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Import of Institutions: the Regional Level

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In the frame of the present research we considered a hypothesis on the existence of a trend to a widespread of standards and practices which expand the horizon of the regional authorities' discretion and possibilities for their discretionary regulation, due to the federal authorities' failures to maintain the fundamentals of the Rule of Law. The collected data testify in favor of the hypothesis.

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Introduction

The main source of problem justification for this paper became L. Polischuk, who, in Chapter 12 of the collection of essays edited by P. Murrell (Murrell P., 2001), drew a conclusion about the tendency of the outspread of standards and practices that extend the boundaries of the regional administrations’ competence and possibilities for their discretionary regulation due to the federal government’s failure to secure the Rule of Law.

Another key issue the present paper deals with is a description of regional leaders’ adaptation and evaluation of their strategies aimed at capturing and keeping power.

While in the frame of the research in question we have had no possibility to repeat a formal comparable analysis across all or most regions, we focused on an in-depth research into individual situations in the regions that had most visibly demonstrated modern trend associated with political and legal strategies, and technologies of tackling new challenges.

Let us begin with a review of the noted Chapter of the IRIS collection of essays that highlights on specifics of transitional processes in the post-socialist countries.

Whilst federalism opens an opportunity for the inter-regional competition between institutions, selection of the most efficient ones and the outspread of already tested practices over yet new regions. However, the progress of the system along this particular path necessitates the existence of the Rule of Law.

Weingast, 1995; Montinola, Qian, and Weingast, 1995 argue that the decentralized system of government increases it efficiency under fulfillment of the following necessary and sufficient requirements of the pro-market federalism:

- subnational governments delegate to the federal government substantial regulating obligations associated with regional economies;
- intergovernmental agreements are based upon the legally set procedures and they are insulated from political influences in such a manner so that the regional administrations comply with hard
budget constraints and operate within their limits; constraints imposed on subnational governments’ operations coordinate local policies and preclude from outcomes similar to the Ineffective Prisoner Dilemma;

- the common market is maintained in such a way, so that to ensure a free migration of goods and production factors across the country;
- the division of powers and obligations between the tiers of the government is stable and reliable (appear trustworthy to market agents).

Qian and Roland, 1998 argue that the significance of the regional authorities’ efforts and the role played by the regional legislation in raising the nation’s investment attractiveness is negligible. However these factors appear fairly substantial as long as the distribution of investment across regions is concerned.

The political struggle between the USSR and Russia’s leaderships has solidified the national republics’ position. The 1993 Constitution has made all the Subjects of the federation equal. However, because of the process of the search of political support from regional leaders, coupled with the power division treaties (“...three treaties were signed in 1994, four in 1995, twenty in 1996, fourteen in 1997, and six in 1998. More treaties <were> being negotiated”), with the peak of the problem falling on the 1996 presidential rally, the governors’ strength grew notably. It experienced further growth thanks to the emergence in 1996–98 of a new version of the Federation Council that became their corporate chamber. The author argues (while referring to other experts) that the governors have exerted a critical influence on the composition of the Constitutional Court. Consequently, in most cases the latter did not recognize regional laws conflicting with the Constitution. We believe, however, that the situation at the time was not that unequivocal and did not fit into the suggested pattern.

With due references, the author cites the outspread of price regulation practices, seizures (via debts to the regional budget) of stock in big local companies and tax innovations (introduction of sales tax, other indirect taxation), etc. and draws the conclusion that the failure to meet the noted four conditions has led to the situation in which the regions fell prey to the standards and practices protecting the possibility for regional leaders to exercise arbitrary decisions, rather than they bene-
fitted from the widespread of economically efficient standards and law enforcement practices.

The respective effects included, particularly, a low significance of political and legal factors for distribution of investments even on the interregional level (while the factors associated with natural resources and initial – as of 1992-existence of industrial and other assets, as well as those associated with the production structure – that is, the share of industries with export potential- the fuel and energy and metallurgical sectors – appear more significant.

The conditions under which decentralization (in that particular case – the fiscal one) proves to be effective are highlighted in the paper by R. Enkilopov and E. Zhuravskaya, 2003. The authors draw the conclusion that string parties and direct subordination of the lower agencies to higher ones has a positive effect on implementation of financial decentralization in developing economies. Oddly enough, the sample comprises both fairly democratic (the Czech Republic, Hungary and, quite unexpectedly, Israel) nations; countries where elections are quite falsified (such as Azerbaijan and some African countries; and the beloved child of contemporary economists – China. Such a combination of the countries where political parties form the institution that lowers voters’ costs of collection of information of candidates and the candidates’ costs of disseminating their information among voters with the countries where political parties mostly lower costs of a direct confrontation with opponents, and, finally, the countries that have no parties at all (for the Chinese Communist Party can hardly be labeled as “strong party”) substantially devalues the explanatory capacity of the model and derails the confidence in the authors’ computations.

In 2000–03, IET has been conducting regional economico-political research. It was focused on determinants of growth (Mau, Zhavoronkov, Yanovsky et al, 2001; Yanovsky, Zhavoronkov et al., 2001) and sources of political and legal risks facing business in Russian regions (Mau et al., 2002 (1)). The authors evaluated regional law and law enforcement practices and occasionally noted the similarity of provisions and law enforcement practices in some particular regions (for instance, the city of Moscow and Krasnodar krai similarly interpreted the federal law “On quality and safety of food products“ – Mau et al., 2003 (1)).
However, there was no deliberate attempt to analyze institutional import from region to region.

At the same time, among the key factors that explain the selection of this or that strategy of a given regional leader and, particularly, in the economic policy area, the authors singled out the re-election incentives (Mau et al., 2002(1)).

Recent literature provides quite numerous, albeit not yet extensive references to what incentives steer politicians into conducting socio-political reforms. Thus, A. Drazen (Drazen, 2000) pioneered studying\(^2\) of a reform process as a series of stages necessitated by the need for, and different ability of a reformist government to ensure political support to transformations underway. In Russia, S. Afonstev has proved to be particularly successful in this research area\(^3\).

In their papers, V. Mau and O. Kochetkova argue that one of the most significant determinants of voting at \(n+1\) elections is voting (in a given region) at \(n-x\) elections (Mau, Kochetkova et al., 2001; Kochetkova, 1999\(^4\)).

But the situation changed drastically at the 2003 elections, and the paper entitled “Electoralny landshaft Rossii” (Myagkov et al., 2004) deals with technical analysis of the issue form which parties to which ones the electorate “migrated”.

Despite a number of well-justified claims to methodology employed in the paper and, particularly, its authors’ reluctance to verify their model on electoral polls, by itself the introduction to the research turnover of processed data starting from the territorial election commissions level and the experience of their evaluation appear fairly useful for regional politico-economic research.

A. Akhmedov, E. Zhuravskaya, 2003 tested the existence of an opportunist and party-oriented behavior in the frame of the theory of

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\(^3\) See, in particular, his presentation at the IET Conference in September 2002.

politico-business cycles in Russian regions. Having employed a full set of data on regional elections in Russia and regional monthly data on regional budget expenditures between 1996 and 2003, they demonstrated statistically significant evidence of regional administrations’ rational opportunist behavior and a proof of the politico-business cycle theory on the data on Russian regions. But they failed to prove this hypothesis proceeding from the regional administrations’ loyalty to this or that party, which pears quite natural, given that regional elections so far have been considerably less politicized vis-à-vis the federal ones.

At the same time, the regions with a greater transparency and more intense political competition demonstrated far lesser signs of this particular kind of opportunist behavior, i.e. the maturity of democratic institutions may result in the supplanting of an opportunist behavior and deploying instruments of the politico-business cycle for voting manipulations even in a relatively short run.

In 2000, the World Bank commissioned a research into various aspects of Russian enterprises’ operations in regions. During the next two years the expert group studied 70 enterprises in different Subjects of RF. Harry Broadman (Harry G. Broadman, 2001) and his colleagues, including P. Murrell and other renowned experts in transitional economies note that the critical factors that ensure a given company’s success remain its connections with the regional administration. In the circumstances, the market entry barriers de-facto remain high for outsiders even in the conditions of the struggle against formalized constraints and prohibitions. P. Murrell emphasizes problems and deficiencies of the arbitration courts system. In light of the recent development (the change of the leadership of the Supreme Arbitration Court) the 2001 problems seems relatively minor. The paper that deals with import of institutions also pays a considerable attention to motivation of a politician’s behavior in the course of reform implementation (Mau et al., 2003 (2)).
1. A Regional Politician’s Strategy in Russia between 1993 and 2005

In the conditions of democratic elections, the politician can adhere to different strategies aimed at:
- seizing power;
- keeping power;
- extending the sphere of administrative control and financial base;
- catapulting himself to a higher political level.

In this paper, we are going to consider the regional politician’s strategy by using examples from Russia’s history of the past decade and with an accent placed on new trends that emerged after Mr. Putin was elected the RF President and the so-called “vertical of power” was built.

There exist numerous politological concepts that claim they were designed to understand and explain a politician’s behavior and, particularly, a whole subsection of political science known as “elitology”, which pretend to systematization of qualities and circumstances that grant individuals an opportunity to become a part of elite, extend their influence, as well as to lose the status. Answers to the questions can form the grounds for understanding social mobility processes in the society at a certain stage. However, fed by Marxism, the traditional elitology proceeds from the maximalist approach that suggests that the ultimate challenge facing a politician is to seize yet another new “peaks of power” – up to the highest one. This statement can be equaled to Marx’s analogous argument of the maximal profit as an ultimate goal for a capitalist. But the entrepreneur is well aware that in addition to profit, there also exist costs and risks, and not everyone would be ready to embark a risky strategy. The politician who has become a part of red-tape system is to a far lesser degree inclined to adventures, for his immediate major mission is to take roots on a new position, and it is only after that that his ambitions may grow.

In his paper on bureaucracy, classical political economist W. Niskanen provides the list of the bureaucrat’s possible objectives: salary, various kinds of extra perquisites, social status, power, patronage of higher-ranked colleagues, performance of his office, easiness of implementation of transformations, and easiness of managing his office. It
is suggested that apart from the latter two, the other priorities are positively correlated with the size of the budget. In the conditions of young democracy in Russia, regretfully enough, not all successes of a given politician can be measured with the rise of budget revenues in the respective territory. But the impact of the “budget”, in a broad sense of the word, in combination with other social indicators, cannot be ignored, as at a certain stage there can arise the “pocketbook voting” to which the electorate can resort proceeding from its own notion of change in public goods over the past cadence. Hence, according to the Niskanen’s model, the politician may be interested in maximization of resources at his disposal, or in a short-term positive change in the electorate’s sentiments for the sake of prolongation of his mandate at the upcoming elections.

1.1. The Period of Appointments

What was the peculiarity of regional elites of the early 1990s? In August 1991, except for a very few Subjects of the Federation that had elected their heads (such as the city of Moscow, St. Petersburg or Tatarstan) the heads of executive power at the regional and municipal levels were appointed by the majority of deputies of the representative power, alias, the Councils of People’s Deputies. Thanks to the rulings of the 5th congress of People’s Deputies, B. Eltzin was granted with extraordinary powers and, particularly, the power to appoint and dismiss, upon the respective Council’s consent, governors. Mr. Eltzin’s great popularity enabled most governors to be elected, with a sole opposite example in Ulyanovsk Oblast. Between October and December 1993, in the conditions of the de-facto state of emergency, most councils, both Oblast and local ones, were dismissed, while the consequent public elections de-facto attracted the overwhelming minority of voters. The head of a municipality otherwise would have been appointed by the governor. It was only in 1995 that the new laws “On general principles...” and “On local self-governance” were enacted. The statutes provide for public elections of governors and either of the two models of electing heads of municipal entities: either by means of public election,
The elections took place mostly between late 1995 and 1997, coupled with the elections of representative power bodies and cities heads (mayors).

Thus, the mid-1990s displayed the process, which in many ways appears opposite to the ongoing one, i.e. that was the transition from the system based upon appointments to the election-based one. Notably enough, both Eltzin’s appointees and their potential rivals had to run.

Who were those appointees? Those were, as a rule, deputies of the USSR or RFSR national Councils of 1990–1991, members of democratic factions, such as “Democratic Russia” or the Inter-regional Deputies Group. They could or could not have the economic management record (for instance, the first heads of the Nizhny Novgorod Oblast or Krasnodar Krai). The so-called “strong economic managers” were appointed governors far more rarely, as they found themselves counterbalanced by political appointees – that is, presidential envoys in their region.

Notorious for an intense conflict between the branches of federal power, the period of 1992–93 illuminated the existence of two possible strategies: namely, an absolute loyalty to the President and maneuvering between him and the old Soviet vertical. Back-upped by the opposition majority of the local legislature, some governors openly favored the rebellious Supreme Council Novosibirsk, Irkutsk, elected in April 1993 heads of Belgorod, Bryansk, Lipetsk, penza, Smolensk and Amur Oblasts. Notably enough, the first strategic option proved to be even less favorable than the third one – in the conditions of the emergency justice of late 1993 only four (Yu. Lodkin, V. Beresovoy, V. Mukha, A. Surat) representatives of the third type were dismissed, as well as representatives of the first type (V. Kuznetsov in Primorsky Krai, V. Dyakonov in Krasnodar Krai, A. Dobryakov in Pskov and V. Guslyannikov in Mordovia), while almost all the appointed governors suffered defeat at the April 1993 elections. Because of the short period of revolution, we do not consider to what extent the destiny of the heads of regions was correlated with economic welfare of their regions.

In parallel with the above, the tough approach to krais, oblasts and okrugs was counterbalanced by a practical independence of the na-  

5 The consequent amendments to the statute also provided the possibility of the appointment, on the competition basis, of the manager, but it has never been used as yet.
tional republics. In most of them the national nomenklatura controlled the parliamentary majority had been successfully elected presidents.

In 1994, the federal center embarked on the course of “pacification” of the national elites. The distinctive features of the process in question were as follows: the federal center entered into treaties with the Federation Subjects on division of competences, which reassigned in favor of the latter certain tax deductions, as well as other broad powers on property management and procedures of formation of structures of power in a given regions. By 2000 such treaties had been signed with more than half of the Subjects of the Federation, with many of them containing anticonstitutional provisions\(^6\). While the federal vertical cadre who had failed, for this or that reason, to compromise with governors or heads of national republics were dismissed, they were replaced by loyal local subordinates. Thus, by March 1996 of 65 presidential envoys in regions appointed in December 1993 only 45 had survived, while the dismissed 20 ones mostly were the former pro-reformist deputies of the USSR (1989–1990) and RSFSR (1990–1993) Councils. They were replaced by individuals that had never been presidential allies, nor they became such upon their appointment. The most notable examples in this respect were the former presidential envoy to Primorsky Krai V. Ignatenko or then the secretary of the Security Council of Kemerovo Oblast V. Kudeshkin who, while being in the office, called for mass riots, blocking transport thruways. While today such information appears almost impossible, it was the reality of the 1990s, nonetheless.

