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052182463X - Resisting the State: Reform and Retrenchment in Post-Soviet Russia

Kathryn Stoner-Weiss

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## I

## W(h)ither the Russian State?

The twentieth century was bracketed by two seminal events: the formation of the Soviet Union through the revolution of 1917, and the collapse of the Soviet system in 1991. Far from being the end of history that Karl Marx might have predicted, the withering and then demise of the Soviet state brought with it the rebirth of Russia. In the early 1990s many hoped that the renewed Russian state would succeed where its Soviet predecessor had ultimately failed – in the provision of public goods and services to an exhausted and impoverished population.

After more than a decade of incomplete reform, however, few Russians had attained the benefits of their nation's most recent great transformation. Indeed, the central state's halting abilities to extract revenues, enforce contracts, pay public sector wages on time, provide meaningful poverty relief or even basic social services defined the immediate post-Soviet transition effort. This book identifies the Russian state's inability to extend its authority across the vast Eurasian land-mass as the primary problem of post-communist governance. Indeed, the task became so challenging that Russia's second post-communist president, Vladimir Putin, using the tragic deaths of hundreds of schoolchildren and their parents at the hands of Chechen insurgents in the southern town of Beslan, opted by the fall of 2004 to abandon even the pretense of democracy in Russia's provinces in favor of more centralized control.

Historically, governing Russia has always been a challenge. Anyone who has traveled by air or rail from Moscow to Vladivostok cannot

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help but be awestruck by the sheer expanse of the country. The Russian Federation, in geographic terms the largest nation-state on the planet, spans 11 time zones, comprises 89 provinces, and contains within its borders more than 128 distinct indigenous ethnic groups. The challenge of governing Russia was further complicated by the collapse of the Soviet Union, the protracted economic crisis that ensued, and the crucial new opportunities to redefine relationships within the state itself and between the state and emergent sectors of society. Undeniably such a redefinition occurred. But the rhetorical triumph of democracy and markets has failed to translate into universally positive developmental outcomes. Lasting reform has been more halting and measured than expected in the heady days that followed the lowering of the Hammer and Sickle and the raising of the Russian tricolor flag over the Kremlin on December 25, 1991.

Despite the political rights and freedoms that Mikhail Gorbachev extended in the late 1980s, consolidated by Boris Yeltsin in the early 1990s, and later largely abandoned by Yeltsin's successor, Vladimir Putin, Russian citizens remain, in Putin's own words, "poor people living in a rich country."<sup>1</sup> In 1999, the first year following the Soviet collapse that registered positive economic growth, Russia's gross national product was still roughly only 5 percent of the United States' GNP.<sup>2</sup> After three years of steady growth, in 2002 Russia regained its dismal economic footing from the early 1990s,<sup>3</sup> but by Putin's own admission, Russia will require 20 years of annual growth of 5 percent gross domestic product or better to approach the GDP per capita level of Portugal.<sup>4</sup>

Russia's bumpy economic transition also has exacted a clear social toll. The country experienced negative population growth of

<sup>1</sup> Vladimir Putin inaugural speech, May 6, 2000, Radio Free Europe/Radio Liberty online edition.

<sup>2</sup> Thomas E. Graham Jr., "Putin's Russia: Why Economic Reform Requires Political Support – Reflections on US Policy Toward Russia," *East European Constitutional Review* (Winter/Spring 2000). Graham's data on GNP come from the World Bank's Development Indicators, update July 1, 1999, and A. Illarionov, ed., *Rossia v meniaiushchemsia mire* (Moscow: Institute of Economic Analysis, 1997).

<sup>3</sup> See for example, "Best Year in Decade Brings Russia Back to 1994 Levels," *Radio Free Europe/Radio Liberty Newsline*, Vol. 5, no. 42, March 1, 2001.

<sup>4</sup> Putin, inaugural address, May 6, 2000.

