OPPOSITION AND DISSENT IN PETRO-STATES: INTERNATIONAL OIL MARKETS AND POLITICAL MOBILIZATION IN RUSSIA

by

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Abstract

Using Russia as the main case study over a number of historical periods and Venezuela as a secondary case for comparison, this dissertation proposes an argument which links oil rents to political contestation in petro-regimes and suggests that this, along with the elites’ actions, is the key factor that helps to explain the regime type and the direction of the change in times of external economic shocks.

When oil prices are high, petro-states have overwhelming incentives to expand social spending in order to ensure obedience and calm down potential political opponents, which appears to be an easy means of securing legitimacy. The state has more freedom to advance its policies and is less vulnerable to societal demands because it has access to external rents. However, the society is also affected: social groups demand the redistribution of oil wealth and engage in rent-seeking instead of establishing formal channels of interest representation. Consequently, the social contract that emerges is based on the shared understanding of the role of the state as a re-distributor of oil rents and guarantor of societal welfare. When oil prices drop, the state can no longer meet the expectations associated with its legitimacy, becomes more vulnerable to internal and external pressures; social forces tend to mobilize in response to cuts in social spending, and the social contract may break down. The pre-oil features of social organization and state-society relations shape the configuration of the resulting social contract and its disintegration.

The main contribution of this dissertation is to create a compelling theory that convincingly explains the empirical observations with respect to one case, by identifying the mechanisms of how oil rent fluctuations translate into regime fluctuations and testing the hypotheses on the effect of external economic shocks on the state’s behavior and popular contentious claims, as well as the choices made by contenders to voice their political demands. Beyond that, I add another shadow case study for a substantially different polity, and demonstrate that the mechanisms I identified work very similarly in different sociopolitical systems, although the specific outcome depends on pre-existing sociopolitical features of the state.
Preface

This dissertation is an original intellectual product of the author, O. Beznosova. The fieldwork reported in Chapters 3-6 was covered by UBC Ethics Certificate number H09-00540 of March 29, 2011.
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Chapter 1: Introduction

This thesis analyses the impact of international oil markets on political mobilization in Russia and other petro-states. It contributes to two major theoretical debates. The first one concerns the “resource course,” a major and contentious debate on whether the resource abundance results in authoritarian politics. The thesis identifies the specific mechanisms of how fluctuation in oil prices affects political regimes and the choices made by the political actors. While most studies focus on the effects of energy rents on states and elites while societies are mainly treated as objects of state policy, this thesis looks much more closely at the societal level and links patterns of activism and passivity with theories of mobilization and resources.

The second theoretical debate that this dissertation contributes to is the new and growing body of literature on hybrid regimes, regime types, and the conditions for the regime change. Scholars have observed that democracy and authoritarianism are essentially “ideal type” political regimes rather than end points of regime transition, and that many political regimes fluctuate between these two poles (Diamond 2002, Hale 2005, Way 2005, Schedler 2006, Way 2009, Levitsky and Way 2010). The question remains what factors determine the regime outcomes in a particular setting.

The dissertation proposes an argument which links oil rents to the possibility of political contestation in petro-states. It argues that the possibility of contestation (along with elites’ actions) helps to explain the regime type and the direction of the change in times of external economic shocks. More specifically, this thesis explains the causes of alternating periods of state-dominated stability and mass popular movements in Russia over several
decades and the resulting regime outcomes. It does so by constructing a theoretically original link between the “resource curse” literature and the literature on mobilization.

The key to my argument is that oil lubricates state society relations and allows for the social construction of the state as a provider and guarantor of public goods and social benefits. I argue that when states have abundant resources to distribute, societal groups have incentives to engage in rent-seeking rather than to build representative institutions that would make the state accountable. As I show below, oil wealth may motivate societal actors to voluntarily give up their bargaining power in exchange for certain benefits. When social norms and pre-existing features of social organization support this kind of a social contract, the society itself accepts and even invites state dominance. Political contestation declines and democracy deteriorates. Unfortunately, in all petro-states, except those where liberal democracy was established prior to the discovery of oil, these social construction mechanisms seem to point decisively in the authoritarian direction when the price of oil is high.

The argument will be explained in more detail below, but as a brief preview it can be summarized as follows: High energy prices increase the autonomy and the capacity of the state to pacify the population by expanding social spending, to repress and co-opt the opposition, and to undermine the potential support base for the opposition by selectively responding to specific social demands. Consequently, political opponents have little support and demand for their collective claim-making in society, are demobilized by ‘hard’ and (even more significantly) ‘soft’ coercion methods, and the regime tends toward authoritarianism. When energy prices and rents are low, the state loses its autonomy and is forced to bargain
with societal forces; therefore the opportunities for popular mobilization expand, producing pressures towards democracy.

The remaining part of this chapter provides an overview of the state of the current literature on oil wealth and regime types and offers a justification of the proposed research question and approach. As the price of crude continues to fluctuate, the political economy of oil is playing an increasingly important role in shaping political regimes. Many countries that once seemed to be on a democratic course (e.g. Russia and Venezuela), with the increase in oil prices, have regressed and instead have demonstrated similar (although not identical) populist-authoritarian tendencies. However, the effect of mineral wealth on regime types is not completely understood. Some studies suggest there is a strong correlation between oil wealth and the lack of democracy (Ross 2001), while others find a less robust relationship (Herb 2005). Mineral exports appear to obstruct democracies, as they generate social classes, interest groups and patterns of collective actions that are linked directly to the state and benefit from oil rents, creating a social contract that is based on state redistribution of oil wealth and encouraging rent seeking between public and private interests (Karl 1997). Yet, oil rents may be expected to have pro-democratic effect under certain conditions; by allowing the elites to use oil rents to satisfy the poor democratic majority without imposing extensive taxation on the wealthy (Dunning 2008).

Karl shows that oil booms have a profound effect on state evolution and institutions, expanding state jurisdiction while weakening its capacity (Karl 1997). Resource booms tend to prolong the survival of these regimes (Smith 2004). The effects of resource busts are more uncertain. Busts often trigger political instability or important political shifts (Karl 1997), but we hardly know what determines the direction of such change: whether one would expect a
revolution as in Iran, political liberalization as in Mexico, military coup as in Nigeria, crisis of democracy as in Venezuela (Karl 1997) or dissolution of the regime as in the Soviet Union (Goldman 2008).

To help clarify these issues my dissertation makes a link between the petro-state and regime transitions literatures. There is a growing body of literature that explores the conditions under which regime transitions happen. In a move to find a better paradigm than the transitology approach that dominated the study of political regimes, scholars recently have repeatedly argued that while democracy and authoritarianism are the ideal type political regimes, neither of them should be considered an ultimate end point of regime transition in any given country. There is a continuum of political regimes between these two poles and many states tend to move in one direction or the other (Tilly 2007). Recent scholarly work focused on defining and classifying political regimes, including competitive authoritarian and hybrid regimes and the conditions under which they are stable or experience a regime type change (Diamond 2002; Hale 2005; Way 2005; Schedler 2006; Way 2009; Levitsky and Way 2010). How and why these transitions happen is an important question that affects the lives of millions of people that currently populate these countries.

While most studies focus on the political elites and state institutions, this dissertation proposes an argument which links oil rents to the possibility of political contestation in petro-regimes and suggests that this, along with the elites’ actions, is the key factor that helps to explain the regime type and the direction of the change in times of external economic shocks. Most authors do not explicitly include societal actors as agents in their models. For example Dunning (2008), by operationalizing democracy in narrow Schumpeterian terms (Schumpeter 1950), implies that once democratic institutions and elections are in place they provide
meaningful means for public participation to influence the policy making and there are powerful groups representing public interests. However, these assumptions may not hold true in many petro-states. Unlike authoritarianism, democracy can be seen as a “radial” category (Collier and Mahon 1993; Collier and Levitsky 1997), in which most regimes would be assessed in comparison with the ideal type but are not likely to fully meet all the criteria. Thus, it is more meaningful to speak of the degree or quality of democracy, which depends on whether citizens have real and protected rights and freedoms that allow them to participate in the public life (Diamond and Morlino 2004). Citizens in a democracy must have a right, an opportunity, and a desire to voice their concerns, and these concerns should, at a minimum, be heard and acknowledged by the rulers. This, I argue, is the essential quality of the relations between a democratic state and the society. My position is in alignment with that of Charles Tilly, who suggests that democracy is a class of state-society relations that feature broad, equal, protected and mutually binding consultation between them (Tilly 2007). I argue that it is imperative to focus on state-society relations and the possibility of political contestation to explore the impact of resource wealth on the political regime.

Therefore, this study is concerned with a possibility of political contestation in a particular socio-economic setting as well as with changes and fluctuations in patterns of political contestation associated with changes in external economic conditions. One of the key questions I seek to address is: why does political contention take the form of massive popular movements in some cases, but fails to sustain support for alternative views represented by the opposition in others? Although the external economic situation likely affects social dynamics in most states, petro-states are likely going to be different because the standard of living of their entire populations depends on one commodity with relatively
stable production cost but highly volatile market price. My research suggests that a political economy model of political contestation explains changing state-society relations in petro-states, which result in alternating periods of state domination and rising political contestation. The external economic conditions of high oil prices coupled with internal socio-political features skew state-society relations, inhibit political contestation, and encourage authoritarianism. In very broad terms, this thesis argues that high oil prices inhibit opportunities for political contestation, while reduced oil rents tend to encourage public upheaval and increased contestation. This appears to be the main dynamic that affects the regime transitions in petro-states. Although the specific outcome will depend on the type of existing social structures and interest groups. In a sense oil dependence creates surprising similarities between regimes of different types and is likely to over-run other democratization drivers. Thus, regime type may become epiphenomenal in the presence of more powerful factors that are rooted in the economic, political and social structures that have developed alongside long-term, abundant energy rents.

More specifically, fluctuation in oil prices alters a regime’s structural characteristics, including domestic economy, state autonomy, and vulnerability to internal and external pressure, as well as its coercive capacity. When oil prices are high, petro-states have overwhelming incentives to expand social spending in order to ensure obedience and calm potential political opponents, which appears to be an easy means of securing legitimacy. The state has more freedom to advance its policies without consulting with societal actors because it has the resources to suppress opponents. It is less vulnerable to societal demands

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1 Although my research is primarily concerned with the emergence of petro-authoritarian regimes, I expect that democratic states (e.g., Norway, arguably Alberta as part of Canada) may have somewhat similar patterns with variations in contestation
because it is not solely dependent on taxes and does not require broad societal support for its policies.

However, this scenario would not be viable if the population demanded political participation and accountability. It is therefore perpetuated not only by the state, as social groups may also demand the redistribution of oil wealth and engage in rent-seeking practices instead of establishing formal institutions that represent interest groups. Consequently, the social contract that emerges is based on the shared understanding of the role of the state as a redistributor of oil rents and guarantor of societal welfare. The pre-oil features of social organization and state-society relations ultimately determine the configuration of the resulting social contract.

When oil prices drop, the state can no longer meet the expectations associated with its legitimacy, and becomes more vulnerable to internal and external pressures. Moreover, retrenchment of social benefits is a notoriously difficult process which tends to mobilize affected social groups (Pierson 1994). Citizens become increasingly dissatisfied and the social contract may break down. Once again, pre-existing social structures will affect the opportunities for mobilization and choices made by state and societal actors. In some cases, the regime’s loss of legitimacy may precipitate its disintegration.

The goals of this study are twofold. First, it seeks to test the precise mechanisms on empirics through a detailed focus on the political contestation and opposition as opposed to the more macro-level arguments about the regime's characteristics. Second, I will explore the legacy factors that interact with oil revenues and shape the qualities of state-society relations, such as pre-existing social interest groups and norms. My level of analysis is choices made by state and societal actors within the framework imposed by the oil-based political
economy. I explore how both sets of actors respond to the changing economic conditions and interact with each other.

1.1 Russia’s Regime Transitions

Before we progress on this journey, what is it exactly that I am trying to explain? The following section provides empirical facts, a brief description of the events in Russian history that are important to keep in mind for further development of the argument and identifies the puzzle that this dissertation seeks to explain.

After the collapse of the Soviet Union, Russia seemed to be transitioning to some form of a democracy. Indeed, after 70 years of the communist rule as early as 1992 elections for various level of government were in place, where representatives of various political parties competed for electoral office. Civil society began to emerge and new independent media were created. Similar processes were simultaneously taking place in other post-communist countries as well.

Did Russia become a democracy? By the electoral criterion, (Schumpeter 1950; Collier and Mahon 1993; O'Donnell 1994; Linz and Stepan 1996) Russia from 1992 to approximately 2001 could qualify as an imperfect but reasonably functioning democracy, and this could even be seen as true in recent years. Though it is more difficult to make this argument given the increased use of administrative resources to influence electoral outcomes. Not too long ago some observers argued that Russia "has changed from a communist dictatorship to a multiparty democracy in which officials are chosen in regular elections" and where "political leaders were being chosen in generally free – if flawed - elections, citizens
could express their views without fear, and more than 700 had been registered" (Shleifer and Treisman 2004: 22).

If the criteria of a liberal democracy (Dahl 1966; Dahl 1971; Dahl 1989; Diamond 1999) are applied, the picture becomes more complex. Importantly, there appears to be a significant deterioration of liberal democratic freedoms in Russia in recent years. McFaul et al provide an assessment of Russia’s democracy (McFaul, Petrov et al. 2004: 4-7). They observe that while some criteria are met reasonably well, others present considerable challenges.

Diamond (1999) suggests a number of criteria for a polity to qualify as a liberal democracy. One of Diamond’s conditions is uncertain and inclusive elections, which was somewhat met in 1990s and early 2000s, albeit not without flaws. In 2003, Valerie Bunce stated: "Since independence, Russia has held five elections at the national level – and hundreds more at the local and regional levels. These elections have by and large been free and fair" (Bunce 2000: 182-3). But the situation is deteriorating. Freedom House’s score for electoral freedom for Russia had deteriorated from mid-range to almost the worst over the ten-year period from 1999 to 2009 (as well as the scores for the other two oil producing countries, Azerbaijan and Kazakhstan, while Georgia and Ukraine fluctuate around roughly the same level).²

McFaul et al find that generally speaking individuals and political groups that adhere to constitution were allowed to participate in elections, although some parties were not allowed to participate in the 1993 elections, one group was denied access to the ballot in the 1999

parliamentary elections and others have been removed from regional contests (McFaul, Petrov et al. 2004). In the 2008 presidential elections, however, one of the few real opposition figures, Mikhail Kasyanov, was disqualified from elections based on allegation that signatures that he submitted in his support were forged (Lowe and Balmforth 2008). Opposition leader Garry Kasparov alleged that his United Civil Front group was repeatedly turned down in its attempts to rent halls for a meeting to nominate him as its candidate. Boris Nemtsov from the Union of Right Forces Party received approval from the Central Electoral Commission on December 22, 2007 to gather signatures, but ended his campaign four days later stating that the government had predetermined who would be president. It is worth noting that none of the opposition candidates would be considered a real competition to pro-Putin’s candidate (Nichol 2008).

The more significant violation of this criterion has been the increasingly predictable electoral outcomes. Steven Fish observed that various means of ‘soft coercion’ were used by the regional elites to make voters cast their ballots in the way they favoured the pro-incumbent candidate. Some hard coercion was also used (Fish 2005). This trend has only increased over the years. The popular Russian President Vladimir Putin, who was in his second and constitutionally-limited final term in office, faced in 2007 the decision of either stepping down at the expiration of his second term or abolishing constitutional term limits. With his announcement in April 2005 that he would not change the constitution, a period of political uncertainty set in that lasted until December 10, 2007, when Putin publically endorsed his First Deputy Prime Minister, Dmitriy Medvedev, as his choice to be the next president. Both Putin and Medvedev reassured Russians that Putin’s course would continue and Russians received further assurances a few days later when Putin accepted Medvedev’s
request to serve as prime minister under a Medvedev presidency. Both Putin and Medvedev juxtaposed the economic and political disorder of the 1990s to stability and prosperity, and called for further health, education, and other reforms through the year 2020. The popularity of the president, who won reelection in 2004 with more that 70% of votes and whose rating remained above 60% throughout his term, determined the election results. Nevertheless, the governing elites did not take any chances with electoral outcomes and employed a great deal of administrative resource available to them to influence the outcomes. Putin’s nominee Medvedev refused debates with other candidates while receiving the overwhelming majority of the television coverage (Nichol 2008).

