

Institutions, Elites, and a Transition to the Unknown The Russian Oligarchy

By: Kerri White

Abstract

As the Soviet Union crumbled, the world eagerly watched. The end of the Cold War signified to many that democracy had at long last prevailed and that the USSR would have to endure the terms of their defeat—to transform into a democratic nation themselves. Years later, however, corruption envelops Russia's streets, her institutions and her leaders. This paper argues that Russia has not experienced what can be defined as a realized democratic transition but that instead, the careful balance perpetuated by the Russian elites assures that power remains in the hands of the few. By examining corruption in Russian institutions and the relationship between elites and those institutions, this paper contends that Russia's transition might be more accurately described as a form of oligarchy.

Introduction

Democratic transitions may be initiated by any number of circumstances. The consolidation of democracy, however, seeks to create an enduring democratic state, proved stable by the test of time. An initial transition towards democracy that fails in the continuation and stability of the newly established democratic regime consequently fails to establish a democratic government.

Many witnessed the fall of the USSR as a major triumph for democracy. Communism had at last failed and a democratic Russia, many presumed, would naturally result from communism's demise. While scholars warned that the transition to democracy would be a transition plagued with snags and barriers, most assumed that the democratic transition would eventually claim success. Years later, Russia is beset with a devastated economy, rampant crime, and a political system in which power is held in the hands of the few.

This paper will seek to demonstrate that Russia has failed to meet many of the requirements of a procedural democracy and, furthermore, that it has not experienced a fully democratic transition. In fact, the goal of this study is to validate the premise that the current Russian political system, controlled by a relatively small number of elite, might better be described as an oligarchy.

The procedural definition of democracy gave many political scientists the tools essential in order to monitor and assess the extent to which a country should be deemed democratic. Contrary to the previously held,

somewhat broad interpretation of democracy, which merely suggested that democracy was 'the will of the people,' Joseph Schumpeter and others sought to assign democracy a more measurable definition. Three basic characteristics of Schumpeter's procedural democracy included: 1) the institutionalization of conflict, 2) fair and free elections, and 3) limiting power by means of a constitution (Huntington 6).

Specifically, this paper will evaluate institutionalization in terms of the rules constructed by a constitution and by law as well as how a general disregard for the 'rules' of formal institutions are detrimental to the institutionalization of agency (the legitimacy of the rules themselves). This disregard for the 'rules' is detrimental in forming a democratic government (Robinson 2).

Russia's Institutions

The recognition of conflict as the result of an individual's self interest is neither a new nor profound discovery. This concept, however, has allowed men to establish a governing body in which conflict could be peacefully resolved within an institution.

In recent years, some political thinkers have begun to classify the institutions within governments as being more than the institutional structure itself. To better gauge a country's prospects for democracy, *new institutionalism* has sought to evaluate the behavior of those within the institutions and view the institutions not only as formal structures but as a set of both formal and informal 'rules'. The institution and the actors are in this case intertwined; the actor's choices mold the institution while the institutions themselves mold the choices that the actors pursue (Hahn 9). This includes formal institutions such as constitutions and the legislature and informal institutions such as the values and interaction of government players within the institution over time. How stability is maintained and how it interacts within the varying institutions is also a major component in new institutionalism.

Forging stability within an institution has been characterized by Elster as the *institutionalization of agency* and is further defined as "rules according to which political and distributional conflicts are carried out and are relatively immune from becoming the object of ...conflict"(Robinson 3). In order for this to transpire, Elster

contends that two criteria must exist. First, actors must abide by the rules that have been agreed upon. These rules include those stated within the constitution as well as rules passed by the legislature. If actors fail to perceive these rules as legitimate or as necessary to follow, conflict and corruption will ensue. Secondly, he also maintains that institutions must be to some extent separated and independent from each other or a country runs the risk of corruption due to actors profiteering or monopolizing resources within multiple institutions. Assuming that individuals have their own interests at heart, Elster maintains that a greater propensity for corruption may occur if actors are allowed to transfer resources from one institution to another for profit gains.

Russia has failed the 'institutionalization of agency.' The formal institutions that are so important in creating a democracy have fallen prey to a country with an extensive Soviet past. With the fall of the USSR in 1991, formal institutions (such as the constitution and legislature) were re-fashioned to comply with a new form of government; however informal institutions (people's values and culture) significantly hindered the development of strong and stable formal institutions. Robinson explains:

Formal institutions in Russia are unstable in their own right in that they are not yet broadly accepted as legitimate by competing segments of the Russian elite...The state lacks autonomy and capacity, and consequently the ability to act as an enforcer of rules. As a result, it is not able to resist exogenous shocks and therefore act as a guarantor of institutional continuity over time (Robinson 5).

