 | 69 | 11,3 | 17,3 | 16,2 | 16,0 | 19,2 |
| 70 | 79 | 9,6 | 7,8 | 12,7 | 11,9 | 12,0 |
| 80 | 89 | 3,5 | 4,2 | 3,6 | 6,3 | 5,8 |
| 90 | 99 | 0,3 | 0,6 | 0,7 | 0,7 | 1,2 |
| 100 and above | | 0,02 | 0,03 | 0,05 | 0,07 | 0,07 |
| Total | | 141,8 | 140,3 | 137,6 | 133,9 | 130,0 |



Age structure of middle class and non-middle class

СТРАТЕГИЧЕ
РАЗРАБ

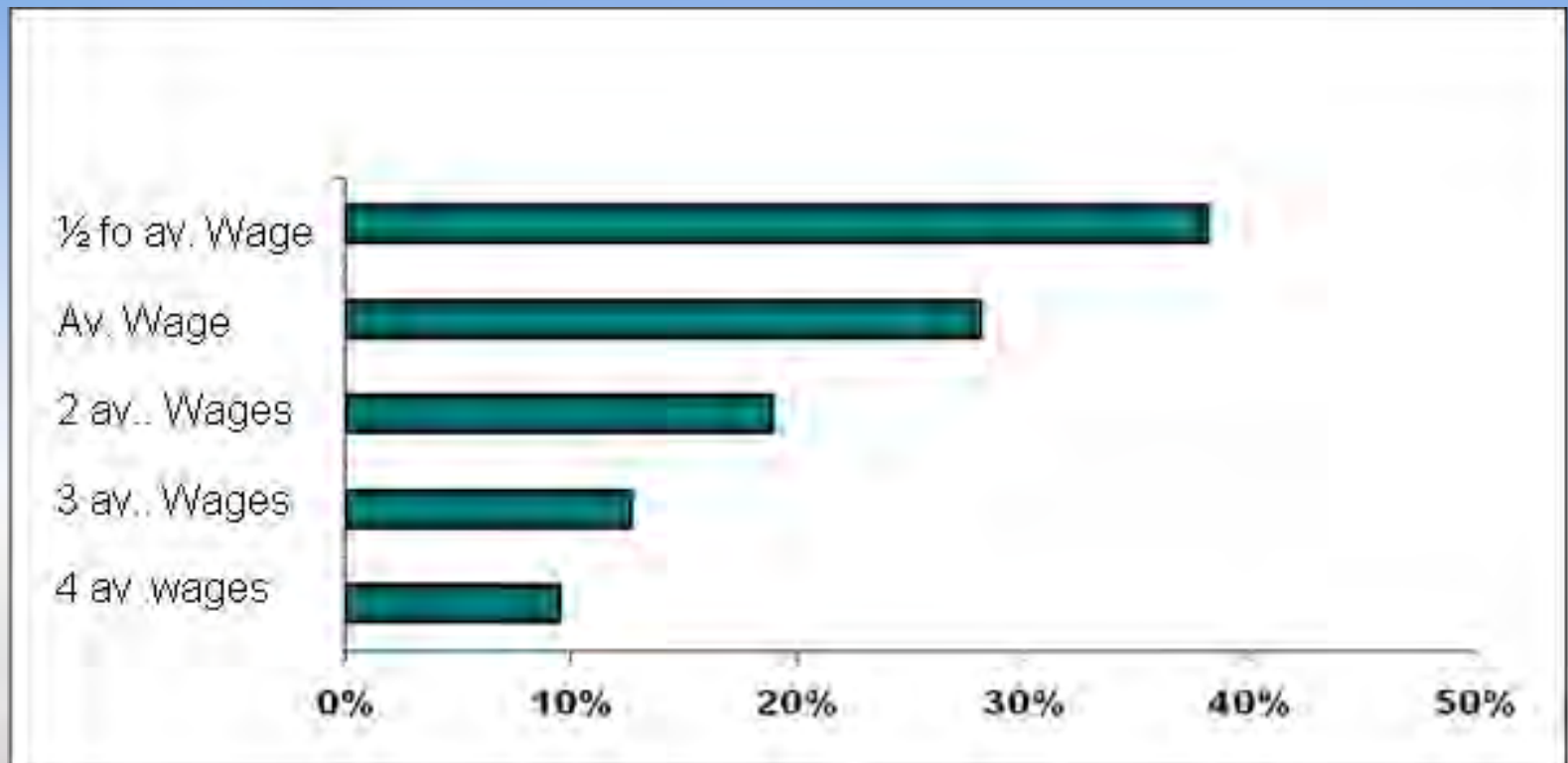




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Individual replacement rates in 2022

