Structuring Authoritarianism

Governance in Post-Soviet Russia

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Introduction

Can governance improve through the development of an authoritarian regime? This honours thesis explores the relationship between governance and authoritarianism through a historical institutionalist case study of Russian authoritarianism. Beginning in the last years of the Soviet Union, Russian politics began a dramatic process of decentralization. Decentralization rendered the Russian state ungovernable because regional elites were given control of local political and economic reform, and subsequently shaped local institutions to establish sub-national authoritarianism throughout Russia. These sub-national authoritarian regimes were antagonistic to the central state, tending to use regional non-compliance with federal policy as a strategy to block outside influence in local politics while continuing to extract financial resources from the central state. As Stoner-Weiss wrote, regional non-compliance “…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.”¹ By 1998, it was abundantly clear that regional non-compliance had rendered the state ungovernable. Resolving the issue of regional non-compliance was the most basic requirement of any attempt at improving governance in Russia.

As the second president of the Russian Federation, Vladimir Putin made it his explicit goal to improve governance through a policy of recentralization.² Putin’s recentralization initiative successfully shifted the balance of power from regional governments to the Kremlin and in doing so, ended the illusion of a democratic Russia. Has Putin’s centralized authoritarian

regime improved governance in Russia? While some scholars seriously doubt that Putin’s centralizing reforms have improved governance in Russia, I take a different position, arguing that Russia’s crisis of governance was the result of a contradiction between federal and regional governments’ interests. Authoritarian recentralization resolved this contradiction, creating a coherent institutional foundation for Russia’s future state-building efforts, and allowed federal and regional governments to cooperate once again. Along these lines, this thesis questions the commonly held assumption that improvements in governance must be paired with or come about through the strengthening of democratic institutions. Rather, I will demonstrate how in some state building contexts, governance may improve while democratic institutions are weakened by authoritarianism. I use Fukuyama’s minimalist definition of quality of governance as a state’s infrastructural capacity to make and implement decisions, viewing governance as a coordinative process which requires successful cooperation between numerous state institutions. I argue that the relationship between governance and political system is highly nuanced, depending on the mutual compatibility of all state institutions involved in governance. Simply put, coherent, uncontradictory state institutions are a necessary foundation for political order and effective governance, and without a coherent constellation of institutions, efforts to improve governance are bound to fail. I demonstrate this using a historical institutionalist case study to examine Russian federal-regional relations between 1989 and 2005.

In the following sections, I will draw from the governance literature to provide a definition of governance as state capacity based on Francis Fukuyama and Guy Peters’ work. After this, I will make a case for the value of a historical institutionalist approach to

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3 Reasons for this skepticism are numerous. See Taylor, State Building in Putin’s Russia; Kathryn Stoner-Weiss, Resisting the State.
4 Fukuyama, “What is Governance?” 350.
understanding authoritarianism and governance, taking care to introduce the core features of historical institutionalism as they pertain to the Russian context.

Defining Governance

In the most basic sense, governance is the process of command and control, concerning both the decision-making process and subsequent implementation of those decisions. Peters writes that “societies require collective choices about issues that cannot be addressed adequately by individual action, and some means must be found to make and to implement those decisions.”\(^5\) In other words, a properly functioning society has a need for a collective ‘pre-frontal cortex,’ which is responsible for coming to decisions, as well as an apparatus capable of implementing those decisions. At its core, the concept of governance implies a problem-oriented approach, where collective action is directed to address political, social and economic issues. Therefore, results are the primary focus of governance and ultimately, what works is what matters. Norms such as democratic participation and legitimacy are relevant to governance so long as they influence the effectiveness of decision making and implementation. Democracy alone is not a sufficient condition for good governance.\(^6\) Thus, Fukuyama asserts that while the post-intervention Afghan and Iraqi governments both had a semblance of democratic legitimacy, they did not develop a “…modern state that could defend the country’s territory from internal and external enemies and deliver public services in a fair and impartial manner.”\(^7\) The post-intervention Iraqi and

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Afghani governments faced a crisis of governance because they were unable to perform basic state functions. For Fukuyama, results are what matters.

In this section, I discuss three conceptions of governance: Fukuyama’s governance as state capacity, Peters’ functional requirements, and Rothstein and Teorell’s governance as impartiality. Because my research pointed to structural problems in the Russian state which directly limited state capacity, I combine Fukuyama’s view of governance as state capacity and Peters’ functional requirements. These two definitions are compatible but speak to different foci of analysis: Fukuyama focuses on what governance is in the broad sense, while Peters pays more attention to the institutional requirements for effective governance. Both definitions of governance are congruent with the aim of my research, which is to explore the relationship between improvements in governance and democratic decay. By conceptualizing effective governance as a process rather than as sound policy, both definitions of governance allow the relationship between authoritarianism and governance to be explored, rather than assumed.

Fukuyama uses a minimalist definition of quality of governance as a state’s infrastructural capacity to make and implement decisions. To Fukuyama, high quality governance means that the state is capable of efficiently and effectively forming and implementing decisions. One important alternative to Fukuyama’s state capacity definition of governance is Bo Rothstein and Jan Teorell’s governance as impartiality formulation, where impartiality (as a procedural norm) means that “judges, civil servants, politicians, and the like” must not be influenced by personal relationships or preferences when performing their official role. Like Fukuyama’s state capacity definition, Rothstein and Teorell’s conception of

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8 Fukuyama, “What is Governance?” 350.
9 Rothstein and Teorell, 170.
governance as impartiality is independent of the normative ends of policy, focusing on the quality of implementation. Good policy may be implemented poorly, and bad policy may be implemented well. It may help to think of governance as the transmission strength of a radio signal itself, rather than the normative value of the broadcasted content. A better radio transmitter transmits its signal more clearly and over a greater distance, just as higher quality governance implements its policy initiatives more efficiently throughout the entire jurisdiction. By focusing on the procedural norms of policy implementation rather than the content of policies, both definitions of governance allow us to explore the relationship between quality of governance and type of government, be it democratic or authoritarian.

Rothstein and Teorell accept that state capacity is one component of good governance, but consider state capacity to be of lesser importance to governance than impartiality, because “issues about effectiveness and efficiency simply lack an equally strong theoretical and normative underpinning as impartiality.” To Rothstein and Teorell, the normative appeal of impartiality is greater than that of state capacity. Moreover, Rothstein and Teorell suggest that impartial state organizations may also be more effective because they offer bureaucrats fewer opportunities for rent seeking. It is plausible that impartial state organizations are also more effective, since impartial bureaucrats should execute policy according to the intent of the political principal. However, this does not tell the whole story, because excessive partiality by members of the bureaucratic apparatus is not the only way that a state may be rendered inefficient or incapable. There is no reason to believe that an impartially run state is necessarily a

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10 Rothstein and Teorell, 171.
12 Rothstein and Teorell, 182.
13 Rothstein and Teorell, 182.
14 Rothstein and Teorell, 183.
capable state.\textsuperscript{15} While I do not wish to rule out the importance of impartial state institutions for effective governance, it is clear that excessive partiality in the Russian state was not the principal cause of Russia’s crisis of governance.

While impartiality is important for effective governance, it is not foundational. Instead, I argue that the foundation of effective governance is a coherent constellation of state institutions, because governance is a process, and the effectiveness of that process requires state institutions to work well together. Consider a minimalist definition of the governance process, conceptualized as the outcome of the compromise between the institutions of government. For Fukuyama, these institutions are a horizontal triad: the state (the legitimate monopoly of coercive power), the rule of law (binding rules applied to all) and accountability, democratic or otherwise, where the ruling elites are held responsible by the citizens to act for the collective good.\textsuperscript{16} Along the same lines, Peters offers four basic requirements for a successful governance process: goal selection, the ability to steer the political process towards a goal; goal reconciliation and coordination, the ability for coordinating between the goals of actors at various levels of government; implementation, the ability to implement decisions made through goal selection and coordination; finally, feedback and accountability, so that actors may learn from their actions.\textsuperscript{17} In comparison to Fukuyama, Peters’ model suggests a more vertical process of policy formulation and implementation. The most important implication of both models is that effective governance comes from cooperation between various institutions of the state.

Peters articulates the importance of inter-institutional cooperation particularly clearly. He notes that “the multiple actors within government all have their own goals, and effective

\textsuperscript{15} Fukuyama, “What is Governance?” 349.
\textsuperscript{16} Fukuyama, 12.
\textsuperscript{17} Peters, 65.
governance therefore requires establishing some priorities and coordinating the actions taken according to those priorities.”

Peters’ approach to governance is of great theoretical utility because it is attentive to the fact that states are not a cohesive leviathan, but rather a constellation of various institutions, each with their own priorities and interests. Effective governance requires that the goals of each state institution, though unique, can be reconciled with the principal goals of the state. Finally, Peters’ approach suggests that governance is a sequential process, where the success of each stage of governance rely on the successful coordination in the previous stage. In this way, if different institutions of government select contradictory goals, they will be unable to reconcile their goals and implementation will suffer.

Peters’ understanding of governance as a sequential, coordinative process is extremely useful for understanding both how governance in Russia failed in the first place, and why authoritarianism was the most effective solution. As I will demonstrate, the Russian state was crippled by regional non-compliance, which was the result of contradictory goals between the federal and regional governments. In order to resolve this contradiction, President Putin had to change the goals of either level of government. He was thus faced with a choice: make the regional governments’ goals consistent with the federal government’s, which would require uprooting entrenched sub-national authoritarian leaders, or alternatively make the central government’s goals consistent with those of the regional governments. Putin opted for the second option, incorporating sub-national authoritarianism into a national authoritarian regime, making regional non-compliance redundant. In this way, Putin’s authoritarian centralization improved

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18 Peters, 65.
governance in Russia by resolving the contradiction between institutional goals, allowing these institutions to reconcile and coordinate with one another once again.

Structuring Authoritarianism

Given the failure of post-Soviet democratization, one would be correct to ask: why democracy seems to roll off Russia like water from a duck’s back? Democratization just hasn’t stuck. Why has Russia failed to democratize? In this section, I introduce the historical institutionalist approach, and make the case that this framework is useful for understanding and explaining why Russian democratization failed in Russia.

There is a substantial literature by Russian scholars documenting how President Vladimir Putin recentralized power in the Russian state, and numerous sources demonstrating Putin’s personal popularity. However, there are comparatively few scholars who ask why authoritarianism has re-emerged, and many scholars treat Russian culture as a significant black-box independent variable, paying little attention to how this preference formed in the first place. For instance, Steven Fish, a prominent American scholar on post-Communist transitions, writes that “one need not resort to cultural stereotypes about Russians’ age-old longing for a father figure in the Kremlin. Russians do not thirst for a ruler to dominate them; they want a ruler who

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can dominate rival predators and establish sovereign power. The ruler might be a predator, but the other predators are his; he is not theirs.”

Of course, Fish is not wrong. It is true that Russians have an appreciation for strong leadership. Hutcheson and Petersson offer a useful analysis of Russian survey data from 2008, 2012 and 2014. They demonstrate that President Vladimir Putin’s popularity rests on perceptions of economic growth, popular foreign policy, and the perception that Putin acts as a protector. Crucially, as of 2014, the single strongest predictor of support for Putin remained the perception that Putin has created ‘order in the country.’ However, Hutcheson and Petersson’s research cannot explain why democratization failed in Russia. It is analytically insufficient to say that Putin was able to consolidate his personal power and undermine democratic institutions simply because he gave Russians the stable social order that they wished for. Indeed, there is little reason to think that creating ‘order in the country’ would inevitably lead to authoritarian rule. Additionally, cultural preference has little to do with how political systems actually emerge, because political systems are products of elite action, even they are supported by the population. Attributing authoritarianism’s durability to a cultural preference assumes that political institutions are, as André Lecours puts it, “the reflection of societal forces.”

