

THE SOURCES OF POST-SOVIET CONDUCT



RUSSIA POLITICAL ECONOMY PROJECT



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COVER: Marshal Zhukov monument near Red Square in Moscow, Russia. Source: Adobe Stock



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RUSSIA POLITICAL ECONOMY PROJECT

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ABOUT THE AUTHOR



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EXECUTIVE SUMMARY

William R. Spiegelberger

The Russian Federation's recently provocative foreign policy results in part from structural weakness in the Russian domestic regime, a quasi-feudal system that requires certain actions abroad to maintain itself in power at home. Lacking real enemies, the Kremlin must create imaginary ones to convince the Russian population that the government is performing at least one useful function: protecting the country from foreign threats. Lacking legitimacy, the Kremlin must seek to undermine the legitimacy of governments abroad. Responsive policy should focus on creating new circumstances that undermine the utility of the Kremlin's domestically useful, but internationally disruptive, policies.

A MALIGN AND DISRUPTIVE FORCE

In October 2015, German Chancellor Angela Merkel reportedly told U.S. President Barack Obama that Russian President Vladimir Putin seemed “out of touch with reality” and was “living in another world.” Many would agree that Putin does sometimes seem to inhabit a strange, uncharted mental territory. This has rendered his actions often unpredictable and hindered the development of a consistent and principled response. It is time to map that uncharted territory and trace the interaction of mindset and circumstance in the determination of Russian conduct, much as George Kennan did in 1947 when he endeavored to understand the “political psychology” of the Soviet Union. Today, the subject of analysis is the Putin regime. Let us first examine the symptoms that it exhibits.

For about a decade after the Soviet collapse in 1991, the Russian Federation had its hands full managing its domestic situation and keeping the economy afloat in the face of low oil prices, then about \$30-40 per barrel. Foreign policy was not a priority. By about 2007, all that had changed. With domestic stability restored and oil prices in the \$80-100 range, Putin was beginning to have the means, and the will, to challenge the international order. At the Munich Security Conference in February 2007, he complained at length of a unipolar world of U.S. domination and argued that the “use of force can only be considered legitimate if the decision is sanctioned by the

UN.”¹ He did not beat his shoe on the dais, but it would not have been a complete surprise if he had. The next year, Russia invaded Georgia (without UN sanction) and excised South Ossetia from Georgia (without UN sanction). That region then became a de facto Russian satrapy. The same year, according to erstwhile Treasury Secretary Hank Paulson, Jr., Russia proposed to the People’s Republic of China that the two countries dump their Fannie Mae and Freddie Mac agency bonds in order to precipitate the two agencies’ collapse and force the U.S. government to bail them out. History, it seems, had not ended with the demise of the Soviet Union after all.

In the following years the Kremlin’s statements about the U.S., the North Atlantic Treaty Organization (NATO), and Western countries became ever shriller and more categorical. In September 2013, Putin accused Western nations of “moving away from their roots, including Christian values. . . . Policies are being pursued that place on the same level a multi-child family and a same sex partnership, a faith in God and a belief in Satan.”² Putin divided the world into the opposing forces of God and Devil, straight and gay, good and evil, and Russia and the West, where the U.S. was the Great Satan and its allies served as petty demons and lackeys.

1 “Speech and the Following Discussion at the Munich Conference on Security Policy,” February 10, 2007, <https://www.en.kremlin.ru/events/president/transcripts/24034>.

2 “Meeting of the Valdai International Discussion Club,” Kremlin, September 19, 2013, <https://www.en.kremlin.ru/events/president/news/19243>.

This rhetoric is heady stuff: a sermon from a KGB man! No one can know whether Putin really believed what he was saying. But less important than what he believes to be true is what he believes to be useful, and the best evidence of what he thinks useful is to be found in what he has done, namely: to distinguish Russia from the West by invidious comparison and market Russia as an alternative non-Western brand. He has since found consumers of that brand in the National Rally in France, Five Star Movement in Italy, Freedom Party of Austria, Brexit supporters, and various secessionist movements—each skeptical of the European Union, each drawing strength from nationalism, xenophobia, and nostalgia for so-called “traditional values.”