Diamond’s other criterion – constrained executive power - is also violated in Russia as the executive power is only weakly constrained. Similarly, in the Russian polity citizens do not have multiples channels for representation of their interests, mainly because pluralist institutions of interest intermediation are weak and mass-based interest groups are marginal: alternative source of information exist in theory but in practice are insignificant for the majority of the population. Individual and group liberties are only weakly protected and citizens, especially in Chechnya, can be unjustly detained, exiled or even tortured (McFaul, Petrov et al. 2004: 5).3 In a report, Amnesty International accused the Russian government of increasing restrictions on the freedom of expression and association and claimed that the government regards human rights groups as a threat to its authority (Amnesty International 2008).

3 See also Report by Thomas Hammarberg, Commissioner for Human Rights of the Council of Europe, following his visit to the Russian Federation from 12 to 21 May 2011, 6 September 2011, retrieved from https://wcd.coe.int/ViewDoc.jsp?id=1825257 on January 10, 2013
There is no question that Russia now has a very different regime from that of the Soviet Union; more open, with considerably more social and economic freedoms. It established institutions of an electoral democracy, such as the constitution, executive, the legislature and the electoral system. Most Russian people believe in the democratic process in that the government should be elected through a majority vote and there is no real threat to the constitutional order. Yet, Russia did not consolidate into a democracy, as the polity, it lacks democracy-supporting norms.

Therefore, Russia does not qualify as a liberal democracy, and even the application of the electoral criterion by itself is problematic. Then what kind of a regime is it? More recently a number of scholars returned to the study of undemocratic regimes. Competitive non-democratic regimes are a reasonably new phenomenon in the political world. Linz’s classic work “Totalitarian and Authoritarian Regimes” (Linz 2000), originally published in 1975, makes almost no mention of multi-party electoral competition within authoritarian regimes. Since then scholars have focused more on understanding hybrid regimes. For example, Diamond provides a typology of political regimes (Diamond 2002) and admits that defining and measuring the specific criteria to classify the regimes is not an easy task. He suggests that a number of indicators can be used to classify the regimes; Freedom House scores, percent of legislation seats by the ruling party, percent of votes won by the ruling party and the number of years the incumbent is in power. The Freedom House scores offer a quantitative basis for comparative analysis. The other three indicators define a reasonable framework for assessing the degree to which the ruling regime dominates the political landscape Diamond (2002) suggests the following categorization:

- Electoral democracy, characterized by free and fair elections;
• Ambiguous regimes, which resemble democracy and where some form of competition exists but it cannot be defined as free and fair;

• Competitive authoritarianism, where opposition forces may sometimes challenge, weaken and occasionally even defeat the ruling party, but overall the playing field is heavily skewed in favor of the ruling regime;

• Hegemonic authoritarianism, where no meaningful competition is possible; and

• Politically closed regimes

McFaul et al observe that while formal institutions of electoral democracy have been remarkably stable, the democratic content of those institutions has eroded. Although the meta-rules of the constitution have been preserved, the informal, smaller rules of the polity are changing; budget revenues were centralized and federal districts created without violation of the constitutions, Federal Council deformed and defanged, the new law allows Moscow to dismiss elected regional leaders and legislatures. The term that has been used to describe this kind of a political order in Russia is “managed democracy” (McFaul, Petrov et al. 2004). For example, popular voting procedures increasingly resembled the former Soviet-type rubber stamp elections, when opposition had very little weight compared to the incumbents and public vote merely served to legitimize the ruling regime. Freedom House’s report notes: “While the Russian Constitution enshrines the principles of democracy, the trend line for practices has drifted in an authoritarian direction… The Russian political system seems stable in the short term, with no obvious extra-systemic opposition groups poised to make trouble… The Russian legislature remains a reliable handmaiden of the executive branch.”

Therefore, while in some countries democratic transitions of 1990s led to democratic consolidation, in Russia this trend slowly came to an end with the close of the millennium, when media and analysts started to acknowledge the signs of the reversal of political freedoms in Russia. Based on Diamond’s typology, Russia can be said to have degraded from an ambiguous regime under Yeltsin, to competitive authoritarianism under Putin, and is likely now entered the full or hegemonic authoritarianism (Levitsky and Way 2010).

Yet, all along this path of degradation of the political institutions there was strikingly negligible opposition or any other kind of popular discontent in Russia. As a result, the regime quite obviously had incentives and opportunities to further concentrate power and limit political freedoms. The society was not demanding a more liberal democratic order (Rose and Munro 2002). Whereas some civil society groups have tried to resist the authoritarian creep, the majority of Russians demonstrated little interest or capacity to oppose Putin’s anti-liberal transformations (McFaul, Petrov et al. 2004).

This lack of viable opposition is particularly important and it is puzzling. Why did Russian opposition to the contemporary ruling regime seem unable to organize and sustain any publicly relevant effort, whereas the citizens of some other countries were able to resist authoritarian tendencies of their governments in the beginning of the new millennium? In some countries – such as Serbia, Georgia, and Ukraine – massive oppositional political movements independent of the state helped to alter the political course. In Kyrgyzstan, opposition movements emerged but did not succeed in changing the regime. However, in Russia, where during the first decade of the 21st century we observed increasing tendency of Putin’s government to centralize and consolidate its power at the expense of the broader societal interest, the opposition was weak and had minimal popular support. The situation in
Russia might have changed as a result of the 2008-9 economic crisis. We have observed a significant increase in popular protests across the country, driven at times by real dissatisfaction of the citizens with specific policies and actions of the government as well as the presidential elections in 2012. Nevertheless, at the time of writing, these protests did not produce any sustainable changes.

1.2 Explaining the Democratic Deficit

The disintegration of the Soviet Union and the subsequent democratic transition had often been explained through the lens of regime-level theories of democratic transitions. This approach focused on political institutions and elites, and generally overlooked the importance of mass political contestation, social movements, protests, and so on. Acknowledging that democratization processes are contingent on negotiation among elites and potentially reversible, regime-level theories laid out certain expectations about the process of democratic transition (Karl and Schmitter 1991, Przeworski 1991, Bunce 2000). In general terms, if functioning democratic institutions are established through elite pacts or a regime overthrow, over time these institutions encourage gradual deepening and consolidation of democratic practices. Russia presents a difficult case for these theoretical approaches. Although formal democratic institutions remained in place ever since the Soviet Union collapsed almost 20 years ago, over time they lost their substantial importance, becoming shallower.

This section will review some of the existing explanations of Russia’s democratic deficit. What are the factors that may inhibit the consolidation of Russian democracy and prevented democratic consolidation? A number of possible explanations were put forward in the literature to address Russia’s democratic deficit. In this section I will review explanations found in the literature and suggest an alternative take on the problem of failed democratic
consolidation in Russia. I argue that these explanations are not sufficient because most analysts overlooked a very important part of the story, namely, that Russia is in essence a petro-state, and hence the political economy of the democratic transition is completely different from many other cases of new democracies. In times of high oil prices, the inflow of revenues contributed to the shifting balance between the state and the fledging civil society, altered the structure of interest groups, and ultimately halted the very possibility of existence of alternative sources of power and influence. Therefore, in the absence of a real challenge from a viable opposition, the state had been able to further consolidate its power and had no reason to bargain with the society over the new terms of the democratic political system.

1.2.1 Political Culture and Mass Attitudes: Trust and Tolerance

Some analysts suggest that such factors as public attitudes, including trust, tolerance and support for democracy should be considered in evaluating the chances for democratic transition. Not all agree whether these factors are causes or consequences of democracy, however these factors will be discussed below.

Intolerance is a factor that is often considered as part of the explanation. Even though Russians rate relatively highly in expression of intolerance, for example towards homosexuals or political enemies, so do other post-communist countries such as Poland and Romania, Lithuania and Latvia. Therefore, intolerance, although it may contribute to the democratic deficit, is not likely to be its cause (Fish 2005).

Mass attitudes, such as support for authoritarianism among the population, can also create obstacles for democratization. It appears, however, that Russians are not particularly supportive of authoritarianism and that a desire for a political closure does not explain
Russia’s de-democratization. The evidence Fish finds in public opinion data derived from the World Value Surveys does not lead to a conclusion that the size of pro-authoritarian populations determines the possibility of democratization in Russia (Fish 2005). This observation is consistent with other studies that found Russia’s public opinion is not hostile to open politics (Colton and McFaul 2002).

Theorists of democracy argue that trust and belief in the legitimacy of the regime are key among values and beliefs that should be accepted in a democratic society for it to be stable and effective (Almond and Verba 1963). Trust may be expected to serve as a catalyst of public support for democratic regimes (Easton 1965; Gibson 1993). Analysts emphasize the importance of trust for acceptance of democratic values and ideas in the society as well as the rejection of undemocratic alternatives (Rose, Mishler et al. 1998). Trust promotes political involvement (Putnam 2000) through a mechanism of positive reinforcement. The literature emphasizes the role of interpersonal trust (Uslaner 2002; Putnam 1993), suggesting that face-to-face informal interactions among individuals in groups lead to interpersonal trust that is generalized to wider impersonal groups of citizens and helps to increase civic cooperation. Therefore, one possible explanation is that Russia’s democratic deficit is due to low level of trust among people due to legacies of totalitarian and post-totalitarian regimes, which instituted widespread peer surveillance and reporting of non-conforming individuals.

However, Fish finds that interpersonal trust does not seem to be a good predictor of Russia’s lack of democracy. Russia appears to be an underachiever of democracy given its level of interpersonal trust (Fish 2005: 109). That is, levels of interpersonal trust in Russia are not as low as would be expected given the current political environment and regime type. This may mean that although trust-related variables have some effect on the dependent
variables, their effect is only secondary to those of other factors, particularly socio-economic status, confidence in one’s economic situation, and age.

There is also a possibility that some of the variables discussed in this section may be intervening or dependent variables rather than independent variables. Low trust, for example, is often an effect rather than a cause of vertical dependency relationships, which would be one consequence of a state buying support with oil revenues.

1.2.2 Weak Civil Society

At the time when Russia began its democratic transition, it was lacking organized groups, actors, and institutions that could make democracy work in other democratizing countries in Latin America, Southern Europe and even post-communist East and Central Europe. Unlike many of these countries, Russia did not have democratic constitutions, political parties, or civil society organizations to revive. Howard observes “communist regimes not only sought to repress all forms of autonomous nonstate activity but also supplanted and subverted such activity by forcing their citizens to join and participate in mandatory, state-controlled organizations” (Howard 2002). The hostility of Stalin’s totalitarian regime towards any independent organization of centers of social activity eliminated them altogether or absorbed and subsumed them into the state and the Communist Party, so that all social exchange was controlled by the party-state. Even though this system atrophied after Stalin’s death, some analysts believe it still casts a shadow on social relations in Russia even today (McFaul, Petrov et al. 2004).

Howard notes relatively lower levels of organizational membership in post-communist countries, compared against both older democracies and post-authoritarian countries.
Weakness of civil society ensures that many post-communist citizens lack the institutional representation and political “leverage” that could be provided by active voluntary organizations (Howard 2002).

Even among organizations that did exist, Russian civil society did not do very well organizationally after the collapse of the Soviet Union either. Fish observed in 1994 that even those groups that spearheaded the democratic movement during communism's twilight have not fared well in the post-Soviet setting. Instead of evolving into more coherent and better-organized formations, many have weakened and fragmented, or even disappeared altogether. He attributes this failure to the decay, corruption, and disorganization of state institutions, as well as the broader socioeconomic and political legacies of totalitarian rule. The presence of a state structure, whose offices can be bought or co-opted by private interests, inhibits patterns of interest organization that are associated with a normal democratic civil society. One crucial function of the institutions of a civil society is to advance the interests of their members by applying pressure on the state. Therefore, the organizations of civil society must be independent from the state in order to function normally. However, state institutions also must possess a degree of autonomy to encourage pluralist competition. In post-Soviet Russia, however state agencies were not constrained by laws, and continued to function according to previously established norms which allowed for advancement of private interests over collective benefits (Fish 1994). The key here is why civil society with time did not become more organized, strong, and visible, despite all efforts of transnational actors (Sundstrom 2005). The trend may even be the reverse – a more dependent civil society (Beznosova and Sundstrom 2009).

1.2.3 The Process of Transition
In addition to non-democratic legacies, the process of Russia’s transition was named as a factor in the instability of Russia’s democracy. Democratization literature suggests that the mode of transition affects the kind of regime that emerges (Karl 1990) (Karl and Schmitter 1991). The literature identifies pacted transitions as those that are most likely to produce liberal democracy. Some analysts believe that pacted transitions occur when the power balance between the ancient regime and democratizing forces is relatively equal. In this sense “political democracy is produced by stalemate and dissensus rather than by prior unity and consensus” (O'Donnell and Schmitter 1986). In the case of post-communist transitions, one analyst observed “The more heterogeneous in objectives and the more evenly balanced in relative leverage are the participants in the bargaining process of constitutional design, the more likely is the outcome to be a democratic constitution” (Roeder 1998: 209). Moderate and evolutionary processes are expected to produce more stable outcomes than radical revolutionary processes: “Democracy cannot be dictated; it emerges from bargaining” (Przeworski 1991). Although these dynamics might have been somewhat different in the “fourth wave” of transitions. In many circumstances, democracies emerge out of mutual fear among opponents rather than a deliberate outcome of democratic political arrangements (McFaul, Petrov et al. 2004). According to McFaul, many post-communist democracies emerged where democrats had a decisive advantage over pro-authoritarian forces (McFaul 2002).

Russia made a transition from communist regime by a process that did not facilitate the emergence of democratic institutions. Cooperative bargaining over a long period of time did not take place among relatively equal parties. Instead, the transition was initiated from above by Gorbachev’s liberalization policies, which eventually gave raise to new
independent political actors with more radical political agendas. The transitional agreement was never reached among the opposing forces, and the Soviet Union collapsed soon after the unsuccessful coup attempt in 1991 (McFaul, Petrov et al. 2004).

Yeltsin chose to seize the opportunity to advance his agenda quickly instead of negotiating and designing new political institutions. The key among his objectives was destroying the remnants of the Soviet Union (McFaul, Petrov et al. 2004). It is reasonable to assume that Yeltsin was trying to use a window of opportunity presented to him by the lack of real organized opponents after the main contender – the Soviet state – vanished. McFaul et al, observe that opposition to Yeltsin’s policies, particularly his economic agenda, grew over time, resulting in a constitutional crisis between the President and the Parliament. The crisis ended tragically in a military confrontation in 1993; however, Yeltsin once again prevailed in the standoff and thus could again dictate the rules of the game. Essentially, despite the declared goals of promoting democracy, Yeltsin chose to act undemocratically in the face of challenges from the opposition, and succeeded in doing so (Beznosova, 2013).

McFaul et al observe that concentration of power in the hands of the president did not result from a Russian cultural or historical predisposition to strong leaders. The office of the president with considerable powers assigned to it and little checks and balances emerged directly from the transition process. A different kind of transition might have produced a difference balance of power and hence different outcomes (McFaul, Petrov et al. 2004).

The process of transition, however, appear to be pre-determined by the same feature of the Russian socio-political landscape that was discussed in the previous section -- the lack of organized independent and autonomous groups with broad public support capable to carry out negotiation and bargaining. When previous social structures vanished abruptly, groups
that could aggregate and represent various interests and possess organizational capacity to advance an independent agenda through a process of reasonably formal and consistent negotiation hardly existed. Moreover, those social forces that were organized enough to have an agenda and organizational capacity unfortunately were not interested in designing a new democratic order.