It was the most aggressive “red” governors who, together with leaders of the national republics, managed to extract subsidies and individual benefits for their regions and block attempts to restructure local enterprises. The years 1994–96 saw a practical suspension of the land reform. Russian regions introduced new local taxes, levies and administrative restrictions, which formed a clear pre-election move. That de facto was the process of mutual consolidation of federal and regional elites according to the latter’s rules for the sake of stability, which was especially necessary in the conditions of the growing public mistrust in power after the start of the Chechen war. Recent history shows exam-

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\(^6\) Interestingly, since 2000 the federal center employed the strategy of canceling the treaties by means of other ones whose subject became an early termination of the previous treaty.
amples of the efficacy of such an approach: more specifically, one can cite an efficient support the government of Tatarstan ensured for the federal party of power at the 1995 and 1996 elections (while earlier the local administration had secured the boycott of the federal elections), followed by a relative liberalization of the Republic’s own economic policy (change of an inefficient management, attraction of investment, land turnover). Another example of this kind dates back to 1996–97: namely, the loyalty of Yegor Stroyev, then the Chairman of the Federation Council in the course of debates in the Upper House (while in his region Stroyev in every possible way supported communists and in turn enjoyed their support: thus in the 1996 presidential race in Orel Oblast Zyuganov’s results were record-breaking, and likewise quite satisfactory in 2000). Overall, though, the noted course of the federal center appeared futile. A serious defeat “Our Home Russia” suffered at the 1995 parliamentary elections due to numerous regional administrations’ sabotage of their (as well as Mr. Eltzin’s 1996) campaign, has resulted in the change in the federal center’s strategy. In 1996, the federal center dismissed as many as 14 heads of administrations of Subjects of the Federation (by contrast, in 1994–1995, there were just 8 such cases, with 3 ones noted in early 1994). The effective change of numerous self-discredited personages, such as, later convicted ex-heads of Vologda Oblast or Nenetsky AO has had a positive impact both on the socio-economic situation in the regions and their population’s electoral preferences. The regional elites did not try any riot, either, for they understood the federal center was not going to deprive them of their piece of cake- rather, following the Soviet practice, it penalized the “losers”.

Interestingly, studies V. Mau and his colleagues conducted to reveal a correlation between subsidies a given region was entitled for from the federal budget and results of vote for pro-reformist parties in 1995 and for B. Eltzin in 1996 showed that there was a serious negative (!) correlation, albeit except for national republics, which allows to argue of the presence of an blackmail game model. At this point, it is worthwhile noting that it is senseless to discuss whether or not elections were democratic in Tatarstan, Bashkortostan, and most North Caucasian republics.
1.2. The First Cadence of Regional Elections

Whilst the federal executive power had had chances to succeed with regional elections, it failed to develop a sound stance in this respect. The classical example of the confusing policy became the 1996 alternative governor elections in Saratov oblast. The governor appointed shortly before that has displayed a great talent in managing the inflow of federal resources and, competing with a communist candidate, won 82% of the local vote, while in two months before that the Oblast electorate mostly voted for Mr. Zyuganov as the communist candidate for presidency. Overall, at the time victories thanks to the Moscow administrative resources were an exceptionally rare phenomenon.

A drastic deterioration of the economic situation since late 1996, primarily in the area of wages and pension arrears, has considerably derailed the credibility of Eltizin’s appointees, and more than half of local leaders were compelled to leave the office. At least in 23 Subjects of the Federation they were replaced by the so-called “red governors” backed-up by CPRF (the level of their opposition sentiments varied, of course). In some regions, both the “oppositionist” and the incumbent local leader could represent the democratic camp, albeit the wing that lost the cadre war (such as E. Rossel who won the 1995 regional elections in Sverdlovsk Oblast). But the most typical opposition figure of the time was a head of local legislature, as a rule, ex- First Secretary or some other high-rank representative of CPSU nomenklatura. The qualitative composition of heads of large cities that were major donors to the budget and, as a rule, coincide with regional centers did not undergo substantial changes. So, the newly elected (no matter oppositionist or incumbent) governor was to seek the traditional support of the local political and business elite. The classical example of this behavioral pattern can serve elections in Chelyabinsk, where the major donor to the budget Magnitogorsky plant supported both then incumbent governor V. Solovyev and the CPRF candidate P. Sumin. The Chelyabinsk and Magnitogorsk mayors likewise decided to hedge risks. The role played by financial and technological resources was relatively insignificant at the time, which can be attributed to the fact that the federal FIGs were taking their first steps to acquire businesses in the regions.
1.3. The Rise and Fall of Regional Opposition

The 1998 financial crisis both caused a drastic shift of the political sector leftwards and generated tsunami of frustration with the federal center. The process was crowned with a famous appeal of four dozens of governors and chairmen of local legislatures to Pres. Eltizin to resign. Primakov’s government began to feed the regions’ loyalty by placing large government-owned stakes under regional authorities’ control. The climax of such a support became E. Primakov’s account to the Federation Council that became a demonstration of the nationwide support to the government that faced an upcoming dismissal. Interestingly, shortly after the latter happened, less than 20 members of the Upper House signed the appeal drafted by the Chairman of Ryazan Oblast legislature that criticized the President’s decision, and in a few days after everybody argued that it was time the country had to propel its economic development, while the previous government had lost momentum.

The destiny of “The Voice of Russia”, “All Russia”, “Motherland”, and “Unity” that were initially designed as the “party of power” displayed the regional leaders’ were amorphism, inconsistency and incapability to ensure a collective action. It consequently turned out that there was no need for the federal leaders to spontaneously call on regions in June-July 1999 to prevent the emergence of “Motherland-All Russia” bloc. Once the federal center demonstrated a proper toughness and ability to pursue a consistent political course aimed at preclusion of a CPRF+ MAR majority in the Parliament, practically all the regional leaders, except those of St. Petersburg, Dagestan, Ingoushetia, Kabardino-Balkaria, Udmurtia, Nizhny Novgorod and Novossibirsk oblasts and, in part, Murmansk, Arkhangel’sk, Ivanovo oblasts and Karelia, gradually abandoned the MAR supporters’ camp. Interestingly, at 1999 parliamentary elections “Unity” collected equal number of votes both in the regions whose leaders were loyal to the newly created party of power and in those were local leaders were in opposition to it (except serious falsifications in a number of regions and the Moscow city elections outcomes). However, it was too premature to speak of a solidification of the federal power as early as in 1999. At this juncture, what happened in Adygeya in late 1999 was most illustrative: at the time, A. Jarimov President of the Republic of Adygeya refused to let the presidential envoy in
his office by arguing that the envoy was appointed without his, Jarimov’s consent. Mr. Jarimov paid no attention to the fact that the law did not require his consent, for he was acting basing on his own concept of does and does-nots.

Post-1999 elections, most regional leaders realized that Mr. Putin’s electoral position was very strong and it would be sensible, at least, to demonstrate their loyalty to him. It was yet more important in light of then upcoming electoral cycle in the regions (traditionally, in most regions, elections take place in a year after the federal parliamentary ones). That necessitated seeking support in Moscow to get rid of possible rivals. The 2000 presidential elections showed yet greater support to the federal power, with Mr. Putin’s victory in the first round already with 53% of vote, while Mr. Zyuganov gained slightly under 30% (minus 10%-plus vs. his 1996 score).

1.4. The Federative Reform

With the electoral support and loyalty of the newly elected State Duma, in 2000, Pres. V. Putin launched a 2-year Federation Council reform.

Its ultimate goal was to diminish the governors’ political influence, depoliticize the Federation Council and deprive the governors of the MP immunity (as per the Constitution only MPs can enjoy this particular privilege, while currently – only they and governors’ and local legislatures’ representatives that have formed the new Federation Council since 2001) and to abolish all the provisions that bind the federal center to seek the regional authorities’ consent to appointment of heads of regional branches of federal structures (police, tax inspectorate and tax police, regional attorney general, among others). In compliance with Art. 86 of the Constitution of RF, President has a right to suspend the effect of any lower-tier legal act until it is considered by the court of law. Amendments to the Federal Statute “On general principles of organization of legislative and executive bodies of state power in RF” granted President with the right to cease the effect of any local statute and, in the event of a failure to comply with the court order to abolish an anti-constitutional local resolution within 3 months, to dissolve the local legislature (in a governor’s case, this can take up to 2 months). As well, basing on the Attorney General’s resolution on instituting a criminal
case under suspicion of a high crime, President now has the right to suspend a head of the region until the investigation is complete.

1.5. The New Electoral Cycle in Regions

The period of 2000–01 saw the Kremlin undertake centralized decision making as to which governors should stay on and which should go. However, there often occurred the situation when, following a sarcastic comment by R. Turovsky, one of the best experts in the regional policy area, “…the Kremlin has long identified its stance – they do not care”. Such decisions were made proceeding from different circumstances. Sometimes the federal center was displeased with a given governor’s evident involvement in corruption and impotence of his administration (Kaliningrad Oblast, Mary-El), while in some regions, there was de-facto a conflict of interests (for instance, between interests pursued by autonomous okrugs in the composition of Tymen Oblast plus the largest oil companies operating there vs. the Oblast administration’s and TNK’s, then its ally, interests.

Well coordinated, the structures subordinated to the federal center nullified the notorious “administrative resource” available to the governors. The classical example in this respect became elections in Mary El. While the race was gaining its momentum, bureaucrats belonging to the federal vertical of power and earlier forming the Mary-El President’s clientele began to resign, entrepreneurs who had boasted close relationship with him were detained. Finally, the head of the regional electoral commission was arrested, which formed a serious “signal” to his junior staff in the subordinated territorial commissions. But the very same election campaign became a perfect example of the currently present in Russia’s political life phenomenon of “many entrances”, with one decision-making center being keen to ensure the most logical scenario – that is the defeat of the incumbent president, while the other being inclined to cancel his registration as candidate for the elections (basing on the data on his allegedly guaranteed victory, should he stay on), and the third center was going to grant him “amnesty” and strike a peace deal.

Most heads of regional branches of the federal vertical were still very much afraid of loosing the governors’ favors. Plus in many regions, dif-
fferent federal-level bureaucrats would hold opposite stands. It is not surprising then that the federal center would suffer numerous defeats at regional elections (for instance, in Bryansk, Stavropol, Kamchatka, Ivanovo, Amur Oblast, Primorsky Krai and some other, less notable failures).
2. The New Regional Elite

By contrast to the first cycle of regional elections, most governors kept their office after the second one. But there arose new, original types of governors. Let us consider their roots.

First, the growing role of the Moscow administrative resource. It is not a secret that Moscow held many regional campaigns “at any price”, up to absolutely arbitrary rulings by the court of law and electoral commissions (for instance, cancellation of registration as candidate of V. Cherepkov in Primorsky Krai, Kh. Gutseriev in Ingoushetia, S. Khetagurov in North Ossetia and M. Nikolaev in Yakutia). This means has become especially notable in 2002. Plus, Moscow unequivocally demonstrated its favorable attitude to its protegee (mass media, financial allocations to the incumbent governor or promises of those to the future one) and began to vigorously apply the technology of “shooting out” from an unfavorable candidate federal civil servants who showed their loyalty to him (as it happened in Perm Oblast in 2000, when Moscow practically simultaneously dismissed the local heads of police and FSB, and the Oblast Attorney General, and instituted criminal proceedings against the governor’s daughter). Another option was to “shoot out” loyal businessmen (as it happened in St. Petersburg, with sponsors of A. Markova were forced to leave her alone, which practically deprived the popular local politician of any funds to continue her campaign). Interestingly, at regional elections rivals have to seek support not only in the presidential Administration, but among regional siloviki (led by their head who is now appointed by the federal center without any consultations with regional authorities), at the Supreme Court and the Central Electoral Commission (who are actual arbitration instances, should any dispute arise in the course of elections) and with United Russia as a formal party of power that partly reflects Mr. Putin’s individual rating. At such juncture, the federal government’s role declines, as its actions have now been far more formalized than before.

Second, the role of financial resources and political technologies. Some regional campaigns have proved to be unprecedented in terms of their costs, even compared with Western ones (for instance, by some assessments, in Krasnoyarsk krai, with its just five constiuencies, the winner, A. Khloponin spent on his campaign at least USD 40 mln.). Ac-
Accordingly, the role of political technologies has grown substantially. Mr. Khloponin’s staff, for instance, worked out a formally legal technology of a mass hiring of rural propagandists by offering them the salary well above the market. Mr. D. Zelenin, the winner of the governorship race in Tver Oblast, had established a charity foundation under his father’s (the same) name. The foundation essentially dealt with bribing the local voters during the campaign. The above means, at the same time, a substantial rise of "oligarchic structures" as the most evident sponsor of the process, especially if an enterprise they are interested in is located in a given region. They perfectly understand the governor’s possibilities to help, in this or that way (through the energy commission, connections with siloviki, the court of law, etc.) are fairly big.

At the same time, the political party component has lost its significance at the regional elections. Despite United Russia has celebrated a great victory in the elections by party list, Russians do not automatically identify a candidate with the respective mandate as an plenipotentiary representative of power, nor they are keen to associate him with President. It is not surprising then that at the 2003 governor elections in Magadan oblast the United Russia’s official candidate lost to the acting governor at a margin a. 15%, despite all the public and non-public support he had been getting from the party leadership. Ex-governor of Altay Krai likewise enjoyed both United Russia’s and CPRF support and suffered a serious defeat.

Such conditions leave no room for "tradition", which becomes especially important to the North Caucasian republics: more specifically, the Dagestan leadership now seriously thinks of a transfer of the reign to a representative of the Avars, who are rivals to the ruling Dargins.

There are different factors, and primarily, the level of economic development of a given region, that matter a lot to a governor willing to survive in the pre-election period. In this respect, the different experiences of three, perhaps, most successful, regions are especially illuminating: namely, the heads of Novgorod, Samara and Perm oblasts. These regions clearly outperformed their neighbors (for instance, GRP of Novgorod Oblast over past decade was twice as high as the one of the neighboring Pskov Oblast).

The destiny of the three regions’ heads were different: every Perm governor lost his next elections, while in Samara only an "early resigna-
tion" enabled K. Titov to force his campaign, preclude the rise of serious rivals and keep the office.

By contrast, since 1993 Novgorod Governor M. Prusak has had no conflicts with the federal center or its local branches (police, FSB, Attorney General's office, tax service), nor he has ever been challenged by heads of the largest local municipalities and primarily the Great Novgorod mayor (once appointed, they successfully passed all the elections). Amazingly, there were no violations of property rights in the Oblast, however, to be just, one should also note the location of one of the presidential residences in the Oblast. Clearly, Mr. Prusak's formal non-participation in, say, United Russia, is of no importance.

Unfortunate was the destiny of the governors who opted for the strategy of blackmailing the federal center, which was so popular in the 1990s. It has no longer worked, first, because of the decline in the governors' political influence due to the aforementioned reform of the Federation Council and, second, because of a greater formalization of budget relations vs. the 1990s. However, there are exceptions, such as A. Tuleev of Kemerovo Oblast, who has greatly capitalized (beneficial electricity and railroad transportation tariffs for enterprises, access to the World Bank loans, an actual freezing of debts accumulated by the largest local companies (NkAz, West-Siberian and Kuznetsky metallurgical plants instead of bankruptcy and change of owners), on a permanent crisis state of the region, while his colleagues in other regions have at best to offer projects on the co-investment basis.