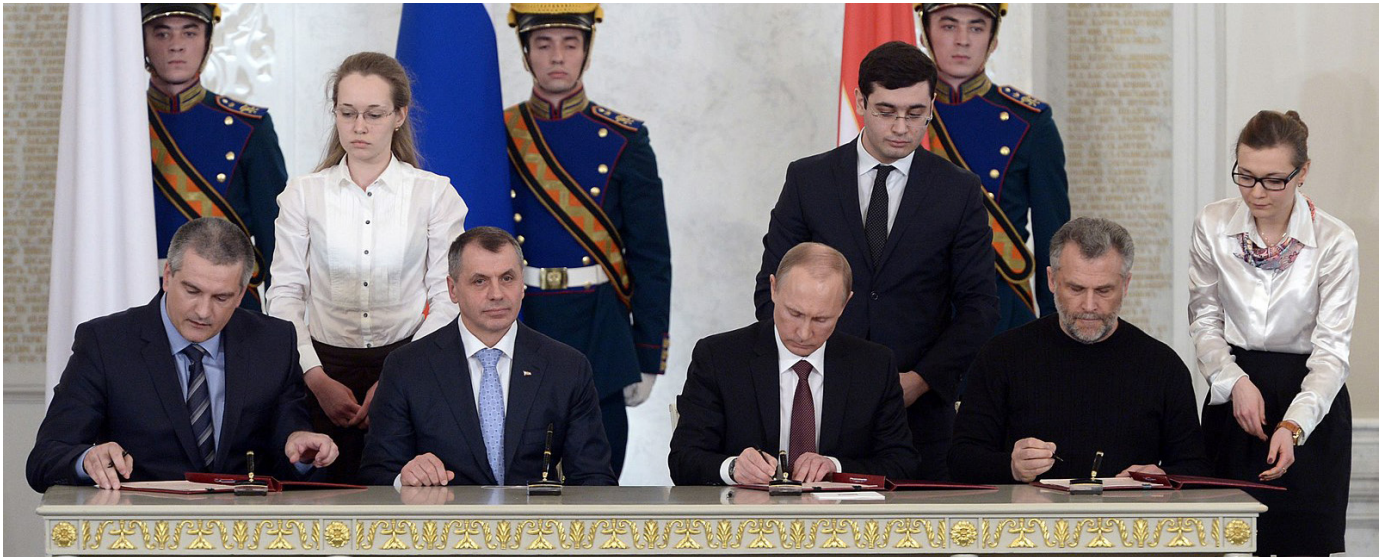
Many discern here the influence of the Russian philosopher Alexander Dugin. For many years, Dugin has been propounding a farrago of obscurantist geopolitics (Behemoth and Leviathan will clash over the “heartland”), reheated Nazi ideology (Carl Schmitt and Julius Evola), and Eurasianism (Lev Gumilev). Some of his hobbyhorses have made their way into Putin’s pronouncements. But it would probably be a mistake to think that Dugin’s teachings have seriously influenced Putin. More likely, Putin is merely using them to rally the Russian public, just as Joseph Stalin temporarily allowed the church to operate so as to bolster the Soviet war effort, not because he suddenly got religion like Saul of Tarsus on the road to Damascus.

The Russian Orthodox Church, which was infiltrated, and some say run, by the KGB during the Soviet period, has recently made a comeback, enjoying considerable state support, as the many photo-ops of Putin with Patriarch Kirill I will testify (the Patriarch’s \$30,000 Breguet wristwatch has been kept

out of the photos with one exception).³ Unlike James I of England (“No bishop, no King”), Putin does not need the church, but probably reckons that every traditional strand of Russian culture he can muster will help to legitimize his regime. Tradition, as Max Weber noted, is one of the three basic sources of government legitimacy, the other two being law—which Putin relies on in the form of the parliament, courts, and elections, however corrupted and controlled—and charisma—which he nurtures by keeping aloof from political debate, instead appearing in shirtless photo-ops with tigers, bears, cranes, etc. Putin seems to be resurrecting the political ideology of another grimly conservative Russian leader, Tsar Nicholas I, whose official state policy was “orthodoxy, autocracy, and nationality.” A portrait of Nicholas I reportedly hangs in the antechamber of Putin’s Kremlin office.

Nicholas I was about to lose the Crimean War when he died in 1855, whereas Putin took Crimea back in 2014 (without UN sanction), and in so doing demonstrated that he has little patience for international agreements such as the 1994 Budapest Memorandum on Security Issues, which guaranteed Ukraine’s territorial integrity in exchange for surrender of its nuclear arsenal. In a speech in March 2014, Putin provided a number of reasons for the annexation, but laid most emotional stress on Crimea’s spiritual significance as the alleged site of Vladimir the Great’s baptism in A.D. 988. The rest of the world, with a few exceptions, bought none of these claims and passed UN General Assembly Resolution 68/262 condemning the annexation with one hundred yeas, eleven nays, and eighty-two

³ “Watching Patriarch Kirill Discredit Himself,” *Moscow Times*, April 9, 2012, <https://www.themoscowtimes.com/articles/watching-patriarch-kirill-discredit-himself-13896>.