1.2.4 Organized Economic Interests

Another barrier to democratic development in Russia was the structure of organized interests in the economy that emerged in response to Russia’s transition path from communist economy to capitalism. With the collapse of the Soviet Union, people and organizations that benefited from the Soviet economy did not cease to exist. Moreover, these groups organized to defend their interest: The directors of Soviet enterprises together with the trade unions organized during the soviet era moved aggressively to defend their property rights at the enterprise level. This coalition proved to be very effective during the first years of the post-Soviet period (Shleifer and Treisman 2000). Steven Solnick describes the Soviet Union collapse as the situation when middle bureaucrats were looking to steal state assets if they had access to them, particularly lootable ones. Because there were quite a few natural resources to steal it determined the type of transition whereby insiders were trying to capture the state assets rather that bargaining openly for more formal rules of sharing non-lootable assets. New property owners highly depended on the state (Solnick 1998). Later on, the new groups of powerful economic actors, the oligarchs, emerged from those with strong connections within the government as a result of the insider privatization (Hoffman 2001; McFaul, Petrov et al. 2004).
In fact, these groups appear to be among the few relatively organized interests on the early post-soviet social landscape. No middle class emerged out of the initial Russian transition and only slowly started to develop in the 2000s. I will discuss the particularities of Russian middle class in the following chapters, but for now suffice it to say the converge around a pro-democratic political agenda was as it would be expected. Similarly, Russian independent labour movement also failed to develop even though spontaneous strikes were common. Therefore, none of the preconditions for successful democratization seem to have existed (Moore 1966; Rueschemeyer, Huber et al. 1992). This social structure impeded the development of civil society as the middle class usually provides the bulk of funding and participation in the independent civic activities. And because the oligarchs are highly dependent on the state they remained loyal to those in power and supported the incumbents whenever necessary (McFaul, Petrov et al. 2004).

1.2.5 Reemergence of the State

Yet another factor in Russia’s de-democratization may be the reemergence of the state as a major player in Russian politics. To be sure, a functioning state is a necessary precondition of democracy, however the sheer power of the Russian state has had negative consequences for democratic development.

Any student of the Soviet Union is well familiar with the fact that the Soviet state was perhaps one of the mightiest states in the world from the point of view of access to material and human resources. Scholars defined state strength as the ability of state to assert control over political outcomes on its territory (Mann 1984; Ikenberry 1986), in terms of extracting resources (Migdal 1987), persuading private actors to follow state policies and changing the economic structure itself (Krasner 1978). In that sense, the Soviet state would appear as a
strong state. Unconstrained by societal demands, Soviet leaders were in a position to
distribute resources as they saw fit. Despite being inefficient and corrupt, the state dominated
every aspect of life within the Soviet Union and had significant power internationally. In the
Soviet Union, the reality of life was such that to have anything done the state was the only
means available.

However, Ikenberry notes that equating state capacity with its ability to intervene and
assert control over economy and society may be misleading. Indeed, he observes that state
capacity may have more to do with flexibility of state actions and the ability of the
government to provide itself with the broadest array of options in the face of the next
socioeconomic crisis (Ikenberry 1986). Despite its decision-making autonomy and material
strength, the Soviet state proved to have little capacity for adaptation and little resilience in
the face of change. Deutsch (1954) notes that the structural features of the totalitarian system
itself created inherent contradictions and tensions that inhibited its ability to adapt and
change. I will return to this discussion in more detail in Chapter 3.

After the Soviet Union disintegrated, the new state appeared weak and broken,
icincapable of economic policy making and enforcement, unable to preserve law and order,
and lacking power to deal with its ethnic movements (McFaul, Petrov et al. 2004). When the
state is weak, numerous other centers of authority try to seize the opportunity to assume
greater political and economic autonomy (Migdal 1988). Internal fractions and lack of
institutional coherence undermined the state’s autonomy as an independent actor.

After Putin came to power he made it a priority to strengthen state authority and
centralize power, strengthening the central state. Some progress has been made in improving
institutional coherence and clarity with regards to the state’s authority. At the same time, the
least reformed old structures of the government, such as the FSB, the Ministry of Internal Affairs and the Ministry of Defense, have assumed a greater role in political outcomes, through influence of state decision making or accepting senior positions in government (McFaul, Petrov et al. 2004).

An even more serious impediment is that the strengthening of the state has not been accompanied by the similar strengthening of the civil society. Therefore, the power balance was skewed heavily towards the state. In addition, beginning 1999 the economic growth had given the state a new flow of income that officials in power could deploy. Under Putin’s presidency, the state began to play a direct role in influencing electoral outcomes, creating parties, organizing civil society, and obtaining control over the media outlets. Therefore, the state had re-penetrated the areas of social activity only recently reclaimed by the society, thus reversing the democratic development (McFaul, Petrov et al. 2004).

I will pick up on the discussion of the state strength, autonomy and capacity in the following chapters. As a preview, it is important to keep in mind that the state, strong or weak, does not exist in isolation from society and its very strength is only relative and may be a socially constructed concept.

1.2.6 Agency: Leadership of Great Men

In addition to structural factors, some authors emphasize the role of individual actions of leaders in the Russian transition. At the uncertain point of transition, individuals can play an instrumental role in determining the nature of the political institutions of the regime. In
uncertain institutional settings the leaders can face fewer constraints and therefore the causal role of their choices is greater (O'Donnell and Schmitter 1986; McFaul, Petrov et al. 2004).

The question of agency vs. structural factors is a complex one and often impossible to resolve. However, any research project that looks at regimes in transition will have to address it. Gorbachev’s policies of perestroika and glastnost’ created an opening for emergence of alternative interests and centers of power that eventually weakened the regime. Yet these decisions were not taken voluntarily, as at the time the Soviet Union faced a severe economic crisis that demanded that serious measures are taken to revive the failing economy and the state. This crisis in no small part was triggered by the sharp decline in oil revenues for the Soviet Union due to unfavourable economic conditions (Gaidar 2007).

Yeltsin’s leadership style, norms and policy preferences may have had huge consequences for the trajectory of Russian democracy in the 1990s. As we will see in Chapter 5, his legacies include shortcomings as well as positive contributions. Some analysts suggest that the impact of Putin’s leadership, with his relative youth, energy and popularity, could be even more significant. McFaul et al., suggest that another individual in Kremlin who had a similar capacity to influence the regime trajectory at that time could have pushed Russia in a more democratic direction (McFaul, Petrov et al. 2004). This may be true; however one has to keep in mind that Putin’s government faced generally significantly more favourable situation in the world commodity markets, which offered them a much larger budget and greater discretion in spending.

Treisman offers an interesting counterfactual analysis that seeks to illuminate the reasons for Putin’s popularity compared to his predecessor. Using time-series data, he examined the determinants of presidential approval in Russia since 1991, a period in which
leaders’ ratings swung between extremes. He finds that Yeltsin's and Putin's ratings were, in fact, closely linked to public perceptions of economic performance, which, in turn, reflected objective economic indicators. Although media manipulation, wars, terrorist attacks and other events also mattered, Putin's unprecedented popularity and the decline in Yeltsin's are well explained by the contrasting economic circumstances over which each presided (Treisman 2011).

1.3 Some Preliminary Conclusions: What Explains Russia’s Regime Transitions?

In the previous section I intended to demonstrate that existing explanations, even though illuminating, have some important shortcomings and there are gaps that they do not adequately explain. So what is the problem with these accounts and how should we approach the study of Russia’s regime transitions? Some common themes emerge out of the discussion above.

First of all, it appears that mass attitudes, such as trust and tolerance, do not seem to be a critical obstacle to democratization as people do not oppose democracy and generally speaking do not hate each other. This is good news for Russia.

It also appears that Russian people seem to pay great attention to their satisfaction with the regime performance and evaluation of their economic situation. This is perhaps to be expected, particularly in a country that had suffered a great deal of hardship in the later days of the Soviet Union and during the chaotic democratic transition in the early 1990s.

Another theme that emerged is a significant and persistent problem with autonomous and independent civic association. Groups independent of the state and capable of effective aggregation and representation of independent societal interests hardly existed during the
Soviet era or thereafter. The picture that emerges resembles more of a synergistic, symbiotic interrelationship between the state and society, blurring the boundaries of public and private realms (Wedel 2001). Cooptation and corruption were and sadly continue to be the norm of interaction between the state and society. The only organized or capable social groups were those with strong connections to and vested interests in the state and its economic assets. Not surprisingly, such groups are not interested in advancing any independent position but rather seeking insider privileges.

This absence of organized groups that could participate in democratic bargaining as equal parties and prevalence of those with insider connections and vested interests in the existing economic structures predetermined the features of the emerging regime. Lack of organized civil society, the type of democratic transition and the resulting post-communist social order seem to be caused by the peculiar social organization that developed in Russia over a long period.

To sum up, this discussion suggests that alternative explanations in the previous section are not sufficient to account for the changing patterns of state domination and societal submission alternated with periods of social upheaval that can ultimately transform into heightened political contestation that we observed in the Soviet Union and Russia. For the most part, these explanations generate relatively static expectations that are not always in line with what we are observing. Most of the explanations offered above are at best symptoms of a much deeper disease that influences formation of social groups and relations between state and society. The changing patterns in state domination versus heightened political contestation have to be explained within a different explanatory framework.
Elite level macro-structural theories are solid and contribute a great deal to our understanding of regime transitions. There are important contingencies and indeterminacies involved in this process. However, it is important to understand larger structural and contextual factors that shape the playing field for the actors. Indeed, the influence of economic development, inequality and economic interests on political regimes has been explored in comparative politics (Moore 1966; Rueschemeyer, Huber et al. 1992). I argue that the missing variable is the possibility for political contestation and how external economic conditions affect it over time.

The key to the explanation is in state-society relations and the role of political contestation in them. Until recently, scholars studying regime transitions overlooked the importance of the masses and political contestation. However, disregarding the importance of mass participation distorts the analysis. Kopecky argues that to understand the post-communist transitions one should include contentious politics along with more traditional civil society approaches (Kopecky 2003). Hale points out that in competitive authoritarian and hybrid regimes massive street rallies are too costly to suppress, therefore public opinion plays a critical role in tipping the power balance and has an ability to topple the unpopular regime (Hale 2005). Tilly notes that democracy or autocracy are not the end points of regime transitions. Instead, a great number of political systems fluctuate along this continuum. What determines the type of regime is the kind of relationship that exists between the state and the citizens and democratization and de-democratizations are merely the changes in those relationships. In Tilly’s view, democracy is a subset of political regimes, in which the society is able to exercise effective control over the state (through mutually binding consultation) (Tilly 2007). Therefore, contestation and control are the two aspects of state-society
relations. A higher level of contestation requires a more sophisticated political system to handle it, such as democracy. Where no possibility of contestation exists a democracy is not likely to be sustainable. Chapter 2 discusses the variable of political contestation and operationalizes it.

This dissertation explores the economic factors impacting political regimes and regime transitions and suggests that external economic and political environments impact political contestation. More specifically, changes in international commodity markets modify state-society relations in oil-exporting states when there is room for re-interpretation of the social contract and the state legitimacy. At times, these changes encourage political upheaval while in other periods, on the contrary, they tend to discourage collective action.

Analysts observed that the root cause of Russia’s misfortune as a democracy might be attributed to the fact that it is a petro-state. In his 2005 study of Russian regime dynamics, Fish highlights the key role of natural resources in determining the inability to Russia to democratize. He notes that natural resources play a significant role in Russia hindered political opening (2005: 138). Freedom House’s Nations in Transit report from 2007 observed the deterioration of democracies in most of the post-soviet world but attributed the most severe cases to the natural resource abundance. However, the report also holds that energy resources are a factor rather than a cause. Energy riches propelled authoritarian tendencies and enabled elites to consolidate their rule at the expense of independent voices. Oil in itself is neither good nor bad for any political regime. Indeed, the question is whether and how natural resources are hindering democratic development.

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Therefore, the political economy of natural resource rent seems to be the key in determining the nature of state society relations and power balance between the state and society. When oil prices are high, these changes in state society relations lean to the reduced political contestation. Consequently, state assumes dominating role. When oil rents are not significant, we may expect the heightened political contestation. I argue that pre-oil norms and social structures interact with the impact of oil wealth on state and societal preferences and as a result state-society relations change. The following Figure 1-1 illustrates the causal chain of my argument:

![Figure 1-1 Causal chain of the argument](image)

The elements of this causal mechanism can be directly observed and measured. The key observation is that when oil rents are high, economic forces interact with previous societal legacies and may create incentives for the state to throw money at social problems instead of
pursuing more painful reforms and for societal actors to push for redistribution and/or enter into preferential relationships with the state to obtain a larger share of natural resource wealth. This is true for both the late Soviet period and the period from 1999 onward. In the absence of high natural resources rents economic factors are no longer creating incentives for the societal actors to enter preferential relationships with the state. Rather, social actors may seek to pursue independent collective interests and thus possibly create alternative centers of power of viable political alternatives. Therefore we can observe increased contestation.

1.4 Russia as a Case Study of Regime Transitions in the Petro-State

As mentioned above, a key explanatory factor in this dissertation is the fact that Russia is a major exporter of oil and natural gas collecting large amounts of “rent” from the international trade of these commodities. That is, Russia is a petro state. What exactly does it mean and how why it matter for Russia’s regime transitions?

Russia is highly dependent on oil trade and oil appears to play an important role in Russia’s history. Figure 1-2 below is quite instructive about the role that energy rents play in the Russian economy. It is important to note that oil and gas had become significant factors on the Soviet socio-political system by the mid- to late 1970s. When overlaid with the descriptive labels of political developments and regime changes, they become particularly enlightening. One can easily see that shifts in Russia’s political trajectory correlate with the hydrocarbon rents.
Similarly, the Russian GDP is almost a twin brother of the oil output, except for the biases resulting from the Soviet pricing system in the 1980s (Figure 1-3).
The continuity between the two autocratic periods – Russia under late Soviet rule and the Russia that we find at the beginning of the 21st century – is in state-society relations shaped by similar socio-political structures emerging out of abundant hydrocarbon revenues.

Russia’s dependence on its vast hydrocarbon resources finds its roots back in the Soviet era, when these resources were redistributed to industries and social groups to prop up the inefficient social and economic systems. The carrot of redistribution, complemented by a stick of state coercion, resulted in a form of social contract whereby the majority of the population compromised political demands in exchange for economic stability and personal security. A culture of dependency on the state inhibited the formation of independent social groups and political opposition. The Russian Federation, as well as its predecessor the Soviet Union, has a resource-based economy (Tompson 2006: 191). A lot has changed in Russia socially and institutionally since that time, but a renewed flood of oil revenues to Russia revived those old social structures in the early 2000s.

Conversely, when world commodity prices decline, petro-authoritarian regimes face a real danger of failing. The social contract may break, independent centers of power and authority may develop, and the dependency on the state may lessen. In addition, the resources that support the coercive apparatus become scarce. One consequence of this decentralization of domination is that powerful popular movements may emerge that can alter the power balance between the state and society and threaten state authority. This model explains the nature of authoritarian petro-regimes, which are inherently prone to authoritarianism when commodity prices are high and can become unstable when the prices drop. This is exactly what seems to have happened in the Soviet Union in 1980s, when
declining oil prices weakened the social contract and led to popular mobilization and the eventual collapse of the Soviet regime. Similarly, the recent economic crisis presented a significant challenge to the current Russian ruling elites. Politicians and analysts predicted that the economic crisis would produce at a minimum a significant social upheaval. Whether or not it grows into a full scale political crisis and the new cycle of violence would be a function of the severity of the crisis and preparedness of the opposition and the government. Some changes have probably taken place, as the events of December 2012 demonstrate, but to date they did not develop into a full-on mobilization cycle.

My research suggests a political economy model of political contestation that explains patterns of state domination in petro-states, which alternate periods of stability with rising political contestation. I explore five specific mechanisms by which external economic conditions in the form of high oil prices coupled with internal socio-political features encourage authoritarianism by skewing state-society relations in a way that inhibits political contestation. Where contestation is limited, a political system as sophisticated as democracy is not sustainable. Instead, we are likely to observe a strong and coercive state and a weak and dependent society. In a sense, oil dependence creates similarities between the regimes of different types. Thus, regime type may become epiphenomenal in the presence of more powerful factors rooted in economic, political, and social structures that have developed over the years of energy rents abundance.