Securing administrative control and financial rent in Russian provinces also suggests various strategies. In general, there prevails the system of appointment (promotion) of "the king's men", albeit there also are examples of "permanent" administrators. The latter either keep their office after every change of the leadership, or they are delegates of a strategic for the region enterprise. As concerns financial rent, its primary natural source is budget allocations as well as bonuses for especially favorable operational conditions and informal regular or irregular "taxes" for green-light arrangements. Such taxes over time are crowned with the withdrawal of the business in favor of the bureaucrat or another entrepreneur who has promised to pay more. Nevertheless, it is still hard to draw a strict correlation between the stability of eco-
conomic growth or the local administration’s financial welfare and "soft" or "hard" variants of its interaction with businesses.

First, poorer regions are keen to attract investments and willing to develop infrastructure\(^7\), while the regions with a substantial rent component in their revenues (the classical example of which is Moscow) explicitly argue that because of high profitability rates, everyone would be apt to do business there, no matter in what conditions. Obviously, the regularly arising problems with property rights seriously derailed the economies and the social sphere of such seemingly geographically and naturally abundant regions as Krasnoyarsky and Primorsky krais (whose residents feel them in the form of wage arrears to public servants and the collapse of the housing and communal sector). Interestingly, the same regions are known for a serious conflict between the administrations and opposition. As well, the recent developments have shown that the opposition can come to power. The opposite strategy—that is, maintenance and development of polyarchy, – as a rule, promises great profits, particularly because it lowers incentives for all economic agents to struggle against those in power and complicates the rise of an opposition coalition. The successful examples of polyarchy can be noted in Tomsk oblast, despite the ongoing "conflict of economic agents" around Tomsk Petrochemical Plant there, in which administration does not participate though, or in Khanty-Mansi Okrug. Other examples of polyarchia arise when regional authorities prove to be incapable to ensure a total defeat of disloyal business structures (Krasnoyarsk Krai). There also are regions where the local administration exercises a total economic (both legal and actual) control over businesses (Tatarstan, Bashkortostan, Kalmykia, Orel and Penza oblasts). The so-called "monoregions" form a particular sub-division of the latter, for the lion’s share of revenues and jobs there depends on a sole private company (for instance, Taymyr AO) and by their administrative form they quite often resemble bureaucratic structures.

Overall, one can be single out the following types of contemporary governors:

"Separatist" – as a rule, an authoritarian head of a donor or North-Caucasian Republic. He is keen to ensure a legal autonomy from the RF

\(^7\) At the golden times of the off-shore zone in Kalmykia, a man on the street, with an ID and cash in his pocket could establish his company in just 20 minutes.
law; in the economic sphere, most regional enterprises are public.
(Tatarstan, Bashkortostan, Tyva, city of Moscow).

"Red Governor" – as a rule, relatively democratic, he maintains the
ideological and, in part, organizational autonomy from the Kremlin, is
keen to experiment with a full-scale government participation in
business or state regulation (Stavropol, Kamchatka, Ivanovo, Tula,
Volgograd).

"Pro-market Reformist" – pursues liberal economic policy, has this
or that basic mission, minimizes state regulation, as a rule, maintains
the ideological and, partly, organizational autonomy from the Kremlin,
domestic democracy cannot be detected easily, maintains polyarchy
(Tomsk, Samara, Yakutia, Perm, Novgorod, Yaroslavl, Chuvashia).

"Entrepreneur" – comes to power from the private sector and often
for the sake of compensating for the funds he has spent on the election
campaign. Surprisingly enough, he becomes a fairly unsuccessful and
conflicting governor, who is often apt to eliminate polyarchy, albiet he
appears autonomous from the Kremlin (Kalmykia, Evenk and nenetsky
AOs, Primorsky and Krasnoyarsky krais, Tver, Adygeya, Penza).

"Nomenklatura cadre" – the most widespread type, a representative
of the 2nd–3rd echelon of CPSU as of 1991. He is absolutely loyal to the
Kremlin, lacks initiative and maintains a regime that may vary from au-
thoritarian to democratic (Omsk, Novosibirsk, Dagestan, Khabarovsk,
N. Novgorod, Orel, etc.).

"Appointee" – as a rule, he comes to a region as a "crisis manager",
but spends too much time to realize his mission. His knowledge of the
region is poor, and he is in favor of elimination of polyarchy and democ-
ratic elements (St. Petersburg, Ingoushetia, Voronezh, Ulyanovsk, Ki-
rov, Smolensk, Kaliningrad, etc.).

Some governors can display a combination of different types of fea-
tures: for instance, A. Tkachev of Krasnodar Krai is, on the one hand, a
perfect example of the "Red Governor", while at the same time he also
is the "Entrepreneur", on the other, as his family owns a big agri-holding
company, and presently his administration operates as a commercial
structure.

Notably enough, no governor has succeeded in shaping his image
as a public politician (with very few exceptions, such as Mr. Mikhaylov
of Pskov Oblast, or Mr. Nemtsov, ex-governor of N. Novgorod Oblast).
Labeled as "red governors", the CPRF allies are, as a rule, just mere representatives of the former Communist Party economic nomenklatura, while their ideological platform is a secondary issue. The same can be argued about "pro-reform and market advocates". It is not surprising then that the governor level has formed their career ceiling. In the 1990s, there were some promotions, which, as a rule, ended in nothing: thus, Mr. Nemtsov essentially was compelled to waist his rating on promotion of the 1997 attempt to stabilize budget and has consequently been spending much of his time to cleanse himself from the label of an incompetent Cabinet member; in 1996–97 A. Tuleev was Minister in charge of CIS issues, but he returned to his region. No governor has left his office to be promoted since 2000 (except for Mr. Yakovlev of St. Petersburg, albeit his formal promotion meant an actual demotion).

The appointment of governors effective as of winter 2005 has not resulted in a notable renewal of their corps. A few newly appointed governors quite fit into the above models. To exemplify this, the new leaders of Saratov, Irkuts or Tula oblasts are classical “nomenklatura”, while those of Kalinigrad or Nizhny Novgorod “appointees” (i.e. originating from other regions they were put in an absolutely new environment), while that of perm oblast is a clear “entrepreneur”.

There are local centers of gravity in every region that affect the position of regional branches of the federal structures: they find themselves in the center of quite a mess. Under the regional branches of the federal structures we understand the agencies whose functioning exerts a substantial influence on an economic policy pursued by given regional authorities. For instance, in compliance with the law "On militia (police)", the head of the regional Department of Interior is appointed and dismissed upon notification of the regional head of the executive power, while prior to the "Putin amendments", that required the regional authorities' consent. In compliance with the RF law "On prosecutors", presently the appointment of the regional attorney general requires conciliation with some "bodies of state power of RF Subjects to be identified by the RF Subjects". The effective provisions on the Ministry of Staten Property and Ministry of Taxation and Levies do not give an idea as to who is responsible for appointment of their regional heads. More than that, the respective provisions on MTL (p.5 Sect. 10) read that the
Minister appoints and discharges the "central office staff" and there is no single word of heads of territorial branches. Provisions on the Ministry of Press, TV- and Radiobroadcast and Mass Media do not cite who influences appointment and dismissal of heads of public TV and radio companies, and how, while before it was the Federal Commission on TV and Radio Broadcasting that had volunteered to coordinate staff decisions with governors. Presidential Decree No. 1671 of September 19, 2000, canceled the letter.

So, deprived of his own siloviki, the means of oppression of some businessmen and protection of the others, the governor finds himself seriously weakened. It is not accidental that in 1997, at the time of a serious conflict between the Mayor of Moscow and the federal center, the dismissal of Moscow siloviki (the heads of police, FSB and Tax Police) has lead to a considerable mitigation of the pressure on his and his party's political opponents, which by the time had become very similar to that in Bashkortostan (up to attempts to close the federal media by the city fire inspectorate).

In the 1990s, compelled to seek the governor’s consent of their appointment, representatives of the federal center opted for the sole rational strategy – that is, maintain friendly relations with governors. It was yet more important, as since 1994 Russian regions saw a wave of resignations of either the presidential envoys, or heads of regional branches of the State Property Committee or MAP, who, in line with a sophisticated provision, had to be, at the same time, Vice Governors, but had earlier associated themselves with democrats. This particular process gained its momentum especially in 1996, when the Federation Council found itself under the governors’ control. At the time, even the cream of the regional branches of the federal agencies fell prey to regional barons. It should also be noted that in addition to the governor lobbying his dismissal, the head of a territorial branch of a federal agency often find himself dependent on the regional administration that allocate additional funds to his department, provide housing, etc.
3. Import of Standards and Practices: Opportunities and Limits

3.1. Relationship between Mayors and Governors

Mayors of big cities have always formed a serious counterbalancing force to governors. It is true primarily as long as such regions as Irkutsk Oblast, Krasnodar or Stavropol krais are concerned. But independent mayors and legislatures arose in some other regions, too. According to the federal law "On local self-governance…", municipal administrations find themselves in control over fairly big financial resources, as well as municipal property and land (albeit the latter should be agreed upon with the oblast level). In addition, in most regions, the population of a large city (two cities) roughly accounts for one-third of vote and sometimes even more than half of that.

As noted above, in most cases initially the head of the oblast center had been appointed by the governor. The classical example of this kind is Omsk where governor Polezhaev in 1994 initiated the cancellation of the Mayor elections in which the forerunner was the incumbent Mayor and one of the leaders of the democratic movement. Mr. Polezhaev’s ally, Mr. Roschupkin was shortly appointed Acting Mayor and celebrated his victory at the elections. In less than a year, the former allies became mortal enemies because of a purely formal issue— that is, an insufficient account of the city administration’s opinion in the course of the Oblast budgeting process.

The so-called "redistribution conflict" in the classical situation when the city appears a major donor of the region’s budget, while the overwhelming majority of other municipal entities are recipients of budget funds, has proved to be intense not only in Omsk Oblast, but in most regions, too. In addition, the territory of a city is home to most profitable small- and medium-size businesses, for whom the city administration is a natural partner and protector. However, open conflicts were not frequent.

So, the governor usually picked the mayor from his deputies or loyal colleagues, but there also were other precedents, particularly, election of a charismatic figure, such as ex-navy officer V. Cherepkov in Vladivostok, ex-research fellow in history V. Koval in Tambov, ex-director of
a cardboard plant V. Fedyainov in Elets, ex-Young Communist League leader and consequently head of the first commodity exchanges Yu. Vasilyev in Pyatigorsk. Such figures usually found it hard to find common language with the oblast government, which caused the latter’s desire to “handle” them as soon as possible.

The consequent history of regular mayor elections provided interesting evidences: thus, since 1996 businessmen have begun to take part in them. More specifically, in 1997 in Perm, then the owner of a store chain G. Trutnev gained over 50% of vote yet in the first round, while in 2000 he was elected Governor of Perm Oblast. His successor in mayor’s office became ex-head of Perm city police department, while his relative was appointed the new police chief. Generally, it is not a unique case in Russian regions that relatives hold the noted positions.

There also were serious conflicts between governors and mayors in many oblasts, and mostly their roots lay with political ambitions, rather than redistribution of resources. While mayors mostly refrain from running for the governor’s office, they, as a rule, supported a united opposition candidate. Of the present governors only four have been mayors of oblast capitals, while only two of them celebrated the victory over then incumbent governor. The “opposition” mayor, as a rule, formed his own faction in the regional legislature and got hold of own media resources financed either from the city budget, or directly by himself. Finally, speaking of their further promotion, the recent Russia’s history witnessed just a single fact of recruitment of a mayor to the federal government: that is, Mr. O. Sysuyev, Mayor of Samara in 1992–1997, was appointed Deputy Chairman of the RF Government.

It was, as a rule, regional authorities who would escalate a conflict with the mayor. The most peculiar situation in this respect emerged in Vladivostok. In December 1994, upon a submission of the Governor of Primorsky Krai, by his decree President Eltzin dismissed then Mayor V. Cheerepkov. In August 1996, the new presidential Administration ensured a new decree, according to which Mr. Cherepkov was back to his office. That was dictated by explicitly political reasons, as at the time the federal center viewed him as a counterbalance to the Governor of the Krai. In 1998, the Krai Electoral Commission canceled his registration as candidate in one day prior to the mayor elections, and consequently

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8 Presently the Chairman of the Budget Committee of the State Duma.
more than half of votes were "against all". A similar conflict between President of Buryatia and the local capital city Mayor resulted in conviction of the latter for economic misuses.

The above does not appear strange, as the oblast administration is simply keen to keep powers in its hands. That is why the Constitutional Court of RF had to interfere to protect municipal self-governance, for instance, in 1997, in the city of Izhevsk (as the Supreme Council of the Republic of Udmurtia had attempted, without residents’ consent, to de-facto cancel the local mayor office and declared that municipal self-governance should be effective only on the municipal district level). The same year the CC of RF likewise was compelled to rule to hold elections in Komi Republic.

It should be noted that against Russia’s Constitution, local self-governance bodies in almost a dozen of RF Subjects, including their capital cities, do not have their own tax revenues, which are subject to collection to the regional budget, from which they are allocated according to the residual principle. To control municipalities, oblast authorities also practice another trick- that is, passing amendments to the region's Charter that cancel public mayor elections shortly prior to the moment of their announcement. The Ryazan Oblast authorities exemplified this situation.

Presently a very serious conflict is emerging in Krasnodar Krai. The noted governor A. Tkachev, who came to power as an heir to a pro-communist governor and in 2003 joined United Russia, has managed to change two-thirds of heads of local cities and municipalities in just four years of his rule. The list of ousted mayors included even some veterans who had been controlling their constituencies since the Soviet time. To highlight on his practices, suffice it to note that he dismissed the mayor of Sochi, the "summer capital" of RF and replaced him with his own candidate. That required amending the city Charter and canceling direct elections. However, in a few months, Mr. Tkachev insisted that his protege should go, too, and the latter agreed to be appointed to the Federation Council. Using his administrative resource, Governor likewise has tried to replace the Mayor of Krasnodar, the region’s capital, with his own candidate, but the newly appointed Mayor has been suspended on the protest of the Krai attorney general's office, while the
Chairman of the city legislature was detained on some very dubious charges.

There are however stories with happier endings: thus, the Mayor of Ekaterinburg, A. Chernetsky, has been re-elected, despite the governor deploying in full United Russia’s federal resource. The reasons underlying Mr. Chernetsky’s double success were considerable financial resource and the existing polyarchy that enabled him to ensure an ad hoc interaction with businesses who are keen to keep more players on the political scene.

Another strategy heads of local self-governance can employ is to avoid conflicts. For instance, in nearly ten years in office, mayors of Rostov-on-Don, Cherepovets or Irkutsk have managed to have no conflicts with their governors or the pro-government majorities in the respective regional legislatures.

