RUSSIAN DECENTRALIZATION AND THE DENIAL OF HISTORY: AN ANALYSIS OF THE WORLD BANK'S NOTION OF DECENTRALIZATION

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The World Bank often characterizes Russia's decentralization process as putting the cart before the horse. Among other things, analysts use this metaphor to represent the troubling fiscal policy of "subnational spending decisions . . . being revenue-driven, rather than revenues being expenditure-driven" (Bahl and Wallich 1996:327). I would like to use this same metaphor to represent the decentralizing transition of Russia, but in an entirely different manner. For it is true that Russia did put the cart before the horse from the beginning of its post-Soviet transition. But what I mean to indicate by using this overused metaphor is that Russia implemented a decentralization strategy long before it had the institutional base to administer these reforms successfully. To put it simply, Russia decentralized long before it should have.

One need not be an astute observer of Russian history to come to this conclusion. Rather the slightest appreciation of Russia's Soviet history would produce an understanding of the uniqueness of Russia's recent past and current transition. For as many critics of the Russian decentralization process point out, the complexities of the Soviet legacy are too deep to expect a transition that resembles other transitions from authoritarian regimes (e.g., Lapidus 1995:1-4; Shevtsova 1995:8; Åslund 1997:13). This unique historical path of Russia is not considered by World Bank consultants, despite their rhetoric of adapting decentralization programs to a "country's prevailing conditions" (World Bank 2000:111).

In fact, a closer reading of the World Development Report 1999/2000 shows that the World Bank is more interested in implementing 'universal' patterns of decentralization, rather than adapting decentralization programs to a "country's prevailing conditions" (ibid. 111). For the ink must have been barely dry on the words 'prevailing conditions' when analysts wrote: "the experience of the past 15 years has yielded some universal lessons, which countries currently decentralizing can use to their advantage" (ibid. 111-2). The primary universal lesson learned by the World Bank is that of "the need for a coherent set of rules to replace the hierarchical system of governance characteristic of centralized systems" (ibid. 112). But before the reader of the development report has time to suspect that these rules can be adapted to contextual conditions, for who could possibly argue against the need for a coherent governmental system of rules, we quickly learn the World Bank's 'suggested' substance of these rules. The remainder of the decentralization chapter is used to flesh out the three areas that *should* constitute the substance of these coherent rules, viz., "the division of national political power between national and subnational governments; the structure, functions, and resources assigned to subnational governments; and the electoral rules and other political institutions that bind local politicians to their constituents" (ibid. 112).

In themselves, I find it difficult to argue against any of these suggested areas of concern. In fact, they seem to be the basic building blocks of any well-functioning and legitimate democratic government. But if this is true, why is the Russian government currently not a well-functioning government? For in general, Russia has decentralized according to the three coherent rules delineated by the World Bank. I will show that the very implementation of the 'universal lessons' suggested by the World Bank was the cause of the current instability of the Russian government. Thus, by putting the decentralization cart before the horse of institution-building, Russia very early on took the path that inevitably led to economic and governmental crisis.

I am not suggesting, however, that the World Bank or any other Western lending institution is causatively responsible for the egregious Russian transition. What I do hope to show, on the other hand, is that by decentralizing more or less according to the universal prescriptions of the World Bank, and as early as it did, Russia took the path that led to crisis. This path may have been unavoidable considering key elements of the decentralization process were the result of the very break up of the Soviet Union. However, the pressures applied by Western lending institutions, such as the World Bank, and Western governments cannot be easily disregarded. For the continuous "analytical work and dialogue" on the topic of decentralization practiced by the World Bank with Russian officials (www.worldbank.org:2000), must have made it abundantly clear to the Russians what was expected in order to receive badly needed loans.

