

This PDF is auto-generated for reference only. As such, it may contain some conversion errors and/or missing information. For all formal use please refer to the official version on the website, as linked below.

## How does a Regional Perspective Affect the Analysis of Democratization and Economic Reform in Putin's Second Term?

<https://www.e-ir.info/2008/09/02/how-does-a-regional-perspective-affect-the-analysis-of-democratization-and-economic-reform-in-putin%e2%80%99s-second-term/>

VERA MICHLIN, SEP 2 2008

Russia's enormous size, coupled with a federal system, suggests that the regional perspective is instrumental for understanding the implementation of national wide projects, such as democratisation and economic reform. In order not to fall into the trap of either particularities or generalisations one needs to establish a coherent framework for the investigation of Russia's regions. After the collapse of the Soviet Union, RSFSR transformed into a federation. The regional perspective should be viewed through an examination of Russia's federal policies. Regional perspectives of democratisation and economic reform under President Putin can produce some mixed outcomes. Like in other issues concerning Russia, there is a big discrepancy between perception and reality. Vladimir Putin's federal reforms can be characterised by recentralisation of political power. Putin's economic policies exhibit similarities with his politics (i.e. centralising tendencies); however, there are certain continuities from the Soviet era. Intuitive understanding of Putin's reforms will indicate that on the regional level Russia is moving away from democratisation and economic reform. A closer look can suggest some counter intuitive arguments, pointing some positive outcomes of the reforms. Nevertheless, this work will argue that for the analysis of democratisation and economic reform, the regional perspective shed a negative light on both progress towards economic reform and democratisation in the Russian Federation.

First, this work will examine Russia's federal policies prior to Putin's second term. This work will outline Yeltsin's federal policies and Putin's policies during both terms, it will look at the continuities and changes in regions-centre relations over the years. Second, this work will look at the impact these policies had on democratisation process on the regional level and will bring forward main arguments on this issue. Third, it will examine the progress of economic reform in the federal subjects. In the economic sphere this work will point to some continuity with the past and some changes brought about by Putin. In the conclusion this work will assess whether the regional perspective has anything new to offer for the understanding of democratisation and economic reform in the Russian Federation.

The newly established Russian Federation constituted eighty-nine (currently eighty-eight) Federal Subjects. Weak state capacity and the Soviet heritage of autonomous regions made the task of state building even more complex. President Yeltsin attempted to create universal regulations concerning centre-regions relations. In 1992 Yeltsin signed The Treaty of The Federation; however, from 1994 the approach shifted towards bilateral treaties and agreements between the federal subjects and the centre. These agreements were not subject for ratification by any legislative body.[1] As a result of the economic crisis of 1998 the federal centre was weakened and the regions were left free to pursue their own interests.[2] Yeltsin tried to repair the legal chaos in the Federation. In 1999 a new federal

# How does a Regional Perspective Affect the Analysis of Democratization and Economic Reform

Written by Vera Michlin

law was passed, stressing the supremacy of federal laws the Constitution over regional laws and the need to make the process of treaty making more transparent and democratic.[3] However, this law failed to make the federal system more ordered or democratic.

In fact Putin's recentralisation tendencies came in three waves and signalled a turning point in the relations between the centre and the federal subjects. In May 2000 Putin announced: '...I would like to stress that the period of forced compromises leading to instability is over.'[4] Putin stressed the ideas of Dictatorship of Law, hierarchy of power and the need for harmonisation of the federal and the regional laws. In fact these concepts were driving towards establishment of more vertical command of the centre over the regions.[5] Putin's first wave of reforms included the establishment of seven Federal Districts of the Russian Federation, coinciding the military districts, headed by presidential envoys, who turned out to be mainly former military figures.[6] It also included the restructuring of the Federation Council.[7] This step was accompanied by Putin's greater reliance on decrees in dealing with the federal subjects, effectively overruling their regional legislations and in some cases their constitution as unconstitutional.[8] Further, a fiscal reform cut the revenues that governors could retain from 60-70% to 30%. The establishment of tighter auditing control and the opening of federal tax collection offices in the regions and the republics imposed economic constraints on the governors.[9] The second wave of reforms came in January 2003. These reforms restricted bilateral agreements between the centre and the localities to special circumstances. These reforms concerned mainly Chechnya, which, following the 2003 referendum, signed a power sharing treaty with the centre.[10]