Constitutions, Elections and Criminal Activity-Institutional Instability

The Soviet Constitution prior to 1993 had been written in 1978. In 1990, a Constitutional Commission was established. Many drafts were submitted but no agreement reached. Yeltsin drafted his own constitution that was rejected by the Constitutional Commission in April of 1993. Yeltsin, in return issued a referendum, which essentially forced the people to choose between the president's constitution and the legislature.

Under the 1978 constitution, a simple majority of the electorate was needed in order to enact a referendum. Yeltsin, however, fashioned his own protocol and announced that a 50% turnout of eligible voters was required, but only 25% of those voters were needed for a yes vote for the Yeltsin constitution. Turn out for the referendum reached 54%, with 58% of those agreeing to the constitution. Essentially undermining current laws

and constitutional procedure, Yeltsin invented his own criteria for passing his constitution. By formulating lenient referendum criteria, his constitution was approved with less than one third of the country's consent (Colton 292).

With his 'triumphant' referendum, Yeltsin then disbanded the legislature and began shelling the Russian Parliament when deputies refused to leave. This violent altercation between president and legislature illustrates the volatile state of the country's political system. Once the parliament was ejected from power, the President restructured a new Constitutional Commission (Ziegler 192). The Commission eagerly accepted Yeltsin's constitution that has been noted for granting considerable power to the president. Under the current Russian constitution, the President is given the power to initiate referenda as well as to directly introduce legislation to the parliament. He may enact decrees, veto acts of parliament and has the right under Article 84 of the Constitution to "dissolve the State Duma in cases and under procedures envisaged by the Constitution of the Russian Federation" (Smith 10).

How a country's constitution is formed may give insight into a country's prospects for democracy. In Russia, it appeared as though the Constitutional Commission sought to involve a number of elites in the discussion and in the drafting process itself. Drafts were presented by the Communist party, legal experts from the law faculty at Saratov University, and Anatoly Sobchak (the mayor of St. Petersburg). Yeltsin's measures to disband the parliament in order to authorize his own draft is looked upon by many as undemocratic, and rightly so. Yeltsin's Constitution bestowed substantial power to the presidency while not fully creating a means for the presidency and the parliament to resolve disagreements. Checks and balances were not established, allowing the possibility for the abuse of power. The Turkish Ministry of Foreign Affairs has maintained that Yeltsin's constitution was essentially a style of 'authoritarian democracy' (Hatipoglu 1998). In 1998, Timothy Colton and Jerry Hough noted that "The president's brainchild, under which the Second Russian Republic has been governed ever since, is so amendment-proof that not one comma in it has yet been changed" (291).

Other signs of the lack of a full democracy are found in the country's own elections. In 1996 it was speculated that elections for that year might be suspended. Riasanovsky noted that many of Yeltsin's aids proposed he cancel the elections since they feared he would not win a majority of the vote. The Communist Party looked as though they might gain a majority over the president. The economy had only worsened, corruption in the pub-

lic and private sectors continued, the Chechnia war still raged, and Yeltsin's approval rating had plummeted (620). According to Davidheiser, Goodrich, and Hough, the possibility lingered that the president might cancel the elections: "*Time* magazine reports that Russians consider Yeltsin the 'best guarantee of Russian democracy' but strongly suspect he will call off the June election" (59).

While Yeltsin eventually opted to proceed with the election, the finer point is that there remained a viable option for the president to suspend the electoral process. Signs of electoral instability entwined with the growing threat of a strengthening communist party seems to be evidence that what we have labeled a democratic transition is showing little to no signs of consolidation (Solnick 803).

Thomas Graham, who from 1994-1997 was a chief political analyst at the US Embassy in Moscow, recently pointed to yet another shortcoming of the democratic process in Russia--fraud:

Democracy has not fared well in Russia. Freedom of the press is under threat. A Moscow newspaper recently published evidence that Mr. Putin's first-round victory earlier this year was due to fraud. And the Department of State documents no significant improvement in human rights since Clinton took office (1995).

