



## FOREIGN AFFAIRS

# Can Putin Survive?

## The Lessons of the Soviet Collapse

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On May 9, 2022, a column of tanks and artillery thundered down Moscow's Red Square. Over 10,000 soldiers marched through the city's streets. It was Russia's 27th annual Victory Day parade, in which the country commemorates the Soviet Union's triumph over Nazi Germany in World War II. Russian President Vladimir Putin, presiding over the ceremonies, gave a speech praising his country's military and fortitude. "The defense of our motherland when its destiny was at stake has always been sacred," he said. "We will never give up." Putin was speaking about the past but also about the present, with a clear message to the rest of the world: Russia is determined to continue prosecuting its war against Ukraine.

The war looks very different in Putin's telling than it does to the West. It is just and courageous. It is successful. "Our warriors of different ethnicities are fighting together, shielding each other from bullets and shrapnel like brothers," Putin said. Russia's enemies had tried to use "international terrorist gangs" against the country, but they had "failed completely." In reality, of course, Russian troops have been met by fierce

local resistance rather than outpourings of support, and they were unable to seize Kyiv and depose Ukraine's government. But for Putin, victory may be the only publicly acceptable result. No alternate outcomes are openly discussed in Russia.

They are, however, discussed in the West, which has been near jubilant about Ukraine's success. Russia's military setbacks have reinvigorated the transatlantic alliance and, for a moment, made Moscow look like a kleptocratic third-rate power. Many policymakers and analysts are now dreaming that the conflict could ultimately end not just in a Ukrainian victory; they are hoping Putin's regime will suffer the same fate as the Soviet Union: collapse. This hope is evident in the many articles and speeches drawing comparisons between the Soviet Union's disastrous war in Afghanistan and Russia's invasion of Ukraine. It appears to be a latent motivation for the harsh sanctions imposed on Russia, and it underlines all the recent talk of the democratic world's new unity. The war, the logic goes, will sap public support for the Kremlin as losses mount and sanctions destroy the Russian economy. Cut off from access to Western goods, markets, and culture, both elites and ordinary Russians will grow increasingly fed up with Putin, perhaps taking to the streets to demand a better future. Eventually, Putin and his regime may be shunted aside in either a coup or a wave of mass protests.

This thinking is based on a faulty reading of history. The Soviet Union did not collapse for the reasons Westerners like to point to: a humiliating defeat in Afghanistan, military pressure from the United States and Europe, nationalistic tensions in its constituent republics, and the siren song of democracy. In reality, it was misguided Soviet economic policies and a series of political missteps by Soviet leader Mikhail Gorbachev that caused the country to self-destruct. And Putin has learned a great deal from the Soviet collapse, managing to avoid the financial chaos that doomed the Soviet state despite intense sanctions. Russia today features a

very different combination of resilience and vulnerability than the one that characterized the late-era Soviet Union. This history matters because in thinking about the war in Ukraine and its aftermath, the West should avoid projecting its misconceptions about the Soviet collapse onto present-day Russia.

But that doesn't mean the West is helpless in shaping Russia's future. Putin's regime is more stable than Gorbachev's was, but if the West can stay unified, it may still be able to slowly undermine the Russian president's power. Putin grossly miscalculated by invading Ukraine, and in doing so he has exposed the regime's vulnerabilities—an economy that is much more interdependent with Western economies than its Soviet predecessor ever was and a highly concentrated political system that lacks the tools for political and military mobilization possessed by the Communist Party. If the war grinds on, Russia will become a less powerful international actor. A prolonged invasion may even lead to the kind of chaos that brought down the Soviet Union. But Western leaders cannot hope for such a quick, decisive victory. They will have to deal with an authoritarian Russia, however weakened, for the foreseeable future.

### **CREATIVE DESTRUCTION**

In the United States and Europe, many experts assume that the collapse of the Soviet Union was preordained. In this narrative, the Soviet Union had long been fossilized economically and ideologically, its military overextended. It took time for the economic flaws and internal contradictions to tear the state apart, but as the West increased pressure on the Kremlin through military buildups, the country began to buckle. And as national self-determination movements in the constituent republics gained steam, it began to break. Gorbachev's attempts at liberalization, well intentioned as they were, could not save a dying system.

