

# The State of the Russian State: Diagnoses and Prognoses

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**A**t two o'clock in the morning of the day that Boris Yeltsin fired his cabinet (23 March 1998), an investor at a large venture capital fund received a telephone call from Wall Street, asking whether she wanted to retain the standing purchase order for significant capital investments in Russia. After the cobwebs cleared from her sleepy mind, and she'd had a few seconds to think about it, she replied: "Yeltsin fired his entire cabinet? Double the order!" When I questioned her several weeks later, the investor explained that Russia is turning a corner economically, that attractive long-term investment opportunities are increasing, that growing sums of exported Russian capital are being reinvested in Russia, that central and local authorities are becoming more receptive to negotiating reasonable (tax and environmental cleanup) terms with foreign companies, and that the dismissal of Chernomyrdin and Chubais removes two key players whose commitments or controversiality, respectively, had been inhibiting rationalization of regulatory and tax policy.

My interlocutor may yet lose a lot of money; or her firm might do quite well in its purchases of factories that produce construction materials. But when foreign businesspeople are willing to put large sums of their own money on the line, rather than investing it in any number of other countries and ventures around the world, it should give us pause. Their decision is usually not based on a whim. There is likely to be some basis in their minds for optimism.

Readers of this issue of *Demokratizatsiya* might be forgiven their inability to understand the bases for such optimism. The articles by Brovkin and Blank paint a frightening picture of a fragmented, utterly predatory state, the officials of which are eager and able to treat the country's economic surplus as their personal troughs. The alliance between these officials and the monopolists who own the largest banks and control the largest sectors of the economy, as well as the capacity of these networks to deploy large-scale private violence against challengers to their monopolies, presents a picture of entrenched, thoroughly corrupted, and

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seemingly unassailable state-fragments. And if we follow the logic of Blank's conception of what this portends for the future of the Russian economy, we must conclude that long-term investment is not only a risky, but perhaps even a crazy, proposition. If the choice, as he puts it, is between Norway and Nigeria, the probability is clearly greater of a slide toward the Nigerian sinkhole than of a march toward the idyllic Norwegian prospect. It is easier to project forward in time the indefinite continuation of the fragmented and predatory conditions than to imagine the convergence of forces that would turn the Russian Federation into even a minimally cohesive, stable, and effective developmental state.

Brovkin and Blank are properly outraged by what they see going on in Russia. Especially when judged against the standards of liberal-democratic and liberal-market models, the Russian case diverges hugely from all three of the base-points typically invoked: (1) the hopes and expectations of 1990–91; (2) the ideal-typical conception of market democracy; and (3) the real-world practice of advanced market democracies in northern Europe and North America. Outrage at the extent of such divergence is understandable. But what the system's current configuration portends for economic development, political stability, and relations with other states is perhaps less obvious.

If we direct our thoughts not to Nigeria versus Norway but to Greece, Portugal, Thailand, Brazil, Mexico, and India, we may have an intermediate band of comparative referents that are more indicative of possible Russian futures in coming decades. Moreover, how we think about comparative referents and varieties of exchange relations is as important as which comparative referents we invoke. Thus, if we think of the role of money in the politics of Italy, South Korea, and Japan, we may question the assumption that large-scale corruption is incompatible with impressive rates of economic growth—as indeed China has already shown us under a late-Communist regime. If we think of how many Russian businesses and foreign-based ventures are surviving and growing despite the monopolistic practices and private power of the “Group of Seven,” we can imagine the strengthening of social forces on behalf of the construction of a regulatory state. If we think of the contradictions within the current Russian configuration not as portents of systemic collapse and anarchy but as points of opportunity, or “openings,” through which pressures for policy change and coalitional shifts might be channeled, we may push our thinking beyond the image of an unassailable, albeit fragmented, system. If we think of the current “anarchy” as partially compensatory for the absence of a regulatory state (organized crime as the enforcer of contracts), we may be less inclined to assume that “mafization” is incompatible with either political stability or economic development. If we think of Russia by historical comparison not with late-tsarism or early-feudalism, but with early capitalism or late-feudalism, we may imagine that lawlessness can decline eventually through the creation of coordinative mechanisms in response to demands for predictability. If we think of Russia as a system under pressure from the international system, as Blank does, we can draw more than the traditional conclusion that such pressures increase fragility, instability, and militarism. We can also explore the ways in which the forces of globalization induce changes in defini-

tions of self-interest even among Russia's corrupt officials. And if we recall that the modern state, as Tilly has argued, originated in "organized crime," with the winners enjoying the opportunity to define what was to be treated as legal and moral,<sup>1</sup> we may curb our outrage a bit and thereby diminish the risk of allowing the normative to govern our analytics.