However, by asking why Russians support Putin, Hutcheson and Petersson do point to one important factor: Putin’s three pillars of support are all related in one way or another to state building and state capacity. Thus, in order to explain the durability of Russian authoritarianism,

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21 Steven M. Fish, "What has Russia Become?" *Comparative Politics* 50, No. 3 (2018): 327-346.
22 Hutcheson and Petersson, 1107.
23 Hutcheson and Petersson, 1120.
24 Hutcheson and Petersson, 1122.
my thesis explores how the post-Soviet institutional context channelled Putin’s state building efforts along an authoritarian path rather than a democratic one.

Institutional explanations for authoritarianism’s durability offer much more explanatory power than appeals to culture and tradition. To explain why Putin’s post-Soviet state building reconstructed authoritarianism, I rely primarily on secondary sources to develop a historical institutionalist (HI) understanding of the development of intergovernmental relations in the Russian Federation from 1990-2005. As an approach, historical institutionalism allows the researcher to make sense of how institutions not only constrain the options available to political actors, but also influence actors’ preference formation itself.26 A fundamental premise of HI scholarship is that institutions influence political outcomes without denying the role of human action in political outcomes.27 This approach has obvious utility for my research, because while both state building authoritarianism are certainly products of elite action, these elites do not operate in a structural vacuum where they are free to shape and reshape institutions as they wish. Indeed, any potential authoritarian leader must build state power within existing political institutions, and the structure of these institutions will be more or less conducive to authoritarian rule than others. Depending on the institutional context, state building efforts will be more or less likely to create authoritarian rule. Rather than reflecting culture, Russian authoritarianism was durable because the inherited institutional context biased state building towards an authoritarian path.

The historical institutionalist approach suggests that a crucial factor for the resurgence of authoritarianism in Russia were political opportunities, or critical historical junctures,

27 Sven Steinmo and Kathleen Thelen, Structuring Politics, 3.
where actors have greater freedom to shape institutions in their interest. Hall and Taylor review the historical institutionalist literature to provide a definition of critical junctures as “moments when substantial institutional change takes place thereby creating a ‘branching point’ from which historical development moves onto a new path.”28 In Russia, there were two main critical junctures. The first occurred in the period between 1990-1993, during President Yeltsin’s liberalizing reforms. This period represented the major push for democratization in Russia. However, democratization was incomplete, and after this critical juncture, Russia was caught between a democratic path and an authoritarian path. The shortcomings of democratization during this period would lead to Russia’s second critical juncture—state building efforts between 1998 to 2005—during which democratization was entirely abandoned as a goal of the central government and the state entirely reverted to the authoritarian path.

In a historical institutionalist understanding of democratization, it is useful to think of democratic and authoritarian political systems as patterns of politics, made by formal institutions as well as informal institutions. Historical institutionalists define institutions as “the formal or informal procedures, routines, norms and conventions embedded in the organizational structure of the polity or political economy.”29 Along these lines, both political systems have both formal and informal institutions, and a transition from one system to the other cannot stop at replacing formal institutions. As such, Russian authoritarianism was ‘sticky’ in the historical institutionalist sense of the term, because top-down democratization efforts by the political center during the first critical juncture were unable to switch local governments to the new

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29 Hall and Taylor, 938.
democratic pattern of politics; formally democratic institutions were adopted, but informal procedures and attitudes of authoritarianism remained. Formal democratic institutions were co-opted by the old Soviet patterns of behaviour. President Yeltsin’s top down democratization efforts were insufficient to switch Russian regional politics to a new, democratic path. Hence, Russia was caught between two contradictory political paths which threatened to tear the state apart.

The second critical juncture—authoritarian state building between 1998 and 2005—was the result of Russia’s crippled central state, itself caused by failures in the democratization critical juncture. Fukuyama argues that when the development of state capacity does not keep up with the development of democratic institutions, democracies fail to fulfill citizens’ needs and democracy is subsequently delegitimized.\(^\text{30}\) In the post-Soviet 1990s, the Russian state was astoundingly weak, characterized by economic crisis, a central government paralyzed by uncooperative sub-national regimes, and state capture by particularistic economic interests.\(^\text{31}\) The state failed to fulfill many of its core functions, such as the timely delivery of pay checks for public servants and pensioners.\(^\text{32}\) In the late 1990s, the Russian state can therefore be described as experiencing a *crisis of governance*. The poor (yet arguably democratic) governance of the 1990s created a need for a more capable state, able to decisively execute policy initiatives and deliver social programs throughout Russia. Governance—of which, a foundational aspect of being state capacity—will therefore be a key independent variable in my research, as the need to improve governance presented a crucial opportunity for elites to reshape political institutions. The need to improve governance

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\(^{30}\) Fukuyama, 13
\(^{31}\) Stoner-Weiss, 4.
\(^{32}\) Hutcheson and Petersson, 1117.
through greater state capacity—state building—is seen to be the crucial critical juncture that Putin used to build his centralized authoritarian regime, placing Russia firmly on the authoritarian path.

Of course, a demand for greater state capacity will not inevitably lead to authoritarianism in all cases. Whether the demand for good governance is likely to lead to authoritarian government will depend on several factors related to the nature of the state’s weakness. There were three major institutional factors which made Russian state-building more likely to re-create centralized authoritarianism. Firstly, in the post-Soviet transition, political and economic power devolved to local regimes, where democracy often failed. The newly empowered local governments didn’t necessarily share the center’s democratic ambitions. Secondly, these undemocratic local regimes crippled the central state through non-compliance. Regional non-compliance was very useful for sub-national authoritarian regimes, which needed to obtain resources from central state without allowing the central state to influence local affairs. Finally, because regional non-compliance was an important strategy for the maintenance of sub-national authoritarianism, it was less costly for the central government to end non-compliance by incorporating undemocratic local regimes into a centralized authoritarian apparatus, rather than trying to democratize local governments. The fact that Russia’s crisis of governance was more easily resolved by through authoritarian centralization than by regional democratization made centralized authoritarianism the more likely outcome of Putin’s state-building efforts.

In the end, Putin addressed the Russian governance crisis through the creation of a centralized authoritarian regime, one which was institutionally consistent with the sub-national

33 Stoner-Weiss, 4.
authoritarian regimes that it incorporated. However, at no point was Putin operating in a vacuum where he had absolute liberty to reshape Russian institutions. The existing political institutions did not prevent Putin from taking power for himself, and while this can be considered a failure of institutionalization, I assert that this was not an isolated historical event: the failure of democratization in Russia was the result of how the post-Soviet transition had been carried out. Like Stalin before him, Putin built personal power in place of institutionalized state power.\textsuperscript{34} While the Soviet leaders following Stalin built the power of the Communist Party rather than personal power,\textsuperscript{35} this institution was eradicated at the end of the Soviet Union.

The rest of this thesis will be divided into three parts. In chapter one, I provide a historical account of how early Soviet and post-Soviet liberalizing reforms decentralized political and economic power in the Russian federation. The decentralization of political and economic power was an extremely important trend in the post-Soviet transition, and the way that decentralization occurred ultimately led to Russia’s crisis of governance. In the second substantive chapter I examine the causes of Russia’s crisis of governance in greater detail, demonstrating that centralized authoritarianism was the logical solution to the crisis of governance which resulted from decentralization.

\textsuperscript{34} Huntington, 414.  
\textsuperscript{35} Huntington, 414.
Chapter One: Devolution of the Machine

The breakup of the Soviet Union and the fall of Communism in 1991 was greeted by enthusiastic calls for democracy and market economy throughout Eastern Europe and Eurasia. Political and economic transition—a dual transition—seemed inevitable. The collapse of the Soviet system marked the end of unqualified, highly centralized authoritarianism in Russia, leaving a decentralized federation with a total of 89 regional governments. The political, social, and economic differences between the 89 regions were, as Gel’man put it, “[more] similar to cross-national differences rather than to within-state differences.”36 The challenge of governing such a large and diverse territory cannot be overstated, and the challenges of dual transition further jeopardized the viability of the expansive Russian state. Of course, the formal collapse of the Soviet system was by no means the root cause for the differentiation of local politics in Russia. Instead, political decentralization and differentiation had been gradually developing over the later years of the Soviet Union, and the decentralization of early post-Soviet politics may be seen as a continuation of this trend. The mechanisms that linked local government officials and enterprise managers to the political and economic center had been steadily collapsing in the ten years prior to the Soviet collapse, in no small part due to Gorbachev’s reforms which introduced limited political competition and slightly liberalized the planned economy.37

In this chapter, I will draw attention to the long string of inter-related processes of transition that played a decisive role in Russia’s crisis of governance, and subsequent failure of newly-initiated democracy at the federal level. Several factors were of particular importance in generating this development path: the gradual decay of Soviet authority, the privatization of state

36 Vladimir Gel’man, “The Dynamics of Sub-National Authoritarianism,” in The Politics of Sub-National Authoritarianism, ed. Vladimir Gel’man and Cameron Ross (Surrey [England]: Ashgate, 2010), 2.
37 Stoner-Weiss, 28-9.
enterprises, the geographic distribution of existing state enterprises, the prolonged economic slump of the 1990s, collusion between economic and political actors at the local level, and finally, resistance to the central state by sub-national authoritarian regimes.

Dual Transition

Crucially, the post-Soviet transition was a process of dual transition. The government was transitioning from single-party authoritarianism as the USSR, to competitive electoral democracy as the Russian Federation. Simultaneously, the economy was transitioning from state-communism towards market capitalism as the primary mode for the allocation of resources in society. ‘Gradualist’ approaches to dual transition suggest that economic reform ought to be avoided until democracy is consolidated, as the legitimate authority of a consolidated democratic regime aids the implementation of difficult economy reform.38 However, in the case of the Russian transition, the gradualist approach to dual transition was not an option; simply put, Russia was on the verge of collapse, and radical reform needed to be implemented rapidly.39 The rules of the game—both political and economic—had to be redefined simultaneously. As a result, the processes of political and economic transition were crucially intertwined, and the context in which reform had to be accomplished conditioned the interaction between political and economic reform in important ways. As Soviet central control withered away, economic resources were increasingly controlled by local elites, and local political actors were increasingly influential in national politics.40 Thus, while the character of Russian politics was being

40 Gel’man, “The Dynamics of Sub-National Authoritarianism,” 9.
renegotiated, the winners of the political transition—local elites—were able to use their newfound influence to shape the country’s economic restructuring in their favour.

Local elites began to gain political and economic influence prior to the Soviet system’s total collapse. In centralized single party authoritarian systems such as the USSR, the party apparatus plays a crucial role in limiting principal-agent problems\(^\text{41}\) between the center and regional actors by providing incentives for regional actors to compete with one another in order to move upwards within the party apparatus.\(^\text{42}\) The local party official’s loyalty to the political center was not only maintained by the possibility of promotion within the party hierarchy, but also through the rents that local party officials gained through their ties to the political center.\(^\text{43}\) As Gel’man put it, the highly centralized Soviet state was held together by “[…] an informal contract which guaranteed ‘loyalty in exchange for non-intervention.’”\(^\text{44}\) In the Soviet system, local officials had carved out their own sub-national authoritarian regimes, and the center was forced to reinforce these sub-national regimes in order to maintain the system’s solidarity. Gorbachev’s reforms undermined these mechanisms which held local political leaders and enterprise managers loyal to the political and economic center.\(^\text{45}\) These liberalizing reforms relinquished the Communist Party of the Soviet Union’s (CPSU) monopoly over political appointments at the local level.\(^\text{46}\) The Soviet center increasingly lost its ability to control local

\(^{41}\) Put briefly, principal-agent problems arise when the principal delegates its authority to an agent which cannot be perfectly monitored. This gives the agent an epistemic advantage over the principal, offering the agent the opportunity to misuse the authority delegated to them by the principal. In large polities such as the Soviet Union and Russian Federation, principal-agent problems are pervasive. See Vladimir Gel’man and Sergei Ryzhenkov, “Local Regimes, Sub-national Governance and the ‘Power Vertical’ in Contemporary Russia” Europe-Asia Studies 63, No. 3 (2011) 453.