There is some truth to this story. The Soviet Union could never successfully compete militarily or technologically with the United States and its allies. Soviet leaders performed Sisyphean labor to catch up with the West, but their country always lagged behind. On the battlefield of ideas and images, Western freedom and prosperity did help accelerate the demise of communist ideology, as younger Soviet elites lost faith in communism and gained a keen interest in coveted foreign goods, travel, and Western popular culture. And the Soviet imperial project certainly faced discontent and disdain from internal ethnic minorities.

Yet these were not new problems, and by themselves, they were not enough to rapidly force the Communist Party out of power at the end of the 1980s. In China, communist leaders faced a similar set of crises at roughly the same time, but they responded to rising discontent by liberalizing the Chinese economy while using force to put down mass protests. This combination—capitalism without democracy—worked, and the leaders of the Chinese Communist Party now rule cynically and profit from state capitalism while posing under portraits of Karl Marx, Vladimir Lenin, and Mao Zedong. Other communist regimes, such as the one in Vietnam, made similar transitions.

In reality, the Soviet Union was destroyed not so much by its structural faults as by the Gorbachev-era reforms themselves. As the economists Michael Bernstam, Michael Ellman, and Vladimir Kontorovich have all argued, perestroika unleashed entrepreneurial energy but not in a way that created a new market economy and filled shelves for Soviet consumers. Instead, the energy turned out to be destructive. Soviet-style entrepreneurs hollowed out the state's economic assets and exported valuable resources for dollars while paying taxes in rubles. They siphoned revenues to offshore sites, paving the way for oligarchic kleptocracy. Commercial banks quickly learned ingenious ways to milk the Soviet state, leading the central bank to print more and more rubles to cover the

commercial banks' financial obligations as the government deficit expanded. In 1986 and 1987, as vodka sales and oil prices fell and the country reeled in the wake of the Chernobyl nuclear disaster, the Ministry of Finance printed only 3.9 billion and 5.9 billion rubles, respectively. But in 1988 and 1989, when Gorbachev's reforms were enacted, the injections of ruble liquidity increased to 11.7 billion and then to 18.3 billion.

Gorbachev and other reformers plowed ahead anyway. The Soviet leader delegated more political and economic authority to the 15 republics that constituted the union. He removed the Communist Party from governance and authorized elections in each of the republics for councils vested with legislative and constitutional authority. Gorbachev's design was well meaning, yet it magnified economic chaos and financial destabilization. Russia and the other republics withheld two-thirds of the revenues that were supposed to go to the federal budget, forcing the Soviet finance ministry to print 28.4 billion rubles in 1990. The Soviet ruling class, meanwhile, decomposed into ethnic clans: the communist elites in the various republics—Kazakhs, Lithuanians, Ukrainians, and others—began to identify more with their “nations” than with the imperial center. Nationalist separatism rose like a flood.

The change of heart was particularly striking in the case of the Russians. During World War II, the Russians had done most of the fighting on behalf of the Soviet Union, and many in the West saw the communist empire as a mere extension of Russia. But in 1990–91, it was primarily tens of millions of Russians, led by Boris Yeltsin, who tore down the Soviet state. They were an eclectic group, including liberal-minded intellectuals from Moscow, provincial Russian apparatchiks, and even KGB and military officers. What united them was their rejection of Gorbachev and his failing governance. The Soviet leader's perceived weakness, in turn, prompted an attempted coup in August 1991. The organizers put Gorbachev under house arrest and sent tanks into Moscow

in hopes of shocking people into submission, but they failed on both fronts. Instead, they hesitated to use brutal force and inspired mass protests against the Kremlin's control. What followed was the self-destruction of the Soviet Union's power structures. Yeltsin pushed Gorbachev aside, banned the Communist Party, and acted as a sovereign ruler. On December 8, 1991, Yeltsin and the leaders of Belarus and Ukraine declared that the Soviet Union had "ceased to exist as a subject of international law and geopolitical reality."

