

Russia after the Wagner Group Rebellion

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How the Kremlin is looking to reshuffle the Russian elite and consolidate new economic policies

In an article on the effects of Wagner Group leader Yevgeny Prigozhin's rebellion late last month, Russian analyst [Fyodor Lukyanov](#) observes that in today's world it is not the fittest who survive, but those with the greatest capacity for endurance. Russia, he claims, could not be better prepared for this scenario.

Lukyanov belongs to a circle that has gained clout since the onset of the war in February 2022, so such statements must be taken seriously. He draws attention to longer-term developments in Russia that mostly go unnoticed by the majority of external observers. In recent weeks, a certain military entrepreneur's march has allowed further, perhaps more crucial, developments to go unnoticed.

While many commentators speculate on the political system's instability, the imminence of civil war, etc., such speculations originate from an ignorance of other, more stabilizing, factors that are no less present. Taking into account the total fragmentation of Russia's political opposition — a fragmentation caused by repression, among other factors — it becomes clear that the impetus for change in Russia remains in the hands of the central government. Moreover, in its dealings with Prigozhin, the central government has proven its ability to act — even if in this case, the solution was not implemented by the state itself, but indirectly via its networks.

On the Lookout

Numerous official statements have openly expressed hopes that Russia and its central government in Moscow will, over time, be weakened. But these hopes must be tempered: around the second half of 2022 in Russia, internal points of vulnerability were identified and addressed via an [extensive modernization programme](#). The programme's structure is markedly different from comparable reforms conducted in the past in Western Europe, or those currently underway in China — although in Russia, the latter are often framed in a positive light.

Central to the Russian programme is a system based on political, cultural, and social conservatism, as well as a free market that drives innovation by drawing on international labour pools. No space is created for political emancipation — neither from within nor from outside. The programme's slogan — “strong state, strong market” — is a nod to the Chinese model.

This approach also helps to explain Russia's current approach towards its war against Ukraine. The war is an instrument for asserting an autonomous (although not fully isolationist), non-Western orientation. Escalating the war would endanger this modernization project, but so would bringing it to an end: while the former would divert too many resources, the latter would lead to the imposition of Western conditions and the destabilization of the prevailing system's legitimacy.

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In light of this, when Prigozhin criticized indecisive military decision-making and questioned the rationale behind the war, this did not necessarily oppose the personal ambitions of certain leadership figures. However, Prigozhin certainly did undermine a strategy that, in the meantime, is now well underway. Time has got away from Prigozhin. He did not have “endurance” and, as a consequence, also lacked “strength”.

How might we account for the importance of “endurance” in current Russian politics? The following factors appear to be crucial: ongoing preparations for regional and Duma elections, business-related policy, educational reform, the continuation of state programmes that plan and regulate economic innovation and infrastructural reconstruction, and the modernization of the administration. These changes are to be accompanied by an ideological offensive centred on conservative values and directed above all at children and young people — values that are also to be enshrined in the legal system.

Supply-Side Economics

Adding dynamism to economic modernization, which has continued at a sluggish pace for two decades, will play a pivotal role in Russia’s efforts to modernize. Over the last 12 months, and particularly since December 2022, the contours of this economic policy have become ever clearer.

On 16 June, Putin [gave a speech](#) on the fundamental principles of his economic policy at the International Economic Forum in St. Petersburg. In his speech, Putin continued to sharpen his concept, emphasizing that he and his circles are working towards a supply-based economy focusing on innovative business models that support the state. This included a lengthy discussion of property rights, including details of how they will be safeguarded.

Putin delivered a vision of a social-paternalistic, strong-arm state oriented towards encouraging entrepreneurial initiative within a modern, innovative, and internationally competitive economy well-positioned to assert itself in the global economy. Putin underscored the significance of technological sovereignty and independence from imports, although he distanced himself from full economic isolationism. Additionally, he claimed that Russia’s economy would promise high wages and set new requirements for trade-based education, while fostering increased productivity through automation, new distribution systems, modern workplaces, and better working conditions.