\(^{42}\) Gel’man, “The Dynamics of Sub-National Authoritarianism,” 5-6.

\(^{43}\) Gel’man, “The Dynamics of Sub-National Authoritarianism,” 8.

\(^{44}\) Gel’man, “The Dynamics of Sub-National Authoritarianism,” 8.

\(^{45}\) Stoner-Weiss, 28.

\(^{46}\) Gel’man, “The Dynamics of Sub-National Authoritarianism,” 9.
politics and economies, as local officials could no longer rely on the center to keep their positions in exchange for loyalty.

Even in highly developed capitalist-democratic states, the distinction between politics and economics is imperfect at best, with economic actors acting as major interest groups in determining political decisions. Under Soviet communism, there was no distinction between public and private, and at its core, economics was politics. All meaningful societal resources were the property of the state; the transition to a market economy therefore required the privatization of formerly *public* assets on a massive scale. In such cases of mass transformation, the privatization of public industries is highly problematic, as no one individual or group has clear right to an asset over any other. Key issues emerged, such as how property should be privatised within society when every individual has equal claim to public property? The privatization of formerly public assets certainly could—and did—solidify existing power relations. The reformers were acutely aware of this, making great efforts to mitigate the influence of existing power relations. These attempts were only partially successful, because the reformers’ efforts merely entrenched a new group of power holders: local political and economic elites.

**Devolution of Economic Authority and Nomenklatura Privatisation**

In order to understand how local political and economic actors came to be such powerful actors in Russian politics, it is necessary to trace the processes by which economic authority devolved from the center. Prior to Gorbachev’s liberalizing reforms, local enterprise managers received production quotas from the central planning agency, and in order to meet the targets as per these quotas, they were provided with assistance both from their superior agencies in the center, as well as from regional Communist Party officials who engaged in inter-regional
bargaining in order to better meet the needs of their local economy. This inter-regional bargaining was not sanctioned by the centrally planned economy, but was kept in check by the loyalty of local party officials and enterprise managers to the center.

As the dominant mode of distribution in society, the central economy was an important institution of central control. The political center controlled prices, wages, and promoted individuals through the institutional hierarchy based on loyalty to one’s superiors. While enterprise managers did tend to sell off the underreported surplus on the black market for personal profit, opportunities to do so were relatively limited. The central planned economy was firmly in control of the activity of local enterprise managers. This was to change with Gorbachev’s limited economic liberalization, which allowed enterprise managers to control the wages of their workers, as well as set prices for the goods they produced. These reforms also created new opportunities to generate profits outside of the centrally planned economy. After Gorbachev’s liberalizations, state enterprises could sell their products on the global market for much higher prices than was possible on the distorted Soviet domestic market, all while obtaining raw materials domestically, far below market value.

By allowing enterprise managers to set prices and wages, Gorbachev’s reforms led to widespread wage and price increases; the wage increases were to be financed by the central economy. Simultaneously, the actual output of Soviet industry that fed into the central economy fell. The decline in productivity and rise in wages was incredibly draining on the centrally planned economy. Wherever possible, enterprise managers sought to increase personal

47 Stoner-Weiss, 29-30.
48 Anders Åslund, 29-30, 41.
49 Åslund, 29.
50 Stoner-Weiss, 30.
51 Åslund, 30.
profits by selling their products on the global market. As Åslund writes, “freedom without responsibility amounted to a major principal-agent problem. The principal—the state—had virtually withered away; the agents—the managers—were therefore free to focus on personal gain.” The center became increasingly incapable of controlling regional economic actors, and local enterprises gradually came under de facto ownership by Soviet appointed managers and officials, prior to formal privatization.

This process of de facto privatization was known as nomenklatura privatization. More importantly, as the centrally planned economy grew increasingly anemic, the central state grew increasingly incapable of provisioning society. The failure of the centrally planned economy created a positive feedback loop where the weakening of the central economy undermined the authority of the center, further weakening the central economy as enterprise managers were able to divert materials and production for private gain. Gradually, the efficiency of the centrally planned economy (in terms of raw material inputs and processed outputs) plummeted due to the diversion of resources by enterprise managers. Inter-regional bargaining by local officials increased in order to meet the needs of the regional economy, which the centrally planned economy left increasingly unmet. The failure of the central economy created an important role for regional elites in providing basic necessities to society, strengthening their influence at both the local and federal levels.

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52 Åslund, 43.
53 Åslund, 43.
54 Stoner-Weiss, 31.
55 Åslund, 43.
56 Stoner-Weiss, 30-31.
Privatisation and Insider Ownership

The anemic centrally planned economy and weak political center created an appetite for market reform, but it also conditioned the character and pace of market reform. Previously anathema to Communist thought, privatization was given an air of legitimacy in the public. Indeed, of the market-oriented reforms initiated by the reform government, privatization was arguably the most successful. By 1994, over 60% of the Russian employment was in the private sector. The reform government’s privatization initiative was first and foremost characterized by a severe sense of urgency. Owing to the weak authority of the central state, it was commonly believed that assets which were not privatized through official channels would fall prey to the previously outlined nomenklatura privatization.

In the reform government, privatization was the responsibility of the newly created State Committee for the Management of State Property, (Goskomimushchestvo, GKI) headed by Anatoly Chubais. Given the weakness of the central state, combined with the sense of urgency attached to the privatization program, the GKI was not in a strong position to complete privatization exactly as it saw fit. As such, the second key feature of Russian privatization was how the reformers were forced win the support of key institutionalized stakeholders, from central branch ministries, parliamentary factions in the central government, regional governments, local enterprise managers, and workers’ collectives. Chubais was unable to crush the resistance of

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57 Åslund, 223.
58 Åslund, 266.
59 Åslund, 228.
60 Åslund, 228.
stakeholders who were interested in co-opting or de-railing privatization and was instead forced to win their favour towards reform.

In order to implement large scale privatization at an unprecedented speed, the reform government structured the privatization process so that regional governments, enterprise managers, and workers’ collectives became key supporters. The support of workers’ collectives was assured by giving workers priority for shares of the firms which they worked for.\(^{62}\) Regional governments were given the responsibility of auctioning off both federal and local assets, and the proceeds from the sale of small enterprises were kept by the regional governments.\(^{63}\) This had the effect of immediately bringing regional governments on side with privatization, decentralizing the political initiative for privatization.\(^{64}\) The strategy of decentralization pursued by the GKI was continued through the administrative delegation of privatization programming. The central ministry of privatization would develop an annual privatization program, while regional branches of the GKI would subsequently draft their own privatization plans in order to meet the central administration’s annual targets.\(^{65}\) Further still, enterprises slated to be privatized were required to produce their own plan for privatization, gaining the support of enterprise managers by offering them an opportunity to shape the privatization process to their interest.\(^{66}\) By offering subordinate organizations substantial autonomy in the implementation of annual targets, the privatization process was effectively insulated from opponents of reform in Moscow.\(^{67}\) Once initiated, the privatization process gained momentum and was exceedingly

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\(^{62}\) Åslund, 230.
\(^{63}\) Åslund, 237.
\(^{64}\) Åslund, 246.
\(^{65}\) Åslund, 247.
\(^{66}\) Åslund, 247.
\(^{67}\) The primary opponents of privatization were the Soviet branch ministries responsible for different sectors of the economy, which were the formal owners of major state enterprises during the Brezhnev era. See Åslund, 237-41.
difficult to interrupt. State property was in the hands of the local privatization committees, and local governments were very much interested in continuing privatization.

To the reform government, the concessions made to these stakeholders were seen as a worthy compromise in order to avoid the greater danger of uncontrolled *nomenklatura* privatization. In the 1992 privatization program, three privatization options were offered, each as a concession to a particular group. Option one, preferred by the reform government, sought to distribute the first 25% of ownership as non-voting shares to employees free of charge, with the option for employees to purchase an additional 10% of voting shares at a discounted rate; managers were offered 5% of voting shares at the listed price.\(^6^8\) To please workers’ collectives, option two offered managers and workers the right to the first 51% of voting shares for 1.7 times the listed price.\(^6^9\) Finally, to win the support of enterprise managers who wished to consolidate their *de facto* ownership of state property, a third option was presented for medium sized enterprises with more than 200 employees and fixed assets worth between one and fifty billion rubles.\(^7^0\) Option three allowed managers to purchase 20% of voting shares with the consent of two thirds of employees, later allowing managers to purchase an additional 20% of shares at a discount.\(^7^1\)

In the end, 73% of small and medium sized enterprises were privatized under option one, the system of employee ownership where managers and employees were entitled to the first 51% of shares in their business.\(^7^2\) The outcome was that managers and employees accounted for about

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\(^6^8\) Åslund, 233.
\(^6^9\) Åslund, 234.
\(^7^0\) Åslund, 234.
\(^7^1\) Åslund, 234.
\(^7^2\) Stoner-Weiss, 35.
60-65% of a typical enterprise’s ownership.\textsuperscript{73} Despite the fact that most shares went to workers, the enterprise managers’ dominance was not held in check by employee ownership in their companies, as in many cases employees’ shares did not give them voting rights, and in other cases employees were subject to coercive tactics by the management.\textsuperscript{74} The high degree of insider ownership was a concern for Chubais and the GKI, but was seen as necessary in order to generate support for privatization.\textsuperscript{75}

Interestingly, the effort to avoid irregular \textit{nomenklatura} privatization appears to have spawned its own set of problems related to insider ownership for the Russian political and economic transition. While Chubais’ main goal of creating “a broad stratum of private owners”\textsuperscript{76} had been achieved, the distribution and character of this ownership was highly problematic. Far from creating a perfectly equal society, this privatization system merely entrenched—and in fact amplified—the highly unequal distribution of \textit{power} in the transitioning Russian society, turning power and connections into wealth, while failing to destroy networks of power among local elites. The Soviet legacy of using one’s public appointment to secure private gain was worsened by the normalization of private ownership. Thus, during the Russian dual transition, control of public property and connections with local government was the individual’s greatest asset. The concessions granted to stakeholders in order to speed the process of privatization meant that the formal privatization process merely entrenched the \textit{de facto} enterprise owners—former Soviet appointees—as the \textit{legal} owners under the developing post-Soviet private property rights.\textsuperscript{77} Of course, it is difficult to imagine how widespread insider ownership could have been avoided.