But without Yeltsin's declaration, the Soviet Union might have soldiered on. Even after it ceased to formally exist, the empire continued to live for years as a common ruble zone with no borders and customs. Post-Soviet states lacked financial independence. Even after national independence referendums, followed by celebrations of newfound freedom, it took decades for tens of millions of former Soviet citizens outside Russia to develop postimperial identities, to think and act like citizens of Belarus, Ukraine, and the other new states. In this sense, the Soviet Union proved to be more resilient than brittle. It was no different from other empires in that it took decades, not months, to disintegrate.

## **LEARNING FROM THE PAST**

Putin is deeply familiar with this history. The Russian president once declared that "the demise of the Soviet Union was the greatest geopolitical catastrophe" of the twentieth century, and he has structured his regime to avoid the same fate. He recognized that Marx and Lenin were wrong about economics, and he energetically worked to figure out how Russia could survive and thrive under global capitalism. He brought in capable economists and made macroeconomic stability and having a balanced budget among his top priorities. During the first decade of his rule, soaring oil prices filled Russia's coffers, and Putin quickly finished paying back the \$130 billion in debt Russia owed to Western banks. He kept future debts to a minimum, and his government began to accumulate

reserves in foreign currency and gold. Those precautions paid off during the global financial crisis of 2008, when Russia was able to comfortably bail out corporations vital to its economy (all of which were run by Putin's associates).

After Putin annexed Crimea in 2014, the United States imposed sanctions on Russian oil and other industries, and oil prices plummeted as much as they did under Gorbachev. But the Russian government reacted skillfully. Under the leadership of Central Bank Chair Elvira Nabiullina and Finance Minister Anton Siluanov, the government allowed the ruble to devalue, restoring macroeconomic stability. After a brief dip, the Russian economy rebounded. Even during the COVID-19 pandemic, the country maintained strict fiscal discipline. While Western states printed trillions of dollars to subsidize their economies, Russia increased its budget surplus. The government's economists "are holier than the Pope in applying" the approach advocated by the International Monetary Fund, said Dmitry Nekrasov, a former Russian state economist. "During the last ten years there has been no country in the world that would have conducted such a consistent, conservative, and hard-principled policy drawn on [a] liberal model of macroeconomics." By 2022, Putin's state had accumulated more than \$600 billion in financial reserves, one of the largest stashes in the world.

But for Putin, the primary purpose of this sound financial policymaking was not to earn international plaudits or even to help ordinary Russians keep their savings. The point was to bolster his power. Putin used the accumulated reserves to restore the sinews of the authoritarian state by building up the security services, expanding Russia's military and armament industry, and paying off the head of Chechnya, Ramzan Kadyrov, and his paramilitary—another pillar of the Kremlin's dictatorship.

When Putin decided to invade Ukraine earlier this year, he believed Russia's large reserves would allow the country to ride out whatever sanctions resulted. But the West's financial response was far harsher than he expected—even ardent anti-Russian hawks in the West were surprised. The West and its allies cut off a number of major Russian banks from SWIFT, the international payment clearing network, and froze \$400 billion in Russian international reserves that were physically stored in G-7 countries. Washington and its allies also blocked a host of manufacturing companies from working with the Russian government or Russian businesses. Over 700 Western manufacturing and retail corporations walked out of Russia on their own, shamed by public opinion in their home countries. Large international transportation and financial firms and intermediaries stopped working with companies linked to Moscow. The decoupling is unlike anything the world has seen since the blockades of Germany and Japan during World War II.

In the West, these actions were met with euphoria. Pundits declared that Russia's currency would collapse and that there would be broad protests. Some even speculated that Putin could be toppled. But none of those scenarios came to pass. The ruble did initially tank, but Nabiullina and Siluanov acted quickly to save it. The Russian state suspended the currency's free convertibility and decreed that 80 percent of the oil revenue made by Russian companies and other exporters (including revenue made in dollars) had to be sold to the central bank. It banned Russian citizens from wiring more than \$10,000 abroad per month, quashing the panicky rush to convert rubles to dollars, and the Russian currency eventually bounced all the way back to pre-invasion levels. Had Gorbachev been assisted by such expertise, the Soviet Union might have survived.

