

**Political Parties and Their Competitors:  
Party Development in Russia's Regions**

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June, 2006

A thesis submitted to McGill University

in partial fulfillment of the requirements of the degree of Master of Arts

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*ISBN: 978-0-494-28558-9*

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## ABSTRACT

The variation in expansion of national political parties into regional politics in Russia poses a fundamental challenge to theories of party development by presenting an empirical puzzle: why have national politics dominated in some regions yet failed to elect or even present candidates in others? Conventional explanations for party weakness in Russia invoke cultural constraints or poor institutional incentives but neither provide sufficient variation to explain these outcomes at the regional level. These failures correspond to a larger lacunae in the party literature on the process by parties become nationalized and eliminate their regional competitors.

This study addresses these empirical questions by re-examining regional elites and their ability to create informal alternatives to parties. I argue that the failure of national political party development in Russian regional politics is not simply the product of poor institutional incentives but rather due to the active opposition of regional elites. Where regional elites successfully mobilized the resources made available during transition, they prevented the entry of national parties by furnishing their own candidates with powerful financial resources and lending them reputation that resonated with the electorate. These outcomes were not predetermined by legacies of the Soviet era, however, but were rather contingent on the ability of regional executives to rapidly construct winning coalitions, particularly through the mobilization of administrative resources and the construction of patronage networks. Hence, the successful development

national parties in regional politics was as much a story of weak regional regimes as it was a story of successful regional party branches.

## **ABSTRAIT**

La variation dans la capacité des partis politiques de s'étendre dans les arènes régionaux pose un défi aux théories du développement des parties politiques en posant une problématique empirique : pourquoi les partis peuvent-ils dominer les politiques électorales dans certaines régions mais ne peuvent-ils élire aucun député dans d'autres régions ? Les explications contemporaines pour la faiblesse des partis russes font référence aux contraintes culturelles et aux faibles incitations institutionnelles mais ni l'une ni l'autre ne peuvent expliquer le sort des partis au niveau régional. Ces échecs correspondent à une plus grande lacune dans la littérature sur les partis politiques sur les moyens dont les partis se nationalisent et éliminent leurs concurrents régionaux.

Cette étude engage ces enjeux en réexaminant le rôle des élites régionales et leurs capacités à créer des alternatives informelles aux partis politiques. Je propose que l'échec des partis nationaux dans l'arène régionale n'est pas simplement à cause des faibles incitations institutionnelles mais s'explique par l'opposition tenace des élites régionales. Où ces élites ont pu mobiliser les ressources durant la transition du communisme, ils ont arrêté l'expansion des partis nationaux en proposant ces propres candidats aux électeurs et les fournissant avec des ressources financières et une réputation précieuse. Ce résultat n'était pas garanti par les héritages régionaux du communisme mais a été dépendant sur la capacité des élites d'arranger des alliances en mobilisant ses ressources administratives et construisant des réseaux d'échanges politiques. Ainsi, la

développement des partis nationaux dans la domaine régionale a été plutôt à cause des échecs des régimes régionaux que des efforts de la part des structures régionales des partis.

## Table of Contents

<b>Chapter 1 - The Failure of Party Development in Russia's Regions</b>	<b>8</b>
Regional Parties, Subnational Government and National Democracy	
The Empirical Puzzle: The Failure of Party Organization	
Party Substitutes versus Political Parties in Regional Politics	
Research Design and the Structure of the Thesis	
<b>Chapter 2 - Developing a Model of National Party Expansion</b>	<b>26</b>
Conventional Perspectives on Party Development	
Regional Party Development and the Nationalization of Parties	
Parties as Formal Institutions and Party Alternatives as Informal Institutions	
Regional Elites and the Construction of Electoral Institutions	
Party Substitutes in Russian Regional Politics	
A Model of Territorial Penetration	
Testing Electoral Substitute Theory	
Conclusion	
<b>Chapter 3 – The Origins of Party Substitutes</b>	<b>66</b>
Explaining Successful Party Substitution	
Theoretical Perspectives on Russian Elites and Regime Consolidation	
Comparative Perspectives on Elite Interactions	
Soviet Legacies and Politician-Firm Interactions	
Transitional Reforms during the Gorbachev Era	
Transitional Reform during the Yeltsin Era	
Conclusion	
<b>Chapter 4 - Party Substitutes in the Regions: Five Case Studies</b>	<b>96</b>
Five Case Studies within the Research Design	
Executive Dominance Through Administrative Resources: Tatarstan and Novgorod	
Executive Dominance Through Coalition-Building: Nizhnii Novgorod oblast	
The Failure of a Regional Regime: Ul'yanovsk oblast	
Divided Politics and a Party Breakthrough: Ryazan' Oblast	
Conclusion	
<b>Chapter 5 - Party Substitutes, Party Development and Comparative Politics</b>	<b>121</b>
Evidence and Limitations in the Research Design	
Contributions to Comparative Theory	
Further Research	
<b>Bibliography</b>	<b>135</b>



## Acknowledgements

While a master's thesis is not of the Herculean proportions compared to a doctoral dissertation, this is not always obvious throughout its creation. My acknowledgements will be brief and surely guilty of sins of omission. The first thanks must be extended to my thesis advisor, Juliet Johnson, who provided unflagging encouragement and advice throughout the project as well as the unspoken faith that this thesis was in fact possible. The fact that this occurred over long distances and during her own sabbatical makes it all the more generous.

I must also thank the generous financial support that made this research possible, particularly to the Guy Drummond Fellowship that sponsored an illuminating year of study in Europe and the Social Sciences and Humanities Research Council's Masters Fellowship which supported me throughout this study. All the professors and students I have encountered at McGill University have surely left their mark on this work, even in the most subconscious of forms. I would like to thank Stuart Soroka and Marc-Andre Bodet for their support and criticisms on the quantitative sections in particular. Finally, all labor is in the end a labor of love and so I must thank the support of my parents, Ron and Jan, who sustained me throughout and whose beliefs about this world prompted this research in the first place. Words cannot capture my thanks to my wonderful partner Amy, who cheerfully suffered my ups and downs and has had the misfortune to follow this process from start to finish. It is surely by her love and good humor that the end was finally reached. Finally, I would like to thank Matthew Kanter for his fantastic input, company and invaluable contributions to the logistics of the thesis. Without him, it can honestly be said that my thesis would not have been submitted.





## Chapter 1 - The Failure of Party Development in Russia's Regions

“Russian’s parties seem to be caught in a vicious circle. Politicians and powerful societal actors will not take a serious interest in parties until parties become more important, but parties cannot become more important until politicians and powerful societal actors take a more serious interest in them” (Fish, 2003: 210). It is a common perception among scholars evaluating Russian party development that elites under-invest in parties because political institutions offer them weak incentives to do so. Closely staggered parliamentary and presidential elections, the absence of party nominations for presidential candidates and the extreme concentration of political power in the executive have all been cited as pernicious (if unintended) rules that undermine the development of parties.

The failed development of parties in the arena of regional politics has been often been understood in the same light. Frail national parties are believed to lack sufficient resources or motivation necessary to penetrate the vast and often isolated periphery beyond Moscow and St. Petersburg. In this view, party development is understood as a persistent coordination failure where political elites would benefit from collective investment in parties yet lack the individual incentives to do so. Accordingly, the proposed solutions have focused upon institutional reforms to ‘get the incentives right.’

Subsequent scholarship has suggested that the story of Russian party development is more complicated. Certainly, institutions have provided weak incentives for investment in political parties and no doubt this explains a great deal about party development. Political actors, however, have not been unconcerned with the tasks traditionally

performed by parties, particularly elite recruitment, structuring legislative decision-making and coordination between office-seekers. The persistence of candidates who remain unaffiliated with parties is not only due to elite under-investment into parties but the active opposition of regional elites who compete with parties in providing electoral goods to office-seekers. In other words, failed party development is not a story of neglect but rather one of competition, with regional elites the victors throughout most of Russia. Despite this insight, important questions remain unanswered about how and why this competition occurs: what resources and strategies have allowed regional elites to effectively oppose regional party development? What incentives drive regional elites to stall party development rather than simply co-opt national parties or create subservient regional parties? If parties are absent from regional politics, what institutions take their place in channeling political demands and maintaining intra-elite cohesion?

This thesis addresses these questions by analyzing the impact of party substitutes on party development in Russia's regions. It does so by shifting the focus from federal to regional elections in order to better capture local political dynamics. Drawing from recent literature on the role of regional actors in party development, the central thesis is that regional elites such as the regional executive branch of government (henceforth regional executives) and directors of regional enterprises oppose party development because it undermines the informal rules of the game governing the pursuit of office, rules that are distinctly tipped in their favor. In order to effectively enforce these informal arrangements, however, regional executives had to overcome significant uncertainty and conflicts of interest to forge winning coalitions, primarily with directors of industrial enterprises and agricultural collectives, in which political cooperation was exchange for

economic rents. Where regional executives succeeded in translating state resources into political power and effectively incorporating preponderant regional enterprises, they were able to prevent the entry of national parties into regional politics and avoid risky investment in regional parties.

### **(1) Regional Parties, Subnational Government and National Democracy**

Regional politics, and in particular the development of parties in the regions, has not figured prominently in studies of post-communism. The failures of parties to structure politics is seen to occur at the national level, whether in penetrating the state, tying the national executive to a party, or simply building a cohesive party organization with a clear political program. Authors often refer to Mainwaring and Scully's (1995) concept of party system institutionalization, in which parties are not subordinated to the ambitions of their leaders but have independent value, autonomy, and stable roots in society. With the exception of the communist successor party (the KPRF), Russian parties lack the organizational infrastructure to maintain strong ties to society and prefer to appeal to citizens almost exclusively through mass media (Oates, 2004).

Weak organization and party-society linkages lower the costs of entry for new political parties and thus open a window for political entrepreneurs, illustrated by extreme volatility in the roster of political parties (Fish, 2004). Political elites connected to the presidency have founded a new 'party of power' in every Duma election since its existence, denying voters an enduring party to hold accountable. In the 2003 Duma election, for example, two parties representing the interests of political elites in the Kremlin and the regions were constructed less than four months before the elections and

registered almost no members other than its candidates, yet captured 36.6 percent of the party list vote. The result is that Russian parties at the national level produce neither predictability in electoral competition nor provide institutional linkages by which citizens could restrain political elites and hold them accountable.

Despite the large literature on the failure of parties in Russian politics (Hale, 2006; Fish, 2006), few systematic studies have concerned themselves with the development of political parties in the regions of Russia, beyond the sites of national politics in Moscow and St. Petersburg. While case studies of politics in individual regions abound, the vast majority have remained atheoretical and restrained to a single unit (notable exceptions include Gel'man et al, 2003). Previous comparative studies of subnational government in Russia have curiously neglected the role of political parties (Stoner-Weiss, 1997) focusing instead on policy outputs and relations between the legislature and the executive. Despite significant work on Russian regional politics, then, there is an absence of systematic analysis of political parties and regional government, combining case studies with a broader comparative view (however, see Golosov, 2004).

With respect to party development, it is difficult to imagine the institutionalization parties without their development outside of the capital, particularly in a country as geographically vast as Russia. The strengthening of party organization involves the creation of regional branches to foster membership and facilitate elite recruitment outside of the capital (Huntington, 1968). For governing and opposition parties alike, control of regional executives and legislatures provides a significant base of resources for party-building, with both political positions to sustain professional politicians and as a source of patronage for the parties. The creation of stable roots in society, particularly in the

absence of a strong, organized civil society, requires parties to be involved in regional and local politics, where parties may construct durable relationships with voters on tangible issues of public policy. Finally, the involvement of parties in structuring regional politics, which are more accessible to citizens and whose effects are immediately relevant to their lives, helps solidify the importance and reputation of parties in the minds of voters (Setzler, 2002).

Yet regional party development is not simply important as a necessary condition for party development at the national level. If democracy is unthinkable without parties in national politics, there is reason to believe that their absence in regional politics seriously undermines the quality of democracy at the regional level. To check the power of strong regional executives, parties are essential as organizations that can aggregate interests and persist over time (Carothers, 2002). The absence of parties at the regional level makes regional government effectively “democracy unclaimed,” to borrow a phrase from Grigorii Golosov.

The lack of attention to regional parties is regrettable because it may indirectly undermine the depth of democracy at the federal level. Subnational politics is an important site for elite recruitment and the absence of meaningful democracy may account for a perceived lack of talented and experience politicians in national politics (Fish, 2006). Where political elites begin their careers in subnational politics, they become important sites for political socialization that may influence the democratic orientation of future national elites (Setzler, 2002). If subnational politics are undemocratic and particularly where authoritarian enclaves abound, it undermines the procedural consensus required for democratic consolidation (Diamond, 1999). This is

true not only of elites but also of citizens. There is a long-standing tradition of viewing local politics as a crucial arena for citizen evaluations of democracy and for developing democratic tendencies (Putnam, 1993). This is particularly true in democratic transitions, where the accessibility of regional and local politics provides citizen the opportunity to participate and thus separate dissatisfaction for new and sweeping changes from a rejection of democratization altogether (Diamond, 1999).

The presence of strong regional parties may also improve federalism by aligning the interests of regional and national elites through their integration in party organizations. William Riker's (1964) seminal work on the operation of federalism stressed the importance of party systems in shaping the incentives of political elites and hence their strategies with respect to federal institutions. Where regional and national politicians share the same party label and reputation, it is in their interests to minimize intra-party conflict over federal issues (Rodden, 2003). In a recent variant with specific application to Russia, Filippov et al. (2004) argue that political parties may provide regional politicians the medium to long-term term career opportunities to bargain over the details rather than the institutions of federalism, countering centrifugal pressures even when their constituents may be sympathetic to radical regional bargaining. The importance of such the integration is paramount in Russia, where regional elites have both challenged the sovereignty of the center (Treisman, 1997) and obstructed reform policies that would extend the effective reach of the state (Stoner-Weiss, forthcoming).

## **(2) The Empirical Puzzle: The Failure of Party Organization in Russian Regions**

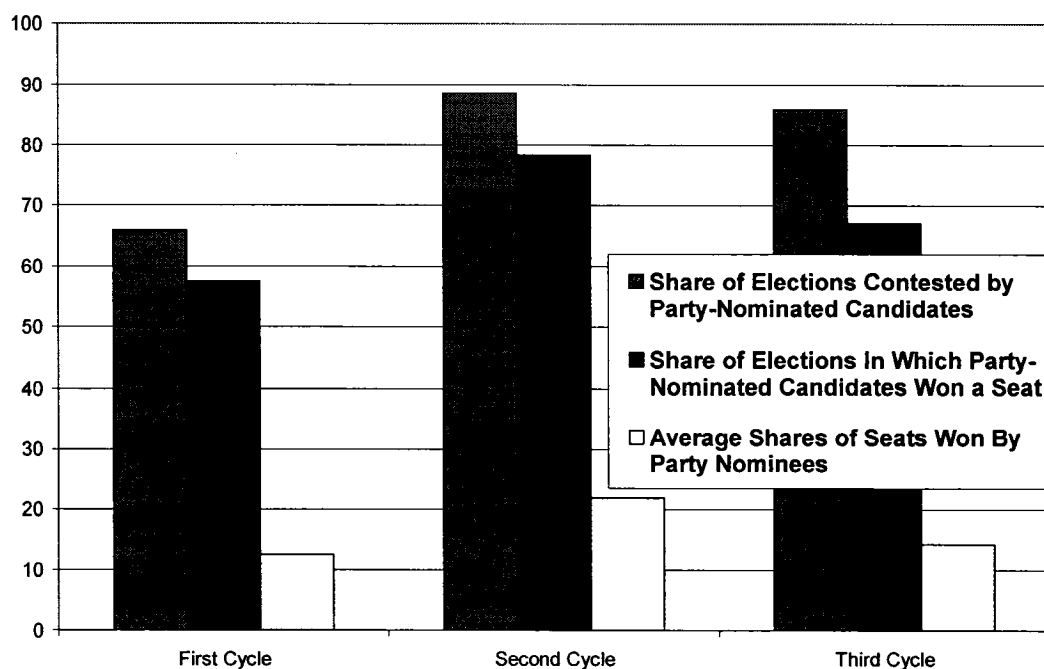
If the presence of political parties in regional politics are indeed important for democratic consolidation and the success of federalism, as this line of argument suggests, then the failure of Russia's parties to organize themselves in the regions is an important and neglected problem. The evidence of this failure is overwhelming. In national legislative elections, the majority of national deputies from single member districts (SMD) races in 1995 and 1999 were unaffiliated with a party. In these same elections, no party that won a seat in a SMD put forth candidates in more than 75 percent races. In fact, the majority of parties contest less than 40 percent of total SMD districts (Hale, 2006). By analogy, it is as if Canadian parties contested only ridings in Ontario and Manitoba in federal elections.

Party performance is even worse in regional politics. Candidates affiliated with national parties contested only half of elections for the powerful regional executives and won office in only 6 percent of elections from 1995-2003. In the first electoral cycle (1993-1995), party-affiliated candidates were presented in only 66 percent of regional legislative elections and won seats in only 58 percent of regions (Golosov, 2004: 73). During the second electoral cycle, only 20 percent of deputies in regional legislatures were affiliated with a party and only 9.5 percent with a national party. In comparison to US federal politics, it is as if members of the House of Representatives affiliated to national parties were only elected in Texas and Louisiana. At the aggregate level, then, Russian political parties do not monopolize the electoral arena but are instead only sparsely represented in regional politics.



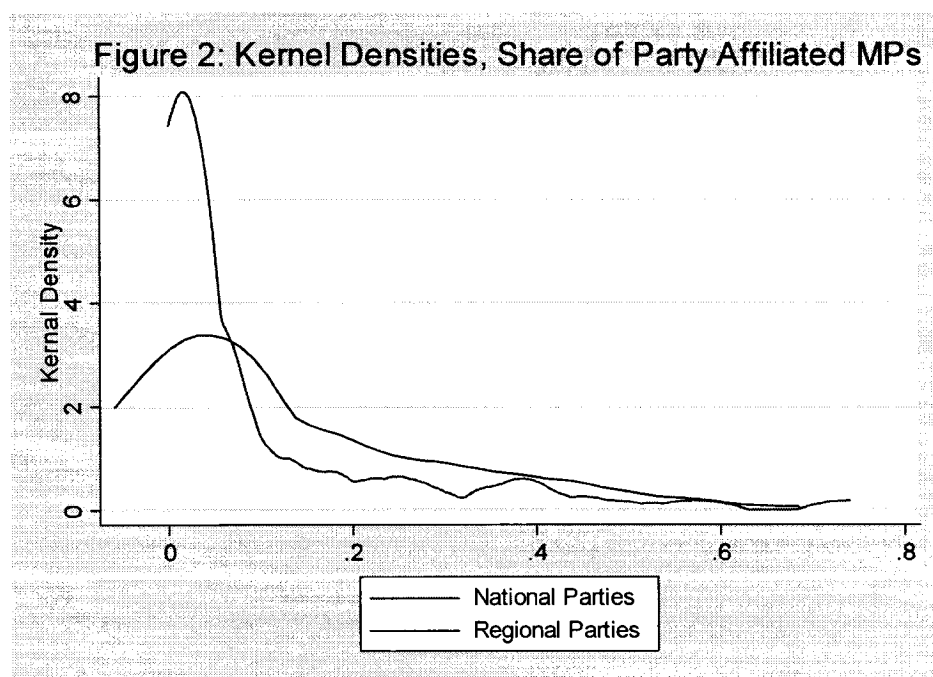
This outcome is puzzling for scholars of political parties. Most theories of party development take for granted the eventual success of parties over independent candidates in the long-run, invoking the indisputable organizational advantages offered by the former. In the classic writings of LaPalombara and Weiner (1967: 26), these authors note the “ubiquitous tendency” of mass parties to emerge with modernization and argue that with this emergence follows an inexorable contagion to local elites or traditional parties: “Willingly or not, the traditional, internally created parties were compelled either to imitate both the organization and manipulative patterns of new parties (and thereby to become mass parties in themselves) or to risk going completely out of existence.” To be fair, fifteen years of democracy does not necessarily constitute ‘the long run’ and it could be argued that parties will emerge with the maturation of democracy. The signs, however, suggest that party development in regional legislative elections has not experienced significant growth from 1993-2003 (Figure 1). The average percentage of seats won by party nominees only increased from 12.5 percent to 14.3 percent from the first to the third electoral cycles, despite large increases in the number of elections contested by party candidates.

**Figure 1: Political Parties in Regional Legislative Elections, 1993-2003**



Conventional explanations for the poor performance of Russian parties have focused on cultural, institutional explanations, or path-dependent strategic choices. Disillusionment with parties following the experience of citizens with the CPSU has been cited as an important factor constraining party development, in addition to assertions that Russian political culture is in tension with democracy (Hough, 1998). Other scholars have argued that the preponderance of executive power in both national and regional elections has undermined the importance of the legislature, the arena in which parties tend to form and develop (Fish, 2006). Finally, many observers have noted that the refusal of Russian presidents to be members of a party or engage in serious party development has shifted elite efforts towards interest groups lobbying the presidential administration directly (McFaul, 2001).

While all these explanations may partially explain why national parties are weak, they cannot explain the pattern of variation in this weakness across regions. Unless it is argued that political institutions and political cultures vary widely throughout Russia, these explanations imply a relatively uniform distribution of party development to be across regions, excepting random variation and perhaps geographic factors. The distribution of national party development is far from uniform, however, suggesting that other systematic influences are at work. Figure 2 displays a smoothed distribution of the share of national and regional parties across regions. The distribution of deputies affiliated with a national party varies considerably across regions from 0 to nearly 70 percent, skewed considerably to the left. This poses an empirical puzzle for party development: why have national parties been able to dominate legislatures in some cases yet fail to win a single seat in others?



### (3) Party Substitutes versus Political Parties in Regional Politics

The answer recently proposed by several scholars is that regional actors actively oppose the organization of political parties at the regional level. Golosov (2004) suggests that institutional labels attached to enterprises or prominent elite networks are at least as valuable as party labels and often provide greater resources, prompting viable parties only where intraelite conflicts become acute. Stoner-Weiss (2001) argues that regional elites who benefited from partial reforms oppose the development of parties (national or otherwise) because they have an interest in political underdevelopment that would maintain the status quo. These observations are generally consistent with the impression that regional actors have worked to stall both economic and political reforms, largely for the purposes of rent-seeking.