Mayors also employ yet another approach: some of them, particularly those, whose (re-) election coincides in time or slightly advances the governor’s one and who find themselves in opposition in the budget process frame then swap their support to the governor at the elections for guarantees of their keeping the office. The most gifted in this art mayors, such as the heads of Tyumen and Krasnoyarsk, played this trick twice already.

How does the above correspond to the presently debated proposals on actual liquidation of the self-governance system in Russia? We believe that would put the nation in the situation of self-insulation. More than that, there existed the system of checks and balances under which a governor was counterbalanced by a hostile towards him presidential envoy in the region, or a pro-Moscow mayor of the region’s capital, or a regional attorney general. The system has been dismantled by now and replaced by the cover-up coupled with thoroughly filtrated upward communication flows. Hence, to make a decision on this or that issue, Mr. Putin has far less grounds than Mr. Etlizin had, for the he does not receive an alternative input.

Meanwhile, statements made by numerous heads of municipal entities allow assumption that regional policy-makers would likely to promote the noted compromise strategies for the sake of building a closed and resistant to any kind of ”X-rays” from the Kremlin world of regional red tape, which would be translating to the top only positive signals.
3.2. Election Process

The first three years of Mr. Putin’s reign saw the application of the so-called “Bashkir election technology” spreading throughout the country. It implies either rejection of registration of a potential forerunner who is disliked by the “party of power”, or its compulsory withdrawal in the course of the race. This particular technology was practiced yet in the Eltzing era, albeit with the connivance of the federal authorities, rather than a direct coordination with them⁹. Besides, the technology was not practiced nationwide, but in a limited number of regions, primarily in Bashkortostan run by Mr. M. Rakhimov (from where the term derived), Kalmykia run by K. Ilyumzhinov and Primorsky krai (E. Nazdratenko).

Between 2000 and 2002 the technology in question was applied to governor races in Kursk, Rostov, Nizhny Novgorod oblasts, Primorsky krai, presidential elections in yakutia, North Ossetia, Ingoushetaia and municipal elections in Sochi and Nizhny Novgorod.

Kursk Oblast

The head of the oblast administration, Mr. A. Rutskoy fell the first prey to the “managed democracy”. In 1996 the oblast election commission already refused to grant him (at the time one of the leaders of the communist-“patriotic” opposition”) the registration to run for the governorship. However, after a series of failures to withstand with his appeal in the oblast and Supreme courts, he celebrated a victory at the Presidium of the Supreme Court that ruled the oblast election commission to register the candidate. Mr. Rutskoy consequently won 78.9% of vote.

⁹ Basically, the sole example of the politically motivated debarring became that of Mr. V. Cherekov, then a popular mayor of Vladivostok, in 1998. As of 2000, there were, at least, two heads of regions whose legitimacy could be questioned, as they were elected regardless gave violations of the federal law. In Bashkortostan, in 1998, the region’s election commission failed to honor the ruling of the Supreme Court of RF on renewing registrations of two of Mr. M. Rakhimov’s, the incumbent president’s, rivals, thus forming the “Bashkir case”. In Kalmykia, in October 1995, Mr. Ilyumzhinov had nor rivals at all and was elected for the next 7-year term. Keen to enforce observance with the law on the part of regional barons and teach them a lesson, the central government should have started introducing order with these two “tsars”, for instance, by raising the question of legitimacy of their election before the Constitutional Court of RF.
By the year 2000, however, Mr. Rutskoy had lost a considerable part of his popularity, quarreled with both the communists and local business elite, while remaining an indisputable forerunner nonetheless.

On October 21, 2000, just in 13.5 hours prior to the election, the oblast court of law canceled his registration on the claim submitted of two of his rivals. They accused the incumbent governor of using his administrative position during the election, failure to submit accurate information of his personal estate and breaking the rules of campaigning.

In addition, it formed the first in the post-communist Russia’s history precedent of debarring an incumbent head of region from elections, for before that it was rivals that threaten local authorities’ electoral chances that had been debarred.

In that case, however, the local “party of power” actually betrayed its governor and switched to a more superior boss – that is, the FSB lieutenant-general Mr. G. Poltavchenko, the presidential envoy in the Central federal okrug, while one of Mr. Rutskoy’s rival that submitted the claim was the FSB major-general V. Surzhikov who happened to be under direct command of Mr. Poltavchenko and his protege.

However, the attempt of “coup d’etat” proved to be defective, for the first round was won by the 1st Secretary of the Kursk CPRF Ooblast Committee A. Mikhailov who earned 39.52% of vote, while V. Surzhikov got only 21.58%, and another 12.26% of vote was against all the candidates. In the interim between the first and second rounds the Supreme Court of RF ruled to leave the oblast court’s decision that formed the grounds of Mr. Rutskoy’s debarring unchanged. The second round of elections brought the victory to Mr. Mikhailov with 55.54% of vote.

Such a fiasco has become a cold shower for the federal authorities, however it soon would learn to debar all the dangerous candidates.

Sochi

In spring 2001 the forerunner in the city mayor race, ex-deputy of the Federal Duma of RF, a manager of Alfa-Group V. Boyko was likewise debarred. He had already celebrated his victory yet in December 2000 (with 48.95% of vote in the second round), but failed to take the mayor seat because of the specificity of the krai law that requests an absolute, rather than relative, majority to be won in the second round. The “victim” enjoyed support from one of the Kremlin administrative-
administrative-economic clans (A. Voloshin), as well as personal support of the minister of press Mr. M. Lesin and Mr. M. Fridman’s omnipotent financial industrial Alfa-Group. However, he was strongly opposed by the united old city oligarchy, with its close ties with the Moscow mayor, and Moscow-based official and unofficial owners of palaces and estate in the coastal zone, as well as the Krasonder krai administration and all Voloshin and Fridman’s enemies in Moscow and St. Petersburg.

Mr. Boyko’s “violations” were an alleged corruption of voters by means of giving unrealistic pre-election promises.

At the end of the day, the candidate of the local “party of power” celebrated the victory, although following Mr. Boyko’s call, in the first round 27% and in the second round – 15.6% of voters cast the against-all ballot.

Primorsky Krai

In the notorious Primorsky krai, cancellation of registration and elections results had become routine phenomena yet in the Eltzin’s era, during Mr. Nazdratenko’s reign. As already noted, the constant prey to local electoral commissions was ex-mayor of Vladivostok and rather an extravagant politician Mr. V. Cherepkov, who, however, was elected deputy of the State Duma on March 26, 2000.

Mr. Putin soon managed to entice the notorious governor from the oblast into Moscow by assigning him to head the RF Government Committee for Fishery.

At the early governor elections followed Mr. Nzdratenko’s leave, on May 27, 2001, Mr. Cherepkov finished the second with 20.02% vote and went into the second round together with Mr. S. Darkin, an “authoritative” (Russian criminal slang equivalent for godfather-ed.) businessman back-uppped by the former governor, who collected 23.94% of vote.

Meanwhile, Gen. K. Pulikovsky, the presidential envoy in the Far-Eastern federal okrug had his own candidate – that is, his deputy K. Apanasenko, who finished the third.

On June 13, 2001, the Primorsky krai court began to consider a lawsuit three local residents filed on Mr. Cherepkov’s violations of the law while campaigning: he allegedly paid for his TV broadcasts with
some funds other than his election fund (more specifically, they referred to his interview to the Moscow-headquartered "Echo Moskvy" radio station, which provided his rival with the same broadcast time and for free). On June 14, 2001, the court ruled to cancel Mr. Cherepkov’s participation in elections, thus opening the way to the second round for Mr. Apanasenko.

However, he lost the elections in the second round on June 17, 2001: with only 35.9% of local residents casting the ballot, 40.18% of them voted for Mr. Darkin, while Mr. Apanasenko collected a meager 24.32% and 33.68% voted against both candidates, including 100,000 out of 180,000 of residents of the local capital that came to the poll stations.

**Nizhny Novgorod**

The governor race in the region started in May 2001. One of potential favorites was mayor of the oblast capital Mr. Yu. Lebedev, who had serious tensions both with the incumbent governor A. Sklyarov and even more so with the presidential envoy in the Volga okrug Mr. S. Kirienko.

The next day after Mr. Lebedev announced the collection of signatures the oblast election commission began receiving claims, mostly anonymous ones, that management of local municipal enterprises forced employees to sign for Mr. Lebedev, otherwise they would be fired. As a result, the oblast electoral commission unanimously rejected Mr. Lebedev’s registration.

The mayor directly accused “a group of businessmen close to Mr. S. Kirienko” of orchestrating the campaign against him and went as far as to accuse Mr. S. Kirienko of participating in an “antipresidential plot”.

The second round of the oblast elections brought the ultimate victory to r. G. Khodyrev (at the time, a moderate communist) whom won 59.80% of vote, while the presidential envoy’s candidate had lost yet in the first round with the 19.07% of vote.

**Rostov Oblast**

Mr. V. Choub, the oblast head, enjoyed a consolidated support from the regional oligarchy, friendly relations with then the presidential envoy in the Southern okrug and had no enemies behind the Kremlin wall.
The only serious rival to him could be the local communist boss and one of deputies to the head of Russian communist party leader Mr. L. Ivanchenko. He ad challenged Mr. Choub at the previous 1996 elections but lost with 31.73% of vote vs. Mr. Choub’s 62.05%). In all fairness, there existed fairly grounded suspicions of serious manipulations with votes.

Mr. Ivanchenko then tried to bring the case to the Rostov Oblast court of law, but his appeal was rejected, while the Court Collegium on Civil Cases under the Supreme Court of RF left the ruling of the oblast court unchanged.

In August 2001, both Mr. Choub and Mr. Ivanchenko were registered as candidates for the Rostov oblast governor race scheduled for 23 September 2001. On 23 August 2001, however, the oblast election commission received a submission from one of Mr. Ivanchenko’s former fellows in the local branch of the National-Patriotic Union of Russia (NPUR). In his note, the ex-fellow accused communists of falsifying signatures with the use of some voters’ passport data during the Duma campaign. More specifically, he claimed that some relatives put their signatures on each other’s behalf.

The consequent examination recognized over 10% of such signatures fake, including those that voters recognized as genuine. The oblast election commission refused to register Mr. Ivanchenko and the case was even forwarded to the oblast prosecutor’s office (but the case did not go to the court). To ensure an alternative to Mr. Choub at the elections, the head of one of countryside rayons registered himself as a rival to Mr. Choub (as it had been done in Bashkortostaan in 1998), but to be on the safe side, he called for voting for the incumbent governor and not for himself.

On 17 September 2001, the Rostov oblast court of law approved the election commission’s ruling to reject Mr. Ivanchenko’s registration, while on 23 September the election commission celebrated its final victory over the electorate, for Mr. Choub was elected by the margin of 78.19%, with the overall number of voting residents being 48.32% (according to the Oblast law, the number of voters should be not less than 35%), while another 12.69% of local residents voted "against all".
Yakutia

At the 2001 local presidential elections in the Republic of Yakutia, the main players were the Kremlin administrative-economic clans. Mr. A. Voloshin, then the head of the presidential Administration, proposed stability and refusal of the struggle between "the best and the good", i.e. keeping the incumbent president, Mr. M. Nikolaev, for the third term. By contrast, the Chairman of the RF Central Election Committee Mr. A. Vishnyakov had made it clear yet in early October that Mr. Nikolaev had "no legal grounds" to run for the third term (the local Constitution, which Mr. Nikolaev had not cared to amend, also prohibited his third term). Mr. Ivanov, deputy head of the presidential Administration and representative of the KGB group there put forward his candidate – that is, Mr. Vasily Kolmogorov, Deputy Attorney General of RF and Yakut by origin, while another r. Voloshin’s Deputy, Mr. V. Surkov, form the very beginning had been promoting 'a sound compromise, which was eventually realized.

However, at the beginning courts of law and election commissions of different levels ruled contradictory verdicts regarding the possibility (impossibility) for Mr. Nikolaev to run for the third term. The intensity of the struggle between the "presidential" staff and "general attorney" one was crowned by an arrest by the local prosecutor office of journalists from Moscow who worked in the incumbent president’s election team. The Yakutian prosecutors accused them of drafting and disseminating leaflets that allegedly "contained chauvinistic ideas and discredited some candidates for presidency". After a few days in jail, journalists were set free only when the conflicting parties had stricken a deal.

They agreed that both Messrs. Nikolaev and Kolmogorov would step down in favor of the president of the Almazy Rossii-Sakha” company, Mr. V. Shtyrov. Interestingly, Mr. Nikolaev’s final refusal to run followed shortly after his meeting with Mr. Putin in Moscow on December 10.

By 15 December the Kremlin had finally cleared the way to presidency for Mr. Shtyrov, who, in the wake of his victory in early January 2002, immediately appointed Mr. Nikolaev his representative in the Federation Council of RF – that was the price for the compromise.
The 2003 Bashkir Elections

The year of parliamentary elections was signified by an unprecedentedly broad application of the "Bashkir technologies" that undermined the substance of elections. Furthermore, the intensity of their use was growing over time.

Specifically, there were only three registered candidates at the local elections to the mayor office of the city of Novorossiysk: the acting mayor Mr. V. Sinyagovsky (the governor’s candidate) and two other 'sparring-candidates – that is, some residents of some nearby stanitsa, while the major Mr. Sinyagovsky’s rival, the deputy of the Federal Duma of RF was rejected on the grounds that stamps on some of lists of signatures he submitted to the election commission were too vague. The commission "was compelled” to scrutinize them and local police experts recognized the stamps as invalid.

On similar elections in the city of Norilsk in April 2003 the court satisfied the local election commission’s lawsuit and canceled registration of the winner in the first round who represented opposition. He was accused of receiving an unlawful material support by means of lower prices for his booklets.

May 2003 saw the start of a long-lasting scandal around mayor elections in the city of Noyabrsk (Khanty-Mansy autonomous okrug).

Then incumbent mayor, Mr. Yu. Link, was backed up by the AO governor who represented the United Russian in the region. However, in the first round Mr. Link outran his major rival, Mr. Kudryashov, the chairman of the board of AO "Noyabrskelectrosetstroy" by a thin margin of just a few hundreds of votes, or 0.9%. It became possible thanks to the city election commission that canceled results at several polling stations where Mr. Kudryashov was a clear favorite. Mr. Kudryashov’s team accused the election commission of manipulations. The city radio station that aired the accusations was seized by local special police squad without the local prosecutor’s approval while a peaceful demonstration supporting the radio station was broken up by means of tear-

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10 Voters cast their ballot against all and the opposition representative ultimately won at the by-elections.
gas. On May 6, Mr. Kudryashov filed a lawsuit against the election commission, but it was rejected.

All the above, however, could not beat the cynicism of the St. Petersburg elections. The rumors about an upcoming replacement of Mr. V. Yakovlev, the incumbent governor, had been circulating for nearly four years. The office of the presidential envoy in the North-Western federal okrug repetitiously initiated criminal investigations against the governor and his deputies, but that paradoxically only solidified his electoral capacity. On 16 June, 2003, Mr. Yakovlev was appointed deputy prime Minister in charge for social issues in the federal governor, and the early elections in the city were scheduled for September 2003.

