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# Russia

*Comparative National Systems*



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### Introduction

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Since the demise of the Soviet Union, the Russian Federation has been labeled with many names: sovereign democracy, pseudo democracy, managed democracy, etc. Many scholars at one point believed that Russia was on its way to democracy, others believed that since Vladimir Putin came to power Russia was slipping back into authoritarianism. The questions of what Russia really is and where it is are difficult to answer. In this overview we come to the conclusion that Russia is still very much in transition, in fact we believe that one can say that Russia has gone through several stages of transition of which this is merely the latest. Beginning in 1991 -1993 with what Sakwa describes as '*Phony Democracy*' (40-47), from 1993-1999 under Yeltsin which were characterized by upheaval, economic decline and the retreat of the state, and finally the time from 2000 to the present under both Putin and Medvedev as a time of the state reasserting itself both in Moscow but more importantly in the regions and the periphery (Sakwa 4<sup>th</sup> ed. 40-47). We find that in many publications on Russia the reporting seems to be one sided, pointing out only Russia's failings and ignoring its achievements. While Russia today is a competitive authoritarian regime, when one considers the enormous upheaval it went through, the painful economic decline and the almost complete loss of stateness in the early 90s, then one can and should conclude that the process of democratization in Russia is ongoing. Where this process will end is the real question.

In order to better understand Russia in a comparative context, the country's aspects in terms of stateness, political regime, and ownership are of particular importance. Foreign Policy Magazine's 2009 Failed States Index classifies Russia as "in danger," and Freedom House labels Russia as "not free." Both aspects tie in closely with Russia's overtly powerful executive system and its oligarchy controlled industries.

Anderson describes Russia's political regime in a vivid, concrete language: "The country is a 'managed democracy': that is, one where elections are held, but the results are known in advance; courts hear cases, but give decisions that coincide with the interest of the authorities; the press is plural, yet with few exceptions dependent on the government. This is, in effect, a system of 'uncontested power.'"(Anderson 21)

## Stateness

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Russia declared itself independent of the Soviet Union on the 24<sup>th</sup> of August 1991. It adopted a heavily contested constitution in 1993 and became a federal state.

Geography wise, Russia is the largest country in the world in terms of area, approximately 1.8 times the size of the U.S. However, much of the country lacks proper soils and climates (either too cold or too dry) for agriculture, and it is unfavorably located in relation to major sea lanes of the world. On the energy front, Russia owns a wide natural resource base including major deposits of oil, natural gas, coal, and many strategic minerals. In terms of its demography, Russia is faced with a rapidly declining and ageing population. On top of this, life expectancy in the Russian federation is sinking and is now lower than it was in the Soviet Union.<sup>1</sup>

According to Foreign Policy Magazine's Failed States Index 2009, Russia is classified as a state "in danger," with a score of 80.8 out of 120 (120 being the most critical condition and 0 being the most stable). Russia ranks especially poorly in the following sections: uneven development, factionalized elites, human rights, and delegitimization of the state.<sup>2</sup>

Russia as a country today does not resemble any Russian state that came before it. Russia's borders have no basis in history but are the result of the more or less controlled dissolution of the Soviet Union. For the stateness of Russia, and especially for Russia's national identity, this has played an enormous role. The fact that millions of Russian citizens now live in foreign countries creates a Russian Diaspora which affects the entire Russian periphery.

The states power rests with the security organs. Russia lacks what some term a 'civil society', that is, a society that maintains, protects and perpetuates the state in and of itself. The state of Russia is kept intact through a combination of central power through the army, police and secret services, and central resource allocation as an incentive. Russia's federal structure allows for Moscow to weaken the opposition it faces by playing various parts of the country against each other. This has the side effect of fostering corruption, cronyism and regional 'lords' who run several of Russia's regions like little kingdoms. Despite all of this

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<sup>1</sup> See CIA World Fact Book <https://www.cia.gov/library/publications/the-world-factbook/geos/rs.html>

<sup>2</sup> See Foreign Policy Magazine The Failed States Index 2009 [http://www.foreignpolicy.com/articles/2009/06/22/2009\\_failed\\_states\\_index\\_interactive\\_map\\_and\\_rankings](http://www.foreignpolicy.com/articles/2009/06/22/2009_failed_states_index_interactive_map_and_rankings)

Russia has been becoming more stable over the years and in time problems described in this section might be tackled by successive administrations.