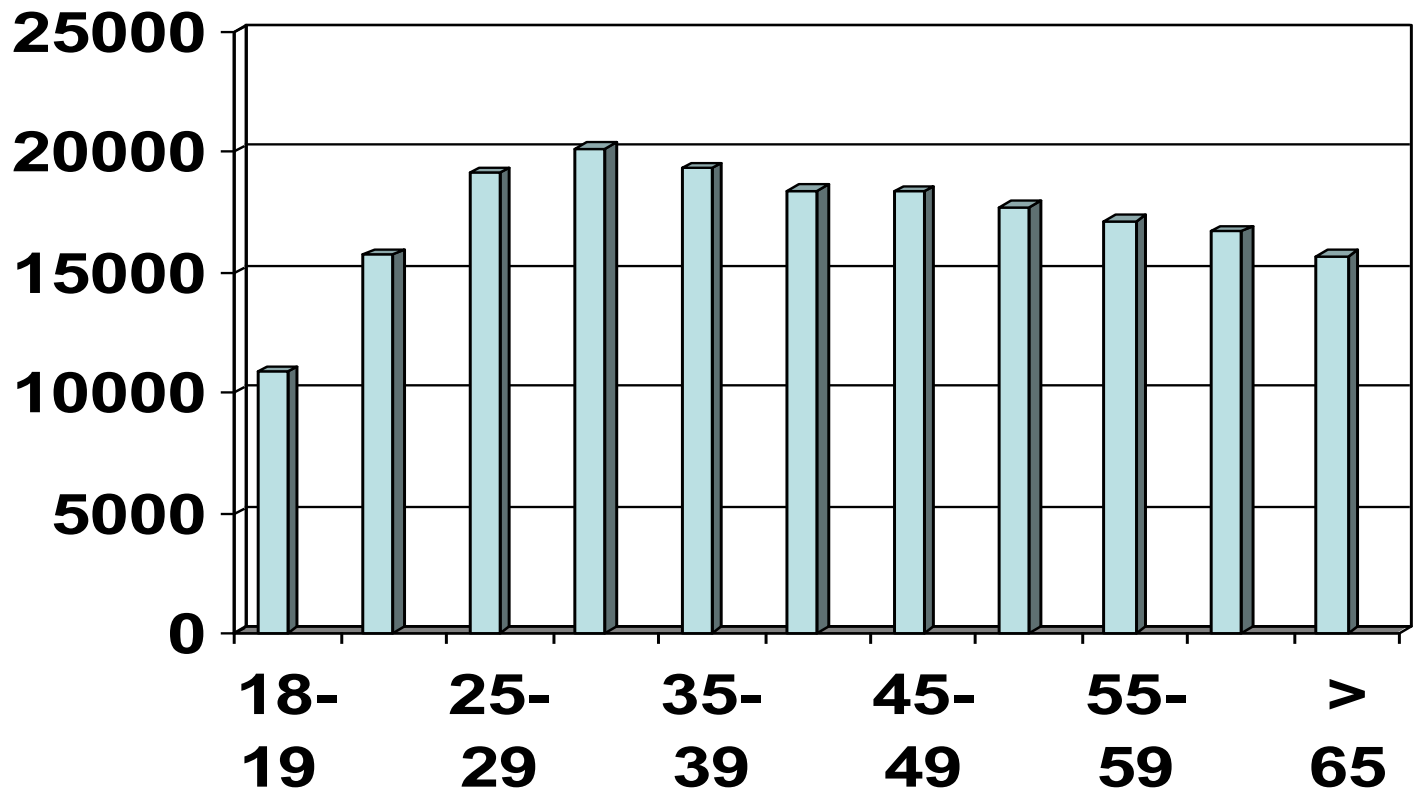




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Wage-age profile

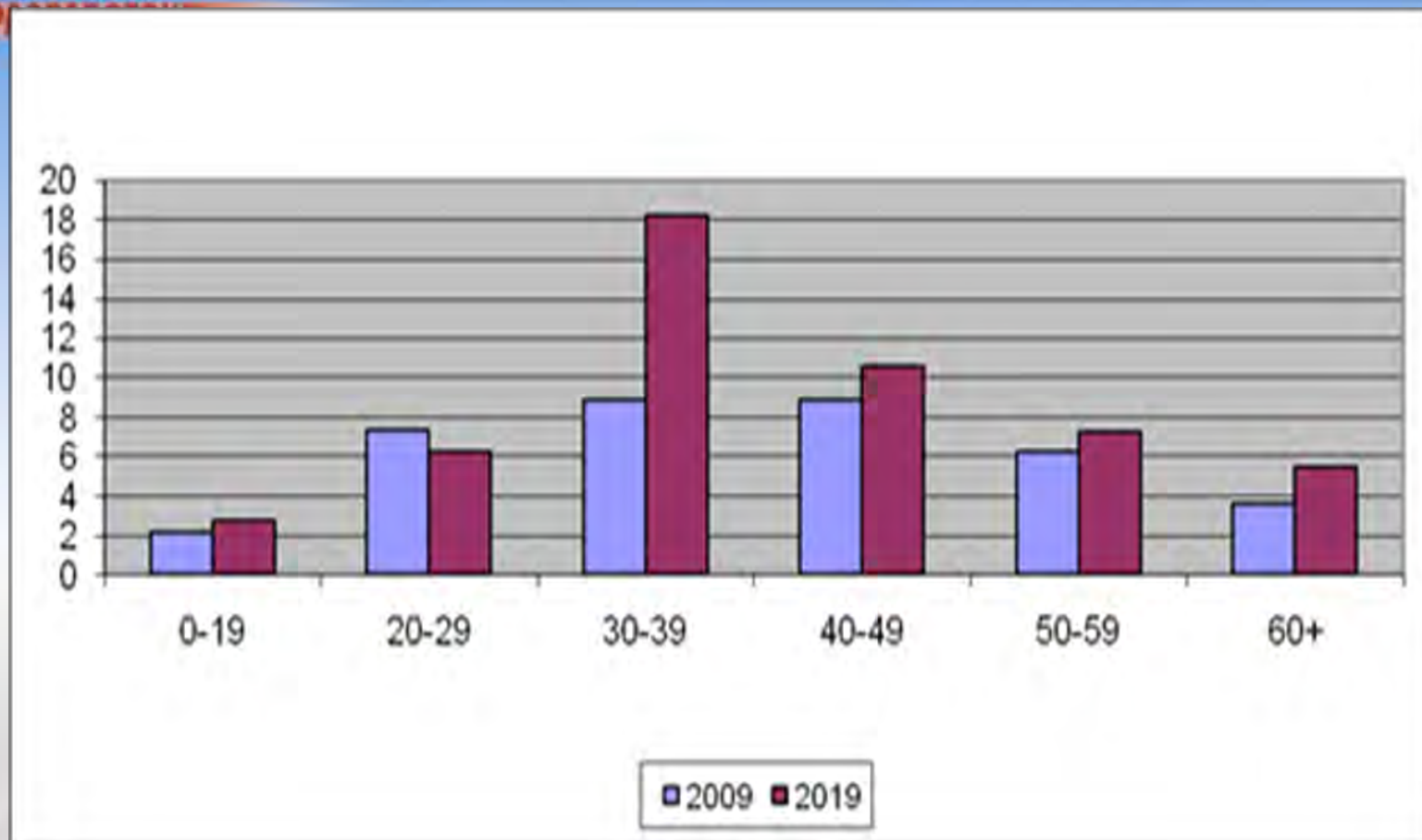




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Middle class projections



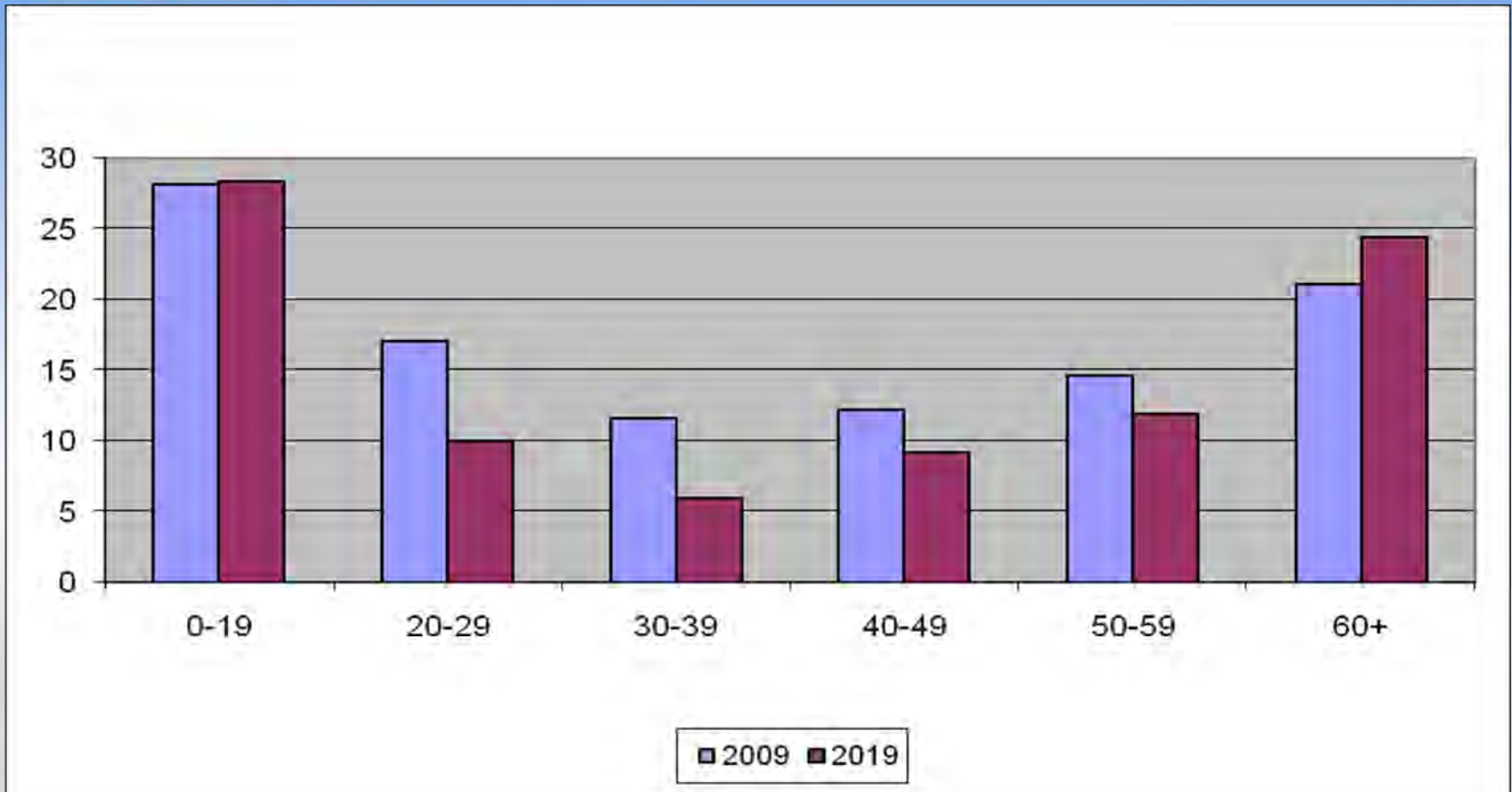
Source: calculations by S.Misikhina



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Non-middle class projections



Источник: расчеты С.Г.Мисихиной



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Short-term scenarios

- **In the short-term (2012-2013), the rate of political change is expected to assume a snowball effect. By the end of 2011, partly due inability of the government to meet challenges in a timely fashion, the critical mass of opposition has coalesced around two social poles, thus driving the passive majority of the population to support one pole or the other. This has created conditions for the rapid growth and consolidation of extra-parliamentary opposition.**
- **The modernists' increased informal protest potential will be asymmetrically reinforced by electoral weight of opposition-minded traditionalist who are much better represented in parliament by the left opposition parties. Elections, mistakes in economic policy and other events could serve as an impetus to radicalize the anti-government opposition, thus increasing the risk of open political confrontation.**



