

# How Russia Is Ruled—1998

DONALD N. JENSEN

*Your sovereigns, born to the throne, may suffer twenty defeats and still keep returning to their capitals. I cannot. I am an upstart soldier. My rule will not survive the day on which I have ceased to be strong and feared.*

Napoleon to Metternich, 1813<sup>1</sup>

**B**oris Yeltsin approaches the end of his second term as Russian president with the character of the country he leads the subject of wide—and often bitter—dispute. Observers trying to answer the two central questions about politics—Who governs? To what ends?—describe Russia as a democracy, a republic, an oligarchy, a criminalized state, or simply a mess. To those interested in comparisons, Russia has been likened to nineteenth-century America, Germany in the 1920s, Germany in the 1930s, France in the 1950s, Spain in the 1970s, Colombia, and even Pakistan in the 1990s. There is general agreement only that there will be no return to Soviet communism and that the road since the end of the USSR has been unexpectedly and painfully rocky. Such varied impressions reflect the complex processes simultaneously buffeting the country—the continued collapse of the remnants of the Soviet system; the renewal, although not always along Western lines, of key parts of the state and society; the stagnation of still other elements, which remain largely untouched by change—and continuity with key elements of the Russian past.

In this article, I will examine these complex processes and attempt to answer the questions, Who governs Russia in 1998, and moreover, what difference does it make who governs? These questions can be answered, I believe, only by linking the analysis of government institutions and political processes to an explanation of how and why major policy decisions are made as they are. Conclusions about a “democracy,” an “oligarchy,” or a “criminalized state” are little more than conjecture if they are not based on a careful examination of how Yeltsin, the government, leading bankers, the Duma, the media, regional leaders, and other major actors actually affect, or fail to affect, a wide range of policy questions. In this

---

Donald N. Jensen is associate director of broadcasting, Radio Free Europe/Radio Liberty, Prague, Czech Republic. Information as of 1 June 1998 was used in the preparation of this article.

regard, I believe that today's Russian government is not a new regime, rising out of the rubble of the old Soviet Union, but a successor to it. Russian politics, moreover, must be seen as an evolutionary process growing out of Russia's political culture: the distinctive set of beliefs, behaviors, and institutional arrangements having to do with how governing ought to be carried out.<sup>2</sup> With Yeltsin's imminent departure from the scene, the question arises as to how these factors will shape the country's politics in the future.

### **Importance of Political Culture**

There is much that is new in Russian politics. Public opinion polls show, for example, that people display more political tolerance and support for civil liberties than ever before. Russians also say that they do not count on the state, but themselves, to take care of them.<sup>3</sup> The Russian constitution borrows heavily from the West. But continuities with Russia's political culture and the Soviet past are everywhere evident: in the overall support for a strong leader, for example, and the widespread preference for order.<sup>4</sup> Of special importance today, because of their implications for the institutionalization of a democratic regime, are three elements of that culture: a weak state, patrimonialism, and the culture of the imperial court.

### **A Weak State**

The efforts spent conquering and ruling vast territories and diverse populations diverted the Russian people from consolidation and nation building.<sup>5</sup> The few institutions that did exist were cumbersome and inefficient; their authority was poorly defined, and they had trouble implementing their decisions. Laws guaranteeing property and power were nonexistent or poorly enforced. Instead, authority was personal and informal. The idea of civil society—the recognition by the state of the right of nonofficial social groups to legal status and a legitimate sphere of free action—was poorly developed. Indeed, the distinction between private and official action itself was often blurred. Even the Soviet state, which many observers characterize as strong, had many virtually decorative state institutions with vaguely defined authority. Real power was exercised by the Communist Party bureaucracy, often directly contrary to the formal structures of state authority.<sup>6</sup>

With the demise of the Communist Party, Russia's institutions have weakened further. They have vague, often overlapping, authority; the boundaries between federal and regional authority, for example, are poorly defined, as is the separation of powers. The boundary between "official" action and the private activity of citizens is hazy. Laws are inconsistently enforced. Moreover, there is neither a strong legal system nor an independent court system to police those boundaries. Despite a large official bureaucracy, the government cannot implement many of its decisions, or even "normal" functions such as tax collection. Thus, the state cannot easily act as a catalyst for social development by taking resources and devoting them to the "public interest"—if, indeed, that concept were widely shared and understood as in the West.

### Patrimonialism

Political authority was viewed by traditional Russian elites as closely related to property ownership. The czar, who identified the state with himself, “owned” the nation, its vast resources, and its citizens. He concentrated in his hands the most profitable branches of commerce and industry and granted favored nobles economic privileges in exchange for their support. The civil service practiced a byproduct of patrimonialism—*kormlenie*, or feeding—which meant that it administered the czar’s lands, collected taxes, and kept a portion of what it collected for itself.

Today, patrimonial attitudes characterize many Russians, especially the elites. Influential entrepreneurs have gotten rich, with government support, by stripping Russia of oil, natural gas, and other resources and salting profits abroad rather than reinvesting them in the country’s development. Corruption—the modern equivalent of *kormlenie*—is widespread. The government also holds large chunks of stock in key industries, often in natural resource extraction.

---

***“What would be denounced in Western societies as a conflict of interest appears to the Russian elite as a natural and agreeable state of affairs.”***

### The Culture of the Imperial Court

The culture of the Russian ruling elite traditionally centered on the czar,<sup>7</sup> who refereed and balanced the competition among princely clans for his favor as well as political, coercive, and economic advantage. Decision making was collective and reflected a workable consensus among members of an inner circle whose dynamics were controlled by tradition, a balance of interests, and the regulating fiction of the czar’s unlimited power as a source and justification for the clans’ authority.<sup>8</sup>

Political competition today centers on Yeltsin’s “court.” He avoids identifying with any single faction or political party. Instead, he consciously juggles ministers, business tycoons, and security chiefs who, in the absence of rules for political competition, are in perpetual competition with one another for his favor. Ties between members of the court and the society at large, as before 1917, are minimal. Yeltsin’s divide-and-rule strategy fosters inconsistent policy, oligarchic infighting, and societal fragmentation and weakens Russia’s political parties, but enhances his authority. Yeltsin’s personal governing style fosters imperial court politics; however, it is far from unique to him. It is a characteristic of executive politics throughout the country to a striking extent, from a succession of prime ministers to Moscow’s Mayor Luzhkov.

### Crime a Part of the System

These cultural trends have contributed to the criminalization of the political system. Today the normal business of the state, of law enforcement, and of the courts cannot be conducted without reference to what in many Western democracies

would be considered official illegality and corrupt and criminal interests. Because the state is weak and authority is informal and personal, commitment to the rule of law is feeble. Hundreds of Yeltsin's decrees, for example, have violated the constitution or decisions of the legislature and the courts. Law enforcement is ineffective and inconsistent, so much so that the government is unable to monopolize punishment for violations of accepted norms of behavior. Thousands of private security firms—sometimes well enough armed to resemble private armies—try to provide the protection that official law enforcement agencies cannot.

Patrimonialism fosters corruption, the use of public resources for private gain. With few institutional or legal restrictions on their activity, many Russian public officials see the country as providing unlimited scope for *kormlenie*. Because the line separating ownership from sovereignty is poorly defined or nonexistent, the Russian state facilitates insider trading, the granting of preferential licenses, and the illegal banking of state funds. The widespread illegal or underground markets growing out of the state's inability and unwillingness to create the preconditions for legal economic activity have blurred any moral difference between illegally generated capital and income earned through legitimate means.

The highly fluid, personalized nature of Kremlin politics encourages reliance on favors from the “czar”—today the Russian president or officials claiming to speak for him—rather than the rule of law. The personalization of authority also fosters the use of compromising material —*komproimat*—as a tool in the leadership struggle, with leaders contending for Yeltsin's favor trying to discredit their rivals by selectively publicizing corruption allegations.

### **Widespread Corruption**

Government officials conduct business in an atmosphere in which state service is routinely used—and indeed expected—to advance personal material interests, often in the name of “reformist” economic goals or revenue raising. What would be denounced in Western societies as a conflict of interest appears to the Russian elite as a natural and agreeable state of affairs.<sup>9</sup> In 1998 surveys by the European Bank of Reconstruction and Development and the Control Risks Group, Russia ranked among the top three in the world in corruption. In the past two years, dozens of corruption cases have been uncovered in the Prosecutor General's office, the Federal Agency for Government Liaison and Information, the Interior Ministry, State Customs Committee, State Tax Service, Central Bank of Russia, Foreign Economic Relations Ministry, the former Committee on Precious Metals, and the Health and Medical Industry Ministry.<sup>10</sup>

The Audit Chamber, the nonpartisan, independent state auditor analogous to the U.S. General Accounting Office, has extensively chronicled the pervasiveness of the problem. The chamber recently found that at least one-sixth of Russia's budget in 1997 was misspent due to mismanagement and corruption—a loss of more than \$10 billion. Venyamin Sokolov, a chamber member, surmised that the real amount may have been twice that sum. In 1995 and 1996, he added, “not a single article of the federal budget law was observed.”<sup>11</sup> In other recent findings, the Audit Chamber determined that in 1995–96, the government conducted \$160

million in gold sales without the required approval by the legislature. Two government agencies illegally retained almost \$100 million in commissions on foreign gold sales. One-third of the cash generated by unauthorized gold sales was spent on perquisites for high officials. In July 1997, the Audit Chamber found illegal the government's auction of Norilsk Nickel shares to ONEKSIMBANK, controlled by Vladimir Potanin, an ally of then First Deputy Prime Minister Chubays. Although \$3 billion was earmarked for reconstruction of the Chechen economy after the war ended, the chamber found documentation for only \$2 billion. Less than \$150 million actually reached Chechnya. Also in 1998, the Audit Chamber reported numerous financial irregularities in the management of the state-owned Russian Television Network (RTR), largely from 1990 to 1996. The State Property Committee, according to the chamber, failed to monitor the finances of RTR, leading to the misappropriation of property, precious metals, and funds.