\textsuperscript{73} Black, Kraakman, and Tarrasova, 1740.
\textsuperscript{74} Stoner-Weiss, 36; Black, Kraakman, and Tarassova, 1741.
\textsuperscript{75} Stoner-Weiss, 34-5.
\textsuperscript{76} Åslund, 240.
\textsuperscript{77} Stoner-Weiss, 36.
Forced to choose between irregular *nomenklatura* privatization and regularized insider privatization, it is difficult to criticize the actions of Chubais and the GKI. Stripped bare of its political and economic authority, the early Russian Federation could do little to prevent this highly unequal original accumulation. As the next chapter will demonstrate, the legacy of this unequal original accumulation would condition Russian politics for years to come.
Chapter Two: Rebuilding the Machine

It is important to re-state that Russian dual transition had two major winners: local government and the managers of privatized enterprises. Both local government and economic actors benefited greatly at the expense of the central state. Simply put, the power of both groups had been carved out of the central state itself. Both local economic and political actors acted to protect the power they gained during the transition, which meant that these actors wanted to prevent the central state from interfering in their local political economy. To achieve this end, local government and business actors were natural allies, cooperating to resist the central state.78 It was this cooperation—more aptly named collusion—between local political and economic actors which crippled the central state, creating Russia’s crisis of governance. However, these collusive regimes would also become the institutional foundation of centralized authoritarianism in post-Soviet Russia. This institutional foundation was sub-national authoritarianism.79 Thus, in historical-institutionalist terms, the starting point of Russia’s current centralized authoritarian regime was not Vladimir Putin’s 2000 election, nor some later date. While Putin’s regime gradually consolidated power from 2000 onwards, the system of sub-national authoritarianism that aided the consolidation of power gradually emerged in localities across Russia from the early 1990s onwards and were almost fully developed by the time of Russia’s 1998 financial crisis.

This chapter explores the development of sub-national authoritarianism in the post-Soviet context. Following this discussion, I explain how sub-national authoritarian (SNA) regimes were co-opted by the federal government, serving as the institutional foundation for Putin’s national

78 Stoner-Weiss, 76.
79 Oleg Demchenko and Grigorii V. Golosov, 75.
authoritarian project. Finally, I will analyze the effectiveness of Russia’s authoritarian governance (in terms of state capacity) based on the institutional foundations of Russia’s authoritarian regime.

Who Rules? Two logics of sub-national authoritarianism

Cooperation between political and economic actors is a normal part of a functioning democracy. Most importantly, cooperation implies a relationship on equal footing, and an equal relationship allows for a degree of autonomy between actors. In Russia, relationships between local governments and businesses were highly imbalanced, and autonomy between local actors was undermined as a result. Despite the seemingly competitive nature of regional politics, sub-national authoritarianism developed in most regions of Russia, sustained through collusion between local governments, businesses, and criminal groups.\(^8_0\) In one type of local regime, political leaders gained a stranglehold on local politics through the creation of ‘political machines,’ clientelist systems which manipulate election outcomes through the selective distribution of benefits to stronger supporters combined with the selective punishment of dependent groups if they failed to vote ‘correctly.’\(^8_1\)

Another common form of SNA regime were ‘mono-economies,’ which are cities or regions whose economy relies upon a single enterprise, industry, or industrial project.\(^8_2\) In mono-economies, government and business are bound to maintain a close relationship. The line between cooperation and collusion for the regional government and dominant companies is

\(^8_0\) Gel’man, “The Dynamics of Sub-National Authoritarianism,” 9.
extremely thin, because the interests of local government are closely intertwined with the interests of the dominant economic actor. Regardless, the status of a single company or industry as the regional bread-winner often allowed a narrow range of economic actors to dominate local politics altogether.\textsuperscript{83} While mono economies and political machines tended to occur in opposite political-economic contexts, a crucial common feature was a pliable, dependent population which could be pressured to vote for a particular leader or party.\textsuperscript{84} Where the two local regime types differed was their balance of power. In mono-economies, the local administration had little autonomy from the influence of economic elites; in regions with strong political machines, local companies had little autonomy from the regional governor. Yet, regardless of who ruled, the outcome was the same; rather than serving as cooperative yet insulated and balancing forces to one another, regional economic and political actors colluded to influence electoral outcomes, and the result was widespread sub-national authoritarianism throughout Russia.

**Political Machines\textsuperscript{85}**

Political machines were built in highly diverse regions across Russia when regional governors would control the flow of public resources to guarantee future re-election.\textsuperscript{86} As Hale writes, the transition process aided the establishment of machine politics “[…] by leaving in place concentrations of power and resources that were fungible vis-à-vis elections […].”\textsuperscript{87} While

\textsuperscript{83} Evans, 457-8.
\textsuperscript{84} Hale, 254-5.
\textsuperscript{85} Gel’man describes political machines as “administrative local regimes,” which are “[…] a sort of local plutocracy in which personal ties link the most important economic actors with the local authorities, placing them under direct or indirect control of the regional and/or local authorities.” The rest of the literature simply uses the term “political machine,” and this is the term I have chosen to use. See Vladimir Gel’man, “State Power, Governance, and Local Regimes in Russia,” *Russian Politics and Law* 49, No 4 (2011) 47.
\textsuperscript{86} Governors were by far the most influential regional political actors in post-Soviet Russia. See Demchenko and Golosov, 63.
\textsuperscript{87} Hale, 240.
the structure and strength of political machines across Russia varied greatly, a successful political machine required a savvy governor adept at building coalitions of support in the post-Soviet context.\(^88\) At the same time, there were also crucial political-economic conditions which allowed a savvy governor to consolidate power. One such condition was the existence of groups dependent on the state (pensioners and those employed in the public service) helped insulate machine governors from the influence of economic actors, providing machine governors bases of support independent from local economic actors.

Another crucial observation is that political machines were strongest in the wealthiest, economically diverse regions of Russia.\(^89\) There are two reasons for this. Firstly, while governors required the support of local economic actors to build a political machine, the governors also needed the freedom to choose which local economic actors to cooperate with because the freedom to choose who to cooperate with meant that governors could also choose the terms of cooperation. Hale argues that economically diverse regions allowed governors to “divide and conquer” potential opposition from economic elites.\(^90\) Hale suggests that in economically plural regions, economic elites face a collective action problem in negotiation with the governor, but he does not explain the logic of this collective action problem.\(^91\) Below, I will elaborate on the logic of what I will refer to as the ‘divide and conquer’ collective action problem to understand how political machines came to dominate local politics in many Russian regions before turning to discuss the second reason.

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\(^{88}\) Hale, 248.
\(^{89}\) Hale, 248-9.
\(^{90}\) Hale, 249.
\(^{91}\) Hale, 249.
For the regional economic elite, the *pareto optimal* solution would be to negotiate with the governor as a cohesive group in order to obtain generally favourable conditions for business. This *pareto optimal* solution would undermine the governor’s power by preventing them from choosing the terms of cooperation with a particular economic actor. If the governor cannot choose who to cooperate with, the governor cannot choose how to cooperate. However, economic actors in a market (or pseudo market) economy are far from a cohesive group; the *pareto optimal* solution is exceedingly unlikely. While economic actors may have some common interests, they are primarily guided by their particular interests, which encourage them to defect (cooperate with the governor unilaterally) at the expense of the other economic actors. Thus, the *pareto deficient* solution—where a minority of economic actors support the governor at the expense of others—gives the governor autonomy by allowing them to choose the terms of cooperation with particular privileged economic actors while marginalizing the rest.

A second reason that political machines were strongest in wealthy regions is that these governors also had more resources at their disposal to influence local politics with. Not only do wealthier regional governments have greater budgets, but there is also more at stake through their decisions regarding institutional reform, regulations, and the allocation of government contracts. Political machines require control over a flow of resources in order to maintain influence, and the governors of wealthier regions had more resources at their disposal to do so. Of course, one criticism of this logic would be that while wealthy local governments control a greater flow of resources, this is offset by the fact that economic actors in that region will also be wealthier, and their support not as ‘cheaply bought’ by the governor. This could be the case if the regional economic actors overcame their collective action problem, cooperating with the governor as a single group. However, as previously stated, there were strong incentives for
individual economic actors to defect and cooperate with the governor unilaterally. Thus, the governor only needed to buy the support of a minority of regional economic actors, while the resources at their disposal increased according to the total wealth of their region. In wealthier regions, the local government had control over a greater flow of resources and was able to use this wealth to incentivize economic actors to cooperate unilaterally.

Clearly, a governor’s ability to control the distribution of public resources was absolutely vital to the strength of political machines. There is, however, one complication: as a form of electoral authoritarian regime, political machines operate within the electoral cycle. Thus, while governors require support prior to and during elections, they can only reward supporters (or punish opponents) following re-election. In other words, a governor’s bargaining power is dependent on the perceived credibility of their claims; if there is any reason to doubt a governor’s prospects for re-election, that governor’s political machine could quickly fail. As Graeme Robertson wrote, “creating and maintaining the impression of permanence is the essence of authoritarian rule, and the strategies to achieve this have been refined for decades.”92 On their own, clientelist systems are insufficient to create an electoral authoritarian regime because there is too much room for potential supporters to doubt a governor’s prospects for re-election; at first, their threats and promises would be incredible. In order to truly dominate local politics, governors had to create a perception of permanence, such that the only option for economic actors—and the general public—was to support the regime or face the consequences.

My initial description of the collective action problem faced by local economic actors does not allow us to understand how, in the first instance, a governor could have created the

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perception of permanence required for the governor to make credible promises and threats. As previously described, the collective action problem occurred between political and economic actors without any pre-existing connections to one another; there is no room for personal loyalty between the governor and economic actors. Furthermore, the previous logic also assumes that the governor cannot fundamentally alter the constellation of economic actors that they negotiate with; the governor must gain support from pre-existing economic actors. As described, the collective action problem is valid, yet overly simplistic. In fact, governors could—and usually did—shape their regional economy by controlling the privatization process and outcome, altering the local constellation of economic actors to suit their needs.

The privatization process discussed in chapter two was a vital condition for the establishment of political machines across Russia. As I described, rapid privatization was achieved by delegating the process to local governments through regional privatization committees. This strategy was brilliant because it created a broad coalition of support for a controversial reform process. Yet, the strategy was catastrophic for democratization because governors used the privatization process to engineer their political machines. Indeed, this process allowed the governors to kickstart their political machines by shaping ownership in the local economy to suit themselves.\(^93\) According to Åslund, “[regional] outsiders were excluded by illicit means, primarily through withholding of information about voucher auctions.”\(^94\) In some cases, the local government opted to retain public ownership of an enterprise.\(^95\) For governors establishing a political machine, privatization was a unique opportunity to place loyal supporters into private (non-governmental) positions of power. As such, blocking regional outsiders from

\(^{93}\) Hale, 241.  
\(^{94}\) Åslund, 254.  
\(^{95}\) Åslund, 237.
participating in the privatization process was of utmost importance; outside owners had no
reason to be loyal to the incumbent governor, potentially serving as sources of opposition to an
otherwise strong political machine. Additionally, outside owners possessed greater autonomy
from local government because they could rely on economic and political resources from other
jurisdictions as a lifeline for regional opposition. Finally, regional outsiders were also more
capable of pressuring regional government by threat of capital flight. In contrast, a governor’s
personal ties to local owners could ensure continued support for the governor in future elections.
As such, regional authorities greatly preferred that enterprises stayed in the hands of locals. And,
as I will explain later, the owners of privatized enterprises had good reason to prefer a governor
who had a track record of blocking outside intervention in the local economy.

Clearly, pluralist economies presented a broad array of political opportunities for
governors to establish their clientelist political machines. In the beginning, governors were able
to use their regime to place loyal locals in control of important regional enterprises. This created
the perception of permanence required for a successful authoritarian regime. As time passed and
property relations solidified, governors had less freedom to reshape ownership of the local
economy. Under these conditions, the local economic actors’ loyalty might begin to fade. In
order to maintain their political machines as loyalty faded, governors were able to ‘divide and
conquer’ the local economic elite according to the logic I have described in this section.
However, this would not have been possible without a pre-established perception of permanence;
if local economic actors did not believe that the governor would inevitably be re-elected—and
therefore able to punish opponents—they might be tempted to work against the governor.
Finally, it is worth emphasizing that the mechanisms discussed in this chapter were only
opportunities which governors could take advantage of to varying degrees of effectiveness. As
Hale emphasises, “[...] the USSR’s regional power structures did not transfer directly to the new era. Instead, the new political machines had to be built, a process that took agency and skills not necessarily characteristic of the old-system provincial elites.” While the post-Soviet transition offered governors the opportunity to build their political machines, these political machines were not a direct continuation of Soviet era authoritarianism. Instead, it was the process of transition itself which allowed for the creation of political machines.