Putin's second term federal reforms were the third wave of recentralisation. Only days after the end of the bloody siege in Beslan (September 2004), Putin introduce a package of reforms, which consolidated further the power of the centre over the federal subjects. Among other measures, they placed the election of regional governors in the hands of the President and cancelled popular elections for governors. The President's nomination is passed to the regional parliament for approval; however, if they reject the nominee more than once, the President has the authority to appoint an acting governor for a period of five years.[11] The acting governor can dismiss the legislature, which in turn has no constitutional right to remove a governor.[12] These reforms were the culmination of a four years campaign, launched by Putin to shift the balance of political power from the regions and republics to the centre.

It is not a surprise that Putin decided to establish a link between the centralising measures and the situation in the North Caucasus. As in previous cases, Putin was eager to utilise support from the Russian public under the banner of the war in Chechnya, which is still a soar point for most Russians. Nevertheless, these measures seemed to lack direct connection with the insurgency campaign in the North Caucasus. Most commentators regarded these reforms as deeply undemocratic. Mikhail Gorbachev and Boris Yeltsin both expressed their concerns for Russia's democracy in the wake of the reform. Gorbachev states: 'Our common goal is to do everything possible to make sure that bills, which, in essence, mean a step back from democracy, don't come into force as law. I hope that the politicians, voters, and the president himself keep the democratic freedoms that were so hard to obtain.'[13] The first governor to express his resentment to the reforms was Vladimir Tikhonov of Ivanov: 'I am convinced that the struggle against terrorism and the method for choosing governors are not connected in any way.'[14]

At this point it will be useful to look into the discrepancies between perceptions and reality. The previous experience of federal policies did not prove to create a democratic state in the regions. In fact these were pacts between regional leaders and the centre and had very little in common with a democratic procedure. As Melvin points out, ' legal harmonisation campaign, was seen to improve constitutional democracy in most regions across a range of issues...

# How does a Regional Perspective Affect the Analysis of Democratization and Economic Reform

Written by Vera Michlin

Contributing to the 'sunset of authoritarianism' at the regional level.' [15] When looking more specifically on the impact of the 2004 reforms another discrepancy is revealed. In reality the new measures may not have had serious impact. By the time the reforms were announced Putin indirectly appointed most local leaders, in exchange for their loyalty.[16] Moreover, Putin's priorities were always with creation of stability and cohesion, thus it was assumed that he was unlikely to remove stable existing governors from their position and risk unrest.[17] Indeed a year after the reforms were announced, most governors kept their positions.[18] Putin's recentralization reforms are within existing constitutional arrangements of the Russian Federation and usually these moves were accompanied by negotiations, concessions and coalition building, which stand in contrast to the common perception of Putin's violent power grab.[19]

Nevertheless, Putin's steps cannot be said to promote democratization in Russia and if anything they hinder possible progress. Commenting on Putin's federal policies prior to 2004, Ross states that 'Putin's reforms make a mockery of federalism, and there must now be serious concerns about his commitment to constitutionalism and democracy.' [20] Putin's federal policies are part of a wider strive to the consolidation of central power. The constant preference for stability is an antithesis to real progress towards democracy. These reforms were not only a crack down on democratic procedure in the federal subjects, but part of a wider crack down on opposition to the existing regime. In a similar fashion Putin dealt with 'unruly' political parties and with the Oligarchs.[21] Putin's federal reform can be seen as a systematic removal of political opposition, which is deeply undemocratic both in manner and in outcome.

