

April 28, 2014

## **Putin's Ideologist**

*“Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually slaves to some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler a few years back.”*

*--John Maynard Keynes*

For the past few months, Western leaders have been baffled by Russia's behavior toward Ukraine, and to a lesser extent, Eastern Europe. German Chancellor Merkel recently described her conversations with Russian President Putin as being with someone whom she was not sure was “in touch with reality.” She depicted him as being “in another world.”<sup>1</sup> Secretary of State Kerry described Putin's actions in the Crimea as “19<sup>th</sup> Century.”<sup>2</sup> Such instances would lead one to believe that the Russian leader has taken leave of his senses.

While this position is understandable, it isn't useful. To date, calling the Russian president delusional hasn't changed his actions. President Putin is behaving in a dangerous and reckless manner and it is imperative to understand why he is acting this way.

To develop a better understanding of Russia's actions, we will examine the

ideology of Aleksandr Dugin, the man who created the ideology that appears to be behind Putin's behavior. We will offer a short biography of Dugin. From there, we will focus on his intellectual roots and the creation of the Eurasian Concept. This concept comes with a historical framework that explains global geopolitics and establishes an eschatology of sorts for Russia and the world. Using Dugin's framework to provide context, we will examine Putin's recent behavior. As usual, we will conclude with market ramifications.

### **Aleksandr Dugin**

Dugin was born on January 7, 1962, making him 52 years old. His parents were accomplished; his father was a general in Soviet military intelligence (GRU) and his mother was a medical doctor. He was generally a lackluster student. In his college years, he began to attend meetings of underground fascist groups. According to reports, he was detained by the KGB for possessing banned reading materials. It was also during this period that he traveled to Western Europe and met with members of several “new right” parties. During the decline and fall of the Soviet Union, he was involved in editing and publishing various political journals. His involvement in these journals raised his profile among political and military leaders.

In 1997, with support from several military figures, Dugin published *The Foundations of Geopolitics* (discussed below) which explained his world view. He also became active in politics as one of the leaders of the Eurasia Party in 2001.

<sup>1</sup> “Pressure Rising as Obama Works to Rein in Russia,” *NYT*, March 2, 2014.

<sup>2</sup> Kerry interview, Meet the Press, March 2, 2014.

Although he was critical of Putin during the president’s early years, Dugin’s influence has risen dramatically; a recent *Foreign Affairs* article suggested Dugin had become “Putin’s Brain.”<sup>3</sup>

**The Intellectual Roots of Dugin’s Eurasia**

There are four key intellectual elements that underpin Dugin’s Eurasia Concept. They are:

**White Russians:** After the Bolshevik revolution, the communists fought a civil war against groups aligned against them in 1917-22. These groups, called “White Russians,” were loosely aligned, including czarists, liberals and conservatives. Several foreign nations supported the White Russian side, including Britain and France. Although the Red Army did win the war, the new communist government ceded large portions of the former Russian Empire to newly formed states.



(Source: Wikipedia Commons)

This map shows Russia’s holdings on the European continent prior to WWI.



(Source: Wikipedia Commons)

This chart shows the aftermath of the war. Note that Russia lost territory to the newly created Baltic States, Finland and Poland.

After the White Russians’ defeat, the loose coalition dispersed across Europe. A number of Russian intellectuals began a movement which argued that the two main prescriptions for modernizing Russia were wrong. Western democrats misunderstood Russia; it was not a “slow cousin” of Europe but a unique culture that did not lend itself to democracy and capitalism. The Bolsheviks were also in error because their atheistic and class confrontation positions were alien to the “true” Russian ethos. The White Russians wanted a “third way” that placed a strong emphasis on geography and tradition. It eschewed weak central governments and espoused an imperial Russia. The movement was suppressed within the Soviet Union and mostly ignored in Europe, essentially dying with the original White Russians. Until, of course, their writings were rediscovered after the fall of the Soviet Union.

**Halford Mackinder:** The second major influence was Halford Mackinder, a British geographer who is considered to be one of the founding fathers of geopolitics. Mackinder believed that the world’s

<sup>3</sup> “Putin’s Brain,” *Foreign Affairs*, April 1, 2014.

heartland was essentially Eastern Europe, into Persia and Siberia. The rest of the world was the inner and outer islands. These geographical divisions tend to support the development of a major land empire that controls the world's heartland, and a sea power that controls the periphery. Although the concept appeared rather straightforward, the empire that controlled the heartland didn't tend to dominate much outside of Russia. The Russian Empire was mostly contained by France or Germany to its west and by Britain everywhere else. Although Mackinder's thesis didn't seem to reveal how the world mostly worked over the last two centuries, the concept was appealing to Russians and other continental European powers.