Mono-Economies

In comparison to the political machines of pluralist regions, sub-national authoritarianism in mono-economies was a fairly simple construction. Mono-economies lacked economic diversity, and so the region’s politics tended to support a narrow set of economic interests. In fact, the regional economic elite would often take powerful political offices for themselves rather than negotiating with third-party politicians. A few statistics on the structure of Soviet and Russian industry are quite telling. In order to aid central planning, the Soviet industrialization model tended to create fewer enterprises on a larger scale. Thus, as of 1988, large enterprises of more than 1,000 workers provided 75% of employment and economic output in Russia. More importantly, in the 1990s 75% of Russian towns had no more than four industrial firms. At the same time, certain political conditions undermined the autonomy of local governments vis-à-vis dominant economic interests. Without governmental autonomy, the regional mono-

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96 Hale, 256.
97 Again, Gel’man describes a similar regime: “The monopolistic big business regime is typical of cities where a single large national firm dominates the economic profile by providing the lion’s share of jobs and budgetary revenue.” I have chosen the term mono-economy for its simplicity. See Vladimir Gel’man, “State Power, Governance, and Local Regimes in Russia,” 47.
99 Stoner-Weiss, 32.
100 Stoner-Weiss, 32.
101 Åslund, 154.
economies translated into what I will call ‘mono-politics,’ a political regime which excludes political opposition in order to support a powerful economic enterprise or industry. I will now explore the conditions which undermined the autonomy of local government and transformed mono-economics into mono-politics.

In mono-economies, political autonomy was undermined through the interaction of two devious processes, combining to create highly collusive political-economic regimes dominated by a single enterprise or business group. These processes were the increasing fiscal pressure on local government combined with increasing autonomy for major regional economic actors. A severe economic recession had accompanied the post-Soviet transition, and federal welfare programs were no longer capable of caring for the populace; the responsibility to do so devolved to the local level.\textsuperscript{102} However, the prolonged recession also cut into local government revenues.\textsuperscript{103} In short, local governments’ resources were declining while expenses were rising. While the weakened central government had given local governments substantial autonomy from the central government, chronic fiscal scarcity limited the capacity for governments of mono-economy regions to implement their own proactive policy agendas. Instead, most local Russian political regimes in the 1990s were classified as reactive ‘status-quo maintenance regimes.’\textsuperscript{104} This form of government was primarily concerned with the distribution of extremely scarce resources in order to mitigate the worst effects of recession and transition on the populace.

\textsuperscript{102} Gel’man, “State Power, Governance, and Local Regimes in Russia,” 48.
\textsuperscript{103} Gel’man, “State Power, Governance, and Local Regimes in Russia,” 48.
\textsuperscript{104} Gel’man, “State Power, Governance, and Local Regimes in Russia,” 48.
For cash strapped local governments, local industry was a crucial ally, serving as both sources of employment as well as providers of social services to the populace. In a survey of 207 regional officials, Stoner-Weiss found that local business circles were by far the “most effective” group for the implementation of the local administration’s policy objectives. Make no mistake: in this context, an effective actor is necessarily a powerful actor. While local governments of mono-economy regions had little choice but to work with local enterprise owners, enterprise owners were not similarly constrained. The lack of economic diversity in mono-economy regions meant that unlike the governors of pluralist regions, governors in mono-economies were unable to utilize the ‘divide and conquer’ strategy to choose the terms of cooperation with economic actors. Mono-economy governments were unable to use the post-Soviet transition to re-shape local political-economy to suit the needs of independent political actors. With few major contributors to the local economy, the government had to work with whoever was available.

While local government had to take what it could get, economic actors in mono-economies had three main strategies available to them, and this enhanced their bargaining power vis-à-vis local government. Firstly, the owners of profitable privatized enterprises could pursue normal profit-making strategies: maintaining or increasing production while cutting costs such as employment and workers’ benefits. Profit-making strategies were (at least in the short term) detrimental to local government because mono-economies relied on a single major enterprise to provide both the bulk of employment in the region as well as social services in the region.

105 In the Soviet Union, the workplaces were crucial apparatus of the welfare state, responsible for the provision of many social services such as workers’ cafeterias, daycares, vacations, etc. By default, this practice continued among inherited Russian enterprises. See Hale, 232.
106 Stoner-Weiss, 95-6; Hale, 232.
Increasing profits by cutting employment and benefits to workers would negatively affect the region’s welfare.\textsuperscript{107} Democratically elected local politicians would be held accountable for unemployment in their regions. Of course, profit making strategies were not the only option available to economic actors in mono-economy regions, nor were they the most detrimental to the welfare of the local population.

The second strategy depended on the ownership of the enterprise in question: predominantly outside ownership, or predominantly insider ownership. As discussed in chapter two, the privatization process led to widespread insider ownership of the economy. Time did little to reduce insider ownership in the Russian economy, and as of 2000, managers and employees were still believed to account for between 50 and 60\% of industry ownership in the Russian economy.\textsuperscript{108} Insider ownership allowed for widespread self-dealing in the post-Soviet economy, where managers with a majority stake would short other shareholders, suppliers, the government, and even employees of their revenue by underreporting an enterprise’s profits, diverting it for private gain.\textsuperscript{109} In healthy market economies, the owners of private enterprises’ primary interest is to increase the value of their shares; to do so, shareholders incentivize the adept management of operations by rewarding competent managers. Where insider ownership prevails, the manager is also the majority shareholder, and there is no longer a divided incentive

\textsuperscript{107} This is not to say that a competitive industry would not benefit the region \textit{in the long term}. Managed properly, a profitable business would grow, ultimately bringing more revenue to the region. However, profit-making strategies are highly uncertain, and also take significant time for profits to be re-invested, business expanded, and local employment increased. The cash strapped governments of mono-economy regions certainly could not wait to find out if their local industry could be made competitive on the national or international market. Hence, a more conservative status-quo maintenance was the rule, rather than the exception.

\textsuperscript{108} Stoner Weiss, 36.

\textsuperscript{109} Black, Kraakman, and Tarrasova, 1750.
structure. The manager of operations can reward himself arbitrarily, using his control over the enterprise’s operations to conceal this behaviour from minority shareholders and the authorities.

Since insider owners’ fortunes were not necessarily tied to the financial success of their enterprise, self-dealing behaviour was highly appealing to enterprise managers. Rather than attempting to build the value of the company in extremely difficult post-Soviet market conditions, it was often easier for insider owners to reward themselves through self-dealing, concealing and taking as their own profits which would normally go towards the payment of shareholders’ dividends, taxes, creditors, material suppliers, and even employees.\textsuperscript{110} In developed market economies the law is well equipped to hinder self-dealing behaviour, but Russia lacked the legal infrastructure to create and enforce such regulations.\textsuperscript{111} In the case of unprofitable private firms, managers preferred to strip a company of its assets, leaving an empty husk; with more profitable firms, managers would simply conceal the profitability of their firm in order to divert profits for personal gain.\textsuperscript{112} Finally, insider owners could combine profit-making and self-dealing strategies to create a long term source of illicit revenue.\textsuperscript{113} Crucially, both profit-making and self-dealing strategies were highly antagonistic to the interests of local government; profit-making strategies would temporarily cut social services and increase unemployment in the local economy, while self-dealing behaviour would lead to the gradual demise of local industry altogether. The severe lack of diversity in mono-economies meant that a single case of self-dealing and asset stripping could seriously undermine a local economy, leaving a region dead in the water. As Black, Kraakman and Tarrasova wrote, “[T]he Russian

\begin{itemize}
\item \textsuperscript{110} Black, Kraakman, and Tarrasova, 1750; From 1990-2000, wage arrears were absolutely widespread in both the private and public sector of the post-Soviet economy.
\item \textsuperscript{111} Black, Kraakman, and Tarrasova, 1752-3.
\item \textsuperscript{112} Black, Kraakman, and Tarrasova, 1750-1.
\item \textsuperscript{113} Black, Kraakman, and Tarrasova, 1751.
\end{itemize}
pattern of firms not paying workers for months on end is possible only because workers have no alternative.”

For the industries that dominated mono-economies, the third option was to cooperate with the local government to obtain the government aid necessary to keep business afloat without profit-seeking strategies such as cutting employment or employee benefits. Orttung writes that “thanks to state subsidies, factory directors were less interested in the profitability of their plants than would have been the case in a normal market economy, so they willingly maximized employment rather than profits in order to keep the governors happy.” In mono-economies, local governments did not have the option to work with honest business owners while acting against those who engaged in self-dealing behaviour. Thus, rather than regulating the actions of local enterprise managers, local governments had little choice but to collude with them, creating favourable business conditions so that enterprise owners would maintain employment in the region. This collusion tended to block most formal political opposition to the local regime, gradually transforming regional mono-economics into mono-politics.

Cherepovets is a classic example of a mono-economy where the local government acted to protect the interests of the dominant economic actor. The Severstal steel mill provided most employment and revenue in Cherepovets. In the early post-Soviet period, the Severstal mill was quite profitable, and Severstal worked quite closely with the local government to provide

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114 Black, Kraakman, and Tarrasova, 1762-3.
115 To be sure, self-dealing and cooperation with local government were not mutually exclusive. Similar to how profit-seeking and self-dealing strategies could be combined, self-dealing and cooperation with local government could also be used together, although not simultaneously maximized.
116 Orttung, 50.
117 Gel’man, “State Power, Governance, and Local Regimes in Russia,” 47.
118 Evans, 462-3.
social welfare programs while simultaneously suppressing remaining political opposition.119 According to Evans, “these strategies led to a small, local, and participatory protest structure because much of the potential base for opposition was co-opted or marginally provided for. Those who participated in oppositional groups generally argued that they simply wanted to participate in local politics and have a say in decision making […].”120 Around 1998, the Severstal steel mill began to struggle financially and could no longer use social spending to co-opt political opposition.121 Instead, “elites used a battery of suppression tactics including exclusion, smear campaigns, litigation, and intimidation to push opposition out of formal political channels.”122 Thus, the Cherepovets government sided with Severstal by suppressing workers’ strikes, even when Severstal was longer able to maintain support through social spending. In Cherepovets, the government’s only choice was to support Severstal at all costs, because it was the only business capable of bringing revenue into the town.

Sub-national Authoritarianism and Regional Non-Compliance

This section draws heavily upon the work of Kathryn Stoner-Weiss to argue that regional non-compliance to federal policies and the constitution—its source of Russia’s governance crisis—was a tool for SNA (sub-national authoritarian) regimes to maintain strict control of regional politics. In the previous section I provided an overview of two forms of SNA regimes: political machines and mono-economies. As we saw, these two regime types tended to develop under opposite political-economic conditions and by the late 1990s, SNA regimes made up the

119 Interview by Allison D. Evans with A. Ashcheulov, Cherepovets State University professor and former democratic activist, cited in Evans, 467.
120 Evans, 467.
121 Evans, 469.
122 Interview by Allison D. Evans with A. Ashcheulov, Cherepovets State University professor and former democratic activist, cited in Evans, 469.
majority—and most developed—of Russian regions. SNA regimes were very capable of asserting themselves against the central state. Negotiations between the central state and regional government tended to occur bilaterally, because SNA regimes were not a cohesive group. Despite this, SNA regimes tended to have similar interests in relation to the central state, and the outcome of these bilateral negotiations overwhelmingly took more power from the central state. Thus, while regional governments were not a united front, the collective weight of regional non-compliance severely undermined federal state capacity.