As just stated, a major portion of the early decentralization process was a result of the break up of the Soviet Union itself. As Vasiliev argues, the "disintegration of the vertical power structures of the former Soviet Union prompted various regions of Russia to demand autonomy. Centralized authority within Russia [had] been greatly undermined . . . As a result [of this power vacuum], local [or subnational] government[s] . . . retained much more of [their] power than the central government" (1997:36). Just as the Soviet Union was a federation, so too Russia is a federated state. Thus the autonomous republics and regions of Russia are tied to the latter in the same way Russia was tied to the Soviet Union. Because of this relationship there was a great deal of fear in Moscow in the early days of the Soviet breakup that the various republics, regions and districts of Russia would similarly claim sovereignty (Lapidus and Walker 1995:83). It did not help matters that Boris Yeltsin, the president of the newly sovereign Russian Federation, had supported the sovereignty of the various republics and regions of the Soviet Union. In playing the regional card against the centrist hand of Gorbachev, Yeltsin "threatened to undermine Russia's territorial integrity as much as the USSR's" (ibid. 85).

This is precisely what happened as center-periphery relations have been the primary destabilizing problem of the 1990s. These relations were especially troubling from late-1991 through 1993 when various republics and regions, such as Tatarstan and Chechnia, were doing everything from claiming economic autonomy to declaring sovereignty. It was in this context that Moscow struggled at the same time to keep the federation together and to satisfy Western calls for 'shock therapy' decentralization and privatization (Åslund 1997:11-12; Cohen and Schwartz 1998). This was the moment Russia needed to build stable central institutions not decentralize. Unfortunately, the World Bank and other Western lending institutions "focused on [decentralization and] privatization with the intensity of a laser beam and ignored the wide-ranging institutional development Russia sorely needed" (Blasi, Kroumova and Kruse 1997:172).

The mistake in the West was thinking that Russia retained the strong central government and institutions of the Soviet Union. This was not the case. The Soviet Union no longer existed. And while the new Russian government may have inhabited the old governmental buildings of the USSR, the Soviet government no longer existed either. Rather than a stable unified government, the new Russian government consisted of a series of ad hoc negotiated relations with each of the republics and regions having established a different fiscal and political relationship with the center (Bahl and Wallich 1996:324). Thus what Russia needed in the early-1990s, as Shevtsova points out, was "not only to build a new economy and a new regime but to reconstruct at the same time the state structures needed to carry out these tasks" (1995:8). Perhaps if Western advisors, like those of the World Bank, had recognized the situation and the historical motivations driving it, for many of the republics and regions were motivated by ill-feelings for their old relations with the Soviet center as much as with the Russian center, decentralization would not have been so assiduously pushed.

But this is not to be expected. For as former chief economist of the World Bank Joseph Stiglitz himself points out, the Western macroeconomists who advised the Russians "typically had little knowledge of the history or details of the Russian economy and didn't believe they needed any. The great strength, and the ultimate weakness, of the economic doctrines upon which they relied is that the doctrines are - or are supposed to be - universal. Institutions, history, or even the distribution of income simply do not matter" (2000:6). Let us return to these 'universal lessons' in order to show how their hasty implementation have significantly contributed to the current instability of the Russian Federation.

The first step of any decentralization process, according to the World Bank, is to establish "the division of national political power between national and subnational governments" (World Bank 2000:112). Ideally the rules governing this relationship should be established at the national level. For this is the most effective means of avoiding the central government becoming "a prisoner of subnational interests" (ibid. 114). But this is precisely what was not able to happen in Russia. How could it have? There was no stable national government to establish a coherent system of rules. For prior to the 'Second October Revolution' of 1993, the federal government was characterized by the power struggle between the executive and legislative branches. Because each quarreled with the other over who should control the government, in effect, no one controlled the national government for two years. Thus, rather than the strong central bureaucracy imagined by some Western observers, Russia's federal government was, in fact, powerless (Shevtsova 1995:11). It was this stalled central government with whom the republics and regions negotiated their relations to the federation. The latter held the power in these negotiations, not the center. For often the regional elites played the central executive and legislative branches off of one another in order to acquire the best deal they could.