Moving on to assessment of economic reform and progress, the state of affairs in the regions can give an interesting insight to the Russian economy. The economic development of the federal subjects is uneven and remains so due to the initial conditions the regions inherited from the Soviet era. The reform the regions undergone during the initial transition had less effect on their economic progress. The reforms adopted by the federal government in Moscow, were not implemented in the same manner across the different regions. There were regional differences in the implementation of reforms. However, Popov points that the initial economic reforms launched in the 1990s produced no evidence of clear link between the speed or the decisiveness of economic reforms in the regions and the better output or investment dynamics. For example, Nizhnii Novgorod region, which pursued rapid economic reforms did not show better performance than Ulyanovsk region, which adopted a gradualist approach to economic transformation and had a very cautious approach to reforms.[22] A comparative study between the city of Samara and Krasnodar produced a fairly similar conclusion. It points out that the 'sort of economy inherited from the Soviet system was more important than decisions made by regional leaders'. [23] However, there were certain rewards for pushing through with reforms, mainly since pro-reform behaviour and good business environment attracted businesses and capital.[24]

As Bradshaw and Prendergrast quote: 'regions with right industries did better than regions with the wrong industries'. Russia's heavy reliance of commodities produces large discrepancies between the different regions. While industry suffered sharp decline after the collapse of the Soviet Union and only a relative recovery, the resource sector experienced very little decline and a sharp recovery.[25] Twenty-one out of eighty-eight regions are classified as 'resource regions', they account for 33.3 per cent (2001) of Russia's gross regional product (GRP) and 42.2 per cent (2000) of its exports.[26] The differences between the Federal Districts can be exemplified by a simple examination of their outputs. For this purpose one can look at the North Western District, rich in ferrous metallurgy, The Siberian District, which is rich with oil and the Southern Federal District, which does not have natural resources. At the end of 2004 the North Western District's total industrial output was 1139 billion Russian Rubbles (RUR), the total industrial output of Siberian Federal District was 1178 billion RUR, while the total industrial outcome of the Southern Federal

# How does a Regional Perspective Affect the Analysis of Democratization and Economic Reform

Written by Vera Michlin

District was 567 billion RUR. [27] Figures from the end of 2000 illustrate similar discrepancies are revealed, only on a smaller scale. At the end of 2000 The North Western Federal District had a total industrial output of 485 billion RUR, The Siberian Federal District had 553 billion RUR, while the Southern Federal District had industrial output of 242 billion RUR.[28] These figures suggest that under Putin, the main trend in the economics of the Federal Subjects remained, although the Russian economy as a whole is improving.

In order to tackle and equalise economic conditions in the regions the Russian government implements a system of subsidies. Putin's approach was to collect more taxes from the republics and the regions and increase the use of subsidies. This system of intergovernmental financial flows benefited mainly the poorer federal subjects and could not bring them to the same level as richer republics.[29] In the post 1998 financial crisis a considerable portion of the industry and production in the Russian economy recovered. However, even today only 20% Russia's regions operate without budget subsidies.[30] In the recent budget of the Russian Federation 260 418 336,2 thousand RUR was allocated as subsidies to the various republics. With the biggest recipients being: Altaiskii Krai, Republic of Chechnya, Republic of Sakha and Republic of Dagestan.[31] Although this system is fairer towards the poorer republics, it can bring to economic progress only if the subsidies are directed towards infrastructure, which remains hard to determine.

To conclude, regional perspective can offer us an in-dept understanding of the process of democratisation and economic reform in the Russian Federation. It is possible to identify certain regional trends, which coincide with general country-wide processes. Progress towards democratisation was averted during Putin's first and second terms. The regional perspective shows clearly that Putin's undemocratic behaviour on the national level translated into an undemocratic treatment of the Federal Subjects (or vice-versa). Putin's insistence on stability, rather than the development of healthy democratic institutions in the regions, meant that democracy could not exist in Russia. Economic reforms on the regional level did not reach much. While most Federal Subjects have to rely on the centre for budget subsidies, the tight fiscal control installed by Putin increased the richer Subjects' dependence on the centre as well. The Russian Federation is increasingly relying on commodities for its revenues and the geography of Russia's economic successes is striking. The most unpopulated regions are producing most revenues. With no meaningful diversification of the economy, which will translate in higher revenues from non 'resource regions', Russia's economy will continue being vulnerable to world commodities prices. Moreover, it has negative influence on politics, since the government has no reason to comply with the public if most of its revenues come from sales of commodities rather than from taxes. The regional perspective reemphasises and stresses the failures of the Russian government on the political and the economic levels.