It is still unclear by what means (threats or promises) Mr. Yakovlev was compelled to take the new post which he could loose at any moment, because of Mr. Putin's fancy.

Yakovlev, nonetheless, agreed, and Kremlin launched a persistent campaign on promoting the tame V. Matvienko (who had been purposefully appointed the presidential envoy in the North-Western okrug not long before the elections) as a devoted Putin’s ally and thus inevitable winner. All the political parties approved the president’s choice (Yabloko did that in the second round). It was only A. Markova, one of the former deputies to Mr. Yakovlev, who dared challenge Ms. Matvienko against the nomenklatura discipline.

In September 2003, while being officially on leave due to the election campaign, Ms. Matvienko had a meeting with Mr. Putin in her capacity as the presidential envoy. Pres. Putin wished her victory and a detailed coverage of the meeting was broadcasted nationwide. Such an explicit support of the national supreme authority to one of candidates, which was not even paid for from the candidate’s electoral fund, formed a clear violation of the law on elections. By contrast, when Ms. Markova submitted collected signatures, the examination of their validity was partly assigned to the St. Petersburg Head Interior Office, which formed another clear violation of the law. Police “exposed” over 25% of dubious signatures (while an earlier conducted examination of a task force under the city Executive Committee found only 701 ones, or 9.4% of their overall number). Ms. Markova has succeeded in disproving the police’s

Interestingly, in a month after the new mayor’s inauguration Mr. Kudryashov became the governor’s deputy.
police’s stand, but new oppressions followed. During the campaign, her
tellers were regularly detained, as well as spreaders of a local paper
that called for voting “against all”\textsuperscript{12}.

\textit{“United Russia’s” Duma Campaign}

The State Duma elections held on December 7, 2003, displayed a
total cutting off from the elections of undesired for the authorities par-
ticipants. That was made in an ouvert and humiliating manner, including
consideration of such cases in the Supreme Court of RF. The campaign
evidenced dozens of rejections and cancellations of registrations.

For example, in Buryatsky constituency No. 9, the CPRF candidate,
ex-Attorney General Yu. Skuratov’s registration was rejected for the
sake of victory of the United Russia’s candidate. The refusal to register
Mr. Skuratov was based upon an absurd pretext stipulated as follows:
“provision of an unreliable and incomplete information of the position
held: namely, Mr. Skuratov informed of his position as Chair of the Mos-
cow Social State University, but “hid” from the voters that he also held
professorship with the same university. Mr. Skuratov appealed to the
Supreme Court, but his claim was rejected.

In Kursk constituency No. 97 (Kursk oblast) was likewise blocked ex-
vice president of Russia Mr. A. Rutskoy. Most likely that occurred
because Kremlin suspected him to nurse revengeful sentiments to-
wards the President (as in 2000 Kremlin torpedoed his return as the
Kursk oblast governor). The pretext used was absolutely opposite to
that practiced on Mr. Skuratov – that is, in contrast to ex-Attorney Gen-
eral, Mr. Rutskoy did provide in his registration documents the due
reference to his position of counselor/deputy to president of the Mos-
cow City Social University that he de-facto occupied. Mr. Rutskoy
submitted all the relevant papers to prove the information, but a conse-
quent examination revealed that there was no such position in the
University faculty as of the date of his registration. In Tikhoretsky con-
stituency No. 45 (Krasondar krai) the election commission rejected

\textsuperscript{12} Ms. V. Matvienko was elected Governor of St. Petersburg by winning a 63.16\% ballot
under the officially announced percentage of eligible voters who came to the polls ac-
counting for 28.25\% (A. Markova received 24.18\% of vote, while another 11.75\% of elec-
torate opted for the “against all” voting.
registration of a communist candidate, thus ensuring the victory of the brother of the incumbent governor of the region. In Achinsky constituency No. 47 (Krasnoyarsk krai), on the claim of a local member of the United Russia faction in the State Duma the regional court of law canceled registration of A. Bykov, a famous godfather and businessmen, on the grounds that his documents did not contain a reference to his past imprisonment. In Kanavinsky constituency No. 120 (Nizhny Novgorod oblast), a popular candidate’s registration was canceled on the grounds of falsification of over half of signatures he had collected. In Privolzhsky constituency No. 27 in Tatarstan, in just two ours before the deadline, the Supreme Court of the Republic satisfied the ruling of the local election commission to cancel registration of then the State Duma member who had earlier challenged the incumbent President of Tatarstan at the presidential elections. The accusation the Court agreed with was “bribing voters”, but no evidence and facts were presented before the Court. It was the very constituency that shortly afterwards broke record by the number of “spoilt ballot” (according to the official data, their proportion accounted for 37%, which can be explained only by a deliberate action). To ensure victory of Mr. G. Raykov, the Chairman of the loyal to Kremlin People’s Party, the court ruled to withdraw registration of his major rivals from the State Duma who represented radical communists and liberals. That was made under the same pretext of participation of their Duma staff in the campaign, which was qualified as an illegal use of their office.

According to results of the 2003 Duma elections, the United Russia that had campaigned under the slogan “Together with President!” won 37.57% of vote and, accordingly 228 of 450 seats in the Duma. According to international organizations, the elections were completely dominated by the so-called ‘administrative resourse’.

Both observers delegated by opposition parties, journalists, and voters noticed a great number of violations that created preconditions for falsification of the election outcomes in favor of the “party of power and/or formed evidence of such falsifications. In contrast to the previous elections, in Moscow, keen to obtain a copy of the final protocol,

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13 This procedure is yet more scandalous that it involves the subordinated to the authorities branch of the Interior Ministry as an ultimate instance that verifies the trustworthiness of the documents.
protocol, observers faced the same challenges as in the notorious Bashkortostan or Tatarstan, as the local election commissions appeared reluctant to provide them without approval “from the top” – that is, a territorial election commission. Thus the copies were made available only after the territorial commissions examined the protocols.

According to Goskomstat of RF, in 2003 as many as 2, 160,500 citizens died, and with account of the birth and migration data, the population diminished by 767,600\(^{14}\). The overwhelming majority of those who died that year were voters, while the newborn and migration could hardly be qualified for electorate. The number of voters in the country did not drop, nonetheless. Rather, it displayed a substantial growth – according to the Central Election Commission, only in the first half 2003 the electorate grew by 2 mln.

According to Mr. A. Vishnyakov, the CEC Chairman, the number of those who came to polls in Chechnya and Ingoushetia was at 11% in excess of the number of registered voters, while in Moscow oblast the number of completed ballots was at 4.5% greater than the number of registered voters, while in Kaluga oblast – at 5%.\(^ {15}\)

Against such a background, Bashkortostan, home for the “Bashkir” technologies, began practicing a new, “Chechen” scenario, thus turning the Republic at war into a genuine exporter of institutions in the country.

**The Chechen Scenario**

Kremlin strategists believed that a “democratic” election of A. Kadyrov President of the Chechen Republic should crown a dubious stabilization there. Kremlin saw his potential rivals in Mr. R. Khasbultov, the ex-speaker of the Supreme Council of RF, and Mr. A. Aslakhanov, the State Duma deputy. Both displayed their discontent with A. Kadyrov’ regime and being federalists, they nonetheless considered it possible to start talks with the separatist leader A. Maskhadov. In the absence of these figures, a part of local electorate could have cast ballot in favor of some other, not so marionette (or those seeming relatively autonomous) as Mr. Kadyrov, such as Moscow-based M. Saidullaev.


It was not accidental then that in September 2003 the Supreme Court of Chechnya cancelled M. Saidullaev’s registration by question- ing the validity of a stamp in his passport. There were no observers at the elections and in October 2003 Mr. Kadyrov was “elected” (allegedly the margin of over 80%, with the alleged 86.8% proportion of voters who came to the polls). His tenure was literally undermined by a bomb assassination on May 9, 2004.

As noted, it was the 2003 Bashkir presidential campaign some of participants of which most creatively borrowed the Chechen technique. Back-upped by a part of the Kremlin Administration and CEC RF, Mr. Veremeenko, a large industrialist and opposition candidate, succeeded in getting registration. On the eve of the elections the opposition became aware that the printing-house located in the complex owned by the Bashkir presidential administration was unlawfully printing out false voting papers for the upcoming elections. Late that night two opposition candidates, including Mr. Veremeenko informed in writing the regional branches of FSB, the office of the Attorney General and the Ministry of Interior, while their supporters, along with communist activists, blocked the printing house. By the time, there had already been between 500,000 to 800,000 voting papers ready. By 5 a.m. the building was surrounded by the Republic’s police that managed to secure the building from the opposition. The attempt was made to transport the papers from the printing-shop by means of But the crowded blocked it. Then, fifteen minutes later the printing-shop was in fire. The opposition called for firemen, however neither prior to their arrival, nor afterwards police did not let oppositionists approach the building. The greater part of the falsified ballots burnt down and the FSB and attorney general staff failed to get hold of them.

According to the official data, the forerunner after the first round of the elections (hold on December 7, 2003) became the incumbent president with 44% of vote followed by Mr. Veremeenko with 25.38% and Mr. Safin with 23.03%. However, President Rakhimov secured the United Russia’s victory in the region and received a favorable welcome while calling on Mr. Putin in the Kremlin. On 12 December, the presidential envoy in Volga region and Mr. Surkov, deputy head of the President
Putin’s staff visited Mr. Rakhimov in his capital and paid a tribute to the Republic for “maintaining stability and conciliation between its peoples”. In parallel with that, Mr. Veremeenko was invited to meet with Mr. Surkov in Moscow. After the meeting, he made a statement that he” made a decision to discontinue his campaign, but, as he had promised to the voters, he did not ultimately refuse to run” 66. On 21 December, 2003, according to the official data, Mr. Rakhimov was elected Republic’ President by 78% of vote (with the proportion of voters who came to the polls being 69%), while reluctant” Mr. Veremeenko collected 15.85% of vote. There is no clear explanation to the “miracle” except for the absence of observers at the polls.

Legitimizing the Chechen scenario

In the course of the 2004–2005 cycle of cancellation of elections, there arose a new version of the election law that particularly provides for:

− possibility for employment of electronic vote counting systems without the right for a manual re-counting;
− abolishment of single-mandate constituencies, granting access to elections only to the parties that proved , according to non-transparent procedures set by the RF Ministry of Justice, the presence of 50,000 of their members;
− the ban on delegation of observers by public groups and organizations (except for the running parties), granting access to international observers only on a special invitation of the Russian authorities;
− the sword of Damocles of a “technological” withdrawal of an election list from the race in five days prior the elections during which it is impossible to appeal against the decision in a higher-instance court of law (as in compliance with the law, the term of delivery of the election record is the same five days).

The above d-facto means that the federal power has no confidence in the possibility to fairly win the next cadence of elections. Thus the federal center borrows from regions explicit manipulations with ballots, rather than relatively soft ways of dealing with opponents.
3.3. Property Rights

In the course of transition to market economy there naturally emerged the problem of guaranteeing ownership rights, which of course was also encountered at the regional level. It should be noted that the essence of this problem has significantly evolved over time. At the first stage (in 1991 through 1994) the key threat to ownership rights was the general criminal situation in the country; among the forms of offences against ownership rights there were primarily registered the extortion of a certain regular rent, or the whole business. There was registered no institutional basis of this phenomenon, in fact there ruled the fist law *per se*. It should be noted that sometimes even state owned enterprises could be subject to racket, moreover, in the situation of weak state power exactly these enterprises encountered greater risks, since their managers had no incentives to defend property trusted to them. A classic scheme permitting criminals (and / or enterprise top managers being in collusion) to make substantial gains was formally loss making or low profit operations of enterprises often covered by references to social importance of an object or the fact that measures aimed at the economic rehabilitation could cause social tensions. For instance, such enterprises as Gazprom and its subsidiaries, AVTOVAZ, subsidiaries of the majority of oil companies, etc have debts amounting to hundreds of millions of dollars to budgets of all levels. Accordingly, the forms of redistribution of property among shareholders or claimants to enterprises were extremely far from being civilized (to the extent of physical removal of contenders). Thus, the term “aluminum wars” became a catchword of the mid-1990s as the struggle for the Krasnoyarsk Aluminum Plant culminated in murders of dozens (!) of entrepreneurs. The fact that the majority of regions had chosen the so called “second privatization option,” which permitted to buy up shares owned by employees of enterprises on a large scale in a nontransparent manner, facilitated such “wars”. There had been applied practically no judicial technologies, the key factor was the problem of physical access to the controlled enterprise and physical control over meetings of shareholders (having in view the possibility of resolutions concerning additional issues of shares, etc). In 1996 and 1997 the Nizhnetagilsky integrated metallurgical plant (NTMK) experienced a whole series of write-offs of blocks of shares owned by managers (more than 20 per cent!), disap-
pearance of registrars, etc; after all these developments, a minority block of shares in the enterprise via a chain of intermediaries was transferred to the Western traders (Dueferco and Centruy Holdings), which in this case acted as *bona fide* purchasers. A similar situation was observed at the Magnitogorsk integrated metallurgical plant (MMK) in 1997 and 1998; however, it was settled in a different manner. The general manager of the plant, V. Rashnikov had transferred 30 per cent of the shares to R. Sharipov, the head of the plant’s subsidiary FPG Magnitogorskaya Stal. In early 1998, Sharipov transferred these shares to his companies and later sold them to certain structures associated with I. Makhmudov (a co-owner of the Ural mining and smelting company). In return, Rashnikov had initiated a number of criminal cases against the people belonging to the Sharipov’s team. At present, all these cases, with the exception of the case involving Sharipov himself, who is wanted by the militia) are closed. The shares were declared stolen and redeemed, and I. Makhmudov’s structures have failed to prove the *bona fide* nature of the transaction. The principal difference between these two situations is that the aggrieved management of NTMK was not supported by E. Rossel, the Governor of the Sverdlovsk oblast, while the management of the MMK enjoyed support of P. Sumin, the Governor of the Chelyabinsk oblast.

It is an illustrative fact that depending on the balance of forces between contending parties, the same firm may win or lose: for instance, the notorious Trans World Group, which after privatization of the Novolipetsk integrated works controlled a minority block of shares (34 per cent) in this enterprise in 1995 through 1998, had prevented foreign shareholders from participation in shareholders’ meetings; however, in 1998 and 1999 the same company fell the victim of the similar measures taken by the management of the same Novolipetsk integrated metallurgical plant (NLMK) and the Sayanogorsk aluminum plant (it should be noted that in the latter case the block of shares owned by the company had been diluted to an insignificant amount), whereas the attempts of V. Lisin, who had concentrated the controlling interest in NLMK, to initiate an additional issue of shares had failed. However, the scheme involving semi-criminal additional issues of shares similar to the
Sayanogorsk one\textsuperscript{16} had been used repeatedly, for instance, in the situation concerning the dilution of the block of shares owned by A. Bykov, sequestration of property belonging to the trade house Smirnov, etc.

