

# On the Future of the Russian State

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**W**hen the Soviet Union was in its death throes, Jerry Hough advised younger scholars to avoid becoming astrologers, or seers, of Russia's future. That profession, in his view, was best left to veterans in the field. He issued this warning at a time when his own enviable record of predictions, on events such as the reunification of Germany, was about to be shattered by the demise of Gorbachev and the collapse of the USSR.

Reflecting on Hough's words and the extraordinary events that followed the end of communism, one can only write with reluctance and humility about the way forward in Russia. Besides unknowable events—from illnesses and assassinations to the fluctuations in energy and mineral prices—there are the unforeseeable actions of politicians, the intended and unintended consequences of which continually realign political loyalties and policy debates. Not privy to the events or decisions that will become part of Russia's future, one looks for clues in the current conditions and rules of public life in Russia, which point to the challenges facing the country and the means available to deal with them. One may also apply selectively the lessons of comparative history to the Russian case, taking care to avoid the hubris of modernization theories, whether Marxist or liberal, which would have one believe that history proceeds along a single path. There is, finally, a role for imagination in bridging the gap between the theories and facts that we comprehend and the world that we do not yet know. But given the volatility of political and economic life at the beginning of the twenty-first century, and Russia's ability to surprise even the most imaginative observers, attempts to divine the pace and direction of Russia's development during the next decade are certain to be inadequate, if not embarrassing.

To avoid the perils of astrology, in this essay I eschew detailed predictions in favor of an analysis of the logic of Russian state development in the postcommunist era. A central assumption is that the Russian state suffers from several pathologies that will remain the focus of elite attention and political conflict in the coming decade. To overcome these pathologies, Russian leaders will need to introduce, at a minimum, a viable form of federalism, a "rationalized" central government

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apparatus that minimizes institutional redundancy and “departmentalism,” and mechanisms for protecting business from bureaucratic caprice. What is at issue here is not the maturity of Russian democracy but the modernity of the Russian state. Establishing the latter is, in my view and, I believe, in the view of all but the most extreme “democrats” and nationalists, the most important immediate task for Russia. Whether a future Russian political leadership wishes to integrate the country into the world economy and regional political organizations, as Putin does, or pursue a third way, it will almost certainly find it useful to attack the pathologies that undermine the integrity and economic might of the Russian state.

### Faux Federalism

Federalism is a logical and appropriate response to the extraordinary size and ethnic diversity of Russia, but Russia’s political-administrative system is only nominally federal. There are still in place, to be sure, some of the legacies of Soviet federalism, such as ethnic republics and other components of what Rogers Brubaker has called institutionalized multiethnicity. Moreover, the constitution of 1993 and the bilateral treaties signed by Moscow and provincial governments in the mid-1990s call for power-sharing arrangements between center and periphery that exhibit elements of federalism. And the upper house of the Russian parliament, selected by the country’s regions and republics, serves as a constraint on central power and constitutional revision, a standard feature of federal regimes. But the legal, administrative, and mythological bases of Russian federalism form a hodgepodge of contradictory rules rather than a coherent system of governance. Thus, relations between levels of government in Russia are characterized not just by contestation—an essential feature of federalism everywhere—but by confusion.

Unsettled, and in some senses chaotic, jurisdictional arrangements beset the Russian bureaucracy and the one and a half million civil servants who assure the daily operation of the machinery of state and serve as sources of expertise and agents of implementation for policymakers. Put simply, state officials in Russia work for one of three levels of government: federal, regional, or local. But legislation divides the bureaucracy into two corps: state officials (*gosudarstvennye sluzhashchie*), who work for federal or provincial governments, and municipal employees, who serve city and district authorities. According to the mythology of public administration in postcommunist Russia, the state, or *gosudarstvo*, embraces the two highest levels of government and is distinct from local self-government, or *mestnoe samoupravlenie*, which represents another form of rule that is not only physically closer to the population but more participatory and democratic—shades of the *zemstva* of the nineteenth century or the local soviets of the twentieth. This definition of *gosudarstvo* violates a basic principle of federalism by presenting a unitary conception of Russian officialdom at the federal and provincial levels. It also suggests a measure of autonomy for local government that does not accord with reality. Despite the special legal status accorded local officials, they usually work under the direct tutelage of provincial administrations. Although regions and republics have not been able to formally integrate local authorities into provincial administration—Udmurtia tried in 1998,

only to be beaten back by the Constitutional Court and the president—they have come to dominate most cities and districts through their financial and patronage powers. Only in the capital cities of some regions and republics does one find something approximating local self-government.