## Political Regime

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Despite claiming itself as a “sovereign democracy,” Russia is in reality not a democracy. It is a competitive authoritarian regime. Freedom House has identified Russia as “not free” since 2004.<sup>3</sup> A key question to ask when classifying political regimes is how succession operates. In Russia, although there are elections which determine the outcome of presidential and legislative successions, they are not always free and fair. This main aspect distinguishes Russia from being a full democracy. On the other hand, the presence of regular elections distinguishes Russia from being a full-scale authoritarianism.

According to Mainwaring, Brinks, and Linan, modern democratic regimes all meet four minimum criteria: 1) Executives and legislatures are chosen through elections that are open, free, and fair; 2) virtually all adults possess the right to vote; 3) political rights and civil liberties, including freedom of the press, freedom of association, and freedom to criticize the government without reprisal, are broadly protected; and 4) elected authorities possess real authority to govern, in that they are not subject to the tutelary control of military or clerical leaders (qtd. in Levitsky and Way 53).<sup>4</sup>

In competitive authoritarian regimes, violations of the above criteria are frequent and serious enough to create an uneven playing field between government and opposition. Although elections are regularly held and are generally free of massive fraud, incumbents routinely abuse state resources, deny the opposition adequate media coverage, harass opposition candidates and their supporters, and in some cases manipulate electoral results. Journalists, opposition politicians, and other government critics may be spied on, threatened, harassed, or arrested (Levitsky and Way 53). On the other hand, this form of regime is not a full-scale authoritarian rule because incumbents are unable to eliminate or reduce democratic procedures to a mere façade. Rather than openly violating democratic rules incumbents are more likely to use bribery, co-optation, and more subtle forms of persecution, such as the use of tax authorities, compliant judiciaries, and other state agencies to “legally” harass, persecute, or extort cooperative

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<sup>3</sup> See Freedom House [www.freedomhouse.org](http://www.freedomhouse.org)

<sup>4</sup> See Scott Mainwaring, Daniel Brinks, and Aníbal Pérez Linan, “Classifying Political Regimes in Latin America, 1945-1999,” *Studies in Comparative International Development* 36 (Spring 2001).

behavior from critics (Levitsky and Way 53). This definition of a competitive authoritarian regime depicts Russia well.

Russia employs the “Two-Round System” for presidential elections and the “Mixed System” for national legislative elections. In the two-round system a second round of voting is required if no candidate in the first round wins a certain set percentage, usually an absolute majority. Under the mixed system for national legislature, one group is elected under a plurality/majority system, where candidates are elected on the basis of a plurality or majority of votes, and the other group under a proportionate representative system, where the share of votes received by a party is transferred into a corresponding proportion of seats in the legislative body (Soudriette and Ellis 79-82).

Despite the elections in place, Russia is not an electoral democracy. In the presidential election of March 2008, state dominance of the media was on full display and debate was absent. When Russian voters went to the polls to elect a new president, the outcome was not much in doubt. Outgoing president Vladimir Putin manipulated the election to install a designated successor— the then Deputy Prime Minister Dmitry Medvedev—and retain real power for himself as the new prime minister. <sup>5</sup> Indeed, Medvedev garnered 72 percent of the votes. “It was not really an election, it was an appointment,” observed Fraser Cameron, director of the European Union’s Russian Center, expressing a widespread Western view (qtd. in Flamini 483). In addition, the earlier December 2007 State Duma elections were carefully engineered by the administration, handing pro-Kremlin parties a supermajority in the lower house, which was powerless in practice. <sup>6</sup>

## Economic Development

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Former President Putin had the good luck to arriving power just as oil prices took off. With export earnings from the energy sector suddenly soaring, economic recovery was rapid and continuous. Since 1999, GDP has grown by 6-7 percent a year. The budget is now in surplus, with a stabilization fund of some \$80 billion set aside for any downturn in oil prices (Anderson 2-3).