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0.5 percent that persisted following the collapse of the Soviet Union.<sup>5</sup> More than a decade into Russia's transition, the Russian State Committee on Statistics reported that 33 percent of the population lived below the official subsistence minimum level of \$55 per capita per month.<sup>6</sup> The 2002 United Nations Human Development Index – evaluating countries on an index of measures including average literacy rates, gross domestic products, infant mortality, and adult life expectancy – ranked Russia just below Cuba, for example, and considerably below other post-communist development success stories like Poland and Hungary.<sup>7</sup>

Russia's rocky reform experience is far from unique in many respects, although perhaps distinctive in others. Post-Soviet Russia is a striking example of a weak state syndrome in the developing world and now a good part of the formerly communist region. Despite even the best of intentions, new states frequently turn out to be incapable of positively changing the lives of the people they are supposed to govern. Indeed, new ineffective states often make life worse for all but a select few.<sup>8</sup> Why does this happen? How do fledgling democracies ensure adequate governance, and why do they so often fail to do so? What are the consequences of this weak state syndrome for democracy and development in countries undergoing massive economic and political transitions? Finally, what contributions might the case of post-Soviet Russia make to our understanding of state development and the problem of governance in developing states?

This study demonstrates that, following the collapse of the Soviet Union and the introduction of sweeping reform, the new Russian state, rather than leading a social and economic transformation, was itself transformed by latent socioeconomic forces. In particular, I argue that the post-Soviet Russian state's inability to do little to improve the lives of average people is in no small part due to its basic inability to

<sup>5</sup> OECD Survey, Russian Federation, p. 178.

<sup>6</sup> "Thirty-three percent of Russians Live in Poverty," Associated Press, May 31, 2002, as reported in Johnson's Russia List, #6283, June 1, 2002.

<sup>7</sup> Human Development Index, 2002, United Nations, New York, New York. This was the most up-to-date available HDI at the time of writing in 2005.

<sup>8</sup> Joel Migdal makes a similar point in his *Strong Societies and Weak States* (Princeton, N.J.: Princeton University Press, 1988), p. xx.

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convey its authority and ensure the implementation of its policies in the Russian provinces. This problem was not, however, an inevitable by-product of Russia's experiment with decentralization and democratization. On the contrary, it was the result of the rapid movement on the part of latent social forces to capture state resources following the collapse of the Soviet Union.

Policymaking authority devolved quickly and completely from center to periphery throughout the 1990s. In less than a decade, Russia went from a country tightly governed by the institutional constraints of the Communist Party of the Soviet Union and the planned economy to what might be termed a "hyper-federation." The center lost an effective governing presence in many Russian provinces. Even just prior to the collapse of the Soviet Union in 1991, regional governments had begun to openly defy the central state and usurp central authority. This phenomenon accelerated throughout the 1990s as regional political actors declared their laws sovereign on provincial territory, usurped federal taxation privileges, imposed illegal internal tariffs, established citizenship requirements distinct from those of the Russian Federation, and even issued their own currencies. By the late 1990s, unbridled provincial ambition threatened the cohesion of Russia as a single political and economic expanse.

As president of Russia, Vladimir Putin wrestled with this threat through a series of aggressive institutional reforms between 2000 and 2004 (described and evaluated in greater detail in Chapter 7). Ultimately, however, unsatisfied with the results of his earlier efforts, Putin opted to do away with electoral democracy at the regional level early in his second term. However, as the collapse of the Soviet Union itself demonstrated, there is little reason to believe that the more authoritarian and centralized state Putin attempted to build will necessarily bring greater governing authority in the Russian provinces.

Some decentralization of Russian state functions was both inevitable and desirable following the collapse of the Soviet system of central planning and the Communist Party of the Soviet Union. Nonetheless, the Russian case indicates that rapid decentralization in the absence of a central state capable of regulating and coordinating, even minimally, the policies of subnational political units can impede political development and economic growth. To some degree, therefore, the arguments and evidence presented here run counter to the arguments

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of those who would maintain that the greatest threat to the growth of competitive markets in federal states is an unrestrained central state. In post-communist Russia, it was weakly restrained regional governments and an impotent central state that threatened the emergence of a truly market-based economy.<sup>9</sup>