Signing of the Treaty on the adoption of the Republic of Crimea and Sevastopol to Russia. (Source: Kremlin.ru)

abstentions and absences.

Fresh in mind, more recent examples of Russian initiative abroad need only be adumbrated here: the occupation of the Donbas region of Ukraine (without UN sanction) and the waging of a war there against Ukraine (without UN sanction); the shooting down of Malaysian Airlines flight 17 by a Russian “Buk” missile that was operated, in all likelihood, by Russian military personnel; the poisoning of Sergey Skripal and his daughter in the United Kingdom with a Russian nerve agent; various acts of computer hacking around the world; concerted actions to undermine elections in the U.S. and elsewhere; systematic state-sponsored doping of Russian athletes; an inflammatory disinformation campaign in several countries; support for European secessionists and right-wing groups; and an unprovoked attack on U.S. military forces in Syria in February 2018 by Russian mercenaries of the “Wagner Group” (without UN sanction), which was the bloodiest Russian-American military engagement in memory. The Kremlin has summarily denied responsibility for all of

these actions despite its fingerprints being all over them. Talking with the Kremlin these days is like talking to the Berlin Wall.

Actions such as these, but in particular the Skripals’ poisoning, moved then-British Foreign Secretary Boris Johnson in early 2018 to call the Kremlin a “malign and disruptive force.” The Western community agreed, expelling scores of Russian diplomats and imposing sanctions on Russian political and business figures. The Kremlin succeeded in creating a consensus against Russia within the Western alliance. Why it would embark on such an apparently self-destructive course of action requires inquiry into the political psychology of Putin’s regime.

THE BIRTH OF THE PUTIN REGIME

Human beings, as Karl Marx noted, make their own history, but not out of the materials of their choice. They have to make do with the circumstances in which they find themselves, to play the cards they are dealt. What hand was Putin dealt when he became president in 2000?

First card: rising oil prices. The price of oil rose from under \$20 per barrel in the late nineties to over \$150 by mid-2008. This filled state coffers and resulted in a steadily rising standard of living from 2000 until at least the financial crisis of 2009. At the same time, the flood of dollars strengthened the ruble, thereby hindering development of Russia's export industries. Despite lower oil prices after the crisis, Putin has been unable or unwilling to wean Russia from its dependence on oil by implementing structural reforms that would diversify the economy. One explanation for this is that the regime is loath to permit the creation of alternative centers of wealth and power of the sort that the so-called oligarchs once represented, oil-dependence and economic stagnation being preferable to political competition. Another explanation is that newer industries, those less rooted in the ground, can often move their operations abroad if the domestic environment becomes too oppressive, whereas oil, gas, and minerals all come out of the ground, and the regime can control the ground.

Second card: no official ideology. Marxism-Leninism had landed in the dustbin of

Russian history by 1991, and no official ideology replaced it. This freed Putin from the constraints of discarded state ideology, but old habits of mind persisted. Where doing business in the Soviet Union had been considered a crime, committing crime in post-Soviet Russia was often seen as merely doing business. That ethics-free mentality, perhaps the Soviet Union's main contribution to capitalism, marked the hey-day of the Russian oligarchs, but survives to this day.

Third card: the continued existence and institutional memory of the security services, the most important one being the Federal Security Service or FSB. In a lawless environment, where the courts and police were unreliable, the security services represented perhaps the only institution that could be called upon to execute policy. They were accustomed to taking orders, first as an instrument of the Communist Party from 1917 to 1991, and thereafter under Boris Yeltsin from 1992 to 1999. Their outlook and methods, despite the brief Yeltsin interlude, were not those of a constitutional democracy. For over 80 years, the security services had been instruments of a non-democratic government that referred to the U.S. as "the main enemy." With communism gone, and democracy viewed as a sham or enemy ideology, the security services found themselves in an environment untrammelled by party-discipline, ideology, or law. In that vacuum, they did what comes naturally: revert to the first and second laws of the jungle,

the right to self-defense and the pursuit of self-interest. The security services became, according to FSB Director Nikolay Patrushev in 2000, Russia's "new nobility,"⁴ and it is from this noble class that Putin drew most heavily in forming his retinue, which also contains old friends and colleagues from his days as deputy mayor of St. Petersburg. Many in this retinue became quite rich under Putin. As relative newcomers to the wealth game in Russia, the affluent members of Putin's retinue may be called "neo-oligarchs."