Regardless of who controlled SNA regimes, local economic and political actors’ interests tended to align against the central state. They sought to isolate their region because outsiders—particularly the central state—could undermine the dominant group’s control of a region. Yet, isolation from outside interference alone was insufficient; SNA regimes had to control—not just isolate—the local political economy, and to do so they relied on resources from the federal government. This was because in both types of sub-national authoritarianism, collusion between regional political and economic actors tended to support unprofitable enterprises through state subsidies and tax exemptions, continuing the Soviet era practice of soft budget constraints. Soft budget constraints allowed enterprise managers to maximize employment rather than profitability. Continuing to offer state subsidies was extremely beneficial to SNA regimes, and subsidies were used in a variety of ways. In all cases, using subsidies to maximize employment over profitability created support for the status quo by providing employment for vulnerable groups otherwise prone to protest. Furthermore, state subsidies offered enterprise managers a

123 Orttung, 52-54; Golosov and Demchenko, 64.
124 Orttung, 49.
126 Unlike other post-Communist states, where most enterprises decreased employment and increased productivity, Russian firms tended to decrease productivity while maintaining employment. See Black, Kraakman, and Tarrasova, 1763.
more secure future than attempting to make a firm profitable in the volatile post-Soviet market. Thus, in mono-economies, regional economic interests could use their domination of local government to secure state subsidies for themselves, and in political machines, state subsidies were used by the regime to buy the support of crucial economic actors.\textsuperscript{127} Regardless of who was in control, local regimes tended to sacrifice economic performance in favor of political control. These were costly strategies, and so local governments required resources from the central state in order to implement them.\textsuperscript{128}

The relationship between federal and regional governments was peculiar; local governments were opposed to the federal government’s intrusion into local affairs, yet simultaneously reliant upon the federal government to provide the resources required to control local politics. Thus, regional governments had to bargain with the central state in order to receive the resources required to implement subsidies for local business \textit{without} giving the central government influence in local politics. Regional non-compliance with federal policies and the constitution was one crucial method used to achieve both of these goals.\textsuperscript{129} Although it began early in the post-Soviet era, non-compliance reached its true peak between 1996 and 1999.\textsuperscript{130} While regional non-compliance occurred in all policy areas, most violations were closely related to economic policy.\textsuperscript{131} Both the timing and economic focus of regional non-compliance demonstrates that non-compliance was used to support sub-national authoritarianism, since SNA

\textsuperscript{127} Orttung, 49.
\textsuperscript{128} Orttung, 49.
\textsuperscript{129} Both the timing and economic focus of regional non-compliance that non-compliance was used to support sub-national authoritarianism, since sub-national authoritarian regimes were entrenched along a similar timeline as local elites came solidified control of their local political-economies.
\textsuperscript{130} Stoner-Weiss, 61.
\textsuperscript{131} Stoner-Weiss, 64.
regimes were entrenched along a similar timeline as local elites came solidified control of their local political-economies.

Non-compliance was used by SNA regimes both to isolate the regional political economy, and to secure outside resources to dominate local politics with. Firstly, non-compliance isolated the regional political-economy from central state influence through restrictive internal citizenship laws, residency permit systems, and trade barriers, all of which violated the Russian federal constitution.\textsuperscript{132} Other forms of non-compliance created more levers of control for local actors, such as the creation of private land ownership policies and independent finance, credit, and currency regulations.\textsuperscript{133} Secondly, in order to obtain the resources required to dominate local politics, regional governments would often take control of federally owned (yet locally situated) resources, or block core central state functions in order to improve their bargaining position.\textsuperscript{134} Along these lines, the principle of fiscal federalism was co-opted to strengthen local governments’ bargaining positions. As an organizing principle, fiscal federalism gives the federal government the authority to collect taxes for the entire federation, which are then redistributed to regional governments. Many regional governors took \textit{de facto} control over tax and pension collection so that federal agencies could only tax and pension payments with the support of the region’s governor.\textsuperscript{135} By threatening to block the collection of much needed tax revenue, more powerful regional governments could extract crucial concessions (such as affordable loans) from the federal government without allowing the federal government to influence local politics. While regional non-compliance strengthened SNA regimes, it is

\textsuperscript{132} Stoner-Weiss, 58.  
\textsuperscript{133} Stoner Weiss, 57, 59.  
\textsuperscript{134} Stoner-Weiss, 59, 63.  
\textsuperscript{135} Stoner-Weiss, 42.
hardly surprising that it seriously damaging to central state capacity. Any federal state-building efforts, be they democratic or authoritarian, would have to begin by preventing further regional non-compliance. In the next section, I will argue that regional non-compliance was effectively addressed through the incorporation of SNA regimes into the centralized authoritarian apparatus.

Regional Non-Compliance and Authoritarian Incorporation

Stoner-Weiss convincingly demonstrates that Russia’s weak central state was the result of regional non-compliance, finding that non-compliance was greatest in regions where local government and business actors cooperated most closely.\textsuperscript{136} To her, the only way that non-compliance—and therefore Russia’s weak state—could be addressed was by linking federal and local politics through political parties because the penetration of political parties into regional politics would break clientelist relations between local economic and political actors. She argues that without Russia-wide political parties, “regional politics continue to be dominated by particularistic, clientelistic concerns.”\textsuperscript{137} To her, any attempt to improve the central state’s capacity must end collusion between local government and business actors because “clientelism, rather than institutionalization, encourages further rent seeking and ensures continued corruption in government. It is, therefore, hardly a firm foundation on which to build a state more capable of sustaining any degree of socioeconomic development.”\textsuperscript{138} In other words, Putin’s recentralizing reforms were fundamentally flawed, because while the reforms gave the president greater control over local politics, they “failed to break the business-government nexus at the regional level.”\textsuperscript{139}

\textsuperscript{136} Stoner-Weiss, 97, 110.
\textsuperscript{137} Stoner-Weiss, 144.
\textsuperscript{138} Stoner-Weiss, 146.
\textsuperscript{139} Stoner-Weiss, 155.
That is, without breaking this regional business-government nexus, regional non-compliance with federal policy is bound to continue undermining central state capacity.

Stoner-Weiss presents a powerful argument, but there is one problem: while she links regional non-compliance to collusive, clientelist practices between local governments and business actors—what she calls the ‘business government nexus’—she does not explicitly recognize them as sub-national authoritarian regimes. This mis-represents the cause of regional non-compliance, portraying non-compliance as a simple rent-seeking behavior, rather than a set of acts used to secure an authoritarian political order. When the ‘business-government nexus’ is understood as collusive sub-national authoritarianism, the potential for national authoritarianism to increase state capacity by preventing regional non-compliance is much higher. The rest of this chapter will explain how sub-national authoritarianism aided the consolidation of national authoritarianism, and in doing so, improved central state capacity.

How we understand regional non-compliance and intergovernmental negotiations is crucial to state capacity, because in a federal state, effective governance (in terms of state capacity) relies in part on effective intergovernmental coordination. As a political project, building an authoritarian regime on a federal state is no different. A federalized authoritarian regime requires a broad support from a coalition from power holders across numerous geographically distributed jurisdictions. While authoritarianism may violate the principle of federalism, an authoritarian regime built upon federal institutions still requires extensive coordination with regional elites; the federal structure must be co-opted as a base of support for the central regime. This does not suggest that an authoritarian federal government is necessarily

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140 That is, the constitutionally guaranteed division of power across two or more jurisdictions. It is typically reserved for democracies, as authoritarian governments routinely violate the constitutional division of powers.
effective or capable because it is founded through inter-regional elite coordination. Some forms of inter-regional coordination are costlier than others: ideally, intergovernmental coordination occurs through an alignment of interests (cooperation), but sometimes coordination is achieved through clientelism, or might even be more akin to coercion. Thus, intergovernmental coordination is a necessary but insufficient condition for effective federal governance.

In order to understand how federal authoritarianism has altered the central state’s capacity, we must understand the foundation of the central regime in terms of inter-regional coordination. How do SNA leaders fit into national authoritarianism? Some forms of inter-regional coordination—such as clientelism or coercion—are extremely costly, and these costs will limit state capacity. Along these lines, Stoner-Weiss argued that without the institutional linkages offered by national political parties, Putin’s authoritarianism will be weak and unstable, because it achieves inter-elite cooperation through clientelism, which “[…] rather than institutionalization, encourages further rent seeking and ensures continued corruption in government.” In other words, Stoner-Weiss asserts that Putin’s central authoritarian regime is inherently weak because it is built upon an unstable and inefficient foundation that depends on each supporter’s ability to personally profit from their position within the regime.

Forms of inter-regional cooperation reliant on clientelism make any kind of coordinated policy initiative extremely costly to implement because elites must be allowed to take ‘their cut’ of federal resources in order for the central regime to maintain support. To illustrate, imagine that you are a Russian babushka (the federal state) attempting to send a batch of pies (a social welfare policy) to your grandchildren (the Russian people) across the country. In order to deliver

141 Stoner-Weiss, 146.
the pies to your grandchildren, you must move between multiple jurisdictions, at which point the pies can be confiscated by local officials who control the flow of goods through their region. In order to ensure their delivery, you must offer a slice of pie to each regional official. In such a system, only a fraction of your pie will reach your grandchildren; you won’t be able to provide enough to satisfy your grand-children, because the costs of delivering your pies are too high. Conceptualized in this way, the spoils system that maintains elites’ support for the regime greatly undermines state capacity because the limited resources of the state are absorbed by the network of clientelism which holds the system together. Most importantly, if the economy were to decline, the federal government would find itself unable to afford the support of regional actors, and non-compliance with federal law could return, creating a crisis of state capacity once again.142 Such as scenario would be as if our babushka could not afford to bake enough pies to share with regional officials, leading to the officials confiscating all the pies or preventing her passage instead.

On its own, clientelism certainly is a weak foundation for effective cooperation between the federal and regional governments. Written in 2006, Stoner-Weiss’ book Resisting the State was skeptical of Putin’s prospects as an authoritarian leader. Yet despite this skepticism, Putin’s regime has proven itself remarkably durable, lasting nearly twenty years and counting, surviving economic downturns, economic sanctions and three wars. It is doubtful that Putin’s base of support is (or was) quite as unstable as Stoner-Weiss asserted. Despite the 2008 economic crisis, Russia did not experience another wave of regional non-compliance similar that of 1998. I argue that this is because regional non-compliance was not simply rent-seeking behavior by regional elites, but was a behavior intended to maintain control of local politics. The incorporation of

142 Stoner-Weiss, 154.
SNA regimes as the foundation of national electoral authoritarianism means that regional non-compliance is no longer a useful strategy for regional governments seeking to control local politics.

In the previous section, I argued that regional non-compliance was used by SNA regimes to prevent outside interference with local politics and provide local regimes with resources required to reward supporters. To be sure, non-compliance provided rent-seeking opportunities, but in SNA regimes, rent-seeking opportunities were employed primarily for political control. Thus, while non-compliance declined alongside the return of positive economic growth rates in 1999, it is not safe to say that the inverse—an increase in non-compliance following economic decline—would occur. This is because national authoritarianism has incorporated SNA regimes into the federal power structure, providing them with top down support in exchange for electoral support. SNA regimes no longer needed to insulate themselves from national actors in order to maintain control of local politics because the federal authoritarian regime was itself dependent on SNA regimes’ control of local politics. As long as SNA regimes deliver favorable votes to the Kremlin, they can expect the federal government to protect—rather than undermine—their control of local politics. Thus, according to Demchenko and Golosov, “[…] electoral authoritarianism, rather than simply suppressing the autonomy of the most powerful subnational actors, incorporates them into the national authoritarian order by expanding their effective control over the regional political arenas.”