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Medium-term scenarios

- **In the medium-term**, at least until the middle of the current decade, a decline in effectiveness of the political system can be expected, with limited opportunities for the government to pursue responsible socio-economic policies. This will happen regardless of whether the current crisis ends in transition to a more competitive political model or the existing non-competitive model sustains.
- **Growing social polarization** makes the monopolistic political system more vulnerable and increases the chances for democratization. But, as political competition heightens, political parties will divide along social poles. This, in turn, boosts the risk of stalemate situations in which the increased electoral influence of the traditionalist core will be blocked by the extra-parliamentary protest potential of the modernist core, which remains outnumbered in electoral terms.



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Long-term scenarios

- **In the long-term, by the end of the current decade pre-conditions may appear for a full-blooded and effective democratic system to take root, including an opportunity to hold open competitive presidential elections as early as 2018.**
- **For the first time in Russian history, economic growth in combination with the transition of two generations of baby-boomers to older age cohorts will make the middle class the dominant social group. The modernists will gain numerical electoral superiority while retaining their traditional informal political influence.**



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Long-term scenarios

- **The electoral dominance of the modernist pole will lead political parties to converge towards its preferences. For the first time it will be possible to hold truly competitive presidential elections with minimal risk of victory for left-populist candidate. A democratic system will stabilize and become more effective, opening better opportunities for responsible socio-economic policy.**
- **Thus, by the end of the current decade Russia will have a strong chance of crossing a milestone beyond which a non-competitive political system will become a matter of the past.**



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Thank you for attention!