If we consider the tasks Putin has formulated for his government, it appears he is pushing for the reconstruction of the economy, the state, and the role of elites to be institutionally and juridically irrevocable by the end of the year. Strategically vulnerable areas are to be dealt with before the presidential and Duma elections — a plausible, if somewhat risky, method for accelerating necessary social development.

Only weeks after the President outlined the tasks to be fulfilled, problems with his plan are becoming apparent: an investigation by the Ministry for Economics has shown that only in [six of 37 guidelines](#) for economic development can the projected goals be reached. The aviation industry, a key sector, performed particularly poorly.

In parallel, the Minister of Finance is working to reduce expenditure in the coming year by 10 percent. However, he has not yet taken Putin’s new social and economic measures into account. So far, cuts do not yet extend to social welfare. Attempts to cover increased expenditure by increasing state debt (currently at 15 percent) are [met with resistance](#) from the Central Bank: this move would have a number of effects, including the restriction of the private sector’s access to credit.

Elite Renewal

In recent months, great emphasis has been placed on redefining the role of Russia's elites in the state and economy. It is worth noting that, unlike in previous years, Putin now openly praises the role played by business and the private sector. In the above-mentioned speech, he calls for monitoring and sanctions to be rolled back. Similar measures, including the remediation of past commercial criminal offences or the reduction of fines, have long been under discussion.

Putin is looking to attract a new economic elite that, if granted sufficient entrepreneurial freedom, will cooperate with the state to provide the necessary push for modernization. Accordingly, Putin demands that the organs of the state take up partnerships with the private sector, including through public-private partnerships (PPPs). In this sense, privatization remains a hot topic.

The reconstruction of the economy around elites is to be mirrored within politics. Among the candidates nominated by the presidential party, United Russia, there are many newcomers to politics. When its current election campaign began, it was said that only 18 percent of nominees had pre-existing mandates.

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In recent months, the president has practiced a policy of control and public evaluation vis-à-vis his governors, who play a decisive role, connecting the central government with the regions. This applies not only to economic revival and social stability, but also to security policy in areas bordering the war in Ukraine. High-level reshuffling has already, in recent years, created the conditions for the formation of a political class orientated towards the interests of the central government. Alongside using ratings to increase the pressure to succeed — a familiar method in other contexts in the West — this also includes intensified training for governors and communal politicians at the Russian Presidential Academy of National Economy and Public Administration.

Putin met personally with almost all incumbent office-holders standing for re-election. These meetings were taken place as public events. The strengths and weaknesses of each region were discussed, and the president made “recommendations” for improvement. In recent months, Telegram channels that are openly close to the government, such as Nezygar, which has over 330,000 subscribers, offer detailed comparisons of the governors' activities. Such discussions may well be public, but they are not open. Opposition is severely limited on the regional level, and remains a privilege of parts of the elite.

A Strong Ideology for a Strong State

There are clear overlaps between steering an ultimately neoliberal economic course and steering a specific ideological course. The ideological offensive is being pursued with extreme brutality, and it is closely connected to three forms of repression that security forces draw on: the accusation of spreading fake news about the armed forces, the declaration of dissidents as *inoagency* (foreign agents), and the allegation of “LGBT propaganda”.

Late 2022 saw the launch of “Russian DNA”, a project developed by the Ministry for Education. For now, this project aims at reforming higher education. In the future, it will be applied across the entire education system. During a [presentation of the project](#) at the university in St. Petersburg, Vice Chancellor Elena Chernova explained that its aim is to foster a new worldview among students. Central to this view is a reorientation towards a [specific set of values](#) and a positive vision of Russian history.

An [accompanying concept paper](#) describes the envisaged system of values as having five key points:

patriotism, trust in social (in fact, state) institutions, the unity of society, traditions of familial life (the traditional family), and the drive to create, including an appreciation of success, self-empowerment, and an understanding that success and well-being depend on one's own endeavours — as well as on fostering the growth and development of one's own individuality, an understanding of civic duty, and an understanding of oneself as a part of society, the region, and the state.