Fourth card: competent industrial managers and businessmen. Putin inherited the original oligarchs who had acquired the bulk of Russia's industrial assets under Yeltsin and became vastly wealthy in the process. Their wealth bought them political power, and their power protected their wealth. That was then. Once in office, Putin immediately began eroding their power. In 2000, oligarch Vladimir Gusinsky was forced to turn over his property. Fellow-oligarch Boris Berezovsky followed suit in 2001. Both promptly fled the country. By Mikhail Khodorkovsky's arrest in 2003, it had become clear a new sheriff was in town along with a new rule of the land: stay out of politics or you'll go the way of Khodorkovsky (i.e., to Medium-Security Corrective Penal Colony YaG-14/10 in Krasnokamensk, Siberia). The message was received. Owners under Yeltsin, the oligarchs under Putin eventually became mere stewards of property subject to sudden forfeiture. They now formed a new class of docile managers whose loyalty was encouraged by the threat of expropriation of their property and imprisonment of their person. Because these oligarchs made their



Mikhail Khodorkovsky on 22 December 2013 after his release from prison. (Source: Wikimedia Commons).

fortune before Putin came to power, they may be called the "paleo-oligarchs."

Finally, the fifth card: memory of the Yeltsin years. For many Russians, life under Yeltsin was solitary, poor, nasty, brutish, and short. As luck would have it, the Yeltsin presidency also happened to be the longest period of democracy, such as it was, in Russian history (the only other such period being under the Provisional Government in 1917). The general population had little fondness for the bittersweet joys of democracy and capitalism. Yeltsin left Putin an easy act to follow. Putin was therefore free to play his own hand differently, and that he did.

⁴ "The Country's New Nobility," *Moscow Times*, September 17, 2010, <https://www.themoscowtimes.com/articles/the-country's-new-nobility-1496>.

THE STRUCTURE OF PUTIN'S REGIME

In hindsight, Putin played his cards predictably. He assembled a retinue out of the security services and friends from his St. Petersburg days because he had no one else he could rely on. That retinue, guided by the primordial right to self-defense and an institutional taste for control, systematically set about subduing anything that posed a present or potential threat to its power, meaning anything it did not control: the paleo-oligarchs, privately owned mass media, the judiciary, the parliament, and local governors. To secure the loyalty of this new elite class, lucrative state contracts were steered to retinue members, and outsiders' property was regularly expropriated. The paleo-oligarchs, politically neutered and harnessed, were left to manage their industrial fiefdoms in relative peace so long as they did not impede the retinue's monopolization of power, which is what "staying out of politics" means in Russia today. Much of the remaining 99.99% of the population—the broad public—enjoyed seeing the paleo-oligarchs humbled. They remembered the oligarchs' excesses during the Yeltsin years. They also appreciated the regime for bringing order to Russian society. And in fact, the Putin regime did represent a new order, albeit one not entirely unprecedented in Russian history.