Russia's entrepreneurs, meanwhile, are learning how to adapt to their new reality. Many of the front doors to the international economy have shut,



but Russia's businesspeople—including those who run its arms industry—know how to use backdoors to find what they need. Russian businesses also still enjoy legal access to multiple major economies, including those of China and India, both of which remain willing to do business with Russia. There is little economic reason for them not to: the strength of the ruble makes it profitable to buy Russian energy and other materials at a discount. The Russian government can then tax these profits and enforce their conversion to rubles, further maintaining the country's solvency. In the short term, then, it is unlikely that the West's harsh sanctions will kill the ruble and force the Kremlin to yield.

### **DIVIDE AND CONQUER**

Western penalties may not be shifting Moscow's thinking. But they are unmistakably hurting parts of Russia's population: namely, the country's elites and the urban middle class. Governments, universities, and other institutions around the world have canceled thousands of scientific and scholarly projects with Russian researchers. Services that were woven into the lives of many white-collar Russians—from Facebook to Netflix to Zoom—are suddenly unavailable. Russians cannot upgrade their MacBooks or iPhones. It has become extremely hard for them to get visas to enter the United Kingdom or the European Union, and even if they succeed, there are no direct flights or trains that can take them there. They can no longer use their credit cards abroad or pay for foreign goods and services. For the country's cosmopolitans, Russia's invasion has made life quite difficult.

At first glance, this might seem to bode ill for Putin. During the Soviet political crisis of 1990–91, members of the middle and upper classes played a huge role in bringing about the collapse of the state. Hundreds of thousands of educated Soviets rallied in the main squares of Moscow and St. Petersburg, demanding change. A new Russian elite, one that embraced nationalism and cast itself in opposition to the Soviet old

guard, gained power after elections held in 1990. The country's knowledge workers and intelligentsia teamed up with this new elite to help bring the empire down.

But Gorbachev tolerated, and arguably encouraged, such political activism. Putin does not. Unlike Gorbachev, who allowed opponents to contest elections, Putin has worked to prevent any Russians from emerging as credible threats—most recently, by poisoning the opposition leader Alexei Navalny in August 2020 and then arresting him a year later. There have been no demonstrations against the war on the scale that Gorbachev allowed, thanks in no small part to the ruthless efficiency of Russia's security services. The enforcers of Putin's police state have the power and the skills needed to suppress any street protests, including through intimidation, arrests, and other assorted punishments, such as hefty fines. And the Russian state is aggressively pushing to control its people's minds. In the first days after the invasion, Russia's legislature passed laws criminalizing open discussion and the dissemination of information about the war. The government forced the country's independent news outlets to shut down.

But these are just the most visible tools of Putin's system of control. Like many other authoritarians, the Russian president has also learned to exploit economic inequality to establish a firm base of support, leaning into the differences between what the Russian scholar Natalya Zubarevich calls "the four Russias." The first Russia consists of urbanites in large cities, many of whom work in the postindustrial economy and are culturally connected to the West. They are the source of most opposition to Putin, and they have staged protests against the president before. But they constitute just one-fifth of the population, by Zubarevich's estimate. The other three Russias are the residents of poorer industrial cities, who are nostalgic for the Soviet past; people who live in declining rural towns; and multiethnic non-Russians in the North Caucasus (including

Chechnya) and southern Siberia. The inhabitants of those three Russias overwhelmingly support Putin because they depend on subsidies from the state and because they adhere to traditional values when it comes to hierarchy, religion, and worldview—the kinds of cultural positions that Putin has championed in the Kremlin’s imperialist and nationalist propaganda, which has gone into overdrive since the invasion of Ukraine began.