### Organized Crime

It is the centrality of official crime and illegality to normal political activity, not organized crime, that is the major threat to democratic development, but Russian organized crime is nevertheless a major problem. The Ministry of Internal Affairs (MVD) estimates that in 1996 there were eight thousand criminal gangs in the former Soviet Union, three hundred operating internationally. The MVD has estimated that 40 percent of private business, 60 percent of state-owned enterprises, and more than half of the country's banks are controlled by organized crime. Russian organized crime groups have in many ways supplanted the state in providing protection, employment, and social services.<sup>12</sup> The majority of private enterprises are compelled, by force if necessary, to pay protection of up to 30 percent of their profits to organized crime.

The criminal groups built themselves up on the foundations laid in Soviet times—on the networks of “thieves in law,” or *vory v zakone*, who ran underground criminal networks from the penal system and specialized in activities such as robbery and prostitution. During the Brezhnev era, some of the thieves in law made common cause with members of the Communist Party, who grew rich through bribes, payoffs, and the underground barter economy, which provided the goods that the socialist system either banned or could not supply.<sup>13</sup> Today, organized crime includes those thieves in law, officials, and entrepreneurs who got their start illegally during Soviet times, as well as groups sharing experiences (such as service in the Afghan war), membership in sports clubs, or loyalty to a particular leader. Ethnic groups composed of Chechens, Armenians, Azeris, Dagestanis, Georgians, and Ingush are also active.<sup>14</sup>

The weakness of the state requires that businessmen have *krysha*—protection—to be able to operate. Linking criminal and legal economies, this protection can come in the form of a criminal overlord protecting members of his organization or the protection that a criminal group offers to a businessman in exchange for extortion money. Often the *krysha* provided by a crime group includes other services such as protection of property, debt collection, customs

assistance, legal and business advice, and banking privileges at crime-controlled banks. A *krysha* also can include forms of corrupt government protection involving the militia, tax authorities, police, military, customs, and border guards.<sup>15</sup>

In a developed democracy, such criminality would be mitigated by the workings of a democratic government or protests from an aware and active civil society. In Russia, however, the pervasiveness of crime has undermined Russia's already weak political institutions and civil society and contributed to the fraying of the social fabric.<sup>16</sup> Crime is also the main reason why, seven years after President Yeltsin launched economic reforms, the economy still shows only the faintest signs of improvement. The standard of living and the health and prospects of the

---

***“Studies of the new Russian elite show that the majority of its members are drawn from the second rank of the Soviet-era nomenklatura.”***

majority of citizens are deteriorating, while the wealth made by business elites is siphoned off abroad, often illegally.<sup>17</sup> That crime is embedded in Russia's system of governance does not necessarily mean that it cannot be reduced through a combination of sound public policies and effective leadership. Its deep roots, however, suggest that it cannot be effectively

combated without fundamentally changing the way the regime itself works, especially the cultural factors that encourage the present state of affairs.<sup>18</sup>

#### **Continuity of Elites**

Within this cultural framework, the continuity of the current political establishment with the more dynamic and adaptable fragments of the old Soviet administrative elite—the *nomenklatura*—is the central fact of Russian politics. The Soviet system ended not because of a revolution from below, but because portions of the *nomenklatura* decided to abandon the old ruling institutions, from the Communist Party to Gosplan, and formally embrace a market democracy. Today this small oligarchy of political leaders, bankers, media tycoons, industrialists, and bureaucrats—often called the Party of Power—dominate the “commanding heights” of Russia's politics and economy—its key government positions, financial and industrial assets, mass media outlets, and instruments of coercion.

In 1989–91, opposition groups with bases in the intelligentsia and favoring a democratic political system and civil liberties formed a loose anti-Soviet coalition with ethnic nationalists and those parts of the Soviet managerial elite who were convinced that the old command-administrative system would no longer work.<sup>19</sup> The alliance broke apart quickly after the August 1991 coup, when the managers resisted the efforts of the Gaydar government to implement radical economic and political reforms that, had they been successful, would have deprived the *nomenklatura* of influence and status.<sup>20</sup> The managerial elite gradually drove the radical intellectuals from positions of influence and consolidated its hold on power.

Studies of the new Russian elite show that the majority of its members are drawn from the second rank of the Soviet-era nomenklatura.<sup>21</sup> According to one study, 19 percent of the 1988 elite were in leading positions in private business in 1993; 48 percent of the 1988 group were still in the political elite in 1993. A large proportion of today's ruling class is the product of the same academic institutions that produced the Soviet leadership. Many worked in the Communist Party's youth branch, the Komsomol, under whose sponsorship they were allowed to start businesses well before the "official" demise of communism and often in violation of Soviet law. Still other members of the current elite—industrial managers, ministers, and enterprise directors—came to power by "privatizing" their sectoral economic ministries during the waning Gorbachev years. Despite having formally removed their enterprises from government control, they continued to profit from their official contacts. This core group has been joined by new elements—entrepreneurs without government money and contacts and people with links to organized crime—making up about one-third of the total, who did not occupy leadership roles in the Soviet system. Although there are some tensions between the old and new groups, there are also cross-cutting divisions.<sup>22</sup>

Although democratic institutions have taken root in Russia since 1991, to the extent that regular elections have been held and certain institutions have proven minimally effective, they are not strong enough to consolidate elite rule. This elite, formerly unified around Marxist-Leninism, is divided over rival policies and how to divide the Soviet patrimony. It also lacks an ideology that legitimates its rule. Moreover, the elite has failed to come up with a political formula to win over the masses. The government feels little accountability to the public for its actions. The public feels little responsibility for the actions of the government.<sup>23</sup> Yeltsin's reelection in 1996 was secured with the financial support of the administrative elite, whose media outlets demonized his Communist opponent Gennadiy Zyuganov. The key question, therefore, is whether in the transition away from Soviet communism, Russia's elites will succeed in creating a new set of values, a durable set of institutions, and accepted rules of the political game.

The post-Soviet transition has also generated a large numbers of losers. There are perhaps 1 to 2 million "new Russians," who earn more than \$2,000 a month; a middle class of 5 to 10 million people earning more than \$500 a month; and some 80 million adults who make less and who spend more than half of their money on food. The ruling elite pays lip service to the plight of the majority, but there are few effective ways for most Russians to influence elite decision making. "Opposition" often takes individual, nonpolitical forms such as the refusal to pay taxes, alcoholism, and suicide. The most influential opposition force is the Communist Party of the Russian Federation, which claims half-a-million members and draws 25 to 30 percent of the vote in elections, mainly from the elderly. Although the Communists and their allies have a majority of seats in the Duma, the lower chamber of parliament, its leaders share many values with the elite, especially the perception that there is a gulf between the elites and the masses. The party also has a strongly statist orientation, inherited from its CPSU predecessor, which inclines it toward pragmatic cooperation with the government.<sup>24</sup>

### **Institutions of Government**

During the five years that he has exercised the presidential powers given him by the 1993 constitution, Yeltsin has not exercised power so much as he has tried to hold onto it, usually in order to prevent anyone else from challenging him. His greatest periods of activity coincide with efforts to prevent any rival from emerging. In doing so, he has, through his own strong personality and political skills, expanded his presidential powers even beyond those specified in the constitution.<sup>25</sup> But although Yeltsin may be able to carry out specific policies and change the people who participate in the policy process, he cannot change the structure of politics itself, redistribute the society's wealth, encroach on the fundamental interests of the oligarchs, or eliminate corruption.<sup>26</sup>

Yeltsin has largely ruled through decrees, of which he signs about 1,500 per year. Most key government programs, such as privatization and the 1995 loans-for-shares auctions, in which leading oil companies were auctioned off at bargain prices to favored banks, were carried out by presidential fiat. Yeltsin determines the strategic course of policy, although he clearly has not had the health or inclination to inject himself into the elaboration or micromanagement of policy once its general direction is set. Yeltsin's advisors have often convinced him to change policy direction, or have been the source of a particular initiative, but it ultimately has been Yeltsin whom they had to convince, and it ultimately has been Yeltsin who made the decision to heed them.<sup>27</sup>

Yeltsin has constantly shuffled ministers and advisors and reorganized government structures. The number of government ministries has fluctuated wildly, as have the scores of largely ineffectual commissions and committees set up to address various policy questions. In response to failed policies—and sometimes for purely political reasons—Yeltsin has fired a wide range of political friends and enemies. At other times he brought in leaders with popular appeal—Aleksandr Rutskoy, Ruslan Khasbulatov, and Aleksandr Lebed—only to discard them when they outlived their usefulness.<sup>28</sup>

He has carefully balanced competing leaders, interest groups, and cliques. In the early 1990s, for example, he used Soviet-era holdovers such as Viktor Chernomyrdin and Oleg Soskovets to balance “radical reformers” Anatoliy Chubays and Yegor Gaydar. He has strengthened the police and Internal Ministry troops to balance the regular army. He has steadfastly refused to identify with any political party or legislative faction.