This study takes a broader perspective to find the root causes of the problems identified above. The explanation advanced in this work owes a lot to the historical-institutional tradition (Skocpol 1979; Steinmo, Thelen et al. 1992; Cook 1993; Pierson 2004).

Note: The state also collapsed as a multinational Union, but that was unusual.
Not rejecting strategic interactions among actors or the role of the larger structural context, scholars working in this tradition seek to explore how historically developing formal and informal institutions affect interactions between actors and their environment. This approach is concerned with questions of balance of power in the society and how institutions mediate power struggles and shape interactions through a structure of incentives and constraints, as well as shape people's ideas, attitudes, preferences, and strategies. These processes are path-dependent, that is, at various times in history a critical event can send the historical development on a different path.

The importance of this topic is all the more significant as, to my knowledge, even though a quickly growing body of literature explores the connection between natural resources and the nature of the regime (Karl 1990; Ross 2001; Smith 2004; Ramsay 2006), very few studies specifically address the connection between oil and gas and the nature of state-society relations and political contestation. A few exceptions discuss specific areas of this relationship and their results are inconclusive. For example, Bellin develops an argument that, due to the strategic importance of oil resources for superpowers, oil-rich regimes in Middle Eastern countries are less vulnerable to external pressure to liberalize or at least not to repress, which may create conditions that prevent opposition from emerging [in the Middle East] (Bellin 2002). On the contrary, in a case study of Saudi Arabia, Okruhlik suggests that oil states often foster their own civil opposition because of the way revenues are deployed (Okruhlik 1999). Crystal explores the dynamics of state – civil society relations in the Gulf states, touching upon some of the strategies of the opposition and state's responses (Crystal 1995). I will dwell into the oil versus democracy theories in Chapter 2. Here it is sufficient to note that while insightful, these studies do not aim at creating a comprehensive model of the
opposition in natural resource abundant states and do not provide conclusive answers to the question of why opposition fails to emerge and succeed in hydrocarbon rich states.

This study will contribute to democratization literature by examining the failure of democratic consolidation in petro-states; state-society literature in that it will explore the relationship between the state and civil society and factors that influence their strengths and the power balance between them; social movement literature by testing the political process theory hypothesis as applied to the case of anti-regime independent social movements; resource curse literature, by testing a number of specific hypothesis about the relationship between oil and gas resources and political practices in the country.

One of the original contributions of this study is that, to my knowledge, this is the first study to examine in detail the social responses to oil wealth rather than just state responses to it. While most studies of petro-states focus on political elites and state institutions, I analyze not only elite behavior but also the role that masses play in the shaping of the state-society relations in petro-states. This dissertation proposes an argument which links oil rents to the possibility of political contestation in petro-regimes and suggests that this, along with elites’ actions, is the key factor that helps to explain the regime type and the direction of the change in times of external economic shocks.

This dissertation identifies the mechanisms of how oil rent fluctuations translate into regime fluctuations, looking for evidence to test the hypotheses on the effect of external economic shocks on the state’s behavior and popular contentious claims as well as the choices made by the contenders to voice their political demands. To my knowledge, this is the first project that looks closely at these mechanisms and tests the hypotheses based on empirical data.
Finally, this dissertation is a unique study that attempts a detailed investigation of the bust cycle. This fills the gap in our understanding of what happens in petro-states as a result of the decline in world prices on their main export commodities. Although Terry Karl looked at some implications of resource bust in Venezuela, the main focus of her study was the impact of oil wealth on state institutions. I hypothesize that when natural resource rents are low, the state becomes less autonomous from society and needs to renegotiate the rules of resource allocation. The retrenchment of institutionalized allocation benefits fuels societal discontent and increases opportunities for mobilization. Economic factors are no longer creating incentives for interest groups to enter into preferential relationships with the state and therefore we may observe increased open political contestation. Social actors may seek to pursue independent collective interests and thus create alternative centers of power or viable political alternatives.
Chapter 2: Explanatory Framework

2.1 Political Contestation and Regime Transitions

As noted in Chapter I, this dissertation posits that the possibility of political contestation is an important link that helps to understand the regime trajectory in any given state. The kind of political regime and the possibility of transition between regime types must be situated within the broader context of state-society relations, in which the existence of contestation is but one important element. As stated earlier, democratization literature suggests that the transition from totalitarian or authoritarian rule is more likely to yield a liberal democracy when it involves “stalemate and dissensus” (O'Donnell and Schmitter 1986) and when the power balance between the ancient regime and the opposition forces is relatively equal (Karl 1990; Karl and Schmitter 1991). Under these conditions, democracy can develop through bargaining (Przeworski 1991). Dahl’s classic work lists contestation as one of only two dimensions of a liberal democracy (Dahl 1971). While emphasizing elections, Dahl's notion highlights citizen participation, meaning that citizens have the franchise and the right to make participation meaningful. Yet, participation will hardly be sufficient in the absence of explicit contestation, which puts real pressure on the government to observe those rights.

More recently, scholars studying political regimes noted the importance of mass participation. Cameron argues that the quality of democracy is determined by the degree to which the public can exercise scrutiny and control the government's actions (Cameron 1998). Kopecky argues that to understand the post-communist transitions, one should include contentious politics along with more traditional civil society approaches (Kopecky 2003). In recent scholarship on regime types, the ability of the government to control the opposition, as
well as the opportunities for the latter to effectively challenge the incumbent, emerge as key defining characteristics that determine the regime type (Diamond 2002; Way 2005; Schedler 2006; Way 2009; Levitsky and Way 2010). For example, Levitsky and Way define a regime as competitive authoritarian if the opposition forces may challenge, weaken and occasionally defeat the ruling party. Full authoritarianism, then, is the regime in which no viable channels exist for the opposition to contest legally for executive power. Way (2005) suggests that the measures of authoritarianism include level of pro-incumbent manipulation of elections, incumbent control over media and de facto power of executive control over the parliament, as well as the weakness of the opposition (access to financial and organizational resources). In more closed polities, street politics may become important. Even in competitive authoritarian and hybrid regimes, massive street rallies are costly to suppress and public opinion can play a critical role in tipping the power balance (Hale 2005). Therefore, the dynamics of state-society relations becomes a critical factor that impacts the regime type.

Charles Tilly notes that democracy and autocracy are not merely the end points of regime transitions. Many political systems can fluctuate along this continuum. What determines the type of regime is the kind of relationship that exists between the state and the citizens, and (de-)democratization is a change in this relationship. In Tilly’s view, democracy is a subset of political regimes in which the relationship between the state and the society is such that the society is able to exercise effective control over the state (through mutually binding consultation) (Tilly 2007). Therefore, contestation and control are the two important aspects of state-society relations. A higher level of contestation requires a more sophisticated political system to handle it, such as democracy. Where no possibility of contestation exists,
a democracy cannot be sustainable. These observations suggest that an electoral regime without organized and independent-of-state associational activity, which is capable of presenting a viable alternative, can hardly be called a democracy.

Thus, the importance of political contestation in a democracy cannot be overstated. It is an integral part of a healthy democracy, and the most direct indicator of political contestation is existence of a viable political opposition. An alternative to the ruling regime must be real to encourage the regime to listen and respond to people's needs. Indeed, the notion of a functioning democratic regime implies that electoral processes following certain procedures can lead to uncertain outcomes (Bunce 2000; Przeworski 2000). Huntington suggests that the measure of whether a regime had become a fully functioning consolidated democracy is a two-turnover test (Huntington 1991), meaning that power has been transferred from the incumbent government to a functioning and active political opposition at least twice.

Therefore, it becomes apparent that whether or not democracy has the chance to take root depends in no small part on the type of state-society relations. At a minimum, the society (citizens) must have some mechanisms of control over the state and some degree of power relative to the state, so that the state cannot dominate society. If the government steps outside of the rules of the regime (democracy), society should have a way to remove the government to take back control. In most situations (albeit arguably not always), this means that a viable opposition forces exist and are able to bargain for certain policy alternatives. In addition, a

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7 In this study, political regime is understood as “rules and basic political resource allocations according to which actors exercise authority by imposing and enforcing collective decisions on a bounded constituency” (Kitschelt, 1992: 1028). This definition addresses the basic structure of the political system, not specific governments, and stresses the role of political regimes in determining the allocation and legitimate use of power within a country (Zanger 2000: 215).
liberal democracy is more likely to exist when the cost of government suppression of the opposition is relatively high, while the relative cost of government’s toleration of the opposition is relatively low (Dahl 1971).

2.2 The Study of Contestation

One can roughly distinguish between two approaches to the study of political contestation. The key question has been how to understand the opposition: as an actor or a set of actors whose actions we can observe and analyse, or as a phenomenon, such as a series of protest events, which can be observed through actions of participants but which cannot be reduced to just the actors (Tarrow 1998).

The first approach can be traced to Dahl's classical study on political opposition in Western democracies (Dahl 1966). Dahl examines the “patterns of opposition” in Western democracies in considerable detail. On the basis of the country analyses, he identifies six important ways in which oppositions differ. These are:

1. The organizational cohesion or concentration of the opponents,

2. The competitiveness of the opposition,

3. The site or setting for the encounter between opposition and those in power,

4. The distinctiveness of the opposition,

5. The goals of the opposition, and

6. The strategies of opposition.

Dahl was specifically concerned with the power balance between the opposition and the government. One of Dahl's observations regarding the relationship between the
government and opposition is that tolerance of the government towards the opposition is determined by the government's calculation of the political cost of coercing or obstructing the opposition (Dahl 1971).

The patterns identified by Dahl refer to Western liberal democracies and seem to be almost entirely related to political activities taking place in the context of “normal” political life, either in or around parliament, and primarily triggered by the political parties as agents. These six patterns essentially describe the behaviour of the mainstream political parties in the countries concerned (Blondel 1997).

Students of opposition later expanded Dahl's original definition. First, scholars have observed that in illiberal as well as in liberal regimes, quite often the more effective and more visible form of political opposition has tended to organize and express itself outside the parliamentary and electoral systems (Justus van der Kroef, op. cit. in Rodan 1996). Not only parties, but also civil society groups and social movements can constitute an opposition. Furthermore, opposition can exist even within the ruling party itself (Rodan 1996).

Second, opposition obviously does not only exist in liberal democracies. If there is no constitutional opposition, there may not be a transfer of power between the regime and the opposition, but it does not mean than no opposition exists at all (Rodan 1996). Stepan (1993: 64, op. cit. in Rodan 1996) suggests that opposition can exist in authoritarian regimes as long as it performs five key functions:

1. resisting integration into the regime,

2. guarding zones of autonomy against the regime,

3. disputing legitimacy,
4. raising costs of authoritarian rule, and

5. creating a credible democratic alternative.

Following this tradition inspired by Dahl, Blondel (1997) suggests operationalizing the concept of opposition by employing two criteria: the distance of opposition from the government’s goals and the relative strengths of bodies in the opposition. He further suggests that such a definition provides a two-dimensional space that describes the opposition in a given political system (liberal or authoritarian). On one side of the spectrum, we would observe a cohesive opposition, with one strong body or a coalition around a well-defined set of issues. On the opposite side of the spectrum, we would observe a diffuse opposition, whereby a large number of groups represent a fragmented set of interests with no obvious convergence of preferences.

This approach is useful for conceptualizing the organizational component of the opposition: kinds of actors that exist, interests and values they try to represent, and the kind of relationships they can have with the regime and society at large. The distinction between a diffuse or a cohesive opposition is also useful, as Blondel observes that the strength of opposition depends on its cohesiveness. Some predictions follow from Blondel's model: In authoritarian regimes, cohesiveness is likely to be low because when an opposition is cohesive, the regime is in imminent danger of collapse. He further observes that "[a]s the opposition is not likely to be cohesive, the building of opposition (its 'repositioning') is likely to pose vast problems of institution-building if and when the political system moves away from authoritarianism" (1997: 486). Although this analysis seems to conflate cohesiveness with institutionalization of the opposition, the key point that it seems to make is that in transitional regimes the political opposition’s lack of cohesiveness (i.e., fragmentation) and
lack of institutionalization are both likely to present significant problems. In liberal polities, political opposition is likely to be cohesive when there is only one decision-making centre and when formal institutions dominate the political system rather than social cleavages among various subcultures. Not surprisingly, opposition is given full recognition in situations of this type, and it is indeed regarded as having a status almost equal to that of the government which it is able to challenge and potentially replace (Blondel 1997).

The second approach to the study of political contestation has its roots in the resource mobilization approach to social movement theory, which explores the emergence of protest social movements. Scholars working in this tradition were specifically concerned with explaining mass social protests. The theoretical premise of the theory is that grievances by themselves cannot cause protests, as grievances always exist within society and can even be created by the elites. Rather, as its name suggests, the resource mobilization theory focuses on the ability of social protest movements to mobilize resources as a key factor in determining the success or failure of the protest. Resources are understood broadly as material resources as well people’s grievances and interests. The theory aims to create an economics model of political action and thus is sensitive to both supply and demand and the structure of costs and rewards, both of which in turn are affected by the structure of the society. A social movement is "a set of opinions and beliefs in a population which represents preferences for changing some elements of the social structure and/or reward distribution of a society." An organizational base of a social movement is no doubt an important factor, but in order to succeed, these organizations need a pre-existing social base or have to create one (McCarthy and Zald 1977).
The study of contentious politics further develops this framework. Contentious politics involves interactions in which actors make claims bearing on someone else's interests leading to coordinated efforts on behalf of shared interests and programs as well as interactions in which governments are involved as targets, initiators of claims, or third parties (Tilly and Tarrow 2007: 4). The political process theory (Tarrow 1994; McAdam, McCarthy et al. 1996) explores the question of how and under what conditions opposition political movements can emerge and sustain themselves. This school of thought focuses on the protest as a process and a phenomenon, and therefore explores such variables as repertoires or contention, rhythms and cycles of contentious events, and contentious events in the larger historical structures (Tarrow 1998).

2.3 Defining Contestation: Components and Measurement

This dissertation is concerned with a possibility of political contestation in a given socio-economic setting as well as change and fluctuation in patterns of political contestation. One of the key questions this study seeks to address is why under certain conditions political contention takes the form of massive popular movements while in other, seemingly aggravating situations there is no sustained support for alternative views represented by the opposition. Therefore, the political process theory will serve as a starting point for the discussion that follows, as it will be largely targeting a question of the emergence of the popularly shared sentiments that drive significant mass movements. At the same time, focusing solely on the social movement side of things would create a blind spot with regard to the organizational capacity of the opposition. Therefore, we will also pay close attention to factors identified by the post-Dahlian conceptualization of the opposition as an actor, including types of actors that exist, their goals and interests, and relationship with the state.
The study will focus on a subset of contentious politics and define the opposition as organizations and social forces that are making claims bearing on the incumbent government's interests and aiming to coordinate efforts on behalf of shared interests and groups. Political contestation involves explicit attempts by the opposition to articulate alternative views with the ultimate goal of changing the regime or taking political office.

Conceptually, this definition is two-dimensional. On the one hand, there is a “supply side” or the organizational capacity of the opposition, which includes organizations, political parties, and interest groups making explicit anti-regime claims on behalf of the stakeholders they strive to represent. For reasons that will become clearer later, there are a number of problems associated with defining and measuring the organizational component of the opposition. However, it will be important to focus on the opposition’s organizational capacity and any reasons for its failure to organize. On the other hand, there is a “demand side” or the social base of the opposition: the existence of societal grievances, societal resources, and public support for the opposition’s efforts. The demand side will be a very important factor in this analysis, as arguably any opposition that does not enjoy public support at best constitutes a marginal factor in the political life.

To be sure, these two sides of the equation are so closely linked that they will be often conflated together in observations and measurements. The conceptual distinction is important to keep in mind, however, as neither one of these dimensions is sufficient in itself to produce a successful opposition. The benefit of defining contestation in this way is that it allows avoiding the emergence of a number of complex questions if one would choose to stay strictly within the Dahlian tradition of focusing on organizational actors. For example, scholars have battled with the question of what kind of civil society has been developed
within the Russian context. Fish suggests that civil society in Russia in early 1990s was weak if it is defined in a classical “Western” way (Fish 1994), but nevertheless studies have demonstrated the power of popular opposition to the regime (Beissinger 2002). Fish suggests that a more appropriate conceptualization of what has developed in Russia after the breakdown of the Soviet Union is a “movement society,” wherein the modes of collective actions do not so much resemble established organizations such as parties, unions, or interest associations, but rather political campaigns. Kopecky also argues that to understand the post-communist transitions, one should include contentious politics along with more traditional civil society approaches (Kopecky 2003). In my definition, I am attempting to capture that powerful phenomenon without limiting it.

