

## **Putin's Social Liberal Patriotic Party**

When I was a young man I wished there would be a party which was socially just in spending but liberally intelligent in making the market work so as to serve as the engine that produces the welfare. But our traditional parties have usually been only on one side of the equation: the leftist parties have wanted to spend what is not produced, and the rightist have not wanted to distribute fairly what is produced. I argue that with Putin we have a politician who connects in one these two ends of the system with his politics of a socially oriented democratic market economy. Combining all aspects of his policies I would like to propose that he calls his party the Social Liberal Patriotic Party of Russia. Let's see below how I motivate this judgment.

### ***Democratic***

When Putin became president in 2000 he took over a country plagued by a criminal anarchy. But with only 12 years at the helm of Russia Putin has converted the country into an emergent democracy. We can say that during these 12 years Russia has traversed the same development of democracy that it took 100 years for Europe to go through. Putin understands that democracy is not a *thing* that can be imported from abroad or something that could possibly be implemented by fiat. Instead he recognizes that democracy is about social practices, the way people interact with each other in processes of free democratic competition. For democracy to develop it is necessary to create equal conditions for all citizens to participate in the democratic competition unbound by any monopolistic influences that may distort the free competition. This means that Putin's task has been to guarantee a level playing field for all citizens and release it from the grip of the enemies of open society. To do this Putin has overseen improvements by quantum leaps in the living standards of the Russian people. This has enabled most Russians to participate in the democratic competition as well-informed citizens who can devote their time and resources to more than just the basic needs of survival. By concentrated efforts Putin has also ushered in a free press after reining in on the media tycoons that in the times of anarchy seized control of Russian television and much of the printed press. The improvements in living standards and quality of free press has together with a stable development of the democratic institutions of parliament, electoral laws and judiciary created the needed conditions for a real and free democratic competition. Emerging democracies such as Russia are especially vulnerable to foreign inferences in form of concentrated and systematic propaganda attacks and the employment of pressure groups that are intended to sow mistrust in the emerging democratic institutions by orchestrating campaigns of misinformation and street protests. Although the effects of these threats have been somewhat mitigated during the last decade, they still remain very real threats to the fledgling Russian democracy.

### ***Market Economy***

In the USA people usually refer to the system of market economy as Capitalism by juxtaposing it with Communism. But Capitalism is the wrong ideal, and should be left to denote a monopolistic system where capital is accumulated in the hands of a few capitalists. Instead we should refer to the ideal system as a liberal *market economy* where everyone is awarded an equal chance to compete and thrive in business by containing the abuses of monopolistic capitalists. In fact, understanding Capitalism in this way as a monopoly of production assets in the hands of the few brings it very close to Communism, which is a monopoly of assets in the hands of only one, the

state (or its self-proclaimed caretakers). In this sense the system in the USA clearly is Capitalism and not a liberal market economy. More than anything the problems inherent with this kind of a capitalistic system are illustrated by considering how in the USA the media assets have been concentrated in the hands of a few media conglomerates. This media oligopoly abuses its dominant position by distorting news coverage both domestically in American and globally in favor of their commercial and political interests while at the same time lowering the intellectual and artistic standards of television and press in an attempt to create a class of mindless consumers.

Putin's line is not that of a monopolistic capitalism but a real liberal market economy. But this shall not be confused with the present state of affairs in Russia. When Putin came to power the state had been stripped of some of the most lucrative assets which were given away for a farthing to the new class of oligarchs in staged and fraudulent privatizations. The state has since then regained back some of the assets and also continues to manage large infrastructure assets. Putin's policy is to retain the state's role as an owner and investor in sectors important to the whole nation and in those sectors of the economy which would otherwise not attract investments. At the same time his policy is to encourage private investment and ownership in all other sectors of the economy.

### ***Socially oriented***

During his 12 years in power, eight years as president and four years serving as the Prime Minister under President Medvedev, Putin has overseen a spectacular turnaround in the national economy. The GDP has increased by some 850% during his tenure. Having earlier been burdened by debt, the country is now efficiently debtless with an external national debt of less than 3% of GDP (to be compared with the typically 60 – 120%, or more, for Western countries). At the same time Russia has hoarded more than 500 billion worth of currency reserves. The average wage has gone up by some 15 times from 1,500 rubles (60 dollars) per month to 22,600 rubles (750 dollars). From the hyperinflation of the 1990's there is only a memory left with the single-digit rates of inflation of today. And unemployment has been halved from 12.4% in 2000 to 6.2% as of now.

But the critics of Putin habitually belittle these spectacular achievements by falsely claiming that they have merely followed from a rise in the price of oil. This argument totally misses the point that it is precisely thanks to Putin's policies that the revenue from export of oil now serves the national economy. This has been achieved through severely taxing oil export revenues and subjugating to the rule of law the oligarchs who illegally gained control of oil and other natural resources during the years of anarchy in the 1990's. Prior to Putin coming to power the oligarchs led by the jailed tycoon Khodorkovsky had been very successful in opposing any taxes on oil export through intimidation and bribery of the political powers.