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143 Stoner-Weiss, 154. This was the first time that the Russian economy had registered a positive growth rate since the end of the USSR.
144 William M. Reisinger and Bryon J. Moraski, “Regional Changes and Changing Regional Relations with the Centre,” in The Politics of Sub-National Authoritarianism, ed. Vladimir Gel’man and Cameron Ross (Surrey [England]: Ashgate, 2010), 67.
145 Reisinger and Moraski, 80.
146 Demchenko and Golosov, 75.
relative harmony with sub-national authoritarianism, it is unlikely that regional non-compliance will re-emerge because of economic decline, and so regional non-compliance is no longer a credible threat to federal state capacity.

How Incorporation Happened

If the essential characteristic of authoritarian rule is permanence, or certainty, then the standout feature of democracy is uncertainty. In Russia, local politics were rarely uncertain, and democratization at the local level was a failure. The certainty of regional politics was an essential pre-condition for the re-emergence of federal authoritarianism for two reasons: firstly, stable patterns in regional leadership were more readily incorporated into a federal authoritarian apparatus than constantly shifting, uncertain democratic regimes. Secondly, local SNA regimes’ control over electoral outcomes made it possible for these regions to deliver votes to the Kremlin in exchange for non-intervention. This final section of the chapter will explain how sub-national authoritarian regimes were incorporated into a national authoritarian system, and why this was the most likely solution to Russia’s crisis of governance.

During Putin’s first term of presidency, Russia was composed of 89 separate regions, each with its own governor (or president in the case of ethnic republics). If these executives were all democratically elected, we could expect a high national turnover for regional governors, and it would be nearly impossible for the central government to obtain a stable coalition of elite

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support for centralized authoritarianism. As I have explained previously, regional governors were generally speaking not democratically elected, and the all-Russia incumbency rate for regional executives was 65.4% from 2000 to 2002.\textsuperscript{148} Entrenched SNA leaders can be certain that they will be re-elected, because they have bought off crucial supporters and coerced pliable social groups in order to guarantee continued support. Thus, when Putin came into office on December 31\textsuperscript{st}, 1999, federal-regional negotiations were occurring between a relatively stable group of actors. This meant that negotiations between the federal government and regional leaders were not occurring with a revolving door of regional leaders, but instead a stable constellation of political executives who could apply lessons from previous rounds of negotiation to future iterations, develop a common political culture, gradually forming a shared understanding of their collective interests.

Where intergovernmental negotiations between democratic leaders would be quite unorderly, the stability offered by sub-national authoritarianism might have allowed regional executives and the federal president to come to some sort of a common good. This is not to say that the regional governors arrived at this common understanding without a politicking or conflict. The literature documenting Putin’s rise to power is quite substantial, it is quite clear that between 2000 to 2004, the central regime was not exactly ‘friendly’ to all SNA leaders. The Kremlin made serious attempts to discredit and uproot certain SNA leaders, such as the Mayor of Moscow, Yuri Luzhkov.\textsuperscript{149} Further still, between 2000-2004, Putin undertook a number of institutional reforms which appeared to be specifically targeted at reducing the power of regional

\textsuperscript{149} Hale, 242-3.
One such reform, enacted in 2003, required that at least half of the regional legislature be elected through party-list proportional representation. Outside of this basic requirement, the specifics of electoral reform were delegated to the regional legislatures themselves. Allegedly, the theory behind this reform was that it would both strengthen regional legislatures to counterbalance the powerful regional executives while also aiding the penetration of national political parties into local politics. Unsurprisingly, electoral reform was ineffective at reducing the power of regional executives, because regional executives used their control of the legislatures to shape the institutional reform in their favor. Since electoral reform failed to reign in the regional executives, the Putin government implemented a more drastic solution in 2004: abolishing the direct election of regional executives (‘gubernatorial elections’) entirely, replacing elections with a system of appointment by the Kremlin and subsequent approval by the regional legislature.

While the abolition of gubernatorial elections may appear to be Russia’s definitive turning point towards national authoritarianism, this view is difficult to sustain for several reasons. As an electoral authoritarian regime, the central government is reliant on sub-national authoritarian structures to deliver votes to the Kremlin. As such, the consolidation of national authoritarianism required the extensive cooperation—rather than repression—of regional executives. The authoritarian consolidation was most likely a gradual process, and the later institutional reforms (party-list proportional representation and the abolition of gubernatorial

150 Obydenkova and Swenden, 95.
151 Demchenko and Golosov, 65.
152 Demchenko and Golosov, 66.
153 Demchenko and Golosov, 65.
154 Demchenko and Golosov, 75.
155 Demchenko and Golosov, 66.
156 Gel’man, “The Dynamics of Sub-National Authoritarianism,” 12.
elections) were likely supported by many regional executives themselves. Firstly, while the practice of delivering votes to the Kremlin became truly widespread during Putin’s first presidency (the early 2000s), vote delivery actually began in the mid-1990s, indicating that some regions were already using vote delivery as a bargaining tool with the central government.  

Secondly, by 2003, the central government was no longer attempting to recruit regional executives’ opponents via United Russia, and instead preferred to recruit the regional governors themselves. Finally, the abolition of gubernatorial elections drew little protest from regional executives, and most were re-appointed by the Kremlin. Thus, rather than being the final battle in a war between regional executives and the federal government, these reforms constituted the formal *harmonization* of the central government and sub-national authoritarianism.

Based on the argument I have presented, this outcome ought to be unsurprising. As long as the central government opposed sub-national authoritarianism, it was bound to face fierce resistance from entrenched SNA leaders. This state of affairs was unsustainable because any attempts by the central government to undermine SNA tended to weaken the central state by encouraging further regional non-compliance. Cooperation, rather than judicial action or simple coercion, was a much more appealing option for the central state. Further still, rather than resisting the central state, cooperating through vote delivery was an obvious boon for SNA leaders because the practice transformed the federal government from being the primary *opponent* of sub-national authoritarianism, turning it into the primary *proponent*. SNA leaders who chose to cooperate with the central state no longer had to worry about the federal

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157 Reisinger and Moraski, 67.
158 Demchenko and Golosov, 68.
159 Person, 422.
160 Demchenko and Golosov, 75-6.
government intervening in the local political-economy, because control of the local political economy was required to deliver support to the central regime. Yet, this transition from opposition to cooperation would have taken time, occurring gradually. Given that regional executives were a relatively stable group, it is likely that the federal government was able to establish cooperative relations with a small portion of regional executives. Over time, more regional executives would have seen the value of this approach and incorporated themselves into the national authoritarian structure. Thus, the stability of leadership offered by sub-national authoritarianism cannot be overlooked: it allowed regional leaders to learn from past experience, develop a common understanding of each other’s interests, and finally, come to agreement on a common good: centralized electoral authoritarianism.
Conclusion

A Note on Democratization

In writing this thesis, I originally sought to demonstrate how the re-emergence of authoritarianism in post-Soviet Russia resulted in an improvement of governance, particularly in terms of state capacity. My argument has demonstrated this, with one major caveat: Russia never transitioned from democracy to authoritarianism because Russian democracy was, in my analysis, stillborn. Of course, this assertion is controversial; many post-Soviet scholars operate under the assumption that Russia was some form of a competitive democracy in the 1990s.\textsuperscript{161} To understand why Russia was never a democracy, consider Schmitter and Karl’s articulation of modern political democracy:

Modern political democracy is a system of governance in which rulers are held accountable for their actions in the public realm by citizens, acting indirectly through the competition and cooperation of their elected representatives. A regime or system of governance is an ensemble of patterns that determines the methods of access to the principal public offices; the characteristics of the actors admitted to or excluded from such access; the strategies that actors may use to gain access; and the rules that are followed in the making of publicly binding decisions. To work properly, the ensemble must be institutionalized—that is to say, the various patterns must be habitually known, practiced, and accepted by most, if not all, actors.\textsuperscript{162}

Based on the argument I have presented in this thesis, it is clear that Russian politics never truly met the requirements of political democracy because a pattern of democratic governance was never accepted by most political actors. The early liberalizing reforms established formal

\begin{footnotesize}
\footnotesize{\textsuperscript{161} See Demchenko and Golosov, 64; Stoner-Weiss, 111, 117; Obydenkova and Swenden, 102; Gel’man, “State Power, Governance, and Local Regimes in Russia,” 46; Person, 420.}
\footnotesize{\textsuperscript{162} Phillippe Schmitter and Terry Karl, “What Democracy is... and What it is Not,” in The Global Resurgence of Democracy, ed. L. Diamond and M. Plattner (Baltimore: John Hopkins University Press, 1993), 50.}
\end{footnotesize}
democratic institutions, but these democratic institutions were co-opted by economic and political actors who had not internalized democratic behavior.

Yet, in revealing how democracy failed in Russia, this case study does reveal what exactly democratic institutionalization is not, and why it failed. For instance, while Demchenko and Golosov assert that regional politics were not always undemocratic because “some [regimes] closely replicated the national model of disorderly yet rather competitive politics,” they go on to state that “…the bulk of available evidence clearly indicates that by the end of the 1990s, deviations from authoritarian rule in the regions became increasingly rare and unusual.”\textsuperscript{163} The problem with this description of national and sub-national politics as ‘disorderly yet rather competitive’ is that it equates democracy with political competition, ignoring the fact that political competition in authoritarian regimes is often quite fierce. Political competition is not necessarily democratic, even if that competition happens through an electoral system. Where authoritarian competition seeks to prevent future opposition, democratic competition regularizes it. In Russia, political competition tended to be profoundly undemocratic. Almost as quickly as the political arena was opened to competition and politicians made accountable to the public, political competition was informally closed, and the public was made accountable to their politicians once again. Thus, if political competition concludes with the monopolization of political power, as it did in Russia, it was not democratic competition, but actually authoritarianism’s temporary disruption.

The differing goals of democratic and authoritarian competition speak to the fundamental difference between authoritarian and democratic institutionalization. As Graham Robertson

\textsuperscript{163} Demchenko and Golosov, 64.
wrote, “creating and maintaining the impression of permanence is the essence of authoritarian rule, and the strategies to achieve this have been refined for decades.” In order to create this impression of permanence, authoritarian leaders must *institutionalize certainty* in politics, using their political power to shape the institutional environment that they operate in such that their continued rule is unquestioned and absolutely certain. In contrast to authoritarianism, the essential feature of democratic politics is the *institutionalization of uncertainty*. Of course, free and fair, competitive elections must be held regularly, but elections alone are insufficient. More importantly, democratic political actors must both know and accept that their continued rule is uncertain. The institutionalization of uncertainty is fundamentally different from destabilized authoritarianism—where a leader can no longer be certain—because when uncertainty is institutionalized, uncertainty is embraced by all political actors, as Schmitter and Karl suggest in their definition of democracy. Democratic politicians accept that their leadership is uncertain, contingent on their continued accountability to the public through regular free and fair elections, and they make no attempt to undermine this uncertainty. Democratization requires not only the creation of formal democratic institutions, but also the adoption of informal norms and conventions of political behavior consistent with political uncertainty.

