



Political Change and Economic Stability in Russia: Maintaining International Confidence

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With senior researchers of the Open Economy Institute, Moscow

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At a policy seminar hosted by the FPC, senior researchers of the Open Economy Institute (OEI), an independent think tank based in Moscow, led a discussion of the linkages between political change in Russia, economic stability and international confidence.

Their presentations highlighted the following key points:

There were significant differences between President Putin's first and second terms in office. In respect of the first term, the three most important issues – the booming economy, political reforms and the war in Chechnya – developed independently of, and had little or no effect on, each other. Conversely, in the second term, the three issues began to collide with each other with adverse results. Consequently, the combined failure of these policies was used by Putin as an excuse to continue to centralise power. Opinion polls suggest that although many Russians have little confidence in Putin's policies, he remains extremely popular as an individual. The OEI posited that this consolidation of power in the hands of the president is perhaps the most important trend, which will have an impact on Russia's future economic and political power.

In light of these conclusions, the OEI performed research to determine whether President Putin had sufficient powers to implement his policy agenda. To do this, the OEI compared the source of executive and legislative powers in Russia with those in other post-socialist countries. Participants in the seminar found the results to be both interesting and notable, although there were varying interpretations of the different methods of causality. One of the more important conclusions put forward was a statistically significant negative correlation between the degree of political power and adjusted GDP per capita, which suggested that economic growth becomes more volatile in countries with a strong president. Other research findings included that stronger presidents generally have less respect for human rights and also cause the number of political parties to decrease.



In short, the overwhelming conclusion of the majority of the participants and the OEI seemed to be that the consolidation of power in the Kremlin was good neither for Russian democracy, nor for Russia's long-term economic success.