

**The Political Economy of
the Territorial Regime in Post-Soviet Russia**

by

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Budapest, 2020

Ekaterina Paustyan

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Abstract

This dissertation studies the dynamics of the territorial regime in post-Soviet Russia. It consists of three separate studies that employ Qualitative Comparative Analysis. The first study investigates the factors accounting for the signing of bilateral treaties between Moscow and the Russian regions in the period of 1994-1998. The results of the analysis suggest that President Yeltsin formed a broad coalition with both authoritarian and democratic regional heads by negotiating bilateral agreements with them. This strategy allowed Yeltsin to win the 1996 presidential election, yet in the long run, it had contributed to the preservation of authoritarian enclaves in Russia. These findings demonstrate that in a situation of high political polarization a multi-level territorial setting can push the national executive to interfere with a democratic process. The second study concerns gubernatorial incumbency and analyzes the factors accounting for the reappointment of incumbent governors by President Medvedev between 2008 and 2012. The results support the argument that the incumbents remain in office as long as they fulfill the main "federal priorities," that is, high electoral results and political stability. These findings suggest that being dependent on electoral results, the regional executives not only in the ethnic regions but also in the regions with a predominantly ethnic Russian population have influenced electoral outcomes mobilizing voters on behalf of the regime. Finally, the third study deals with politically sensitive transfers in Russia focusing on the case of the 2018 FIFA World Cup. The results of the analysis indicate that the distribution of federal transfers

that are sensitive to political bargaining is highly dependent on the political connections of regional elites rather than driven by the consistent strategy of the federal government. This finding is consistent with previous studies demonstrating that the regional governments in Russia play an important role in directing the flows of federal transfers. These results suggest that the move towards authoritarian federalism happened in Russia without fully sacrificing political authority of the regional governments. As a result, the multi-level territorial structure even in the authoritarian context causes some uncertainty, engenders certain flexibilities, and provides the power-sharing mechanisms that political actors can exploit.

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Chapter 1

Introduction

The territorial regime reflects power dependencies of national political and territorial systems. It regulates the interactions between governments of sub-national units and the national government, and specifies the division of powers between them. Constitutions or supreme governing documents define the type of national territorial regime. In democracies, the territorial regime is embedded into the country's legislative framework and has inbuilt institutional safeguards (Filippov et al., 2004; Obydenkova and Swenden, 2013). Yet outside of the democratic context, both formal rules and informal practices shape the national territorial regime. For example, China is formally a unitary state but *de facto* its provinces enjoy significant autonomy with respect to economic policy. That is why China tends to be classified as an authoritarian federation rather than a unitary state (Libman and Rochlitz, 2019, 3-4).

Russia represents an even more striking example. The Constitution of the Russian Federation was adopted in 1993. Since then, the territorial and political regimes in Russia have changed dramatically—though without any significant constitutional reform. In the 1990s, the federation was decentralized and asymmetrical due to signed bilateral agreements between the regional governments and the federal government. After being

elected as president in 2000, Vladimir Putin initiated several reforms that aimed to re-centralize state power and to decrease asymmetrical federal practices yet did not eliminate these practices completely. For example, all bilateral agreements with the regional governments had been cancelled by the mid-2000s. The government of the Republic of Tatarstan, however, managed to negotiate a new agreement in 2007 that was signed for ten years and eventually expired in 2017.

Furthermore, in September 2004, President Putin proposed to abolish the direct elections of regional executives in all Russian regions. The appointment procedure was in force between February 2005 and October 2012, after that, direct elections were re-introduced. The decision to end gubernatorial elections *de facto* implied the abolishment of the term limit in office. As a result, some incumbent governors were reappointed and remained in office, with their tenure being not limited by any institutional constraints such as term limits or a compulsory retirement age.