The financial clout that enables provincial governments to dominate city and district administrations also allows them to co-opt part of the army of federal civil servants working outside of Moscow. Whereas thirty thousand federal civil servants work in the capital, the remaining 375,000 federal officials serve in the territory-based offices of federal ministries (the numbers exclude, of course, the uniformed services). Without adequate pay, perks, or *kryshi*, these federal employees are dependent to varying

degrees on republican presidents and regional governors for political protection and material assistance. Provincial elites in many areas have succeeded, therefore, in “capturing” strategic federal personnel, such as judges and law-enforcement officers, who, along with subservient journalists, have facilitated the rise of authoritarian

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miniregimes in some parts of Russia. If one were to assess the size of the bureaucracies under the control of governors and presidents, it would include not only the two hundred thousand employees of provincial administrations but also many, if not most, of the almost one million officials who work in local governments or in the territorial offices of federal ministries.

What is troubling here is not the share of political power wielded by one level of government or another but the absence of a stable and transparent framework within which claims over patronage, finances, and laws can be contested. Much of the seepage of authority from central to provincial institutions in the 1990s occurred as a result of the self-aggrandizing and unilateral maneuvers of provincial elites rather than through legislative action, court decisions, or negotiated settlements. Although it is tempting to view the devolution of authority during the Yeltsin presidency as a victory for Russian federalism, it represented little more than a no-holds-barred grab for power. Federalism requires institutionalized constraints on central authority, not merely the accumulation of power by regional or republican governments. If anything, the 1990s witnessed an erosion of federalist principles in Russia, as center and periphery sought to settle their claims primarily through informal rather than formal channels.

The decade ahead will see continuing attempts by the center to reassert its dominance over the provinces. To put the issue somewhat more provocatively, Moscow will insist on a new *peredel* of state power. Putin’s initiatives in 2000 to claw back the authority lost to provincial elites—through revisions in tax policy, the removal of provincial leaders from the federal parliament, the abandonment

of bilateral treaties, and the establishment of seven superdistricts headed by governors-general—were merely the opening gambit in a protracted battle for control of the country's resources and personnel. A new wave of centralizing legislation that will soon emerge from the commission on intergovernmental relations, chaired by Dmitry Kozak, is likely to inspire years of center-periphery struggle over its implementation.

Unfortunately, there is little indication that the new legislation will construct a stable federal framework for relations between levels of government. Putin appears to be championing instead a system that is federal in form and unitary in content. The Russian president's insistence on the introduction of a "ruling vertical" (*vertikal' vlasti*) and on the right to dismiss elected officials from lower levels of government may enhance the efficiency and integrity of the Russian state over the short term, but it will do little to deepen federalist principles. Perhaps the most benign reading of the president's intentions is that once Russian lands have been regathered, he or his successors will be willing to take federalism seriously as a means of legitimating and managing relations between a revitalized central government and regional and republican authorities with diminished capacity.

### **Rationalizing Government**

Governing in modern states requires the coordination of a large array of central institutions with diverse interests and cultures. This basic function of state is one that postcommunist Russia has not yet mastered. That even the most prominent state institutions continue to work at cross-purposes was illustrated in spring 2002, when the president and prime minister, supposedly members of the same leadership team, advanced very different policies on economic growth.

What explains this pathology? First is the collapse of a mythology of collective responsibility, the British term for the obligation of ministers of state to adhere to the party line. Absent the discipline imposed by the Communist Party, Russian officials in the early 1990s made the transition from sycophancy to insubordination almost overnight. Second, the ruling elite in Russia now lacks a consensus on basic political values, and therefore governments are composed of members who do not share a common philosophical mission. Such coalition-style governments are necessary, in any event, to satisfy the legislature's own profound ideological divisions and to appease the bureaucracies that the ministers lead. To put a "liberal" in charge of certain agencies, such as the Procuracy, would invite rebellion in the ranks.

A third barrier to the effective coordination of central institutions is Russia's semipresidential model of government, which builds redundancy into the very fabric of state. Having two vast executive management teams—one attached to the president, the other to the prime minister—leads inexorably to conflict between presidency and government. It also encourages ministers to play one institution against the other in the hopes of advancing their own departmental interests. Moreover, redundancies exist not only between presidency and government but within each of these apparatuses, which creates jurisdictional battles

that undermine efforts to coordinate state policy. In Russia, ambition checks ambition within the executive as well as between the executive and other branches of government.

Because a fundamental revision of Russia's institutional design is unlikely in the next decade—the president benefits too much from his position as a republican monarch under semipresidentialism—this pathology of governance will only be eliminated if a strongman or, preferably, strong parties emerge that can impose discipline on members of the government. Although Putin may develop into the former, he has not yet wielded the reins of power in ways that would eliminate dissent among high-ranking executive officials, as evidenced by the disagreement with Prime Minister Kasyanov mentioned above. And although he has been willing to give his blessing to the Yedinstvo (Union) Party and its successor, United Russia, he has been at times a less-than-enthusiastic champion of party development. To tie himself too closely to a party would compromise the president's symbolic role as republican monarch and render him accountable to an institution as well as the electorate.