There had existed yet another scheme of redistribution of property, which had become popular since the post-crisis 1998 in connection to the fact that the new bankruptcy law entered into force at that time. Courts began to examine bankruptcy claims against large companies, what had not occurred over the preceding period. Thus, in 1998 and 1999 such enterprises as subsidiaries of the oil company Sidanko (Kondpetroleum, Chernogorneft, and Varyeganneftegaz), the Kuznetsk integrated metallurgical plant, the Novokuznetsk integrated metallurgical plant, Achinsk integrated alumina plant, Kachkanar mining and processing integrated plant, Rosselmash, etc. Lack of effective control for actions taken by bankruptcy commissioners resulted in the fact that, as a rule, after the appointment of bankruptcy commissioners there were pursued policies aimed at the formation of new larger debts, etc. In this connection, an illustrative example is the developments concerning the West Siberian integrated metallurgical plant (Zapsib). At the Zapsib, one of the largest enterprises in the Russia’s ferrous metallurgy, the external administration was introduced in the summer of 1997 on the initiative of the Alpha Group, which had bought up the larger portion of the enterprise’s debts; in March of 1999 the term of external administration was prolonged till year 2007. However, in the process, due to the help provided by the administration of the Kemerovo oblast, the external administration was sized by the Evrazholding, which rapidly formed its “own” larger debts. As a result, in 2000 the Evrazholding bought out the debts of Zapsib from the Alpha Group and could later control over 75 per cent of the moratorium debts of the integrated plant. Besides, the Evrazholding owns over 60 per cent of shares in the enterprise: it bought up more than 40 per cent of shares in 2000 and obtained the rest of the block of shares after the placement of an additional issue of Zapsib shares among the creditors of the enterprise. In

\textsuperscript{16} The essence of the scheme was to create physical (Sayanogorsk, 1998), or judicial obstacles (the Krasnoyarsk aluminum plant, 2001) preventing participation of the owner of the blocking interest in the enterprise, after that the persons buying up the additional issue of shares were declared \textit{bona fide} purchasers even in spite of reversal of the respective court ruling.
the result, such creditors as Kuzbassenergo had to agree to sign a vol-
untary settlement, in which the majority creditor and now owner was
interested, to the effect that debts of the export oriented enterprise
should be spread over 25 (!) years.

In 1999 and 2000, in a number of cases there was used an interest-
ing “regressive” scheme of capture of metallurgical enterprises as re-
gional energy commissions (REC) retroactively revised tariffs on elec-
trical power set for enterprises, there were made court rulings against
“debtors,” and as a result, owners were forced to sell their blocks of
shares at low prices. As property was transferred to new owners, courts
miraculously took sides with the enterprise. Such a scheme had been
applied in the course of capture of the Krasnoyarsk, Bratsk, and Novo-
kuznetsk aluminum plants; it should be noted that in the latter case the
energy administrators, who had initiated the case and could appoint S.
Chernyshev, an employee of the Sibirsky Aluminum (Sibal), as the
bankruptcy commissioner, saw that the enterprise’s energy debts soon
dissolved in the rapidly increasing debts of the plant to the structures
belonging to Sibal.

As a result of corporate wars, the rates of property redistribution
process in Russian regions decelerated in the second six months of
2001 and early 2002. At this time, there was settled the majority of
corporate conflicts raging since the late 1990s.

However, it should be noted that in corporate conflicts there had
emerged a new factor, i.e. the massive official interference of security
structures: the Interior Ministry, the Public Prosecutor’s Office, FSB,
etc. Occasionally, such interference was felt in the 1990s (for instance,
the developments related to the block of shares in MMK discussed
above); however, armed structures directly participated in only in very
few corporate conflicts. Since the beginning of 2000, criminal cases,
including those based on dubious non-economic charges (for instance,
in the Kemerovo oblast M. Zhivilo, a tycoon owning the controlling in-
terest in the Novokuznetsk aluminum plant was charged with organiza-
tion of assassination attempt on A. Tuleyev, the oblast Governor, A.
Bykov, the owner of the blocking interest in the Krasnoyarsk aluminum
plant, and S. Bidash, the former director of the Taganrog integrated
metallurgical plant, were accused of organization of murders, and D.
Khaidarov, the owner of a large block of shares in the Kachkanar mining
and processing integrated plant, was charged with possession of
drugs; all these cases were very dubious) and poorly grounded eco-
nomic accusations aimed at exerting pressure on or isolation of eco-
nomic agents (the cases of the Nevinomyssky Azot, Vostoktransflot,
Dalmoreprodukt, Rusagrokapital, Kotlas Integrated Pulp and Paper Mill,
Volgograd plant of drilling machinery, and many others). Refraining
from mentioning of the cases justifiably seen as political affairs (alien-
ation of property owned by B. Berezovsky, V. Gusinsky, and M.
Khodorkovsky), nevertheless, it may be asserted that in the 2000s the
use of methods applied by security structures to put pressure on eco-
nomic agents became practically universal. Thus, on June 28, 2002, on
the day V. Putin attended a G8 summit, the office of Slavneft, a large, at
that moment state owned company was stormed and the management
appointed by the RF Government was chucked out of the building (in a
few days, the order was restored).

The so called “tax terrorism”\textsuperscript{17} for the first time emerged as a phe-
nomenon in the Russian Federation in the summer of 2000. At that time,
M. Biryukov, a deputy Prosecutor General draw a speculative conclu-
sion that participants of loans for shares auctions had underpaid signifi-
cant amounts to the state treasury and even specified figures with re-
spect to some companies \textsuperscript{18}. Biryukov’s statement was followed by
searches and seizures of documents at practically all large companies
dealing with raw materials. However, these events resulted in no official
action, the tax inspections remained only one and not very important
ways to exert pressure on companies.

The technology of the “YUKOS affair” is rater simple one. In 2003
and early 2004, there was formed the backbone of the charges made in
the framework of the so called “YUKOS affair,” which had set a prece-
dent concerning all Russian businesses. The claims of the RF Tax Min-
istry against YUKOS boiled down to the fact that the company used cer-
tain schemes permitting it to optimize the taxes it had to pay. The basic
charge against YUKOS is that in the framework of this scheme the com-
pany had used so called “domestic offshore structures,” i.e. regions
and territories, where there were used favorable taxation treatments.

\textsuperscript{17} Deliberate actions taken by the executive authorities in order to smash up a company.
\textsuperscript{18} For instance, according to the calculations made by Biryukov the owners of the Norilsk
Nickel had to make an additional payment amounting to US $ 120 million.
According to the RF Tax Ministry, YUKOS registered its turnover of oil and oil products via “purposefully created organizations” in Mordoviya, Kalmykiya, Evenkiya, and closed administrative and territorial entities (CATE) existing in the Chelyabinsk, Sverdlov, and Nizhny Novgorod oblasts. The trade was carried out at transfer prices, what resulted in understated proceeds of the YUKOS company. The RF Tax Ministry argued that the chains of transactions organized by YUKOS were not economically justified and were used exclusively in order to minimize taxes. The examination of the YUKOS case started in the Moscow Arbitration Court on Friday, May 21 of 2004, and already on May 26, 2004, the judge Andrei Grechishkin adjudicated upon the case. Therefore, the court session continued only four days (taking into account the fact that May 22 and 23 were Saturday and Sunday). It should be noted that the YUKOS lawyers were handed the case file consisting of 342 volumes (65 thousand pages) only in the evening of May 20. On May 25, when the court session was already in progress, the case file was complemented with 7 additional volumes of documents. The motion for postponement of the court session entered by the YUKOS lawyers was rejected by Grechishkin.

The arbitration court adjudicated that YUKOS should pay tax arrears for year 2000 amounting to Rub. 98 billion because it was in fact declared a “mala fide taxpayer.” In fact, the court used the notion, which was not clearly defined. Similarly, the court used such terms as “actual owner”, adequacy of tax privileges” and so on. Later, by lodging similar claims for years 2001 through 2003 and adding to the amount of the “debt” penalties and fines exceeding the principal debt, as well as by lodging similar claims against YUKOS subsidiaries, the total amount of the “debt” was increased to an astronomical figure of US $ 27 billion.

In 2004 and early 2005, substantial tax claims were made against Sibneft, TNK – BP, Vimpelkom, Volgatanker, Dalsvyaz, Apatit, the Volga pulp and paper mill, MTS, subsidiaries of Gazprom and RAO UES, and so on. It should be expected that in the future economic agents will be used so that bureaucracy could receive additional rent outside the rules set by the law. It can not be denied that S. Nedoroslev, the head of the group of companies Kaskol, was right to say yet in 2001: “What is going on now? Now they use law enforcement structures to fight each other. The Prosecutor’s office, the Tax Service, the Ministry of Internal
Affairs. Who calls the tune? We know who does. However, I think that normal people begin to realize that we, so to speak, wake a sleeping dog... We teach them, we give them money; we help them realize that they can penetrate the business. Eventually, it is we who create the phenomenon we complain so loud about – the strengthening of security structures. It is not happening because of new people there, not because the old cadres became cleverer. We have kindled their wish and trained them to fight the business. We have taught the tax service and stirred it up, we give it money. The same we do with respect to the Prosecutors’ office.19

3.4. Mass Unrest and Reaction of Regional Authorities

As the post-soviet experience demonstrates, public protests often are the decisive factor behind the outcome of struggle for power (Russia, 1991, Georgia, 1991 and 2003, Azerbaijan, 1993, Ukraine, 2004, Kyrgyzstan, 2005), not to mention numerous failed coup attempts. The main factor behind mass public protests is the impossibility to change power in a democratic manner. Practice has shown that in spite of all differences in details, mass public protests as a rule involve significant numbers of citizens (tens and hundreds thousands in large cities, thousands in medium-sized settlements), prevent or render difficult work of governmental agencies, and continue for a long time (until protests abide or are satisfied).

However, it is rather difficult to analyze such situations. In early 1990s, there were observed no regional specifics of mass unrest with the exception of the numbers of protesters. Political demands prevailed: liquidation of the CPSU monopoly of power, freedom of speech and so on, although sometimes these demands were supplemented with economic slogans (for instance, “miners’ strikes” raging in 1988 through 1989).

In the spring and autumn of 1993 in Moscow there took place mass unrest of supporters and adversaries of Boris Yeltsin and the course of reforms he pursued; the protests developed in an armed coup suppressed in October of 1993. Nevertheless, practically no regional specifics were observed during this unrest with the exception of the pres-

19 “Liberal Mission” Round Table, see: www.liberal.ru.
ence of several hundreds of “regional supporters” among the protest-
ers.

A very interesting phenomenon emerged in April of 1998. The RF Government experienced a sharp decline in budgetary revenues caused by falling prices of energy resources and a GKO refinancing crisis aggravated by political turmoil\textsuperscript{20}. All these events took place shortly after the completion of a relatively successful campaign aimed at repayment of wage arrears for public sector employees, which had given rise to great public hopes.

The RF Government, which had to instill financial discipline, run against the so called “rail war” (blockade of railways carried out primarily by the trade union of miners; however, these actions were supported by political parties in Moscow). The protesters demanded repayment of wage arrears (in spite of the fact that by that time the majority of mines had been privatized) to employees of the public sector; however, there were advanced certain political slogans – to impeach the RF President, dismiss the Government, and so on. For several months in front of the RF Government building was a picket, which mysteriously disappeared into thin air the day after the resignation of the Government headed by Kiriyenko\textsuperscript{21}.

The crisis broke out at the end of May of 1998 in the Kemerovo oblast. Almost all railways were blocked\textsuperscript{22}, and pass of each train had to be individually arranged with the protesters. In order to put the end of unrest, significant financial resources from the federal budget were transferred to the Kemerovo oblast. However, the protests in the oblast started the chain reaction in other regions, for instance, the Rostov, Tomsk, Sakhalin oblasts, Primorsky krai, and so on. In fact, the federal center not only showed the lack of determination, but demonstrated the right course of protesters’ actions. The unrest was over by itself after the August crisis, when Ruble denominated arrears significantly depreciated. No mass protests have been registered after 1998, the fact that has even brought about a number of theories – from the high popularity of Vladimir Putin to the exhaustion of the protest potential of the society.

\textsuperscript{20} B. Yeltsin has gone back on his promise and dismissed the government.
\textsuperscript{21} It seems that all their problems had been suddenly settled.
\textsuperscript{22} It should be noted that blockade of railways is a crime.
A similar situation took place in 2005. In the summer of 2004, the Duma without discussion approved a package of bills known as “Law 122”\(^{23}\). Essentially, this law abolished numerous unfunded federal mandates and replaced many social benefits with cash compensations. Since January 1, 2005, the majority of in kind benefits (free fare, medicines, reduced communal payments, etc) have been replaced with cash payments. About 14.5 million of allowance beneficiaries should receive compensations from the federal budget, while 21 million veterans of labor, home front workers, and donors had to depend on their regional authorities. It should be noted that average regional compensations were set at Rub. 200 to Rub. 300 a month. Only four regions have monetized all benefits, while in 17 regions the social security system has been maintained without changes at all. Leaving aside the issue of feasibility of the law, it should be noted that due to the campaign nature of the process of its approval the law had numerous flaws. Thus, it was evident that monthly cash payments (MCP) were not adequate to real amounts of expenditures for transport, medicines, and housing subsidies in large cities, while many categories of beneficiaries (for instance, disabled people) had in fact anew assert their eligibility for respective benefits. Besides, at the time the draft law was approved in many regions housing rents were sharply increased, and so on.

As a result of these developments, immediately after the New Year holidays thousands of former beneficiaries held spontaneous meetings demanding to restore free fare as concerned public transport.

An illustrative example of how the situation developed was St. Petersburg, the home town of the RF President and a rather wealthy region. In this city, public unrest began on January 14, 2005. St. Petersburg pensioners held a rally against the monetization of social benefits near the St. Petersburg Administration. The action was spontaneous, nobody organized it. In the course of the meeting there were heard demands to impeach V. Putin, the RF President, and dismiss V. Matviyenko, the Governor of St. Petersburg. However, already on


52
January 15 several thousands of pensioners protesting against the monetization of social benefits thronged the Nevsky Prospect and blocked traffic on this street. A big crowd (more than 5 thousand pensioners) gathered near the Smolnyi. The protesters covered the fence the Smolnyi with antigovernment slogans.

Around 2 o’clock, the crowd headed for the Vosstaniya Square. The militia did not put up any resistance, although the demonstration was accompanied by several traffic police vehicles with flashing the lights. The demonstration was headed by representatives of political parties – KPRF, Yabloko, NBP.

The city Administration had to make some concessions. For instance, there was created a joint working group, which included organizers of the demonstration and representatives of the city administration. There were discussed possible options of assistance to the most socially deprived strata of the population. In the result of negotiations, which continued several hours, Valentina Matviyenko, the St. Petersburg Governor, could draw the meeting to an end and published information that within a week there should be settled the issue of fare to the effect that pensioners, war and Leningrad siege veterans were granted the right to purchase or not purchase single monthly tickets at a reduced price (Rub. 230 in stead of the full price of Rub. 600).