Apart from the high taxes on oil, Putin's tax policies are very lenient. For example, Russia runs a record low personal income tax which is a flat 13% for all income levels. This if anything should constitute the measure of liberty. The Russian government lets people decide for themselves how they will spend their income. Thus in Russia people are left with the personal freedom to choose how they will conduct their lives with the money they earn. At the same time the Western

governments which pride themselves as liberal on an average impose a 50% tax on people's income, thus reducing citizen to the role of tax serfs for the state.

Thanks to the heavy taxes on the oil riches, Russia has been able to make significant investments in the social sphere even while the overall tax burden has remained moderate. As a result of this social spending the Russian people today enjoy a far better social protection than ever before in its history. During these 12 years the average pensions have been raised by some 2,000% reaching a level that now allows pensioners a decent living. This while leaving the retirement age at the lowest levels in Europe at 55 for women and 60 for men. And now Russia's economy has reached a level that has also allowed considerable hikes in the salaries of formerly deprived state officials such as military personnel, police, teachers, professors, doctors and healthcare professionals. Other social spending has gone, for example, to boost child allowances, raise student grants, and end the waiting lists to kindergarten. These and other social welfare measures have dramatically improved the demographic perspectives of Russia with a simultaneous decrease in death rate and rise in birth rate, extending the life expectancy from 65 years to 69.

Such has been Putin's emphasis on social spending that both his Western critics and the domestic opposition call it foolhardy and populist. But Putin has a solid track record of running a balanced budget with sufficient reserves so there is no reason to think that he would not know what he is doing. In my opinion this social spending is also driven by a will to stimulate the economy. And perhaps there is even a more fundamental idea of modernizing Russia and its economy by creating vast new layers of consumers. After all, the past success of the Western European countries is in much due to the fact that the purchasing power of people was raised by strong measures of redistribution of wealth. It seems that Putin will emulate this experience albeit faster and with a lesser tax burden on the people. The ultimate success of this strategy will rest on the degree to which this newfound purchasing power will be channeled into consumption of domestically produced goods and services. As this stimulus is directed through the pockets of these presently low-income categories of people, there is certainly reason to believe that it will to a big degree directly benefit the local producers. Thus it does not only mean a stimulus of the national economy, but also an effort to a more even distribution of national wealth within Russia, away from Moscow and the big centers towards the provinces. Considering these facts I predict that the pace of economic growth in Russia will this year pick up from the approximate 4% that is the consensus among economic analysts to a level between 5.5 to 6% of GDP.

### ***Social Liberal Patriotic***

Putin's drive to create a democratic market economy is marked by his pragmatic policies based on recognizing the facts of present reality but with a strong intention to change these very facts. Therefore Putin is an evolutionary leader, not a revolutionary one. I would even characterize Putin as a Lamarckian evolutionist who is not misguided by Darwinian ideas of the survival of the fittest and rather believes that social practices have to be gradually adapted towards the ideal goal.

There is one more important aspect of Putin's politics. That is patriotism. Putin recently said that he sees patriotism as the only unifying idea that can be applied to all Russians. I agree, especially because Putin's patriotism is a benign patriotism which is intended for the good of the own people and not against anybody. Putin's patriotism is not that of an ethnic nationalism of Russians, which form of nationalism has no future in the multiethnic country of Russia. In

Russia any such nationalism could only contribute to the destruction of the Russian statehood consisting of so many people of different ethnic origins, languages, religions and cultures.

Because of the traditional classification of political parties in terms of left and right, conservatives, socialists, center, liberals, nationalists, etc., it has been difficult for United Russia, the party that channels Putin's support, to properly profile itself. For, as we have seen, Putin's politics combines the best of all the traditional political movements while rejecting their worst aspects. I would, therefore, advise United Russia not to fall in the trap of history and dress itself up in these worn-out political concepts. Instead the party could choose to call itself a Social Liberal Patriotic Party of Russia, to show what it really stands for. This denomination makes sense because Putin's politics is *social* for a just distribution of welfare, *liberal* for a free market that produces the national wealth that is to be justly distributed, *liberal* in upholding the values of personal freedom. And only a *patriot* can really care for his country - and respect the right of other countries to do the same for themselves.

The prolonged economic and political crisis in Europe serves as a warning to all those that try to make politics of the 21<sup>st</sup> century wrapped in the concepts of the 20<sup>th</sup> century. In Europe all parties, no matter what they are called, are essentially conducting a social democratic policy that is hostile to the market and has killed free competition in all spheres of life, for example, by adopting the failed monopoly currency and by directives of the European central-planning organ that aim to regulate in detail each aspect of doing business – and indeed of life. At the same time the European political leaders have promised people a life of plenty without being able to afford it. These are promises that the European people now pay for dearly.

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