To avoid confusion about the use of terms, it is necessary to emphasize that in this study the term "opposition" does not only refer to formal parties, politicians, and so on. Social movements and mass demonstrations are also part of opposition; in other words, “disorganized” opposition may be an indicator of the “demand” side while organizations and parties represent the “supply.” The viable and functional opposition, importantly, must include both dimensions.

At the same time, one should maintain caution about spontaneous and short-lived issue-specific protests. Those kinds of protests have occasionally emerged in Russia in recent years. For example, mass popular manifestations were triggered by the infamous monetization of benefits in 2005.\footnote{Informatsionno-metodicheskii tsentr po rabochemu dvizheniyu (2005). Informatsionnoe soobschenie N 4 (362). Monetization of benefits was the policy intended to replace legacy Soviet-era benefits received by certain strata of the population with specific monetary compensations. More on this policy and its unintended consequences will be discussed later in this dissertation.} They are important because they demonstrated the grievances Russian people took to the streets and thus spoke to the demand side of...
contentious politics. However, these were mostly sporadic and short-lived, advanced mainly socio-economic claims, and did not call for overthrowing the government; hence, they do not fulfil the “supply side” criteria, strictly speaking. At the same time, such massive spontaneous protests can weaken a regime and can potentially transform to represent political claims, so it will be important to watch them closely. Evans (2012) notes that evidence points to the conclusion that people are more likely to give active support to an organized group if it seeks remedies for concrete problems that directly affect them and their families.

It is important to specify what I do not include in the definition of the opposition. Stoner-Weiss argues that the inability of the Russian state to carry out economic reforms and improve the lives of people in the post-Soviet period was largely due to the resistance of social forces that captured state resources following the collapse of the Soviet Union (Stoner-Weiss 2006). This kind of passive, creeping resistance which aims to blur public-private boundaries and capture the state is not what I see as part of a democratic political opposition, as these forces usually do not aim to change the regime or the government. We will explore those types of organized interest, however, as they are likely to be a factor affecting the political landscape and the possibility of the opposition.

**Organizational dimension (Dalian tradition).** The first set of questions focuses on the organizations’ characteristics. The supply side of the opposition can be captured by such observations as number and types of opposition groups, the types of claims they make, and the kinds of actions (events) they organize.

Ideally, I would want to know year-by-year the types of organizations, NGOs, human rights groups, and parties that publicly advance claims bearing on the regime's interests. This data would capture institutionalized attempts on the “supply side” of the opposition. In
reality, it appears that such data may not be available in a comprehensive format that would be desirable for this study. As previously mentioned, established autonomous organizations in the Russian political scene have been more of an exception than a rule in the 1990s. It is true that a significant number of NGOs were registered in the 1990s. Pertinent data could conceivably be collected from authorities, although it tends to be fragmented across jurisdictions and levels of authority.

Even if such data could be assembled, its reliability would be problematic for the purposes of this study. First, registered NGOs are not likely to declare their oppositional nature when they register with the authorities, as this would mean that the registration is almost automatically declined. Dawson observed that oppositional organizations and movements were often camouflaged by seemingly non-threatening activities, such as anti-nuclear or environmental activism (Dawson 1996). Second, in the post-Soviet period, quite often NGOs that were officially registered were not active in practice. For example, when activists ran out of money, quite often they would leave an NGO existing on paper while in practice no activity was taking place. Thus, NGOs may be growing in sheer numbers, but this does not necessarily translate into the growth of activity. Finally, attempts to assess the supply side of the opposition activity through the number of organizations may run into a problem, as a lot of NGOs tend not to be oppositional in nature, but rather see themselves as supplementary service providers to the regime (Evans 2005).

Therefore, to assess the organizational dimensions of the opposition, as well as to shed some light on how these organizations succeeded in creating or capturing the social base (demand side), I will pay close attention to the most important opposition groups. This will allow me to avoid the pitfalls associated with the aggregate view of civil society and focus on
the development of the organizations over time and explore their relations with the state and the social environment in detail. For example, I focus on The Other Russia (Kasparov’s opposition movement) and its member organizations.

In addition, I will examine organizations that attempted to create social movements employing state administrative and financial resources. Russia’s recent history provides quite a few examples of this: It has been documented, for example, that pro-Putin groups in Russia employed techniques borrowed from their opposition counterparts and attempted to assemble mass manifestations in support of the incumbent regimes. It is also often suggested that the Kremlin has funded a number of organizations such as Nashi as a counterbalance to the opposition groups.9

Data collection for this variable was mostly done through interviews with experts. I interviewed a number of opposition leaders about the history of the opposition organizations, their resources, their strategies with regard to public support, and their relations with authorities. Since some of the interviewees were with opposition leaders with a long history of involvement in the movement, it was possible to gain insight into the history of the opposition movement from the Soviet times to today. Furthermore, I asked their opinion on how the oil and gas industry affects state-society relations. I also tried to interview state authorities and possibly oil and gas industry representatives to get a more balanced perspective; however, it proved virtually impossible to get access to these types of informants. Some interviews were conducted with the experts who work or used to work with the government in the past, thus allowing me get insight into the government

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perspective. I also interviewed a number of political analysts with extensive knowledge of the political economy of oil in Russia.

*Societal dimension (social movement theory).* The organizational dimension of the opposition can tell us a lot about the organizations themselves, but it does not systematically address the demand side of the equation. What is the level of approval of the existing government? Is there public support for the opposition? Can contentious political organizations attract and sustain public support for their cases? What does this societal support mean for the opposition? These factors can be captured by such observations as public opinion polls, voters' support for opposition candidates, and turnout for opposition rallies and demonstrations.

I use opinion poll data to assess the level of support. However, public opinion polls were not conducted during the Soviet period, at least not in any reliable and comprehensive fashion. One of the first surveys that covered alternative political activism and participation in the Communist Party and official trade unions was conducted by the All-Union Centre for the Study of the Public Opinion in 1988 and 1989 (Beissinger 2002). Surveying and polling became somewhat more customary activities in the 1990s, when a number of comprehensive surveys were conducted in Russia by the Fund for Public Opinion (FOM), the All-Russian Center for the Study of Public Opinion (VTsIOM), and the Levada Center, as well as by Western pollsters including the World Value Surveys and Richard Rose's Russia Barometers. These surveys provide a useful source of data to investigate changes in attitude towards the regime and the opposition’s activity during the post-Soviet period. For the Soviet period, the best option is to gain some insight into this matter through interviews with opposition
members who were involved in the Soviet dissident movement. I also rely on scholarly and journalistic discussion of these movements or leaders during this time period.

Data regarding voters' support for the opposition is in theory easily accessible, as election results have been recorded even since there were elections in Russia. However, this data also presents some major challenges. Obviously, during the Soviet Union no meaningful elections took place. The 1989 election for the USSR Congress of People's Deputies was the first even partially open and competitive national election in the history of the Soviet Union, and it allowed only a small minority of oppositional candidates to be elected (Fish 1994). However, this election’s rules and conditions strongly favoured candidates loyal to the Communist Party. Looking ahead, this situation may certainly look familiar to the observers of Russian elections beyond 2000. Given the preferential treatment of pro-regime candidates, the number of elected opposition candidates can hardly be a reliable measure of the opposition support. On the flip side, the extent of the use of the administrative resource during elections can give insight into the relations between the opposition and the regime.

Those scholars who view the political protest as a phenomenon that takes place within given institutional and structural frameworks have often employed the method of event analysis, which is a method of tracking the rise and fall of particular types of occurrences and the features associated with them systematically over time. This method offers great flexibility, as events can be segmented by any particular characteristics or aggregated at any level of analysis. Events are important indicators of the demand side of the opposition. Basically, an "event" is an attempt or effort by a group of people to mobilize a population and to disrupt the normalized course of affairs. Counting the frequency of events tells us something about citizens’ efforts to engage in protest and the measure of size or
magnitude of the events tells us something about the mobilization itself (Beissinger 2002). For example, Jason Lyall’s study of antiwar protests in Moscow and St. Petersburg during the first and second wars in Chechnya uses a similar method to assess the antiwar opposition activity (Lyall 2006).

Beissinger employed this method in his study of nationalist mobilization in the Soviet Union. His team collected a vast amount of data\(^\text{10}\) on collective action for the period 1987 to 1992. Demonstrations and mass violent events were among Soviet citizens’ most salient forms of collective action at the time. The database includes information on those events, their size, the types of claims made by the organizers and participants, and the degree of repression by the authorities. The database does not include strikes, as those were found to be too difficult to define and measure (challenges included making decisions about what should be included and sourcing of data for small enterprises vs. large and the number of enterprises participating and the number of participants). In addition, some data on protest events, albeit less comprehensive, was collected by Beissinger and his team for the years 1965 to 1986.

Building on Beissinger’s methodology, I constructed a data set of protest events from 1993 to 2007 (See Appendix II for data sources). Therefore in this thesis all analysis of public protest from 1993 to 2007 is based on the original dataset constructed by the author. To ensure continuity and comparability, I retained the original format and the definition of the events and combined the databases to create a more complete database of contentious events in Russia for the longer period of time (from 1965 to 2008-9). The purpose of the events database is threefold: to record the level and purpose of opposition activity, to

\(^{10}\) As no single source would cover reliably the turbulent historical period he studied, Beissinger used over 150 different new sources, from Samizdat and émigré publications to western news outlets and FBIS service. This allowed not only a more complete coverage but also triangulation among different data sources. For details, see Beissinger 2002, Appendices I and II.
illustrate the level of "demand" for the opposition at any given time, and to capture the nature of opposition and the level of state's toleration of opposition. The dataset contains the following variables:

- Date of event
- Location
- Organizer (or spontaneous)
- Type of claim (anti-regime, issue specific, nationalist, etc.)
- Number of participants
- Whether and how much repression existed

2.4 Political Opportunity Structure: Interaction with Political Regime

The organizational capacity of the opposition, the “supply side,” is affected by the existing opportunity structure and the regime. Contentious politics can take different forms and in no small way is shaped by interaction with the regime. Tilly and Tarrow observe that regimes exert significant control over institutional operations by prescribing (e.g., requiring people to belong to specific organizations), by tolerating (e.g., allowing certain groups to exist), or by forbidding (e.g., banning organizations that their deem dangerous). They make a distinction between two types of contention: contained contention takes place within a regime's prescribed and tolerated forms of claim making, while transgressive contention crosses the boundaries into forbidden or unknown territory (Tilly and Tarrow 2007: 60).

This distinction illustrates the relationship between the type of regime and the kinds of contentious politics that exist in it. Although some opposition groups may be radical in nature and therefore prone to transgressive contention, the forms of contention that they
choose will also be determined by the boundaries set by the state. Less democratic regimes may prescribe and tolerate apolitical institutions but forbid many political groups or tolerate only a narrow subset of opposition; hence contention, if it happens at all, will tend to assume transgressive forms. In democratic regimes we find a lot of contention, most of it contained by institutions created precisely to structure and contain conflict (Tilly and Tarrow 2007: 60-61).

Transgressive contention, thus, is a relative concept. It may include outright violence but also be characterized by banned political groups’ relatively peaceful demonstrations. What is important is that transgressive contention will more often than not trigger some sort of repression from the state.

Study of contentious politics typically focuses on political opportunity structure, which the opposition groups and movements can exploit (Tilly and Tarrow 2007: 57). Building on their earlier work, Tilly and Tarrow suggest that political opportunity structure includes six properties of the regime: the multiplicity of independent centers of power, openness to new actors, instability of current political alignments, availability of influential allies and supporters for challengers, whether the regime represses or facilitates collective claim making, and decisive changes in the previous five factors.

Although this model provides a great deal of conceptual clarity and precision, it is restricted by some of its working assumptions. First, by focusing mainly on the opportunity structure for the movements, it neglects the very origin of the groups and the way in which they are formed. Political process theory has been criticized for its focus on opportunity structure while simply assuming that the groups are just “standing by,” prepared to rush in whenever the window of opportunity opens up for them (Goodwin and Jasper 2003). As will
become clear later, this study first explores the obstacles and opportunities faced by social
groups in the formation stage before assessing their political opportunity structure.

A second assumption that guides the political process theory is the assumption of a
clear public-private dichotomy and a strictly structural view of the state. In other words, it
tends to portray the properties of the regime as structures that open or close the window of
opportunity, but it does not look at the ways the state can reach out and attempt to influence
the societal actors and neglects the possibility of manipulation, co-optation, or other actions
that in fact blur the line between state and society and distort the opportunity structure. These
state actions can gravely impact both the supply (organizational capacity) and the demand
(social base) of the potential opposition.

2.5 Ideas, Ideology, Cultural Symbols, and Identities

The discussion of political contention cannot escape the question of societal support.
Arguably, the opposition’s chances to succeed significantly improve if it can initiate and
sustain a massive social movement. This, in turn, begs a question about the conditions
necessary to initiate, grow, and sustain continuous popular participation in such a movement.

Tarrow suggests that contentious political movements arise when actors seeking
change respond to new incentives and opportunities, using the existing repertoire of actions
and backed by dense social networks, and mobilize around culturally resonant symbols
(Tarrow 1994). According to Tarrow, necessary but not sufficient conditions for emergence
of a contentious social movement are perception of common need, shared ideas about
potential actions, culturally resonant symbols, and social networks. These factors can thus
work on the supply side to help opposition leaders sustain their activities and organizations.
For Tarrow, these are all resources that leaders can use to sustain their movement. Elites can certainly manipulate culturally resonant symbols to generate public support for their causes. One of these powerful symbols has been the idea of a nation. Scholars have observed that nationalism can be a result of elite manipulation of cultural symbols to win the competition with other elites (Brass 1991; Fearon and Laitin 2000; Kaufman 2001). Opposition elites in Georgia, Ukraine and many other countries have used national sentiments and appealed to national consciousness to garner support (Dawson 1996). On the other hand, the state can also use nationalist feelings and/or engage in social engineering to invent new traditions, practices, and rituals that seek to inculcate certain values, beliefs and behavioural norms (Hobsbawn and Ranger 1983).

However, ideational and cultural factors can also work on the societal side of the equation, thus affecting the demand for the political opposition. The literature outlines some mechanisms by which culturally resonant symbols may play a role in consolidation of the mass movement on the societal side. Wedeen suggests that discourses have political effects through construction of meaning via individual and shared understanding and practices (Wedeen 2002). Some authors have pointed out that there is also a stable, continuous element associated with shared cultural understandings. For example, limited availability of cultural scripts limits the menu of potential societal responses (Laitin 1986; Fearon and Laitin 2000). Dawson observes that national identity became a cornerstone for mobilization in the former Soviet Union, even if the initial claims of the movements were draped in environmental or other terms. At the same time, the role of national identity in political mobilization is not uniform. While in other post-Soviet republics national identity served as a strong unifying factor, implicitly and explicitly juxtaposing it against Moscow, in Russia the idea of a nation
did not resonate as strongly as in other post-Soviet republics, and therefore could not serve as a unifying factor to bring the whole nation together (Dawson 1996).

Therefore, cultural symbols and ideas will affect the outcome of opposition activities through two main categories of mechanisms: existing discourses, shared understandings, scripts that determine the menus of potential activities and the skill of elites to appeal to and manipulate these ideas and symbols.

This study is based on the premise that ideational and cultural factors are not sufficient by themselves, but will be necessary intervening and conditioning variables that shape and modify the effect of other material factors. It will thus be necessary to explore how ideas and cultural symbols interact with other variables. Moreover, ideas and symbols presumably are always available and can play a role in the framing of the issues.