**Karl Haushofer and the Nazis:** The third influence was Karl Haushofer and the Nazis. The interwar period was one of great tumult in Europe. The stability of pre-WWI Europe was shattered by the war; empires dissolved, new nations emerged, economies were in tatters and governments seemed incapable of restoring European nations to their former statuses. Britain tried to return to the gold standard which triggered a ruinous deflation that undermined its ability to maintain its empire and superpower role. The French economy was weighed down by war debts. Germany especially suffered. It lost the war, was forced into heavy reparations, and experienced a hyperinflation that seriously undermined the economy and destroyed the middle class. By the late 1920s into the 1930s, a worldwide economic depression added to the sense of desperation.<sup>4</sup>

Into this cauldron, intellectuals from numerous disciplines tried to make sense of Europe's malaise and offer solutions.

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<sup>4</sup> It was during the interwar period when Oswald Spengler wrote his masterwork *The Decline of the West*.

Fascism emerged as an alternative to communism and democracy. Unlike communism, fascism promised to preserve traditional values, private property and religion. Unlike democracy, it promised order. A number of intellectuals rose with Hitler's Nazi Party, including Karl Haushofer.

Haushofer, who was Rudolph Hess's<sup>5</sup> instructor, is credited with the concept of *Lebensraum*, roughly translated as "living space," a policy which Hitler used to acquire Austria in 1938 and the Sudetenland in 1939. Haushofer argued that Germany had the right to expand to accommodate its population and protect ethnic Germans and other "superior" races that lived in other countries. He suggested that Germany had a sort of duty to protect these superior races from the eugenic pollution of inferior races. The concept was used masterfully by Hitler to acquire key territories without military invasion. Through the adept use of propaganda and fostering unrest in these areas with the help of intelligence operatives, Germany was able to expand its territory. It should be noted that Haushofer was also a devotee of the occult, an interest that was shared among other Nazi leaders, including Hess and Heinrich Himmler.<sup>6</sup> This interest acted as a sort of pseudo-religion that gave them the illusion of power and freed them from the restrictions of traditional religions.<sup>7</sup>

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<sup>5</sup> Hess was Hitler's third in command (below Goering) from 1933 to 1939, and second in command from 1939 to 1941. In a bizarre twist, Hess unilaterally flew to Scotland to negotiate a peace treaty with Britain. He was arrested upon arrival and served a life sentence, committing suicide in 1987.

<sup>6</sup> Himmler was the second in command of the SS.

<sup>7</sup> This interest in the occult was well described in the 1981 movie *Raiders of the Lost Ark*.

Haushofer was a proponent of Mackinder and believed that Germany and Russia should cooperate to control Europe. As such, he was a strong supporter of the Molotov-Ribbentrop Pact of 1939, where Hitler and Stalin agreed to a non-aggression treaty. Neither party intended to maintain the treaty. Hitler did not want to fight a two-front war, and since he was determined to attack Western Europe first, he secured his eastern front with this treaty. Stalin was convinced that Germany would find itself bogged down in another trench war with France and Britain and thus would bide his time until Germany was exhausted and then invade. As part of the treaty, in a secret protocol, the U.S.S.R. and Germany agreed to jointly divide northeastern Europe between the two nations. The Soviets, in accordance with the treaty, divided Poland with Germany, invaded Finland and took control of the Baltic States in short order.

Stalin did not anticipate the Wehrmacht's (armed forces of Germany) rapid victory in Western Europe. Still, the Molotov-Ribbentrop Pact held until June 22, 1941, when Hitler unleashed his attack on the U.S.S.R. Historians believe that the invasion caught Stalin by surprise; he did not mobilize the Red Army despite clear evidence Germany was preparing to invade.

Haushofer was reportedly devastated by the invasion, believing that the Soviets were Germany's natural ally. One theory that developed as to why Hitler made this fatal move into Russia was his error in understanding the concept of "blood and soil." In fascist theory, a specific people or race generally has ties to a specific area. Although the two concepts are linked, Hitler emphasized the "blood" element instead of "soil" or land. He believed that the Slavic race was inferior to the German Aryans and thus wanted to eliminate the population in

Eastern Europe and Russia for the expansion of Germany. Haushofer seemed to argue that soil was the superior concept to blood and that unifying Germany and Russia to construct Mackinder's heartland would have led to a better result.