Yeltsin has used material incentives—money, apartments, and limousines—to co-opt officials over whom he does not have the power of appointment. This has helped him to gain the support of legislators (during the debate over the confirmation of Prime Minister Sergey Kiriyenko in April 1998, Yeltsin publicly asked long-time aide Pavel Borodin to take care of the “needs”—a clear reference to these incentives). Yeltsin also has used compromising information to get legislators' backing.<sup>29</sup>

The president heads a sprawling, multilayered, multifaceted bureaucracy that many have compared to the old Central Committee bureaucracy of the Soviet Communist Party. This entourage includes policy experts, courtesans, family

members, and others, not all of whom occupy official positions. (In perhaps no other industrialized country have a car salesman, the president's daughter, his bodyguard, and his tennis coach been trusted policy advisors.) In April 1998, the executive branch consisted of a presidential administration, a system of presidential aides, and a presidential press service, all of which reported directly to Yeltsin. Also subordinate to the president were twenty-two federal ministries—some reporting to Yeltsin alone, others jointly to the president and the prime minister. The Administration of Affairs, under Pavel Borodin, provides logistical support for the executive branch. It employs more than 50,000 people and includes 200 firms employing tens of thousands of people. It manages 2,000 dachas, uses 3 million square meters of office space and buildings in Moscow, and owns the Rossiya airline, a medical center, a restaurant chain, five motor transport depots, several construction complexes, and a consumer service center. There are a large number of other agencies of executive power that nominally are subordinated to the Council of Ministers but in which the president often takes an interest. This includes eleven state committees working on issues such as sports, film, antimonopoly policy, statistics, and customs; two federal commissions (on securities and energy); seventeen federal services covering such things as roads, migration, and forests; three agencies (patents and trade, space, and government communications), and two oversight agencies. The number of officials whose appointment must be approved by the Kremlin is now about 30,000—about seven times the number of appointees named by the president of the United States.

The central organ of the executive branch, the Presidential Administration, comprises about 1,500 people and has been reorganized at least seven times in its six years of existence. Depending on Yeltsin's preferences and who has been at the helm—Sergey Filatov, Nikolay Yegorov, Yuri Petrov, Anatoliy Chubays, or Valentin Yumashev—the administration has been a bureaucracy that processed paper, an appendage of the president's personal authority, or an autonomous center of policy formulation and implementation. Duplication of effort and competition within departments of the Presidential Administration are widespread. With the appointments in 1997 of Yeltsin's friend Viktoria Mitina, Yeltsin's coauthor Valentin Yumashev, and Yeltsin's daughter Tatyana Dyachenko to high positions in the Presidential Administration, it has increasingly come to resemble an extended presidential family. Dyachenko is present at all important meetings, according to press reports, and accompanies her father on all important trips. Yeltsin reportedly relies on her to be an accurate channel of information. The authority of the Presidential Administration also has eclipsed that of the government staff, with which it uneasily coexists, and has overlapping authority. Important decisions by the Council of Ministers have generally been approved by the Presidential Administration before they enter into force.

Within the Yeltsin entourage, power is wielded by those who are closest to the president and who see him most often. Yeltsin is by most accounts open to a wide variety of advice before he makes a decision and—also by a wide variety of accounts—famous for agreeing with the last person to have argued for a particular position. Members of Yeltsin's immediate entourage fall into four categories:

those responsible for providing services directly to the president (press, speech-writing, administrative support); policy advisors on matters such as foreign affairs and economics; his representatives to other bodies of power (the Constitutional Court, political parties, the Duma, and the regions), and his immediate circle of friends and family. The State Legal Administration, under Ruslan Orekhov, performs the critical role of gatekeeper, controlling the paper flow to the president.

The Council of Ministers, responsible for the formulation and implementation of economic and social policy and supported by an apparatus of more than 1,000 people, has failed to establish its full viability. Because the constitution vests executive power in both the government and the president, the two often work in

---

***“The Duma’s institutional weaknesses vis-à-vis the president have been exacerbated by the ineffectiveness and inexperience of the parliamentary leadership.”***

parallel. There is a constant struggle between them over power and policy. While Yeltsin has used the government as a lightning rod to deflect criticism of unpopular policies, he has also been uncomfortable with any assertions of political independence by the prime minister. It was for this reason, according to most observers, that Viktor

Chernomyrdin was removed as prime minister in March 1998. In 1994, Yeltsin insisted that Chernomyrdin’s deputy Vladimir Kvasov resign, according to press reports, because he believed Kvasov was not implementing presidential instructions to the government actively enough.<sup>30</sup> The effect has been to deprive the government of the backing it needed to build the coalitions necessary to implement its program.

The government has been internally split into several camps: advocates of anti-inflation monetary policy, largely in the ministries of Economics and Finance, the State Property Committee, and the State Antimonopoly Committee; ministries representing raw materials interests such as oil, natural gas, timber, gold, and diamonds, which seek to export; sectoral ministries such as agriculture and industrial manufacturing, which seek state subsidies, lower production costs, or protection from foreign competition; and champions of increased spending on social welfare from ministries such as health, science, and education. Strains within the government have been exacerbated by chronic revenue shortages and lobbying by regional leaders for special favors. As a result, the prime minister has had to balance the often-overlapping demands of these constituencies, as well as cope with the interference of a president whose political agenda was sometimes quite different.

During its short history, the Federal Assembly has largely been an appendage of the executive branch. The presidential veto and decree power has made the presidency and, to a lesser extent, the government the primary sources of major laws and rules, even though the constitution also vests the power of legislative initiative in either chamber of parliament, as well as the president and the government.

The State Duma has often been reactive—its authority to vote no confidence and force the dismissal of the government has been offset by the power of the president to dissolve the parliament and call new elections. Yeltsin, moreover, has often refused to obey the legislature's wishes, especially over the budget, unilaterally withholding spending on programs that the Duma has approved. Despite its weakness, the Duma has sometimes been a useful public forum for debating national issues such as NATO expansion and the war in Chechnya. It has occasionally even overruled Yeltsin—for example, by refusing to pass the land code or ratify START II. In the wake of the 1993 and 1995 parliamentary elections, moreover, Yeltsin made changes in the cabinet to bring it more into line with the voters' apparent preferences.

The Duma's institutional weaknesses vis-à-vis the president have been exacerbated by the ineffectiveness and inexperience of the parliamentary leadership. Although opposition factions have dominated the Duma and have frequently denounced the president's policies, they have disagreed among themselves over strategy and tactics and often appeared more interested in maintaining their privileges than standing up to the president. The Duma has tried unsuccessfully on several occasions to impeach the president. It passed a preliminary vote of no confidence in Prime Minister Chernomyrdin's government in June 1995, but backed down a few days later. In its most assertive stance toward the president to date—its two votes to reject the candidacy of prime minister designate Kiriyenko in March-April 1998—the Duma eventually buckled under pressure from the president rather than be dissolved.

Although the Duma has often denounced Yeltsin's policies or individual members of the government, relations have sometimes been constructive. The Duma passed some elements of Yeltsin's economic program, such as the Civil Code, and reached a compromise with the president on a new electoral law. The federal ministries frequently lobby Duma deputies for approval of favorite bills. Yeltsin and the prime minister regularly meet with the chairmen of the two chambers to discuss matters of common concern.

The Law on Government, signed by Yeltsin in December 1997 as the price for the Duma cancellation of a no-confidence vote, may be a small step toward more equal relations between the branches. The bill for the first time gives the parliament some control over the Council of Ministers. It requires State Duma approval for all government ministers except defense, foreign affairs, and internal affairs, and requires that the resignation of the prime minister be followed by the resignation of the government as a whole. Government ministers also will be obliged to appear before the Duma at the latter's request. (Previously they could avoid appearing by citing the pretext of other pressing business.) Yeltsin largely obeyed the law's provisions during the government crisis of March-April 1998 that resulted in the confirmation of Sergey Kiriyenko as prime minister. His repeated unwillingness to compromise with legislative recalcitrance in the past, however, suggests that the true test of the Law on Government as a mechanism for regulating relations between the two branches has not yet come.