Hale (2005; 2006) presents the most sophisticated version of this thesis with his concept of party substitutes. Focusing on individual incentives for party affiliation, Hale argues that candidate recruitment can be analyzed as a marketplace for ‘electoral goods,’ where parties supply organizational support, resources and reputational assets to candidates in exchange for loyalty. In mature democracies, effective parties monopolize this process because they can offer such attractive electoral goods that only the most exceptional of independent candidates succeeds in elections. The marketplace for electoral goods faced by potential office-seekers is not simply contingent on the packages of services offered by parties, however, but also non-party actors who offer similar services – what Hale calls party substitutes or party alternatives. Examining the local context of national electoral races, Hale proposes that entrenched regional governors and powerful financial-industrial groups are able to provide excellent electoral services to

candidates through administrative and financial resources, crowding parties out of the electoral market.

Hale presents impressive evidence to support this contention. The most important is a quantitative analysis of the impact of party substitutes, primarily with respect to Duma elections and regional executive elections (although limited analysis also covers regional legislatures.) Using expert evaluations, Hale demonstrates that unofficial endorsements by powerful regional substitutes significantly improved candidate performance in Duma elections. He also provides an intriguing analysis of the origins of the regional elites who often act as party substitutes, linking it to communist legacies in political economy and political ethnicity.

Despite these insights, however, important questions remain about the nature of party substitutes. What resources and strategies have allowed regional elites to effectively oppose regional party development? Evidence on party alternatives has largely been anecdotal and does not place this strategic choice within the context of transition politics. What incentives drive regional elites to stall party development rather than simply co-opt national parties or create subservient regional parties? Given that party development theory proposes that parties offer distinct organizational advantages to solving collective action problems in the pursuit of office and social choice problems in the legislature, why have regional elites not turned to parties as well? And if parties are absent from regional politics, what institutions take their place in channeling political demands and maintaining intra-elite cohesion?

This thesis will engage these questions by examining the dominance of party alternatives in regional rather than national politics. Indeed, there is reason to suspect that

shifting the level of analysis from national to regional politics may yield additional insights into party substitutes and provide answers to these questions. First, regional government and policy is the primary arena in which the interests of regional elites are at stake. For regional executives, it represents their electoral base of support and the site for the electoral competition that determined their political careers. For regional enterprises, it is the locus at which most economic and regulatory policies were primarily formulated and implemented and hence where their political lobbying could most effectively influence their economic success. While the importance of central politics to these actors should not be underestimated, regional politics remained the arena in which their interests are most directly concerned. To the extent that party substitutes (like political parties) are organized to influence public policy, we should expect them to be most visible at the level at which the relevant locus of decision-making rests (Chhibber and Kollman, 2004).

Second, regional politics provides the political context in which the motives and logic of party substitutes are best understood. In the arena of national politics, regional elites are one actor among many competing for influence over state deputies, with significant intervention from not only parties but financial-industrial groups and the governing party. In regional politics, the number of relevant actors are limited and their interests more constrained than in national politics, with its greater scope for strategic interaction. In other words, the actors who have the ability to play the role of party substitutes can be better understood precisely because they are fewer and have more predictable interests in regional politics.

Third, if electoral substitution is one strategy among many by which the interests of a limited number of regional elites are pursued, subnational politics is the appropriate level at which to reconstruct the logic of this strategic choice. Electoral substitution requires significant investment in networks of influence and patronage, investment with high opportunity costs given the high stakes of transition politics. Once constructed, however, the political influence of these networks is fungible, able to influence the choices of candidates and citizens in both regional and national legislative elections. For regional elites, subsequent analysis suggests that the initial impulse for building electoral substitutive capacity was the consolidation of regional governing arrangements rather than the costly and risky project of influencing national politics. By carefully choosing representative case studies and identifying common institutional constraints on strategic choice, we may reconstruct the strategic dilemmas facing regional elites and identify the factors motivating electoral substitutors. From this framework, we may also identify the initial endowments which influence this strategic choice and those which determine its potential for success.

Finally, the arena of regional politics allows us to focus on strategic interactions between our two principal regional actors: regional enterprises and regional executives. Following Hale's analogy between party substitutes and firms competing in an open market, the actors who compete with parties are portrayed as atomistic, largely independent of each other and holding only a single role in the political system. At the regional level, however, actors who have the resources to compete in the electoral marketplace are few and may form an oligopolistic market where the strategies of other actors may have a significant impact. In keeping with the analogy of an oligopolistic

market, we may also expect strategic behavior such as collusion and defection between different elites who act as party substitutes. Where both regional executives and regional enterprises have the capacity to act as party substitutes, does cooperation or rivalry ensue? Hale's approach portrays party substitutes as independent actors in competition and neglects the possibility for strategic interaction between party substitutes. Shifting the focus to regional dimension of transition politics provides a better context to understand the ambivalent relationship between regional enterprises and regional executives, who shared incentives for both cooperation and rivalry.

#### **(4) Research Design and the Structure of the Thesis**

This thesis thus presents an explanation for the substantial variance in the regional development of national parties in Russian politics. The answer lies in the construction of viable party alternatives by regional elites during the early stages of transition, the success of which depended on legacies of the communist period which in turn influenced the ability of regional executives and regional enterprises to cooperate and form informal coalitions. Where the latter succeeded, the expansion of national parties was made practically impossible. This thesis tests a simple model of the entry of national parties into regional politics, which is limited to their existence in regional legislatures (rather than success in regional executive elections or civil society). It heroically assumes that national parties invest equal resources into each region and are equally popular (relative to non-party candidates) in all regions, such that party success depends strictly upon the ability of regional elites to oppose them. In other words, no regional branch of a national party enjoys any advantages in resources or popular support with respect to independent



candidates relative to another region. Variance in party success in regional politics strictly depends on the variance of resources (both material and ideational) available to non-party candidates across regions. This model is tested quantitatively using a cross-section of regions and then qualitatively based on systematically chosen case studies to assess the measurement error of the indicators employed. The latter analysis also evaluates the limitations of this simple model, particularly the exclusion of central actors who regularly intervened in regional politics.

The rest of the thesis elaborates these arguments and offers supporting evidence. Chapter 2 combines older literature on party development with institutionalist insights to propose a more theoretical understanding of party alternatives. I propose that party substitutes collectively form informal institutions that serve the same ends as their formal counterparts in governing the pursuit of elected office for candidates. I formulate a simple model of the territorial expansion of national parties that accounts for the constraining effects of these informal institutions. This chapter also provides a quantitative test of this model using cross-sectional data from the second electoral cycle (1995-1998). The findings indeed suggest that the power of regional enterprises and regional executives was negatively associated with national party development, suggesting that where these regional actors have the capability, they often succeed in constraining the expansion of national parties.

While this analysis suggests that regional elites have the motive and indeed succeed in opposing the expansion of national parties, it does not explain why some regional elites possess the capability to do so and why others did not. Chapter 3 provides a historical framework through which to the strategies and interactions between regional

elites may be understood. I argue that the ability of regional elites to provide powerful party alternatives is contingent upon both communist legacies and the successful formation of winning coalitions between regional executives and powerful regional enterprises. The inheritance of political cleavages and the degree of autonomy gained by regional enterprises during the Soviet period profoundly influenced the relative bargaining position of regional executives and regional enterprises in the formation of winning coalitions. Contrary to previous analyses of this relationship, these regional actors were generally ambivalent to the prospect of cooperation and possessed significant incentives for rivalry.

Chapter 4 applies this evidence to five regional case studies of Tatarstan, Novgorod, Nizhnii Novgorod, Ulyanovsk and Riazan'. The first three provide detailed evidence that where regional executives are powerful, they are able to marshal significant resources to prevent the entry of national parties into regional politics. The Republic of Tatarstan is an ideal case of when regional executives successfully integrate strong regional enterprises into a dominant coalition, forging a formidable authoritarian regime that prevents the entry of national parties. In Novgorod, the regional governor managed to dominate the legislature without incorporating firms through informal arrangements. In Ulyanovsk, however, both the regional executive and regional enterprises were unable to forge a dominant coalition and the weakening of the regional regime led to the successful development of a national party (in this case the KPRF). Finally, the case of Riazan' shows that where regional executives and regional enterprises are both weak and openly in conflict, they have incentives to enter into coalitions with national parties which lead to the consolidation of national parties in regional politics.

The final chapter explores both the limitations and the comparative implications of the argument. It emphasizes that the evidence available at reasonable cost forces certain methodological choices and introduces potential bias, yet argues that these drawbacks do not invalidate the general conclusions. These findings have important comparative implications for the study of political parties in new democracies and the comparative politics of federalism. I conclude with an assessment of the opportunities available for further research and their political importance in understanding contemporary Russian politics.

## **Chapter 2 - Developing a Model of National Party Expansion**

While the previous chapter laid out the puzzle of regional party development in Russia and outlined a basic framework for understanding it, this chapter will situate that framework within the broader literature on party development. Based on these insights and the data available, I elaborate a simple model of party expansion focusing on the constraints posed by party substitutes. Finally, I quantitatively test this model using aggregate-level data in a cross-section of Russian regions in 1995-1998.

### **(1) Conventional Perspectives on Party Development**

The classical literature portrays the expansion of parties as a natural process of political development: just as modernization inexorably transforms social structure in the passage from a traditional to a modern society, so parties slowly displace other forms of political organization. Because democracy is assumed to be unworkable by parties, theories of party development have assumed that “parties, like gases, [expand] to fill an institutional void due to the benefits they bring politicians and voters” (Hale, 2006: 8). Pre-party politics, in contrast, have been characterized as a ‘shapeless transitional phase.’ By its assumptions, the literature neglects a treatment of party alternatives as viable competitors and hence the object of serious study.

While the outcome of party development was not taken into question, the mode and timing of this transformation occupied serious attention from scholars of party politics. Classical research on political parties examined the political origins of party development in the belief that they crucially influenced the current nature and organization of the party (Duverger, 1954). In this way, Duverger focused on the centralization of power in party

organizations as well as the nature of local units in determining the forms of party organization. Scholars of political development, on the other hand, focused on the timing and progress of party development in developing countries. In this way, LaPalombara and Weiner (1967) argued that most parties in modernizing societies were in fact factions of the type described by Duverger, without continuity, a desire to seek out popular support and organization at the local level. While Duverger first proposed the 'contagion from the left' explanation for the development of mass parties, where the organization of parties with widespread roots in society by socialist parties forced a similar move by other parties, LaPalombara and Weiner took this idea farther and argued that this move was inevitable, coinciding with modernization.

Current explanations for parties and party systems also generally assume the inevitability of party development. The social cleavage approach to party development argues that deeply rooted cleavages in society produced the stable party systems of Western Europe (Lipset and Rokkan, 1967). In this view, social interests are ontologically prior to partisan politics and produce irresistible incentives for party entrepreneurs to organize parties based around these interests. In other words, social cleavages seek out politicians and parties rather than parties and politicians seeking out social cleavages. While new literature has emerged that gives considerable latitude to political entrepreneurs in determining which cleavages get mobilized over others, it concerns the configuration of cleavages rather than their existence and thus leaves the outcome of party development unquestioned (Mainwaring and Torcal, 2001).

In contrast, the institutionalist approach examines the incentives offered by parties to individual office-seekers and legislators, arguing that parties present a unique solution to

collective action problems (Aldrich, 1995). Parties allow office-seekers to pool resources and share reputational labels and provide legislators with a means of coordinating their voting for common advantage. Electoral institutions influence the number parties that emerge by rewarding coordination between politicians, particularly in terms of entry into single district races (Duverger, 1954; Cox, 1997).

While both of these perspectives hold crucial insights into the social conditions facilitating office-seeking and the individual motives to do so, they fail to specify the process by which national parties crowd out factional and regionalist parties. Moser succinctly poses the empirical problem:

Relatively little attention has been given to party building. Political parties are not born as nationwide organizations with networks of local organizations stretching across a state's territory. They typically start out as small, geographically concentrated organizations or as cliques among governing elites in the capital. Only with time, effort, and luck do parties expand their influence and organization, eventually contesting elections in all of a state's regions and at national, state, and local levels of electoral competition. (Moser, 1999: 147)

It is to this question about the processes by which national parties expand into regional politics that I now turn.

## **(2) Regional Party Development and the Nationalization of Parties**

The limited literature available describes this process as a struggle rather than a simple diffusion across geographic space. Rokkan (1966: 244), for example, labels this process in Norway as politicization, characterized as “the breakdown of traditional systems of local rule through the entry of nationally organized parties into municipal elections.” Historical studies have often relied on the same types of social cleavage or institutional arguments employed by conventional party explanations. Caramani (2004), for example, argues that European parties became effectively national parties when broad

affiliations such as class, religious and ideological issues trumped regional interests in the minds of voters. While Caramani shows that the timing of this occurrence in Europe effectively predates (and thus rules out) extension of the suffrage and industrialization, details of this struggle remain obscure.

In his analysis of party development, Panebianco (1988) distinguishes between parties formed by territorial penetration or territorial diffusion. While the former begins with a central party that directly creates local branches, the latter involves the confederation of regionally independent political groups. Often this involves a combination of the two, whereby certain regional associations confederate to a national party organization which then expands into other regions. However, the determinants of success of this process is left essentially unexamined.

Most historical studies have examined the process of territorial diffusion, or the formation of nation-wide parties based on regional political associations. Aldrich's (1995) case study of Van Buren's success in uniting state-level political machines behind an attractive candidate, Andrew Jackson, is illustrative. Indeed, what little analysis exists on the role of federalism in party development characterizes this process in terms of territorial diffusion. In a comparison of American and British party development, Epstein (1967: 32) notes that federalism provides a different institutional environment such that "instead of being formed nationally, with local branches, [parties] are formed primarily to contest regional elections."

Chhibber and Kollman's (2004) recent work on the nationalization of party systems in federations also focus on the importance of the centralization of the state on party

aggregation (territorial diffusion) rather than party penetration. As Chhibber and Kollman admit, however:

It would be nice to represent the formation process of national party systems as following a trajectory of increasing size and scope of party aggregation, from local notables winning office without labels, to making links across a few districts on local-party labels, to linking to state or provincial labels, and eventually to linking across states or provinces to forge national parties under national labels. Such a gradual “bottom-up” story, however, would be misleading as a description of the historical processes behind the formation of national party systems. In all four countries [Canada, Great Britain, India and the United States], the first political parties with influence on national policy had top-down organizational structures centered in the national capitals. (Chhibber and Kollman, 2004)

In part, this reluctance is due to the fact that it is difficult to track the development of regional party organizations. If we imagine this process as an investment decision by parties into different regions, we should rationally expect the penetration of parties to be most successful where the cost is lowest and see corresponding party investment decisions accordingly. The challenge of measuring this investment and success due to data constraints make an empirical examination of the penetration process difficult. In a rare study of territorial penetration in Norway, Rokkan (1970) suggests that industrialized areas closer to the capital were more successful in building party organizations. In contrast, rural areas, particularly where agricultural workers had not been drawn into the monetary economy and territorial-cultural opposition to the center persisted, showed the greatest resistance from elites with entrenched patterns of local rule.

While the development of local branches certainly played a role in territorial diffusion, such as the establishment of party organizations and media, there is a near unanimity in the consensus that the co-optation of local notables was a crucial condition. Huntington (1968: 444) noted that the extension of suffrage to rural masses with traditional social relations tended to strengthen and legitimize local elites. As Duverger



(1954) argued, the social standing held by local elites and the de facto role they played in regional governance made them natural benefactors of the electoral process:

Imagine however, the sudden extension of the suffrage: if, at the same time, no one creates or develops active committees capable of securing the confidence of the new electors, these will inevitably tend to vote for the only candidates of whom they have any knowledge, namely the traditional social elites. Thus, at the elections to the French National Assembly in 1871 the suffrage suddenly became free after twenty years of official candidatures, but there were no parties, and so the great mass of voters in country areas turned to the local landlord. (Duverger, 1954: xvii)

Rokkan (1970) notes that the expansion of Norwegian parties depended on the aggressive incorporation of local elites irrespective of ideological orientations that could mobilize these votes. Chhibber and Kollman (2004) devote an entire chapter to the common history of the co-option of local notables by national party organizations through patronage. According to these authors, the territorial penetration of national party organizations in all four countries depended on this process, where political loyalty would be exchanged for patronage. In Canada, for example, John A. MacDonald built the party organization by centralizing control over offices used for patronage and distributed solely based on political loyalty rather than social or economic connections. In the majority of the four cases examined by Chhibber and Kollman, however, this patronage was largely gained from government offices and thus it was the ruling party that was first able to construct strong parties (*contra* Duverger's 'contagion from the left' thesis.)

The history of party expansion, then, is not a passive diffusion but an important element of centralization, accomplished through overt coercion and covert co-option over time. Nor do scholars that empirically study the subject endorse the idea that national parties immediately eliminated local notables. In many cases, however, the "co-option" of local notables through patronage put the party in a less dominant position than

conventional views of patron-client relations might suggest. In India, for example, the Congress Party rapidly organized local electoral associations to contest the post-Independence elections by co-opting local landlords, who mobilized dependent voters often referred to as ‘vote banks.’ While funds for development depended on loyalty, local notables often captured the party at the local level and factional conflicts persisted between local party units. Where local elites were denied nomination, they often succeeded in running as independents and were re-integrated back into the Congress Party for greater benefits.

While Chhibber and Kollman argue that the power of these local notables declined over time, citing the decreasing average vote shares of independent candidates, it is perhaps more appropriate to speak of a fusion between national parties and associations of local elites. Weiner’s (1967: 15) classic account of the functioning of the Congress Party emphasized the adaptation of the Party to local practices, including the preferences of local elites, rather than innovations which would promote the rapid dominance of the party: “In its effort to win, Congress adapts itself to the local power structures. It recruits from among those who have local power and influence. It trains its cadres to perform political roles similar to those performed in the traditional society before there was party politics.” Hence, the process of co-option was not simply one of replacement but of negotiation and adaptation for both national parties and local elites.

### **(3) Parties as Formal Institutions and Party Alternatives as Informal Institutions**

While these studies capture the empirical process of territorial penetration or *how* national parties were able to expand across national territory, they do not provide a persuasive causal explanation that could describe *when* this expansion should occur. Why were certain regional elites amenable to co-optation but not others? What explains the rapid territorial penetration by national parties in Western Europe in the 1870s and 1880s rather than decades before or afterwards? Authors in this line of research focus on the competition and organization of central parties rather than their competitors in the regions. Yet this process must also be dependent on the strength and tenacity of local notables and regional competitors, who are neglected (perhaps due to the difficulty of acquiring evidence) in this process. Indeed, the rapid conversion of local notables described in the literature suggests that while national party organizations may indeed have severely raised the costs of supporting regional party alternatives over national parties, the rapid expansion may be due to a tipping point at which notables shifted to parties rather than a simple eradication of party alternatives.

If the agency of regional elites is important in this process then it is worth considering the move from maintaining party alternatives to supporting parties as a strategic choice, if a constrained one. To understand this choice, however, requires a better understanding of the alternatives presented to regional elites or the relative benefits of parties over party alternatives. In doing so, I will argue that both phenomena are electoral institutions or “procedures, routines, norms and conventions embedded in the organizational structure of the polity,” in this case governing candidates’ pursuit of elected office (Hall, 1996: 938). In other words, both political parties and party substitutes are sets of rules and constraints facing potential office-seekers, offering packages of resources necessary for their election

in exchange for future political loyalty. Just as political parties set rules that provide information, reduce transaction costs and redistribute resources, so do party alternatives.

A serious caveat is drawn from North's (1990) distinction between institutions and organizations, the first being the rules governing interaction and the second being an organized group pursuing certain goals. Political parties are indeed organizations that recruit personnel, formulate platforms and ultimately contest elections. When examining the dilemmas of individuals pursuing office or seeking to pass particular legislation, however, these same organizations offer rules, procedures and relatively fixed incentives that can be analyzed as institutions (Aldrich, 1995). From the perspective of parties, then, they themselves are one organization among many competing for offices through elections but for individual office-seekers, parties are institutions that maintain durable rules of engagement in electoral competition and that predictably offer certain kinds of incentives, although the specific terms may vary depending on the candidate. Whether parties are organizations or institutions, then, depends on the level of analysis and for the purposes of understanding the 'electoral marketplace' faced by office-seekers, they should be understood as institutions.

Despite the fact that both parties and party substitutes are both institutions fulfilling similar functions in the same domain, they do so in different ways and thus possess very important differences. Political parties are formal, "parchment" institutions with official mechanisms punishing sanctions against members that do not obey these rules (Carey, 2000). While political parties certainly vary in their degree of organization and the strength of those rules, they are nonetheless "an enduring association of people who identify themselves with a public label and who are joined together under this label for

the primary purpose of controlling government by means of presenting their own candidates in elections for public office on the basis of a common platform” (Hale, 2006: 10). In this sense, the label and platform are public not only because they are commonly identifiable but because they are “official” (to return to Sartori’s definition) in the sense that they are publicly endorsed or acknowledge by the office of an organization (Sartori, 1976: 56-64).

In contrast, the party substitutes offered by regional elites are informal institutions in that they are “social rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels” (Helmke and Levitsky, 2003). They are not, however, simply durable patterns of behavior or traditions of local politics but rather commonly understood rules (at least by office-seekers) that lack official enforcement mechanisms. Regional elites certainly informally enforce these rules and evidence of punishment for defection or even affiliating with parties are common in regional politics (Golosov, 2004). Like parties, party substitutes are primarily about controlling government and winning office. They lack, however, the public label and common platform so crucial for electoral accountability. While regional elites may explicitly or tacitly endorse certain candidates and while this may be more or less common knowledge for voters, they are not sanctioned in a public capacity or through the offices of an organization. Finally, party substitutes are often volatile and temporary in their structures rather than enduring and often alignments do not exist beyond the patronage of their sponsors, lacking an organizational life of their own. This is not to say that these informal institutions are not enduring. Rather, it is the particular organizations within the framework of these informal institutions that are volatile rather than the overall

arrangements themselves, much as the pattern of parties of power in Russian national politics endures even if the individual party organizations do not. Despite these distinctions, however, party substitutes do provide widely understood rules governing the pursuit of office in many regions and possess powerful informal means of sanctioning defectors, as illustrated by this anecdote about nomination procedures in the Republic of Tatarstan:

A former chairman of the Writers' Union of Tatarstan, member of the State Duma in 1993-1995, and member of the State Council of Tatarstan in 1995-1999, Rinat Mukhamadiev, decided to run in the State Duma elections of 1999 in the Nizhnekamsk constituency. The following dialogue took place when he visited the Head of the Presidential Office, Gubaidullin:

Gubaidullin: You are not on the list. This time you won't be a deputy, neither to the State Duma nor to the State Council.