I do not claim to have a theory, or the right analogue, that would allow us to predict where all of this is headed or what it would take to effect economic progress, political stabilization, and national cohesion despite the current predatory and fragmented condition. I suspect that no such theory could be constructed, since no single analogue will tightly fit most authority and exchange relationships within the current system. Moreover, theories based on historical analogues may have their predictions negated by the influence of distinctive features of the contemporary international system and the distinctive legacy of both nationalism (weak) and Leninism (strong) in Russia. In any case, appraisal of the tightness-of-fit of such a theory would have to begin with deeper empirical analysis of the current situation and deeper analysis of the factors that caused it to become what it is. Such analytic and explanatory exercises are necessarily preliminary to the construction of scenarios for the future. For until we can specify the extent and nature of contradictions within the current configuration,<sup>2</sup> we cannot easily float claims about its changeability. And until we explain how it came to be this way, we will have difficulty specifying the relative strength of the conflicting forces at work within the current configuration.

Both Blank and Brovkin make some efforts to do each of these things. But the other articles in this issue are richest in these types of inquiry. Coulloudon focuses her attention on a series of differences among and within political and business groups, with respect to the types of people recruited, their institutional origins, the nature of their bonds, and the ways in which they define their interests. She points to conflicts of interest among the state and economic groupings that could result in confrontations. She makes the startling claim that "The cross-sector federal groups need more and more specialists who have been shaped in business and administration. A new bureaucracy, *in the Western understanding of the concept*, is now developing" [emphasis added], which would be grist for the mill of those who anticipate that the pressures of economic rationality may alter administrative and political authority relationships. Interestingly, Coulloudon treats business groups as highly dependent on state officials and political patrons, rather than the other way around, instead of depicting the more common image of symbiosis, which logically suggests an opening for "state autonomy" potentially to assert itself. And even if current efforts to capture the state prove successful, she argues, "consolidation could be a prelude to confrontation . . . [as] several elite groups . . . barred from access to today's oligarchy . . . will undoubtedly try to get a slice of the cake."

To be sure, the image of a state within which fragments are at war with each other is not inconsistent with Blank's depiction of the Russian condition. But Blank emphasizes the extreme fragility of this situation and the prospect of its resulting in anarchy or militarism. By contrast, Coulloudon suggests that the cen-

tralized, personalistic, and secretive features of Russian decisionmaking are buttressed by traditional culture. Could this serve to keep intergroup conflict within bounds and to inhibit tendencies toward breakdown? Coulloudon does not commit on this score, but she does offer the intriguing suggestion that “the constant struggle between elite groups to appoint their protégés to strategic posts does not challenge the legitimacy of the state. On the contrary, it helps to strengthen it.”

Nelson and Kuzes share the *general* view of the Russian state and the relatively dispassionate terminology of Coulloudon’s article. They also share Coulloudon’s focus on competition among group interests. But like Blank (though for different reasons), and unlike Coulloudon, who perceives something of a framework of shared values among the political and economic monopolists, Nelson and Kuzes are impressed by how fragile are the structures and processes of interest representation: “no effective restraining principle is now operative to keep competing interests in check, through shared reference to overarching ‘rules of the game.’”

Glinski and Reddaway generally agree with the image of a corrupted, monopolistic conjoining of political and economic elites. Beyond that, and like Nelson and Kuzes, they perceive an absence of shared values that once “made possible the communication of values between various layers of Soviet society.”

The Kremlin and the business magnates in finance and foreign trade . . . are unable to reach a long-term agreement on the priorities of national development and on joint actions to achieve them. Thus, in the absence of major external shocks, it is likely that the state-centralizing and institution-building needs of the Kremlin, as well as the imperative to provide for a sustainable revenue base, will more and more diverge from the interests of the plutocratic clans.

We would need a theory of stability to reflect on whether this competitive pursuit of political and material self-interest, unregulated by either an overarching coercive instrument (a strong state) or a value consensus, will lead to breakdown, chronic but contained ungovernability, or happier outcomes. We would need a diversity of perspectives on state-building strategies to comment on the possibility that, à la Luzhkov within Moscow, a combination of demands from below for the breaking of stalemates and political muscle from above to regulate the racketeers in a “win-win” fashion might set Russia on a path toward construction of a more effective, regulatory state. What most of these articles reveal, though, is that there are manifold conflicts of interest, both between and within state and business groupings, that can provide openings for shifting coalitions and political entrepreneurship. And the personalistic character of leadership within most of these institutions provides still another potential lever for countering the consolidation of political or economic monopolies.