After the opposition's triumph in the 1995 Duma elections, the Kremlin sought

to block legislation it opposed by cultivating ties with the Federation Council, which had exercised little real authority and many of whose members owed their appointment as heads of local administration to Yeltsin. As governors began to be directly elected in the following two years, however, the Federation Council began to distance itself from the executive. With independent political bases and constitutional protection against dissolution, Federation Council members began to lobby the federal government more aggressively for favors. During the confirmation of Kiriyenko as prime minister, moreover, many members lobbied the Duma against him, although they had no constitutional right to participate in the process.<sup>31</sup>

### **Russian “Federalism”**

Russia’s 89 regions—including 52 oblasts (regions), 6 krais (territories), 21 republics, and 10 autonomous okrugs (districts)—display considerable political, economic, and social differentiation. The average Muscovite’s salary is more than seventeen times that of an inhabitant of the North Caucasus republic of Ingushetia. In 1997, 46 percent of all money in the state budget was contributed by the city of Moscow.<sup>32</sup> The large percentage of the economy that has become monetized—perhaps as high as 75 percent, according to one study—deters the formation of national markets. Similarly, housing shortages, the close link between the workplace and social services, and other constraints on labor mobility have tied most workers to their place of employment and impeded the development of regional and national labor markets.

From the contested elections in the USSR in 1989 to the first Duma elections in December 1993, a clear regional pattern of voting emerged. Northern and central areas of European Russia, the Urals, and parts of Siberia have tended to be more supportive of Yeltsin and reformist parties. Areas in an arc from the western border of Russia eastward through parts of the North Caucasus, the Volga region, and southern Siberia generally oppose Yeltsin.<sup>34</sup> Urban areas have voted strongly in favor of Yeltsin, while rural areas have tended to prefer the opposition Communist Party.

Within the regions, many governors rule with an iron hand. In many, the distribution of economic and political power between the executive and legislative branches is not settled and the two branches are in conflict. Relations between the governor and the mayor of the region’s capital are also often difficult. Moreover, in several regions there are rivalries among several centers of power representing sectoral (agricultural, military, fuel, and energy), territorial, or ethnic lobbies that prevent the effective implementation of policy.<sup>34</sup> In those areas where local elites work relatively well, political officials often rely on local business leaders to address specific budgetary needs.

### **Relations with Moscow**

The growth of regional autonomy that began well before the end of the Soviet Union and was a key reason for its demise continues unchecked. Yeltsin’s decrees are routinely ignored in the provinces. The presidential representatives, suppos-

edly Yeltsin's eyes and ears in the regions, have been ineffective. In theory, the representative is supposed to participate in regional personnel questions, supervise the disbursement of aid from Moscow, and oversee the activity of federal bodies in the region. In practice, the representatives have encountered fierce resistance. Although strong ethnic kinship and economic and cultural ties ensure that the federation will likely hold together, federal efforts to slow the flow of power away from Moscow have been largely reactive and have brought mixed results, from relative equilibrium between center and periphery (Tatarstan, Moscow city) to disaster (the Chechen war).

Several events have spurred the decentralization of power:

- The weakening of the federal state—accelerated by the constant internecine battles in Moscow—which has created opportunities for ambitious regional leaders to seize more power and authority, while compelling the more timid to assume greater responsibility for the local political and economic situation. Although more than half of all federal ministries and agencies have regional branches,<sup>35</sup> no federal structure has yet replaced the Soviet Communist Party and its auxiliary organizations as a national unifying force.<sup>36</sup> In some of the eighty-nine federation subjects, relations between regional ministries and their federal counterparts are based on agreements that clearly define jurisdiction and the rules of cooperation. The implementation of such agreements depends, however, on the willingness of regional leaders.

- The 1995 reorganization of the Federation Council, under which governors and regional Duma chairmen now hold all seats in the chamber.

- The 1996 presidential election, in which regional bosses played a key role in organizing Yeltsin's victory. With Yeltsin's political dependence on them graphically demonstrated, the governors have become far more independent.

- The direct election, beginning in 1996, of the governors of Russia's fifty-eight oblasts and krajs (Russia's twenty-one republics had been electing their presidents since 1991). Yeltsin's inability to sack Yevgeniy Nazdratenko, the popularly elected governor of Primorskiy Krai, showed the limits of Moscow's power and that, if fired by the president, a deposed governor would soon be returned by the voters.<sup>37</sup>

The most contentious issue between the federal government and the regions is the constitutionally vague division of power, especially over tax and budgetary issues. The city of Moscow, Russia's most politically and economically powerful region, has struck a *de facto* understanding with the federal government that gives it substantial political and economic autonomy. It resolves problems with the federal authorities through direct negotiations. By contrast, more than forty republics, krajs, oblasts, and autonomies have so far signed treaties delimiting authority between themselves and the federal center. Some of these agreements, such as the treaties with Tatarstan, Bashkortostan, and Yakutia, give so much power to the regions that they appear to violate constitutional norms.<sup>38</sup> Several federation subjects have unilaterally assumed jurisdiction over areas, such as foreign policy, which are federal concerns. In 19 of Russia's 21 republics, 29 of 49 oblasts, and

4 of 10 autonomous okrugs, laws have been passed that clearly conflict with the Russian Federation constitution. The Justice Ministry reported in 1997 that in the previous two years 16,000 laws examined by that ministry violated the federal constitution.<sup>39</sup> In addition to bilateral agreements, relations between the center and the regions are built through direct lobbying and compromise.

The federal government largely seeks control over the regions on issues it regards as important, but it needs the support of regional elites to implement policy. Interregional financial transfers are the main levers available to shape regional behavior. The center subsidizes 75 of the 89 federation units in the form of cash transfers and loans. The remaining 14 are contributors to federal coffers. The

---

***“The amount of aid a region receives is determined largely by a region’s budget deficit . . . and the governor’s connections in Moscow.”***

amount of aid a region receives is determined largely by a region’s budget deficit—often only an imprecise indicator of a region’s actual economic situation—and the governor’s connections in Moscow. Examples of the latter include arrangements to allow the regions to retain a larger share of tax revenue (Sakha, the Siberian region that produces

almost all of Russia’s diamonds, is allowed to buy 20 percent of the gems mined in the territory).

The regions seek to maximize their political and economic autonomy, press to keep as much local tax money as possible at home, and often try to take over objects belonging to the federal government. (The main expenditures in territorial budgets are usually on housing, utilities, education, public health, and social security.) Those regions that receive federal subsidies want that money to come with as few strings attached as possible. The influence the regions can bring to bear on the federal government is highly dependent on their geographic position, economic significance, financial potential, ethnic composition, and population size, as well as the clout of their governors. Local governments also extensively borrow money at home or abroad or engage in barter deals to garner additional resources beyond the center’s control. The eight interregional associations, with the one exception of the Siberian Accord, have been slow to develop because of vast differences among neighboring regions. Tellingly—again with the exception of the Siberian Accord—these associations were formed at Moscow’s initiative, not the regions’. Regional leaders have generally preferred pressing their own parochial concerns to working in concert with other governors or fortifying the Federation Council as an institution.

Three types of regional leaders are most effective: Yeltsin loyalists, such as Ayatskov in Saratov, who were appointed by Yeltsin in 1991 and have continued to support the president since their election; governors such as Sklyarov in Nizhniy Novgorod and Luzhkov in Moscow—strong managers who support Yeltsin at

crucial times—who have strong independent political bases and largely govern without reference to ideology; and “crossover governors”—Stroev in Orel and Tuleev of Kemerovo, who were formerly in opposition but have been co-opted by the political establishment.

Two other categories tend to come from the poorest regions and have far less political clout with federal authorities: Failed managers such as Gorbenko in Kaliningrad, who came to power on nonideological platforms, lost control over events, and have been largely abandoned by Yeltsin; and Zhirinovskiy supporters such as Mihailov in Pskov and Communists, including Shernogorov on Stavropol.<sup>40</sup>

### Informal Politics

In Russia, as elsewhere, interest groups actively try to influence policy. Pressure group lobbying activity in Russia has several distinctive qualities:

- Although lobbying is focused at all centers of political power, the super-presidential system of government means that lobbying is especially intense in the executive branch and in the court politics around Yeltsin.
- Interest groups are especially powerful because political parties are weak. Without the mediating influence of political parties, the lobbies—often representing private firms—can bring their influence directly to bear on state policy. Government ministries themselves, rather than political parties, sometimes perform a mediating role among various interests.
- The weakness of the rule of law means that lobbies often have particularistic goals: they want special favors and exceptions to laws, rather than the passing of legislation. In Russia, these groups usually seek privileges such as tax deferments, customs benefits, the right to engage in certain kinds of activity, licenses, and state orders (which may guarantee funding). Further lobbying can sometimes reverse a “No,” even if the refusal came from Yeltsin.<sup>41</sup>
- There are few legally recognized lobbying associations with a large membership—like the National Rifle Association or the American Association of Retired Persons in the United States.<sup>42</sup> Instead, members of the elite, many of whom have economic and politics interests at stake, lobby other members of the elite.