Mukhamadiev: Why?

Gubaidullin: You no longer hold a managerial post.

Mukhamadiev: This is the end of October. How do you know who will be elected?

Gubaidullin: Why do you think we are sitting here? *You are not a novice in Tatarstan and do not need any explanation of how things are done. You know very well that it will be the way we say.*

When the writer declined the ultimatum to withdraw his candidacy, the head of the Presidential Office said: 'This is up to you, but you stand no chance. Ziyatdinova will be elected.'

Mukhamadiev: I am not sure people in the rural areas know her better than me.

Gubaidullin: That is of no consequence. It is enough that we support her.

Gubaidullin was right. Fluera Ziyatdinova, head of the Protocol Department of the Presidential Office, was elected. (Farukhsin, 2001: 197, emphasis added).

The important distinction made in this anecdote is not that the regional executive administration had the power to elect one candidate over another with virtual certainty but that the process and criteria of selection (holding a managerial post) were assumed to be common knowledge among office-seekers even if they were not formally communicated by the government.

Despite these crucial differences, however, local elites and national parties compete for the same prize: to control the electoral framework in which candidates run for office. In deciding their affiliation, individual office-seekers must thus choose not simply between parties but also between parties and party alternatives. Where competitive candidates choose parties, they quickly become the dominant framework governing the pursuit of elected office. As Smyth (2006) points out, however, Russian candidates often face a real choice between these two competing alternatives. The question then becomes what factors influence this choice for candidates?

In the classical literature, office-seekers are assumed to affiliate with the party closest to their ideological position in order to improve their prospects in electoral contests (Aldrich, 1995). The key proposition is that the pursuit of policy goals through the strengthening of their party organization is secondary to the pursuit of office: “as rational individuals, office seekers will put forth only as much effort [in creating party organizations] as they believe is essential to realizing their own ambitions. They will only join in creating, shaping and maintaining political organizations best suited to their purpose” (Schlesinger, 1994: 33). The essence of affiliation with a party or party substitute is an exchange between the latter and the candidate. Smyth presents a succinct description of this bargain:

If a candidate affiliates with a party, he or she gets voter support conveyed by the party’s brand name label and, potentially, some material resources to support his or her campaign. In return, the candidate gives up some of his or her own resources that are invested in the collective effort of party building. These resources can be concrete – workers, office equipment, or money – or less tangible, such as a candidate’s reputation, which some voters will transfer to the candidates’ party. The candidate also accepts the potential of future constraint if the party is able to invoke discipline in the legislature. (Smyth, 2006: 166)

Parties and party alternatives, on the other hand, wish to recruit high quality candidates that will attract votes and ultimately win seats with the least investment. While there are large numbers of potential candidates available for recruitment, there are only a limited number of candidates with the personal qualities that will win them votes. The competition between parties and party alternatives for these limited high quality candidates centers on the terms of this exchange with the candidate.

Hale (2006) proposes an analogy between this competition and a 'marketplace' for electoral goods in which would-be candidates are the consumers and parties are suppliers of products, such as reputation, organization, and financing, that candidates hope will help them get elected. In developed democracies, national parties virtually monopolize the nomination of competitive candidates because they provide the best package of organizational support, financial means and reputation capital for voters. Where local elites are stronger relative to parties, however, they can effectively compete in delivering these goods and may even monopolize the market for electoral goods. This is particularly likely where parties are well-developed and local elites have access to financial resources, administrative resources of the state and alternative institutions by which to mobilize voters. By refocusing on the individual office-seeker, Hale provides a powerful way of understanding the conditions under which parties may fail to dominate electoral politics:

...Parties will close out the electoral market, coming to dominate the democratic system, only when they establish themselves as the sole credible suppliers of electoral goods and services. Likewise, parties can fail to close out the electoral market even when they are in fact successful and powerful providers of electoral goods and services; if party substitutes prove to be equally mighty, candidates may continue to choose them even over strong political parties. (Hale, 2005: 150)



If we understand parties and party alternatives as different forms of electoral institutions, the struggle over the territorial penetration of national parties is not simply about competing organizations but a conflict over whether formal or informal institutions predominate. This dynamic provides a more accurate picture of territorial penetration as a form of institutional change. Based on his understanding of parties as institutions that solve collective action problems between office-seekers, Aldrich (1995) describes the process of party organization as a punctuated equilibrium. In other words, political parties may be endogenous institutions but they are more than a coalition of ‘congealed tastes’ and prove difficult to change once in place. To dismantle the old institutions and replace them with a new party organization, four conditions must hold:

First, there must be a sufficient common interest for politicians to seek to coalesce... Second, these common interests, the problems the potential party coalition seeks to solve, must be ones that its putative founders expect to require solution over a relatively long period... Third, the current institutional arrangements must, in their view, be insufficient to solve their problems on terms suitable to their goals. Indeed, the current institutional arrangements are usually keeping them from achieving their goals... Fourth, and implicit in all three conditions above, there must be opposition of sufficient (potential) strength to put winning – that is, realization of those collective goals – at risk. (Aldrich, 1995: 284)

While Aldrich applied this explanation to shifts in party organizations, they equally apply to the original formation of parties themselves. In an influential model of party development, Huntington (1968) formulates conditions identical to those of Aldrich. He argues that parties begin in a state of factionalism (similar to party substitutes), in which volatile coalitions of elites cooperate on a limited basis without relying on party resources or labels. The polarization of politics is required to bifurcate the political arena by requiring either the overlap of social cleavages or the emergence of a dominant issue that separates elites into two distinct groups. Without this polarization, office-seekers will rely on temporary alliances to redistribute power rather than expand

political participation in an effort to gain popular support. Thus, the transition from faction to party requires not only common office-seeking interests but a durable issue dividing politics by a credible rival.

If this characterization holds, then, party development is not simply the construction of political organizations in a void but rather the replacement of informal institutions by a formal one. Given the conditions posited by Aldrich, the perpetual advantages offered by formal organizations are not sufficient for party development. Instead, it requires a durable problem important enough to capture the interests of office-seekers with short time-horizons that is equally unsolvable within the informal institutions in place. As with any instance of institutional creation, we should expect it to favor certain actors over others and hence become the site of significant political contestation.

As described in the earlier section, however, rather than an existential struggle between informal electoral institutions created by local elites and the incursion of formal party institutions, the process of party development often features of a combination of the two. Where party organizations are weak but gain the support of local elites through co-optation and patronage, informal institutions play a substitutive role, mobilizing votes and recruiting strong candidates in place of the incentives offered by the party. While Chhibber and Kollman's analysis suggests that parties eventually work to control these local elites, their selection only of established parties obscures the possibility that local elites may defect or continue to keep the party subordinate. Indeed, unless local elites occupy key roles in the party organization then formal and informal institutions may be in acute tension, where more than one set of 'rules of the game' applies to office-seekers.

More common, then, is the competition between national parties and local elites described by Rokkan in which the interests of actors bound up in these informal institutions are divergent rather than convergent. In this case, the informal paternalist practices in which local elites have veto power over candidate selection and provide predictable patterns of clientelistic exchanges for voter support are incompatible with the same rules provided by parties (Levitsky and Helmke, 2003: 727). While the particular directives produced by the two electoral frameworks may be congruent, particularly where local elites support parties, the formal decision-making procedure and linkages between politicians and voters are always in tension.

#### **(4) Regional Elites and the Construction of Electoral Institutions**

Explaining the eventual outcome of these competing institutions, however, requires a better understanding of why local elites may tend to support informal over formal institutions. Unless local elites derive benefits from informal institutions, it is not clear why they would not instantly defect to any party organization offering them benefits. Even if we accept the earlier argument that party organizations are an inherently superior form of institutions for providing electoral goods, why would elites not form their own regional parties in the face of competition from national parties which they do not control? Just as elites have formalized many informal rules of the game that already favor them, why do regional elites simply not formalize electoral institutions in accordance with the prevailing power asymmetries? (Knight, 1992)

A complete explanation of these strategic choices requires a comprehensive analysis of the incentives and constraints facing local elites during the politics of transition. As

Chapter 4 suggests, in most cases the regional transition from communism dismantled the formal and informal institutions of the Soviet-era regional regimes and thus regional elites faced a distinct choice to either reconstruct informal electoral institutions or invest in party organizations. The case studies presented later will use the scarce evidence available to understand the constraints that led to partnership with national parties. Several theoretical explanations may shed light on why regional elites overwhelmingly choose informal institutions rather than national parties or regional parties when faced with this dilemma.

Kathryn Stoner-Weiss (2001), for example, argues that the introduction of a formal party organization by its very nature introduces an undesirable degree of accountability for ruling elites. For Stoner-Weiss, the motive for this lack of accountability is rooted in the gains of ruling elites from partial reform:

...political parties by their very nature would introduce a level of accountability to a wider sphere of interests that directly collides with the rationally preferred outcome of political underinstitutionalization of early transitional winners at the provincial level. They therefore shun party development and actively work to maintain an equilibrium of underinstitutionalization. (Stoner-Weiss, 2001: 408)

In other words, a party organization would create greater incentives for seeking popular support, which may collide with the interests of a privileged economic elite. While this explanation is certainly persuasive for some regions where the degree of state capture by enterprises was particularly high, it certainly does not apply for all Russian regions.

A more persuasive argument, however, is that the decision to formalize electoral institutions and construct party organizations entails not only costs but significant risks

for ruling elites. From the perspective of the political economy of authoritarianism, Haber (forthcoming) argues that a ruler faces perpetual insecurity from a coalition of elites, the 'selectorate,' that have the power to veto his policies and hence depose him. In order for these political entrepreneurs to succeed in this, they require an organizational base by which to overcome collective action problems. The construction of a formal party organization provides this forum as an alternative center of power which not only provides the focal point, rules and procedures to coordinate action but also administrative and reputational resources required for popular support. Investment in party organizations by ruling elites is thus a principal-agent problem in which resources invested may be turned against the principal in favor a potential challenger. This problem has also been labeled the 'dilemma of state leaders' by Joel Migdal (1987; 1988), who argues that many rulers intentionally weaken political institutions once in power to reduce this threat.

In contrast, while informal institutions vary in their forms, they are invariably dependent on elite networks in the Russian case. Because networks are partly based on personal connections and trust that are non-transferable assets, they cannot simply be taken over by challengers (as would formal organizations), which places greater constraints on the agents. The lack of organizational base and the ad hoc nature of these informal arrangements also makes it difficult for potential challengers to coordinate and overcome the risk of collective action problems. In this way, pervasive informal networks give ruling elites a comparative advantage over challengers when it comes to their partners such as enterprise directors, which will be discussed in Chapter 4.

In addition, Grzymala-Busse and Luong (2002) also argue that transition politics provided a short window of opportunity in which to consolidate power and shape

institutions for their gain. The rapidity of transition combined with the high stakes associated with institutional creation put a premium on rapid action, which made initial endowments very important in shaping elites' strategic choice. From this reasoning, the destruction of formal institutions of regional governance based on the CPSU and the pervasive informal arrangements that persisted between administrative elites and enterprise directors may have facilitated the emergence of informal rather than formal institutions, including electoral institutions. When one considers the high costs of investing in party organizations relative to informal electoral institutions as well as the associated risk, it is less surprising that informal electoral arrangements have prevailed over formal ones grounded in strong party organizations.

If creating subordinated parties involved cost and risk for regional elites, accepting co-option by national parties involved less resource costs but greater costs in terms of autonomy and high risks. Unlike regional parties which can easily be subordinated to the ambitions of regional leaders, the reputation and decision-making process of national parties are often beyond the influence of regional elites, even if they are powerful in their own territory. While capture of national party organizations in the regions may be possible, sharing the public label with a national party invariably constrains the actions of the regional elite with respect to the electorate. Without complete control over the platform, label and ultimately the operation of the party, regional elites faced significant constraints and higher risks that the party organization would eventually displace them in regional politics.

As well, preventing the entry of national parties into regional politics is consistent with a strategy of segmented political markets characteristic of powerful regional elites.

As Gibson (forthcoming) suggests, regional elites have strong incentives to restrict the scope of subnational politics (as “boundary-closing agents”) in an attempt to block the entry of powerful outside actors. The case studies of Russian regional politics that follow show that powerful regional elites are constantly vulnerable to central interventions, particularly the powers of appointment enjoyed by Yeltsin until 1995, and that patronage from the center often tipped the balance in regional struggles. In contrast, regional elites that are outsiders to the dominant coalition have strong incentives to sponsor the entry of central actors (as “boundary-opening agents”), accruing benefits from being a local intermediary between the center and the regional electorate.

Hence, regional elites within the dominant coalition have strong incentives not only to oppose the entry of national party actors but to oppose the development of any party organizations at all, relying instead on informal institutions in which they hold a comparative advantage due to their access of informal networks. Once in place, these informal arrangements have a weight that makes them quite costly to change, as institutionalist theory predicts. Returning to Aldrich’s concept of punctuated equilibrium applied to electoral institutions, it requires a long-term challenge to existing elites that cannot be overcome within existing institutional arrangements for elites to break with these informal arrangements and resort to investing in party organizations. As described above, most theories of party development argue that protracted conflict is a condition for elite investment in a strong party organization (Duverger, 1954; Huntington, 1968; LaPalombara and Weiner, 1967). The following section outlines a theory of competition between local elites and national parties, arguing that these actors can be understood as providers of electoral goods competing for the loyalty of quality candidates.

### **(5) Party substitutes in Russian Regional Politics**

The transition from communism provided regional elites a unique opportunity to credibly act as party alternatives. In the early phases of transition, political parties were both organizationally weak and focused on national politics where the stakes were high (McFaul and Colton, 2004; McFaul, 2001). Gibson (forthcoming) notes that democratic transitions often produce windows of opportunity for regional actors to shape regional politics as the central state is weakened by the turmoil of regime change. The Russian Federation was no exception, where the ‘spontaneous decentralization’ produced by national level struggles gave regional governments significant autonomy from the center. Indeed, central control of the state nearly disintegrated and many observers feared that secessionist pressures from the Republics might fragment the Russian state.

Just as central weakness produced considerable regional autonomy, the economic transition produced massive reallocations of property rights, creating powerful new actors in regional politics. The massive privatization process intentionally favored insiders as a means of securing elite support for economic reforms and concentrated gains in the hands of a small number of elites. Regional control over the voucher auctions not only benefited regional governments but gave them discretionary powers that both enhanced their own positions and gave them massive opportunities for patronage. Both critics and enthusiasts agree that privatization enhanced the positions of regional elites, particularly in the face of central weakness.

Observers of regional politics agree that two kinds of actors dominated regional politics and had the resources to rival political parties in providing electoral resources:



enterprise directors and regional executives. The work of Kathryn Stoner-Weiss (1999; 2001; 2005) has continually emphasized the importance of regional economic elites in constraining subnational party development in Russia's regions. Given the USSR's legacy of large state industrial groups and the preservation of these groups during privatization, economic elites (particularly the 'oligarchs') have played a strong role in national Russian politics. The intense industrial concentration in regional economies has led not only to immensely powerful regional elites but also significant administrative resources to influence government officials and voters, who provide cradle-to-grave services from apartments to daycare. Stoner-Weiss notes that regional legislatures tend to be dominated by regional economic elites, who are elected as deputies or openly sponsor loyal candidates. Moreover, she argues that the powerful regional executives are largely dependent on regional economic interests for support and political power. The interest of economic elites in regional politics is largely to seek rents by limiting competition and entry in markets, receiving favorable tax regimes and otherwise protecting themselves from central state regulation and oversight (Stoner-Weiss, 2005).

Indeed, regional executives have powerful administrative resource at their disposal to influence electoral outcomes. The rapid decentralization of political and economic power during the Yeltsin era transferred considerable power into the hands of regional executives. Hale (2005) argues that by 1999, virtually all governors were chosen in popular elections and many had constructed powerful political machines that were capable of providing electoral services, often more effectively than parties. Governor discretion over administration and economic regulation endowed them with:

... the most powerful local organizations in Russia, consisting of strict hierarchies of executive officials, all beholden to the governor for their jobs and kept in line by locally controlled security structures. Governors could also provide material resources on a large

scale since they typically strictly regulated major financial flows in their regions through state ownership of local enterprises, fiscal levers, the coercive use of license-issuing authority, inspections and other powers. (Hale, 2005: 153)

In addition to material resources, administrative services were often employed to support ‘official’ candidates. Favorable media coverage, controlling access to public meetings and facilities for ‘unofficial candidates,’ improving the reputation of incumbent candidates by giving privileged access to regional services for the constituents and, of course, electoral fraud are all instruments at the disposal of regional executives. However, Golosov (2004) also argues that regional elites that publicly sponsor candidates lend a reputation or label that may be just as significant in the minds of voters as party affiliation. Hence, powerful regional governors may constrain subnational party development by using their financial and administrative resources as well their political reputations to favor their preferred candidates and punish party candidates.

#### **(6) A Model of Territorial Penetration**

In order to test the theory of party substitutes presented above, I propose a simple model of territorial penetration by national parties into regional legislatures. As suggested by the theory above, successful party development occurs when parties are victorious over non-parties in regional electoral contests, by offering better electoral resources and recruiting stronger candidates. This model explains the variance of national parties’ electoral success with reference only to one side of the contest, by accounting for the strength of party substitutes. Clearly, a fully specified model would examine the electoral goods offered by both party substitutes *and* national parties. As elaborated below, however, controlling for party-related factors would greatly complicate the model and

more importantly require data which is simply not available. Given these limitations, then, I am forced to make four important assumptions and I argue that while they do not completely capture the phenomenon under examination, the errors in my model are distributed sufficiently randomly to make the inference valid. At the same time, it must be recognized that the validity of the empirical results depend on a model of party development that effectively excludes parties.

First, I assume that national parties can be treated as an aggregate category, such that the competition explained is not between particular parties and particular party substitutes (where multiple exist) but between all national parties and all party substitutes. This effectively assumes that the variance in competition between parties across regions does not affect the results of the model. In other words, any party has an equally great chance of success no matter which actors are present in regional electoral politics. In every region, of course, the prospects of any individual party will vary based on a variety of factors such as the presence of parties in the same ideological family or the ability for parties to form electoral coalitions. I assume, however, that these factors do not introduce systematic error in the model when aggregated into a single category of national parties.

Second, I assume that national parties attempt to recruit competitive candidates and win office in all regional legislatures. In fact, this stands contrary to evidence showing that most parties do not enter candidates in more than half of races. It is possible and even probable that certain distant and politically marginal regions are simply not contested by any party candidates. I believe, however, that this occurs only in a minority of cases and occurs principally because these same regions often feature strong party substitutes. In

addition, I add a proxy for the political importance of a region by controlling for the region's population.

This criterion also restricts the domain of the test to regional legislatures rather than regional executives. In part, this is a counterintuitive methodological choice as regional executives hold the most power in regional politics and should thus hold the greatest potential benefits for party investment. The choice of legislatures holds several merits, however. Theoretically, the development of parties is traditionally observed in the legislature, where they can solve collective action problems between a team of candidates running for multiple offices and where they can solve social choice problems. Empirically, it is the arena in which national parties have been most successful in winning office and thus provides greater variance in the dependent variable.

Third, I assume that each national party invests equal resources into winning office in each regional legislature (or alternatively, that national parties do not invest in their regional branches or that their investment has no impact on their electoral success.) Effectively, this removes the central party organization as an actor in regional politics which targets investment into particular regions where it believes it has the greatest chance of winning. This assumption is unlikely to hold as central party organizations do invest in regional branches and unless this investment yields equal returns across regions, it represents an irrational strategy on the part of the national party organization. The error associated with this assumption is likely to be limited, however, as even important national parties such as the KPRF did not possess great financial resources and depended to a large extent on the fundraising abilities of regional branches (March, 2000). Furthermore, there is no reliable evidence on either regional membership or the transfers

received by regional branches for any national party, let alone all national parties. Even if this data were available, accounting for the distribution of resources across national parties would be required and would be difficult given the aggregate nature of the model.

Finally, I assume that voters are indifferent between parties and party alternatives across regions such that parties do not enjoy any popular advantage with the electorate over party alternatives in any particular region. While this assumption may not seem unreasonable, it implies that any particular party has an equal chance of success even in regions where it performed successfully in national elections. While this may be reasonable in countries where parties enjoy relatively equal votes shares across regions, the vote shares of Russian national parties vary considerably across its territory. In particular, the KPRF enjoys a definite popular advantage in the so-called “red belt” while more liberal parties such as Yabloko enjoy greater popularity in more metropolitan, urbanized regions. In fact, however, party substitutes are not necessarily insensitive or unresponsive to the ideological and policy preferences of voters. Candidates running in regions that share ideological affinities to the communist party (Ul’yanovsk oblast, for example) have adopted policies and symbolic appeals quite close to those of communist parties.

As stated above, this model is simplistic in that it accounts for only one side of contest implicit in the expansion of national parties, the side of party competitors. While there is reason to suspect that the distribution of party-related factors affecting their success in regional politics is not random, I believe that the distribution of these variables are not sufficiently correlated with the independent and dependent variables to invalidate the results. In particular, the errors associated with these assumptions is moderated by the

fact that the parties are aggregated rather than treated individually. Given the absence of quantitative data on national parties, however, I believe that this is best strategy available to estimate the impact of party substitutes on national party expansion. This model implies two hypotheses about the impact of party substitutes:

*H1: The greater the power of **regional economic elites**, the more actively and effectively they will oppose the development of national parties and hence the less those parties will structure regional politics.*

*H2: The greater the power of **the regional executive**, the more actively and effectively it will oppose the development of national parties and hence the less those parties will structure regional politics.*

## **(7) Testing Party Substitute Theory**

### **(i) The Empirical Framework**

Russia's federal structure affords an excellent opportunity to test the causal effects of party substitutes within a common political and cultural framework that is absent in cross-national analysis (Snyder, 2001). The great variation between Russian regions in both the presence of national parties and the strength of party substitutes provides a great amount of leverage in such a model. To test these hypotheses derived from the model of territorial penetration, I will examine a cross-section of 68 Russian regions during the second regional electoral cycle (1995-1998). In this section, I outline the empirical framework as well as the indicators employed and propose a method of estimation.