Putin, then, doesn’t need to engage in mass repression to keep himself in command. Indeed, recognizing the seeming futility of opposing the state, many members of the first Russia who are truly fed up with Putin are simply fleeing the country—a development that Putin openly supports. He has declared their departure to be “a natural and necessary self-purification of [Russian] society” from a pro-Western “fifth column.” And so far, the invasion has done little to erode his support among the other three Russias. Most members of those groups do not feel connected to the global economy, and they are therefore relatively unbothered by Russia’s excommunication by the West via sanctions and bans. To maintain these groups’ support, Putin can continue to subsidize some regions and pour billions into infrastructure and construction projects in others.

He can also appeal to their conservative and nostalgic sentiments—something Gorbachev could never do. Russia’s turbulent history has led most of its people to want a strong leader and consolidation of the country—not democracy, civil rights, and national self-determination. Gorbachev, however, was no strongman. The Soviet leader was driven by an extraordinarily idealistic vision and refused to use force to maintain his empire. He mobilized the most progressive groups of Russian society, above all the intelligentsia and urban professionals, to help him yank the Soviet Union out of its isolation, stagnation, and conservative moorings. But in doing so, he lost the support of the rest of Russia and was forced

out of office, leaving behind a legacy of economic crisis, statelessness, chaos, and secession. The life expectancy of Russians dropped from 69 years in 1990 to 64.5 years in 1994; for males, the plunge was from 64 years down to 58 years. Russia's population declined, and the country faced food shortages. It is no wonder that so many Russians wanted a strongman like Putin, who promised to protect them from a hostile world and to restore the Russian empire. In the weeks after the invasion of Ukraine, the Russian people's knee-jerk reaction was to rally around the tsar, not to accuse him of unprovoked aggression.

## **UNDER PRESSURE**

None of this bodes well for Westerners who want Putin's system to fall—or for the Ukrainians fighting to defeat the Russian military machine. But even though the Soviet Union's collapse may not offer a preview of Russia's trajectory, that doesn't mean the West's actions will have no impact on the country's future. There is a consensus among both Western and savvy Russian economists that in the long term, the sanctions will cause Russia's economy to shrink as supply chain disruptions mount. The country's transportation and communications industries are especially vulnerable. Russia's passenger aircraft, fastest trains, and most of its automobiles are made in the West, and they are now cut off from the companies that know how to service and maintain them. Even official government statistics indicate that the assembly of new cars in Russia has fallen precipitously—at least partly because Russian factories are cut off from foreign-made parts. The Russian military-industrial complex may continue to go on unimpeded for now, but it, too, will eventually face shortages. In the past, Western companies continued to supply Russian arms manufacturers, even after Russia annexed Crimea. Now, if for ethical reasons alone, they won't.

The Russian energy sector has largely escaped the penalties, and as prices soar, it is making more money on exports than it did before the war. But

eventually, energy output will also deteriorate, and the energy sector, too, will need spare parts and technological upgrades that only the West can properly offer. The Russian authorities have admitted that the country's oil output declined by 7.5 percent in March and may go down to levels not seen since 2003. Selling energy is likely to become a problem as well, especially if the European Union can wean itself from Russian oil and gas.

Putin denies that this will happen. At a meeting with the heads of the energy corporations, he referred to Western sanctions as “chaotic” and asserted that they would hurt Western economies and consumers more than Russians because of inflation. He even spoke about Europe's “economic suicide” and promised to stay ahead of the West's anti-Russian actions. He has also convinced himself that the West no longer calls the shots in the global economy, given the world's increasing multipolarity. He is not alone; even Russian economists who oppose Putin are convinced that as long as the country's finances are in good shape, the rest of the world—including some Western companies, traders, and intermediaries—will risk violating the sanctions to do business with Russia. As the global economy sags under the weight of the war and as international shock over the invasion fades, they believe that Russia's relationship with the world will return to normal, just as it did after 2014.

But the West appears prepared to keep going. One day before Putin celebrated Victory Day, the G-7 leaders issued a declaration in support of Ukraine in which they recognized the country as an ally of the West and pledged financial support, a steady supply of arms, access to NATO intelligence, and, critically, continued economic pressure on Russia. The key of the declaration was, indeed, an announcement that they would work toward “Russia's isolation across all sectors of its economy.” It echoes what Ursula von der Leyen, the head of the European Commission, described as the EU's goals: to stop Russian banks “from operating

worldwide,” to “effectively block Russian exports and imports,” and to “make it impossible for the [Russian] Central Bank to liquidate its assets.”