### Precedents

In the highly centralized Soviet system, lobbying was concentrated in centralized and officially authorized groups representing functional interests. The military-industrial complex, for example, represented nine basic industries. Since resources were usually allocated on a planned basis, lobbying by those authorized groups meant a constant struggle for priority access to resources. Although the relative clout of various lobbies was constantly evolving, in general the military-industrial complex and the construction industry were on top. In exchange for favored status in the struggle for resources, however, the state guided a lobbying group’s activity and selected its leaders.<sup>43</sup>

Soviet lobbies at first supported Gorbachev’s reforms, which they hoped would result in relaxed control of their activities by the state and party adminis-

trative bureaucracies—for example, that they would be free of the obligation to make deliveries to the state at artificially low prices, could find their own customers, and could charge actual market prices. Instead, perestroika hastened the breakdown of the system from which they had long benefited, since the favored lobbies now had to compete for resources and access with a variety of others: entrepreneurs, former state employees, and criminal structures. Those competitors—many operating illegally—created their own stock exchanges, banks, and export companies and had their own access to state resources. The disintegration of the old lobbying system was further encouraged by the increasingly assertive Russian government, which sought to undermine union authorities by handing out privileges to a wide array of regions and enterprises, especially to businesses loyal to them. By 1989–91, the old lobbying system, with its formal, hierarchical system of interest representation, had virtually collapsed.<sup>44</sup>

The policies of the new Gaydar government in 1992 restored a measure of order in the system of lobbying but forced interest groups to realign. Severe budget shortfalls demanded radical reductions in subsidies to sectors heavily dependent on state largesse during the Soviet period, especially agriculture, heavy industry, and the military-industrial complex. Lobbying groups on the ascendant were largely those that could profit by selling abroad or in close association with the government—exporters of raw materials such as oil, natural gas, diamonds, and gold, as well as the financial sector, where a few large banks amassed huge profits because of inflation, the ruble's devaluation, and state budgetary transfers.

In 1991–93, a large number of associations based on shared economic interests also emerged. One group of industrialists, largely in charge of obsolete enterprises in heavy industry, who depended on state deliveries for raw materials, sought state subsidies to protect them from the effects of the market. Prominent associations included the Russian League of Industrialists and Entrepreneurs, which was created in 1989 by the Communist Party and which represented heavy industry and the military industrial complex, as well as organizations claiming to speak for the new class of businessmen, such as the International Association of Enterprise Managers, the League of Cooperatives and Entrepreneurs, and the Association of Russian Banks. Most of these groups were not long-lived, but some met with success. Enterprise directors managed to squeeze continuing subsidies out of the government, secured the replacement of economic “radicals” Poltoranin, Burbulis, Aven, and eventually Gaydar himself with ministers more sympathetic to their interests.<sup>45</sup> Since the Gaydar government, most key lobbies have expanded and consolidated their positions. Today they include the following:

- *Sectoral interests* such as oil, natural gas, banking, foreign trade, the precious metals industries, and the other so-called “natural monopolies” controlling areas such as electricity production and the railways. These sectors usually bring revenue to the federal budget, are relatively competitive on international markets, and have patrons in the elite. The agrarian lobby, one of the few strong holdovers from the Soviet period, continues to be influential.
- *Regional elites*, such as Moscow city, the Moscow region, St. Petersburg,

Nizhniy Novgorod, Krasnoyarsk, and Yamal-Nenetsk Autonomous Okrug, which either donate money to the federal budget or are otherwise strong economically.<sup>47</sup>

- *Subunits of the federal government*, especially government ministries, and the Duma, whose committees are often beholden to lobbying groups. In March 1998, for example, a presidential spokesman openly chastised several high-ranking officials for lobbying the Duma on behalf of draft laws that contradicted official government policy.

- *International actors* such as the United States government, World Bank, and International Monetary Fund, and foreign firms, which provide investment, economic, and financial aid to the government.

In the absence of a law regulating their activity, the lobbies use a wide variety of tactics to advance their agendas:

- *Electoral Activity*. The major lobbies lavished large sums of money on candidates and factions running in the 1993 Duma elections, although contributing large sums of money did not necessarily result in their election. In 1996, the major oligarchs bankrolled President Yeltsin's reelection campaign. Interest groups also have financed regional races.

- *Back-Room Politicking*. Elected politicians at all levels are bombarded with requests for favors from interest groups. In the Duma, lobbies submit draft bills or petitions for customs exemptions or other benefits to sympathetic members or factions, often bypassing the appropriate committees. In the Presidential Administration, lobbies seek to further favorable decisions or prevent unfavorable ones by cultivating key individuals, using planted media stories to shape the decisions of those individuals, or preventing a decision by swamping the relevant departments with proposals. Moreover, lobbies often can exploit loopholes in presidential decrees by acting unilaterally.

- *Performing Services for the Government*. Russia's large financial-industrial groups (FIGs) perform important services for the government. In lieu of a strong state treasury, firms have managed—and profited from—government money. At least one large financial-industrial group also provides regular analytical reports to the Council of Ministers.

- *Bribery*. Interest groups freely pay money to Duma members and other government officials to secure favorable votes as well as to determine which laws are discussed first and which are tabled. According to press reports, some Duma deputies also sell positions on their staff to raise money.<sup>47</sup>

- *Making Trouble*. Despite the general absence of mass interest groups, public displays and disruptive tactics such as the coal miners strike in May 1998 have been effective in pressuring the government.

- *Public Diplomacy*. Spokesmen for interest groups appear in the press to explain their positions, frequently in the news media they control.

### **Privatizing the State: The Financial Industrial Groups**

Financial-industrial groups, the networks of politicians, banks, industrial firms, private security forces, and media organs that constantly struggle with one another—

er over policy and resources, are by far the most influential lobbies. In May 1998, there were more than 80 registered FIGs, including 1,000 industrial enterprises and 100 banks. There were thousands more de facto FIGs, largely representing small or medium-size businesses and their in-house banks.<sup>48</sup> The government needs the financial-industrial groups for revenue, personnel, and expertise; the FIGs depend on the state for access to ownership of significant public assets, protection from attempts to challenge past illegal privatizations, and preferential state loans and tax concessions.

A few large FIGs are especially important, not because they are necessarily better run than their competitors, but because of their privileged origins in the Soviet nomenklatura and continued close relationship to the state. Unofficially, experts claimed in 1996 that Russia's eight largest FIGs controlled between 25 and 30 percent of GNP.<sup>49</sup> The movement by FIGs of their profits overseas is a major cause of Russia's capital flight—at about \$10 billion in 1998, far larger than the amount the country sought from international financial institutions. Many top government officials have been recruited from the leading groups and return to the FIGs at the end of their tenure. Central bank deputies sit on the boards of commercial banks, which the Central Bank in theory regulates. Boris Yeltsin cannot rule without the oligarchs' support.

The financial-industrial group controlled by the natural gas monopoly Gazprom, for example, brings in about one-fourth of the government's hard currency earnings, controls a quarter of the world's natural gas reserves, has a market capitalization estimated at \$50 billion, and controls pipelines linking Russia's neighbors that give it a major say in foreign policy. Former Prime Minister Chernomyrdin was once director of the firm and the Fuel and Energy Ministry represents its interests in the government. The firm's payment of part of its nearly 2 billion dollars in tax arrears in December 1997 enabled the state—which has a minority interest in the firm—to meet conditions laid down by the IMF for the release of \$670 million of a \$10.2 billion loan. For political reasons, Gazprom has tolerated a large number of unpaid bills from its customers, but also benefits from many legal or de facto privileges.

Of the ten most politically influential FIGs in 1998, five (Alfa, Inkombank, Rosprom-Yukos, SBS-Agro, and Rossiskiy Kredit) got their start with the direct political and financial support of the Komsomol or Soviet Communist Party. Two others (Gazprom and Lukoil) are based on the "privatized" remnants of the old Soviet Oil and Gas Ministry. One (Most Group) was created during the final days of the Soviet Union and grew rich on its business dealings with the city of Moscow. The two remaining major FIGs, Logovaz and ONEKSIMBANK, were founded after 1991, but ONEKSIMBANK, established by former members of the Soviet nomenklatura, relied heavily on commercial relationships forged during the Soviet era.<sup>50</sup>

After 1991, the large FIGs further prospered through the immaturity of Russia's institutions, government "reform" policies, and Yeltsin's own governing style.<sup>51</sup> Many FIG leaders got rich in the privatization process of 1992–94, when state-owned enterprises were sold at auction. Most were bought by consortia of man-

agers and workers, although in effect managers controlled the enterprises. Many managers then sold to or went into partnership with outside business interests, including criminal organizations, or sold their interests to FIGs. During this period the government also handed out tax breaks, import-export licenses, and other privileges to raw materials exporters and trade and financial interests to secure their support in the face of increasing political opposition. In the absence of a treasury system, the government ensured large profits for favored banks by authorizing them to manage state funds for a wide variety of government agencies.<sup>51</sup>

During the second wave of privatization in 1995, known as loans-for-shares, large banks were given shares in some of the most desirable corporations, often in violation of the law, as collateral for huge loans to the financially strapped federal government.<sup>53</sup> When the state later sold the shares they inevitably went to the banks that had loaned it money—often at below-market prices.

---

***“Although it has only 7 percent of Russia’s population, Moscow provides about one-third of the country’s tax revenue and 20 percent of its foreign trade.”***

*Structure.* Today the most important FIGs straddle the government and private sectors. They usually include a large bank acting as a holding company; substantial interests in industry, the service sector, and the media; a private intelligence service; a security force; and influential political patrons in the Kremlin or the government (as well as former government officials among its senior managers). Although the FIGs constantly battle one another for control over state property, extensive cross-ownership nevertheless often links them. Inadequate financial reporting often makes it difficult to say with certainty who owns what, because formal ownership sometimes rests with a subsidiary or affiliated company as well as with the FIG. Many smaller FIGs are clustered around regional power structures, where they often seek to resist the encroachment of Moscow-based FIGs and profit from performing business activities for the local government. Regional FIGs are more likely than those tied to the federal government to have industrial rather than financial holdings. Many also have direct links to organized crime and military units based in the region, according to a wide variety of sources.