The fifth point in particular refers to politico-economic objectives. At the St. Petersburg International Economic Forum in June 2023, Vice President Belousov characterized these as a [modernized conservatism](#) that preserves the traditional values of the West. Here, the values of “Manchester capitalism” — that is, an unconstrained capitalism not limited by the welfare state — are pitted against a form of capitalism that, even in the last third of the twentieth century, was still in certain respects contained by the rise and ongoing struggles of the workers' movement. This opposition creates a new axis of ideological aggression.

This dynamic also forms the background of a discussion that the Prigozhin rebellion has somewhat suppressed. On 13 July, one Russian intellectual supporting the war, Sergey Karaganov, published an [article](#) in which he demanded that fears of a nuclear escalation again be manufactured, for not doing so would be tantamount to accepting the demise of humanity. He called, for instance, for targets of nuclear strikes on enemy territory to be publicly listed.

The author acknowledged widespread criticism of his position in a [conversation](#) with the YouTube channel *Mezhdunarodnoe Obozrenie* published shortly after the article appeared. However, he refused to back down from his statements, and continues to push forward his argument that the “degenerate elites in the West” have lost their grip on reality. He explicitly sees Europe as the object of a nuclear strike and does not expect the US to be touched.

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According to Karaganov, Russia cannot simply step down and lose. He repeats the formulaic notion that Russia will be viewed as the “liberator” of the West — a liberation the West has still not called for, despite its advanced state of moral decline. Karaganov sees no possibility for negotiation with Ukraine: the only option is the “destruction of the enemy” and the collapse of Western society — after which the US will play the same role that it did in the 1930s. The moderator of the discussion, Fyodor Lukyanov, notes reassuringly in his closing remarks that it is important to say all of this before it is too late.

Numerous experts and commentators positioned themselves against Karaganov's ideological attack in the days that followed. Even [proponents of the war's current course](#), who fully support making a break with the West, rejected Karaganov's proposed preventative nuclear strike. Karaganov's opponents follow the line taken by the President, who reacts to similar questions by referencing the Russian security strategy, which allows for a nuclear strike only if an existential threat is posed to the country — a scenario that does not even remotely compare to the war in Ukraine.

At present, the vast majority of the Russian population also reject the use of nuclear weapons in the war with Ukraine. This holds particularly true for those who support the initiation of peace negotiations. Karaganov is of course fully aware of this. Why, then, the aggressive rhetoric? A [commentator close to the government](#) sees the choice to publish Karaganov's intervention as a strategy to show the “enemy” that, in Russia, experts do not publicly discuss whether the course taken should be continued, but rather, where this course should lead.

It is also imperative that Karaganov's contribution be understood as a response to Germany's willingness to escalate, as expressed in its *Guidelines for a Feminist Foreign Policy* and its *National Security Strategy*. Both government papers absolutely strengthen the position of the faction in Russia that is represented by Karaganov. It would therefore be advisable to refrain from putting too strong a focus on Karaganov's demand for a Russian nuclear deterrence strategy, particularly since the Russian government and its military forces show no sign that such plans are underway.

Far more important here are political and ideological considerations on a global scale. As Karaganov writes:

By breaking the West's will to continue the aggression, we will not only save ourselves and finally free the world from the five-century-long Western yoke, but we will also save humanity. By pushing the West towards a catharsis and thus its elites towards abandoning their striving for hegemony, we will force them to back down before a global catastrophe occurs, thus avoiding it. Humanity will get a new chance for development. ... We will have to solve the remaining internal problems: to finally get rid of Western centrism in our minds and of Westerners in the managerial class, of compradors and their characteristic thinking. (The West is actually helping us with that). It is time to finish our 300-year voyage to Europe, which gave us a lot of useful experience and helped create our great culture. We will carefully preserve our European heritage, of course. But it is time to go home and to our true self, start using the accumulated experience, and chart our own course. The Ministry of Foreign Affairs has recently made a breakthrough for all of us by calling Russia in the Foreign Policy Concept a state-civilization. I would add — a civilization of civilizations, open to the North and the South, the West and the East. The main direction of development today is the South and the North, but primarily the East.

On an ideological level, Karaganov is here again completely in line with Putin's position. The processes hinted at clearly show that the Russian leadership is working with an eye to the future. In the short term, Russian society is to be shaped through repression, but long-term, its form will be moulded by ideology. The targets of this ideological offensive are above all children and young people.