One solution for Putin and his successors is to champion an arms-length party of power that could assist the president in coordinating policy among, and imposing discipline on, the leaders of executive institutions, the parliament, and the provinces. This seems, in fact, to be one of the ideas behind United Russia. Such a party has the potential to dominate Russian politics for many years, much as the PRI did in Mexico. But a party of power in the Russian context would almost certainly be long on accommodation and short on discipline; in other words, officials support parties of power because such parties protect their narrow institutional interests rather than challenging them to advance the public good. It is likely, therefore, that parties will remain weak institutions in Russia and that Putin and his successors will continue to rely instead on the presidential bureaucracy as both the whip over executive and legislative institutions and the country's main engine of reform—functions normally associated with parties in the West. Although it may facilitate policy change over the short term, concentrating still more power in the opaque presidential bureaucracy will do little to reduce the bureaucratic intrigue that is endemic to the Russian state apparatus or to encourage popular participation in government.

### **Debureaucratization**

The Russian state faces a collective action dilemma that is all too common in developing countries. Put in plain English, Russian bureaucrats are self-serving instead of state-serving. The court bailiff charged with seizing the property of a rogue business may well cut a deal with the business owners to minimize the assets seized, thereby enriching the bailiff and the businessmen but beggaring the state. Such behavior, multiplied hundreds of thousands of times across the expanse of Russia, diminishes the capacity of the state by denying it desperately needed money and legitimacy. Although respecting rules would enrich the country as a whole, there are no easy ways of convincing officials that a focus on the public good will advance their private interests.

This tragedy of the state—to alter slightly Ostrom’s concept of the tragedy of the commons—will be a central focus of the Russian political leadership in the coming decade. Far more than his predecessor, Putin has exhibited concern about the economic drag of bureaucratic corruption and caprice, especially on the formation and development of small and mid-sized businesses, which are the primary sources of employment in advanced economies. Whereas large enterprises in Russia have survived by buying off, or merging with, local political elites, and small-time operators have generally avoided shakedowns because of their size, the more ambitious and successful small and mid-sized firms have borne the full brunt of bureaucratic intervention. Through a cynical use of their licensing and inspection powers, state officials have extracted sizable side payments from these firms, thus raising the transaction costs and the barriers to entry for Russian business.

To constrain the predatory agents of state, or perhaps more accurately, bureaucratic self-dealers, Putin has launched a campaign to reform the civil service. Convincing officials to forego short-term private gain for the longer-term benefit of state and society will require an imaginative blend of socialization and incentives. Although Putin’s campaign of “debureaucratization” has not neglected socialization entirely—for what it’s worth, the president recently introduced a new “ethical code” for the civil service—the primary focus is on changing the structure of incentives for the bureaucracy. To encourage compliance with the rules, the current political leadership is dedicated to improving the living standards of officials by substituting higher salaries for private-sector bribes and public-sector perquisites, which now subject officials to undue influence from business and political interests, respectively. A debate continues on how to pay for these incentives—many suggest by cutting jobs—and on who should be the primary beneficiaries—some favor plumping the generosity on the upper ranks of officialdom.

Most measures, however, are designed to punish rather than reward. Besides the usual criminal penalties for corrupt practices, which have been largely unenforced because of the corruption among the guardians of the law themselves, Putin has emphasized the need to restrict the discretion available to officials in their dealings with businessmen. For example, under recently adopted legislation, officials have only five days to register a business, a rule that removes a potent source of income for officials, who had previously extracted bribes from applicants in exchange for a timely registration of their firms. By reducing the number of inspectorates that have the authority to carry out unannounced, on-site reviews of firms, the political leadership is also attacking the problem of incessant shakedowns of businesses by the bureaucracy. Such reforms, designed to kill off the pathologies of corrupt administration, will no doubt prompt, as in the natural world, mutations in behavior that will require new and perhaps stronger measures to ensure a protected space for private economic initiative.

Making Russia safe for small and mid-sized enterprises could have profound political as well as economic effects. Besides the obvious benefits of greater employment and enhanced tax revenues, the growth of small and medium-scale businesses will create a vital support base for the civil society that is much dis-

cussed but poorly developed in Russia. It is businessmen at this level who are the natural champions of the rule of law because it offers them protection from the state and from ruthless behemoths in the private sector. If some form of democracy is to take root in Russia it is more likely to be nurtured by this rising business class than well-meaning but often ineffectual nongovernmental organizations, whose ideas and funding come disproportionately from the West.

### **Conclusion**

It is tempting to conclude that little has changed in Russia. The state still dominates society; reform still comes from above rather than below; and the leader and his entourage still face a bureaucracy that is resistant to change. But Russian presidents from Gorbachev to Putin have committed themselves to joining the world community, a decision that encourages internal reforms that can render Russia more acceptable to, and competitive with, its new partners. One should have no illusions: the primary logic behind Putin's campaigns to rationalize and debureaucratize the Russian state—like the earlier initiatives of Gorbachev and Yeltsin—is to strengthen Russia's role in the world. But by changing the institutional setting of politics, these campaigns could encourage a basic realignment of relations between the state and society and the growth of liberal and democratic values. A revival of Russian society may be one of the unintended consequences of attacking the pathologies of the Russian state.