- FIGs based on sectoral economic interests, such as Gazprom and Lukoil (oil), have relatively constant business interests and strong internal structures.
- FIGs based on the entrepreneurial and leadership skills of a single person, such as Berezovskiy’s LOGOVAZ empire and Chubays’s dominance of the foreign trade, privatization, and international finance sectors, are more unstable and heavily dependent on the political clout of their captains. These leaders do not build independent structures, but seek to spread their influence in existing firms and institutions, such as the Finance Ministry, or by acquiring existing firms (for example, Berezovskiy’s ownership of Avtovaz and Aeroflot).

- FIGs with especially large industrial holdings, such as Rosprom-Menatep and ONEKSIMBANK, although founded by influential captains and sometimes unstable, are beginning to build structures independent of their leaders.

- The City of Moscow controls its own FIG. (Other regional jurisdictions have their own FIGs, but only Moscow is a consistent player at the national level.) Mayor Luzhkov's easy access to Yeltsin has enabled the city to pursue its own brand of municipal capitalism, including its own privatization policy and the encouragement of imports, using revenue from city real estate deals (from which it earned \$3 billion in 1997), and direct participation of the mayor's office in more than 100 joint stock companies. The city owns a share of almost every major commercial enterprise in the capital—luxury hotels, office buildings, fast food restaurants, grocery stores, shopping malls, gas stations, food processors, and even an oil refinery. Moscow's political clout also derives from Luzhkov's connections with leading banks, most of which are headquartered there. Although it has only 7 percent of Russia's population, Moscow provides about one-third of the country's tax revenue and 20 percent of its foreign trade. Moscow's financial resources are also a reserve for federal authorities, who draw on it in politically delicate cases or when the executive branch seeks to avoid dealing with the Duma.<sup>54</sup>

*Differences over Power and Policy.* Relations among the major FIGs have been opportunistic and unstable. Vladimir Gusinskiy's Most Group has in the past been close to Yuriy Luzhkov, Yegor Gaydar, and Viktor Chernomyrdin, each of whom is the rival of the others. Boris Berezovskiy has over the years been close to Gaydar, Aleksandr Korzhakov, and Oleg Soskovets, before supporting Soskovets's one-time rival Chernomyrdin. Berezovskiy and Gusinskiy (Most Group) were bitter rivals until they joined forces to support Yeltsin in 1996. There have been many instances in which the FIGs have cooperated to advance joint interests: in proposing the loans-for-shares auctions; their support for Yeltsin during the 1996 campaign; and their successful effort, through the Association of Russian Banks, to deny confirmation to former acting central bank director Tatyana Paramonova.<sup>55</sup> In general, however, they are fierce rivals for the largesse of the state and differ on key issues: the role of government in the economy (and, conversely, the role of big business in governing the state); the extent to which Russia's economy should be open to foreign investment; and into which economic sectors, if at all, their profits should be reinvested.

*Yeltsin as Arbiter.* Yeltsin has served as the umpire of this system, in which competition among elites for power, resources, and the favor of the top leader so strongly resembles the politics of the czar's court. Although he has generally sided with the economic liberals in the government, Yeltsin has tried to avoid allying himself with any single FIG and has carefully balanced them to prevent any group from attaining too much power. He has brought representatives from competing FIGs into the government and has made sure that state property sold was widely distributed among competing groups and their foreign partners.

During his second term, however, Yeltsin has been less effective at balancing these groups. Public warfare among the oligarchs has occurred more frequently.

Although his faltering health has undoubtedly played a role, Yeltsin's increasing reliance on family ties to govern apparently has led him to make decisions with their financial welfare in mind. Berezovskiy, moreover, has exploited his friendship with Yeltsin's daughter to his financial and political benefit, thereby upsetting the balance of power.

### Who Governs: The Politics of Policymaking

Now that we have seen how Yeltsin, the Federal Assembly, regional leaders, and interest groups and other political actors function, we should be able to explain how policies are made. Some observers argue that the system always operates more or less the same way—to serve the interests of the oligarchs, Boris Yeltsin, organized crime, or Western financial interests. In this part we shall see if these generalizations are correct.<sup>56</sup>

One way to understand how an issue shapes and is shaped by the distribution of political power is to examine what appear to be the costs and benefits of the proposed policy. By *cost* is meant any burden, monetary or nonmonetary, that someone must bear, or thinks he must bear, if the policy is adopted. The costs of a government spending program are the taxes it requires. The costs of a foreign policy initiative may be the increased chance of having the nation brought into war. By *benefit* is meant any satisfaction, monetary or nonmonetary, that persons believe they will enjoy if the policy is adopted. The benefits of a spending program are the payments, subsidies, or contracts received by some persons. The benefits of a foreign policy initiative, for example, may be the enhanced collective security of the nation or the protection of a valued ally. Costs and benefits are what people believe them to be, whether or not the perceptions are accurate. Moreover, not every policy will fit neatly into one category or another. A complex issue such as passage of an IMF loan program may have Yeltsin, the Presidential Administration, the government, the Duma factions and committees, the Federation Council, regional government leaders, the business oligarchs, sectoral lobbies, international financial institutions, Western governments, and foreign investors all playing a role. Viewing politics in this way, however, will highlight key distinctions among policies that will be essential to answer the question, Who governs? and can shed light on each of the three stages of policymaking:

- Setting the *political agenda*—that is, how perceived costs and benefits determine what politics is to be about
- *Decisionmaking*—how perceived costs and benefits of a policy proposal affect the decision that is made
- *Implementation*—how perceived costs and benefits determine whether the people and institutions carry out a policy

In the sections that follow I will discuss briefly the characteristics—not the merits—of four types of politics:

*Majoritarian politics* promises benefits to large numbers of persons at a cost that large numbers of persons will have to bear. Almost every Russian at some point

receives pension benefits. Everybody who works has to pay social security taxes. National defense and state-provided medical care are distributed benefits that all pay for through taxes.

Even in Russia, where public opinion is weak, these issues tend to be resolved in favor of the position that has a majority of citizens on its side. Policymakers are aware that they ignore that opinion only at their electoral peril: although most Russians have little incentive to join interest groups or political parties, they nevertheless vote for or against politicians based on the stands they take on questions such as national defense, health care, and education. However, public opinion on an issue provides few details to policymakers. In such instances, elites tend to formulate policies based on their ideology, experience, or their reaction to crises. While public opinion favors a reduction in the nuclear threat, for example, it gives little guidance to Duma members as to whether they should vote to ratify the START II Treaty.

The fact that perceived costs and benefits of majoritarian politics are widely distributed means that few interest groups feel strong enough to organize and become involved around them. Thus, debate about putting those policies on the agenda and what to decide about them largely takes place within formal institutions such as the Duma or the Federation Council. While President Yeltsin may care about a majoritarian policy—for example, ratification of START II—he usually does not perceive the costs or benefits as important enough to expend significant political capital on getting the outcome he wants. The chances of implementation are higher than with other kinds of policies because few feel intensively the costs of implementation.

*Interest group* politics promises benefits to a relatively small, identifiable group and the imposition of costs on a different, equally identifiable group. A government decision to sell a state enterprise to a particular FIG at a below-market price will benefit that group, but it will hurt other FIGS interested in bidding for the enterprise. A law allowing foreigners to invest in Russian oil firms will benefit some companies, but not others who can compete effectively using only domestic capital. Although many examples of interest group politics involve monetary costs and benefits, that is not always the case.

A notable recent example of interest group politics was the 1997 “Bank War,” when Yeltsin, seeking to repay his election obligation to the oligarchs, infuriated them by announcing that the state-owned industries in the next round of privatization auctions would go to the highest bidder instead of through an ordered division of spoils. Some oligarchs saw this new policy as one that might impose concentrated costs on them and benefits on their business competitors. The result was an intense political and economic struggle among financiers, fought largely through mud-slinging in the media, which was stopped only by Yeltsin’s halting the auctions in September.<sup>58</sup>

Public opinion usually plays only a small role in interest group politics, because society as a whole is unlikely to be affected. By contrast, the groups that are likely to have a direct stake in the outcome often organize themselves. Since

many important interest groups have media organs under their control, the press also often plays a prominent role. The decision on the issue is often the result of mediation by the president, although parts of the government sometimes act as allies of those groups. Interest group politics, moreover, does not end with the decision. Since the interests of affected groups are felt intensely, the struggle continues during implementation—in the bureaucracy, the courts, the Accounting Chamber, or even with Yeltsin's further intervention.