Russia's example also puts another nail in the coffin of the idea that state size correlates positively with state capacity. Regional flouting of central policy occurred despite the fact that federal agencies were already abundant in both the center and periphery and that the central state's participation in social and economic life was still significant on paper. Russian state expenditures at all levels of government constituted between 38 and 42 percent of official gross domestic product from 1995 to 1998 – at the height of provincial defiance of Moscow. This translates into 56 to 61 percent of real, legal gross domestic product.<sup>10</sup>

Indeed, the Russian state apparatus actually grew throughout the 1990s relative to its size in the first few years following the collapse of the Soviet Union. The Russian State Committee on Statistics reported in 1999 that, despite central state efforts to cut the size of the Russian bureaucracy, it grew steadily in terms of the number of officials employed in federal agencies and regional administrations since 1994. Whereas in 1994, for example, a reported 1,004,000 officials were employed at all layers of the state, that number had increased each year to reach 1,133,000 by the end of 1999 as Vladimir Putin ascended to the post of acting president.<sup>11</sup> Not surprisingly, therefore, state spending on its apparatus has also increased steadily since 1994 (the first year for which such figures are available), from 1.73 percent of all state spending in 1994 to 2.4 percent in 1998, a year before Putin assumed the post of prime minister under Boris Yeltsin.<sup>12</sup>

<sup>9</sup> See Barry Weingast, "The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development," *The Journal of Law, Economics and Organization*, Vol. 11, no. 1, April 1995, pp. 1–31.

<sup>10</sup> Andrei Illarionov, "What Went Wrong in Russia: The Roots of the Economic Crisis," *Journal of Democracy*, April 1999, p. 76.

<sup>11</sup> As reported in Vitaly Golovachev, "Russian Bureaucrats Reproducing Like Rabbits," *Trud*, June 14, 2000.

<sup>12</sup> These data are taken from the federal law "O federal'nom biudzhete RF," which is published annually in "Sobranie aktov gosudarstvennogo zakonodatel'stva RF" for each year noted in the text. I am thankful to Dr. Emil Pain, former advisor to the Russian president for nationalities affairs, for providing me with this material.

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In 2002, more than two years after Putin's rise to the top of the Russian state hierarchy, a Russian bureaucrat was born every eighteen minutes.<sup>13</sup> Indeed, the number of bureaucrats increased in the first ten years since the Soviet collapse as Russia's total population declined, such that about 10 percent of the population worked in the Russian civil service by the early twenty-first century.<sup>14</sup> At the same time, about 300,000 more Russians were employed in the civil service than in the army.<sup>15</sup>

But despite its size, the Russian central state did not govern authoritatively in the heartland. The central state had a dominating presence on paper in a wide variety of policy areas, but it often lacked power in practice.

Undeniably, there are certain political and economic advantages to keeping the Russian central state weak and limited. The Soviet state, after all, was overly intrusive into people's daily lives. A democratic Russian state should obviously have allowed far greater political and economic freedom. To encourage thriving markets and a lively democracy, the Russian state should have been far less intrusive than its Soviet predecessor. Further, experience from other transitional contexts demonstrates that strong states faced with weak societies, like Russia's, can hinder the development of pluralist politics.<sup>16</sup> But even a minimalist state need not be weak. On the contrary, even if limited, it must be strong enough to regulate certain key aspects of markets (to keep transaction costs low, ensure the free flow of goods, enforce contracts, and protect property rights) and preserve and protect the civil and political rights of its citizenry.<sup>17</sup> But accomplishing these crucial tasks requires provincial recognition of the authority (and, indeed, utility) of the central state in certain key policy areas, and it requires that the central state, therefore, be able to convey its authority across territory.

<sup>13</sup> Vladimir Kovalyev, "A Bureaucracy That Cuts Just One Way," *St. Petersburg Times*, May 21, 2002, Johnson's Russia List, #6260, May 22, 2002.

<sup>14</sup> Mikhail Dmitriev, First Deputy Minister, Russian Ministry of Economic Development and Trade, "Public Administration Reform in Russia," Carnegie Endowment for International Peace, May 1, 2002 (available at <http://www.ceip.org/files/events/events.asp?EventID=482>) and Kovalyev, "A Bureaucracy."

<sup>15</sup> Kovalyev.

<sup>16</sup> Migdal, p. xx.

<sup>17</sup> Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (New York: Farrar and Rhinehart, 1944).