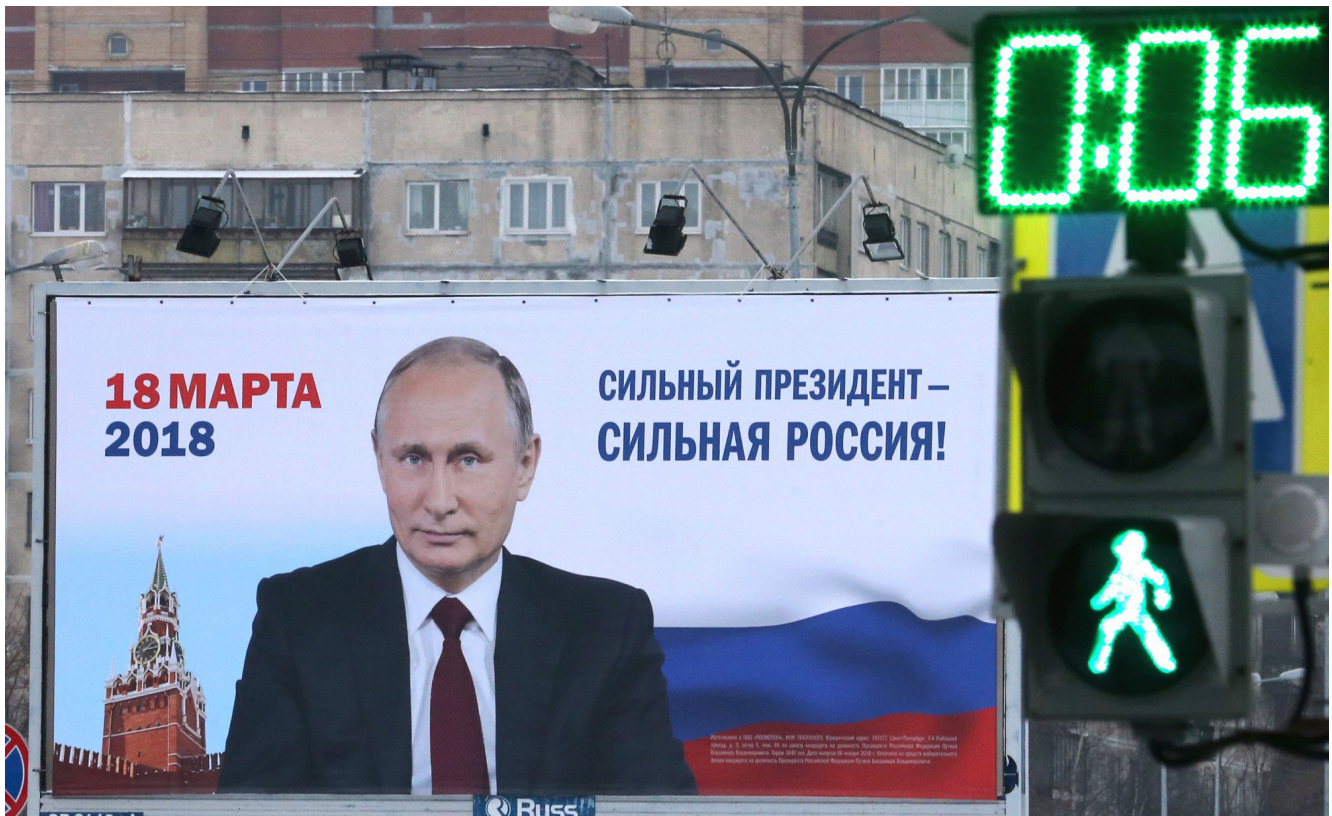
The regime that emerged from Putin's consolidation of power, the so-called "power vertical," is composed of three main classes, each possessing its own peculiar rights and duties in relation to the others: (1) the sovereign and his retinue, comprised of Putin, the neo-oligarchs, old St. Petersburg friends, and various high-level security personnel,

both past and present; (2) stewards of industry, primarily the paleo-oligarchs; and (3) the general population.

The sovereign class is the ultimate beneficial owner of all property in Russia because it can and does expropriate the property of the lower classes. The takings are often done in litigation, but the court cases can exhibit such inexplicable deviations from law and due process that they are difficult to explain except by the application of disparate legal regimes to different classes, where the rights of the sovereign class trump those of the lower classes. Some are more equal than others. This system is not lawlessness, but class-based law, predictable rules in a rigged game, and what Putin means when he refers to "dictatorship of law."

The stewards of industry, mostly paleo-oligarchs, hold vast tracts of Russia's industrial base and are immensely wealthy, but they hold their tenure at the discretion of the sovereign, and only so long as they remain loyal to him and perform certain services. The principal service is running their respective industries and thereby keeping workers on the job so that stability, the "King's Peace," is maintained in the regions where they operate, and especially in so-called "monocities" (monogoroda), where a single industry is responsible for the bulk of the municipal economy.

Finally, the general population pays the sovereign a flat 13% income tax and 10-18% value-added tax. In exchange, the sovereign defends Russian territory from foreign



aggression, pays pensions, provides some infrastructure, and, when necessary, defends them against excesses of the steward class. The essential social contract is this: the people get almost nothing from the government, but the government asks almost nothing from them. This dynamic must be the lightest burden the Russian people have ever borne under any of their governments, whether tsarist, Soviet, or post-Soviet, and it doubtless explains much of Putin's popularity.