Finally, since the early 2000s fiscal flows in Russia have become highly centralized, making the regional governments more dependent on federal transfers. In turn, the governments in some regions have developed various strategies to attract federal funds. For example, until recently the federal government generously funded celebrations commemorating millennial and centennial anniversaries of Russian cities such as 1100 years of Pskov in 2003, 1000 years of Kazan in 2005, 1000 years of Yaroslavl in 2010, and 300 years of Omsk in 2016 ([Kommersant, 2014](#)).

The transformation in Russia's territorial regime has been embedded in the change of the national political regime. The examples above, however, suggest that a centralized authoritarian regime still permits some asymmetrical practices. *To provide a better understanding of the interplay between the territorial and political regimes, this dissertation studies the political and economic factors accounting for the receipt of competencies, benefits, and resources from the center in post-Soviet Russia.* It consists of three studies.

1.1 Research questions

The first study investigates the bilateral treaty signing process between regional governments and the center between 1994 and 1998. Initially, the regional governments signed the Federation Treaty with the central government in March 1992. This treaty determined the extent of autonomy for the regions within the federation and, in fact, precluded a unitary arrangement for Russia (Busygina et al., 2018). The governments of the republics of Chechnya and Tatarstan, however, refused to sign the Federation Treaty and insisted on negotiating separate agreements with the center. The first treaty was prepared for Chechnya in October 1992, yet negotiations did not succeed (Shakhray, 2014). The first bilateral treaty with Moscow was eventually signed by the government of Tatarstan in 1994. In total, out of 89 regions, the governments of more than 40 regions signed similar bilateral agreements with the center between 1994 and 1998. Previous studies (Söderlund, 2003; Dusseault et al., 2005) explain why some regions signed treaties earlier than others and propose an economic explanation. However, more puzzling is why some regional governments managed to negotiate a treaty while others did not and what political factors accounted for a signed treaty. To investigate these issues, the first study raises the following research question: *What are the factors accounting for the signing of bilateral treaties with Moscow in the period of 1994-1998?*

The second study deals with a puzzle related to the tenure of incumbent governors in Russia. The decision of President Putin to abolish direct gubernatorial elections in 2004 implied the end of office term limits—the maximum of two five-year terms. As a result, while in some regions new governors were appointed, in other regions incumbent governors were reappointed and remained in office. There is consensus in the literature that the results of national elections determine the (re)appointment prospects of governors (Reuter and Robertson, 2012; Reuter, 2013; Rochlitz, 2016; Reisinger and Moraski, 2017). Since the

heads of ethnic regions deliver the highest electoral results (Reisinger and Moraski, 2010), we should expect that they have the best chances of staying in office. However, this is not the case. It is not the incumbents in the ethnic republics but the incumbents in the regions with a predominantly ethnic Russian population, *oblasts* and *krais*, that have remained in office the longest. For example, the governor of Belgorod Oblast, Evgeny Savchenko, has been in office since 1993 and is currently serving his seventh consecutive term; the region has not seen a transfer of power for the past quarter-century. To unpack the puzzle of gubernatorial tenure in Russia, the second study addresses the following research question: *What factors account for the reappointment of incumbent governors in Russia between 2008 and 2012?*

The third study concentrates on the distribution of federal transfers. Existing literature investigates if the center allocates transfers in favor of their core constituents or targets swing regions (Treisman, 1999; Popov, 2004; Starodubtsev, 2018). Recent studies, however, suggest that regional elites may have leverage over federal transfer policy (Sharafutdinova and Turovsky, 2017; Turovsky and Gaivoronsky, 2017). Although the amount of federal funds allocated to the regions has decreased due to the economic slowdown, the federal government still commits to expensive projects that boost politically sensitive transfers. For example, the 2014 Sochi Olympics became one of the most costly Olympic Games ever (Golubchikov, 2016). The FIFA World Cup hosted by Russia in 2018 similarly turned out to be the most expensive in its history (RBK, 2018b). The case of the 2018 FIFA World Cup is particularly compelling as out of fourteen initially nominated venues, eleven were selected to host the event. The results of the selection process came as a surprise for many observers, as the city of Krasnodar with two football clubs playing in the Russian Premier League was not selected while Saransk that had none was selected (Expert, 2012). To investigate these issues, the third study raises the following research question: *What factors account for the choice of venues for the 2018 FIFA World Cup Russia?*

