

## Stagnation Is Never Good

In an interview with the Dozhd television channel, Prime Minister Vladimir Putin's spokesman Dmitry Peskov indicated that he did not know what was bad about former Soviet leader Leonid Brezhnev and his period of stagnation. Shortly thereafter, President Dmitry Medvedev's visit to the journalism department at Moscow State University clearly illustrated that stagnation for all to see.

Peskov's comments about Brezhnev's economic successes were particularly absurd. "He laid the foundation of the economy and of agriculture," Peskov said.

Agriculture, which was never a strong point in the Soviet economy, hit rock bottom in the 1970s. Late in that decade, Russia's labor productivity was ranked lower than 100th in the world — on par with a host of African and other undeveloped countries.

The situation in other sectors was no better. In fact, the foundation of the Soviet Union's ultimate collapse was laid during Brezhnev's rule. The problem during the period of stagnation was not that the rate of economic growth and general prosperity were too low. The problem was that

record-high oil prices enabled the government to completely neglect the domestic agricultural sector. In the '70s, the Soviet Union used its petrodollars to become the world's leading grain importer and ignored the growing ineffectiveness of other sectors of the economy.

Although the journalists who interviewed Peskov may be excused for not knowing the details of Soviet-era agriculture, they should have known that the period of stagnation ended with a large-scale economic catastrophe in the late 1980s that led to the country's disintegration in 1991. They should not have allowed Peskov to get away unchallenged with his nonsense about Brezhnev's so-called economic successes.

Medvedev's visit to Moscow State University also illustrated the mechanics of stagnation. The journalism students were prevented from entering the building, denied the opportunity to ask Medvedev questions and subjected to cross-examination by the Federal Guard Service agents. They then turned to the media to vent their frustration and anger at the ruling regime. The last thing Medvedev needed was to alienate the very liberal audience with which he had hoped to cultivate positive relations — the active, educated and Internet-savvy youth.

In the end, Medvedev had no reason whatsoever to fear pointed questions. I once participated in a meeting of the Valdai Club at which Medvedev spoke. He had no difficulty in calmly providing extemporaneous answers to questions that were far more hard-hitting than those that the journalism students had planned to ask.

The Moscow State University flop underscores exactly how Russia's stagnation works. Good intentions from the leader are not enough. If the system of incentives does not function properly, work is performed poorly. That applies to the president, prime minister and to the Federal Guard Service as well.

If government ministers are never fired for gross negligence, why should a press secretary or federal guard fear dismissal, even when their actions turn a PR opportunity into a complete PR fiasco? In general, why should anyone ever get fired if there are no real elections and a leader can stay in power even long after he has fallen out of favor with voters?

Stagnation does not take the form of a sudden economic collapse. It is a long and gradual process of decay that makes a sudden and severe collapse inevitable.

By Konstantin Sonin, 08 November 2011

*Konstantin Sonin is a professor at the New Economic School in Moscow and a columnist for Vedomosti.*