The Stolichniy Bank (now SBS-Agro) purchase of Agroprombank in 1996 was an example of interest group politics involving rival parts of the government. In this instance, one interest group, the FIG controlled by Stolichniy Bank, thought it would profit by the sale; Agroprombank, backed by the collective farm lobby, thought it would be harmed and opposed the takeover. The matter was settled when the government—acting as arbiter—forged a compromise: the sale was approved after Stolichniy agreed to maintain the bank's agricultural profile and turned over to the Agricultural Ministry, which often speaks for the interests of the collective farmers, enough shares of stock that it could block any drastic change. There was little involvement of the Duma or the courts.

The politics of the presidential court, a kind of interest group politics, results not from policies that promise concentrated costs and benefits but from the ability of members of the elite to help confer potential costs or benefits on other members of the elite. In 1997, for example, Anatoliy Chubays left the government after reports published in media outlets controlled by his political and business rivals, led by financier Boris Berezovskiy, that he had illegally received a large advance to write a book. To Berezovskiy, Chubays represented a potential political and economic threat. As with other interest group matters, Yeltsin usually acts as the arbiter in these struggles. Kompromat is often used to discredit rivals. Corruption is high, since interest groups often use material incentives to influence officials to decide the way that they wish.

*Client politics* promises benefits to an identifiable group, with costs distributed over a substantial portion of society. Because the group that is to benefit has a strong incentive to organize and lobby for it, but because costs affect everyone only slightly, those who must pay have little incentive to organize and may be indifferent to or ignorant of the proposal. Russian collective farms benefit substantially from agricultural subsidies; each consumer, however, pays only a small amount of these subsidies in the form of higher taxes. Royalties paid by European airlines to the Russian civil aviation industry for the right to fly through Russian air space give considerable financial benefits to Aeroflot and aviation officials, who are not interested in using the fees for a distributed public good—modernization of air traffic control or air safety improvements. There is little incentive for citizens interested in air safety to organize. Other examples of client politics are the use of “authorized” banks to manage government money, the granting of preferential export licenses, and the dependence of many regional governments on money handed out by Moscow. In foreign policy, Lukoil and other firms with commercial interests in Iraq have pressured the gov-

ernment to work for the lifting of sanctions against Baghdad; the cost is widely distributed: the greater isolation of Russia in the international community and greater tensions in relations with the United States. The benefits are greater profits for the firm.

Client politics does not always involve material benefits. Certain groups, such as the Russian Orthodox Church and Soviet Army veterans, may have special legal protection from the government or may have their values specially honored. Several ethnic enclaves—for example, Tatarstan—have special constitutional protection.

Client politics often takes place away from the public eye. Neither the public at large nor the mass media have much interest in or knowledge of the policies involved. To protect their favored relationships with the government, client groups must put the issue on the agenda by finding patrons in the government or the legislature. Often clients can exert influence in the cumbersome process by which the Presidential Administration makes policy decisions. The Duma's agriculture committee, for example, is a strong advocate of financial support for Russian agriculture. Because of the importance of a client having a sponsor, corruption tends to be far more widespread in client politics than in majoritarian politics. The likelihood of implementation is high, since it involves a group accepting a benefit, usually without cost to other groups.

*Entrepreneurial politics* promises benefits for society as a whole or some large part of it, at a substantial cost to some identifiable part of it. This kind of politics includes many policies that are intended to restructure the legacy of the Soviet system: military reform, which promises improved national defense by reducing the army's size and moving to a voluntary force; contraction of the coal industry, which promises a more efficient, economically competitive coal industry if mines are shut down and state subsidies ended; and land reform, which proposes improved agricultural production through the reduction of low-interest credits, subsidies, state purchase of agricultural products, and direct investment. Compliance with international agreements limiting the spread of nuclear technology promises a benefit to Russian society: the avoidance of sanctions that would undermine Western financing of the Russian Space Agency. However, compliance imposes a high cost on Russian firms whose livelihood depends on sales to clients in Iraq, China, or Iran.

If the beneficiaries are the public at large, and the public has little incentive to press for what it thinks are its interests, then one would expect that organized opponents of a policy would usually win. Moreover, because the Russian political system provides ample opportunity to block policies that threaten organized interests, it is remarkable that policies of this kind are passed at all. The natural gas monopoly Gazprom, for example, has often successfully lobbied in the Duma against bills it opposes. Since the public is not organized to act for itself, however, to put an issue on the agenda, a policy "entrepreneur" must act on its behalf—although the entrepreneur may or may not actually represent the public's interests and may act partly for selfish reasons. Boris Yeltsin has often acted

as a policy entrepreneur—when he has pushed privatization, the freeing of prices, and the elimination of the budget deficit, all policies that impose costs on specific interest groups. Boris Nemtsov, Anatoliy Chubays, and the United States government have frequently been policy entrepreneurs on issues that the Russian public either was indifferent toward or too unorganized to pursue. The IMF, a policy entrepreneur, has tried to break up monopolies such as Gazprom and the utility United Energy Systems, even though there is little domestic support for doing so. The World Bank, another entrepreneur, has led the fight to restructure the coal industry.

Policy entrepreneurs often try to achieve through emotional or symbolic appeals what public self-interest cannot. Thus, the rationale for a new policy is presented in dramatic terms—to advance “reform,” “stop a return to communism,” or “prevent the business oligarchs from gaining control of the country.” Legislative and administrative action based on such appeals is often cast in equally bold terms with strict standards, stern penalties, short deadlines, threats by Yeltsin to dissolve the Duma or rule by decree, and conversely, Duma calls to impeach the president. The mass media are of great importance in entrepreneurial politics, especially key journalists who decide to give exposure to the proponents of a policy. Interest groups often vigorously oppose entrepreneurial politics, but because media images and slogans are powerful, they nevertheless publicly give them lip service.

Even if a policy entrepreneur gets what he wants, however, interest groups can often undermine a policy by refusing to implement it or weakening the administration of it. This is especially the case when decisions affect many layers of bureaucracy or negotiations among powerful actors. Although the government has gradually reduced budget subsidies to the agricultural sector in recent years, the agricultural lobby has sometimes found other funding sources in the Agriculture Ministry. Army commanders have resisted the federal government’s attempts to reduce the size of the armed forces by forging alliances with regional governors, whose jurisdictions would be economically harmed by reductions in the size of the armed forces. In 1992, the managements of major oil firms were sufficiently organized to resist the general privatization plans drawn up by the Gaydar government, which had acted as a policy entrepreneur.

Despite his considerable formal authority, there are serious limitations on Yeltsin’s ability to be a successful policy entrepreneur. Yeltsin does not have the time, interest, attention span, or in recent months, the political popularity to secure implementation by himself. Nuclear nonproliferation, a policy for which Yeltsin is an entrepreneur, ranks relatively low on the Russian foreign policy agenda, but implementation is difficult because there is little economic incentive for Russian firms to obey multilateral export restrictions. Moreover, implementation is dependent on building coalitions with groups affected by a particular decision, and Yeltsin’s vigorous use of his presidential powers has often made building such coalitions impossible. Yeltsin has delegated the task of overseeing implementation to deputies such as Anatoliy Chubays, Boris Nemtsov, or Yevgeniy Primakov, but his inconsistent support for those individ-

uals has undermined their efforts to see that a policy is carried out. The successful efforts of interest groups in resisting the implementation of entrepreneurial policies are a major reason why many of the government's "reform" policies have been unsuccessful.<sup>58</sup>

### **To What Ends?**

The approaching end of the Yeltsin era dramatically increases the potential for major change in how Russia is ruled.<sup>59</sup> The question has assumed greater urgency in recent months in the face of the central government's acute fiscal problems, institutional degeneration, declining popular support for democratic principles, and rapid movement toward a market economy, as well as growing doubts about Yeltsin's fragile health and his mental capabilities.

Central to the issue of change—what will last and what will not—is the idea of stability: whether the system's sometimes contradictory political, social, and economic forces are in balance.<sup>60</sup> Relatively stable systems both survive and are effective. They evolve in an orderly way. In unstable regimes, change can be violent or marked by major political, social, and economic discontinuities. Factors contributing to stability include governmental and constitutional change, effective decision making, and strong economic performance.<sup>61</sup>

In some respects, the Russian political system has become stable. Some *de facto* rules of competition among elites have been established. The opening up of society has provided vast new opportunities for upward social mobility. Political and economic fragmentation has localized social unrest, while minimizing the consequences of the political struggles in Moscow for the country as a whole.<sup>62</sup> However, the factors discussed here—especially the government's inability to mobilize resources and collect taxes, the ineffectiveness of institutions, the inability of the regime to aggregate and arbitrate group interests, and the divisions within the ruling elite—mean that the regime has not yet become stable enough that its survival has been ensured or the potential for dramatic change reduced.<sup>63</sup>

Moreover, its citizens increasingly view the regime as illegitimate. The Russian system has weathered shocks of the 1993 unrest in Moscow, a bloody war in Chechnya, and massive industrial decline. But as Yeltsin's popularity has ebbed, so has support for the system he helped create, a system whose legitimacy depended to a significant extent on Yeltsin's popular mandate. In a poll taken in early 1998, only 10 percent of Russians questioned said they believed democracy was the best way for the country to overcome its current troubles. "Corrupt" and "criminal" were the qualities more often used to describe the regime than any others. Unlike Soviet power, which was often described as "close to the people," respondents often described the current government as "alien" and "weak." Those polled also were almost three times more likely to accept the legality of the Soviet system than the current one.<sup>64</sup> More significant, perhaps, than the general decline of public support are the signs that the regime is losing the backing of the elites. A legitimate regime can rule even when popular support for it is low.<sup>65</sup> Without it the system will not be able to endure inevitable crises: scarcities, deprivations, and frustrated aspirations.<sup>66</sup>