1.2 Theoretical approach

This dissertation builds on the definition of a territorial regime proposed by Gibson (2012) who differentiates among different types of territorial regimes based on intergovernmental and inter-provincial dimensions. The former refers to a centralization-decentralization continuum and captures the degree of autonomy that sub-national units enjoy. The latter specifies how rights and prerogatives are distributed among the sub-national units and shows the extent of (un)even distribution of competencies among them (Gibson, 2012, 18-19).

Decentralization refers to a process through which powers, competencies, responsibilities, and/or resources are transferred from the central government to the lower-level governments (Falleti, 2005, 328). Three types of decentralization are theorized in the literature. *Administrative* decentralization means that the governments at lower levels can administer and deliver different social and administrative services. Sometimes, administrative decentralization also includes the devolution of decision-making authority over these policies (Falleti, 2005, 329). *Fiscal* decentralization implies that lower-level governments are granted some fiscal autonomy. It may include the policies that aim to increase the revenues at the lower level by creating new local taxes or delegating some tax competencies that were previously assigned to the national level. Finally, *political* decentralization includes policies that promote political authority or electoral capacities of sub-national actors (Falleti, 2005, 329).

The distribution of competencies, powers, responsibilities, and resources between the center and lower-level governments is traditionally perceived as a result of bargaining between them (Falleti, 2005). The researchers build on the assumption of "symmetrical autonomy" meaning that the competencies are transferred symmetrically among the constituent units of the state (Mcgarry, 2007). However, asymmetries are widely present

in multi-level territorial systems. Constitutional or *de jure* asymmetries imply that constituent units of the state have different levels of constitutionally guaranteed autonomy (Agranoff, 1999; Popelier and Sahadžić, 2019a). In turn, *de facto* asymmetries are not written in the constitution but rather result from the political practice as well as the actual implementation of law (Martinez-Vazquez, 2007).

Asymmetries are present in different aspects of decentralization. For example, with respect to *administrative* decentralization, sub-national units may have different competencies in different policy areas. With regard to *fiscal* decentralization, sub-national units may receive additional funds in a non-transparent manner. In the case of *political* decentralization, government officials in some sub-national units may be elected by the local residents while in others appointed by the center. The studies in this dissertation deal with these kind of asymmetries.

To explain their emergence, the dissertation combines actor-centered and institutional accounts suggesting the distribution of different competencies, powers, and responsibilities is a result of bargaining between national and sub-national politicians (Riker, 1964; Filippov et al., 2004; Filippov, 2005; Tafel, 2011). Different institutional arenas can accommodate the debates over the allocation of intergovernmental authority among federal and sub-national politicians. Intergovernmental bargaining can take place within formal state structures when sub-national politicians are embedded into the system of power-sharing institutions. Alternatively, intergovernmental bargaining takes place outside of formally established institutions and inevitably produces asymmetrical federal solutions. This dissertation concentrates on political and economic factors accounting for the emergence and persistence of asymmetrical practices in center-region relations in Russia over the last thirty years. The individual studies describe these factors more in detail.