Fraud, in this case, seems to have encompassed a wide range of illegal activity as documented in the *Moscow Times* in 2000. There appears to be significant evidence that observers were ejected from the polls, ballot boxes tampered with, and voters forced to vote for Putin by elites already in power. In addition, some have complained of disappearing votes and others—those guarding the polling entrances—of government officials retrieving ballots for the communist candidate and burning them. Furthermore, the newspaper displays how numerical discrepancies can be uncovered simply by comparing records at the local level to records at the national level. According to the *Moscow Times*, in the republic of Dagestan the newspaper estimated that 551,000 votes were stolen, a more conservative figure than the one projected by the Duma commission headed by Communist Deputy Alexander Saly's (Borisova 2000).

Actors willing to 'play by the rules,' electoral or otherwise, are indispensable for political stability. In the sub-national elections of 1996-97, nearly half of the incumbent governors lost their bid for re-election. As recently as 1999, however, it appeared as though many of those

holding office sought to use their influence to illegally assure their victory. For example, the 1999 elections in Moscow were re-scheduled for an earlier date by the incumbent governor in order to confuse voters as well as his political opponent. In his article Solnick notes:

In the Islamic republic of Bashkortostan, for instance, incumbent president Rakhimov was elected in 1993 with a margin of victory of 32%. In 1997, he won reelection with a margin of over 60%. Neighboring Tatarstan president Mintimir Shaimiev did away with the formality of even running a contested election, in contravention of federal law, and won reelection in 1996 with 97% of the vote. Not to be outdone, the President of the small North Caucasus republic of Kabardino-Balkaria won an uncontested race for reelection in 1997 with 99.4% of the vote, and 98% turn out (818).

Several reports have indicated there have been criminal ties to some of those elected to office, demonstrating how Russia's elites fail to adhere to the formal rules and laws set forth by the government and governmental institutions. In regional and state parliaments, the connections many members have with criminal organization are well known. Furthermore, some of those same criminal organizations dictate the proceedings of local administrations. Mayors and deputies have been elected while having significant criminal records, as was the case in the 1997 and 1998 elections (Doktorov, Shlapentokh, and Vanderpool 18).

Sporadic and even questionable election practices, violence between the president and the legislature (as was seen with the shelling of the parliament in 1993), a constitution that appears to be easily manipulated and ignored (when desired), demonstrates Russia's institutional instability. To better examine why institutions are unstable and what Russia may actually be transitioning to, this paper will now examine the interaction of political elites within the country.

Russian Elites

In order for a country to transition to a democracy, one key factor is elitist interaction. The stability and consolidation of a democracy is largely dependent upon the concept of elite convergence. In order for elite convergence to succeed in consolidating a democracy, dis-united elites must compromise with one another and agree to be committed to the rules and procedures of democracy. Elites must agree to accept the democratic 'rules of the game' as legitimate. Democratically based institutions and procedures must be viewed as the only viable tool in which to accomplish one's objectives (Karakatsanis 7).

The decision for elites to seek compromise may be for any number of reasons. In some cases, skirmishing elites cannot determine an obvious champion and have depleted their resources in the battle for supremacy. At this point, elites acknowledge that something must be done. Elites would rather see compromise than a complete loss of their power. In other cases, elites come to recognize that the only alternative in saving a crumbling political structure is to come together and cooperate. While political scientists see these fundamental steps as promising for the future development of a democratic country, it is possible that elites may create compromises that "sustain non-democratic or quasi-democratic systems" (Doktorov, Shlapentokh, and Vanderpool 9).

In Russia's case, while a weak national government has failed to provide stability, it is important to note that the elite system in Russian politics appears remarkably stable. Many of the men in power during the Communist regime still hold power today. While the institutions were supplanted and crumbling, the elite structure remained fairly intact.

While elite convergence has occurred in Russia and while elites have come to accept the established rules of the game and the institutions surrounding them, it is important to note that they have 'converged' around institutions and rules—both formal and informal—that are less than democratic.

As has been briefly discussed, in transitions a deadlock among elites will often result in compromise and in realization that in playing by 'the rules of the game' each political party has the opportunity to gain power and, likewise, limit the power of their opponents through democratic measures. In Russia, however, this process has not had the democratizing effect upon institutions that many political scientists had anticipated. While a form of convergence of Russian elites has developed, an important question is whether its continuation is intentional within the elite factions themselves. Is it possible that elites have insured their own stability within institutions by insuring that those institutions remain weak and are able to be controlled by the elites themselves (Solnick 804)?