It won't be easy to maintain this level of unity, nor will it be easy to expand the pressure to more of Russia's sectors—such as by instituting an EU embargo on Russian oil and gas. Several countries, including Hungary (whose prime minister, Viktor Orbán, remains one of Putin's few friends in Europe) as well as Germany and Italy, are aware that an energy embargo would deal a huge blow to their economies. And even if Europe does institute an energy ban, it will not lead to an immediate crisis in Russia. The Soviet Union, after all, experienced a drastic drop in oil revenues in the late 1980s, but that is not what bankrupted the country. It was, instead, Gorbachev's loss of control over the central bank, the ruble, and the country's fiscal mechanisms. As long as Putin retains power over these assets and follows professional advice, a fall in energy profits will not undermine the resilience of his regime.

But if the West is serious about stopping Putin, it will have to try to keep up the pressure anyway. The longer the sanctions go on and the harsher they grow, the more the West's anti-Russian economic regime will be implemented and internalized by other actors in the global economy. States and companies outside the West will grow more concerned about secondary sanctions. Some of the businesses may even worry about their reputations. The Chinese telecommunications giant Huawei has already suspended new contracts with Russia. Indian firms that indicated a readiness to buy Russian oil at a 30 percent discount are now under intense pressure to back off.

If the sanctions regime does drag on and becomes institutionalized, the West may yet succeed in undermining Putin's system. Moscow's talented economists will eventually become unable to shield the country from

devastating macroeconomic impacts. Even with trillions of dollars in investment in infrastructure projects or other stimulus measures, the Russian state will be unable to overcome the effects of exclusion as the costs of these projects, especially with the accompanying corruption, balloon. Without foreign know-how, the efficiency of producing Russian goods and their quality will return to where they were in the early 1990s. The three Russias dependent on the state for their livelihoods will then acutely feel their country's growing weakness and isolation in a way that, for now, they do not. People may even struggle to put food on the table. This would all seriously undermine Putin's story: that he is the essential leader of a "sovereign and great Russia," which has "risen from its knees" under his tenure.

In the long term, it is possible to imagine this seriously weakening the Russian state. Separatism could rise or return to some regions, such as Chechnya, if the Kremlin stops paying their residents' bills. Tensions will generally grow between Moscow—where money is amassed—and the industrial cities and regions that depend on imports and exports. This is most likely to happen in Eastern Siberia and the mid-Volga, oil-producing regions that could find themselves forced to give ever-larger shares of shrinking profits to the Kremlin.

Still, even a much weaker Russia is not destined to suffer a Soviet Union-style breakup. National separatism is not nearly as much of a threat to present-day Russia, where roughly 80 percent of the country's citizens consider themselves to be ethnic Russians, as it was to the Soviet Union. Moscow's strong repressive institutions could also ensure that Russia does not experience regime change, or at least not the same kind of regime change that took place in 1991. And Russians, even if they turn against the war, would probably not go on another rampage to destroy their own state.

The West should nonetheless stay the course. The sanctions will gradually drain Russia's war chest and, with it, the country's capacity to fight. Facing mounting battlefield setbacks, the Kremlin may agree to an uneasy armistice. But the West must also stay realistic. Only a hardcore determinist can believe that in 1991, there were no alternatives to the Soviet collapse. In fact, a much more logical path for the Soviet state would have been continued authoritarianism combined with radical market liberalization and prosperity for select groups—not unlike the road China has taken. Similarly, it would be deterministic for the West to expect that a weakened Russia would fall. There will at least be a period in which Ukraine and the West have to coexist with a weakened and humiliated but still autocratic Russian state. Western policymakers must prepare for this eventuality rather than dreaming of collapse in Moscow.

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### **CORRECTION APPENDED (JUNE 22, 2022)**

An earlier version of this article incorrectly stated that the Russian opposition leader Alexei Navalny was poisoned and arrested in August 2021; the text has been updated to indicate that the poisoning took place a year before the arrest.

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