2.6 The Model of Contentious Politics

The conditions under which contentious politics emerges can be illustrated by four interacting and overlapping categories of factors that have to come together for the opposition to emerge and succeed in sustaining a meaningful challenge to the regime. The Figure 2-1 below provides a visual illustration of this.
Supply and demand side factors determine whether there is going to be enough momentum for the opposition to emerge. Opportunity structure depicts institutional arrangements that either facilitate or hinder the emergence and sustainment of the opposition movements, and really speaks to the interaction between the opposition and the regime. The fourth factor, or the role of ideas, stands for a broader set of ideational and cultural factors that conditions and shapes the other categories, and is likely to play an enabling and shaping role for the other three structural factors. In other words, all four factors are necessary but individually are not sufficient for the emergence of a viable opposition that can successfully challenge the existing regime.

The following section discusses how natural resources impact these factors and outlines hypotheses that will be further explored in this dissertation.
2.7 Hydrocarbon Resources and the Possibility of Political Contestation

The oil and gas extraction industry possesses some unique qualities compared to other sectors of the economy. Hydrocarbon extraction and delivery is a capital-intensive industry that is serviced by a relatively small number of highly skilled employees who enjoy high salaries and a high degree of job security and who therefore have vested interests in the preservation of the status quo. Oil and gas producers, both enterprises and countries as a whole, typically hold a secure market position, even if characterized by somewhat volatile prices. Energy price signals do not operate as one would normally expect in a market environment—linking supply and demand and encouraging competition. Once the delivery infrastructure is in place, the market is relatively secure, as energy consumers cannot easily switch to other sources of supply of this strategically important product. Instead, the market is driven largely by various political factors.

The oil industry is often compared to other extractive industries. Although extractive industries share important similarities in that they have the ability to generate substantial rents, certain factors set the oil industry apart. In particular, the importance of oil as a strategic energy resource makes it absolutely essential for the very functioning of today’s economy and society. At the same time, oil and gas delivery infrastructure (pipelines) is much less flexible and for the most part does not allow switching suppliers. Oil and gas can only be extracted, delivered, and sold to the international market with the help of the capital-intensive infrastructure and highly skilled and well-paid workforce. Therefore, it would be more difficult to appropriate those resources without engaging in complex issues of property and labour relations. In addition, because oil industry is so dependent on infrastructure and because the product is sold abroad, there is a tendency for property and profits to centralize.
within the state itself, not in private hands. These factors make the consumers more vulnerable and the hydrocarbon market more volatile than other commodity markets.

As a result, the oil and gas sector constitutes a self-sustained segment of the economy that has significant impact on the rest of the economy. For example, the importance of oil and gas to Russia goes beyond just export revenues; it is in the total value of all oil and gas produced. A large part of the total rents are collected by the state in the form of taxes and duties, but a significant portion is distributed informally through bribes or contributions to various auxiliary funds and projects that benefit local officials directly or indirectly, consumer price subsidies, and excess production costs, such those in industries that manufacture for the energy transportation sector (Brookings Institution 2006).

Because of these peculiar qualities of the oil and gas industry as a sector of the national economy, it is known to have a significant impact on the political environment in the producing countries. Scholars have observed that oil seems to have some peculiar properties as a source of state revenue that have a significant effect on oil-rich states. Numerous studies have explored the relationship between resource abundance and economic development (Sachs and Warner 2001; Mehlum, Moene et al. 2006). There is also a growing literature on the effects of natural resources on institutional development and state apparatus performance (Auty 1990; Chaudhry 1997; Karl 1997; Vandewalle 1998). Some researchers were concerned specifically with resource abundance in post-Soviet states. They studied how privatization of the energy sector can change the effects of resource abundance on state capacity (Luong and Weinthal 2001). An edited volume focused on security and natural resources is worth noting (Ebel and Menon 2000).
A number of studies addressed the question of the relationship between regime type and hydrocarbon revenues. Earlier studies of democracy tended to exclude oil-rich countries from cross-national analyses (Alvarez, Cheibub et al. 2000) or treat them as a separate category (Barro 1999). Middle East scholars claimed that resource dependence might explain the persistence of authoritarianism in the region (Mahdavy 1970; Skocpol 1982; Anderson 1987; Beblawi and Luciani 1987), also known as the rentier state theory. “Rent” in the classical economic sense is distinguished from wages and profits. Adam Smith observes that the way “rent enters into composition of the price of commodities is a different way from wages and profits” (Smith 1960). Furthermore, “High or low wages and profits are the causes of high or low price; high or low rent is the effect of it” (Beblawi and Luciani 1987: 49). A rent is a reward for ownership of natural resources, an income that results from the gift of nature, from possession of resources highly valued elsewhere. As the rents result from international trade of resources, there is a tendency for states to concentrate profits from it. Furthermore, it is important to understand that these rents are politically mediated (Bellin 1994).

Scholars of the Middle East observed the persistence of authoritarianism in the region (Mahdavy 1970; Skocpol 1982; Anderson 1987; Beblawi and Luciani 1987). Rentier state theory predicts that oil-rich states will not be extractive but redistributive states (Delacroix 1980). In “classical” Middle Eastern rentier states, only a few are engaged in generation of the rent while the majority are involved in the distribution and utilization of wealth. The traditional role of the state as provider of public goods through coercion may be blurred by its role as a provider of private favours through rulers’ benevolence. Rentier states attempt to
relieve social pressure by redistributing some of the oil wealth flowing from rents paid by foreign actors (Beblawi and Luciani 1987).

How does Russia compare with the more exemplary Middle Eastern oil exporters? One has to admit that Russia is a difficult case for the rentier state theory. According to World Bank data, while in Saudi Arabia hydrocarbon rents are somewhere between 30 and 90% of GDP in various years and stay consistently high, in Russia the economy is still reasonably diversified and oil rents are significantly lower (at 10-20%).\footnote{World Bank, Oil rents (% of GDP), http://data.worldbank.org/indicator/NY.GDP.PETR.RT.ZS, retrieved on June 10, 2012} At the same time, according to the World Bank, GDP per capita (ppp) Russia in 2011 was US$21,358 while in Saudi Arabia it was US$24,434, which is quite comparable. Although these numbers are debatable, there is little doubt that Russia does not qualify as a classical Middle Eastern rentier state.

Still, rentier state theory has relevance for the Russian case. Although a rentier status is certainly a relative concept, the key starting point in much of the literature is the simple observation that access to oil resources provides a regime with a (often quite substantial) source of external revenue, and the availability of these politically mediated revenues can influence political practices and patterns. However, scholars approach the political economy of oil from diverse methodological perspectives (Morrison 2005).

Some notable cross-national quantitative studies tested the oil-democracy connection (Ross 2001; Ramsay 2006), finding a positive correlation between an abundance of natural resources and a poor quality of democracy. Terry Karl’s landmark study of petro-states (1997) explored the macro-level effects of oil booms (and, to a somewhat lesser degree, oil
busts) on state institutions, but does not directly test the mechanisms by which natural resource wealth impacts the regime type and state-society relations. Some voices in the debate on the impact of oil on democracy suggest a less than a robust relationship between oil wealth and the lack of democracy (Smith 2004; Herb 2005) and call for a more nuanced approach to the issue.

Dunning (2008) proposes a formal theoretical model on how oil revenues may in fact have a pro-democratic effect, although he focuses mainly on elites and does not theorize societal actors and the possibility of political contestation explicitly. Dunning argues that in countries that have diversified economies and high degree of private income inequality, natural resources are expected to strengthen the democratic effect (Dunning 2008). When this is the case, natural resources rents may help reduce class conflict and make democracy less costly for elites. Elites will respond to mass demands by opening up the polity.

Russia has inherited a diversified modern economy from the Soviet Union (Sayfer 2007). The level of inequality in Russia remains quite high and is comparable to that of Venezuela, for example, and appears to be higher than some other post-Soviet states. For example, Russia and Venezuela are not very far apart in terms of inequality. Table 2-1 illustrates this.
<table>
<thead>
<tr>
<th>Year</th>
<th>GINI index</th>
<th>Income share held by highest 10%</th>
<th>Income share held by lowest 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>46</td>
<td>35</td>
<td>1</td>
</tr>
<tr>
<td>2001</td>
<td>40</td>
<td>30</td>
<td>3</td>
</tr>
<tr>
<td>2008</td>
<td>42</td>
<td>34</td>
<td>3</td>
</tr>
<tr>
<td>Venezuela</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>47</td>
<td>36</td>
<td>1</td>
</tr>
<tr>
<td>2001</td>
<td>47</td>
<td>35</td>
<td>1</td>
</tr>
<tr>
<td>2006</td>
<td>45</td>
<td>33</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 2-1: Indicators of social inequality in Russia and Venezuela

However, Dunning’s argument is of little utility of explaining Russian democracy. As we have seen, with the democratic institutions established as early as early 1990s, with no major war ravaging the country and with steady economic development, the stability of democracy does not seem to be in question. Yet, with time the democratic institutions eroded to become increasingly shallow, and the old Soviet habit of political passivity kicked in instead of genuine democratic political competition. Deteriorating political freedoms, increased control over the media, and electoral fraud are widely acknowledged. The key problem is in the fact that there are no mass demands and no meaningful political alternative, so the state dominates the political scene. Dunning’s argument focuses on democratic stability—namely, that the elites will not have incentives to resort to a coup in order to gain power but will be willing to share power through democratic means and preserve the democratic order. It does not mean that establishments of democratic institutions would necessarily lead to consolidation of liberal democracy. Therefore, this argument is of little help for this study, which is predominantly concerned with the type of regime and its quality rather than procedural characteristics.
Therefore, existing theories of petro-states do not explain Russia well. Below I propose a theory that takes into account various factors I discussed above, including structural and institutional variables of state autonomy and capacity, and proposes mechanism-based hypotheses of how oil wealth impacts state-society relations.

2.8 Structural and Institutional Factors

The degree of a regime’s autonomy is an important factor that impacts state-society relations. Because state decision-making autonomy as well as its ability to carry out its policy prescription are very important for my argument, it is worth looking into this in a bit more detail. There is a vast literature on state autonomy and power. A number of authors looked at defining state’s autonomy. Most definitions revolve around the Weberian conceptualization of the state as a compulsory association claiming control over territories and people within them. This view conceives of the state as a reasonably coherent rational actor, which is more than a government and encompasses administrative, legal, bureaucratic, and coercive systems (Skocpol 1985). The state attempts to not only regulate relations between civil society and public authority but within the society itself (Stepan 1978).

State autonomy thus is one of the key characteristics of the state. It is essentially an ability of the state to act on its own preferences, which are not necessarily directly derived from preferences of the powerful groups in the society (Nordlinger 1981). We can further distinguish between state autonomy (the ability to formulate and pursue goals independent of society) and state capacity (the ability to implement official goals, especially over the actual or potential opposition of societal groups or in the face of unfavorable socioeconomic circumstances) (Skocpol 1985). Some scholars conceive of this type of capacity as state
infrastructural power, or the institutional capacity of the central state to penetrate its territories and logistically implement decisions (Mann 1984; Soifer 2008).

Importantly, state capacity and autonomy are not given features of states. For example, it appears to be easier for the states to penetrate the society and extract resources than to effectively regulate social relations and appropriate the resources in determined ways (Migdal 1987). A state can be autonomous and able to formulate preferences and goals independent of society, but it may not have the capacity to carry out its decisions. Furthermore, state capacity and autonomy may vary in different areas and at different times (Evans, Rueschemeyer et al. 1985). A strong state would be the one with high decision-making autonomy and a high capacity to implement its policies, as well as a capacity for adaptation and resilience in the face of change.

State-society relations and autonomy are closely interrelated. For example, the ability of state actors to carry out preferences is not necessarily a function of institutional structure but of the amount of societal resistance (Krasner; Nordlinger 1981). So, the existence of well-organized social groups with control over politically relevant resources implies a less autonomous state. Conversely, the ability of the state to realize internally generated goals may reduce the power of societal groups outside the state. State intervention can stimulate social group mobilization and thus, in turn, impact state autonomy (Evans, Rueschemeyer et al. 1985). State autonomy and capacity could be understood as a function of process and relationship between states and societies. The engagement of state and societies involves the creation of alliances and coalitions and the incorporation of new material basis, ideas, and values into its construction. The process may transform the ideas and preferences of the original actor (Migdal 2001).
Yet, even though state autonomy and capacity are not a direct result of institutional and structural variables, there are some that impact a state’s ability to generate and implement policies. For example, Evans demonstrates that corporate coherence of state agencies gives the state “autonomy” while embeddedness in institutionalized (as opposite to personalistic) social networks gives the state intelligence and the ability to resolve collective action problems (Evans 1997). The degree to which state and societal actors control coercive, economic and political relevant resources affects their relative bargaining power (Levi 1989). Source of revenue then becomes one of the critical variables that helps establish the state’s autonomy and capacity to act on its preferences. Therefore, the state’s autonomy may be significantly affected by its political economy.

The revenue base of the state, especially its tax structure, creates incentives that pervasively influence political and economic life and shape government preferences with respect to public policies (Karl 1997). If the need to collect taxes from the population to finance state expenditures is reduced due to the availability of an external source of revenue, the state’s relationship with the society in the economic sphere is essentially reduced to public expenditures (Smith 2004: 233). Such states are more independent and autonomous from societal pressure. As I show later, when state-society relations are reduced to expenditures, accountability and public input into policymaking are lacking, so opportunities for mobilization are curtailed and independent institutions for the advancement of public interests are expected to be weak or nonexistent. With the decline in oil revenues, however, many oil-rich states experience a breakdown of state autonomy.

Terry Karl observes that commodity-led growth induces changes in prevailing notions of property rights, the relative power of interest groups and organizations, and the role and
character of the state vis-à-vis the market (Karl 1997). These institutional changes
subsequently define the revenue basis of the state, especially its tax structure. How these
states collect and distribute taxes, in turn, creates incentives that pervasively influence the
organization of political and economic life and shapes government preferences with respect
to public policies. In this manner, long-term efficiency in the allocation of resources is either
helped or hindered, and the diverse development trajectories of nations are initiated,
modified, or sustained.

Smith suggests that oil wealth essentially obviates the relationship between the state
and social groups necessary to collect taxes (Smith 2004: 233). Some scholars expect a weak
connection between the rulers and the ruled (Najmabadi 1987). Skocpol (1982: 269) argues
that reliance on oil wealth made it possible for the Pahlavi regime in Iran to maintain an
impressive degree of autonomy from its society: "The state's main relationships to Iranian
society were mediated through its expenditures - on the military, on development projects, on
modern construction, on consumption subsidies, and the like. Suspended above its own
people, the Iranian state bought them off, rearranged their lives, and repressed any dissidents
among them." Skocpol argues that revenue from oil can render states more autonomous from
societal control. At the same time, in oil-rich states, bargaining between the state and society
is not as common; therefore, social networks and political pacts are weak, so such states may
be more vulnerable in times of crisis (Skocpol 1982).

Thus, the oil-rich distributive state is expected to be more independent and
autonomous from societal pressure. However, as state-society relations are reduced to
expenditures, the state is isolated from the society and insulated from societal demands.
Accountability is weak and provision of information on publicly relevant decision-making is
limited. As opportunities for independent public input are also limited, independent institutions for aggregation of public interest are expected to be weak or non-existent.

This argument carries implications for the opportunity structure for contentious political movements. Political opportunity structure that enables contentious movements includes openness of the regime to new actors and availability of influential allies and supporters for challengers (Tilly and Tarrow 2007: 57). Isolation of the regime from the society hinders these conditions and hence the movements are lacking political opportunities to launch their efforts. As societal actors see no opportunity they do not attempt to organize an opposition movement.

With the decline in oil and gas revenues, many oil-rich states experience a breakdown of state autonomy with decline in oil revenues. Skocpol (1982) observed that the autonomy of Iranian regime proved shallow in the face of mass mobilization against the state in 1970s. One of the key reasons for this is that with declining oil revenues states have no choice but implement some kind of radical economic liberalization measures, which inevitably infringe on existing benefits of privileged groups and the population at large (Chaudhry 1994; Entelis 1995). Among other things, this liberalization increases the level of conflict among ruling elites and their potential successors, thus creating splits within the incumbent regime. Przeworski observed that often such splits improve chances for the democracy promoters and the democratic opposition (Przeworski 1991). Indeed, increased conflict within the ruling regime increases access to potential allies and supporters for the opposition, who may be seeking to gain advantage in the elite competition by attracting public and opposition support. Thus, external economic factors such as international commodity markets may
impact some of the domestic regime’s structural features and affect state-society relations within the state.