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<sup>5</sup> See Freedom House [www.freedomhouse.org](http://www.freedomhouse.org)

<sup>6</sup> See Freedom House [www.freedomhouse.org](http://www.freedomhouse.org)

The country has been the largest single beneficiary of the world commodities boom of the early 21<sup>st</sup> century. For ordinary Russians, this has brought a tangible improvement in living standards. Though average real wages remain very low, less than \$400 dollars a month, they have doubled under Putin. That increase is the most important basis of his support. To relative prosperity, Putin has added stability (Anderson 3). The country is no longer 'under external management', as the pointed local phrase puts it. The days when the IMF dictated budgets, and the Foreign Ministry acted as little more than an American consulate, are over. Freed from foreign debt and diplomatic supervision, Russia is an independent state once again (Anderson 3).

According to the CIA World Fact Book, Russia ended 2008 with GDP growth of 5.6%, following 10 straight years of growth averaging 7% annually since the financial crisis of 1998. Over the last six years, fixed capital investment growth and personal income growth have averaged above 10%, but both grew at slower rates in 2008. GDP per capita rose from \$14,000 in 2006 to \$16,100 in 2008.<sup>7</sup> Based on a study conducted by Przeworski, Alvarez, Cheibub, and Limongi, once a country is sufficiently wealthy, with per-capita income of more than \$6000 a year, democracy is certain to survive, come hell or high water (6). Therefore, with Russia's per-capita income exceeding this significant \$6000 threshold, there is promise that Russia's developed democratic rules and institutions can survive, despite influence from a competitive authoritarian regime.

Many studies show that when incomes rise, governments tend to become more democratic. Yet some scholars imply there is an exception to this rule: if rising incomes can be traced to a country's oil wealth, they suggest, this democratizing effect will shrink or disappear (Ross 325). Michael Ross's study on how oil hinders democracy offers a possible explanation to why Russia has not yet succeeded in transforming into a democratic state despite its promising economic development.

Both the "Rentier Effect" and the "Repression Effect" can be applied to Russia: the rentier effect is when governments use their oil revenues to relieve social pressures that might otherwise lead to demands for greater accountability. The repression effect is when resource wealth retards democratization by enabling governments to boost their funding for internal security and so block the population's democratic aspirations (Ross 335). For instance, the scale of the slush funds available to the Kremlin from exporting Russia's rich oil resources has made it easy, in turn, to convert television stations and newspapers into mouthpieces of the regime (Anderson 7).

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<sup>7</sup> See CIA The World Fact Book <https://www.cia.gov/library/publications/the-world-factbook/geos/rs.html>

## Culture and History

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According to the Inglehart-Welzel Cultural Map of the World, in 2006 Russia scored 0.49 for traditional/secular-rational values dimensions and scored -1.42 for survival/self-expression values dimensions. These figures show that Russia leans towards social values of secular-rational and survival.<sup>8</sup>

The traditional/secular-rational values dimension reflects the contrast between societies in which religion is very important and those in which it is not. For societies with secular-rational values, such as Russia, religion is less important, along with parent-child ties, deference to authority, and traditional family values. These societies have lower levels of national pride and a lower nationalistic outlook.<sup>9</sup>

The second major dimension of cross-cultural variation is linked with the transition from industrial society to post-industrial societies. With an increasing share of the population growing up taking survival for granted, people's priorities have shifted from an overwhelming emphasis on economic and physical security toward an increasing emphasis on subjective well-being, self-expression and quality of life. This is the shift from survival to self-expression values. Self-expression values produce a culture of trust and tolerance, in which people place a relatively high value on individual freedom and self-expression, and have activist political orientations. These are precisely the attributes that the political culture literature defines as crucial to democracy. Russia, however, has not made the transition to a more self-expression oriented society. The survival-based values are still strongly rooted, leading to a less conducive environment for democracy to flourish.<sup>10</sup>

The above findings corroborates with Sakwa's statement regarding Russian culture and history, as he says that the attempt to remake Russian democracy was bout by bureaucratic institutions and traditions (3<sup>rd</sup> ed. 465). Democracy is both a system of government and a way of life; and it is not clear how democratic institutions could be grafted on to a society whose traditions were apparently antithetical to democratic norms. The mere presence of numerous political parties and a democratic constitution are no guarantee of democratic practices (Sakwa 3<sup>rd</sup> ed. 464).