Analysis of tensions within the current configuration, and of their implications for the future, is very much a subordinate component of the articles by Nelson/Kuzes and Glinski/Reddaway. The burden of their efforts is historical: to specify the path through which things came to this. Glinski and Reddaway provide the “long” historical view, Nelson and Kuzes the “short” one. In the long view of Russian history, the authors note the repeated inability of the Russian state to

compete internationally. This led to periodic crises that seemed to demand modernization of the system. Like Alexander Yanov,<sup>3</sup> Glinski and Reddaway offer a descriptive outline of reform cycles in Russian history and an explanation for why those cycles always failed to modernize the system. They lament the tendency for reformist efforts to result in polarization and alienation between state and society, undermining the social and political bases for anything but statist and extremist solutions to problems—what some analysts would call “revolutions from above.” They summarize their explanation for this tendency as “a clear cultural, institutional, and psychological continuity that can be seen as the reformers’ ‘path dependence,’ as each new round of reforms was shaped by memory of the past and comparisons with similar historical experience.” This is a stunning image of an intelligentsia and political establishment, both of which have been trapped by their history, incapable of learning from past mistakes, and repeatedly embracing a mentality of binary oppositions that precludes compromise solutions.

If one stopped reading their article at this point, one might conclude that Glinski and Reddaway are cultural fatalists who interpret the collapse of Gorbachev’s evolutionary strategy and the return to “revolution from above” (shock therapy) by the Yeltsin administration in 1992 as just another example of Russia’s recurrent historical tragedy. But that turns out not to be their argument at all. Although their article did not analyze in any depth the historical reform efforts that failed, they do analyze the Gorbachev and Yeltsin experiences in greater detail. And here they perceive the potential to have broken from the cyclical historical pattern—potential that was not realized and that therefore constitutes a missed opportunity. Their great hope lay with the late-Soviet middle class, which had the resources and the temperament to provide a moderate social base for reconciliation between state and society and modernization of the system.

But there is a tension within their extremely stimulating analysis. Despite the existence of this class and the determination of Gorbachev and his associates to learn the proper lessons from Russian history, the effort failed. Polarization outstripped reconciliation and reform, resulting in a collapse of the political center and, ultimately, of the Soviet Union itself. It sounds like a familiar end to a familiar story, despite changes in social structure and political consciousness. Yet when the authors go on to recount Yeltsin’s role in this outcome, their analysis suggests that greater scope for choice existed but that Yeltsin, out of power considerations, opted for destructive choices. When recounting this part of the story, it is not clear whether the authors believe that Russian history predetermined the outcome, or whether, in their eyes, it could have been avoided.

Something of the same tension exists in the explanation for Yeltsin’s shift in 1991–93 from *DemRossiya* and democratic-reformism to personalism, shock therapy, and nomenklatura privatization. Glinski and Reddaway clearly lament a missed opportunity. Even though Gorbachev’s moderation was undercut by socio-political polarization, that polarization, by late-1991, is treated as consistent with reconciliation: “by using the democratic momentum for destructive purposes, the new Russian rulers squandered powerful energies that could have been channeled toward rebuilding and fortifying state institutions from the bottom up

(starting from local self-government, as advised by Aleksandr Solzhenitsyn).” Yeltsin choices are lamented; the authors clearly believe that it could have been otherwise. Perhaps this *was* a unique historical “moment” when the cycle could have been broken, but for the miscalculations of one forceful leader and his advisors. The reader might wonder, however, just how strong a base of political support *DemRossiya* and the new middle class would have proven to be.

What is at stake here is one’s conception of the factors that were decisive in bringing into existence the current predatory and fragmented state in Russia. Brovkin’s outrage and Blank’s fright are aimed largely at the Yeltsin regime; implicit is their assumption that different policy choices would have made a fundamental difference to the outcome. Perhaps they are right. But it is well to bear in mind that a proximate structural cause of the fragmentation of the Russian state was the fragmentation and collapse of the *Soviet* state. And a proximate institutional cause of the mafiazation of the Russian state and economy was the exponential growth under Brezhnev of official corruption, the second economy, organized crime, and a relationship of tribute between political patrons and their clients or subjects in the underground economy. Moreover, it was Gorbachev’s strategy of “spontaneous privatization” that allowed much of this to come above ground and become semi-legal.