Based on the model of territorial penetration presented above, I examine a cross-section of regions in a single electoral cycle. This methodological choice is prompted by theoretical and empirical considerations. Theoretically, the model proposed above

operates at the aggregate level and hence a cross-sectional analysis is required. As discussed, however, this choice is largely due to the availability of data. Empirically, data is available for 68 of 80 Russian regions for this period, deliberately excluding autonomous oblasts. This choice of regions is common for cross-section analyses of Russia because of concerns over data quality.<sup>1</sup> The city of Moscow and its surrounding oblast have also been excluded as unrepresentative; the theories brought to bear on sub-national party development concern the periphery rather than the core of the polity.

Ideally, this analysis would be supplemented by a second analysis at the candidate-level, comparing the average vote shares for independent against party-based candidates. Indeed, it is precisely this measure that Chhibber and Kollman (2004) use to examine the decline of local notables in national party systems. Hale (2005; 2006) uses a similar method to analyze candidate outcomes in national legislative elections, including elements of candidate biographies. Unfortunately, however, electoral data is published only on elected candidates rather than potential candidates, making such an analysis impossible.

Lack of comprehensive data also forces the choice of only a single electoral cycle. Unfortunately, the official electoral data published by the Russian Central Electoral Commission covers only 1995-2000<sup>2</sup>, which excludes the majority of elections during the

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<sup>1</sup> Autonomous oblasts are nearly always remote regions with little population and poor state infrastructure. In this way, they are considered atypical and unrepresentative much like Hawaii and Alaska in the United States.

<sup>22</sup> The data are drawn from the following publications by the Russian Central Electoral Commission: (1) *Vybory glav ispolnitel'noi vlasti sub''ektov Rossiiskoi Federatsii, 1995-1997: Elektoral'naia statistika* (Moscow: Ves Mir, 1997) (2) *Vybory v zakonodatel'nye (predstavitel'nye) organy gosudarstvennoi vlasti sub''ektov Rossiiskoi Federatsii, 1995-1997: Elektoral'naia statistika* (Moscow: Ves Mir, 1998) (3) *Vyvory v organy gosudarstvennoi vlasti sub''ektov Rossiiskoi Federatsii, 1997-2000: Elektoral'naia statistika*, 2 vols. (Moscow: Ves Mir, 2001). (4) *Vybory v Rossiiskoi Federatsii, 1991-98: Elektoral'nyi spravocchnik dlia monitoringa, analiza i prognoza* (Moscow: Federal'nyi tsentr informatizatsii and Mercator Group, 1999), Compact Disk.

first electoral cycle (held in 1994) as well as a number of elections from the third electoral cycle held in 2001. While other authors such as Golosov (2004) employ unofficial electoral data from regional sources, this data covers only the official results and excludes data on the background of candidates that I employ in my model.<sup>3</sup> In addition, data from another independent variable, the index of state capture (Slinko et al., 2003), does not cover the third electoral cycle.

This choice of time periods introduces the possibility of selection bias. While I am confident that the choice of regions is fully representative of the total population, using only the second electoral cycle raises issues about the external validity of the results. First, the rapid evolution of regional politics and institutional changes make regional politics a highly volatile phenomena to examine and so generalizations based on a single time period must be made with caution. Second, the analysis presented in chapter 3 suggests that founding regional elections may act as a critical juncture, such that if any group of regional elites (but particularly incumbents from the Soviet era) dominate these elections, they are more able to design regional institutions in their favor and thus consolidate regional regimes. If this conjectures holds, this path-dependence means that we should expect the outcomes of the second electoral cycle to be partially dependent on the results of these founding elections. As we cannot including the results from the first electoral cycle as a lagged variable, the model will thus not be fully specified and overestimate the causal impact of party substitutes by not recognizing the indirect impact of these path-dependent elections. While these qualifications should make us cautious

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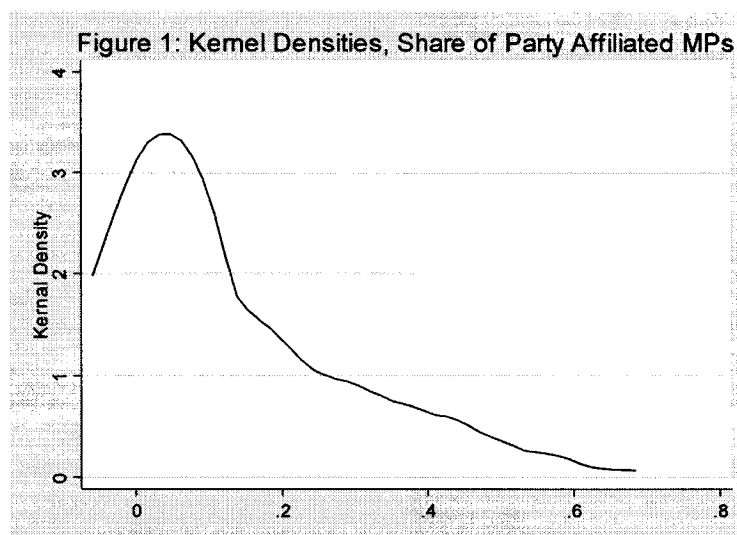
<sup>3</sup> In addition, while scholars have compiled certain electoral data from these time periods, they have not been made publicly available.



about generalizing the precision of these estimates, I believe that these potential sources of bias seriously erode the validity of the estimation.

The hypotheses drawn from the model of territorial penetration presented above concern the extent to which national parties structure politics in the regional legislatures. Accordingly, the dependent variable is measured as the share of deputies in the lower chamber of regional legislature elected through single member districts that are affiliated with a party. As discussed above, this implies excluding their presence in the regional executive from the model. However, the vast independence enjoyed by party-affiliated regional executive from the party organization and their rarity in the time period observed make this exclusion reasonable.

Figure 1 displays the kernel densities for the share of national party-affiliated MPs by region in 1995-1998. In only two regions do national party-affiliated MPs outnumber independents or regional parties, in Volgograd (62%) and Krasnoyarsk (51%). The mean share claimed by parties is only 12 percent and in fully a third of regions national parties have no presence at all in the legislature.



While the concept of party substitutes is theoretically well-developed, their strength is by nature difficult to estimate and is thus subject to significant measurement error. The absence of any precise measurement makes tests of criterion validity difficult. Rather than relying on subjective survey data, I employ indirect objective estimates that I believe have the greatest construct validity. In other words, I choose indicators that I believe are correlated with the underlying concept I intend to measure, party substitute strength. If party substitutes are powerful elites who use their administrative and financial resources as well as their political influence to manipulate electoral outcomes against parties, they should also have the motive and capabilities to dominate the regional legislature. This assumption is strongly supported by historical evidence presented in Chapter 3. This indirect measurement is strengthened precisely because party substitutes constrain party development to maintain control over the legislature.

While regional executives may use diverse strategies to compel legislatures to act the way they desire, including the creation of regional parties, I will focus on a widespread tactic described by Stoner-Weiss (2001). The power of regional executives is in part derived from their control over the regional administration and executives often support the election of officials from the municipal and regional administration. Given the incredible discretionary power exercised by the regional executive over the livelihood of those officials, they are effectively guaranteed to support the governor's policy preferences if elected to the legislature. Using data published by the Russian Central Electoral Commission (CEC), I use the share of elected deputies whose occupation at the time of their nomination is listed as an employee of the municipal or regional administration to estimate the capability of regional executives to act as party substitutes.

Regional economic elites on the other hand often directly exercise their political influence in the legislature to create favorable economic policies. If economic elites possess enough political influence to seek rents in such a public way, they undoubtedly possess the resources to act as party substitutes. Slinko, Yakovlev and Zhuravskaya (2003) have produced a unique data set that measures the amount individual firms benefit from institutional subversion of regional legislation or economic regulation. They create an index of concentration based on the number of legislative acts that gave preferential treatment to a single firm in the form of tax breaks, investment credits, subsidies, subsidized loans, delays in tax payments, subsidized licensing, grants of state property or other benefits.<sup>4</sup> While it is possible that such select goods are meant for public benefit, measurement error is reduced because of the individual nature of this preferential treatment: productive public policy is more likely to target sectors whereas rent-seeking directly targets individual firms. This index then provides an objective measurement of the extent to which firms are able to extract selective goods from the legislature, a powerful indirect measure of their ability to manipulate electoral outcomes.

Given their indirect nature, these measurements are imperfect and are particularly weak with respect to content validity. The two indicators used capture only a single dimension of the immense administrative, financial and political resources that these actors may bring to bear in an electoral contest. The indicators also estimate the success of these actors in accomplishing the more difficult task of capturing the legislature. Given

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<sup>4</sup> The precise count covers only the twenty largest firms in the region and legislation or regulation that directly targets a single enterprise. Obviously, there is measurement error in that the value of this preferential treatment is not measured. However, it is likely that there is a negative bias given the restrictive criteria that have to be met. Additional measurement of preferential treatment for the 50 largest firms showed no instances in five regions, suggesting that preferential treatment is limited to only the largest firms.

the limited scope and the difficulty involved, I believe that these measurements are conservative rather than generous and should if anything underestimate the causal impact of party substitutes.

Given the sample size of sixty-eight, the model includes only limited controls for structural and institutional factors that might affect national party expansion. The population of the region is included in the model to account for the size and political importance of the region. Dahl and Tufte (1973) argue that the benefits provided by parties are reduced in smaller polities where social homogeneity is greater and conflicts are more easily settled through informal networks than through impersonal institutions. Smaller regions may also be deemed less valuable arenas for development by national parties seeking roots in the regions. Accordingly, the population of a region (in millions) is included as a control with the expectation that it will be positively associated with subnational party development.

In addition, a dummy variable is included for electoral systems that are either proportional or a mix of single member districts and proportional districts. In the 1995-1997 electoral cycle, however, only three of the cases fit these criteria (Sverdlosk, Krasnodar and Kaliningrad). While these proportional electoral systems apply to second chambers in these regions (and thus cannot have any direct effects), they provide an institutional base for party development that is likely to have an indirect effect. Thus, it is expected that proportional electoral systems will increase the probability of national party expansion into regional politics.

Third, I include a dummy variable that controls for whether the region is an ethnic republic. Many authors have noted that the ethnic republics within the Russian Federation

tend to be more authoritarian. Hale (2003; 2006) argues that this is because political ethnicity can be used as a basis for machine politics. Other observers suggest that republican presidents are able to use political ethnicity to divide their opponents and legitimize their rule through nationalist appeals. Finally, the republics were given much greater freedom in designing their institutions and many incumbent elites were able to use this to their advantage, cementing regional regimes. Because these explanations suggest that republican regions endow greater power to regional elites, it is expected regional status as an ethnic republic will constrain national party expansion.

Finally, the share of deputies affiliated with regional parties is included as an independent variable. Although the causes of regional party formation is beyond the scope of this study, the theoretical discussion recognizes the possibility that regional elites organize political parties in response to competition from national parties. It is equally possible that regional parties are organized by local political entrepreneurs responding to the benefits propounded by scholars of party politics. Where regional parties exist, however, they provide strong electoral competition for national parties due to their ability to make regional appeals, particularly when they are supported by regional elites. Therefore, it is expected that the existence of regional parties will also constrain national party expansion into regional politics.

Given that the dependent variable in this model is continuous, I employ an ordinary least squares (OLS) regression to estimate the causal effects of party substitutes. As the dependent variable is bounded between 0 and 1, a tobit analysis would equally apply. When tested, however, it only marginally improved the estimates and so for the sake of

simplicity I present only the OLS model. I use the empirical framework described above to estimate the following model:

$$(1) Y_i = \beta_0 + \beta_1 EXE_i + \beta_2 STATCAP_i + \beta_3 POP_i + \beta_4 PR_i + \beta_5 REP_i + \beta_6 REG\_P_i + \varepsilon_i$$

where EXE is the political power of the executive , STATCAP is the index of state capture, POP is a control for population, PR is a control for proportional electoral systems, REP is the dummy variable for an ethnic republic, REG\_P is the share of deputies affiliated to regional parties and  $\varepsilon$  is the error term for each region.

## **(ii) Results**

Table 1 presents the regression results for our model of subnational party development. The third column presents the full model which indeed supports our hypotheses. The estimates for both party substitutes are significant and their coefficients are negative as predicted by the model. As both indicators are scaled from zero to one, the causal impact of the regional executive is twice that of regional enterprises and has greater significance. As predicted, proportional electoral systems significantly increased territorial penetration while the presence of regional parties constrained it. Indeed, it is noteworthy that regional parties had a stronger negative impact on national party expansion than the indicator for the strength of regional enterprises. To the extent that regional parties are vehicles for the interests of regional elites, this suggests that regional party formation is indeed an important strategy for constraining the territorial penetration of national parties.

**Table 1: Modeling Subnational Party Development, 1995-1998**

Independent Variables	Dependent Variable: Share of National Party-Affiliated MPs					
	(1)		(2)		(3)	
Regional Admin Deputies	-0.384 (0.146)	*	-0.409 (0.159)	*	-0.423 (0.155)	**
State Capture Index	-0.161 (0.092)	(a)	-0.170 (0.095)	(a)	-0.191 (0.093)	*
Population	- -		0.005 (0.016)		0.018 (0.017)	
Proportional Electoral Sys	- -		0.180 (0.089)	*	0.216 (0.088)	*
Republic	- -		0.022 (0.049)		0.026 (0.048)	
Regional Parties	- -		- -		-0.268 (0.127)	*
Constant	0.257 (0.048)	***	0.243 (0.053)	***	0.254 (0.052)	***
Observations	68		68		68	
R-squared	0.133		0.185		0.241	

Note: Cells contain OLS regression coefficients with standard errors in parentheses

Dependent variable is the share of national party-affiliated deputies

(a)  $p < .10$ , \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$

The first and second columns show the causal impact of party substitutes alone and with only the structural and institutional control variables. When only party substitutes are regressed onto our dependent variable, they are indeed correlated but with weaker coefficients and jointly explain 13 percent of the total variance. In particular, the indicator for regional enterprises is significant only at ten percent. The indicator for regional executives, however, remains significant and indeed it alone explains nine

percent of the variance. Adding the control variables slightly improves the performance of the party substitute indicators but greatly improves the overall variance explained by the model. It is noteworthy, then, that the model is significantly improved by controlling for the presence of regional parties. Indeed, it is only in the full model that includes the latter that the indicator for regional enterprises is significant at five percent. I believe that this is not due to an association between the two but because the coefficients for the latter are weaker and benefit from reduced standard errors in the full model.

Given the significant variance in our dependent variable, it is important to ensure that these results do not rely on only a few exceptional regions. Figure 2 plots the leverage of each region in the model against its normalized squared residual. While six regions exercise greater leverage than the rest (Kaliningrad, Sverdlosk, Krasnoyarsk, Krasnodarsk, Bashkortostan and Kemerovo), the model is indeed not determined by only a small number of observations. Disaggregating this leverage by independent variable, Figure 3 shows the partial-regression leverage plot (or added-variable plot). Indeed, three observations (Bashkortostan, Kemerovo and Novgorod) do provide considerable leverage on the estimation of our indicator for the regional executive. Likewise, Kaliningrad, Sverdlosk and Krasndarsk obtain their leverage because they are the only republics with mixed or proportional electoral systems. In short, these diagnostics suggest that the inferences of the model are not driven by the leverage of a few exceptional regions.



Figure 2: Leverage in the Model of Territorial Penetration

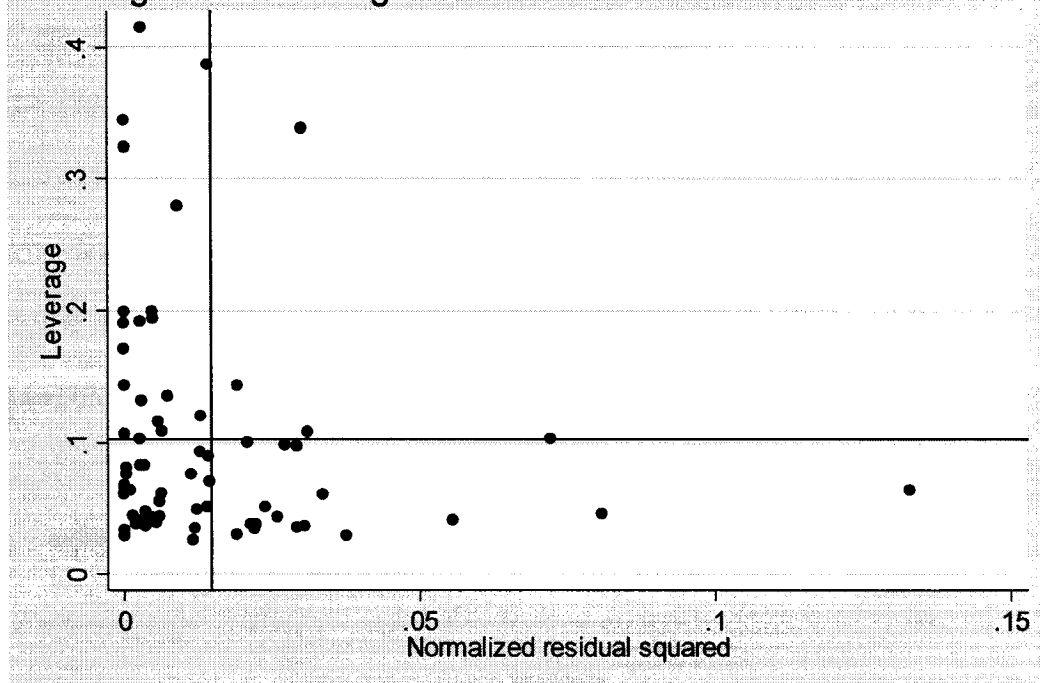
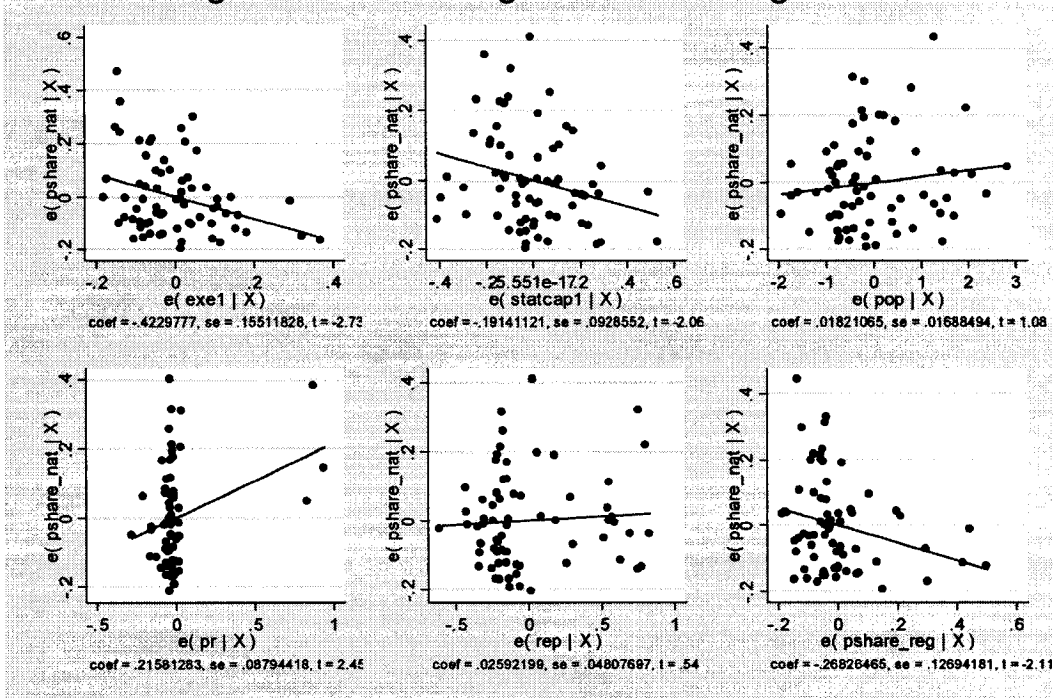


Figure 3: Partial Regression Leverage Plot



The distribution of errors around our indicators of party substitute strength suggests, however, a large degree of heteroskedasticity as errors are greater where party substitutes are weaker, particularly in the case of regional executives. In other words, the model effectively explains cases where party substitutes are strong but has more difficulty explaining outcomes in the absence of party substitutes. Indications of heteroskedasticity are also evident in the impact of regional parties. The high degree of heteroskedasticity is in part exaggerated due to the distribution of our independent variables, which are clustered around zero with minority of cases at significantly higher values. A Breush-Pagan/Cook-Weisberg strongly confirms the presence of heteroskedasticity in the model ( $p > \chi^2 = 0.0027$ ). While this heteroskedasticity may be due to the particular distribution of the independent variables, it could also reflect the presence of omitted variable bias. A Ramsey RESET test, however, does not suggest the presence of omitted variable bias ( $\text{Prob} > F = 0.3781$ ). This suggests that the impact of our party substitutes may indeed be more significant as distribution-induced heteroskedasticity tend to inflate standard errors.

## **(8) Conclusion**

This chapter has argued that far from being an inevitable question of diffusion, the expansion of national parties is contingent on their ability to outperform local elites in regional elections. Far from being marginal actors, however, these elites may create durable if informal arrangements regulating the pursuit of elected office much like political parties. The simple model of territorial penetration by national parties considering only the impact of regional actors formalized this theory in a manner that

could be quantitatively tested. Using aggregate data, an OLS regression showed that indicators of party substitutes and regional parties are indeed negatively associated with national party expansion into regional politics.

While these findings suggest that party substitutes are indeed important in explaining party development, they leave numerous questions unanswered. How were these party substitutes formed in the chaos of regional transitions? Does cooperation or rivalry ensue in regions where both regional executives and regional enterprise are strong? Given the simplicity of the model presented and the indirect nature of the indicators, it is also important to verify that these findings are not spurious correlations. It is these questions that the subsequent chapters engage.

### **Chapter 3 – The Origins of Party Substitutes**

This thesis argues that where regional actors were able, they offered candidates electoral goods as party alternatives in order to prevent the entry of national parties into regional politics. This was desirable for regional executives because it was a means of insulating regional regimes from national politics and thus limit the intervention of powerful central actors. Choosing informal networks rather than formal party organizations was expedient given their access to existing networks and prevented the emergence of alternative organizations which might serve as forums for challenging political entrepreneurs. Whereas the last chapter presented a theoretical framework and estimated the impact of party substitutes based on a simple model, this chapter provides a historical analysis of how these party substitutes were constructed and what factors determined the success of this project.