Liberalism in the West had developed over a long time as private property, individual freedoms and rationalist thinking developed, whereas in Russia all three had been absent or were severely limited. The main problem in Russia was that the subject of liberalism, *homo economicus*, was largely absent, and

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<sup>8</sup> See "Inglehart-Welzel Cultural Map of the World" <http://www.worldvaluessurvey.org/>

<sup>9</sup> See World Values Survey <http://www.worldvaluessurvey.org/>

<sup>10</sup> See World Values Survey <http://www.worldvaluessurvey.org/>

therefore liberalism found its main support among the urban liberal intelligentsia. In the West liberalism (including private property, individualism and the defense of the individual and property rights in law) had come before democracy, but in Russia it was the democratic revolution itself that had to create the basis of liberalism. This it tried to do by diffusing the economic power that is associated with private property to establish the basis for individual rights; but at the same time asserted the need for the concentration of political power, a post-communist Leviathan, in the form of presidential power. Economic liberalism but not necessarily fully fledged democracy was on the agenda (Sakwa 3<sup>rd</sup> ed. 466).

In contrast to the more developed East European countries like Poland and the Czech Republic, where the 'national idea' united an already existing civil society, in Russia civil society remained amorphous and thus national sentiments were in danger of becoming nationalist. Russia developed as an empire before it became a nation, and even today it is unclear whether a Russian nation as such has developed. How is it to be defined: by ethnicity, by culture, by territory, or some other principle? All remained contested (Sakwa 3<sup>rd</sup> ed. 469).

The weakness of civil society and the indefinability of Russian nationhood once again stimulated the notion of *derzhavnost*, a typically Russian concept denoting the idea of great-power statehood; in short, the predominance of the state over society (Sakwa 3<sup>rd</sup> ed. 469).

## Institutions

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Russia's institutions as laid out in the constitution suffer from certain systemic weaknesses that make the whole system vulnerable. In the political system established by the 1993 constitution, the president wields considerable executive power, and there is no vice president. The president nominates the highest state officials, including the prime minister, who must be approved by the Duma. The president can pass decrees without consent from the Duma. He also is head of the armed forces and of the Security Council.<sup>11</sup>

Russia's legislature system is a weak bicameral legislature, consisting of the upper house (Federation Council) and the lower house (State Duma). The communicative functions between state and society are fulfilled more by the mass media and various lobbying groups than by parties (Sakwa 3<sup>rd</sup> edition 446). Political parties serve more as a means of communicating within the elite and of mobilizing ideological

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<sup>11</sup> See US Department of State Country Profile: Russia <http://www.state.gov/r/pa/ei/bgn/3183.htm>

and political resources in intra-elite struggle than a way of representing social interests (Sakwa 3<sup>rd</sup> ed. 445). The weakness of the Duma has led to an extremely strong executive with almost no checks on its powers. Though a slight revival in the role of parliamentarianism can be seen since the handover from Putin to Medvedev, the parliament remains a weak and internally divided body that is largely self serving.

The elimination of the political monopoly of the CPSU in Russia was not replaced by multi-party governance as such but by a regime system in which power was concentrated in the instruments of executive authority in an unstable relationship with legislative power, popular movements and powerful social interests (Sakwa 3<sup>rd</sup> ed. 454).

Russia's strong executive power and suppressed legislature section creates path dependency. One president after another secures his executive power even more, causing the country to continue on a path dictated by the imbalanced power system and thus change will be difficult to come by.

Russia's biggest problem is 'institutionalized corruption'. Corruption can be found at almost all levels of the state apparatus. This has led to the population losing what little faith it had at the beginning of the democratic experiment in Russia. Russia's court system is weak and corrupt, and it is very difficult for ordinary citizens to get their rights defended in a court. Corruption in the police and judicial system is especially harmful. Though Putin and lately Medvedev have made concerted attempts to stamp out chronic corruption, it remains strong in Russia, both in small and large decisions.

The decline of totalitarianism and the end of the elite rule of the Communist Party have been replaced by a society marked by the presence of many interest and pressure groups, but the organized representation of these groups is only in its infancy, and the structural aggregation of interests at the level of the state is embryonic. Dahl's model of a polyarchy of countervailing interests is not yet applicable (Sakwa 3<sup>rd</sup> ed. 446).

## Party Families

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Political parties have been marginalized in modern Russia largely due to two developments, firstly "*the relative independence of government from both parliamentary oversight and party control*" and secondly "*the emergence of a powerful presidential system based on the apparatus of the state*" (Sakwa 4<sup>th</sup> ed. 128).