The three classes and their relations to one another reflect aspects of a familiar paradigm: a kind of patrimonial feudalism resembling what was practiced for a time under the tsars and by William the Conqueror in the 11th century. The sovereign is a king, asserting absolute or conditional title to all he surveys. The stewards of industry are his vassals, holding defeasible title to their fief in exchange

for loyalty and service. The population at large corresponds to free tenants (not slaves or serfs). They comprise the Third Estate. Their primary duties are to quietly go about their lives, participate in ritualized acclamations of the sovereign (elections), pay rents to the sovereign (taxes), and (for the males) serve in the military. A fairly descriptive name for this socio-political structure would therefore be "quasi-feudalism," a paradigm that helps explain some otherwise puzzling aspects of the current regime.

Why, for example, were the police permitted to embezzle \$230 million from the Russian treasury and murder the whistleblower, Sergey Magnitsky?⁵ Answer: because the sovereign class has a right to rents from the

⁵ "Bill Browder's Testimony to the Senate Judiciary Committee," *The Atlantic*, July 25, 2017, <https://www.theatlantic.com/politics/archive/2017/07/bill-browders-testimony-to-the-senate-judiciary-committee/534864>.

Third Estate, which are kept in the treasury, and Magnitsky did not respect that right and thereby violated the first law of the quasi-feudal Russian order. The legal preeminence of the sovereign's retinue filters all the way down to traffic law. Members of the security services often drive automobiles with license plates announcing not only their class, but also their preemptory rights. They bear the Russian letters "EKX," an acronym for "I drive however I want." And they do.

The regime boasts to have gotten Russia "off its knees" (read: "made Russia great again"), and yet it has failed to implement needed economic structural reforms, apparently satisfied with oil-dependency and economic stagnation. This too is the result of feudal considerations: mobile capital and new industries less rooted in the ground than oil and gas are harder to control, and what cannot be controlled is rightly perceived as a threat to the existing order.

How could the government have shown such indifference to the safety of hostages in the Nord-Ost theater (2002) and Beslan (2004) that it killed far more of them than terrorists in the "rescue" operations? The answer is that the government's priority is not the safety of the people, but preservation of itself as a class. The message of the slaughter was: "we are in charge, you matter very little." As a result, there are few things more dangerous in Russia today than to be "rescued" by its special forces. The same logic played out when the Kremlin banned and destroyed certain imported food in response to Western sanctions and barred the adoption of Russian children by U.S. citizens in response to the Magnitsky Act.⁶

⁶ Formally known as the Russia and Moldova Jackson-Vanik Repeal and Sergei Magnitsky Rule of Law Accountability Act of 2012.

The sovereign class felt compelled to react, however theatrically, to Western sanctions, and merely passed the cost of its histrionics to the general population, the rent-paying class, which is the vast reservoir of suffering that Russian rulers have traditionally drawn on to save their own skins.

The quasi-feudal order further manifests itself in the administration of justice. The courts are known to render legally insupportable decisions in "politicized cases," but in ordinary cases, they generally apply the law more or less fairly. A "politicized case" is either an inter-class case, where the interest of the sovereign class takes precedence over the interests of lower classes, or one between two paleo-oligarchs over property in which the sovereign class has an interest. In contrast, intra-class cases between members of the general public or between paleo-oligarchs over an issue of no interest to the sovereign class ordinarily reach unsurprising results.

The quasi-feudal paradigm also explains why the sovereign class tolerates the threats posed by paleo-oligarchs and elections even though the regime strives for maximum control. The quasi-feudal sovereign needs vassals to manage segments of industry. They are also useful as scapegoats in case of trouble. Paleo-oligarchs are therefore tolerated as a suspect, but necessary, class whose ambitions are to be checked by the people's periodic acclamation of the sovereign in carefully managed elections.

AN ATTEMPT AT POLITICAL PSYCHOANALYSIS

The sovereign class in the Kremlin—wary of allowing Russians at large to become too rich, strong, or free because it fears internal competition for political power—will necessarily seek to weaken and divide other states so as to maintain or improve the balance of power between itself and the rest of the world. Aggression abroad is a neurotic symptom of weakness in the regime at home, where the illegitimacy of the sovereign class causes it to fear its own people, leaving the Kremlin with no choice but to sow discord abroad wherever and however it can. It is therefore unsurprising that the Kremlin supported Scottish secession, Brexit, anti-EU parties and groups, secessionist movements generally, including so-called “volunteer soldiers” (opolchentsy) in eastern Ukraine, the abandonment of NATO, and the current occupant of the White House, who is no friend of multilateral agreements. The Kremlin seeks to divide Europe, not to conquer Europe, but to hold on to Russia.