The World Bank agrees that Russia's central government has been held prisoner by subnational interests from the beginning. Nevertheless, the World Bank since 1992 and continuing to this day supports further decentralization in the Russian Federation. I disagree entirely with this program. In such an atmosphere central institution-building was and still is needed, not decentralization (Cohen and Schwartz 1998). Again, I am not arguing that the lack of central institution-building in Moscow in the early 1990s was a causative result of Western pressures to decentralize; however, such pressures as there were did not help.[1]

The second category of rules outlined by the World Bank focuses on the structure, function, and funding of subnational governments (World Bank 2000:114). I will not concern myself with the structures of the subnational governments, for they in many ways resemble the structure of the federal system. As far as functions are concerned, Russia has decentralized very much according to the World Bank plan. That is to say, the central government's main responsibilities lie in the realm of maintaining a stable political and economic environment, while the subnational governments are responsible for maintaining the social infrastructure, viz., health programs and education (ibid. 115). I would like to concentrate on the funding of the subnational governments for these functions. For as many have already pointed out, the primary destabilizing factor of the Russian Federation is the intergovernmental tax administration.

Unlike most states, taxes in Russia, just as they were in the Soviet Union, are collected at the subnational level and shared up. In this system the central government is relatively helpless in collecting the agreed percentage of taxes from the subnational level. Because of the impotence of the center, since "mid-1992 some twenty oblasts (and by September 1993 thirty oblasts) reportedly unilaterally decided to determine what proportion of taxes they will share with the center. The shares would be lower than those negotiated with the Ministry of Finance" (McLure, Wallich and Litvack 1996:381). The extreme case is natural resource-rich Tatarstan, which has withheld all revenues from the center since March 1992, and Bashkortostan, which together with the former has withheld an estimated 10 billion rubles (approximately $350 million) from the center to date (RFE/RL Newsline Vol. 4, No. 54, Part I, 16 March 2000).

As the subnational governments have withheld more and more revenues from the center, the latter has in turn devolved more and more expenditure responsibilities. Thus, at least part of the reason for the decentralization of functions to the subnational level has been in response to the unilaterally invoked fiscal restrictions on the central government from below. It is this fiscal dilemma that the World Bank rails against with its metaphor of the cart before the horse. But this situation was nearly unavoidable considering the power vacuum in Moscow in 1991-93. Because the subnational governments held the upper hand in the negotiation process with the center, they were able to keep the locally advantageous tax system from the Soviet Union in place. However, this tax system in itself is not necessarily a flawed system. But it requires strong state institutions that are able to enforce tax laws and ensure the transfer of tax revenues to the center. Such central institution-building did not occur, for these strong state institutions were considered by Western advisors of Russian reformers as products of an emerging market rather than the result of centrally designed institution-building (Bruszt 2000:21). Therefore, the World Bank and other lending institutions bear some responsibility for the current state of the Russian tax system.

The third area of coherent rules needed in any decentralizing transition, according to the World Bank, is to establish "electoral rules and other political institutions that bind local politicians to their constituents" (World Bank 2000:112). For the most part elections have been functionally established in the Russian Federation. But as Cohen and Schwartz point out, elections alone do not create a working democracy (1998:3-4). The World Bank agrees and astutely suggests that political democracy requires "institutions that bind local politicians to their constituents" (World Bank 2000:112). That is to say, a political democracy necessitates institutions that are able to enforce laws that require accountability on the part of officials to their constituents. This has not yet occurred in Russia.

In addition to the role of decentralization in the neglect of political institution-building, there is also a deep and complex lingering Soviet mentality. This mentality is not unlike the 'Communist arrogance' that Lenin late in his career became concerned with. By this name Lenin described an individual "belonging to the Communist party and not yet turned out of it imagines that he can solve all tasks by handing down Communist edicts" (qtd. in Tucker 1973:402). Both subnational and national political elites are often characterized by this mentality and rely "not on society but on the administrative apparatus of the *ancien régime* to implement [their] program[s]" (Shevtsova 1995:9-10; Zaslavsky 1995:124-132). Because of this lingering mentality, very often the public-voice falls on the deaf ears of politicians. Further complicating the situation is the residual effect of the "far-reaching eradication of civil society" by the Soviet regime (Lapidus 1995:3). Russia is just now experiencing the formal organization and expression of citizens' interests so often referred to as civil society. Thus, the public lacks the experiential knowledge and means of making their voice heard, such that, while there may be elections in the Russian Federation, there is no democracy (Cohen and Schwartz 1995:4).

