

Ruble Crisis Shows the Real Putin

A passing reference in Karen Dawisha's new book "Putin's Kleptocracy" about the Russian petro-state caught our eye.

It was September 1999. Russia (then as now) was dealing with a financial crisis. Then came the first of several apartment block bombings, officially blamed on Chechen terrorists, which a Russian Duma member suggested had actually been engineered to "squeeze off the front pages of



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newspapers and from television screens the theme of corruption in the presidential 'family' and the scandal with the New York bank." That bank was Bank of New York, then featuring in U.S. front-page stories and a Justice Department investigation over \$10 billion in alleged Russian capital flight, including (many feared) an IMF bailout loan round-tripping into the private offshore accounts of Russian leaders.

Also piping up about the bombings was Alexander Lebed, a former Soviet general and regional political leader, who warned that the Yeltsin forces were trying to avoid a catastrophic electoral defeat at the hands of voters outraged by corruption and economic collapse.

The rest is history. Boris Yeltsin's acting premier, Vladimir Putin, used the bombings to stoke up a popular punitive war on Chechnya and win the presidency in his own right six months later with 53% of the vote.

Russia's latest financial crisis arrives inconveniently for many



At an oil-industry event in Sochi, Russia, Aug. 9.

who argue the West must now rehabilitate Mr. Putin and accommodate his geostrategic anxieties. Pro-appeasement German business leaders, not to mention prominent U.S. think-tankers like Brookings's Michael O'Hanlon and Jeremy Shapiro, envisage the Russian leader disinterestedly roaming the battlements, pondering how to restore the security that Catherine the Great brought to Russia's vast domains.

They overestimate the profundity of his motivations as well as the West's ability to appease them. Mr. Putin's primary aim is to stay in charge of the corruption banquet in order to avoid an opposition coming to power under which, at best, he'd spend the rest of his life in jail.

Which brings us to Rosneft. This week's sharp plunge in the ruble was less linked to oil than to a mysterious "bond offering" by the state-controlled Russian oil giant, indirectly financed by Russia's central bank.

On Monday, Rosneft felt obliged to issue a one-paragraph

statement denying that the ruble proceeds would be used to buy foreign currencies to meet Rosneft's hefty foreign-debt repayments.

Rubles are fungible: What the markets see is the central bank printing money, accelerating a ruble collapse already devastating the savings and lifestyles of ordinary Russians, in order to free up Rosneft's diminished dollar earnings to protect a key pillar of the Putin regime.

A company that doesn't make its debt payments is bankrupt, liable to be seized by its creditors or, in the case of Russian noncooperation, having its oil exports seized. Rosneft would continue to produce oil. It would continue to employ 100,000 Russians. But it would no longer be controlled by Mr. Putin's No. 1 crony and supporter, Igor Sechin. Its vast revenues and patronage opportunities would no longer be available to underwrite the regime.

Expect more such crony bailouts, making it clearer than ever that Mr. Putin's overwhelming ur-

gency is to maintain the loyalty and dependency of his pet billionaires even amid the deepening crisis of the Russian economy.

Nobody knows anything in such circumstances. Many say Mr. Putin's popularity still trumps. They insist in the scheduled 2018 elections he can still wangle a victory by hook or crook no matter how bad the economy due to sanctions, depressed oil, a civil war in Ukraine, and Russia's surreal corruption. The security forces will suppress any demonstrations. The passive Russian people will endure any suffering if told Russia's national pride is at stake.

Unless a strong oil recovery should materialize, these dubious extrapolations will likely be tested, and sooner than 2018. The 1999 apartment bombs that killed nearly 300 Russians ended abruptly after Russian security agents were caught planting explosives in the basement of an apartment tower in the city of Ryazan (the government eventually said it was a "training exercise"). Few dare directly to accuse Mr. Putin, the former secret-police chief, a man versed in KGB methods and outlook, with the atrocities. But Mr. Putin's reckless cynicism should not be underestimated.

Something else bears mentioning: America's fracking revolution has indeed played a vital role in the oil-price decline. But so has a stalling global recovery almost everywhere but in the United States, accompanied by increasingly chaotic monetary experiments in Japan, Europe and elsewhere. A Putin regime crisis would be welcome. A world crisis, which we may also get in the bargain, would be a Pandora's box.

Populism Rises on a Wave of Frustration

This is a populist moment—not only in the U.S., but in much of Europe as well. There is a populism of the left, as in Greece, and of the right, in France and Hungary and even the U.K. and Sweden.

Populist movements flourish when established leaders and parties fail to solve their countries' most urgent problems. Throughout the

stronger than all the whole hosts of error that they"—the elites—"can bring."

Populism is the politics of nostalgia. It appeals to a better time in the past—whether that means the mid-19th century, when sturdy yeoman farmers and craftsmen formed the backbone of the economy; or the decades after Congress slammed shut the gates of immigration in 1924; or

perceptions are mistaken—they aren't—but what to do about them. To reject the populist response is not to affirm conservatism. In his controversial post-election speech, Sen. Charles Schumer (D., N.Y.) made the case for a nonpopulist liberalism more interested in diagnosing conditions than in identifying enemies.

Nonpopulist liberalism

behind. You can borrow tens of thousands of dollars to finance a college education and still be a Starbucks barista. The old rules no longer apply, but it is not clear what the new rules are—if any exist.

On the Democratic side, populist economics has found its voice; not so for nonpopulist liberalism. That is former Secretary of State Hillary Clinton's most important test as she contem-