The model of territorial penetration presented in the previous chapter leaves many questions unanswered about the nature of party substitutes which this historical analysis will help address. First, the indirect nature of the indicators employed in the model tell us little about the actual operation of party substitutes and the ensuing processes by which they constrain national party expansion. A persuasive explanation would reveal these underlying processes in case studies, with reference to individual actors rather than broad categories such as regional executive or regional enterprises. Without an understanding of the complex context of transition, however, a structured comparison between cases is impossible. Hence, this historical analysis is necessary to better understand the constraints and opportunities that facing individual actors in the case studies developed in the next chapter.

The theoretical framework presented in this study suggests that party substitutes are informal institutions created by regional elites to influence the conduct of office-seekers. In the previous chapter, I made arguments about why these elites would prefer these informal institutions over the formal institutions of party organizations. While this analysis explains the motives of regional elites, it cannot explain the varying capacity with which regional elites have pursued this project. Indeed, this historical analysis shows that regional politics are sites of significant contestation and indeed regional elites were often divided over whether party substitutes or parties should prevail in structuring office-seeking.

If the design of these informal electoral institutions was indeed a contentious project then we can push the causal arrow backwards to explain the varying strength of these institutional outcomes. What factors led to the successful construction of party substitutes in some regions but not others? What strategies were successful in creating these alternatives and which communist-era legacies important? While a comprehensive answer to these questions is beyond the scope of this study, I will examine how structural-historical legacies as well as the constraints of transition influenced outcomes in the design of party alternatives.

### **(I) Explaining Successful Electoral Substitution**

Explanations for the variance in the strength of party substitutes fundamentally depend on our understanding of their nature and of institutions in general. Why do we observe variance in party substitute outcomes across regions in the first place? If we view party substitutes from the perspective of rational choice institutionalism, they should be

efficient institutions chosen by actors to promote cooperation by overcoming collective action dilemmas and thus these outcomes might vary relatively little (Hall and Taylor, 1996). If regional elites share similar preferences against the intrusion of national parties then they should have sufficient interest to cooperate in the construction of these party alternatives (Sharafutdinova, 2004). As Hall and Taylor point out, however, this perspective is both intentionalist and voluntarist in that it assumes that individual actors do not face information failures when making rational choices and that bargaining occurs between independent and relatively equal actors.

Given these assumptions about the nature of actors and their interactions, this perspective is less appropriate for the context of transition. As Sharafutdinova (2004: 13) argues, the collapse of Soviet institutions and the uncertainty of the transition environment allowed “a reconsideration of the very basis of power relationships within society and [created] a situation where new power centers and new elite configurations became possible. The most fundamental issues of who [had] power in the polity appeared unresolved in the situation of systematic chaos and transformation.” In other words, pervasive uncertainty made institutional choices contingent rather than predictable. Second, the actors involved in the bargaining process were rarely equal but often in asymmetrical positions where certain players drove the process of institutional creation. Finally, the vast redistribution of property rights made the stakes very high in transition politics (Woodruff, 1999).

Consistent with a historical institutionalist perspective, the process of institutional creation was ripe for conflict and was in fact a contest in which the victors shaped the rules in their favor. Indeed, scholars of regional politics observe fierce contestation over

the establishment and consolidation of regional regimes, understood as “the patterns, formal or informal and explicit or implicit, that determine the channels of access to principal governmental positions; the characteristics of the actors who are admitted and excluded from such access; and the resources and strategies that they are allowed to use for gaining access” (O’Donnell, 2001: 14). Regional regimes, then, are a sum of institutions that collectively produce these patterns of access and thus we should expect the same power struggles over component institutions. Understood as informal institutions governing the pursuit of elected office, the creation of party substitutes is an important aspect of regime consolidation as the crafting of these institutions could greatly influence access to important electoral offices.

Viewed in this light, we should expect the variance in the successful construction of party alternatives to be determined by the balance of power between competing regional actors. Based on our previous discussion of regional elites and party alternatives, the relevant actors to consider are primarily regional executives and regional enterprises. Drawing from comparative literature on regional transitions, I will argue that the creation of party alternatives was primarily the project of regional executives. While Hale (2006) rightly points out that in some cases powerful regional enterprises or financial-industrial groups single-handedly created their own party substitutes (as was the case of LukOil in Perm oblast), this was a relatively rare phenomenon. Though regional enterprises were central in the construction of party alternatives, they more often were junior partners to regional executives in this process. As Sharafutdinova argues, however, they were essential partners as the mobilization of administrative resources alone were rarely sufficient to consolidate regional regimes.

Recognizing the possibility of conflict between regional actors over the construction of party alternatives has been curiously absent from many analyses of regional politics. The relationship between enterprise directors and regional executives in Russian regional politics has been often characterized as either completely dominant or completely collusive, with political scientists emphasizing the power of the former and economists the power of the latter. Hale (2005; 2006) considers regional executives and regional enterprises in isolation and does not explore the possibility of strategic interaction between them. This analysis emphasizes the fact that both actors held varying amounts of power depending on Soviet political and economic legacies and more importantly, that significant conflict of interests existed during transition that could undermine their respective abilities to serve as party alternatives.

In this chapter, I propose that the variance in the strength of party substitutes across regions was the product of strategic interaction between regional executives and regional enterprises. Partially, this reflected the balance of power between these two actors. Where regional enterprises enjoyed significant autonomy from the regional Party during the Soviet era, they were often able to emerge as potent actors in transition politics and act as veto players in this process. Where regional enterprises were strong enough to prevent the creation of party alternatives by the regional executive, success depended on the latter's ability to incorporate these actors and form a winning coalition. To provide evidence for this argument, I will examine the strategic incentives faced by potential party substitutes by placing them within the context of transition. In particular, I will trace the shifting incentives and balance of power between regional executives and enterprise directors during the transition.



The first section surveys previous work on Russian regional elites and regional regimes, arguing that there is a lack of literature which integrates the complex political relationships between subnational government and enterprise. The second section turns to comparative literature to conceptualize this relationship, drawing heavily from the political economy of authoritarianism and state capture. The third section reconstructs the political legacies of the Soviet era, drawing particular attention to the autonomy of regional actors and the existence of political cleavages. The following sections examine the shifting political and economic conditions of the Gorbachev and Yeltsin reforms respectively. The final section concludes.

## **(II) Theoretical Perspectives on Russian Elites and Regime Consolidation**

The study of Russian regions has been dominated by a focus upon the character and role played by elites. Observers are almost unanimous in their consensus that regional politics is a struggle between elites where citizens have little influence in the face of powerful governors, enterprise and agricultural directors. Great pains has been taken to understand the nature of these elites, particularly the degree of continuity with the Soviet era and their orientation towards political and economic reform (Gel'man and Tarusina, 2001). Others have focused on the persistence of elite networks between enterprises and administration, portraying these actors in a manner reminiscent of Mill's power elite (Sharafutdinova, 2004).

While the orientations that shape and the networks that bind regional actors are by no means insignificant, such a focus on elites has yielded few systematic insights into regional politics. Studies tend to be idiosyncratic rather than comparative, yet offer few

theoretical insights into the material interests shaping elite behavior. Following Higley and Burton's framework, they focus on intra-elite cohesion in terms of the number of actors and whether a procedural consensus exists. Ultimately, this enterprise largely remains descriptive and region-specific, leaving the determinants of elite orientation unexplored.

Several studies, however, have analyzed the interests of regional elites in more theoretical terms. Stoner-Weiss (2001) and Gel'man (2003b) argue that regional elites often undermine the development of formal institutions, resorting instead to informal networks, as it grants them a comparative advantage in governing and allows them to 'lock-in' their gains from partial reform. Yet Stoner-Weiss in particular does not elaborate on the nature and motives of these elites, effectively relying on the conjecture that the urge to protect partial gains is "universal" and that regional elites (ruling elites and economic elites) uniformly share this interest. In the absence of a comprehensive account of the choices faced by these actors, the implication is that they share identical interests and easily cooperate to attain them (however, see Stoner-Weiss, 1997).

In a sophisticated and comprehensive analysis of regional democratic transitions, Gel'man et al. (2003) argue that the communist regional legacies in terms of economic organization and patterns of economic representation fundamentally influenced intra-elite cohesion. Where the Soviet legacy included conflicts between the interests of autonomous enterprises and the local executive in cooperation with agrarian interests, this led to a persistent cleavage that constrained the emergence of a dominant actor and enabled the construction of strong formal institutions. If these conditions were met, it is much more likely that regional regimes became relatively democratic rather than

effectively autocratic. In other words, in certain regions legacies of political conflict in the Soviet era undermined intra-elite cohesion and allowed competitive politics to emerge. While theoretically insightful and empirically rich, this analysis overestimates the continuity of political conflicts and underestimates the shifting incentives faced by regional enterprises and local executives. Regional patterns of privatization, macroeconomic shocks and the mix of dependence and conflict as a result of a barter economy, tax arrears and social assets are all absent from their analysis.

### **(III) Comparative Perspectives on Elite Interactions**

During the transition from communism, regional elites faced considerable political uncertainty. Economic transformations were driven by the center and macroeconomic forces lay outside of the control of regional governments. The institutional context was ambiguous, with competing regional institutions created and contested by shifting national forces, often based on tactical maneuvering rather than carefully planned design. The spontaneous decentralization of authority to regional governments in wide domains of public policy was not matched by a proportionate devolution of resources, leaving regional governments scrambling to find solutions, particularly in the face of newly enfranchised voters. In short, the transition from communism presented a critical juncture at which the distribution of power and hence the patterns of interaction between regional elites could shifted momentarily.

Many examinations of regional economics emphasized the shift of power in favor of regional executives which became dominant over previously autonomous regional enterprises. Such work attempts to explain the absence of firm restructuring and the

persistent of a low productivity trap in regional economies, the explanation for which is the ‘pathologies of the grabbing hand’ of regional government. In Frye and Shleifer’s (1997: 355) formulation: “the government consists of a large number of substantially independent bureaucrats pursuing their own agendas, including taking bribes. While these bureaucrats adopt the helping hand rhetoric, in reality they are scarcely guided by a unified public policy stance and they remain largely independent of courts, capable of imposing their will in commercial disputes, and empowered to impose on business a variety of predatory regulations.” In this view, Russian regional governments were particularly able to extract rents given their considerable discretion over economic regulation. Other analyses argue that regional governments used this influence over enterprises as an instrument of social policy, forcing the retention of overemployment and social assets by firms (Desai and Goldberg, 2001). Such perspectives clearly view regional governments as dominant in their relationship with regional enterprises, who exist as a source of rents or a mechanism for redistribution.

Another perspective inverts the relationship and argues that it is powerful firms that dominate regional governments, both in their ability to extract rents and their influence over the political fate of office-holders. Hellman et al. (2003) propose the concept of state capture, defined as “firms shaping and affecting formulation of the rules of the game through private payments to public officials and politicians.” They argue that the image of a dominant government maximizing bargaining leverage over weak firms ignores the ability of strong firms to capture and collude with public officials in using state power to generate their own rents. Slinko, Yakovlev and Zhuravskaya (2003) argue that the fragile nature of subnational democracy and their low accountability to the

public, combined with the industrial concentration of particular firms, made state capture a frequent outcome in regional economies. The latter provide a data set of legislation that favors a single firm and show that there is considerable variation across Russian regions in the degree of institutional subversion by private firms.

Political economy approaches to authoritarian regimes link the redistribution of rents to firms with authoritarian strategies to maintain their tenure of office. The model departs from Bueno de Mesquita et al.'s (2003) concept of the selectorate, a powerful social group that possesses the resources to veto the policies of an authoritarian regime and threaten its replacement. Haber (forthcoming) elaborates this theory and argues that the selectorate additionally requires an organizational framework by which to organize other political entrepreneurs and a means of mobilizing the rank-and-file on its behalf. In Russian regional politics, powerful firms may possess mobilizing potential in their paternalistic relationship with their employees and organizational platforms through informal sectoral networks. In concentrated regional economies, enterprise directors are so implicated in regional governance that such confrontational tactics are difficult.

Finally, some perspectives account for political outcomes depending on the relative strength of regional actors. Kang's (2002; 2003) theory of crony capitalism in East Asia holds that where both the state and the business sector are strong, they become mutual hostages in which neither can effectively exploit the other. In this situation, they arrange quasi-cooperation secured by low levels of rent-seeking in which firms exchange political rents for favorable regulatory policies. Unlike state capture, however, the state retains enough autonomy to pursue coherent economic policies and ensure growth. In a more complex variant of this argument, Haber, Razo and Maurer (2003) conceptualize

politician-firm cooperation within the authoritarian dilemma with reference to Mexico and Latin America. In this scenario, firms are powerful enough to comprise a selectorate and the state is powerful and autonomous enough to engage in predatory behavior. Politicians cannot credibly commit to avoid predatory behavior and so they co-opt firms by integrating them with systematic distribution of rents. Such a bargain is stable in the face of defection because neither side would benefit from a shift in leadership, which would undermine the arrangement. However, such an agreement is difficult to forge given the high risks for both parties and thus authoritarian regimes may face considerable turnover before this equilibrium is achieved.

Perspectives on elite interactions between politicians and firms allow for the multiple patterns of interaction depending on the relative strength of the actors. Where politicians are powerful, they may extract rents from firms and distort their operations to pursue social policies. Where firms are powerful, they may manipulate state power to create rents through their influence over government or even influence the tenure of office-holders outright. Where both firms and politicians are powerful, they may constrain each other and form enduring agreements in which rents are systematically exchange for political loyalty. Given the diversity of initial conditions and political outcomes in Russian regional politics, however, it is unwise to assert *ex ante* that one of these situations holds in every case. In the following section, the varying Soviet legacies that may produce such conditions will be examined.

#### **(IV) Soviet Legacies and Politician-Firm Interactions**

The analyses of politician-firm interactions of the previous section rely principally on rational choice methods, which emphasize the similarity of interests and constraints facing actors across Russia. For methodological reasons, they assume uniformity in bargaining power, preferences and information in an ideal case which is generalizeable across regions and produces relatively predictable outcomes. Philosophical differences aside, I take a different methodological tack in my analysis and instead emphasize that the rapid, uncertain nature of transition made Soviet era legacies particularly influential. In this view, actors may have faced similar strategic dilemmas but inherited different initial conditions, the effects of which were amplified by the short time frame involved in transition. Drawing from Grzymala-Busse and Luong (2002: 531), I argue that the construction of regional regimes was the product of “elite competition over the authority to create the structural framework through which public policies are made and enforced.” Whereas in other settings this construction took place over long periods of time, the institutional fluidity of transition privileged those elites who could quickly mobilize resources and defend institutions that favored themselves. The result is that regime consolidation was not built brick by institutional brick but was rather a hastily constructed bricolage, “constrained by the availability and configuration of formal institutions and informal practices” as well as initial endowments (*ibid*, 535).

Among these varying legacies was a common set of initial conditions. Regional politics were endowed with a common set of actors (though of varying strength) with common formal institutional linkages. In general, regional governments inherited a patrimonial bureaucracy with little popular representation and pervasive informal

networks (Kitschelt et al., 1999). In addition, formal institution-building was constrained from above by the policies of the center, which forced institutions on the regions such as legislative and executive elections and constrained the possibilities of open authoritarianism. Finally, civil society (with rare exceptions) was demobilized at transition with few existing social groups which could restrain elite competition or serve as readily-made constituencies that elites could represent. In terms of Gryzmala-Busse and Luong's typology, then, the regions generally shared conditions favorable to self-contained elite competition through informal institutions.

Despite these similarities, however, there was considerable variation in the relative strength of the given actors, the preceding political cleavages and the relative strength of formal and informal institutions. The diversity of starting points for politicians and firms in Russia's regions warrant Haber's insistence on the importance of context in this strategic interaction:

Neither side in this game plays from a state of nature. They inherit an economy, a system of property rights, a class of wealth holders, and a range of pre-existing organizations and institutions... Thus, when the [actors] sit down to play they find that some of the pieces have already been moved—they cannot play any strategy that they like. (Haber, forthcoming: 7)

In order to trace the processes by which regional outcomes unfolded in the case studies, I will examine the variations of Soviet legacies for regional politics as well as the process of transition.

The regions of Russia inherited a common set of formal economic institutions, where all the means of productions were *de jure* owned by the state and administered through a highly bureaucratized system. Enterprises were subordinate to a series of central economic ministries which were responsible for coordinating the achievement of



production quotas. Production decisions were taken by the State Planning Agency *Gosplan* in consultation with central economic ministries. At the regional level, the ministries were represented by the executive committee (*ispolkom*) except in the republics, where local ministries existed. Formally, then, enterprises were subordinate to central ministries, an extension of central agencies without significant autonomy or power to influence local politics (Hale, 2003: 231).

Informally, however, the principals in Moscow lacked the means to perfectly monitor their agents in the executive committee or the enterprises. Given the difficulties in perfectly administering a vast economy from the center, enterprises often gained considerable leeway from information asymmetries as they alone possessed accurate information about production possibilities. Woodruff (1999: 61) argues that the relations between enterprises and ministries were in reality much less hierarchical than they appeared, with relations of exchange rather than subordination similar to the putting-out system of early Europe.

In addition, regional enterprises held extensive social assets which implicated them in regional governance. The Soviet state used enterprises as instruments of social policy and effectively administered social welfare through services associated with employment at a regional enterprises. Thus, employees often received housing, health care, day care services as well as subsidized food products from their enterprises (Rutland, 1993; Berliner, 1987). In order to provide these services, enterprises owned subsidiary assets such as small production units or farms and the largest enterprises achieved something akin to enterprise autarky. In extreme cases where a few firms

dominated the regional economy, they resembled ‘company towns’ where enterprises blended together with subnational government.

While these assets were formally the property of the Soviet state, directors often exercised effective property rights over their enterprises. McFaul (2001: 43) argues that an implicit social contract existed for regional elites, including enterprise directors, where the Soviet state exchanged effective property rights over local assets for a minimum of economic production and the maintenance of social order. Thus, directors effectively exercised rights of use of enterprise assets for personal consumption, rights to profits in low intensity rent-seeking (skimming production or hiding revenues) and while they did not hold rights of exchange, such rights were not exercised by practically anybody given that all property was held by a single entity, the Soviet state (McFaul, 1995: 223). Such property rights were equally held by the directors of state and collective farms, making them effective owners of the property they managed.

The exercise of property rights by these actors over not only the operations of the enterprise but also social services gave them significant opportunities for social control over their employees. In the case of isolated collective and state farms as well as the company towns described above, this translated into significant political influence with the blending of enterprise and regional governance.

Of course, enterprise directors were also constrained by the regional first party secretaries known in Western literature as the ‘Soviet prefects’ (Hough, 1969). These heads of the regional Soviets were responsible for overall regional economic performance and acted to offset the local distortions of central planning. Whereas enterprises were engaged in vertical exchanges with the ministries, it was the first party secretaries who

coordinated horizontal exchanges in the regional economy to secure inputs for enterprises. When shortages of inputs rose, these informal networks of exchange intensified and ultimately reinforced the political position of the Party leaders as coordinators of barter exchange (Woodruff, 1999: 59). Moreover, regional party secretaries were in the unique position of being able to negotiate interregional barter agreements, which frequently occurred to meet production targets and further entrenched their political position. Finally, regional party secretaries acted as the spokesman for the region and secured favorable combinations of goods and wages for the region, effectively increasing the purchasing power of its residents (*ibid*, 69).

Thus, enterprise directors and party secretaries were systematically bound together by informal networks required to mutually advance their interests. Enterprise directors required the coordinating role of party secretaries to meet their production targets and the latter required the enterprises in achieving economic performance and providing social welfare to his constituents. The enterprise directors were then subordinate not only to the central ministries but also the regional party secretaries, who possessed power over the personnel in regional enterprises as well as other conditions required for the success of directors (Andrle, 1976).

While informal networks bound together regional actors for certain forms of cooperation, divergent interests and thus regional politics nonetheless existed during the Soviet era. Gel'man et al. (2003) emphasize the conflict between the interests of sectoral and their employees (departmentalism or 'agency patriotism') and the interests of rural areas, the cities and the region as a whole (localism) for the allocation of scarce resources. The former was largely represented by the enterprise directors, who often

employed strategies to reduce their dependence on other ministries and thus the coordinating position of the first secretaries (Woodruff, 1999: 62). Where regional conflict between sectors or between enterprises and local authorities became acute, this involved the enterprise autarchy described above where a particular ministry produced its own critical inputs even if it was economically inefficient.

In contrast to the centralized economic institutions that linked enterprises to Union ministries, decentralized economic institutions linked agricultural enterprises (as well as construction and light manufacturing) to the regional Party (Rutland, 1993). The decentralization of these sectors was intended to improve performance yet enhanced the economic role of the Party and hence their bargaining position in regional politics. Where the agricultural sector was predominant in the regional economy, the integration of these enterprises by the Party produced “a largely closed, homogenous, hierarchically structured corporatist group” (Gel'man et al, 2003: 49). In contrast, where the regional economy favored departmental interests, a heterogenous group of elites emerged with loose horizontal networks between directors in different sectors and the party. Where a few firms dominated the regional economy, departmental interests merged with local ones and produced ‘departmental localism,’ which approximated the dynamic of localism but based on industrial corporatist group.

In other words, the de facto distribution of property rights during the Soviet era was sufficient to produce significant sectoral lobbying. While this conflict by no means approximated the pluralist politics of Western democracies, special interest groups existed within the formal structures of the state and even represented certain social groups such as workers, though in strongly paternalist relationships (McFaul, 1995). The

structure of regional economies, though mediated by politics, influenced the degree of autonomy enjoyed by the director of industrial enterprises from regional regimes in the Soviet era. The autonomy of enterprise directors was an important legacy in shaping the balance of power between regional actors as well as the character of informal networks in transitional politics (Gel'man et al., 2003).