Political illegitimacy at home also causes the Kremlin to fear political legitimacy abroad. It will necessarily want to undermine the legitimacy of other countries’ governments, especially that of its neighbors, so as to deprive the Russian population of a potentially seductive alternative to the Kremlin regime. The sovereign class must make the world safe for its power vertical. The Kremlin has therefore interfered in the democratic elections of a number of Western countries

and run propaganda and disinformation campaigns aimed at undermining faith in democratic institutions. It has also invaded and sought to destabilize Georgia, occupied eastern Ukraine, and waged a smoldering war in the Donbas region in order to tar Ukraine and Georgia with the brush of poverty, violence, and chaos, which, it is hoped, will remind the Russian population of their own Hobbesian years under Yeltsin.

The Russian sovereign class, unwilling or unable to provide impartial justice or adequate infrastructure, is left to concentrate on the third principal function of government: defense from external enemies, to prevent the Russian population from getting the impression that their government is performing no useful function at all. This function probably explains Putin’s focus on wonder weapons in his March 2018 inaugural address. In it, he gave the impression that his government is vigilantly manning the ramparts of besieged fortress Russia, and he described an array of new and awesome armaments. Opposition politician Aleksey Navalny has suggested that Putin’s focus on weaponry in his address probably means that he has no other achievement to boast about, though even that achievement may be a fraud. Who, after all, could ever find out whether Putin was lying? Secret weapons, after all, are secret. There was something unreal about the speech: What weapons? What enemies?

The absence of real enemies will require the creation of imaginary ones. The main advantage of an imaginary enemy is that the government can always vanquish a fake threat, resulting in victory after victory, though only so long as an imaginary foe is not provoked into becoming a real one. Having already created a real enemy out of an imaginary one in Ukraine, the Kremlin can be expected to try not to go too far next time. It has a working hypothesis—Russia is surrounded by enemies—but it is not interested in testing that hypothesis, just as Don Quixote, having smashed his first cardboard helmet to bits with his sword, refrained from testing his second. He cherished his delusion, and did not make the mistake of testing it twice. Like the Spanish Gentleman of La Mancha, Putin today is tilting at windmills, his chimerical foreign foes, and like the hero of fiction, he has suffered some real injuries in the process. The windmills are real, even if they are not what Putin makes them out to be. This is what lends Russian policy and Kremlin statements much of their air of unreality. This is Putin’s “other world.” But no amount of diplomacy alone will dislodge the Kremlin from its world because it needs bugbears to convince the Russian population that their government, like a knight errant, is holding foreign dragons at bay.

The political psychology of the Russian sovereign class bears the influence of both nature and circumstance, from the nihilism and orders-based mentality that it inherited from the KGB, to its manner of coping with post-Soviet threats and temptations that it learned from experience. Since the Soviet collapse, the sovereign class has been slashing its way through the post-Soviet jungle according to the only law that it recognizes, self-defense,

while acting in the interests of the only entity that it trusts, itself. It is atheistic, serving no invisible gods like law, justice, or democracy. It believes in things that it can touch and see, and, in accordance with the law of self-preservation, it instinctively divides the world into things that it can control and thereby make to serve its interests, which are good, and things that it does not control and are therefore presumed to menace its interests, which are bad. The Russian population is its most immediate threat and must therefore be molded into a force of good, i.e., into something that acts in the interests of the sovereign class. Thus, when the Kremlin purports to act in the interest of the state, what it usually means is its own interest. *L'état, c'est moi*. One might therefore add a personality disorder to the Kremlin’s diagnosis, for it engages in antisocial behavior and a pervasive pattern of disregard for, and violation of, the rights of others.

A PRINCIPLED RESPONSE TO PUTIN'S WORLD

Guided only by force and self-interest and feeding on a Russian economy that is shrinking relative to its neighbors, the Russian sovereign class will be forced to consume an ever-greater portion of the nation's wealth merely to hold its place in the world. That cannot go on forever, as Shakespeare wrote, for

Then everything includes itself in
power,
Power into will, will into appetite,
And appetite, an universal wolf,
So doubly seconded with will and
power,
Must make perforce an universal
prey,
And, last, eat up herself.⁷

There is therefore reason to believe that the sovereign class presents a problem that could ultimately resolve itself, but only if the West does not facilitate the Kremlin or permit itself to be divided and co-opted piecemeal. "Troy in our weakness stands, not in her strength."⁸

Russia is too big, too important, and too dangerous for the Western powers to shirk the task of trying to coax Putin out of his world and into theirs and, in such a way, to help the Russian people find a way out of their current bind. No amount of talk is likely to budge Putin from his alternative universe, any more than Sancho Panza was able to convince Don Quixote that the giants he was attacking were

windmills. Putin's image of Russia under siege, though false, has been politically useful. Now is the time to put reality to use to undermine the utility of his delusions. The goal must be to create new circumstances that will incentivize Russia's sovereign and steward classes and assist Russia's Third Estate.