The use of formal institutions to secure wealth and security demonstrates how elites in Russia use the government and formal institutions to achieve their own objectives. Within the institutions themselves, elites manipulate the system and therefore inhibit successful democratization while personally benefiting from their questionable actions. The rise and stability of many of the elites in Russia today can be traced back to the

years of the Gorbachev reforms. Many of the political elites of Russia established their wealth during the last few years of the Soviet Union. While the masses fell deeper into poverty, many politicians made their fortunes and secured their political careers. Initially believing that their political professions were in jeopardy due to the Gorbachev reforms, many politicians examined the possibility of gaining wealth within the, then nonexistent, private sector. Political leaders in Russia found they possessed special interests in privatizing organizations in order to increase their own assets. Ministers sought to privatize the sectors that they were in control of and did so through the use of formal institutions.

Ministries, for instance, were turned into concerns. The minister typically retired or became a consultant to the concern that succeeded the ministry. The president of the concern, as a rule, was a former deputy minister. The concern acquired the status of joint stock company. The shareholders were typically among the most senior members of management. The ministry's property in this way became the private property of its leading officials (Doktorov, Shlapentokh, Vanderpool 39).

The creation of *Imperial* banks, for example, was among the newest wave of commercial banks whose maturity was overseen by the Finance Ministry. The head of this department, Sergei Rodionov, consequently came to be the controller of *Imperial*. Examples of instances such as these are found in many sectors, such as automotive, industry, and retail. Ministers adopted the roles of majority shareholders. Politicians and department heads became presidents of private industries (Doktorov, Shlapentokh, and Vanderpool 41).

Another characteristic of the Russian elite are the numerous accounts of their participation in criminal activity. Criminal or illegal activity is prevalent in Russia's regions as well as in her political institutions, as many elites have been eager to utilize illegal devices in order to reach their objectives. Criminal activity thrives within the mass population simply due to the government's weakness and incapability of enforcing laws. Private citizens as well as business owners turn to criminal organizations to protect their interests. They may also choose to bribe police officers in order to gain preference. Elites also have been known for utilizing the services of criminal organizations to protect their interests as well.

Statistics can impart a rough idea concerning the amount of corruption within the government itself. In 1993, over fourteen hundred cases pertaining to corruption were addressed in court. Of those, ministry and

committee staff and other political figureheads in local government constituted 43%. Law enforcement counted for another 26%, and 2% were composed of deputies from various state levels (Doktorov, Shlapentokh, and Vanderpool 77). Since the corruption within Russia's institutions are carried out by those that govern the institutions themselves, one can begin to assess that the government's inability to quell corruption is simply due to the fact that a majority of those within government do not wish corruption to be done away with. It is more lucrative for those in government to agree to look the other way when formal rules and laws are bent or even broken.

In their book, Doktorov, Shlapentokh, and Vanderpool's explain that a flippant disregard for the rules is not uncommon in Russia's elite.

In 1993, the Control Department of the Russian Federation president's administration testified that it conducted 98 checks. Damage caused to the state by officials amounted to a sum of 17.2 billion rubles. Still there were no criminal cases filed against the guilty. For 1994, the Control Department did not even publish a report of its activity. Officials who are accused in the press of corruption or other abuses are often not even aware of these charges and quietly continue their corrupt activity (78).

Another example is found in the case of Sergei Mavrodi who won a seat in the Duma (lower house parliament). Many labeled his electoral victory questionable. Mavrodi was later accused of failing to pay a hefty amount of taxes but was never investigated. Deputies involved never gave their authorization for an official inquiry to take place.

Many political actors are not dedicated to the concept of abiding by the rules set forth by the constitution and have instead utilized illegal practices to achieve their aims. Why this occurs may be found within the institution itself, especially when formal institutions are too weak and are dominated by elites. As explained in the institutionalization of agency, the two criteria necessary are not met in the Russian case. Russia's elites do not abide by the rules that are agreed upon and corruption has allowed players to allocate their resources from one institution to the other. Institutionalization of agency has not occurred. Institutional instability and corruption lead one to wonder where Russia's transition is headed (Doktorov, Shlapentokh, and Vanderpool 78).

Oligarchy

An oligarchy can be defined as "rule[d] by a few members of a community or group. When referring to governments, the classical definition of oligarchy, as given for example by Aristotle, is of government by a few, usually the rich, for their own advantage" (Columbia Encyclopedia 2000).