Below I suggest a number of hypotheses on state-society relations in petro-states. The mechanisms identified below operate on two conceptually distinct but related levels. On the one hand, oil-related mechanisms may diminish opportunities for mobilization by affecting the supply side or organizational capacity of the opposition. On the other hand, even if opposition groups emerge, they may be lacking followers, or the demand side, and therefore they may be unable to make a significant impact on the policy process.

2.9 Impact of Oil Revenues on the Supply Side of Political Contestation

First, I suggest a set of hypotheses related to the impact on the supply side or the organizational capacity of the opposition. In a nutshell, these are the mechanisms by which increased oil revenues improve a government’s ability to undermine opposition organizational capacity, either through the application of repression or by other, softer means of coercion.

2.9.1 Repression

The literature points to a number of possible mechanisms which link oil revenues to the ability of the state to demobilize opposition groups that may be emerging. One of the hypotheses can be termed a “repression effect.” It suggests that increased oil revenues lead to increases in military and security spending, which allows the regime to intensify its repression of the opposition. As a result, it immobilizes the opposition through the application of constant pressure (Ross 2001).

Oil wealth and the lack of political opposition may be linked by the repression effect
Citizens in resource-rich states may want democracy as much as citizens elsewhere, but resource wealth may allow their governments to spend more on internal security and thus block the population’s democratic aspirations. Skocpol notes that much of Iran’s pre-1979 oil wealth was spent on the military, producing what she calls a “rentier absolutist state” (Skocpol 1982). Clark in his study of the 1990s oil boom in the Republic of Congo finds that the surge in revenues allowed the government to build up the armed forces and train a special presidential guard to help maintain order (Clark 1997). Moreover, Gause argues that Middle East democratization has been inhibited in part by the prevalence of the mukhabarat (national security) state (Gause 1995).

Ross (2001) identifies two mechanisms by which the repression effect may work. One may be pure self-interest: Given the opportunity to better arm itself against popular pressures, an authoritarian government will readily do so to protect its power.

Testing this hypothesis requires a sort of a quantitative analysis, regressing increase in oil revenues on military expenditures and number of incidents of repression of the opposition. Ross (2001) observes, however, that testing this hypothesis is difficult due to lack of data on real military expenditures and the challenge of linking military expenditures with oil revenues.

A note of caution regarding this version of the repression thesis is in order. There is a conceptual distinction between the ability and the willingness of the state to repress the opposition: A state's physical capacity to repress does not necessarily mean that the state will inevitably repress (Goodwin and Jasper 2003). State elites must have a clear perception that they can get away with repression, and the number-one reason why they believe that they can
get away with repression is the lack of public support for the opposition and acceptance of the governing regime.

According to Ross, a second reason why the government may feel the urge to increase military spending and escalate repression is that resource wealth can cause ethnic or regional conflicts, and larger military might reflects the government’s response. Indeed, one line of the argument suggests that oil or other extractable resources cause instability by presenting attractive spoils to potential rebels and creating resentment over unequal distribution of rents that can spill over into conflict (de Soysa 2000). According to this logic, various warring factions will seek to capture the resources, and may attempt to mobilize public support for doing so. The causal mechanism is as follows: When oil revenues increase, internal conflict among elites over spoils also increases, thus repression increases. This hypothesis predicts an increase in conflict when oil revenues rise, and thus contradicts the logic, outlined below, by which the conflict increases when the oil revenues drop.

Overall, this hypothesis does not sound very plausible. First, de Soysa’s logic is more applicable to natural resources which are easier to appropriate and hence present more attractive spoils. As noted above, oil and gas can only be extracted, delivered, and sold to the international market with the help of the capital-intensive infrastructure and highly skilled and well-paid workforce. Therefore, it is more difficult to appropriate those resources. Secondly, because the oil industry is so dependent on infrastructure and because the product is sold abroad, there is a tendency for property and profits to centralize within the state itself, not in private hands, and therefore the conflict among elites is more likely to happen over kickbacks, control over state enterprises, or other similar issues. Thus, they are unlikely to be
more than internal and covert palace intrigues and should not have a great deal of relevance for the larger population.

2.9.2 Manipulation

Another causal mechanism which prevents opposition from emerging implies that when external trade provides a government with enough revenue, the government will use these revenues to manipulate the opposition and prevent the formation of independent social groups that may be inclined to demand political rights (Moore 1976: fn 24; First 1980; Bellin 1994; Shambayati 1994; Ross 2001). Scholars have also noted that some states have attempted to create government-controlled or semi-autonomous groups and institutions to ensure their survival and viability, especially resource-rich petro-states. In some cases, the governments created parallel structures or (quasi-)representative and/or consultative bodies to deactivate potential opponents (Crystal 1990; Kazemi 1995). The end result is that the state directly impacts and influences the opposition by cutting it off from material and societal resources, which negatively affects its organizational capacity and social base.

Chaudhry, for example, suggests that in the 1970s the Mideast governments used their oil revenues to develop programs that were “explicitly designed to depoliticize the population.... In all cases, governments deliberately destroyed independent civil institutions while generating others designed to facilitate the political aims of the state” (Chaudhry 1994: 9). Social relations between business and labor, importers and exporters, and other subgroups of the business community were heavily mediated by the state. The cluster of behavioral and psychological developments that she terms "culture of the market," understood as a broad acceptance of the rules that uphold the notion of legitimate self-interest as a driving force for economic development, not only failed to emerge, but also were deliberately subverted to
prevent the rise of social conflict and political opposition.

She further notes that the state's abundant oil resources in the 1970s and early 1980s had allowed it to postpone the creation of alternative mechanisms for the expression and reconciliation of conflicting economic claims and interests. At the same time, the distributional patterns of government spending intensified primordial and regional divisions. One result of the apolitical years of the 1970s was that when the recession came, it was unclear who was entitled to bargain on policy issues. Few legal, organized civil groups existed to aggregate and voice collective interests.

Scholars have also noted that oil-rich states have attempted to create government or semi-autonomous organizations and institutions to ensure that their survival and viability remains intact. In some cases, the governments created parallel structures to deactivate potential opponents. The methods included substituting a nominally similar state group for an active one, or taking over the existing organizations to institutionalize the regime (Crystal 1995). In Iran, some of these groups functioned as vehicles for patronage, mass mobilization, ideological indoctrination, and even repression (Kazemi 1995).

Another strategy was the creation of (quasi-)representative and/or consultative organs. The range of issues and the level of influence of these groups vary significantly among different states, but the key point is that the government attempts to regulate public activity through control of these groups (Crystal 1995). In this regard, for the governments this tactic may be preferred to outright banning of the groups, as strictly illegal groups also cannot be contained, co-opted or controlled.

The causal mechanism for this hypothesis branches out into alternative but complementary paths, but the end result is that the state directly impacts and influences the
opposition to cut them off from material and societal resources, which negatively affects both organizational capacity and the social base of the opposition.

These mechanisms should be reversible when oil revenues dry out. If the state is no longer able to consistently follow the strategies for depoliticizing and manipulating the civil society, the chances that independent opposition groups would form increase. However, there are other factors that may continue to affect the possibility of the emergence of such groups as well as their behavior. The most important ones are informal institutions and social capital, which developed during the years of dependency on oil.

However, the state does not have to wait to demobilize the groups that already exist. Instead, it may seek to prevent opposition groups from emerging. Furthermore, access to external sources of wealth can remove or weaken political opposition through what is termed the "co-optation" effect (Morrison 2005). That is, oil wealth provides authoritarian governments with budgets that are exceptionally large and unconstrained (Anderson 1995). Instead of building long-term institutions, state elites focus on short-term patronage networks and the co-optation of key groups and actors to silence social forces (Bellin 1994; Chaudhry 1994). Thus, resource abundance enhances elites' ability to generate political support by spending on patronage.

It is also worth noting that long-standing features of social organization which predate the discovery of resource wealth, such as structures of interest representation, social networks, as well as prevailing norms and expectations about the state's role, also influence the effect of oil rents on state-society relations.
2.10 Impact of Oil Revenues on the Demand Side

The second set of hypotheses on state-society relations is related to what I termed "soft power," borrowing from Joseph Nye's discussion of states' "soft" power in international relations. Essentially, I suggest that the state does not have to resort to hard coercive measures to generate compliance. Rather, compliance may be the outcome of a social contract or more targeted co-optation strategies that define the state as a re-distributor of oil wealth and the guarantor of public welfare. These mechanisms work on the demand side of the opposition, depriving the opposition of its follower base.

2.10.1 Social Contract

Social contract approaches emphasize the exchange between the regime and the society, whereby each party tacitly commits to delivering political goods valued by the other. The regime consistently carries out certain policy initiatives and pursues allocational outcomes, while the society gives the state its political consent and compliance (Cook 1993). This assumes that the state is able to spend the necessary resources to obtain societal compliance and buy out potential opponents.

Thus, another possible causal mechanism connecting hydrocarbon revenues and democratic practices is what Ross terms the "taxation effect" (Ross 2001). This effect stems from the fact that rentier states obtain sufficient revenues from the international sale of oil, so they do not need to extract resources form their populations. Therefore, they tax their populations lightly and, in turn, the public is less likely to demand accountability from the government, so the public does not have the urge to protest against inequalities or inefficient representation of their interests (Luciani 1987). Hence, a sort of 'social contract' emerges between the people and the regime whereby the regime redistributes oil revenues through
lighter taxation or subsidies and the population bargains away their right for political accountability.

The logic follows historical institutionalism studies of the demand for representation in government as a response to the state's attempts to extract resources through taxes in early modern Europe (Tilly 1975; Bates and Lien 1985). Some scholars of Middle East regimes explored similar relationships between variations in taxation and the demand for political accountability. According to Crystal, the discovery of oil made the governments of Kuwait and Qatar less accountable to the merchant class (Crystal 1990).

This logic carries some important consequences with regard to the possibility of the emergence of a contentious political movement: If the population enjoys higher or increased quality of life, even if the quality of democracy is weakening, they may be willing to accept such a situation and do not perceive the deteriorating democracy as a reason to protest. Entelis (1995: 56) observes that in Algeria, the persistence of highly centralized control over society had been facilitated by a political trade-off whereby the population at large had bargained away legal political participation and autonomy in return for a guarantee of economic security. This social contract between the state and the society held until the mid-1980s, when a decline in oil prices undermined the state's capacity to provide the national welfare.

Still, some are not convinced that this relationship exists in the form outlined above. Waterbury suggested: “neither historically nor in the twentieth century is there much evidence [in the Middle East] that taxation has evoked demands that governments account for their use of tax monies. Predatory taxation has produced revolts, especially in the countryside, but there has been no translation of tax burden into pressures for
democratization” (Waterbury 1994, op. cit. in Ross 2001: 333). Okruhlik observes that extraction cannot be narrowly defined as taxation, as in rentier states populations may possess other privileges, which, if taken away, may also elicit similar opposition (Okruhlik 1999).

Therefore, the hypothesis, following the logic of "no representation without taxation," is as follows: The ability of the state to distribute oil windfalls to the population (as a lower level of taxation and/or higher level of privileges such as subsidies or collective benefits) generates a social contract between the state and the people, whereby the population gives up political participation in return for the state's provision of goods and benefits. This creates a culture of dependency on the state and alleviates social pressure for democratic representation; hence, opposition movements would be weak and/or unpopular (demand for the opposition does not exist).

The causal mechanism works on the demand side of the equation, altering the social base for the potential opposition organizations and movements. When oil revenues to the state are high, the state does not need to tax the population; thus, the people enjoy low taxes, subsidies, and benefits, which improve their economic situation (or perception thereof). The population is content with its growing standard of living and accepts the rulers' authority. The terms of the emerging social contract are based on the state's redistribution of wealth and provision of services consumed by the population. As a result, the demand side of potential opposition is negatively affected: There is no perception of common need for change, and a consumption-oriented culture does not allow for any symbols to ignite collective action in the name of political change and/or democracy. Social networks are used not for mobilization but to obtain material benefits. Altogether, the result will be low level of approval of, and
interest in, opposition. At the same time, we would expect to find a high level of approval for current leadership, specifically in regard to economic policy, explicit preference of economic security over political freedoms, explicit expression of lack of interest in opposition activities, and low level of approval of the opposition.

On the contrary, a decrease in oil revenues for the state hinders the ability of the state to provide the goods and benefits previously available, so we can observe scarcity in goods previously available, an increase in levels of extraction as increases in taxation or elimination of privileges, and a breakdown of the social contract. This will increase popular discontent and may increase pressure for accountability. This may create the demand-side conditions for the political opposition to emerge and to have popular support.

This causal mechanism is thus reversible: Oil revenues drop, so there is no more wealth to redistribute to the population. The economic situation deteriorates; subsidies, services and benefits shrink, and taxes may rise. People are increasingly dissatisfied and feeling anxious about stability and the future, and the social contract breaks. A perception of a common need for change emerges, which will likely initially take the shape of demands for economic improvements. Ideas about potential collective actions begin to emerge and/or are imported from other regions or countries. Existing cultural symbols may be used by various emerging social forces and leaders to garner support for their causes. Social networks activate for mobilization. Social groups form to pressure for change and accountability, and opposition may emerge and attract more supporters for its causes.

Observable implications would be the opposite of the earlier: lower levels of support of the existing government's economic policy, explicit dissatisfaction with the economic situation, and higher interest in alternatives and hence the opposition.
Ideas and ideology will be important as conditioning factors during this process. The effect of the deterioration of the economic conditions or change in the institutional constraints on the social contract is mediated by the existing cultural and social environment. In the post-totalitarian regime in the Soviet Union in late 1970s and 1980s, the social contract was further supported by ideological indoctrination of the population. In addition, for a successful opposition movement, both the opposition leaders and followers needed to have at least some shared ideas about potential actions, which certainly did not exist in the post-totalitarian setting. Beissinger (2002: 207) observes that failure to act can often be explained in Gramscian terms of cultural hegemony, political control based not only (or even primarily) on coercion, but more significantly on the consent within society to a particular conception of the world. However, neither ideological domination nor lack of experience of the protesters could save the social contract once the economy disintegrated up to a certain point and other facilitating factors created a window of opportunity for the challengers.

The level of extraction and redistribution can be measured in a number of ways, such as the structure of social programs, subsidies, and taxation levels using data from various statistical sources of economic data, such as the Russian Treasury department, the Accountant Chamber of the Russian Federation, the Central Bank of the Russian Federation, and World Bank development indicators.

The taxation argument should be advanced with caution. It is important to specify the intervening variables carefully: In particular, we should distinguish between the individual level of taxation and the state's tax revenues. Russia introduced a flat 13 percent personal income tax rate, replacing the three-tiered 12, 20 and 30 percent previous rates. The tax-exempt income was also increased, further decreasing the tax burden. Considering social tax
reforms enacted at the same time, tax rates were cut substantially for most taxpayers. However, personal income tax (PIT) revenues have increased significantly: 46 percent in nominal and 26 percent real terms during the next year. Even more interestingly, PIT revenues have increased from 2.4 percent to 2.9 percent of GDP, a more than 20 percent increase relative to GDP. PIT revenues continued to increase to 3.3 percent during the next year, representing a further 14% gain relative to GDP (Papp and Takáts 2008). Therefore, if taxation level were considered as a ratio of tax to GDP, such analysis would be misleading. The indicator that will be used in this thesis is the level of individual taxation which the citizens would notice on their paychecks.

To measure the level of approval of the regime, which will serve as the main indicator that the social contract is in place, I use opinion polls indicating level of support for the regime where available, as well as number of supporters for the opposition, turnout for the protest events, etc. To assess the "terms" of the contract, or expectations of the people with regards to the state’s obligations, opinion polls can also be very instructive, and those are supplemented with interview data.