After joining the meeting near the Gostinyi Dvor (about a thousand participants), at first the protesters wanted to head for the meeting held at the Dvortsovaya Square, but finally decided to stay near the Gostinyi Dvor. The meeting participants demanded that the St. Petersburg deputies introduced a bill abolishing federal law No. 122 on monetization of social benefits and that the persons responsible for elaboration of this law and its implementation were punished. Besides, the protesters demanded to retain free fare and medicine related benefits. At the same time, in the Moscovsky district pensioners (from 500 to 3.5 thousand, according to different sources) organized an unendorsed meeting and blocked the Moscovsky Prospect from 12 go 17 o’clock.

On January 16, about a thousand of protesters again blocked traffic in the Nevsky Prospect and Sadovaya Street. This time there were much less protesters, they demanded to abolish “law 122” and restore all benefits. Meetings were held for several days running. The largest meeting took place on January 25; the number of protesters exceeded
There was pronounced a resolution demanding to abolish “law 122,” dismiss the Government, and initiate the dissolving of the Duma. Besides, the protesters demanded to restore benefits related to the urban and suburban fares, as well as reduced payments for telephone for certain categories of the population. The protesters demanded to introduce a draft law raising the base component of the pension from Rub. 650 to Rub. 3000 a month. They also demanded to harmonize the law on the budget of the Russian Federation for year 2005 with the RF Budgetary Code as concerned the sharing of the consolidated budget among the federal center and RF subjects at the 50 to 50 ratio. Besides, they demanded to restore the weekly live political show on TV. The protests, gradually abating, continued until summer.

Although the city administration negotiated with, as a matter of fact, illegitimate committees of protesters, the participants of meetings got significant concessions: there was taken the decision to introduce single monthly tickets sold to all beneficiaries at a reduced price (Rub. 230), while the difference should be compensated from the city budget. For these purposes, there were earmarked Rub. 5 billion. The Governor stressed that the respective budgetary resources were available. As concerned federal beneficiaries, the city administration promised to require that the compensation were paid from the federal budget. There was also restored free fare for veterans.

The wave of protests began to spread across Russia on January 10, when the former beneficiaries, who traveled much during the New Year holidays, realized at last that their benefits were gone for good. No doubt, there were other factors as well. As it was revealed in the course of later analysis of the situation concerning monetization of benefits, only in one (!) region (Yakutia) there were provided the required amounts of monthly cash payments (MCP) due to federal beneficiaries in January prior to the New Year holidays, it should be noted that cash was delivered at door. In the town of Khimki (the Moscow oblast) pensioners blocked traffic in the Leningradskoye Shosse, in St. Petersburg, where there were registered the most significant protests (about 10 thousand participants), protesters blocked traffic in the Nevsky Prospect. The wave of meetings, the number of participants of which varied from several hundreds to several thousands, did not abate. The forms and specifics of mass protests also varied from pickets to occupation of
administrative buildings (for instance, in Izhevsk, Sakhalin oblast, etc). In Baskiria, where after 2003 there had formed a strong opposition to the Rakhimov’s regime, protesters used orange symbols copied from those used in Ukraine. It is illustrative to analyze the dynamics and specifics of the process – protesters blocked traffic in the Leningradskoye Shosse after the meeting near the city administration office had failed to impress the authorities. Only the enormous traffic jam drew attention of the administration to the protesters. By the way, it is apparent why the problem was so urgent in the Moscow region – although in the town of Khimki there was maintained free fare for pensioners, it concerned only intra-town routes, while the majority of beneficiaries used suburban routes. Besides, a factor behind the unrest was that the city of Moscow retained the right of pensioners for free fare, but only those who were Moscow residents, so pensioners trying to use the metro were submitted to humiliating registration checks.

According to evaluations made public by A. Kudrin, the RF Finance Minister, about 1 per cent of the population (about 1.5 million people) took to the streets.

It is demonstrative that protest actions in the majority of cases had brought about positive results for the participants – for instance, in Udmurtia, where on January 12 the special militia units repulsed the storm of the regional government office by a crowd of five thousand protesters, there was formed a joint working group of the Republican Government and protesters, which made the decision to retain free fare for pensioners. By a resolution of the Moscow City Government, the right of free fare in the Moscow metro was extended to pensioners registered in the Moscow region. In the Kemerovo oblast, A. Tuleyev had promised to “negotiate with businesspersons” in order to increase the revenues of the regional budget pertaining to the item “gratuitous donations.” In the Kaliningrad oblast, special free tickets were issued for militia officers. In February of 2005, in the Penza oblast beneficiaries were granted the right to choose either in kind or cash benefits relating to public transport fare, while the amount of the monthly cash payments was reduced by only Rub. 50. There was also retained the 50 per cent cash compensation for telephone fees, at the same time public utilities fees were not raised as planned. The RF Transport Ministry and oblast administration restored free suburban commuter train fare for all cate-
gories of beneficiaries registered in the Moscow oblast, while the Moscow City Duma restored free fare with respect to the city municipal transport. About Rub. 4 billion due to beneficiaries as fare compensations should be transferred from the regional budget to transport organizations.

In the Stavropol krai, as a result of mass protests and blockade of traffic, all benefits were retained with the exception of those pertaining to town and suburban motor transport fares (in stead of these benefits there was introduced a cash payment of Rub. 100 a month, what was a substantial amount for the region); free fare for veterans was retained.

Another interesting feature is that the militia proved to be rather mellow as concerned the protests, although it is a well known fact that over the last few years usual practice had been arrests and sometimes beatings of participants of peaceful unauthorized mass rallies. This attitude can be easily explained – like pensioners, militia officers were also deprived of their benefits.

In this situation, the country leadership had to offer certain measures aimed at the lessening of social tensions. Due to the fact that basic demands of protesters were related to public transport fares, the RF Government offered the Governors a program of joint financing of the fare privileges. The essence of the program is that regions should make agreements with the federal center, in accordance with which regions commit themselves to introduce single social tickets for federal and regional beneficiaries. The price of such tickets should be at or below the amount of the minimum cash compensation paid in the respective region. After submitting the information about the number of beneficiaries purchasing the tickets by the end of a quarter, regional administrations should be granted a 30 per cent compensation from the federal budget. The regions retaining free fare in kind benefits should be granted no such compensation. However, the problem of pensioners, many of whom are not included in any beneficiary category in accordance with the new legislation, has not been resolved.

In a number of regions, protesters have managed to make the authorities to increase compensations for abolished benefits, primarily municipal transport fares, 5 and more times (!). Nevertheless, in the centers of protests, which formed yet in January (St. Petersburg, Moscow oblast, Voronezh, Bashkiria, Perm, etc), mass protests have been
held on a regular basis not only with respect to concrete problems of monetization of social benefits, but some related issues as well (housing and communal services) and even militia outrages (Bashkiria). The role played by political parties (first of all KPRF, Rodina, Yabloko, NBP) in organization of meetings has increased, while local political organizations have also attempted to use mass unrest aiming the protests against the present heads of RF subjects (for instance, B. Skrynnikov, the Voronezh Mayor, or S. Vereyemenko, the contender of Rakhimov at the presidential elections in the Republic of Bashkortostan).

It is illustrative that the methods used by pensioners were adopted by other groups of protesters, for instance, car owners (owning right hand drive cars or used cars of foreign manufacture) took to the streets in answer to the RF Government plans to prohibit import of the former and significantly raise customs duties on the latter. In May of 2005, in Vladivostok, tens of thousands of car owners participated in protests. Almost half of cars, trucks, and buses were driven with head lights turned on. The climax of the action was the demonstration of car owners in the central streets of Vladivostok. More than 1000 of cars decorated with orange ribbons and slogans “Against duties and prohibitions” were driven at 5 km an hour, what had practically paralyzed the traffic in the city. Similar actions were organized in Khabarovsk, Petropavlovsk-Kamchatsky, Yuzhno-Sakhalinsk. As a result, the RF Government had to postpone the discussion of this issue and most probably for the good.

3.5. Pressure on authorities

Abolishment of governor elections and numerous manipulations at the elections, introduction of a stricter regulation of mass events and the rise of authoritarian tendencies in the country in 2003–05 fuel the political opposition and general public’s inclination to more emphatic moves. It was Chechnya whose residents pioneered the aforementioned technique of exercising pressure on the government (mass rallies, highway blockages) during Mr. Putin’s tenure. It should be noted that they practiced such method in pursuance of both economic (the government’s failure to disburse compensations for their destroyed housing without corruption and bribes) and general humanitarian (setting free kidnapped by siloviki hostages) and political goals.
The Republic of Kalmykia

After the 2003 presidential elections in the Republic that displayed numerous and impudent falsifications in favor of the incumbent president, Mr. K. Ilyumzhinov and United Russia, there occurred mass protest rallies that demanded Mr. Lyumzhinov’s resignation. The situation grew so dramatic that the incumbent president took 24 hours to ponder on the issue, while the presidential envoy to the Southern federal okrug rushed to the Republic’s capital to hold negotiations with the opposition. In parallel with the negotiations, special police forces arrived in the capital from the neighboring regions and blocked the city to preclude from new protesters. The promise was given to establish a commission to examine the data on falsifications and protesters left the city. However, just two days after the envoy argued that he had given no promises. In September 2004, a 2,500 protesters occupied the capital’s central square and demanded a meeting with the local authorities and those of the Southern federal okrug. Within a day special police forces from the neighboring oblasts were once again mobilized and deployed in the city and broke up the rally. Hundreds of protesters were detained and some were killed. The newly appointed presidential envoy, Mr. Kozak condemned the use of force but has done nothing else so far. However, the Kalmyk model generated a contagion effect.

Dagestan

In August 2004, the head of administration of Khasavyurt district was dismissed. His ally, the mayor of the city of Khasavyurt (the biggest district center in the Republic populated mostly by the Avars who account for a relative majority in Dagestan) who is believed to be a very influential figure in the region held a rally. At the rally he claimed that the Republic’s head was incompetent and unable to retain order in the region and accused him of corruption and organization of assassinations. The regional authorities fired back by dismissing the local police head and instituting legal proceedings against the mayor. In addition, the federal electronic media equaled the mayor (who had organized the resistance to the Chechen rebels’ attack on Dagestan) to terrorists.

24 The electronic vote computation system was flooded by the data that radically differed from the local electoral commissions’ ones.
Having not other instruments for a dialogue, the local police simply refused to recognize a newly appointed police head and the federal center was forced to assign a special commission from Moscow led by the Minister’s envoy to find a compromise figure. However, the mayor’s impressive demonstration of force compelled the local authorities to abandon the idea of filing a lawsuit against him or dismissing him.

The Republic of Karachaev-Cherkessia

In October 2004, at the country house of the son-in-law of the president of the Republic there happened an assassination of a local MP and six his companions. Infuriated by a slow investigation of the crime, their relatives held a series of rallies in the Republic’s capital and twice seized the local government office, including the president’s one and made a pogrom there. The crisis became so perilous that the presidential envoy to the Southern federal okrug had to step in and promise that the crime would be duly investigated. The president’s son-in-law surrendered to the police and the trial soon began. Because a great number of participants in the seizure of the government offices, no legal proceedings were instituted against them.

Meanwhile, the federal center decided to keep the Republic’s president in his office, however it is unlikely that he would be holding office for long.

Ingushetia

The Republic saw mass rallies in spring 2005. The people demanded resignation of the Republic’s president, the return of the Ingoush refugees to the Prigorodny district (which has long been a stumbling block in relationship between the Ingoushs and Ossetins) and investigating corruption in the Republic. The rallies were led by a local MP who was detained for organization of an unapproved rally in the center of the Republic’s capital, but the crowd surrounded the prison and forced the authorities to let him free in three days.

North Ossetia

In the aftermath of the Beslan massacre the local opposition demanded resignation of a number of local leaders and heads of siloviki. In September 2004, the opposition held an unapproved rally in the Re-
public’s capital, and a number of local leaders, including the Federal Duma Deputy, ret. Army general and the former CPRF leader, demanded resignation of the Republic’s president and to call to account the local authorities for what had happened in Beslan. President of the Republic was compelled to dismiss the government and declared before the rally his readiness to resign which he ultimately did in less than a year.
4. Rent-Seeking Voting

The 2003 State Duma Elections have demonstrated a drastic rise in demand for the concept of re-distribution of oil rent.

Table 1

The 2003 State Duma Elections outcomes

<table>
<thead>
<tr>
<th>Names of political parties and electoral blocs that registered their federal candidate lists</th>
<th>The number of votes for each federal candidate list</th>
<th>In figures</th>
<th>As % of the number of voters who took part in the voting</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDINENIE</td>
<td>710538</td>
<td>1.17</td>
<td></td>
</tr>
<tr>
<td>UNION OF RIGHT FORCES</td>
<td>2408356</td>
<td>3.97</td>
<td></td>
</tr>
<tr>
<td>RUSSIAN PENSIONERS PARTY AND THE SOCIAL JUST PARTY</td>
<td>1874739</td>
<td>3.09</td>
<td></td>
</tr>
<tr>
<td>YABLOKO</td>
<td>2609823</td>
<td>4.30</td>
<td></td>
</tr>
<tr>
<td>FOR HOLY RUS’</td>
<td>298795</td>
<td>0.49</td>
<td></td>
</tr>
<tr>
<td>THE JOINT RUSSIAN PARTY RUS’</td>
<td>147423</td>
<td>0.24</td>
<td></td>
</tr>
<tr>
<td>THEE NEW COURSE-AUTOMOBILE RUSSIA</td>
<td>509241</td>
<td>0.84</td>
<td></td>
</tr>
<tr>
<td>PEOPLE’S-REPUBLICAN PARTY OF RUSSIA</td>
<td>80416</td>
<td>0.13</td>
<td></td>
</tr>
<tr>
<td>RUSSIAN ECOLOGICAL PARTY &quot;THE GREENS&quot;</td>
<td>253983</td>
<td>0.42</td>
<td></td>
</tr>
<tr>
<td>THE AGRARIAN PARTY OF RUSSIA</td>
<td>2205704</td>
<td>3.64</td>
<td></td>
</tr>
<tr>
<td>THE GENUINE PATRIOTS OF RUSSIA</td>
<td>149144</td>
<td>0.25</td>
<td></td>
</tr>
<tr>
<td>PEOPLE’S PARTY OF THE RUSSIAN FEDERATION</td>
<td>714652</td>
<td>1.18</td>
<td></td>
</tr>
<tr>
<td>THE DEMOCRATIC PARTY OF RUSSIA</td>
<td>136294</td>
<td>0.22</td>
<td></td>
</tr>
<tr>
<td>THE GREAT PARTY-THE EURASIAN UNION</td>
<td>170786</td>
<td>0.28</td>
<td></td>
</tr>
<tr>
<td>THE &quot;SLON&quot; PARTY</td>
<td>107444</td>
<td>0.18</td>
<td></td>
</tr>
<tr>
<td>MOTHERLAND (PEOPLE’S-PATRIOTIC UNION</td>
<td>5469556</td>
<td>9.02</td>
<td></td>
</tr>
<tr>
<td>THE PARTY OF PEACE AND UNITY (PME)</td>
<td>148948</td>
<td>0.25</td>
<td></td>
</tr>
<tr>
<td>LDPR</td>
<td>6943885</td>
<td>11.45</td>
<td></td>
</tr>
<tr>
<td></td>
<td>THE PARTY OF RUSSIA’S REVIVAL-THE RUSSIAN PARTY OF LIFE</td>
<td>1140333</td>
<td>1.88</td>
</tr>
<tr>
<td>---</td>
<td>-------------------------------------------------------</td>
<td>---------</td>
<td>------</td>
</tr>
<tr>
<td>19.</td>
<td>THE POLITICAL PARTY &quot;UNITED RUSSIA&quot;</td>
<td>22779279</td>
<td>37.57</td>
</tr>
<tr>
<td>20.</td>
<td>THE RUSSIAN CONSTITUTIONAL-DEMOCRATIC PARTY</td>
<td>113184</td>
<td>0.19</td>
</tr>
<tr>
<td>21.</td>
<td>THE DEVELOPMENT OF ENTREPRENEURSHIP</td>
<td>212825</td>
<td>0.35</td>
</tr>
<tr>
<td>22.</td>
<td>THE COMMUNIST PARTY OF THE RUSSIAN FEDERATION (CPRF)</td>
<td>7647820</td>
<td>12.61</td>
</tr>
<tr>
<td>23.</td>
<td>The number of votes cast against all the federal candidate lists</td>
<td>2851600</td>
<td>4.70</td>
</tr>
</tbody>
</table>


All the parties that have passed the 5% threshold, as well as a number of those that have failed to do so (see the marked lines) tried to capitalize on the issues of redistribution of oil rent and promises of a rapid rise of welfare that formed the core of their campaigns. Thus, the rate of votes cast for "health and welfare by means of redistribution of oil rent" amounts to 80.4%.