Taking the notion of an oligarchic government a step further, it is believed that oligarchs would only prefer to live in a dictatorship if they, themselves, were the dictator. In this sense, the balance of power among oligarchs is crucial. Oligarchs would rather see a stable balance of power within the elite structure than have that balance upset by strong institutions or a single elite. With this concept in mind, one must wonder if the 'stalemate' in Russia is purposely sought, if not perpetuated by the elites themselves. By maintaining a balance of power within the elite structure, elites can ensure weak institutions. Corruption within the elite allows them to remain in power and insure their 'spot' in the political game (Solnick 808).

In summation, while a stalemate among elites is often viewed as a promising sign of democratic transitions, in Russia's case, it appears this has hampered a transition to democracy all together. While many social observers and political scientist have branded Russia's transition a democratic one, it appears as though the initial assessments after the collapse of the USSR could be construed as slightly premature. Perhaps in the future, Russia will prove that this has in fact been a democratic transition. Presently however, institutional corruption, fraudulent elections, a general reluctance to abide by the rules specified within the constitution itself, coupled with too much power resting in too few hands, suggests that Russia's current transitional and institutional state may well be described as something other than democratic. It may, in fact, be regarded more accurately as an oligarchy.

Works Cited

- Borisova, Yevgenia. "And the Winner Is?"
Moscow Times 9 Sept. 2000.
<http://www.themoscowtimes.com/stories/2000/09/09/119.html>
- Colton, Timothy J., and Jerry F. Hough, eds.
Growing Pains: Russian Democracy and the Election of 1993. Washington, DC: The Brookings Institution, 1998.

- Doktorov, Boris., Shlapentokh, Vladimir., and Vanderpool, Christopher. The New Elite in Post-Communist Eastern Europe. 1st ed. College Station, TX: Texas A&M University Press, 1999.
- Hahn, Jeffrey W., ed. Democratization in Russia: The Development of Legislative Institutions. Armonk, NY: M. E. Sharpe, 1996.
- Hatipoglu, Esra. "The Democratization Process in Russia." Journal of International Affairs Volume III, No. 2 (1998).
- Hough, Jerry F., Evelyn Davidheiser, and Susan Lehmann Goodrich. The 1996 Russian Presidential Election. Washington, DC: Brookings Institution Press, 1996.
- Huntington, Samuel. The Third Wave: Democratization in the Late Twentieth Century. London: University of Oklahoma Press, 1991.
- Karakatsanis, Neovi. The Politics of Elite Transformation. London: Praeger, 2001.
- Krishtanovskaia, Olga, and Stephen White. "From Nomenklatura to New Elite." The New Elite in Post-Communist Eastern Europe. Eds. Shlapentokh, Vladimir, Christopher Vanderpool, and Boris Doktorov. 1st ed. College Station, TX: Texas A&M University Press, 1999. 27-52.
- "Oligarchy ." The Columbia Encyclopedia . 6th ed. 2000.
- Robinson, Neil, ed. Institutions and Political Change in Russia. Houndmills: Macmillan Press, 2000.
- Riasanovsky, Nicholas. A History of Russia. New York: Oxford University Press, 2000.
- Sergeyev, Victor M. The Wild East: Crime and Lawlessness in Post-Communist Russia. Armonk, NY: M.E. Sharpe, 1998.
- Smith, Gordon B., ed. State-Building in Russia: The Yeltsin Legacy and the Challenge of the Future. Armonk, NY: M. E. Sharpe, 1999.
- Solnick, Steven L. "Russia's 'Transition': is Democracy Delayed Democracy Denied?." Social Research 66.3 (1999): 789-824.
- Sperling, Valerie, ed. Building the Russian State: Institutional Crisis and the Quest for Democratic Governance. Boulder, CO: Westview Press, 2000.
- Ziegler, Charles E. The History of Russia. Eds. Thackeray, Frank W., and John E. Findling. Westport, CT: Greenwood Press, 1999.
- Graham, Thomas. <http://www.csmonitor.com/durable/2000/10/26/fp9s2-csm.shtml>. 1995.

Kerri White is a senior majoring in Political Science. Her paper, Institutions, Elites and a Transition to the Unknown, was written for Dr. Neovi Karakatsanis. Kerri will graduate in May of 2004.