1.3 Methodology

Previous analyses of center-region relations adopt either a large-N strategy or focus on single cases. The studies belonging to the first group aim to reveal an average or net "effect" of one independent variable keeping everything else constant. For example, in their analysis, [Dusseault et al. \(2005, 122\)](#) study "what independent variable has the most explanatory power analyzing failure or success in the bilateral treaty process." They found that economic issues were the main significant determinant of the bilateral process. This type of analysis assumes that such an "effect" is symmetrical across different kinds of cases. However, if economic issues were the main factor determining why some regions signed a bilateral treaty earlier than others, then why was Moscow, the richest Russian region, the last to receive a treaty? Furthermore, why was the mayor of Moscow, Yury Luzhkov, ordered to prepare the draft of a treaty immediately after Yeltsin's re-election in 1996?¹ The context matters and it shapes the outcome. For this reason, the studies in the second group take a causes-of-effects perspective on causality ([Mahoney, 2010](#); [Goertz and Mahoney, 2012](#); [Rohlfing, 2012](#)), which suggests explaining "why specific cases have particular outcomes" rather than estimating "the average effect of particular independent variables" ([Mahoney, 2010, 132](#)). Such studies opt for providing in-depth understanding of single cases ([Stoner-Weiss, 1997](#); [Gel'man et al., 2000](#); [Petrov and Titkov, 2010](#)).

The strength of these types of studies is that they employ the unique data collected by the researchers themselves. In contrast, quantitative analyses tend to rely on existing data. In the Russian case, data availability and quality is an important issue. For example, during the 1990s the Russian Federal State Statistical Office (*Rosstat*) provided only fragmented statistical data on Russian regions. Data on the composition of the gross regional product

¹[Kommersant \(1996\)](#).

are available starting from 1995. More systematic regional data are accessible only for the period from the late 1990s-early 2000s yet the quality of official data sources still leaves much to be desired. On the other hand, the challenge for qualitative studies is how to draw lessons for other cases; large-N analyses typically do not have this problem of generalizability. To combine the strengths of both approaches and to identify regularities that are sensitive to cases and contexts, the studies in this dissertation employ Qualitative Comparative Analysis (QCA) introduced by [Ragin \(1987\)](#). This method represents a novel procedure for “identifying and generalizing about the causes of outcomes in individual cases and sets of comparable cases” ([Mahoney, 2010](#), 133). By combining the elements of variable-oriented and case-oriented methods, QCA provides more opportunities for making inferences regarding the cases.

Qualitative Comparative Analysis is a set-theoretic method. All set-theoretic methods share four main similarities. First, they operate on membership scores of cases in sets. For example, the Russian Federation is a post-Soviet country, meaning that the Russian Federation has a full membership in a set of post-Soviet countries. It is very important that the analysis does not operate on existing data. The raw data are first collected but then calibrated or transformed into membership scores of cases in sets. Second, set-theoretic methods perceive relations between social phenomena as set relations. For example, out of 85 Russian regions, 49 are oblasts. This means that a set of Russian regions is then a superset of the set of oblasts. Third, set-theoretic methods reveal necessary and sufficient conditions. Necessary conditions imply that if we remove or change them, we also remove or change the outcome. Sufficient conditions mean that once they occur, the outcome is destined to occur. Finally, set-theoretic methods emphasize causal complexity unfolding through equifinality, conjunctural causation, and asymmetry ([Goertz and Mahoney, 2012](#); [Schneider and Wagemann, 2012](#)). Equifinality means that several conditions or combinations of conditions can produce the same outcome; therefore,

there might be several sufficient paths to an outcome. Conjunctural causation refers to a situation when a single condition leads to the outcome only in a combination with other conditions and may not produce the outcome on its own. Finally, asymmetry suggests that the absence of conditions leading to the outcome may not lead to the absence of the outcome. For this reason, the analysis of occurrence and non-occurrence of the outcome is performed separately. Furthermore, it implies multifinality, meaning that the same factor can produce different outcomes depending on the context. Qualitative Comparative Analysis differs from other set-theoretic methods because it aims at causal interpretation, makes use of truth tables, and relies on the principle of logical minimization ([Schneider and Wagemann, 2012](#)). The individual studies explain its protocol in detail.

1.4 Scope of the studies

The territorial regime defines vertical relations between the national and regional governments, and regulates horizontal interactions among sub-national units ([Gibson, 2012, 17](#)). The focus of this dissertation is on intergovernmental interactions, in particular, on vertical relationships between the central government and regional governments. It neither studies the horizontal interactions among sub-national units nor considers local or municipal levels because they require separate and more detailed analysis. In addition, the studies in this dissertation deal with governmental actors and do not investigate interactions with non-state actors ([Alcantara et al., 2016](#); [Behnke et al., 2019](#)).

