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The Party of Business

By Konstantin Sonin

Vladislav Surkov, a deputy head of the presidential administration, said Russia did not need a "party of business" or competing parties representing various interest groups in general. He is mistaken, but it is not such a simple error as one might think. This was probably not a propaganda statement aimed at bolstering President Vladimir Putin's authority, but a misconception connected with Russia's current economic situation. This could be interpreted as something specific to Russia, resulting either from its 1,000-year history, its 70-year experiment with communism or the economic hardships of the last decade.

Normally the opinion of a single official -- however highly placed and influential he might be -- would not in itself be worthy of an entire article. But this particular misconception -- that one party is enough to represent all social groups -- is currently dividing the majority of Russians. Sociologists and political analysts conducting public opinion polls find a wide range of explanations behind the phenomenon, but economists have a simpler take on it. Every Russian effectively has two sources of income: that which he earns by his own labor and that which is allocated to him as his share of the nation's natural-resource wealth.

The country's economic policies determine the return on both sources of income, and this is what should concern voters on election day. If a voter feels he can earn enough money through his own efforts, he will support a party of business to represent his interests. But in Russia, we have the unique situation where natural-resource wealth plays such an important role for the majority of people that they hardly worry about earning money through their own initiatives. This is why all of the discussion -- whether it is initiated by President Vladimir Putin or by jailed former Yukos CEO Mikhail Khodorkhovsky -- about the need to develop civil society in this country, as well as all the regrets about the fact that it is dying out, is just idle talk. Civil society will develop only when citizens get fed up enough -- when their tax burden becomes too great, when they suffer too much from the hands of lawless bandits or when they spend too much time standing in lines.

But there is a non sequitur here. Let's suppose that our whole lives were made up of shares in the country's natural wealth. If that was the case, it would seem to open up the field for greater political competition, at least in terms of which party was better able to provide the public benefits of education, health and safety.

But most people believe that political competition is unnecessary. Of course, when things get better and better with each passing year -- and, as a matter of fact, real incomes have risen 15 percent in the last year alone and more than doubled over the last seven years -- people do not care about the sources of the current economic boom.

Meanwhile, not everything always goes in the right direction. There are three fundamental reasons that explain the current economic growth: the low starting point after the Soviet collapse, against which the economic gains of the past several years seem so miraculous, a successful conservative monetary and fiscal policy under Putin, and new market conditions that emerged in the 1990s along with a new entrepreneurial class. The first condition is no longer present, the second condition is increasingly sputtering, and we are strangling the third condition with our own hands.

Ideally -- if there are free elections -- it is the party of business that should be defending the existence of both free markets and the entrepreneurs who are making these markets work.

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