Strength through Weakness

As its dealings with Prigozhin show, the strength of Putin's system lies in the weakness and fragmentation of its opposition but, above all, in its specific qualities — its historic uniqueness. The last existing shreds of the welfare state and liberalism in the West are viewed as relics of history.

Such power relations are anchored in the political system and political culture and hence continue to be sustained, even as the workers' movement dwindles. In the eyes of Karaganov, this is "decadence". The dismantling of the Soviet Union brought extreme neoliberal upheavals on the one hand, while on the other heralded neoliberal counter-revolution in the West. This made it untenable for Russia and the other post-Soviet states to take the Western European path.

Nonetheless, various oppositional groups tend to base their visions of the future on the founding principles of the Western European path, even if it is now untenable. In this light, the Russian opposition is no less at a loss than the opposition in the West.

On the Telegram channel [Nevoyna](#) ("no war"), mercenary troops are called upon to seize power because it is apparently easier to negotiate with private military forces than with the current leadership. The fallen oligarch [Mikhail Khodorkovsky](#), one of the leaders of the liberal exile

movement, saw in this a revolutionary moment that was passed over. But a revolution for what, and carried out by whom? More recently, Khodorkovsky likewise warned of [Russia's disintegration into many mini-states](#), as is demanded by parts of the opposition. Far more than revolution, in that moment the possibility of civil war was in the air.

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Before the Prigozhin affair, Alexei Navalny and his circles called for a [campaign against the war](#) and the prevailing political system in the run-up to the coming elections. Navalny’s proposals abandon the framework of Putin’s system only in relation to elites and traditional rights protecting the bourgeoisie. Nonetheless, his audience within Russia, for all it is articulate, remains marginal — he probably enjoys a greater reception among emigrants. Is time working with or against him?

The Communist Party of the Russian Federation (CPRF), which wants the war to lead to a socialist coup, demonstratively [backed the President](#) during the Prigozhin crisis. The CPRF’s ally, the Left Front, demands [unity among left-wing patriotic forces](#) in the interests of winning the war, and calls for the formation of a leftist coalition government. The socially conservative party A Just Russia will support Putin in the upcoming elections.

In early June, the experts brought together at the Academic Economic Forum in Moscow — among them several who support the formation of a welfare state — could do no more than appeal for the state’s reform. In this year’s second edition of the left-wing magazine *Alternativy*, A. Buzgalin, K.A. Chubiev, and D.B. Epstejn put forward a minimal programme for the economic reconstruction of the country in alignment with left-wing values. Their programme corresponded with the intentions expressed by economists present at the June Forum.

The paper’s writers are considered to represent the post-Soviet school of Marxism. Their suggestions are oriented towards the “resocialization of the Russian economy” — a strategy of deep-seated ecological, social, and cultural reform that goes beyond minimally tweaking economic policy to work towards a systematic transformation of socioeconomic relations. At its heart, their programme is aligned with the Nordic welfare state model. They point to academic literature that generalizes from a broad range of global experiences, detailing how forms of strategic planning, active industrial policy, the socialization of property, the slimming-down of bureaucratic leadership structures, and measures to reduce social inequality might be realized.

Their contribution is framed as an answer as to whether the practical realization of such steps is at all possible. However, it remains unclear who exactly will force the state to enact such a drastic change in direction.

Nothing Is Set in Stone

Prigozhin’s rebellion has decided nothing. It was just one element in a social and political search for change and of disputes over the direction of socio-political restructuring. It would be erroneous to treat the rebellion as [“staged”](#). Rather, it makes clear that the current leadership is focusing on a long-term and conservative modernization process that is internally more important than the war in Ukraine. It is therefore improbable that, at present, Prigozhin’s attempted coup might be interpreted as a [“rehearsal” for similar actions](#).

However, this may change. Nothing is set in stone. The process of politically driven change lacks internal strength — it is in fact supported by the weakness of the political opposition. For this reason, Prigozhin or even ultra-nationalist forces remain a part of the system, even if they operate

along its margins. Only one thing is clear: each day the war continues will be seen by the Russian leadership as confirmation of the path it has chosen.

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