Moreover, even though sub-national authoritarian regimes were the most obviously undemocratic in the early post-Soviet period, it is impossible to claim that the federal government was an island of democracy independent of the sub-national authoritarian regimes it operated over. This is because sub-national authoritarian leaders used their power to influence national elections: vote delivery to the Kremlin did not start with Putin’s presidency, but actually

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164 Robertson, 530.
during Yeltsin’s presidency in the mid-1990s. The system of sub-national authoritarianism meant that even in federal elections, citizens were held accountable to their local leaders, rather than the other way around. As such, the federal government cannot have been considered ‘democratic’ in any sense of the term while obtaining electoral support from sub-national authoritarian regimes in a *quid pro quo* arrangement with sub-national authoritarian regimes, because this suggests that national political actors never truly accepted the uncertainty of their rule. The fact that not all regimes delivered votes to the Kremlin merely indicates that authoritarianism had yet to re-consolidate.

This stands in stark contrast to Huntington’s conception of democratization, who holds the position that “if popular election of the top decision makers is the essence of democracy, then the critical point in the process of democratization is the replacement of a government that was not chosen this way by one that is selected in a free, open, and fair election.” If Russia’s experiment with electoral democracy demonstrates anything, it is that there is no such thing as a ‘critical point in the process of democratization.’ Rather, the boundary between democracy and authoritarianism is extremely blurry, and is better defined by the attitudes and practices of political actors than the mere existence of elections. Whether or not political competition is democratic depends on the long-term continuation competition. Political competition which *prevents* future competition—better called political domination—is fundamentally undemocratic, because these political actors seek to institutionalize the certainty of their rule. This means that we are unable to judge the success or failure of democratization based on one round of properly conducted elections, because we can never know how the winner of a legitimate election will use

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165 Reisinger and Moraski, 67.
their political office. A government which was initially selected through free and fair elections can easily go on to undermine future political competition. Thus, democratization is a fuzzy, gradual process, which can only be judged retroactively. As such, we ought to avoid calling transitioning political systems democracies until it is clear that democratic competition has been institutionalized, with political uncertainty accepted by nearly all political actors.

Governance and Authoritarianism Reconsidered

Despite the fact that Russia never really democratized, authoritarianism has clearly been strengthened in the country. In this sense, even though Russia has not transitioned from democracy to authoritarianism, we can still say that Russian politics became more authoritarian under Putin. How has this impacted governance in Russia, particularly in terms of state capacity? By following the institutional development of post-Soviet authoritarianism, this thesis has questioned the common assumption that improvements in governance come about through the strengthening of democratic institutions. Rather, I have argued that the relationship between governance and political system is highly nuanced, because effective governance requires the mutual compatibility of all institutions involved in the governance process. A coherent constellation of state institutions is a necessary foundation for political order and effective governance, and without this coherent constellation of institutions, state building efforts are bound to fail.

Whether state building will take a democratic or authoritarian path depends, in large part, on the interaction of institutional reforms with previously existing institutional legacies and fragments. As two different patterns of politics, democracy and authoritarianism are made up of both formal and informal institutions, and it is clearly impossible for institutional reform to fully wipe out and replace the previous pattern of politics. In this sense, Russian authoritarianism was
‘sticky,’ meaning that the authoritarian patterns of politics were deeply entrenched throughout the Federation. Democratization was unable to transform local politics fully, and local political actors who held onto their authoritarian patterns of action co-opted democratic institutions, rather than internalizing them. Russia was caught between the democratic and authoritarian patterns of governance, and this threatened to destroy the Russian state. In the end, it was easier to revert to the authoritarian pattern of politics, and the authoritarian path won out.

The post-Soviet was marked by two main critical junctures. The first occurred between 1989 and 1993, the early period of liberalization under Gorbachev and then Yeltsin. The common theme of these reforms was that they empowered local economic and political actors, giving them independence and control over national resources, so that sub-national actors quickly became significant forces in early post-Soviet politics. By empowering regional political and economic actors, reformers such as President Yeltsin and Anatoly Chubais created a broad stratum of support for the reform effort, thereby strengthening the reform movement against its conservative opponents. However, the newly independent regional governments quickly became the most influential force in Russian politics. The second critical juncture followed from this period of liberalization, which led to Russia’s crisis of governance. The newly empowered regional governments were by no means a benign force in Russian politics. Independent from the central state, local political and economic actors used their influence of the reform process to entrench their control of local politics, establishing their sub-national authoritarian regimes. This was clearly an unintended consequence of liberalization, because the very same actors who Yeltsin empowered in order to secure reform were the ones who prevented future democratization.
Along a similar timeline to the development of sub-national authoritarianism, regional non-compliance gradually rose through the 1990s, peaking in 1998. In *Resisting the State*, Stoner-Weiss demonstrates that non-compliance was the foremost cause of Russia’s weak central state, and finds that regional non-compliance was more prevalent in regions where local economic and political actors had close ties, but she does not explicitly view non-compliance as a tool of sub-national authoritarianism.\(^{167}\) As presented in this thesis, the crux of my argument was that sub-national authoritarian regimes (themselves characterized between collusion between political and economic actors) required a continued supply of outside resources to keep control of local politics, and non-compliance was an effective strategy to achieve this. Rather than being a simple rent-seeking behavior, regional non-compliance was used in an extortive manner to obtain outside resources, which were used to maintain control over local politics. Extortive non-compliance was more appealing to sub-national authoritarian regimes than negotiation on equal terms with the central government because negotiation would give the federal government more influence in local politics, while non-compliance directly blocked federal interference in local affairs. As the principle cause of Russia’s weak central state, improving governance by resolving the issue of regional non-compliance was crucial to Putin’s state building effort.

Firstly, we must recognize Russia’s governance crisis for what it was: a contradiction between the goals of two levels of government. The Russian Federation’s institutional structure was incoherent, caught between authoritarian and democratic patterns of politics. This contradiction began to tear the Russian state apart, and both national and sub-national governments sought to strengthen themselves by weakening the other. Sub-national regimes were interested in strengthening their authoritarian rule, while the federal government was

\(^{167}\) Stoner-Weiss, 97, 110.
interested in building state capacity, either to build centralized authoritarianism or democracy.\footnote{As I have already discussed, federal political actors’ actions were already inconsistent with building democracy by the late 1990s. Regardless, it is useful to think of the federal government as \textit{potentially} interested in democratization, to explain why this was unlikely result of state building, given the goals of sub-national authoritarian regimes.} 168 The two levels of government had contradictory goals, and this severely undermined state capacity. The fact that regional governments would regularly prevent the federal tax agency from performing its function demonstrates just how damaging this contradiction was. Recall Peters’ requirements for successful governance: goal selection, goal reconciliation and coordination, implementation, and finally feedback and accountability.\footnote{Peters, 65.} 169 Russia experienced a crisis of governance because the two levels of government had selected goals which were contradictory in the fullest sense—not just antagonistic, but mutually opposing—and this contradiction in goals prevented the successful reconciliation, coordination, and implementation of policy. Russia’s crisis of governance is a clear demonstration that the components of successful governance (perhaps with exception of feedback and accountability) are a sequential process, where each stage’s success is dependent on that of the previous stage. If the goals selected by differing institutions of government are contradictory, all subsequent stages of governance will fail. Thus, by incorporating sub-national authoritarianism rather than undermining it, centralized authoritarianism harmonized the goals of the central government with those of sub-national authoritarian leaders. Rendering the state’s institutions coherent allowed the possibility of effective goal reconciliation, coordination, and implementation across levels of government in Russia.
Understanding successful governance as a sequential process also explains why, in some circumstances, state-building must proceed democratization and other reforms intended to increase the quality of governance through procedural norms. As Thomas Carothers writes:

In certain situations, democratization does need to wait for state-building. Where a state has completely collapsed or failed under the lash of civil conflict or acute calamities, moving rapidly towards open political competition and elections makes no sense. The state will need to have at least minimal functional capacity as well as something resembling a monopoly of force before such a country can pull itself onto the path of sustainable, pluralistic political development.\(^{170}\)

Russia’s governance crisis is a crucial example where the basic stage of state-building had to precede democratization (or at least accompany it in a significant way). This is because the goals of federal and regional governments were only necessarily contradictory so long as the federal government remained committed to democracy. If the federal government was truly committed to political democracy in Russia, it would be necessarily opposed to the interests of sub-national authoritarianism; a democratic federal government cannot support or cooperate with sub-national authoritarianism because this would likely lead sub-national authoritarian regimes to deliver votes towards the central government, undermining federal democracy. Thus, when faced with sub-national authoritarian regimes, a democratic federal government’s only option is to uproot and destroy sub-national authoritarianism, which is of course extremely costly. While rooting out sub-national authoritarianism from above may be an option when the federal government is strong enough,\(^{171}\) regional non-compliance had rendered the central state too feeble to do so. And so, rather than attempting to root out sub-national authoritarianism, Putin’s regime compromised, and offered local regimes an offer they could not refuse: resources and protection of their power.

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\(^{171}\) As was the case in the United States under Roosevelt. See Gel’man, “The Dynamics of Sub-National Authoritarianism,” 10.
from above in exchange for cooperation and vote delivery to the central regime. By incorporating sub-national authoritarian regimes into a centralized authoritarian apparatus, Putin resolved the contradiction that had crippled the Russian state, and it would have been exceedingly costly to resolve this contradiction in a manner which did not undermine democracy.

Resolving the contradiction between institutions of government through authoritarian incorporation was thus a foundational task of Russian state-building, because once divergent institutional goals have been reconciled, focus may be placed on optimizing the procedural functioning of those institutions. Yet, since governance is a sequential process, it makes no sense to focus on improving the procedural functioning of institutions until their goals have been reconciled. Conceptions of good governance which focus on procedural norms are valuable, but only applicable in contexts where state institutions reconcile goals and cooperate effectively. For instance, Rothstein and Teorell argue make the case for quality of governance as “impartiality in the exercise of public authority,”172 but this presupposes that the state is able to exercise public authority in the first place. Impartiality in the exercise of public authority was a distant goal for Putin’s state building effort, because he had to ensure that there was some sort of public authority in the first place.

Although Putin’s authoritarian incorporation created the foundation for effective governance in Russia—rational, non-contradictory goal selection throughout the federation—goal selection is only the first component of effective governance. The sequential nature of governance rules out considering one step of governance more important than another. A well governed state requires that goal setting, reconciliation, coordination, and implementation are all

172 Rothstein and Teorell, 166.
equally successful. And so, while Putin’s centralized authoritarian regime has improved the foundation of governance, goal setting, the authoritarian regime has done Remarkably less to improve coordination and implementation in Russia. Along these lines, Carothers continues:

Yet the sequentialists are misguided in propounding the idea that democratization must wait until there exists not merely an adequate but a well-functioning state—one with capable, impartial institutions and a solid capacity to develop, legislate, and implement effective policies. This mistaken idea rests on the seductive but illusory notion that autocrats are natural state builders, harking to the image of firm, sober strongmen imbued with a state-building ethos, a la Mustafa Kemal Atatürk or Otto von Bismarck.173

Indeed, while authoritarianism may have been the most likely way for Russia to end regional non-compliance and rebuild the central state by creating coherent state institutions capable of coordinating with one another, authoritarianism may have since become a limiting factor on the development of governance in Russia. While governance has improved under Putin’s authoritarian regime, Russia’s complete transformation into a capable, impartial state apparatus may still require the transition to political democracy. Putin’s regime has succeeded in creating a stable political order and improving the fiscal capacity of the state but has failed to improve other key aspects of state functioning such as routine law enforcement, rule of law, and control of corruption.174 Whether or not further improvements in governance are possible under authoritarian rule is unclear. As Carothers put it, “conventional state-building goals such as efficiency and impartiality only render a state apparatus less malleable for the autocrats’ purposes.”175 Now that Putin has created the foundation of effective governance—a coherent institutional structure—his continued value as the Russian Federation’s guiding hand may have expired.

173 Carothers, 19.
174 Brian D. Taylor, 72.
175 Carothers, 19.
Bibliography


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