The article by Nelson and Kuzes is devoted largely to this, more proximate, institutional and political backdrop to the Yeltsin era. In that respect, it provides the explanatory exercise with an intermediate set of links in the causal chain that runs from Russian history and culture, at one end, to contingent policy choices of the 1990s, at the other. They note approvingly Gaidar’s observation that the nomenklatura was poised already in the 1970s to transform its offices into property. They endorse Lepekhin’s claims that, already in the 1970s, “branch clans” had come to dominate sectors, based on networks that spanned economic, party, and police organization, and that these “monopolies” were already “beyond the control of even the Politburo,” and “increasingly usurped both power and property.” They point out that many of the financial groups that today monopolize portions of the Russian economy “began as products of CPSU structures, the existing production system, and the Soviet Union’s shadow economy.” And they conclude, more generally, that “The corporatist structure that characterizes political and economic relations in Russia today bears striking resemblance, in its general form, to that which prevailed in the Soviet Union of 1985.”

We need not embrace an institutionalist causal explanation to take seriously these points of institutional continuity. They do not invalidate interpretations based on long-term, cultural-historical causation, if only because the institutions themselves can be viewed as products of the distinctive history. But they certainly complicate explanations focused on short-term policy choices, by raising the question of what policy choices, made at what points in time, could have decisively transformed or for-long evaded these institutional constraints. Glinski/Reddaway offer fascinating observations about social forces, which dovetail nicely with Nelson/Kuzes’ conclusions about the heightened role of contingency during periods of societal transformation. In each case, the authors are making

bows to counterfactual possibilities, which is fundamental to the evaluation of allegedly missed opportunities. But the very fact that we refer to “clans” and political “mafias” in Brezhnev’s Soviet Union reminds us that the institutional configuration was interlaced with cross-cutting political and social *networks*. And it is far more difficult to eradicate or paralyze such networks than it is to destroy the organizations within which they worked. A context of institutional fragmentation, political corruption, and surviving networks faced Yeltsin and his advisors when they came to power in the Russian Federation. On whom does the burden of proof fall: on those who claim that different policy choices would have transformed that landscape? Or on those who claim the opposite? I have no ready answer, but efforts to build upon the articles in this issue would appear to be a good place to start.

There are at least two directions in which such research could proceed. One would delve more deeply into the turning points of late-Soviet and recent Russian history to explore, counterfactually, the prospects that alternative policy choices could have garnered and sustained political support and succeeded in transforming the institutional legacy.<sup>4</sup> Another strategy, exemplified by Blank’s article and, somewhat more narrowly, by the Glinski/Reddaway article, places the recent Russian scene in comparative perspective with Third World, tsarist, and other historical analogues. One variant of the “go comparative!” approach finds almost no reflection in the articles in this issue but might prove to be the most fruitful: in-depth comparison of post-Communist countries. For, if analogies with distant history are only loose fits because of changes in the international system; and if analogies with contemporary Third World states are only loose fits because those states are not grappling with the Leninist legacy; then comparing contemporary post-Communist experiences can hold constant both of these factors, even though it cannot account for factors such as imperial core and great power status that may be unique to the Russian experience.

Some good work along these lines is already emerging, based on both quantitative and comparative case study methods. The early findings raise important questions about the difference that varying policy choices might have made.<sup>5</sup> Despite the fact that almost all formerly Communist countries suffered large-scale corruption and second economies in the 1970s and 1980s, some have been more successful in reconstructing their states than have others. Despite the fact that all of them experienced the collapse of their states in the late-1980s, some have been more successful than others in countering the effects of fragmentation. Despite the fact that many of these countries experienced some degree or form of “*nomenklatura* privatization,” not all of them suffer the degree of sectoral monopolization that Russia displays. Such comparisons hold promise of helping us to assess the relative weights of contingent policy choices, institutional legacies, and cultural-historical factors on post-Communist changes. Only then will we know how many “opportunities” were actually “missed.” And when we better understand why this came to pass we will be better positioned to speculate on what it would take to overcome it. In the meantime, we might also inquire into why it is that some foreign investors are willing to speculate with their wallets.

## NOTES

1. Charles Tilly, "War Making and State Making as Organized Crime," in *Bringing the State Back In*, Peter Evans, et al., eds. (New York and Cambridge, UK: Cambridge University Press, 1986).

2. Given its degree of fragmentation, I hesitate to refer to the Russian state as a "system"; hence my frequent use of the term "configuration."

3. Alexander Yanov, *The Origins of Autocracy: Ivan the Terrible in Russian History* (Berkeley, CA: University of California Press, 1981), 324.

4. Here I use "institutional" to refer to both formal organizations and informal networks.

5. For example, Joel S. Hellman, "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions," *World Politics* 2 (January 1998); M. Steven Fish, "The Determinants of Economic Reform in the Postcommunist World," *East European Politics and Societies*, forthcoming; Karen Dawisha and Bruce Parrott, eds. *Democratic Changes and Authoritarian Reactions in Russia, Ukraine, Belarus, and Moldova* (Cambridge, UK: Cambridge University Press, 1997).