In weakly established democracies a leader can become so strong that he or she can ignore those whom they are meant to represent. O'Donnell characterizes these countries as having 'delegative' rather than representative democracy with the electorate allegedly having delegated to the executive the right to do what it sees fit for the country (Sakwa 3<sup>rd</sup> ed. 454). This can also be seen by relatively low party membership figures for Russia, in 1994 only 3% of Russian adults were members of parties, movements or associations, this figure fell to 1% in 2003 but rose to around 3 % again in 2007 (Sakwa 4<sup>th</sup> ed. 145).

Parties in modern Russia can be grouped into four main groups, the CPRF (Communist Party of the Russian Federation) on the left, Fair Russia (also translated as Just Russia) on the center left, United Russia in the center, and the Liberal Democratic Party of Russia (LDPR) forming the nationalist right (Sakwa 4<sup>th</sup> ed. 140).

At the last election in 2007, 4 parties gained access to the State Duma: United Russia gained 64.26% of the vote; CPRF gained 11.59%; LDPR 8.15% and Fair Russia 7.76 %. These are the only 4 parties to have crossed the 5% threshold.<sup>12</sup> United Russia is the *party of power* (Sakwa 4<sup>th</sup> ed. 146) currently supporting President Medvedev.

While Russia still boast a large number of small parties, the parties above seem to be crystallizing into the main leading groups in their respective political spectrum with smaller parties grouping around and in some cases merging with them (Sakwa 4<sup>th</sup> ed. 140-141). This is also due to the Duma threshold of 5% of the vote which a party needs to attain in order to be present in the Duma, at about 3 million votes this is a substantial hurdle for many small parties (Sakwa 4<sup>th</sup> ed. 140-147).

Sakwa identifies three broad types of parties in Russia, *Programme parties*, *Project parties*, and *Regime parties* (Sakwa 4<sup>th</sup> ed. 146-149).

#### 1. Programme Parties

Programme parties are defined as: “*those with a clear platform adopted by some sort of process of inner-party democracy and pursued by the leadership and consistently presented to the public*” (Sakwa 4<sup>th</sup> ed. 146).

The CPRF can be seen as the most established party in Russia. It commands a large party membership, a well structured network of subdivisions and local groupings spanning the country and is the only party beside the LDPR currently in the Duma to have partaken in all of the last 5 general elections. The parties ideology has been described as: “*a potent and largely incompatible mix of nationalist, imperialistic (in the Soviet sense) and communist principles; its policies were incoherent in that elements of the market were accepted as long as market forces were to be constrained;...*” (Sakwa 4<sup>th</sup> ed. 146). While the party represents the main opposition party, for the reasons mentioned above it is largely inefficient in this role.

#### 2. Project Parties

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<sup>12</sup> See PBN Russia Election Update

[http://www.sras.org/files/textedit/russia\\_election\\_update\\_issue\\_5.pdf?89547](http://www.sras.org/files/textedit/russia_election_update_issue_5.pdf?89547)

Project parties are defined as: “*created not long before elections as part of an ulterior strategy of competing elite groups*” (Sakwa 4<sup>th</sup> ed. 146). Sakwa defines *Rodina*<sup>13</sup> as a classic example of this type of party, used in the 2003 general election to “*draw votes away from the communist party.*”

### 3. Regime Parties

Regime parties are defined as “*government-sponsored groupings to represent the system itself.*” They are “*established to manipulate and shape political space and in some cases to act as what is called ‘the party of power’*” (Sakwa 4<sup>th</sup> ed. 146).

Parties of power are a traditional element of the party system in Russia (Sakwa 4<sup>th</sup> ed. 148). From Our Home is Russia (NDR) in 1995, Unity in 1999 and United Russia in 2001, the government has continually relied on behemoth party alliances, or associations covering an enormous ideological spectrum (Sakwa 4<sup>th</sup> ed. 148). Sakwa distinguishes between the concepts of the *ruling party* and the *party of power* (148). For him to speak of United Russia as the ruling party would be inaccurate, as in Russia the Parliamentary majority does not automatically form the government (Sakwa 4<sup>th</sup> ed. 148). Rather it is, in Sakwa’s words, “*the party of power, but not the party in power.*” We can possibly compare links between the systemic importance and position of United Russia and the LDP in Japan, or the dominance PRI in Mexico (148-149). Whether it will retain this position without its main figureheads, Putin and Medvedev, is difficult to tell; however, a trend towards the party becoming more programme-regime in character is likely (Sakwa 4<sup>th</sup> ed. 149).

