



# CORONAVIRUS : A CRISIS AT A GLANCE

Faced with an unprecedented health crisis, our societies are reacting as best they can from an economic, sanitary and social standpoint. But what is the impact of the epidemic on our political systems? A simply deterministic reading does not seem to be able to account for it. Political tensions, power relations, upcoming elections, the sharing of power between local and national actors... can explain various political effects. Here is an overview of some emblematic countries.

## **RUSSIA'S POLICY RESPONSE TO COVID, ITS ECONOMIC BENEFITS AND HUMAN LOSSES THE PANDEMIC'S POLITICAL IMPACT 4. RUSSIA**

19 January 2021 | By Sergei Guriev, Sciences Po, Paris

Russian President Vladimir Putin is praising the performance of Russian economy and healthcare system in 2020. Indeed, Russian GDP is likely to have declined in 2020 by only 4 percent. Russia's sovereign fund, the National Welfare Fund, stands at 12 percent of GDP. Russia's official count of COVID deaths is 60 thousand – lower than France's in absolute and hence 2.5 times as low in per capita terms. According to Mr. Putin, Russia's vaccine Sputnik V was the first registered vaccine in the world. Not only Russia has started mass vaccinations already in 2020, it has also sent 300 thousand doses to Argentina.

Some of these statements are correct, some are misleading, and some are outright false. First, it is true that economic recession will not be as deep as in Europe. While in the first half of 2020 international organizations projected Russian GDP decline of 6, 8 or even 10 percent in 2020, they now converged back to Russia's official forecast of 4 percent. To be more precise, Russian government's projections are a bit better than 4 percent decline, while IMF's October 2020 World Economic Outlook is slightly more pessimistic (-4.1) – but much better than the numbers for the US (-4.3), Euro area (-8.3), Japan (-5.3) or UK (-9.8).

The fact that Russian recession is not as deep is an implication of conscious policy choices made by Russian government since the beginning of the pandemic in March.

Unlike its Western counterparts, the government preferred economy over people. It did not introduce a strict lockdown, nor it offered generous support to households or small businesses. Instead of a lockdown, in April and May Russia introduced “non-working weeks with preservation of wages” – when the workers were supposed not to work but continued to be paid their wage. The restrictions during the second wave in the Fall were even less severe. The total fiscal support for the economy is estimated by IMF to be 3.5% of GDP, or 4.5 percent if debt guarantees and capital injections are also added. This is much smaller than in other G20 countries – for example in France, the total support was 21 percent of GDP.

The low level of fiscal support explains why Russians did not stay at home neither in the Spring, nor in the Fall. Apple and Google mobility data show that Russians continued working and shopping (including non-essential shopping) to a much greater extent than their European counterparts. The reason was that the households could not afford staying at home and the small businesses could not afford closing down. The lack of effective fiscal stimulus resulted in the decline of real household incomes by 4 percent – along with GDP. This is a huge difference from 2009 – when GDP collapsed by 8 percent but government spending helped support household income which actually grew by 2 percent.

Why was Russian government so stingy in 2020? The official version was that, unlike its Western counterparts, Russia could not borrow at zero or negative rates. This is correct. However, Russia has a 12% GDP sovereign wealth fund accumulated through oil and gas taxes in the years of high hydrocarbon prices. It was this fund that was used to support incomes in 2009. Why was not it used in 2020? The lack of a generous fiscal response may be explained by two major political factors: Vladimir Putin’s need to change the Constitution and his focus on celebrating 75th anniversary of World War II Victory.

Russian Constitution was very clear that Putin would have to step down from presidential position in 2024 (after two consecutive terms). In January 2020, Putin announced that he would want to change the Constitution, and in early March it eventually transpired which changes he had in mind. In addition to further redistribution of power from prime-minister, parliament and judiciary to the president, he also introduced an amendment that would allow him to serve for two more consecutive terms. In order to legitimize this change, he decided to hold a national vote on July 1 – for which he had to declare a victory over COVID already in May. July was an important strategic choice – as his opponents, better educated and internet-savvy, would be more aware of the COVID risk and would be more likely to stay at home.