This is a difficult dilemma for Russia, for no amount of institution-building will bring about political democracy in the short-term. Although institutions can most likely affect political consciousness in the long-term, it would seem nothing less than education, and most likely the kind of practical education that only comes through experience, will eventually develop a democratic consciousness in Russia (see Sherover 1974). It is perhaps with the difficulties of this transition to a democratic consciousness in Russia that the impedible historical forces become most conspicuous.

Concluding Remarks

The Russian historian Mikhail Gefter "has argued that one of the most salient characteristics of Stalinism was the liquidation of developmental alternatives" (qtd. in Zaslavsky 1995:115). I believe the World Bank similarly eschews any alternatives to their neoliberal version of development. In doing so the World Bank has effectively attached a cognitive block of local conditions to their loan requirements. In particular is the denial of the historical conditions and forces of the current Russian transition. To neglect history, as Cohen and Schwartz argue, is to "discard experience. Any remotely appropriate historical experience - such as Europe after World War I or World War II - points in a quite different direction" than decentralization in Russia (1998:8-9).

What was needed and is still needed today in Russia is a strong central government that can establish the necessary institutions by which a stable state can be maintained. This is not possible in a fragmented federation held together by ad hoc negotiations between the center and the periphery with the latter holding the fiscal, if not the political, upper hand. Slowly this is being realized and acted upon by the center. With the economy finally showing small signs of growth, which perhaps, if ever so slightly, lowers the dependency of Russia on foreign aid (New York Times, 2 June 2000), the national government has shown signs of taking measures to recentralize power. Since becoming Russia's second elected President, Vladimir Putin "has ruled out excessive devolution of power to the regions" as a viable future course for Russia and has submitted a "package of laws to the State Duma that would 'strengthen the unity of the [Russian] state" by limiting regional participation in the federal government (RFE/RL Newsline Vol. 4, No. 59, Part I, 23 March 2000; RFE/RL Newsline Vol. 4, No. 96, Part I, 18 May 2000).

Certainly there is a need for caution in recentralizing the Russian state. But there is little doubt that the "*creation of an honest and effective public administration . . . is the key step toward the creation of a successful capitalistic market system and a functioning democracy*" (Cohen and Schwartz 1998: 8, italics in original). It is too bad that this has only recently been recognized, or has only recently become a possibility, in Russia. For by putting the decentralization cart before the horse of institution-building, Russia took the path of political and economic instability and crisis.

What is to be learned from Russia's decentralization experience? If nothing else the World Bank must take from the Russian experience the realization that their 'universal lessons' do not account for history or the specific understanding of local situations. And because of this oversight, decentralization projects are prone to fail, notwithstanding the compliance to these 'universal lessons.' It would appear then that Russia's failure could provide this one positive result. If it is realized that Russia's decentralization failure is a result of the absence of strong central institutions that could eventually oversee future decentralization projects, perhaps such a lesson could be used to inform the decentralization process of similarly disabled states, such as some in Africa. However, if the World Bank is unable to realize that under certain specific and historical conditions centralized institution-building is necessary for the future success of decentralization, and instead continues to prescribe ideologically motivated decentralization projects, then the World Bank will continue to prescribe decentralization projects that end in failure.

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Notes

[1]Beginning in 1992 the World Bank began to exert continuous pressure on the Russian Federation through discursive tactics. While not disbursing any loans with specific requirements for decentralization until 1996, continuous discursive pressure had been applied almost immediately: "Because of the volatile economic, political, and administrative environment of the early-to-mid 1990's, [structural and decentralization] policy reform was pursued largely through analytical work and dialogue" (www.worldbank.org: 2000). Once the economic and political environment began to settle after the elections of July 1996, the World Bank accelerated a program calling for structural reform, and as of June, 2000 has disbursed US$4.7 billion in adjustment loans (ibid.).