The Constitution of the Russian Federation adopted in 1993 listed 89 sub-national units: 49 oblasts, 21 republics, six krais, two cities of federal significance, ten autonomous okrugs, and one autonomous oblast. In the dissertation, I refer to all of them as 'regions.' Between 2004 and 2008 came the next wave of territorial changes. Six autonomous okrugs merged with five oblasts and krais. As a result, the number of autonomous okrugs decreased to

four, out of which three okrugs still territorially belong to oblasts but one does not belong to any region. Due to these changes the number of sub-national units in Russia decreased to 83. Figure 1.1 below displays the map of the Russian Federation as of the end of 2012 and shows the regions included in the three analyses.²

Figure 1.1: Map of the Russian Federation



Note: The regions included in the analyses are in dark grey.

The temporal and spacial scope of the studies in the dissertation are as follows. The first empirical study concentrates on the period between 1994 and 1998 when the bilateral treaties were signed. The second study focuses on the period of 2008-2012 that corresponds to the presidency of Dmitry Medvedev. As previous accounts suggest that Medvedev was

²In March 2014, Russia annexed two Ukrainian territories, Crimea and Sevastopol, meaning that since then there are 85 sub-national units in Russia. These two regions are not considered in the dissertation. The regions that are not included in any of the three studies are the following: Adygea, Gorno-Altay, Karachay-Cherkessia, Chechnya, as well as Kamchatka, Chita, Pskov, Smolensk, Tula, Tyumen, and Nenets, Chukotka, Yamalo-Nenets, and Khanty-Mansy autonomous okrugs.

unwilling to reappoint incumbent governors (e.g., [Turovskii, 2010](#)), the analysis explores why he still reappointed some of them. Finally, the last study focuses on the period from January 2007 to October 2012 starting from two years preceding the announcement by the Russian Football Union that Russia would bid for the FIFA World Cup and ending in September 2012 when the final list of selected championship venues was announced.

1.5 Outline and main findings

To reveal the factors accounting for the signing of center-region treaties, the first study examines the interplay of the following four factors: demanding sovereignty, having an elected executive, voting for Yeltsin in the 1996 presidential election, and having the status of a donor region. Fuzzy-Set Qualitative Comparative Analysis of 64 cases reveals two sufficient combinations of conditions leading to a signed treaty, namely, voting for Yeltsin in the 1996 presidential election and having the status of a donor region or having an appointed executive and voting for Yeltsin in the 1996 presidential election. These results imply that Yeltsin built a broad coalition by signing bilateral treaties with the heads of authoritarian ethnic regions as well as with the heads of democratic regions with a predominantly ethnic Russian population. This strategy allowed Yeltsin to win the 1996 presidential election. Yet, in the long term, it contributed to the preservation of authoritarian regimes in Russia. These findings support the argument by [Gibson \(2012\)](#) that continuity of sub-national authoritarian enclaves is conditional upon the strategies of coalition-building employed by a national executive. They confirm previous studies demonstrating that the authoritarian regression in the 2000s was embedded in the center-region relations of the 1990s ([Golosoov, 2011](#)). The new insight of the analysis is that in a situation of high political polarization multi-level territorial settings can push the incumbent to interfere with a democratic process.