Putin's second political priority for 2020 was the celebration of 1945 Victory over Nazi Germany. Putin's Russia does not have an ideology, it draws its legitimacy from Russia's glorious past with a special role for the Soviet victory over Hitler. This is why Putin was counting on a grand military parade in May – inviting high-profile international guests President Macron was planning to come, among others. COVID destroyed those plans but Putin still had to show off and schedule the parade on June 24. Again, for doing this, he had to announce that the epidemic is over.

Not surprisingly, the soft lockdown policies and the lack of economic support during the pandemic (which has also contributed to the lower social distancing) resulted in dire health outcomes. The official COVID-19 mortality numbers have been very low. The problem, however, is that these data are not credible and have been contradicted by Russian government itself. The ultimate count is the excess mortality – seasonally adjusted difference between mortality in 2020 and in previous years. These numbers suggest that Russian official data underreport the actual COVID deaths by the factor of six. Even if one follows Deputy Prime Minister Golikova's estimate that only 80% of Russia's excess mortality should be attributed to COVID, the gap between actual and official data would still be five times – making Russia one of most affected countries in the world in both absolute and relative terms. In March-November 2020, the number of deaths exceeded the one from the same period of 2019 by 243 thousand.<sup>[1]</sup> If the numbers for December are similar to the November ones (which is likely) than the total excess mortality would be above 320 thousand. Even with the 80% adjustment Russia's COVID death rate per capita would be about twice the one in France.<sup>[2]</sup>

The full impact of COVID is actually worse as in recent years Russia has been enjoying a downward trend in mortality and upward trend in life expectancy. Without COVID, Russian excess mortality in 2020 should have been negative. Russian demographer Alexei Raksha (who used to work in the Russian Statistics Agency but had to resign in summer once he started raising questions about data manipulations) estimates that even with the 80% adjustment Russia has lost about 300 thousand lives due to COVID in 2020.

---

[1] <https://www.themoscowtimes.com/2020/12/28/russias-mortality-hit-16-year-high-in-november-official-data-says-a72505>

[2] <https://www.economist.com/graphic-detail/2020/07/15/tracking-covid-19-excess-deaths-across-countries>

Why did Putin's regime choose economy over peoples' lives? The answer to this question requires understanding the nature of modern Russia's political system. Russian regime is not an old-style dictatorship based on mass repression and fear; but neither it is a democracy. It is a new style of autocracy that my co-author Daniel Treisman and I call an "informational autocracy",<sup>[3]</sup> a regime based on manipulation of information. Through cooptation of elites, smart censorship and sophisticated propaganda, such regimes convince the public that they are competent. It does not matter how many people really died; what matters is what people think how many have died – this is why the official COVID numbers are so low. And this is why, despite the disastrous excess mortality, Putin's approval rankings remain high. While they are much lower than 80-90% observed in 2014-2018, they are still above 60%.<sup>[4]</sup> This also explains why in 2021 budget Russian government reduces (!) healthcare spending in real terms but keeps the state media budget intact. These choices clearly indicate the true priorities of Russian government.

The informational nature of Russian autocracy also explains its vaccination policy. In order to prove the regime's effectiveness, Putin boasted that Russia was the first country to "register" an anti-COVID vaccine – already on August 11. He forgot to mention that at that point Russian vaccine only completed Phase 1 and 2 clinical trials – with Phase 3 trials starting only two weeks after Putin's announcement (when other vaccines' Phase 3 trials have already been well underway). As of late December 2020, Sputnik V's Phase 3 trials are not yet completed – but this has not stopped Russian government from announcing a "mass vaccination" campaign. Once again, what matters is using the vaccine to promote the image of regime's competence in the state media. Russian President's true degree of confidence in the quality of the vaccine is that he has so far refused to receive it – but Russian propaganda forgets to mention this fact.

The cost of vaccine propaganda is alas again human lives. If in the Spring government denied COVID risks for the sake of military parade and the vote on Constitutional amendments, then in the Fall it decided not to introduce restrictions as vaccine is allegedly already available. These choices did help Russian economy but they also resulted in very high excess mortality in the Fall – and will probably contribute to additional COVID deaths in 2021.

---

[3] Guriev, Sergei, and Daniel Treisman. 2019. "Informational Autocrats." *Journal of Economic Perspectives*, 33 (4): 100-127. <https://www.aeaweb.org/articles?id=10.1257/jep.33.4.100>

[4] <https://www.levada.ru/en/>