### **Postwar Right-Wing European Parties:**

The last major influence on Dugin came from his relations with the postwar European right. Although European governments after WWII tended to be dominated by center-left and center-right parties, fringe parties did develop. Most Western European nations had active communist parties and a number of right-wing parties emerged as well. Current examples include the French National Front, Austria's Freedom Party and the Greek Golden Dawn. Right-wing parties tended to lean fascist and, in many cases, were racist. They generally had little political influence but many of their ideas resonated with Dugin, who spent time studying in Western Europe in the 1980s and early 1990s.

### **Dugin's Eurasia**

Dugin's concept of Eurasia comes from the above intellectual streams. These ideas were mostly discussed in his book, *The Foundations of Geopolitics*.

The primary principle of Eurasia is developed from Mackinder's theories. Dugin postulated that there have been two major empires, the empire of the soil and the empire of the sea, and these two forces have been in play since before Christ. He refers to the empire of the sea as "Carthage" and the empire of the soil as "Rome." These two empires are also referred to as the Atlantists and the Eurasists.

The land-based Eurasists naturally consist of Germany and Russia, but would include Japan, India and Iran as well. The sea-based

Atlantists include the U.S., U.K. and China.<sup>8</sup> In his description, Eurasia is autarkic, mystical, traditional, religious, collective, supports a strong authoritarian state and puts the state over the individual. Atlantists are globalized, traders, cosmopolitan, democratic, individualist, capitalist and rational. Dugin argues that these two empires can never merge and have been in conflict for two millennia. In modern times, Dugin believes Russia, Germany, Iran, India and Japan are aligned against China, the U.S. and the U.K.

Dugin argues that Eurasian culture is pure but vulnerable to the money culture of the Atlantists. Thus, the Eurasian political leaders must prevent this tainting from occurring by operating a strong state with traditional values that protects Eurasian (Russian) culture from outside influences. Thus, he supports authoritarian leaders and the Russian Orthodox Church. Dugin, like Haushofer, wants the new empire to emphasize “soil” over “blood” to avoid the Nazi mistake of attacking natural allies. Thus, he believes that several nationalities, or races, can be in the empire, although he does seem to suggest that they should be gathered and led by the great Russian culture. At the same time, to protect this culture, the strong, authoritarian state must prevent the liberal, cosmopolitan values of the Atlantists from “despoiling” the Eurasian Empire.

Dugin believes that the expression of the Eurasian ideal is the expansion of the empire. Borrowing from Haushofer, he argues that Russia should avoid direct military confrontation with the West, but instead use propaganda and Special Forces

to create divisions in surrounding nations to eventually take control of them if not by annexation, then instead by creating buffer states. For more distant threats, he advocates supporting groups that oppose Western actions, including isolationists in the U.S.<sup>9</sup>

In his writing, it seems clear he believes all that is evil in the world comes from the Atlantists. He views (as did Haushofer) the U.S. as a malevolent force in the world and sees it as Russia’s goal to undermine America’s superpower role so his nation can achieve its proper role. Eventually, the world will be at peace when the kingdom of the soil defeats, once and for all, the kingdom of the sea. This is the endpoint of Dugin’s ideology.

At heart, Dugin is a fascist who wants to offer Russian leaders guidance that would avoid some of the critical mistakes of earlier fascists and communists. By concentrating on “soil” instead of “blood,” Dugin wants to avoid Hitler’s racial ordering that eventually led to his downfall. When Hitler decided that the Slavs were inferior, he committed Germany to an “unnatural” war that weakened the Eurasian empire. Although he does consider Russia and its culture as superior and the standard bearer for the Eurasian empire, he wants leaders to focus more on acquiring land instead of classifying people. He wants to avoid the mistakes of the communists, who broke with tradition through positions of scientific rationalism and atheism.

### **Dugin’s Influence**

It is always difficult to know for sure how an intellectual affects those in power. An

<sup>8</sup> Clearly, these divisions don’t make much geographic sense. Although Dugin considers soil more important than blood, his affinity for the Persians and Japanese would suggest otherwise.

<sup>9</sup> Dunlop, John B., review of Dugin’s Foundations, page 5. <http://www.4pt.su/en/content/aleksandr-dugin%E2%80%99s-foundations-geopolitics>

intellectual is not required to engage in politics, the “art of the possible.” Putin may like Dugin’s ideas or he may think he’s nuts. But, there is a clear coincidence in Putin’s recent behavior to suggest that something may be going on. Again, coincidence isn’t causation but the concurrence is close enough that investors should not overlook Dugin’s influence as it may offer insights to what Putin might do next.