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The intellectual and policy agendas of books on state capacity and state power open up a Pandora's Box of thorny theoretical questions and practical challenges. Most authors can generally agree on a definition of the state, although there are more disagreements in the comparative literature regarding the difficult concept of state capacity, or state effectiveness. A third set of theoretical concerns is the role of the state in promoting economic development and democracy.

My own theoretical focus is in some ways prior to this last issue. This book is not so much about the state's role in development (although certainly the focus is related to this) as much as it is concerned with the issue of governing capability across territory. If the state cannot project authority within its borders, then it is unlikely to be able to provide the basic framework required for the establishment of any coherent development project. My theoretical and empirical goals are more narrowly to determine the extent to which central state agencies and actors were able to project authority across territory and to decipher what factors promoted or impeded the state's capabilities in this regard.

I adopt Michael Mann's definition of the state, which is drawn, in turn, from Charles Tilly and Max Weber. For Mann the state is

(i) a differentiated set of institutions and personnel embodying (ii) centrality, in the sense that political relations radiate outwards from a center to cover a (iii) territorially, demarcated area over which it exercises (iv) a monopoly of authoritative binding rule-making backed up by a monopoly of the means of physical violence.<sup>18</sup>

The attractive aspects of this definition for the current study are that it emphasizes both the institutional and territorial dimensions of the state. The Weberian reference to the state's monopoly over legitimate means of violence is also crucial. But it is the credible threat of sanction for those who do not comply with state authority rather than the actual use of force that is at the core of modern state capacity.<sup>19</sup> The importance of gaining compliance from key sectors of society is instrumental in a state's ability to govern. As a result, the degree of compliance with state authority is a direct measure of a state's relative power in

<sup>18</sup> Michael Mann, "The Autonomous Power of the State," in John Hall, ed., *States in History* (New York: B. Blackwell, 1986), p. 112.

<sup>19</sup> Robert Jackman, *Power without Force: The Political Capacity of Nation-States* (Ann Arbor: University of Michigan Press, 1993).

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relation to various segments of society. It is “a fundamental conflict” over who – the state or other organizations – makes the rules that guide society.<sup>20</sup>

There are almost as many ways of measuring state power or capacity or ability to govern as there are definitions of these terms.<sup>21</sup> In common, however, is the idea that relative compliance with clearly articulated state goals through the promulgation of policy and laws is the crux of the issue. As Robert Jackman argues, noncompliance with the will of the state “is an escalation that reflects a failure of political institutions to channel demands, grievances and challenges. It is *prima facie* evidence that [state] institutions have lost legitimacy.”<sup>22</sup>

The authority that a state has can be understood only as a relative concept in that it involves the state (which can itself be disaggregated) and at least one or more actors or groups. It also involves a conflict or dispute between the state and other organizations over interests or property or something else of value to both. The extent of the state’s authority over other groups is manifested by the degree to which these groups comply with the state’s will. It is assumed that other groups and organizations comply with the state’s demands because of fear of a threatened negative sanction for noncompliance.<sup>23</sup>

I view the state’s inability to extract compliance from lower levels of government as a symptom of a broader problem caused by a rift within Russian state and society relations more generally. I argue that a key reason the Russian central state could not ensure reliable regional government compliance with its policies and laws is that regional government actors often actively colluded with key regional economic interests against the central state. This was neither encouraged nor

<sup>20</sup> Migdal, p. 31.

<sup>21</sup> Compare, for example Migdal; Atul Kohli, *Democracy and Discontent: India’s Growing Crisis of Governability* (New York: Cambridge University Press, 1990); Mann in Hall, ed., Samuel Huntington, *Political Order in Changing Societies* (New Haven, Conn.: Yale University Press, 1968); Merilee Grindle, *Challenging the State: Crisis and Innovation in Latin America and Africa* (New York: Cambridge University Press, 1996); and Jeffrey Herbst, *State Power in Africa* (Princeton, N.J.: Princeton University Press, 2000).

<sup>22</sup> Jackman, p. 116.