## International Influences

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5 memberships of international organizations eclipse all others in importance in the eyes of the Russian state: Membership in the United Nations Security Council, Membership of the CIS, Membership of the G8 and the G20, and its observer status which would hopefully lead to a full membership in the WTO.

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<sup>13</sup> Founded just prior to the 2003 general elections *Rodina* was aimed at reducing the communist share of the vote by appealing directly to the communist voters. As soon as it had succeeded in this task, the support for *Rodina* by the government was dropped and *Rodina* fused with several other niche parties to form Just Russia in 2006.

Russia is one of 5 permanent members of the United Nations Security Council (UNSC). This membership is the country's single most defining international membership and plays a central role not only in its foreign policy but also in its self perception in the post soviet era.<sup>14</sup> Russia still sees itself as a world power, even after the demise of the Soviet Union, despite facts which speak against this status, especially the economic ones. One way for Russia to assert its continued status is via its membership as a permanent member in the UNSC. The UNSC is for this reason Russia's most vital and most cherished international membership (Sakwa 4<sup>th</sup> ed. 205-220).

The second most important membership is Russia's membership of the Commonwealth of Independent States (CIS). After the demise of the Soviet Union Russia has become increasingly worried about the perceived erosion of its influence in what it considers to be its sphere of influence or 'back yard'. The CIS allows Russia to exert a certain amount of influence in the region, while not reestablishing the Soviet Union, though in the case of Belarus this might be close(Sakwa 4<sup>th</sup> ed. 213-220). The CIS has been attacked by nationalists and hard-line communists alike, both espousing to reestablish the Soviet Union and regain past glory. For the majority of parties and especially for the government, the CIS seems to enjoy a high level of support as a tool in exerting influence outside Russia's borders (Sakwa 4<sup>th</sup> ed. 363).

The third most important membership in an international organization is the membership of the G8 and G20 organizations. Through membership in the G8 and the G20, Russia has excellent opportunities to influence the shaping of world economic standards and respond to crises such as the current one. Furthermore, it is a question of prestige for Russia to be a member of these organizations, especially the G8, as it reflects to the rest of the world that Russia is still seen as one of the most important states of the world, even after the demise of the Soviet Union.

The final organization of significant importance to Russia is the Observer Status in the World Trade Organization (WTO). WTO Membership would grant Russia increased access to other WTO markets and would bolster Russia's slightly damaged reputation as a reliable partner in business, especially in the energy sector (Sakwa 4<sup>th</sup> ed. 372).

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<sup>14</sup> From CIA World Fact Book, other organisational affiliations include: APEC, Arctic Council, ARF, ASEAN (dialogue partner), BIS, BSEC, CBSS, CE, CERN (observer), CIS, CSTO, EAEC, EAPC, EBRD, G-20, G-8, GCTU, IAEA, IBRD, ICAO, ICC, ICCT (signatory), ICRM, IDA, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM (observer), IPU, ISO, ITSO, ITU, ITUC, LAIA (observer), MIGA, MINURSO, MONUC, NAM (guest), NSG, OAS (observer), OECD (accession state), OIC (observer), OPCW, OSCE, Paris Club, PCA, PFP, SCO, UN, UN Security Council, UNCTAD, UNESCO, UNHCR, UNIDO, UNITAR, UNMIL, UNMIS, UNOCI, UNOMIG, UNTSO, UNWTO, UPU, WCO, WFTU, WHO, WIPO, WMO, WTO (observer), ZC

## Ownership

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Two groups stand out when one discusses about major asset ownership in Russia: the state and the Russian oligarchs. Since the collapse of the Soviet Union and the privatization of state-owned industrial assets in the 1990's, a large portion of the national wealth fell into the hands of a small group of business oligarchs (tycoons), and the wealth gap in Russia increased dramatically. However, due to the recent economic crisis, the state is subsidizing Russian corporations and increasingly expanding its ownership.

When the old Soviet bureaucratic corporatism disintegrated in the late 1980s, in its place a new pattern of oligarchical corporatism emerged (Sakwa 3<sup>rd</sup> ed. 447). The old elite transformed itself into the new by shifting from Party to state posts, creating economic structures subordinate to the party, and by joining emerging independent commercial organizations where they exploited personal contacts and knowledge of the system. State assets, in theory owned by everyone but concretely owned by no one, were privatized to become personal assets (Sakwa 3<sup>rd</sup> ed. 450).