#### **(IV) Transitional Reforms during the Gorbachev Era**

The perestroika reforms of the Gorbachev era began to fundamentally restructure these relationships within regional politics. Even the first, tentative efforts at consolidating the central ministries effectively weakened them by reducing their staff and organizational coherence in failed restructuring efforts (Stoner-Weiss, 1997: 39). The following efforts of reform designed to increase the discretion of enterprises in production decisions would further enhanced their autonomy at the expense of ministerial oversight. Not only did these reforms increase the instruments available to regional actors but they prompted a reconceptualization of their relationship to the center. As Herrera (2005) argues, the weakening of the traditional Soviet conception of the regions economically subordinate to the center (which he calls *doxa*) prompted actors to re-imagine their role in regional affairs, further increasing their autonomy.

The Law on State Enterprises (1988) began the fundamental restructuring of the Soviet economy by drastically reducing the control of the ministries over regional enterprises, who gained the autonomy to make production decisions, set wages and retain a share of profits. Initial steps to the election of directors by employees (rather than appointment by central ministries) were reversed due to high wage inflation, but the

ministries powers of appointment were permanently limited. At the same time, enterprises undertook greater responsibilities in finding suppliers and procuring inputs for the following year, enhancing horizontal bartering

The role of the regional Party in administering the economic apparatus was also limited in these reforms, allowing additional autonomy to enterprise directors (Woodruff, 1999: 59). The task of coordinating horizontal barter, however, fell to enterprises which had to increasingly rely on informal networks. As the macroeconomic situation worsened by 1990, central ministries began demanding output but reduced the flow of inputs and technical assistance. The result was that enterprises had further incentive to move towards regional, horizontal exchanges.

The Law on Cooperatives (1988) further strengthened the position of enterprise directors by allowing them to form 'cooperative ventures,' often between enterprises and recently created sectoral banks (Hale, 2003: 236). Article 7 of the law enabled directors to lease assets that could be later purchased by cooperatives, allowing an effective means of channeling enterprise assets to private owners. In many cases, these private owners were in fact industry insiders, such that the law allowed directors to strip assets to cooperatives in the name of family or associates (Desai and Goldberg, 2001: 221; Hough, 2001: 62). These reforms in fact exacerbated agency problems and gave directors greater opportunities to exercise their power of profits, which could then be converted through these channels to private assets (McFaul, 2001).

As the Party's regional structures of economic control were being weakened, Gorbachev's political reforms undermined their monopoly on regional power. With the intent of bypassing the Party to draw support directly from civil society, Gorbachev

infused power to the Soviets by instituting multi-candidate elections (McFaul, 2001: 52). The empowerment of these legislative bodies through the separation of executive and legislative power (unfusing the executive committees from the Party) as well as increased economic resources effectively decentralized power away from the CPSU to other regional actors (Stoner-Weiss, 1997: 68). Candidates could be nominated in a public assembly of three hundred citizens and with the increased autonomy of enterprises, this allowed pro-reform forces outside the dominance of the CPSU to successfully compete in regional elections (McFaul, 2001: 78).

An important caveat to these reforms was Gorbachev's request that the first Party secretary hold the chairmanship of the regional Soviets, in an effort to secure the support of regional CPSU branches. This opportunity for reshuffling, as well as the ability of Party members to move into the newly empowered Soviets, was in some respects a critical juncture in determining the degree of elite continuity in regional politics (Matsuzato, 1999: 1369). Later policies under Yeltsin would then enable the Soviet chairman to concurrently hold the head of the *ispolkom* committee. By occupying these two political positions, regional actors were likely to be appointed as the regional executive by Yeltsin (described below) and thus this policy allowed a corridor by which *nomenklatura* could remain in power. Frequently, however, *nomenklatura* elites were displaced by emerging elites, either from the democratic movement or more frequently from regional enterprises.

## **(V) Transitional Reform during the Yeltsin Era**

Whereas under Gorbachev economic reform proceeded political reform in the regions, Yeltsin moved quickly to restructure political institutions in regional politics. First, the banning of the CPSU undermined the institutional position of the established Soviet era elites. Believing that the pivotal voter in regional Soviets was anti-reformist, Yeltsin strengthened the regional executive by creating powerful heads of administration to replace the *ispolkom* committees, popularly known as the governors (McFaul, 2001: 148-149). The appointed figures were usually regional, often the first or second Party secretaries if they had not supported the August 1991 coup or local elites who were considered 'strong managers' (Stoner-Weiss, 1997). These regional executives were accountable not to the regional Soviets but to the national executive and were monitored by a new institution, the presidential representative. Whereas the former were co-opted regional elites, the latter were ideologically closer to Yeltsin and were intended to displace the regional executives in the planned December 1991 gubernatorial elections. These elections were delayed by four years, however, and the presidential representatives quickly became marginalized in regional politics and often co-opted by existing regional networks (Stoner-Weiss, 1997).

Observers of regional politics frequently observe the ability of existing regional networks to co-opt or undermine outsiders who were appointed as governors by Yeltsin. Andrews and Stoner-Weiss (1995) note that these networks sometimes managed to block appointments by inciting popular unrest, as in the case of Ulyanov'sk oblast. The 1992 Law on Oblasts allowed regional legislatures to remove heads of administration, which regional elites successfully arranged in several cases. Matsuzato (1999) emphasizes that where elite continuity persisted, these incumbent elites had greater success in



consolidating regional regimes as these actors had access to the informal networks that endured into the post-Soviet era and had experience co-opting regional enterprises.

The proliferation of competing formal institutions that occurred under Yeltsin epitomizes the institutional uncertainty of regional transition. The responsibilities of the three institutions, the elected regional Soviet and the appointed regional executives and presidential representatives, were ambiguous and poorly delineated by the center. No regional actor was certain which of these institutions would emerge victorious from the often fierce competition, particularly between the legislature and the executive (paralleling national events) (Herrera, 2005: 146). As Gel'man et al. (2003: 52) observe "the real concentration of power in the executive and its head was contradicted by its lack of democratic legitimization, while the existing democratic legitimacy of the legislature was counterbalanced by its general powerlessness." Under these circumstances, regional executives had ample incentive to bypass weakly defined formal institutions in favor of informal networks.

Two principal turning points in this elite competition over the framework for the formulation of public policy were the dissolution of the Soviets in 1993 and the State Duma law on local government in 1995. Both events were products of national policy, exogenously forced on regional polities and decisively altered the local balance of power for the future. The first prompted the initial round of legislative elections beginning in 1994 that provided non-executive regional elites a political institution outside the executive from which to contest power. For this analysis, it was the first real opportunity for national political parties to enter regional politics. The second juncture presented the opportunity for increased autonomy for local governments. While the municipalities had

been subordinated by the Party during the Soviet era, the dissolution of the CPSU as well as the multi-candidate elections of 1990 allowed these institutions to emerge as bastions of reform in some cases. Where elite continuity prevailed, however, regional executives were better able to capture local government, often by making the municipality fiscally dependent on the region (Evans and Gel'man, 2004).

Gel'man et al. (2003) argues that the reinforcement of these two institutions and the re-establishment of central power gave regional executives a window between 1991-1993 to construct the bases of consolidated regional regimes. Where regional executives were in control of stable regimes by the advent of regional Duma elections, they were able to use their administrative resources to prevent access to legislative and municipal institutions by potential challengers. In particular, this included the penetration of national parties into regional politics. Yet this hegemony was by no means assured and faced significant contestation by the institutions described above. As Hale (2003) persuasively argues, the informal networks and administrative resources crucial for victory had to be constructed after the dissolution of the Party regime in 1991. This endeavor required significant skills at crafting coalitions and creating informal institutions of exchange to sustain the regional economy. As Gel'man et al. (2003: 59) describe:

Actors who were able to insert institutions into the functional vacuum in Russia in 1991-1993 and who were capable of coordinating social exchange under conditions of high goal incongruity and performance ambiguity where other failed, were in an advantageous position to net large political and economic profits and to overcome their rivals. Some Russian actors were more successful than others in finding ways to go beyond ad hoc markets and interpersonal networks in the absence of the rule of law and a stable legal framework of economic and political institutions [sic]. This was done, in particular, as follows: (1) through the construction of large centralized domains of personal command over large corporations; (2) through the regulation of political and economic 'markets' as closed clubs; (3) through the formation of patron-client ties; (4) through the use of old-

boys networks; and, above all, (5) through oligarchic cartel agreements between the most influential actors.

In other words, the successful creation of political coalitions was needed to consolidate regional regimes and required the informal incorporation of regional enterprises as sources of rent and political support. The difficulty of incorporating regional enterprises, however, was a major constraint in this process and is elaborated below.

If the political reforms of the Yeltsin era set the institutional stage for political conflicts through the 1990s, economic developments increased tension between regional governments and enterprise directors. The horizontal networks of exchange did not disintegrate with the end of the Party but rather was displaced to the *ispolkom* and then to the regional executive. At the same time, the mounting repressed inflation greatly increased scarcity while economic structures of exchange were simultaneously weakened (Woodruff, 1999: 60). As inflation mounted, the costs of trading at nominal prices increased for enterprises, who increasingly resorted to barter exchange that could occur at real prices. While formerly this tendency cemented horizontal networks of exchange binding the enterprises to the executive, the shifting relationship between enterprises and subnational government made it a source of conflict.

The effects of privatization in the balance of power between enterprise directors and regional executives are unclear. On the one hand, regional governments held considerable influence over the outcomes of the privatization process as a means of giving regional actors a stake in the process (Shleifer and Treisman, 2000: 31). In the privatization of small enterprises, regional governments controlled the proceedings and kept the proceeds for their budgets (Hale, 2003: 242). During the voucher privatizations

of 1992-1994, the property funds that legally acquired the rights of ownership were set up on a regional basis and residual enterprise shares often accrued to regional governments. As organizers of the voucher auctions, regional governments could also influence their outcomes, particularly by excluding outsiders. On the other hand, regional enterprises were the ultimate insiders in this process and the directors already exercised *de facto* property rights. As Hale (2003) admits, they retained significant advantages in obtaining their 'own' property, even when not backed by the regional executive. As a consequence, the process of privatization was often a site for political contestation if regional enterprises retained significant autonomy from the regional regime.

With the end of the Soviet Union, regional governments inherited many governance responsibilities of the Soviet state but without the means to fulfill them (Herrera, 2005: 152). In the face of rising inflation, for example, fiscal responsibility for the maintenance of price controls was delegated to regional governments, who quickly built up huge deficits (Hough, 2001: 28). The financing of regional responsibilities remained ambiguous and much of this financing occurred through shadow subsidies channeled by regional banks in tacit coordination with Moscow (*ibid*, 45). Regional governments passed these subsidies on to enterprises by financing their tax arrears of with credits from banks.

However, regional governments also sought to maintain horizontal and interregional bartering as well as developing an independent tax base by in-kind appropriations from regional enterprises (Woodruff, 1999: 114-115). Herrera (2005: 151) estimates that by 1991, regional governments appropriated 10-15% of regional production from enterprises. This led to intense conflicts between regional governments

attempting to sustain weak regional enterprises and social services through below-cost bartering and enterprise directors, who resisted this redistribution by withholding their production. As Gel'man et al. (2003) note, a sharp cleavage emerged between successful enterprises, whose profits were often appropriated, and unsuccessful sectors who benefited from these implicit subsidies. In particular, regional governments redistributed resources away from sectors such as railways or energy firms who were represented in sectoral interest groups in Moscow and thus well-positioned to lobby for federal subsidies (Woodruff, 1999: 122).

The reluctance of regional governments to allow unsuccessful enterprises fail was particularly acute given the social assets held by the latter. The absence of government-provided social security made the labor market highly illiquid and consequently rendered the political costs of bankrupted local enterprises extremely high, which encouraged these soft budget constraints (McFaul, 1995: 237). Whereas national governments may appeal to the winners of transition to support difficult economic policies, those winners tended to be outside the constituency of regional governments who faced only the losers of such outcomes (Woodruff, 1999: 115). Regional governments thus used overemployment and the maintenance of social assets as tools of social policy, effectively blocking the restructuring of enterprises (Desai and Goldberg, 2001).

Desai and Goldberg (2001) present an intriguing picture of the conflictual strategic interactions between regional governments and enterprises within this context. While regional governments face a tradeoff between maximizing tax revenues and extracting political benefits from the social assets of firms, they cannot credibly commit to avoiding predation. Knowing that they risk appropriations, directors maximize insider

control rather than the value of the firm and obscure the value of its assets. In response, subnational governments maximize the social benefits of overemployment and redistribute subsidies to avoid firm failure and protect these social assets. Thus, maximizing the value of firms and developing a coherent economic policy did not occur because of a coordination failure between enterprise directors and regional governments due to the unenforceable nature of property rights.

What Desai and Goldberg do not consider, however, is the possibility that powerful regional enterprises contested these policies by undermining the political power of the regional government. Where Soviet legacies endowed regional enterprises with sufficient autonomy, the diversion of assets was not the only strategy available and political conflict often ensued (Gel'man et al. 2003). Where Soviet legacies favored the incumbent elites, however, the bases of autonomy were not available and the successor regional government could often engage in the predatory behavior described above.

Despite the strong divergent interests of politicians and firms in regional politics, regional executives had several alternative mechanisms of co-opting enterprise directors when we consider a three actor game between firms, subnational politicians and central policies. First, the ad hoc nature of fiscal relations with the center gave skillful regional executives to opportunity to gain political support through successful bargaining for subsidies (Treisman, 1997). Where regional leaders posed credible threats in the 'parade of sovereignties' against Moscow (often when they commanded the support of nationalist movements), they were appeased with subsidies that sustained social policy, in which maintaining the solvency of regional enterprises was a fundamental part. Second, subnational politicians colluded with regional firms to protect them from taxation from

this center in exchange for the rents discussed above (Sonin, 2003). The pervasive use of barter rendered central taxation difficult and subnational politicians actively protected enterprises who built up considerable tax arrears and declared bankruptcy by capturing federal tax ministries and arbitrage court judges (Lambert-Mogiliansky et al, 2003; Ponomareva and Zhuravskaya, 2004). Using political influence to protect regional enterprises not only created direct rents but also indirect ones as it effectively raised barriers to entry for ‘outsider’ firms (including small business). In this way, regional executives could engage in ‘provincial protectionism’ and co-opt regional enterprises by acquiring subsidies from or denying revenue to the center.

Portraying the relationship between politicians and firms as conflictual runs contrary to several prominent analyses of regional politics, particularly Stoner-Weiss’s *Local Heroes*. In her analysis, Stoner-Weiss argues that certain regions such as Nizhnii Novgorod were able to improve regional economic performance by closely integrating the governor and economic elites in informal networks similar to the ones described by Kang (2002) or Haber, Razo and Maurer (2003). In this way, the contradictory interests of politicians and firms were accommodated by informal networks and regional executives adept at coalition building. As recognized by Stoner-Weiss, this outcome is a relatively rare occurrence where an ‘elite settlement’ was achieved that resulted in political stability.

As Hale (2003) points out, however, this cooperation is difficult to sustain because of the conflicting interests of politicians and firms. In his estimation, politician-firm cooperation is similar to a battle of the sexes coordination game, where each party benefits from coordination but disagree on the form of coordination, in this case the

amount of rents extracted from enterprises. The difficulty of maintaining such a balance in the face of conflicting interests, however, is clear given the opportunities afforded by elections in replacing the bargaining partners. This possibility is poignantly illustrated by the breakdown of politician-firm cooperation in Stoner-Weiss' own case study of Nizhnii Novgorod, to be replaced by a protracted period of contentious politics.

## **(VI) Conclusion**

Tracing the historical patterns of cooperation and conflict between regional politicians and enterprise directors reveals that the ambiguous relationship that existed during the Soviet era persisted during the politics of transition. While the autonomy of enterprises from politicians was largely a legacy of the previous regime, the transition from communist displaced Soviet era elites. The consolidation of regional regimes therefore depended on their ability to co-opt regional enterprises and recreate horizontal networks of exchange. While strong executives and strong enterprises could create informal regimes of cooperation to accomplish this, the inability of strong executives to credibly commit to a mutual advantageous arrangement in the face of strong demands for redistribution (whether through rent extraction or overemployment) made conflict a likely outcome of this process. In accounting for the ability of regional executives to offer party alternatives, then, we must consider it within the broader context of collusion and defection in the tense arrangements between regional firms and politicians. The case studies of the following section show that breakthroughs by national parties into regional politics could only occur where regional regimes were unconsolidated in the face of



political competition, in which sympathetic regional enterprises were indispensable patrons.

## **Chapter 4 - Party Substitutes in the Regions: Five Case Studies**

In the second chapter, a theoretical framework explaining the logic of party substitutes was developed and a quantitative analysis of the second electoral cycle suggested that indicators of executive strength were significantly associated with reduced national party penetration. The previous chapter outlined the process by which those party alternatives were constructed, situating it within the broader framework of regime consolidation as a bargaining game between politicians and firms. This chapter examines electoral substitution as a strategy of regime consolidation in four case studies of Russian regions, tracing the outcomes of regional bargaining games between politicians and firms.

Rather than follow traditional ‘most-similar’ or ‘most-different’ strategies of qualitative research design, I will leverage the earlier quantitative analysis in selecting cases. Following Lieberman’s (2005) strategy of nested analysis, I assume that the quantitative model presented above is not subject to severe misspecification and that deviations are randomly distributed, non-systematic errors. In other words, the validity of this research design is founded on the robustness of the quantitative results and uses the qualitative analysis to contextualize and empirically trace the causal processes proposed by the theoretical foundations of the model. As Achen and Snidal suggest (1989: 442) “comparison of historical cases to theoretical predictions provide a sense of whether the theoretical story is compelling.” In the case of this research design, qualitative analysis addresses four goals: verifying the construct validity of our independent variables, tracing the process by which these variables affect regional party development, contextualizing

the construction of party alternatives in the context of transition politics, and assessing the limitations of the model presented in Chapter 2.

First, qualitative analysis is particularly important in testing the quantitative model given the indirect measurement of the independent variables. As discussed earlier, the indicators chosen suffered from low content validity in that these measurements capture only one of several dimensions of our underlying construct, the strength of regional executives and regional enterprises. Regional executives could well dominate legislatures without resorting to the appointment of administrative officials just as regional enterprises might have the ability to act as party alternatives even without being able to successfully engage in state capture (also bearing in mind the measurement error associated with the latter). In other words, qualitative analysis can gauge the validity of the measurements used in the quantitative analysis.

Second, a thorough examination of case studies is critical in establishing causality over correlation, particularly given unsystematic, almost anecdotal evidence supporting party substitute theory at present. Previous work developing party substitute theory (Hale, 2005; 2006; Golosov, 2004) has been located within broader examinations of party development in Russia and to date has not produced systematic case studies linking electoral substitution to failed party development. This lacunae in the literature risks a spurious relationship between perceived party substitutes and failed party development, particularly with respect to the ability of regional enterprises to provide party alternatives.

Third, the construction of party substitutes is not a costless enterprise, particularly as the high stakes of transition politics creates high opportunity costs for any strategy pursued by regional executives. Placing the strategic choice of creating party alternatives

within the broader context of incentives and constraints facing regional actors during transition allows us to better understand the logic of this choice. As well, a closer examination of regional transition politics allows us to push the causal arrow backwards and observe the determinants of regional actors' capabilities of formulating party alternatives.

Finally, the simple model of territorial penetration presented in the second chapter contained a number of simplifying assumptions necessary for the quantitative test. The limitations of these assumptions have been discussed and it has been argued that general evidence from regional politics suggests they do not render the overall inferences invalid. The case studies present an important opportunity to verify this proposition empirically through systematic comparison of a limited number of regions. It also allows us to identify any other omitted factors which may influence the theory and model presented by this study.

### **(1) Five Case Studies within the Research Design**

Based on the logic of nested analysis, I test three case studies which are well explained by the model. Nested analysis is a strategy to combine quantitative and qualitative analysis (particularly in the selection of cases) to maximizing the leverage of the latter and avoid redundant analysis (Lieberman, 2005). Given the statistical significance of the quantitative results, I treat the qualitative evidence as a means of confirming and supporting the model presented above rather than as a means of establishing covariation and controlling for alternative explanations. In other words, I approach the case studies with the assumption that my quantitative model is sufficient

robust to rule out the danger of spurious correlations. As discussed above, the case studies are thus a means of providing additional empirical support by process-tracing, evaluating the indicators used and testing for additional flaws in the model.

In accordance with traditional strategies of case selection, I select cases that vary based on the two independent variables, the share of administration officials in the legislature and the Slinko index of state capture. This results in three well-specified cases (Table 1). Tatarstan, the resource-rich ethnic republic made famous by forging autonomy from Moscow, scores high on both of the independent variables and has not a single party-affiliated deputy in a legislature of 130 seats. Novgorod, a former heavy industrial city-region which has managed to attract significant foreign direct investment, has low state capture but a particularly high share of administration-affiliated deputies and lacks any party-affiliated deputies. Finally, Uly'anovsk, the communist stronghold and the birthplace of Lenin, has a low state capture score and relatively few administrative-related deputies but significant party penetration from the KPRF.

<b>Table 1: Comparing the Cases</b>							
Region	Slinko Index of State Capture (adj)	Share of Administration-affiliated Deputies	Population ('000)	GRP Per Capita (1997)	Share of National Party-Affiliated Deputies	Share of Regional Party-Affiliated Deputies	Residual
Tatarstan	0.213	0.42	3784	17813	0.00	0.10	0.01
Novgorod	0.106	0.46	734	10460	0.00	0.00	0.00
Ul'yankovsk	0.062	0.12	1472	11141	0.16	0.04	0.02
Nizhnii Novgorod	0.173	0.18	3524	14293	0.00	0.02	0.15
Riazan	0.037	0.03	1298	10981	0.48	0.04	-0.31

Ideally, the fourth case would involve a high degree of state capture and a low degree of administration-affiliated deputies. While some regions exhibit these characteristics and fit the model, such as Chelyabinsk, Murmansk, Vladimir and Tula oblasts, no comprehensive political analyses exist to provide secondary sources. In substitution, I will examine Nizhnii Novgorod which fits these characteristics and has extensive coverage from secondary sources, yet has a higher residual. Finally, I will also examine Riazan as a case of party breakthrough, which fits the qualitative predictions of our model with low indicators for party substitute strength yet where fully of deputies are affiliated with the KPRF.