Ukraine's free and independent development should be actively supported because a successful Ukraine will present the Russian public with an attractive alternative to quasi-feudalism at home. Russia and Ukraine share a common language (most Ukrainians speak Russian) and have centuries of intertwined culture and history. Ukrainians are the second most common ethnic group in Russia according to the 2010 census (7.4%), with the result that many families in Russia are part Ukrainian.⁹ News of Ukrainian success would undermine the Kremlin narrative that portrays Ukraine as a chaotic dystopia led by fascists.

The Kremlin's reliance on hydrocarbon export revenues is a weakness that should be turned to account. Lower hydrocarbon income will necessarily limit Putin's ability to finance mischief abroad and will force him to make hard decisions about whether to invest in guns or butter at a delicate time when the Russian pension system is increasingly under strain. Lower oil prices can be achieved, at least in theory, by supporting alternative energy sources in the U.S. so as to free up

⁷ William Shakespeare, *The History of Troilus and Cressida*, I, iii, 119-124.

⁸ *Ibid.*, 137.

⁹ "Russian Census 2010 final results," *Sputnik News*, December 22, 2011, <https://sputniknews.com/infographics/20111222/170405728.html>.

domestic capacity for export, reaffirming the Joint Plan of Comprehensive Action with Iran to remove the stigma of Iranian oil, attempting to bring order to Libya, and even rethinking U.S. policy towards Venezuela. As for natural gas, Europe, which currently buys about 40% of its gas from Russia, should be encouraged to diversify its suppliers and cease its collaboration on the Nord Stream pipeline.

Another peculiarity of the Russian sovereign class to be exploited is its penchant for stashing illicit cash abroad. Identifying shady cash flows and then blocking or seizing them as the law allows should be a policy priority. The Panama Papers provided a glimpse into the magnitude of the issue. Sergey Roldugin, cellist and godfather to Putin's daughter, made some two billion dollars of offshore transfers. Putin said that Roldugin was a patriot who provides musicians with instruments, but apparently no one has seen the instruments or receipts, even though two billion dollars can buy a lot of cellos.¹⁰

Finally, sanctions should be imposed on targeted Russian industries instead of people. Russia's upper classes have weathered all Western sanctions well but one: those imposed on April 6, 2018 on the Russian aluminum producer Rusal. Until softened

by the Treasury Department some days later, those sanctions threatened Rusal with collapse and could have caused social and economic catastrophe in the cities where Rusal is the primary industry. Localized economic catastrophe would require the Kremlin to spend capital shoring up the affected cities and would undermine Putin's reputation as omnipotent Tsar Protector of the Russian people—an economic and public relations nightmare for the upper classes.

The measures advocated above may also impress those outside of Russia who are tempted by Putin's branding of Russia as a god-fearing alternative to the decadent West. Putin is marketing a defective product, as many in his own retinue tacitly admit by keeping their houses in France, their money in Switzerland, and their children in British schools. If even the Kremlin elites are voting with their feet, only a fool would do otherwise. 🌐

¹⁰ The Panama Papers implicated a number of transactions from Russian banks to offshore accounts. "Russia's Sberbank, Rossiya Bank Respond to Panama Papers," *Moscow Times*, April 5, 2016, <https://themoscowtimes.com/articles/russia-sberbank-rossiya-bank-respond-to-panama-papers-52399>. Among others, the Russian President's spokesman, Dmitry Peskov, dismissed allegations of Russian wrongdoing, though his wife's name turned up in the Panama Papers as beneficial owner of a company called "Carina Global Assets Ltd" registered in the Isle of Man. See, "Kremlin dismisses relevant in Panama Papers as 'Putinphobia'," *Guardian*, April 4, 2016, <https://www.theguardian.com/news/2016/apr/04/kremlin-reaction-putin-dmitry-peskov-panama-papers-putinphobia>.





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