## NOTES

1. Quoted from Alexander Gerschenkron, *Continuity in History and Other Essays* (Cambridge: Harvard University Press, 1968), 128.
2. James Q. Wilson, *American Government: Institutions and Policies* (Lexington: D.C. Heath, 1980), ix.
3. V. A. Kolosov and R. F. Turovskii, "The Electoral Map of Contemporary Russia," *Russian Social Science Review* 39, no. 1, (January-February 1998): 67–69. See also, *Trud*, 18 March 1998, 1–2.
4. Wilson, *American Government*, 81; for a more detailed discussion of political culture and these concepts, see E. L. Keenan, "Muscovite Political Folkways," *Russian Review* 45 (1986): 46, 156–57.
5. V. Tolz, "Conflicting 'Homeland Myths' and Nation-State Building in Postcommunist Russia," *Slavic Review* 57, no. 2 (Summer 1998).
6. R. Pipes, *Russia under the Old Regime* (New York: Collier, 1974), 70–71.
7. Keenan, "Muscovite Political Folkways," 132.
8. *Ibid.*, 156–57.
9. V. Coulloudon, "The Criminalization of Russia's Political Elite," *East European Constitutional Review* (Fall 1997): 74.
10. Center for Strategic and International Studies, CSIS Task Force Report, "Russian Organized Crime," 1997, 34.
11. *Financial Times*, 9 June 1998.
12. Louise I. Shelley, "Transnational Organized Crime: An Imminent Threat to the Nation State," *Journal of International Affairs* 48, no. 2 (Winter 1995): 484.
13. Lloyd, "Red Alert," *Times Magazine*, 31 January 1998.
14. CSIS, "Russian Organized Crime," 28.
15. CSIS, "Russian Organized Crime," 29–31.
16. CSIS, "Russian Organized Crime," 33.
17. Lloyd, "Red Alert."
18. CSIS, "Russian Organized Crime," 2.
19. P. Rutland, "Elite Consolidation and Political Stability in Russia," unpublished paper, August 1997, 1–2.
20. "Memorandum for the Russian Government," *Nezavisimaya Gazeta*, 1 April 1992, 2.
21. Rutland, "Elite Consolidation and Political Stability in Russia," 2. See also O. Kryshchanovskaya, "Nomenklatura of Our Time," *Obshchaya Gazeta*, 23–29 January 1997; O. Kryshchanovskaya, "The Real Masters of Russia," *Argumenty i Fakty* 21 (May 1997).
22. Rutland, "Elite Consolidation and Political Stability in Russia," 2. See also A. Plutnick, "Narrow is the Circle of these Revolutionaries," *Izvestiya*, 4 July 1997, 2, 15.
23. "Still Most Awkward Partners," *Economist*, 9 May 1998, 26.
24. Rutland, "Elite Consolidation and Political Stability in Russia," 9.
25. B. Otto, unpublished paper, 4 June 1998.
26. A. Buzgalin and A. Kolganov, "Lebed: Just One Bullet out of a Big Clip," *Jamestown Foundation Prism*, 26 June 1998; G. Breslauer, "Presidential Leadership and Elite Stability," *Post-Soviet Affairs* 14, no. 1 (January-March 1998) 2.
27. Breslauer, "Presidential Leadership and Elite Stability," 14.
28. Rutland, "Boris Yeltsin: The Problem Not the Solution," *National Interest* (Fall 1997): 36–37.
29. Breslauer, "Presidential Leadership and Elite Stability," 13.
30. *Moscow Tribune*, 12 November 1994.
31. *Kommersant-Vlast*, 16 June 1998, 22–23.
32. K. Ivanov, "Russian Regions: More Different than Alike," *Ekonomika i Zhizn'* 18 (1997).
33. R. S. Clem and P. R. Craumer, "The Regional Dimension," *The Russian Parliamentary Elections of 1995: The Battle for the Duma*, L. Belin and R. Orttung (Armonk, NY:

M. E. Sharpe, 1997), 137.

34. V. Mironov, "Regional Differences in Dystems of Local Government: Why Do They Occur?" *Jamesestown Foundation Prism*, 20 February 1998, 3.

35. *Segodya*, 21 March 1998, 3.

36. Thomas Graham, "Prospects for Russia," unpublished paper, February 1998, 4.

37. *Economist*, 3 January 1998.

38. Mironov, "Regional Differences in Dystems of Local Government," 3.

39. R. W. Orttung and A. Paretskaya, "Presidential Elections Demonstrate Rural-Urban Divide and the Relative Strength of Regional Executives," OMRI draft research paper, 1996, 1. After this writing, in June 1998, the city of Moscow signed a power sharing agreement with federal authorities, according to press reports.

40. N. Popson, "Anatomy of a Dinosaur: Russia's New Regional Elite," Washington, D.C., Kennan Institute for Advance Russian Studies NEWS/Meeting Report, September 1997, 2.

41. "Political Lobbies in Russia," *Business in Russia* (June 1995): 46.

42. M. McFaul, "Democracy Unfolds in Russia," *Current History* (October 1997): 24.

43. "Political Lobbies," 46.

44. "Political Lobbies, 46–47.

45. V. Lepekhn, "A New Hegemon: How Entrepreneurs Are Preparing to Seize Power," *Novaya Yezhednevnyaya Gazeta*, 18 June 1993, 4; A. Anichkin, "Entrepreneurial Organizations Are Dividing Up the Soviet Inheritance," *Izvestiya*, 17 June 1993, 4; A. Luzin, "Consolidation around Anticrisis Program Needed," *Rossiyskiye Vesti*, 1 December 1992, 2; V. Borodulin, "It Is Very Difficult to Force Them to Work Not for the Homeland," *Kommersant' Daily*, 2 March 1995, 10.

46. *Nezavisimaya Gazeta*, 21 January 1997, 4.

47. *Izvestiya*, 30 May 1997, 1–2; "Lobbyists in Disguise Invade Russian Parliament," *AFP*, 14 May 1997.

48. S. Blagov, "POLITICS-RUSSIA: Conspiracy Theorists Disappointed by 'Oligarchy,'" Interpress Service, 14 April 1998.

49. See McFaul, "Democracy Unfolds in Russia," 24. An expert from the Association of Russian Banks claimed that Russia's top twenty-five banks, which includes all the leading FIGs, controlled 85 percent of the total assets in the country, 86 percent of enterprise funds, 94 percent of deposits, and 88 percent of budget resources. *Vek* 24 (June 1998).

50. See generally, J. Johnson, "Russia's Emerging Financial-Industrial Groups," *Post-Soviet Affairs* 13, no. 4 (October-December 1997): 333–65. J. Johnson, "Carving up the Bear: Banks and the Struggle for Power in Russia," *CSIS: Post-Soviet Prospects* (March 1997): 1–4.

51. A. Fadin, "The Joint-Stock Company as a Party of a New Type: Is the Reconversion of Money into Power Possible?" *Obshchaya Gazeta*, 12 August 1994, 8.

52. International Institute for Strategic Studies, "Russia's Magnates, Competing for Influence," *Strategic Comments* 4, no. 3 (April 1998): 1.

53. Lloyd, "Red Alert."

54. V. Razuvaev, "The Time of Independent Local Princes? Sketches for a Portrait of Yuriy Luzhkov," *Russian Social Science Review* 39, no. 1 (January-February 1998): 34–36.

55. J. Johnson, "Russia's Emerging Financial-Industrial Groups," 358–59.

56. For the application of this approach to policymaking see Wilson, *American Government*, chapter 14.

57. Blagov, "POLITICS-RUSSIA."

58. Breslauer, "Presidential Leadership and Elite Stability," 2.

59. For a detailed theoretical discussion of stability and legitimacy in the Soviet Union, see S. Bialer, *Stalin's Successors*, (Cambridge: Cambridge University Press, 1980), 129–225.

60. *Ibid.*, 129 et seq. See more generally, G. L. Field, *Comparative Political Development: The Precedent of the West* (Ithaca: Cornell University Press, 1967), 1.

61. Bialer, *Stalin's Successors*, 129–38.
62. Graham, “Prospects for Russia.”
63. Bialer, *Stalin's Successors*, 133–40. Huntington and Moore have applied these concepts to Communist regimes, but I believe they are also applicable to the post-Soviet regime in Russia, not least because of the continuities between the CPSU elites and the current “party of power.” See S. P. Huntington and C. H. Moore, *Authoritarian Politics in Modern Society: The Dynamics of Established One-Party Systems* (New York: Basic Books, 1970), 3–47; 509–17.
64. “Russian Government Not Legitimate, People Say,” *Obshchaya Gazeta*, 23 July 1998.
65. S. Bialer, *The Soviet Paradox: External Expansion, Internal Decline* (New York: Knopf, 1988), 38.
66. Bialer, *Stalin's Successors*, 183.