## Bibliography

- M. Bradshaw and J. Prendergrast (2005): 'The Russian Heartland Revisited: An Assessment of Russia's Transformation', Eurasian Geography and Economics, 46,
- P. Hanson, et al. (2000): 'Regional Economic Change in Russia: Samara and Krasnodar', in Regional Economic Change in Russia, ed. by P. B. Hanson (Cheltenham, U.K.)
- J. Kahn, (2002): Federalism, Democratization, and the Rule of Law in Russia (New York; Oxford: Oxford University Press)
- V. Popov, (2001): 'Reform Strategies and Economic Performance of Russia's Regions', World Development, 29, 865-86.

# How does a Regional Perspective Affect the Analysis of Democratization and Economic Reform

Written by Vera Michlin

A. Pravda, (2005) *Leading Russia : Putin in perspective : essays in honour of Archie Brown*, (Oxford University Press)

C. Ross, Putin's federal reforms and the consolidation of federalism in Russia: one step forward, two steps back!, *Communist and Post-Communist Studies* , 36, (2003)

V. Ryzhkov, Forget about the Constitution 2004 , in *Russia Profile.org*

## *Internet Resources*

UDB Statistics, Main socio-economic indicators for the regions of Russia (2005)

Johnson's Russia List

Jamestown Foundation Website

Russia.profile.org

Moscow Times

The Telegraph

Law on The Budget of the Russian Federation, 2007, Appendix No. 14

[1] Melvin N. in Pravda A. (ed.), (2005), p.207 and Kahn (2002), p.235

[2] Melvin N. in Pravda A. (ed.), (2005), p.208

[3] Kahn (2888888002), p.236

[4] Johnson's Russia List, 18/05/2000

[5] Kahn (2002), p.239 and Melvin N. in Pravda A. (ed.), (2005), p.209

[6] Kahn (2002), p.240-43

[7] Johnson's Russia List, 18/05/2000

[8] Kahn (2002), p.246

[9] Melvin N. in Pravda A. (ed.), (2005), p.210

[10] Melvin N. in Pravda A. (ed.), (2005), p.212

[11] Ryzhkov in *Russia.profile.org*, (2004), p.1

[12] Ryzhkov in *Russia.profile.org* (2004), p.1

# How does a Regional Perspective Affect the Analysis of Democratization and Economic Reform

Written by Vera Michlin

[13] Moscow News, 16/09/2004

[14] The Telegraph, 19/09/2004

[15] Melvin N. in Pravda A. (ed.), (2005), p.223

[16] Bradshaw M. and Prendergrast J., in Journal of Eurasian Geography and Economics (2005)

[17] Bradshaw M. and Prendergrast J., in Journal of Eurasian Geography and Economics (2005)

[18] Johnson's Russia List, from the Moscow Times 14/09/2005

[19] Melvin N. in Pravda A. (ed.), (2005), p.222

[20] Ross C. in Communist and Post-Communist Studies , (2003)

[21] Peter Rutland in Jamestown Foundation website, 07/02/2005

[22] Popov V. in World Development, (2001)

[23] Hanson P. and Magomedov A. in Hanson P. (ed.), (2000), p.155

[24] Popov V. in World Development, (2001)

[25] Bradshaw M. and Prendergrast J., in Journal of Eurasian Geography and Economics (2005)

[26] Bradshaw M. and Prendergrast J., in Journal of Eurasian Geography and Economics (2005)

[27] UDB Statistics, Main socio-economic indicators for the regions of Russia (2005)

[28] UDB Statistics, Main socio-economic indicators for the regions of Russia (2001)

[29] Popov V. in World Development, (2001)

[30] Russia.profile.org

[31] Appendix No. 14 to the Budget of the Russian Federation (2007)

—

*Written by: Vera Michlin  
Written at: Oxford Univeristy  
Date written: 2008*