During Yeltsin's presidency, oligarchs became increasingly influential in politics and used their money to secure the reelection of then-President Boris Yeltsin in 1996. In return, they received choice segments of the country's industry and ministerial appointments. With the insider information about financial decisions of the government, oligarchs could easily increase their wealth even further.

The economy that Yeltsin left behind was in the grip of a tiny group of profiteers, who had seized the country's major assets in a racket...the leading seven oligarchs to emerge from these years ended up controlling a vast slice of national wealth, most of the media and much of the Duma (Anderson 4). Under Yeltsin there was no clear distinction between the regime and the state. The oligarchy and its allies represented a fusion of financial and industrial capital with direct access to government. The traditional distinction between the market and the state was eroded, and lobbying interests enjoyed an extraordinarily close relationship with government (Sakwa 3<sup>rd</sup> ed. 455).

During Putin's presidency, however, Putin dismantled the Yeltsin era oligarchs' empires who had become too powerful, and replaced them with those he considered the most trusted and useful members. For example, Putin took back under state control parts of the oil industry, and created out of the country's gas monopoly a giant conglomerate with a current market capitalization of \$200 billion (Anderson 5). The balance of power has shifted away from extraordinary accumulations of private plunder towards more traditional forms of bureaucratic management (Anderson 5). Institutionally, the innovation has been the integration of the economic and political pillars of Putin's system of command. The new regime is dominated by a web of Kremlin staffers and ministers with 'security profiles', who also head the largest state companies quoted on the stock market (Anderson 6).

Now due to the economic crisis, however, it is no longer the oligarchs who are supporting the Kremlin—it is the Kremlin that is bailing out the oligarchs. The Russian government has long controlled sectors of the economy deemed to be strategic, such as oil, transport and car manufacturing. Since last year though, the state has bailed out some major conglomerates that were highly leveraged, accepting shares as collateral

in exchange for loans (CNBC Associated Press).<sup>15</sup> The US business magazine Forbes estimates that the 25 richest Russians alone have lost nearly €180 billion during the current global economic crisis. The total amount of debt owed by large Russian companies and banks comes to an estimated €360 billion. That is almost as much money as the Russian state, which controls the third-largest gold and currency reserves in the world, still has set aside for a rainy day, after weeks of market interventions to bailout financial institutions and companies (Schepp). In response to the state action, Russian President Dmitry Medvedev stated that an increase in state ownership was inevitable in some sectors of the economy hurt by the global downturn, but promised it would be short-lived (CNBC Associated Press).<sup>16</sup> It seems that the integration between Russia's economic system and political system will only become stronger with more government intervention.

## Conclusions

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Russia's path to democratization was not one consciously taken right from the start. The slow decline and eventual collapse of the Soviet Union presented the leadership of the USSR with little choice but to reform the system. At the beginning though it was meant as a reform within the framework of the Soviet Union, not as intention to destroy the system. As it became obvious that the system could not be saved, Gorbachev and later Yeltsin steered the country on a course towards democracy. Russia's path to democracy was at the time unique, and many of the troubles of the early 1990 can be traced to this trial and error approach. Overall one can conclude by saying that Russia's democratization process is far from over and one should not view the current situation as a finale of the democratic experiment in Russia but rather as a stage within a process.

Putin is popular, Pipes has explained in Foreign Affairs, 'precisely because he has reinstated Russia's traditional model of government: an autocratic state in which citizens are relieved of their responsibilities for politics and in which imaginary foreign enemies are invoked to forge an artificial unity' (Anderson 12). If Russian citizens begin transitioning from survival values to a more self-expression values society, there

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<sup>15</sup> See CNBC Associated Press "Russia: State Ownership in Economy Inevitable" (05 June 2009)  
<http://www.cnbc.com/id/31119218>

<sup>16</sup> See CNBC Associated Press "Russia: State Ownership in Economy Inevitable" (05 June 2009)  
<http://www.cnbc.com/id/31119218>

is hope that eventually the demand for more active political participation, freedom of press, and a more free election will pressurize the Kremlin to release its grip on media and reduce its suppression of opposition forces.

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