The 2003 Duma elections have introduced substantial changes not only in the balance of forces – they have also changed basic correlations between the previously relatively stable "electoral niches" (Truevtsev; Kurgunyuk, Zaslavsky, 1996). But the critical election outcome is likely to become the re-orientation of the "party of power" from central-rightist positions to extremist ones (according to the classification given in: Mau, Yanovsky, Zhavoronkon, 2001).

25 Interestingly, none of the noted parties raised the issue of redistribution of the "gas rent", which is easy to associate with the fact that by the time it had been already de-facto redistributed in favor of the political group that controls the executive power. RAO gasprom remains the only non-reformed Russian natural monopolist and poorly transparent company, especially considering its legal status of an open-end joint stock company which, nominally, at nearly 50% belongs to all the Russian citizens.
Fig. 1. Dynamics of Electoral Niches

The present model constitutes an attempt to assess the impact of some factors on the steadiness of the "democratic" electoral niche. The main hypotheses to be tested appear quite trivial:

1. Democrats should experience a greater decline in their support in the regions with a greater role of "rent" industrial and revenues. As the presently available regional statistics does not allow to single out such a share, the present analytical attempt was built upon far more rough instruments (see the Table 2 of list of variables).

2. The decline if the support of democrats should be less in highly-urbanized regions where under even a high impact of rent revenues there exist greater employment and business opportunities, which make the voted feel to a lesser degree dependent on the power and, accordingly, its rent revenues.

Table 2

<table>
<thead>
<tr>
<th>No.</th>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>b</td>
<td>c</td>
</tr>
<tr>
<td>1.</td>
<td>Losses</td>
<td>Drop in the aggregate support of the URF and Yabloko lists in 2003 vs. 1999 (as %)</td>
</tr>
</tbody>
</table>

*Explained variable*
### Results of Regression Analysis

<table>
<thead>
<tr>
<th>No.</th>
<th>Explained variable</th>
<th>Independent variable and coefficient under it (Standardized)</th>
<th>$R^2$ (adjusted)</th>
<th>$T$-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>b</td>
<td>c</td>
<td>d</td>
<td>e</td>
</tr>
<tr>
<td>1.</td>
<td>Losses</td>
<td>0.341* Urbanization</td>
<td>0.105</td>
<td>3.205</td>
</tr>
<tr>
<td>2.</td>
<td>Losses</td>
<td>0.152* Oil production</td>
<td>0.011</td>
<td>1.361</td>
</tr>
<tr>
<td>3.</td>
<td>Losses</td>
<td>$-0.524^*2003federalsubv$</td>
<td>0.143</td>
<td>$-3.761$</td>
</tr>
</tbody>
</table>

Table 3
The analysis of the 1991 and 1993 elections and, in part, the 1996 presidential elections suggests that one of main problems is singling out in the frame of a broad coalition led by Mr. Eltzin of a pro-reformist (democratic) electorate and a conformist (inclined to support any non-communist power) one. In 1999, the situation appeared far greater transparent and displayed the rise of the latter (Motherland and Unity parties), albeit many experts noted that the pro-government parties found themselves intellectually dependent on the nationalists in the political area, while economically – from URF. The situation has changed dramatically by 2003, with the main 2003 elections outcome not being the defeat of the “rightists”, or “democrats”, nor a “migration” of notable part of their electorate to the nationalists. Rather, it became the major pro-government party’s transition to an extremist and, in many aspects, anti-market stand.

In the aftermath of the 1999 elections, there was noted a statistically significant correlation between the vote for Unity and the level of transfers to regions (see: May, Yanovsky et al, 2003).

The above Table of regression analysis results shows that in 2003 the situation has changed for the opposite one. This unexpected result to a significant extent is explained by the situation in the city Moscow that has become a transfer recipient and where some drop in support of democrats was noted, and in the North Caucasian republics where this support would often grow.

The correlation analysis, at least, gives no grounds to reject the hypothesis of the “migration” of the rightists’ voters to the nationalists.

The main centers of support to the rightists (democratic forces) remained big cities. Even after becoming the biggest recipient of transfers, the city of Moscow did not react to that, which can partly be attributed to the fact that the large-scale reallocation of funds had battered most heavily the largest regions that always were donors to the federal budget, and the Muscovites did not even sense any improvement associated with
the transfers. But overall, in big cities, including St. Petersburg, the fall in
the democrats’ support proved to be most considerable.

As noted above, the negative correlation in part is explained by the
North Caucasian factor in the republics which Kremlin has found in-
creasingly hard to control.

As far as the noted election outcome is concerned, we believe the
core factor became the vote cast by the “budgetary intelligentsia”
teachers, medical doctors, researchers, engineers employed with public
and municipal enterprises). Their “betrayal” of the democratic choice in
favor of the most articulated proponents of the oil rent represented by the
nationalist “Rodina” is quite understandable. It is quite explainable by the
hope for a rise in incomes and a loosening of the population’s incentives
to control the power, which is characteristic of the society on the whole
under the rise of rent (easily controlled from the center) revenues. The
existence of such a ‘migration” is indirectly proved by a unique
phenomenon – that is, a significant correlation between the vote for URF
and Yabloko, and Rodina, while the correlation of the former two with the
LDPR nationalists remained negative, as the ones with the communists
and the “party of power” did.

* * *

Table 1 and Fig.1 demonstrate that the major 2003 elections out-
come does not lie with the democrats loosing their vote and the nation-
alists repeating their 1993 record-breaking election score. Rather, the
main “news” of the 2003 elections has become the isolation of those
advocating the legal state and market reforms.

The democratic leaders could have preclude such a, perhaps, inter-
medi ate result. They have not done it, as in the early 1990s they had re-
jected to use the “power levers” to build a mass coalition of democrats
and conformists under reformist slogans and “banners” (see: Zhavoron-
kov, Yanovsly, 2001; Nureev, Yanovskiy, 2003; Mau, Zhavoronkov,
Yanovsky et al., 2003).

Instead, they have preferred the role of counselors or aides to the
power (Ye. Gaidar, A. Chubais) or “eternal oppositionists” (G. Yavlinsky
and others) to that of independent leaders of a broad coalition.

* * *

The impact of the easily controlled from the center mineral rent can
be measured by election results, whose regional component provides
important information for the further analysis. In general, like in any
country, with the rise in rent revenues in Russia, the demand for control over the power falls.

The key challenge for the reform prospects resulting from the 2003 elections has become a general fall in the demand for reforms. It manifested itself particularly in the government having any longer the need in qualified advice form the “right” The government agenda has now comprised “points of growth”, “an industrial policy”, “fostering high tech” and other costly and clearly ineffective projects that lie a heavy load on the state budget.
Conclusion

In the frame of the present research we considered the hypothesis of the presence of a trend to spreading standards and practices that extend the horizon of discretion and possibilities for regional authorities to discretionarily regulate their regions’ life due to numerous failures of the federal authorities to ensure the Rule of Law.

The collected data provides strong evidence in favor of the hypothesis. However, it should be noted that with federalist institutions being loose, the critical factor that determines trends of development of regional law is the federal authorities’ strategies with respect to regions and their ability to secure their observance with the federal law. Overall, it can be argued that the government has clearly failed to create the conditions (Rule of Law, transparency, etc.) under which the “legislative competition” between Subjects of the Federation could lead to improvement of the investment climate throughout the country as a whole.

The data also appears well correspondent with the hypothesis of the presence of a considerable influence institutions exert on a given region’s economic development. Speaking of the influence, one should specifically single out the factor of political stability and absence of conflicts both between branches of power and between regional government and federal structures (police, tax police, FSB, among others), and between the regional authorities and municipalities.

As far as the factors that exercise a significant impact on the vector of development of the regional law are concerned, it is worthwhile noting the voters’ demand for pursuance of this or that economic policy (Mau, Zhavoronkov, Yanovsky, 2001). As the 2003 elections showed, the oil (rent) revenues have substantially boosted demand for government regulation and redistribution, thus battering the one for creation of a favorable investment climate.

A drastic shift towards concentrating tax revenues in the federal center also gives a rise to the parasitic mood in regions. Some experts argue that recent measures on centralization of the executive power have entailed its greater vulnerability and susceptibility to pressures, which can be proved by the recent attempt of “monetization” of benefits and a nearly universal weakening of the executive power in the North-Caucasian republics.
As the analysis of implementation of the reform of the system of benefits showed, the regional authorities proved to be more successful than earlier in channeling the voters’ dissatisfaction “upwards”. Furthermore, their incentives to try to mitigate effects from these or those poorly designed federal decisions appeared considerably loosened.

The new structure of the executive power has not changed incentives for heads of regions to borrow standards and law enforcement practices that deteriorate investment climate in regions. However, quite predictably, they managed to substantially modify “technologies” that are being copied from region to region.

Thus, the government’s inability to protect interests of an owner that faced seizure was replaced by a purposeful employment of defects of the current law first by parties involved in commercial conflicts (through dubious bankruptcy schemes) and, consequently, by the government that began to play a dual role of the customer of such a conflict and its arbiter. The key problem has become confiscation of private property by means of filing various regression claims (energy, tax ones, among others), with the federal center in this particular case borrowing and developing regional initiatives.

In all fairness, it should be noted that the examples of “negative import” exist along with those of copying best practices that improve business climate, however their number is far smaller.

Once the federal center has monopolized the role of a sole source of progressive law, while mechanisms of political competition between the branches of power and those between political parties have decayed or even been dismantled, there are low chances for the rise and spreading of standards aimed at improvement of investment climate.

The political development of Russia’s regions proves the assumption that the federal center. As a rule, has no trouble (given the political will is in place) to implement its decisions and predetermine tendencies of institutional development to the good or to the bad; on the contrary, its inclination to compromises does not lead to the same behavior of regional elites but provokes their demands and ambitions. Thus, the policy aimed at pacification of regional elites in the mid-1990s resulted in the escalation of their economic demands backed-up by the political pressure (through the Federation Council), rather than in political tranquility. By contrast, the pressure on regional authorities would lead to
visible results even in a short time interval between autumn 1996 and autumn 1997 and, even to greater results in 2000–02. At the time, with the federal government addressing certain negative phenomena, regional authorities were recoiling together, as they had attacked before (that concerns the “sovereignty” of the constituent members of the Federation, a voluntary termination of agreements on sharing powers, inter-regional trade barriers, and a number of other issues). Such regularities can be explained by the absence of rigid framework of the Rule of Law under which compromise becomes an efficient strategy (Zhavoronkov, Yanovsky, 2001), as well as a nascent Russian federalism (for the new conditions emerged in the wake of the rigid unitary Soviet structure have seen no new generation of politicians and voters).

As concerns intra-Subject processes, there occurred mass borrowings of the confrontation strategies between governors and mayors against the maintenance of consensus-oriented intra-regional strategy between governors and representatives of federal structures in the region and businesses.

The sphere of public politics saw in the 2000 wide spreading of the “Bashkir election technology”. While being used only locally in the 1990s and implying an arbitrary cutting opposition off the electoral process by means of controlled court of law and election commissions, this particular technology had become widespread by the 2003 federal elections.

The 2002 presidential elections in the Republic of Ingoushetia and particularly the 2003 presidential lections in Chechnya signified the transition from the “Bashkir” technology towards the “Chechen” one, i.e. from the well-thought over, albeit competition-based system of manipulations and granting privileges to some participants in the political process and oppressing others to a direct and total falsification of elections, with undesired rivals being not just cut off from the race, but also from its monitoring.

The recently developed national election law de-facto transposes the ‘Chechen” election technologies onto the country as a whole, in particular, by putting emphasis on an ultimate non-transparency of voting.

However, the disappearance of the public politics does not mean that certain public forces and their interests are no loner in existence. It
is under the new conditions and particularly the presence of the pro-presidential party in the Parliament that the society, for the first time since 1998, responds to the government initiatives by mass protest actions in the form of highway and railway blockages. It is worthwhile noting that this practice was first noted in Chechnya in 2000–2001, when local residents protested against the Russian troops’ abuses. Then, in 2004–2005, in its radical forms, including demonstrations of arms it spread through most North-Caucasian republics and finally, the Russian needy successfully used it in a relatively peaceful form to fight for their benefits.

So, in 2002–05, with the election institutions fading away, Chechnya and its neighboring territories became actual nationwide exporters of institutions, be those the authorities’ move or the society’s reactions.

It would be sensible to carry out a one-year research starting from March 2006 (by the time, regional parliaments will have been already formed in compliance with new procedures). The research should focus on the importance of the legislative bodies in new conditions and prospects for development of the politico-economic situation – that is, in particular, the regional elites’ demand for certain institutions under the growing pressure of the federal center. The research should center on such problematic regions as North Caucasus and Far East.

On the other hand, regions that have managed to retain competitive political and media markets are worth an in-depth research, which would allow specification of recommendations on improvement of federative relations that would ensure expansion of such competition to all the regions and creation of conditions of an efficient inter-regional competition which would stimulate importing and promotion of the best legal and law enforcement practices.
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