<sup>23</sup> I have adapted this from Robert Jackman, p. 28. Jackman is drawing from Peter Bachrach and Morton Baratz, *Power and Poverty: Theory and Practice* (New York: Oxford University Press, 1970), especially chapter 2.



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impeded by early Russian democracy at the provincial level as much as it was a continuation of a trajectory initiated under the old Soviet regime.

I distinguish between two types of central state authority. First, I examine the center's ability to extract compliance from elected regional political authorities. I begin by viewing different parts of the state acting in relation to their provincial counterparts to assess the degree to which central power is projected outward into the periphery. Throughout the 1990s, when arguments over the distribution of power in the Russian state were at their sharpest, to what degree did provincial governments comply with central state law and the constitution? What were the patterns of noncompliance across time, policy area, and territory?

Second, because states exercise power through institutions, I look inside the administrative mechanisms of state bureaucracy in examining the Russian state's infrastructural capacity, or "the capacity of the state to actually penetrate society, and to implement logistically political decisions throughout the realm."<sup>24</sup> Where despotic power is the "power of the state elite *over* civil society, infrastructural power is the ability of the state *to penetrate and centrally coordinate* the actions of civil society."<sup>25</sup> Consolidated capitalist democracies rely not on force to ensure the allegiance of their populations but on bureaucratic and organizational capacity. Even states that are heavily reliant on force but that lack significant infrastructural supports are by nature precarious.<sup>26</sup> A crucial contributor, then, to a state's capacity, authority, and stability is its infrastructural base – a bureaucracy that has some degree of autonomy from societal interests that can also provide a reliable mechanism of organizational control and coherence.<sup>27</sup>

Introducing distinctions between types of state power into the analysis allows us to more reliably assess the nature of the contemporary Russian state. It also helps to underscore the fact that if Russia ever intends to build a modern, democratic capitalist state (as its leaders

<sup>24</sup> Mann in Hall, eds., p. 113.

<sup>25</sup> Mann in Hall, eds., p. 114, emphasis added.

<sup>26</sup> Mann in Hall, eds., p. 134. Jackman at p. 116 also notes that a state's use of force against society usually indicates its decreased capacity.

<sup>27</sup> A similar point is made in Peter Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton, N.J.: Princeton University Press, 1995).

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have frequently declared as their goal over the past decade), then it must possess sufficient infrastructural power to ensure that its authority extends beyond the Kremlin walls. Even if Russia completely abandons democracy, the demise of the highly centralized Soviet state is a reminder that authoritarianism is not necessarily a reliable way in which to ensure adherence to central state authority. Regardless of the amount of financial aid Russia receives from international organizations, the quality of its fiscal or social policies, the fiscal and political threats issued by the president, or even if full or partial electoral rights are rescinded at the provincial level, if the central state lacks sufficient infrastructural power, then positive changes will come slowly, if at all, to the lives of average Russians outside Moscow.

The remainder of the study seeks to explain the weaknesses of central political and administrative authority in Russia's periphery. I argue that central state weakness was a result of both the constellation of political and economic forces that were created just prior to and in the wake of the Soviet collapse, and the consolidation of these interests through Russia's early economic reform choices and compromises, in particular the privatization program of 1992–4 that included large and medium-sized enterprises.

The transfer from state ownership to a system of private ownership that was dominated by insider interests within the bulk of Russian enterprises consolidated strong but particularistic societal interests. The new "*entrepreneurchiki*," formerly members of the Soviet *nomenklatura*, were determined to prevent the new Russian state from regulating their rent-seeking activities. These groups benefited from stalled reform and had an interest – even an investment – in preventing further change. They preferred to co-opt regional governments (or collude directly with them) to prevent the central state from effectively regulating their activities. This was to lock in their early transitional gains or in some cases to prevent further losses. This phenomenon has been documented in parts of Eastern Europe in explaining stalled *economic* reform, but it is also highly relevant in explaining stalled state building and low state capacity in dual transitional contexts like Russia.<sup>28</sup> In sum, this behavior has had a negative economic effect in transitional

<sup>28</sup> See in particular an excellent article by Joel S. Hellman, "Winners Take All: The Politics of Partial Reform in Post-Communist Transitions," *World Politics*, Vol. 50, no. 2, January 1998.