The second study unpacks the puzzle related to the tenure of incumbent governors by investigating the interplay of the four factors: the ability of governors to mobilize voters, to keep stability in the regions, the effectiveness of governors in managing their territories, and the popularity of governors. Fuzzy-set Qualitative Comparative Analysis of 26 cases reveals that the ability to mobilize voters and deliver high voting results at national elections, contrary to expectation, has not guaranteed the reappointment of incumbent governors. On the other hand, the failure to deliver high electoral results has been among sufficient conditions leading to the dismissal of incumbents. The analysis also detects two sufficient combinations of conditions accounting for gubernatorial reappointment that confirm the argument that incumbents remain in office as long as they fulfill the main "federal priorities," that is, high electoral results and political stability (Busygina et al., 2018; Libman and Rochlitz, 2019). These findings suggest that being dependent on electoral results, the regional executives not only in the ethnic regions but also in the regions with a predominantly ethnic Russian population have influenced electoral outcomes by mobilizing voters on behalf of the regime.

Finally, to explore the distribution of politically sensitive transfers in Russia, the third study examines the interplay of the ability of regional elites to deliver high voting results and to keep stability in the regions, the administrative capacity of the regions, and the lobbying power of governors. Fuzzy-Set Qualitative Comparative Analysis of 14 cases reveals that the lobbying power of governors has been necessary for the selection as a World Cup venue. These results are consistent with the previous literature, confirming that regional governments in Russia influence the distribution of politically sensitive transfers. Taking into account that these transfers have been increasing over the past years, it is no surprise that the regional elites have developed various lobbying strategies and mechanisms for attracting them.

1.6 Contribution

The Russian case demonstrates that a multi-level territorial setting creates unpredictable power dynamics in center-region relations. In the early 1990s, a national democratic regime coexisted with emerging sub-national authoritarian regimes. The findings of the first study are consistent with previous literature suggesting that as early as the mid-1990s the regional governments became pivotal in determining the outcome of national election (Golosov, 2011; Reisinger and Moraski, 2017). President Yeltsin was the first who used the political resources of authoritative governors during his 1996 presidential campaign. Later, President Putin employed this model of center-region relations nationwide. Existing studies suggest that the ability of regional elites to deliver high electoral results has become a crucial element of intra-elite bargaining and territorial politics in Russia more generally.

The studies in this dissertation, however, show that high voting results could not guarantee alone either the reappointment of incumbent governors or the receipt of politically sensitive transfers. On the other hand, the failure to deliver high voting results has been among sufficient conditions leading to dismissal of incumbent governors as well as to the non-receipt of federal additional funds. In contrast to the 1990s, the model of the intergovernmental interactions emerged in the 2000s suggests that high voting results are not necessary for being rewarded by the center. However, the failure to do so is sufficient for being punished by the center.

This dissertation also contributes to the scholarship on methodology to study multi-level politics. Set-theoretic reasoning has been present in the literature on federalism and multi-level governance since Riker (1964). He argued that the two necessary conditions of the federal bargain are "the expansion condition" and "the military condition" (Riker, 1964, 12). The former refers to the unwillingness or inability of central elites to impose centralization by force. The latter means the need for a military and diplomatic unity. He

also suggested that these two conditions together are sufficient (Riker, 1964, 13). However, at that time he was not able to assess the hypothesis of sufficiency and asserted only the hypothesis of necessity, studying "all the instances of the creation of a federalism" (Riker, 1964, 13). Today, with the analytical leverage of Qualitative Comparative Analysis (QCA) (Ragin, 1987) and the development of specialized software (Oana and Schneider, 2018; Dusa, 2019), researchers studying territorial politics are able to assess the hypotheses of necessity and sufficiency. The studies in this dissertation represent the first attempts to utilize QCA for the study of center-region relations in Russia. Their findings suggest that this methodology can reveal hidden complexities in the functioning of multi-level territorial systems.

1.7 Thesis structure

The thesis is structured as follows. The next chapter outlines the interplay between the political and territorial regimes in Russia following the dissolution of the Soviet Union. The third chapter investigates the political economy of center-region agreements signed between 1994 and 1998. The fourth chapter explains the puzzle of gubernatorial turnover, studying reappointments of incumbent governors in the period of 2008-2012. The fifth chapter deals with politically sensitive transfers studying the case of the 2018 FIFA World Cup Russia. The final chapter concludes.