Putin has steadily abandoned any pretense of democracy and rule of law. He manipulatively put Dmitry Medvedev in power to meet the “letter of the law” regarding consecutive presidential terms, then swapped jobs with Medvedev after his term ended. Elections are clearly not fair; opposition politicians struggle to get any media exposure and voting is mostly a sham. In response to NATO’s expansion, Putin has created his own customs union that looks much like Dugin’s Eurasian empire. Putin has become increasingly authoritarian, signaling that opposition to his government borders on treason. The harsh sentences given to the punk band “Pussy Riot” is indicative of this new attitude as are new laws designed to curb “homosexual propaganda.” The opposition media in Russia has mostly been silenced; even bloggers must register with the government. The opening event at the Winter Olympics was overtly nationalistic; although such displays are rather common at these venues, many commentators viewed them as offering a rather skewed view of Russian history. Putin has become actively religious as well, seen visiting with Orthodox clergy and wearing religious paraphernalia. Finally, last November, Russia and Japan held joint meetings of their foreign and defense ministries. Such meetings are rare as these two nations have never signed a formal declaration ending WWII as Russia continues to hold some islands it took from

Japan at the end of the conflict. Historically, relations have been strained. However, using Dugin’s analysis, Russia should be developing relations with Japan to contain the Chinese threat. Russia has viewed China’s growing power with some alarm and normalizing relations with Japan would follow Dugin’s Eurasian ideas. These recent meetings would likely be recommended by Dugin and normalization of relations with Japan would be straight from Dugin’s Eurasian idea.

Some of these changes could be simply a reflection of Putin’s own beliefs. However, they do seem to constitute a change from how Putin behaved soon after he took power. We believe there is a strong probability that Dugin’s theories are influencing Kremlin policy.

If this presumption is correct, what can we expect from Russia going forward? First, Russia’s propaganda efforts will be relentless. Every act from the U.S. will be portrayed in an unfavorable light; every Russian aggression will be defended as protecting the fatherland. We would not expect open military action but would look for persistent pressure on nations in Russia’s near abroad and efforts to undermine U.S. and European relations. The fact that Germany has become very quiet on supporting harsher sanctions suggests that Washington will struggle to expand sanctions in a meaningful way. Dugin would recommend to Putin that Hitler’s program of acquiring territory before open warfare occurred should be the model for Russian expansion. Thus, constant military “exercises” on its western borders and interference with American efforts to negotiate with Iran should be expected.

Second, we should expect further restrictions on personal freedoms for

Russian citizens. These measures will distract diplomats from conducting negotiations with Russia and increase tensions between Russia and other countries.

Third, we would expect Russia to move to an autarky to stem capital flight and reduce the impact of sanctions. Although many western commentators suggest this is “impossible,” we would counter that it will be hard, but not impossible. Simply put, growth will fall but Putin won’t care all that much. With full control of the media, he can characterize the weakness as the West (read: Atlantists) using their wiles to weaken Russia.

So far, the Obama administration seems to be “behind the curve” in dealing with Putin. Sanctions will probably be ineffective; in fact, Putin would prefer to create an autarky and so restricting trade isn’t much of a threat. More effective steps could be to actively work to reduce oil prices and encourage Russian capital flight. Stepped up propaganda would make sense as well.

### **Ramifications**

There are really three issues that bear watching with regard to Russian behavior.

First, the problems in Russia highlight the geopolitical risks in emerging markets that, for the past decade, have mostly been ignored. Russia’s actions will tend to pressure emerging markets in general. Second, probably the most effective policy to undermine Russia is to depress oil prices. If so, the U.S. may repeal its laws against oil exports and execute sales out of its Strategic Petroleum Reserves to lower oil prices. Of course, to execute such a policy would require Saudi cooperation to ensure that OPEC doesn’t withdraw supplies as the U.S. expands them. This cooperation may be hard given that relations with the kingdom have soured. But, we could see a surprising decline in oil prices that would have broad effects on the economy and sector trends in equities (bearish energy stocks, bullish energy consumers). Third, if the Obama administration cannot craft a strong response to Russian belligerence, it increases the odds of a “strongman” candidate in the 2016 elections which may be quite supportive for defense industry equities.

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April 28, 2014

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