### **(1) Executive Dominance Through Administrative Resources: Tatarstan and Novgorod**

The case of Tatarstan is an excellent illustration of the ability of enterprising regional executives to combine administrative resources with winning coalitions and consolidate regional regimes. At the start of transition, this outcome was by no means pre-determined, with a diversified economy and two potential challengers (the urban democrats and the radical nationalists) to regional authorities. The incumbents Soviet elites' skill in negotiating with the center, dividing and ultimately co-opting the opposition, however, allowed it to consolidate its hold over powerful administrative resources. Through this consolidation of political power it was able to integrate formidable economic elites into this regime.

The Soviet economic legacy in Tatarstan endowed it with a strong, diversified economy based on oil, manufacturing and agriculture. Combined with strong,

independent academic and media institutions and the absence of overbearing centralization in the capital, this predisposed it to democracy in the eyes of many observers (Matsuzato, 2001: 51). Indeed, Tatarstan was one of the most economically developed, urbanized and ultimately Russified republics at the time of independence (Giuliano, 2000: 304).

However, the Soviet incumbent elites inherited important networks created from the ethnic mobility policies of the Soviet era. As Giuliano (2000) argues, Soviet nationality policies provided ethnic Tatars with the opportunity to take prestigious positions in regional institutions such as the CPSU, universities, and local administrations. As this cadre of new elites originated from rural, Tatar-speaking areas, they effectively functioned as a link between the regional regime and the nationalist base they purported to represent through *zemlyak* networks (from the practice of *zemlyachestvo*, or “gathering your people around you.”) In this way, social cleavages reinforced patronage networks.

Ironically, it was precisely these patronage networks linking Soviet era republican elites to their rural, Tatar-speaking popular base that were threatened by the urban, intellectual nationalist leaders (Gorenburg, 2000). The latter’s ambition to implement Tatar language policies would have threatened these networks of mediation and ceded political authority to a new set of nationalist entrepreneurs (Giuliano, 2000). Pre-transition nationalist movements produced a tripartite political split between old regime elites, radical nationalists and moderate nationalists in alliance with local democratic forces (Matsuzato, 2001: 53). Hence, the communist legacies and structural features of Tatarstan produced autonomous actors at the time of transition.

However, the dynamics of bargaining with the center allowed the old regime elites to gain significant political authority. In effect, incumbent elites forged a coalition between moderate Tatar nationalists and ethnic Russians by rejecting separatism and instead emphasizing the autonomy of Tatarstan within Russia. The republican President Shaimiev explicitly reached out to ethnic Russians and Chuvash, arguing that union republican status would bring them increased economic opportunities. A popular referendum on state sovereignty held in 1992 deftly reworked the question from secession to substantial autonomy and thus Shaimiev's initiative gained the support of moderate Russians, legitimating the regime through a quasi-electoral mandate.

An ambiguous reaction to the August 1991 coup led to sharp criticism from the Yeltsin administration. Shaimiev managed to rally the support of radical nationalists against these threats and conceded to a number of sovereigntist demands. Thus, the former regime's success in appropriating nationalist demands in its bargaining with the center allowed it to retain power. The Declaration of Sovereignty in 1992 was supported by all parties yet allowed the consolidated the political position of the former regime. A successful referendum opted for sovereignty but not separation and endowed the regime with a quasi-electoral mandate.

The dual successes in central bargaining and co-opting nationalist legitimacy allowed incumbent elites to design institutions sharply in their favor in the Republican constitution. It granted the regime the ability to appropriate property rights to natural resources and issue licenses, allowed it significant leverage over a lucrative industry (Farukshin, 1994). By 1994, it was estimated that the regime controlled enterprises totaling 65% of the gross regional product. In contrast to other regions where directors



could gain property rights in the 1992 voucher privatizations, the Tatar regime implemented its own privatization in a slower fashion after a three year moratorium, effectively allowing it to consolidate and retain control over the process (Sharafutdinova, 2004). The powerful regional bank *Ak Bars* also served to reinforce the power of the regime and solidify networks between the regime and the enterprise directors.

In addition, the appointment of regional and local heads of administration in 1994 by the Republic president allowed Shaimiev to dominate the regional legislature with administration appointees. Benefiting from the executive's support, these figures effectively acted as intermediaries, mobilizing votes (particularly in rural areas) in exchange for their administrative position. Institutional discretion over local heads of administration also undermined mayoral power and effectively eliminated the municipalities as a significant base for potential opposition challengers. Soviet practices were also renewed such that when a deputy resigned from the district or city administration, they also 'voluntarily' resign from the legislature. Indeed, the ability of the executive to mobilize votes in favor of its candidates is illustrated by the regime's intentional leak of a list of 130 preferred candidates running for the legislature, 109 of which won their election (Farukhsin, 2001: 199)

Through its success in central bargaining, elites of the old Soviet regime managed to gain popular support and the ability to design its own republican institutions. Elite continuity during the transition period essentially maintained the continuity of the informal networks of 'machine politics' of the Soviet era, formalized with the appointment of heads of administration in 1994. These mechanisms allowed Shaimiev to reconstruct a consolidated autocratic regime based on a coalition of agrarian and military-

industrial complex interests, with the powerful energy enterprises surprisingly subordinate (Matsuzato, 2001: 52). Despite these incongruence of interests, the Tatar regime consolidated its control over the regional economy by integrating it into a vast holding company, TAIIF. Political control of these enterprises are secured through subsidies such as tax breaks and access to energy resources. Informal networks clearly bind the TAIIF holding company to the regime, including the appointment of Shaimiev's son on the board of directors.

While the data sources necessary for a comprehensive case study of Novgorod are lacking, the evidence available suggests a similar pattern of controlling the legislature through elected members of the regional administration. The region inherited an economy based on chemical, electronics and defense industries, which were rendered unprofitable after the transition. These industries collapsed with imports from the world market and the cancellation of military contracts. The regional executive, Prusak, has managed to attract substantial foreign direct investment by securing a favorable economic environment based on tax breaks and good governance. Indeed, Petrov (2001; 2004) cites Novgorod as a model of regional governance with substantial autonomy devolved to the municipality of Novgorod and an honest effort to incorporate non-governmental organizations (NGOs) through a Social Chamber.

Despite Petrov's endorsement of regional governance, however, the regional executive monopolizes political life such that the contestation necessary for a quality democracy is lacking. The governor's explicit policy that regional and city administrative officials must hold legislative office makes them ultimately subordinate to the will of the regional executive. While Petrov contests that the legislature frequently sends bills back

for revision, the fact remains that it has never voted down a draft bill by the regional executive. Indeed, the use of the governor's resources to secure the election of every head of administration is indicative of its ability to dominate the electoral process.

## **(2) Executive Dominance Through Coalition-Building: Nizhnii Novgorod**

The case of Nizhnii Novgorod under the Nemtsov administration is an ideal example of a working regional regime secured through coalition-building rather than strict executive dominance.<sup>5</sup> The governor Nemtsov was appointed by Yelt'sin as an outsider, a liberal physicist who had the reputation of a dynamic young reformer. Through careful consultation and targeting of subsidies to local enterprises, the regional executive was able to forge a winning political coalition through which political stability was maintained. These networks of support, however, were dependent on Nemtsov and his exit from regional politics combined with fiscal crisis undermined the regime and indeed eventually led to the election of a KPRF-nominated regional executive.

The high level of industrial concentration and urbanization of Nizhnii Novgorod undermined the ability of the Soviet regime to develop extensive administrative resources. The national importance of regional industry granted it considerable autonomy from the *ispolkom* committee, who nonetheless monopolized the small regional share of agriculture. The same conditions facilitated significant autonomy for municipal politicians, whose constituents comprised over three-quarters of the regional population

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<sup>5</sup> The following case studies draw extensively from the excellent comparative work on regional politics found in Gel'man et al. (2003). Where possible, I add other sources and contrasting scholarly work on the dynamics in these cases but the accounts presented invariably rely on the aforementioned work in the absence of other empirical accounts of transition politics in these regions.

(Gel'man, 2003: 104). In short, Soviet era legacies provided the organizational basis for significant autonomous actors that could counter the hegemony of the regional executive.

During the Soviet era, there were dense informal networks between enterprises and the regional government but little political involvement as the directors largely focused on national concerns. Cooperation was secured through an informal system in which regional party leaders would be put forward by the GAZ enterprise while regional Soviet officials would be sponsored by "Krasnoe Sormovo," the shipyard industry. The autonomy of these enterprises was illustrated by their ability to undermine a municipal proposal for a 'special insurance fund' that would redistribute resources from the enterprises to the regional budget. A group of close to twenty directors from regional enterprises quickly entered regional politics during transition, securing nearly a third of seats in the 1990 regional Soviet and forming one of the first enterprise associations in Russia (Stoner-Weiss, 1997: 178).

The urban, educated constituency of the region prompted a powerful democratic movement which captured 52 of 280 seats in the 1990 regional Soviet and half of the seats of the municipal Soviet. This failure led to internal discord in the CPSU and protracted political conflict over the redistribution of resources, with democratic politicians pushing for redistribution towards the municipal budget from the region and the GAZ enterprise. Following the 1991 August coup, however, democratic leaders were rewarded by Yeltsin for their support with appointments to the Soviet chairmanship and the presidential representative, while Communist opponents were displaced from their institutional positions. Deadlock over the appointment of the regional head of administration, in which the Communist regional soviet acted as a veto player, led to the

nomination of Nemtsov, the former presidential representative. This was the product of an informal bargain in which Nemtsov attained his position but promoted *nomenklatura* elite to the administration.

To incorporate the powerful regional enterprises, the regional executive quickly moved to form a coalition. Nemtsov concluded an informal agreement with the enterprise directors and exchanged their neutrality for protection from central taxes and the maintenance of fixed food prices. This cooperation took the form of a semi-official “social guarantee” to “soften the burdens” of important regional enterprises. The directors were guaranteed access to regional decision-making and a GAZ official was appointed to vice-governor of external economic relations. Stoner-Weiss (1997: 175) describes this agreement:

Shortly after taking office, Governor Nemtsov and oblast soviet chair Krestianinov, recognizing the importance of opening a dialogue with this group of economic actors, cruised for a few hours down the Volga on a river boat with the region’s leading industrial enterprise directors. Their purpose was to present their policy platforms and to convince this core group of enterprise directors that only through collective action could they achieve their goals. In return, this core group of regional employers was assured access to regional policy instruments and resources – specifically, relief from the burden of social welfare requirements...

The informal bases of the regional regime were undermined by political conflict, however. Discord between Governor Nemtsov and the city erupted with a proposal for a democratically elected Mayor, which would have become an organizational base for a challenger. Disputes over the privatization of GAZ in which the directors wished to retain the 51% controlling share while Nemtsov favored a smaller allocation in which political control could be obtained. The issue was settled in a compromise that favored Nemtsov, with the appointment of an independent ally as managing director. While political conflict remained between enterprises and the regional executive, securing an initial

coalition secured the latter's authority and afforded it the early resources necessary to secure the regime.

In 1997, however, Nemtsov left to become the first vice-premier of national government and the elite compromise broke down. Given the informal bases of the Nizhnii Novgorod regime, his exit undermined the stability and provoked defection and a genuine challenge to his successor, Sklyarov, by left-wing opposition candidate, Khodyrev. Sklyarov's Soviet-era links to large enterprises forced his reliance on those actors, illustrated by the delegation of first deputy governor to an enterprise representative and later to the director of Nitel. In the legislative elections, enterprise directors captured 15 of 45 seats, although the informal vice-governors list succeeded in winning forty-two seats.

### **(3) The Failure of a Regional Regime: Ul'yanovsk oblast**

The case of Ul'yanovsk shows that regional consolidation through coalition building is not guaranteed and failure in task may permit the entry of national political parties. Despite inheriting a reasonable economy and only weakly autonomous enterprises, the incumbent Soviet elites in Ul'yanovsk were unable to consolidate a regional regime. Disastrous protectionist policies led to a weakening of the regime and the entry of the KPRF, who sided with the opposition against the incumbent elites and won seats in the regional legislature in 1995. The weakening of the regime and the formation of autonomous centers of power afforded a national political willing coalition partners and allowed its entry into regional politics.

The Soviet economic legacies in Ul'yankovsk were an undiversified economy with strong agricultural directors and enterprise directors unusually dependent on the regional government. The late urbanization and the reliance of the region on federal support through a 'Leninization' program gave the region a strong paternalist political culture with support to socialism. By the end of the 1980s, strong investment from the center made Ul'yankovsk a growing center of development, with strong urbanization and new firms such as Aviasar aircraft production with advanced facilities (Konitzer, 2005: 105). According to a study by the EBRD, the region was cited as having excellent prospects for development given its stocks of capital, agricultural base and skilled workforce (Konitzer, 2005: 106).

However, the cancellation of federal subsidies prompted by macroeconomic decline in the 1980s led to the decline of the *ispolkom* committee, illustrated by the dismissal of the first Party secretary in 1986. After this period, economic decision-making power concentrated itself in the hands economic enterprises, principally the agricultural directors. While industrial directors also gained autonomy, they did not construct the political networks necessary to maintain it during transition. With the implosion of the CPSU in 1991, the regime secured support principally through agricultural enterprises aided by regional banks and heads of administration. As Konitzer (2005: 106-107) argues "the maintenance of the Goriachev regime would hinge upon the maximum empowerment of the rural population and pensioners along with the simultaneous weakening of the financial and political strength of the cities."

The secretary of the obkom and future governor Goriachev secured election to the chairmanship regional Soviet in the 1990 elections in the face of weak competition.

While this position was lost following Gorachiev's support of the 1991 August Coup, he maintained his chairmanship and secured the post of head of regional administration by successfully contesting the appointment of a reformer. To do so, Goriachev exploited from his ability to mobilize his conservative constituents and organized popular protests against his dismissal to prevail over the local opposition.

Based on its hegemony over political institutions and constituency of rural elites, the regime consolidated its control by maintaining political control over light industry and agriculture through high price controls. Protectionism and introduction of sectoral subsidies created the patronage necessary to ensure elite support in agricultural sectors. These economics policies were known as the 'Ul'yanovsk phenomenon,' in which the regime maintained fixed prices, food coupons and slow privatization. However, the economic program effectively diverted funds from investment in capital and infrastructure towards heavy social subsidies. As Konitzer (2005: 107) describes, "deals were being struck between key firms and the administration through which the firms would receive benefits in the form of tax breaks, subsidies, or monopolization of the market, in exchange for their financial, material and administrative support of social programs."

While these policies effectively secured short-term political support, the medium-term economic results was significant deterioration. The regime faced an abysmal financial situation where budget deficit was well in the top quartile of Russian regions. Bankruptcy was avoided by loans from local and federal banks, as the governor did not enjoy enough leverage with Moscow for subsidies. This difficult economic environment combined with disrupted supply chains and poor management led to the deterioration of



regional enterprises. However, new enterprises were not able to pick up those who would have been laid off because of a failed small business policy in which small and medium enterprises faced significant bureaucratic obstacles in licensing and the use of government-owned property.

After the dismissal of regional Soviets in 1993, the Goriachev administration attempted to craft an electoral system (as well as a two-tiered legislature) that overrepresented agricultural interests but were defeated by the opposition with the support of the center. This result, however, was to delay regional elections and the cancellation occurred only two days before the election, wasting valuable resources by the opposition. The administration's control over the Mayor and the absence of a city council for an extended period also weakened the representation of urban citizens. Thus, regional executive stalling on the creation of representative institutions combined with short-term patronage of the rural and pensioner electorate led to temporary dominance of the executive:

Hence, one can argue that the period from 1992 to 1995-1996 was one in which, with Yermakov as mayor of Ul'ianovsk city and no sitting legislatures to contend with... the oblast administration ruled in the absence of local checks on its power. Furthermore, strong support in the rural districts combined with the financial losses by opposition candidates in the aborted April 1994 elections ensured that even the Oblast Legislative Assembly would not pose a serious threat. (Konitzer, 2005: 114)

However, the declining fiscal situation decreased the availability of patronage resources and led to an urban-rural split. Based on the defection of elites, alternative actors emerged in the media and particularly in the local KPRF branch. The latter were able to secure seats in the 1995 legislative elections based on a populist platform and later entered into a coalition with local democrats against the regime following 1996. The election of an opposition mayor in the city of Ul'yanovsk, however, created a rallying point for the

opposition and an organizational base from which to attack the regime. The support of regional enterprises were crucial in this respect, who were dissatisfied with regional policies that favored agriculture and particularly the in-kind appropriations in the form of “extrabudgetary fund for stabilization of the economy.” Thus, the weakening of the regional regime allowed regional enterprises the autonomy to support national party candidates in a bid to unseat the incumbents.

#### **(4) Divided Politics and a Party Breakthrough: Ryazan’ Oblast**

Gel’man et al. (2003) argue that politics in Ryazan’ oblast shifted from a closed Soviet regime with few autonomous actors to a divided, competitive democracy which eventually stabilized after a power-sharing settlement by key regional actors. For the purposes of this study, this character of this settlement was unusual in that it entrenched the position of a newly emerged national party, the KPRF. This situation occurred not so much because of a purposeful strategic move by regional elites but rather as a temporary, tactical measure necessary to for the political survival of a particular faction. The implication of this case study is that protracted elite conflict may push regional actors to invest in parties, although the elite settlement suggests that this situation in Ryazan’ politics was not divided enough to endure.

The Soviet legacy endowed the region with two sets of autonomous actors with a history of contestation over public policy. Ryazan’ oblast was an important agricultural region in the Soviet Union, indeed the home of Central Russia’s largest agrarian industry. However, it also boasted strong regional enterprises concentrated in the capital which benefited from its proximity to Moscow. Soviet era competition existed between these

two sets of interests and a durable cleavage emerged between the Party's economic structures allied with rural interests and the combined weight of the enterprises with links to Moscow, particularly the military sector.

This cleavage was increased with the establishment of Agroprom in 1986, which concentrated the management of agricultural industry and effectively increased the influence of agricultural directors. Soviet reforms also decreased the political power of the *obkom* and gradually decision-making power was displaced to the regional Soviet. Given the access of industrial and agricultural interests to this forum, competition over public policy grew between these two groups, leaving a legacy of discord. The rapid ascension of a first Party secretary closely linked to agricultural interests precipitated a coalition between the Party and agricultural directors, with the latter dominant.

Despite their efforts to forge autonomy, the enterprise directors failed to mobilize voters either through their institutional positions or by rallying popular support and performed poorly in the 1990 Soviet elections. The CPSU, however, was also unable to rally support in urban areas and thus democratic reformers performed well in all of the Soviet elections, particularly in the municipal elections. A coalition between the industrialists and the urban-based democrats emerged, strengthened by municipal reforms that granted the latter greater administrative resources and polarized these actors. The fate of the August 1991 coup displaced the regional Communist Party and allowed the urban coalition to take political position but did not undermine the coalition of agrarian elites. Despite an assault on the latter's formal privileges by the democratic faction, they were unable to displace agrarian rivals in the face of their control of Supreme Soviet deputies and regional Soviet, as well as their entrenched informal networks.

Worsening economic conditions led to a split in the industrial coalition between profitable energy sector and unprofitable enterprises (particularly the military-industrial complex), pushing the latter to the agrarian coalition. The regional executive gradually shifted towards representing the interests of failing military-industrial enterprises (with their sizeable social assets) and in favor of redistribution to them through intraregional energy tariffs. Directors from the fuel and energy sector responded by forming a tight coalition with municipal political elites, who controlled much of the privatization and were thus able to distribute patronage in exchange for political support. The diverging economic interests of different industrial sectors thus provoked a realignment in Ryazan' regional politics and prevented the urban-industrial coalition from consolidating a regional regime based on their ascendancy to the governorship.

As this new coalition crystallized, the urban-industrial faction began trying to mobilize central support to claim the governorship. This conflict and the decreasing influence of the regional executive's control over economic decision-making weakened the ruling regime and resulted in their inability to meet turnout requirements for the 1994 regional Duma and city Duma elections. The urban-industrial coalition responded by attempting to incorporate agrarian interests through the distribution of patronage, but this pattern broke down around 1996 and thus the executive lost control of these votes and thus its influence in the legislature.

Given the stakes of political competition and the weakening of the urban-industrial coalition, the agrarian-military coalition moved to displace it in the regional legislative elections in 1995. The latter's attempts to mobilize popular support in the absence of

strong administrative resources met with failure in the regional Duma elections in 1994. With legislative elections approaching, however, these leaders began cooperating with the KPRF, which was given a base in several large regional factories. The latter began to win important political positions with a string of victories, doubling their vote in the 1995 State Duma elections with 31 percent and winning control of the Riazan' city council and then the Mayoral position. The Agrarian Party also performed well, further opening up the regional arena to national political parties.

With the KPRF's dominance in municipal politics, the position of the urban politicians collapsed and the regional administration moved to formalize an alliance with agrarian interests by drafting laws on local governance heavily in their favor and increasing their power and representation in local administration. As the 1996 gubernatorial elections approached, coalitions crystallized between agrarian elites and the administration, who offered the Kremlin-backed candidate, Ivlev versus the KPRF in alliance with other agrarian interests and the outsider urban elites, who proposed its candidate Lyubimov. Taking advantage of economic decline in rural areas, Lyubimov won the regional executive elections with a nine percent lead over the incumbent-backed Ivlev. Following this successful showing, the KPRF and the Agrarian Party managed to ally and win more than half of the regional Duma mandates in 1997.

While this account would seem to place a national political party in a dominant position within formal institutions at the municipal and regional level, it is interesting to note that local non-party elites were not completely displaced. In particular, the threat of Central involvement against a KPRF-dominated region forced moderation by the regional government in its coalition politics. Lyubimov effectively moved to support the Center in

exchange for non-interference, bolstered by his position on the Federation Council. With its electoral loss, the profitable energy industries agreed to social transfers towards the KPRF's agrarian electorate. As well, Lyubimov engineered a power-sharing agreement between regional interests, cemented a more equitable distribution of head of administration posts. While Lyubimov thus gained autonomy from the KPRF by diversifying his bases of support, the party still managed to constrain his decision-making ability even if it did not gain as many of the crucial posts in regional administration as it hoped.

While the territorial penetration of the KPRF has not resulted in complete party dominance, it does hold a strong position as the ruling party and an effective veto player in policy-making. As Gel'man (2003: 180) notes "The Communists not only managed to (re)create the party machine for mass mobilization, but also to assume control over subordinate allies – the agrarians and the FEC [Fuel and Energy enterprises] directors." The elite settlement between the governor, the KPRF and special interest groups, however, has resulted in the dominance of informal institutions where this compromise renders elections essentially non-competitive.

### **(5) Conclusion**

The case studies presented provide a qualitative foundation for the inferences of the quantitative analysis, linking the power of regional executives and regional enterprise directors to the failure of national party development in regional politics. The choice of cases captures variance in the strength of these electoral substitutes and indeed suggests that where neither regional executives nor regional enterprises are dominant, the regional

arena is open for the emergence of national parties as significant players. In the case of Ryazan, the alignment of a coalition of 'outsider' agrarian and military-industrial interests with the local branch of the KPRF led to its establishment as a veto player in regional politics. In Ul'yankovsk, the breakdown of the ruling coalition led to the KPRF entrance to regional politics, albeit as a minor actor dependent on other influential interests. In Tatarstan and Novgorod, the ability of regional executives to dominate the legislature and consolidate regional regimes was secured based on the election of heads of administration to the regional Duma. Finally, Nizhnii Novgorod portrays a previously consolidated regional regime based primarily on informal patronage ties to regional enterprises that was weakened in the face of succession yet maintained its exclusivity from national parties.

While the results of this analysis are consistent with our theoretical expectations and provide crucial evidence to support our quantitative analysis, they do introduce several caveats into the analysis and reveal the limitations of the indicators employed. First, the case studies demonstrate the importance of municipal actors which played a crucial but theoretically neglected role in previous studies of party alternatives. The role of municipalities as a site of regional contestation has recently come under more rigorous examination in an edited volume by Evans and Gel'man (2004). In it, Slider, Gel'man and Matsuzato present convincing arguments that the autonomy of municipal actors and their ability to retain this autonomy in the institutional design of local government following 1995 is a powerful determinant of competitiveness in Russian regional politics.

Second, the empirical case studies put the limited content validity of the indicators chosen for the quantitative analysis in context. Recalling that the strength of regional executives was measured by the share of heads of administration in the legislature, the case studies suggest that the regional executive may assert dominance through other strategies. Is executive dominance over the legislature lessened by the use of informal ‘governors’ lists’ rather than the election of heads of administration? It could be argued, for example, that while the latter may have a stronger effect, both mechanisms effectively maintain dominance and thus should be used in a reliable and valid measurement of executive strength.

The veracity of this claim notwithstanding, the case of Nizhnii Novgorod’s second legislature provides an interesting rebuttal. In this case, the governor’s list managed to elect a very high percentage of unofficially sponsored deputies yet by all accounts it lost a significant amount of control over the legislature commensurate with its inability to elect heads of administration. This suggests that principal-agent problems may be very important in the legislature. While governors may use their informal resources to elect “their” deputies, without a concrete means of punishing defectors (such as control over their position as a head of administration) these deputies may exercise a fair degree of autonomy as the regime weakens. While the share of heads of administration in the legislature may thus not capture the full influence enjoyed by the executive, it does capture the durability of that support.

With respect to the power of regional enterprises, however, the indicator of state capture is more problematic. As recognized in the quantitative analysis, the indicator captures only the number of laws which favor a single enterprise, averaged over an



extended period of time. Many of the case studies, however, indicated the significant use of informal patronage resources where the indicator showed little state capture. In fact, given the politics surrounding transition it is difficult to imagine any region in which some enterprises did not enjoy any patronage. Like the indicator of executive strength, however, several features suggest that this indicator does capture patronage that is more stable. For one thing, it captures formal patronage arrangements that favor a single enterprise. Not only are these subsidies readily distinguishable from broad economic policies (such as the economic policies of Novgorod for example) but they are protected from arbitrary change by the legislature. In this way, the index of state capture describes durable, formal arrangements between regimes and enterprises that are less prone to change.

A deeper criticism of the role of enterprises as party alternatives is more theoretical and presents a more fundamental challenge to electoral substitution theory. Scholars such as Hale and Stoner-Weiss have reiterated the power of regional enterprises not only in securing rents from regional governments but as effectively asserting dominance in regional politics not simply as veto players but as agenda setters of policy. The example of Krasnodarskii krai is frequently invoked as a region in which the regional executive was weak and ultimately dependent or controlled by dominant regional enterprises. The index of state capture employed in this analysis, however, captures rent-seeking rather than political dominance, which is an important difference in the political behavior of regional enterprises. In other words, it cannot distinguish between enterprises who effectively influence regional politics and actively create party alternatives and

regional executives who successfully bind together minimum winning coalitions through the use of patronage.

The case study of Nizhnii Novgorod clearly suggested the latter, in which the executive used patronage to secure support from enterprises rather than being dominated by the industrial directors. Whether enterprises seek rents (as suggested by Haber et al., 2003) or political dominance (as argued by Hale, 2006 and Stoner-Weiss, 2001) produces similar values by the measurements employed here but matters a great deal in describing the dynamics of regional politics. This suggests that the latter interpretation requires more direct and systematic evidence to support their widespread generalization that enterprise directors enjoy not only influence (which is beyond question) but dominance over the policy process in many Russian regions.

## **Chapter 5 - Party Substitutes, Party Development and Comparative Politics**

This thesis has argued that the failure of national political party development in Russian regional politics is not simply the product of poor institutional incentives but rather due to the active opposition of regional elites. The politics of transition devolved significant power to regional enterprises and to regional executive government, who used administrative resources to incorporate regional elites and institutional design to block competitors. Where regional elites successfully mobilized these resources, they prevented the entry of national parties by furnishing their own candidates with powerful financial resources and lending them reputation that resonated with the electorate. Quantitative analysis shows a strong negative association between the strength of these party substitutes and the development of national parties in regional legislatures, even when geographic and alternative explanations are controlled. These outcomes were not predetermined by legacies of the Soviet era, however, but were rather contingent on the ability of regional executives to rapidly construct winning coalitions, particularly through the mobilization of administrative resources and the construction of patronage networks. Indeed, historical analysis shows that coalitions between regional executives and preponderant regional enterprises were the product of significant skill, as divergent rather than convergent interests tended to predominate. Hence, the entry of national parties into regional politics was as much a story of weak regional regimes as it was a story of successful regional party branches.

### **(1) Evidence and Limitations in the Research Design**

Although tensions are inherent in any research design, the availability of data poses a particular problem for research on subnational electoral politics in Russia. As discussed in previous chapters, the absence of officially published electoral returns for the first electoral cycle and the absence of complete candidate results precluded more sophisticated quantitative analyses. In part, the absence of regional quantitative data is due to its high costs, particularly in gathering data from remote territories and from the large number of regions. Systematic studies of regional politics, especially the strategies of regional actors during early transition, are equally difficult to obtain outside of Russia and particularly for those without strong Russian linguistic skills. Outside of regional Russian newspapers obtainable only at high cost, regional politics are rarely comprehensively reported even in Russian national newspapers. The difficulty in obtaining both quantitative and qualitative sources on Russian regional politics limits means by which the model presented in this thesis can be empirically tested.

Rather than simply expressing this caveat, however, I will evaluate the ensuing limitations and potential sources of error in this research design. The first limitation is the oblique nature of the indicators chosen for the ability of regional executives and regional enterprises to act as party substitutes. On the one hand, the indicators chosen are reliable and genuinely capture important dimensions of the underlying concept that is purportedly measured. On the other hand, the content validity of these measurements are suspect in that other dimensions of strength are simply not captured by these indicators. The considerable heteroskedasticity of the quantitative analysis, with large errors clustered around low values of our independent variables, suggest that regional elites indeed

influence party development by others means. That said, the low residuals at high values in our independent variables in combination with the close match between our theoretical predictions and the results of our qualitative case studies strongly suggest that at high values these measurements are both accurate and reliable.

Ideally, these indicators would be supplemented by other measurements of the dominance of regional actors. Indeed, some of these indicators are currently being created by scholars of regional politics. In a forthcoming book on the impact on regional elites on efforts at reform, Kathryn Stoner-Weiss conducts a survey on the influence of regional enterprises on the functioning of regional administration across nearly all of Russia's regions. Researchers collaborating with Vladimir Gel'man are also constructing indicators of executive-legislative relations based on legislative data, budget outcomes and expert surveys. Such quantitative indicators could at least provide the opportunity to gauge the construct validity of these measurements by providing an alternative measurement against which to compare.

Second, the limited quantitative data available creates an unfortunate problem of selection bias based on time periods. While nearly the full population of regions are represented, the availability of only the second electoral cycle limits the representativeness of these results over time. More dangerous than the possibility of an irregular time period, however, is the absence of data from the first electoral cycle. The historical analysis presented suggests that these founding elections may have a disproportionate effect on later outcomes by formalizing the *de facto* balance of power enjoyed by regional executives that operated since 1991 without any institutional checks. If these outcomes are indeed path-dependent, the specification of the model might be

greatly increased by including a lagged dependent variable to capture this dependence over time. In other words, the absence of early electoral data forces the model to implicitly assume that the dependent variable in the second period was determined independently of its value in the first, an assumption in tension with the historical analysis presented in this thesis. Including data on the composition of the 1990 Soviets would also provide insights into how far back this dependency goes and the extent to which party substitute outcomes depended on Soviet-era legacies.

Moreover, the absence of several periods makes a time-series analysis impossible. While qualitative analysis allows us to mitigate the possibility of spurious correlations, observing the causal effects made by changes in the independent variables would provide strong quantitative evidence for causation. A comprehensive data set might also model exogenous interventions from the center, particularly in terms of electoral legislation or other attempts at institutional design, which greatly complicates any analysis after the Putin reforms in 2000. Spatial modeling of regional politics has also been suggested by scholars such as Matsuzato (2001), who argues that neighbouring regions learn techniques of regime consolidation and thus from proposes ‘macro-regionology’ as a research strategy. This might also be the case for regional parties, however, who may use both the organizational resources and reputation of neighboring regional branches to penetrate new regional arenas. Finally, pooling the observations in a multi-period quantitative analysis would provide us the leverage to better test for interaction effects, which are difficult to evaluate given their inherent collinearity and the low sample size of the model. In particular, examining the interaction between our indicators of regional

executive and regional enterprise strength would shed light on overall patterns of cooperation and conflict between these actors.

Third, additional access to primary and secondary sources on regional politics would enable a better evaluation of the limitations of the model presented. As previously discussed, this study focuses primarily on the constraints posed by party substitutes rather than the varying capability of regional branches in explaining national party expansion in the regions. In part, this is due to a lack of evidence about the activities of parties in the regions. Neither previous studies of party alternatives nor national studies of party organizations have systematically examined the behavior of the regional branches of Russian parties. As specified in the quantitative model presented here, parties must be assumed to be equally capable and possessing equal resources across regions. Yet whether local fund-raising ability, transfers from the central party organization, ties to civil society, electoral strategies, success in candidate recruitment or the ability to build regional coalitions are implicit in the success of national parties in regional politics is unknown. Systematic quantitative or qualitative evidence would allow a better assessment of the degree to which these omitted variables may influence national party development.

Finally, the absence of secondary literature and the often obfuscated nature of informal networks makes it difficult to produce concrete evidence about the actual means by which regional elites mobilize votes through party alternatives. Theorists such as Hale (2005; 2006) argue that it is a combination of organizational resources given to candidates, administrative techniques deployed against candidates and the genuine reputation lent to its candidates that is recognized by the electorate. Yet which of these

electoral goods is most important and under which conditions are they decisive? The case studies presented in this thesis show multiple instances where the purportedly powerful administrative resources of a regional executive failed to mobilize votes or the allegedly firm paternalistic grip of enterprise directors faltered when contesting against a powerful opponent. Without a means of estimating, even qualitatively, the impact of these resources it is difficult to understand the precise nature of party substitutes: are they products of the reputation of 'local heroes' who defy Moscow or are they the manipulations of powerful landed elites? The answer to these queries has implications not only for our understanding of party development but also our normative evaluation of these party alternatives.

## **(2) Contributions to Comparative Theory**

Ultimately, a verdict on the weight of this missing evidence is subjective. I, am confident, however, that while these potential sources of bias are important, they provoke questions about the nuances of the role of regional elites in party development rather than call into question the overall validity of the findings. Certainly, the combination of quantitative and qualitative analysis supports the central thrust that party development is conditional not only on institutions but also on opposition by regional elites, even if the magnitude and means by which this impact occurs is less precise. In addition to providing new insights into regional transition politics in Russia, however, the theory and findings presented above have important implications for general theories of comparative politics, particularly the study of parties in new democracies, subnational governance in the context of federalism and the operation of subnational regimes.



First, the concept of informal electoral institutions proposed in this thesis may provide insights into the comparative study of political parties and party development. The study of parties in new democracies has often focused on the institutionalization of the party, essentially understood as the strengthening of its internal organization and its perception by voters, in both structural and attitudinal terms (Mainwaring, 1995; Randall and Svassand, 2002). Yet beyond noting the deficiencies in parties and its negative impact on democratic politics, little systematic analysis has shown how these types of parties come about, with the implication that it is a failure of elite investment. Those historical studies that do focus on the construction of strong political parties often note the importance of co-opting regional elites. However, these same analyses (such as that of Chhibber and Kollman (2004)) often contain significant selection bias by focusing on only successful cases of party development in developed democracies. It is not surprising, then, that they conclude that parties which co-opt local elites inevitably end up subordinating them to mass party organizations.

Just as the literature on democratic transitions elides the possibility of durable midpoints between authoritarianism and democracy, so the literature on party development neglects the possibility that the informal rules governing electoral politics endures within the guise of party development. Understanding the territorial diffusion of parties as a struggle over the nature of electoral institutions between central actors and regional elites provides a basis for understanding these midpoints and may help explain the lack of party institutionalization in new democracies. The analysis presented in this thesis suggests that far from being easily defeated, regional elites may co-opt regional

party organizations and subordinate them to their interests. As LaPalombara and Weiner (1966) suggested in their classical writings on party development, locally subordinated parties may bear more resemblance to the factions of early French, American and British democracies than the strong party organizations that figure so prominently in democratic theory. By conceptualizing the role of local elites not as historical anachronisms but as real actors with strong interests in promoting tangible if informal institutions governing electoral competition, we may have gained considerable leverage in understanding party politics in new democracies.

Second, the findings of this study of Russian regional politics provide a concrete illustration of the politics of decentralization that have recently come to the fore in theories of federalism. Contrary to theories of ‘market-enabling’ federalism (eg. Qian and Weingast, 1997; Montinola, Qian and Weingast, 1995), scholars have emphasized the subnational governments may act in ways that erodes economic performance and governance, drawing specific inspiration from Russia (Blanchard and Shleifer, 2001; Cai and Treisman, 2004.) Bardhan and Mookerjee (2000) argue that the economic benefits of decentralization must be balanced against the increased capacity of regional elites to capture those benefits through rent-seeking. As noted in Chapter 3, multiple scholars have theorized that regional firms and politicians may collude for mutual benefits in opposition to central reforms (Cai and Treisman, 2004; Sonin, 2003).

While these insights are indeed congruent with the findings of this study, they provide mostly formal models that often favor theoretical elegance over empirical content. Other studies focusing on state capture by regional enterprises that do provide systematic empirical tests focus on individual aspects of these interactions (particularly

the work of Ekaterina Zhuravskaya). The elegance and insight of these models notwithstanding, this study integrates this work and provides a more comprehensive look at the incentives faced by politicians and firms to collude and cooperate during transition politics. The historical analysis of Chapter 3 does not yield a parsimonious model yet highlights the fact that firms and politicians faced a complex mix of convergent and divergent interests. When combined with the case studies, the implication is that cooperation or defection between these actors is contingent on a large number of contextual factors depending on the orientation of the regional government, sectoral interests and inherited patterns of political cleavage. In short, models of state capture by firms and rent-seeking by politicians must be understood not simply as simply rent-seeking behavior but also as efforts to dominate the policy-process and consolidate regional regimes. As will be argued below, these processes should be understood within the more general context of the politics of economic policy-making.

Finally, this study highlights the importance of subnational politics as a source of theorizing on regimes that fall between dictatorships and democracies. Following scholarly disenchantment with the teleological assumptions implicit in democratic transitions literature, researchers have worked to determine the basis of semi-authoritarian or hybrid regimes that proceeded many authoritarian regimes (Carothers, 2002; Collier and Levitsky, 1997; Levitsky and Way, 2002; Schedler, 2006.) Drawing on Levitsky and Way's (2002: 52) definition of competitive authoritarianism, in these regimes "formal institutions are widely viewed as the principle means of obtaining and exercising political authority. Incumbents violate those rules so often and to such an extent, however, that the regime fails to meet conventional minimum standards of

democracy.” The pervasiveness of incumbents’ use of ‘administrative resources’ as well as other ‘political technologies’ aimed at manipulating electoral outcomes in the post-Soviet world have been termed many labels, particularly machine politics (Schedler, 2002; Wilson, 2006; Hale, 2003; D’Anieri, 2003). As discussed above, measurement problems make it difficult to estimate the relative effectiveness of administrative resources, the conditions under which it breaks down and hence the relative stability of semi-authoritarian regimes.

Focusing on the subnational semi-authoritarian regimes present in Russian regional politics provides a vast laboratory for understanding these regime dynamics. Throughout eighty-nine regions of Russia, regional elites faced similar incentives and constraints to consolidate regional regimes in the face of severe economic dislocation and the virtual disintegration of the central state. At the same time, the disapproval of the center rendered explicit authoritarianism a very costly strategy pursued by only the most powerful regions and thus made semi-authoritarianism the modal regime across Russia. The findings presented in this thesis shed light on the importance of informal institutions and the skillful construction of coalitions linking important elites in establishing such regional regimes. At the same time, the case studies suggest that these regimes are vulnerable to central intervention, economic decline and particularly elite defection.

### **(3) Further Research**

These regional aspects of comparative political phenomenon can and should be developed not only in other countries but also further pursued in Russia. In particular, a compelling and rich story remains untold about the politics of regional economic policy-

making during transition. While economists studying regional growth have surveyed the economic policies chosen by individual regions, the politics behind such choices remain obscured (Ahrend, 2002). The incredible struggle by regional governments to protect local industry, retain enterprise-based systems of social welfare, achieve economic growth and win continued electoral mandates are only briefly treated in this thesis. Economists have begun to examine how firms in different sectors and under different ownership have varied in their success in lobbying regional governments and the types of policies for which they have lobbied (Slinko et al., 2003). This approach assumes, however, that it is firms that succeed in prying rents loose from regional governments rather than the latter actively buying the support of the former. Future research must uncover how politicians use economic policy (both through universalistic policies and patronage politics) to construct coalitions of economic actors in the face of difficult fiscal constraints. The case studies presented in this thesis suggest that economic policy-making is often a tactical tool used to secure political support rather than economic growth and that changing electoral politics should lead to considerable shifts in the distribution of state subsidies.

Second, greater effort should be invested in systematically comparing the bases of regional regimes across regions. As these regimes are often based on powerful regional executives and thus a comparable index of legislative power (such as the Carey-Shugart or Fish-Kroenig index) across regions would provide the basis for further quantitative studies (Fish, 2006) Not only do the formal constitutional powers of legislatures vary across regions but also informal practices and patterns of behavior that govern this relationship. Analyzing shifts in such an index would be a valuable means of estimating

the dominance of the executive in regional politics. A second dimension of regional executive dominance which could be systematically evaluated is its relationship to municipal institutions. As municipalities have often provided the organizational bases for successful challengers in regional politics, any future analysis of the consolidation of regional regimes must include this dimension (Evans and Gel'man, 2004). In particular, the formulation of the 1995 State Duma law on local government allowed substantial institutional variation in the design of the powers of municipalities. A comparative index into the composition of city legislatures and particularly their fiscal autonomy might prove to be a formidable tool of analysis in analyzing regional politics.

Finally, and perhaps most importantly for understanding comparative politics, further research must be conducted on the reciprocity between subnational and national politics. This study has limited its focus to strictly regional politics, where federal policy is understood as exogenous intervention by an unresponsive and largely indifferent centre. Indeed, the centralization of power in Moscow, the focus of the majority of political analysts on the fierce political struggles played out in the capital and the disintegration of the state make this a reasonable assumption for the period under examination. Throughout the case studies, however, the shadow of central involvement repeatedly crept in and suggests that moving the study of Russian subnational politics forward requires a more comprehensive understanding central policy towards the regions. Certainly, the Putin administration's preoccupation with rebuilding central power puts this back on the agenda.

However, a potentially important yet neglected phenomena deserving examination is the center, understood not simply as the federal government but as a broad

collective of actors with significant political resources including factions in the presidential administration, state Duma and even national enterprises. Indeed, the case studies suggest that central policy towards the regions in this period was not the result of rational, coherent policy but rather ad hoc tactics often based on informal contacts and favors. The early work of Sidney Tarrow and others (1977; 1978) on territorial politics provides an important yet neglected perspective on the political networks that bind the center and the periphery, to use the vernacular of the times. Rather than conceptualizing regional elites as simply local notables, Tarrow's work focuses on their role as brokers between central policy and regional demands and his notion of Italy's policy entrepreneurs, who appeal to the centre through diffuse clientelistic networks seems particularly appropriate for the behavior of regional executives in Russia's regions. This insights warrants a change in focus towards the political networks that link subnational to national governments above and beyond the party linkages advanced in the federalist literature.

It is perhaps the reverse direction of this relationship, however, which is most interesting for the study of federal politics: the services that the periphery delivers to the centre (Tarrow, 1978). A recent rediscovery of this relationship has emphasized the importance of regions in providing political order (Herbst, 2001) and executing public policy (Stoner-Weiss, forthcoming) (see also Amoretti and Bermeo, 2004; Snyder, 2001). In the absence of partisan linkages, however, the center may draw on the ability of the regions to deliver votes through the informal electoral institutions described in this thesis. As Gibson (forthcoming) argues, democratic transitions at the center may often force the "democrats" to seek regional allies in their conflict, including authoritarian ones. In the

Russian case, Mendras (1999) notes that throughout the 1990s Moscow gradually abandoned its attempts to dislodge consolidated regional authoritarian regimes through sponsoring municipal challengers and instead settled for co-opting these actors. Hale (2006) provides an excellent description of the politics of coordination and co-option surrounding the “governor’s party” that contested the 2000 presidential elections. Collectively, these examples suggest not only that the informal electoral institutions that allow regional executives to deliver votes may be mobilized in exchange for central favors but that the coalitions and outcomes of national electoral politics may depend on little understood regional politics. In this way, the low and rarely examined politics of exchange between Moscow and the regions may prove central to the intensely scrutinized battles at the federal level.



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