Since the social contract that emerges is based on the state's redistribution of wealth and the provision of services consumed by citizens, the demand side of potential opposition is negatively affected: There is no perception of a common need for change, and the consumption-oriented culture does not allow for any collective action in the name of political change and/or democracy. It has been suggested that when the states use resource allocation to increase patronage, the populace is likely to find rent-seeking a more efficient means than political unrest for inducing redistribution (Lam and Wantchekon 2002).
2.10.2 Co-optation and Patronage

Hydrocarbon wealth can translate into the lack of opposition through what can be termed the "co-optation" effect (Morrison 2005). Oil wealth provides authoritarian governments with budgets that are exceptionally large and unconstrained (Anderson 1995). One of the key features of rentier states is that distribution of rents from external trade of natural resources is politically mediated. When state elites are given discretionary power over the distribution of resources, they are more likely to distribute those with an eye to political survival, so benefits will be distributed to build a political clientele that supports the regime (Bellin 1994: 431). Thus, resource abundance affects the ability of the elites to generate political support from spending on patronage.

Chaudhry compares Saudi Arabia and Iraq and how their government used oil revenues to co-opt various key groups. In the 1970s, enormous inflows of oil revenues expanded the economic role of the state in both cases, empowered oil-rich regimes to create new social bases of support in society in a variety of ways, and increased the ease with which the state could ameliorate political conflict by directly distributing resources through gifts, subsidies, loans, and state contracts. In Saudi Arabia, state contracts, loans, gifts, and a variety of formal and informal distributive measures were used to create a large new entrepreneurial elite with strong kinship and business ties to the bureaucracy and political elites. Through direct setting of wages and prices, the Iraqi government cultivated a broader level of economic dependency among labor and consumers (Chaudhry 1994).

Chaudhry finds that the kind of relationship that emerges is a function of both pre-oil social structures and post-oil dynamics. Here, the ideology seemed to play an important conditioning role: The key difference between countries like Iraq and Libya, on the one hand,
and Kuwait and Saudi Arabia, on the other, was not the extent of state interference in the economy, but rather the size and composition of the state's client groups. The "socialist" oil states entered directly into production themselves, taking over industry, agriculture, trade, and services, and they used their control to uphold the living standards of a broad base of consumers. The "capitalist" oil states, in contrast, distributed oil wealth to create clients in society who had strong primordial links to bureaucrats and decision makers (Chaudhry 1994).

In the case of Russia, it is important to see how state spending affects societal bases of support for the regime. Although not directly asking this question, Sayfer argues that Russia's extreme dependence on several export commodities not only affected the institutions of the state and the framework for decision making, but also induced changes in the prevailing notions of property rights, and in the relative power of interest groups (Sayfer 2007). As a result, social groups with links to the state are much better off, and they may have better organization and institutionalization, while the "outsiders" are struggling to survive.

Fish argues that hydrocarbon resources encourage corruption due to the fact that they are extracted by few well-paid workers with vested interests in the industry and the product may be sold abroad without publicity or advertisement. Corruption, in turn, discourages political openness (Fish 2005: 130). Consequently, if political openness of the regime is low, it negatively affects the structure of opportunity for opposition movements.

Although affecting the organizational capacity (supply side) of the equation, this mechanism probably has even more important implications for the existence of societal demand for opposition groups. It has been suggested that in states with ample natural resources, elites increase spending on patronage and the populace is likely to find rent-
seeking a more efficient way to induce redistribution (Lam and Wantchekon 2002). Tompson notes that rent-seeking will be especially attractive in any environment where property rights are weak and institutions are unstable. In such environments, agents are likely to seek immediate payoffs and discount the future (Tompson 2006).

The other hazard is a possibility of political emasculation of social forces: Social groups may lose political autonomy. Bellin (1994) observes that where the economic position of the entrepreneurial class depends upon currying favor with the state, these entrepreneurs will lack the autonomy to challenge the state or act as a countervailing force to state elites in the definition of public policy. Crystal notes that access to the state is one of the key sources of political power in the Gulf because the state controls a large proportion of wealth. Those who work for the state have an interest in continuation of the state employment (Crystal 1995).

The causal mechanism for this hypothesis is as follows: As oil revenues increase, so does the state budget. Elites have discretion over spending, and capture resource rents and use them to build patronage networks. State spending programs target key constituent groups (economic and social groups which are important for regime survival). Instead of building long-term institutions, they focus on short-term patronage networks and co-optation of key groups and actors to silence the social forces. The relative power of interest groups is weighted towards those that support the regime. In such an environment, social actors find rent seeking more efficient than more formal ways of advancing their interests. The population seeks to enter into patron-client relationships with the state to advance their interests and is not interested in more formal ways of interest representation. Blurring the public-private divide discourages any interest in potential collective action for political
change, and there are no shared ideas about potential collective actions. Social networks are used to seek access to the state as a source of wealth and power. No elites independent from the state are available as potential allies and/or leaders for opposition.

This causal mechanism should be reversible when oil revenues dry up. Without state support, many groups that have been dependent on state support for their existence and well-being would not be able to maintain their status, and relative power will change.

To sum up, the discussion above suggests the following mechanism-based hypotheses. Appendix A outlines the hypotheses in more detail with expected observable implications on both the boom and the bust cycles. Table 2-2 below provides a quick summary.

<table>
<thead>
<tr>
<th>&quot;Supply&quot; side</th>
<th>&quot;Demand&quot; side</th>
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<tbody>
<tr>
<td>H1: Repression and manipulation. Oil revenues allow the state to demobilize opposition groups (using soft or hard coercion).</td>
<td>H3: Patronage The state may be able to mobilize support of the regime and distract public attention from opposition activities by instituting selective and targeted perks to specific population groups (e.g., youth, pensioners, etc.).</td>
</tr>
<tr>
<td>H2: Co-optation Oil revenues allow the state to prevent opposition groups from emerging by selectively co-opting particular social actors (organizations or elites).</td>
<td>H4: Social contract A social contract will be based on the state's redistribution of wealth consumed by citizens, so the demand side of potential opposition is negatively affected. This presumes a more blanketed normative agreement across the various population groups that the state is the ultimate guarantor of social welfare and stability.</td>
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Table 2-2: Summary of hypotheses
The four mechanisms identified above constitute a theoretical framework that, I argue, explains patterns of political contestation in Russia’s regime transition better than alternative explanations (discussed in the following section). Although these mechanisms are not mutually exclusive, one of the research tasks is to assess which ones are better supported by evidence. I suggest that the government will try to choose strategies that can be considered less costly under particular circumstances, trying to balance between monetary and reputational/legitimacy costs. The relative "cost" of each of the mechanisms is in no small part determined by the societal reaction to the chosen approach.

2.11 Timing and Path Dependency in the Argument

Terry Karl (1999) observes that institutional legacies determine the range of choices available to actors within given structural conditions. She further suggests that one should problematize the nature of choice, identities of actors making choices, and how preferences are formed within specific structure of incentives. Decisions and choices are embedded within institutions and formed through interaction among actors. Structures and institutions evolve slowly and incrementally. Path dependency is central to this process, but there are also critical junctures that can dramatically alter the flow of events (e.g., foreign dominations, political regime change, wars, international crisis, etc.) (Collier and Collier 1991). Therefore, the analysis must carefully delineate the continuity of path dependency from the causes for change.

This study analyzes the path dependency and the time lag between the change in structural conditions (e.g., oil prices and state's choices) and the change in the four factors influencing the possibility of the emergence of the opposition (opportunity structure, demand, supply, and ideas). The opportunity structure may change relatively quickly with the
change in state's behavior. For example, if the state has no more money to continue repression, this will open the window of opportunity for potential opponents. However, the key question would be whether there are any potential opponents. It seems that this question may be particularly relevant, as it will likely take somewhat longer for the groups to form. Arguably, even more time is necessary for the changes on the societal, demand side to come into effect.

The analysis should carefully consider existing political coalitions and interest groups and the timing of oil revenues. Writing about Libya, Vandewalle (1998: 178) observes that due to the absence of clearly articulated interest groups at the time of oil revenue inflow, the rulers could disengage from those groups. The non-state elites could never articulate their interests before the redistributive process started, and the social forces were not part of the social contract. Their degree of political mobilization was low before and quickly dissipated further after. As a result, none of the groups were capable of constituting or reconstituting themselves as distinct groups with shared political or economic goals and collective identities. Conversely, social cohesiveness of the merchant class in Kuwait allowed them to take advantage of it while negotiating a new economic and political niche for themselves, while in Bahrain and Oman the rulers could erode the merchants' pre-oil power by playing on ethnic divisions within the merchant community (Crystal 1995).

This analysis certainly resonates with the Russian case. During the Soviet era, oil revenues started to flow in the postwar period, when civil society was already "flattened" by totalitarian regime (Thompson 2001) and no independent social groups existed. Therefore, none of the groups participated in the bargaining on social contract.

After the collapse of the Soviet Union, oil revenues dissipated along with the Soviet oil
industry, so with the next oil revenues influx, the terms of the next oil-based social contract were developing anew again, which could have presented a window of opportunity for social groups to secure a more fair and equitable distribution. Unfortunately for the Russian civil society, it was still very much in flux when oil revenues started to flow in around 2000, and only insider elites or groups with strong connection to the state were involved in redistribution negotiations. In comparison, in Venezuela at the time of the oil revenues inflow, civil society was fairly well developed and presumably certain social groups were well entrenched.

2.12 Method: Case Study, Within-Case Analysis, and Process Tracing

Using a mix of methodologies, including within and across-case comparison, process-tracing, and creating quantitative indicators, this thesis tracks the effects of changing resource rents on the Russian state autonomy and capacity, social spending patterns, funding of the repressive apparatus, as well as political contestation.

Russia is an important case illustrating the effect of oil on state-society relations, which alter the dynamics between the state and the opposition. Quite often, this effect of oil is viewed in deterministic terms, as something that inevitably distorts the political system in a certain way (except for one deviant case of Norway, where oil was discovered well after the political institutions were established). However, unlike the Gulf states that have an overwhelming dependency on oil, Russia represents a case of a country that is only partially dependent on hydrocarbon revenues and therefore has a chance to overcome this deficiency. However, whether or not this happens in no small part depends on Russia's ability to develop a stable and effective democratic political system, which implies the existence of a functioning political opposition.
The case study method has been used by scholars to assess the applicability of broader theories and their limitations, as well as to suggest additional explanations (Skocpol 1982; Putnam 1993; Fish 1994; Fish 2005; Sundstrom 2005). The case study method can help generate new explanations where existing theories prove to be of limited utility (Ragin 1987).

The case study method also allows one to gain a much deeper understanding of the case within case analysis (spatial or temporal sub-units) and process tracing (Munck 2004). In this project, time and sequencing of the oil price ups and downs, social group formation, and state choices are some of the essential components of the explanation. While analyzing temporal processes, I employ Alexander George's micro-historical process tracing (George and Bennett 2004). I expect that process tracing observable implications would be of a greater importance than correlational ones. Munck (2004: 112) observes that "focusing on sequencing and changes over time and on reciprocal relationship among variables can help to make inferences about the several causal chains involved." Correlational observable implications demonstrate whether or not the effect of the cause on the dependent variable can be observed at all. However, in this research design, it may be hard to say which of the hypotheses is at work in each particular case just based on correlation analysis without paying attention to causal mechanisms. Process tracing observable implications teases out rich and contextual data that will tell what was actually happening. Thus, process tracing observable implications gives us additional inferential leverage not provided by correlational observable implications alone.

To employ the process tracing approach, I subdivide the period under investigation into five segments: the Soviet period (1975-1986), the collapse of the Soviet Union (1987-1992), the transition (1993-1999), Putin’s authoritarianism (2000-2007), and the most recent crisis
(2008-2009). The key to subdivision will be to identify the periods within which the effect of particular explanatory factors is roughly constant. However, these periods will be separated by significant changes in the structural explanatory factors, when significant events such as the regime change, drastic change in the world oil market conditions, etc., constitute what is often referred to as critical junctures (Collier and Collier 1991). Pierson suggests that "these change points often occur when new conditions disrupt or overwhelm the specific mechanisms that previously reproduced the existing path" (Pierson 2000: 266). These critical junctures punctuate what otherwise is a gradual and path-dependent process, and have an ability to send the "path" in a different direction.

The thesis uses a number of quantitative measures to track various macro-economic indicators, social spending patterns, funding of the repressive apparatus, and other critical signs of state behavior and choices. All data for these economic and social indicators has been collected by the author through extensive library research during the fieldwork in Moscow. I also create quantitative indicators for political contestation based on the event analysis method. The thesis uses two datasets of protest events. The dataset for the period of 1987-1992 was assembled by Mark Beissinger and his team, and the author wishes to expresses gratitude for allowing to use this dataset for the current analysis. The second dataset for the period of 1993-2007 was constructed by the author using primary sources.

2.13 Comparing Russia and Venezuela: Mill’s Method of Agreement

The other strategy for comparison will be to draw on a shadow case of Venezuela to focus on other structural variables implicated by oil dependency. Venezuela is comparable in terms of the degree of oil dependency. Unlike the Gulf states, where oil reaches up to more than 90% of total state revenues, Venezuela and Russia are somewhat less dependent on oil. For both
countries, natural resources come to about 80% of total export and about 30-40% of government revenues (CIA World Fact Book).

The comparison will use Mill’s method of agreement (Mill 1868). I will assess whether or not oil rents have a similar effect on the two political systems, which are substantially different in many attributes potentially relevant for the explanation of regime transitions. Indeed, Russia emerged out of the post-totalitarian regime with no established democratic institutions, democratic norms, or civil society. Venezuela, on the contrary, has been a democratic regime prior to the development of the oil dependency. Venezuela has the state resources to match social movements that have emerged in opposition to Chavez’s rule, but those movements have also had reasonably strong foundations (extensive social capital; institutionalized albeit discredited parties; a private sector that is corrupt and disorganized, but not totally controlled by the state; a media that is independent). Russia, which emerged from the anarchy created by a dual political and economic transition in the post-Soviet period, never had the kind of civil society Venezuela developed. Therefore, Russia seems to have the state resources to co-opt and repress opposition, but fewer of the resources at the disposal of regime opponents necessary to contest the state. One would expect to see very different types of state society relations and political interactions in these two countries.

However, in spite of the differences, I observe powerful similarities between these cases. I show that the explanatory framework developed for Russia applies well, with a few modifications, to the Venezuelan case. As in Russia and other petro-states, politics in Venezuela can sometimes be seen as a struggle for access to or control over the levers of state power, which include ways of channeling the rents from oil and gas. The collusions among elites over control of oil rents can give rise to an unresponsive political system at the
level of parties and representation, clientelism, and patronage. I will discuss similarities and differences between Russia and Venezuela in Chapter 7.
Chapter 3: The Late Soviet Period and the Emergence of Oil Dependency

In the previous chapters I suggested that although the empirical relationship between stability of authoritarianism and oil wealth is well established, less is known about the mechanisms by which this stability occurs, as well as the political and security consequences of an increase or a reduction in energy rents for petro-authoritarian states. The Soviet Union and then Russia went through alternate periods of authoritarian state domination and heightened political contestation. What explains these variations, and what does it mean for Russia’s regime transitions?

In a nutshell, the relationship between external oil markets and state-society relations can be summarized as follows. When oil prices are high, the state has strong incentives to expand social spending to buy out opponents, as this appears to be a quicker and easier way to obtain societal consent than bargaining. The state is relatively stronger than the society, as it has resources to suppress or manipulate opponents. The state is also less vulnerable to societal demands because it has plenty of non-tax revenue, and it does not have to secure broad societal support to develop and implement policies. The society, in turn, is aware of excessive profits from natural resource trade that accumulates in the state’s coffers; therefore, it has incentives to demand redistribution of oil wealth and engage in rent-seeking and corruption to gain access to this wealth. Therefore, a social contract, understood as a tacit agreement between the ruling regime and the citizens, is based on acceptance of state legitimacy in return for the redistribution of natural resource wealth rather than high standards of governance. Ideology may be used to support the resulting social contract, but it is likely not a decisive factor. When oil prices are low, the state can no longer meet expectations to maintain its legitimacy, so it loses relative strength and becomes more
vulnerable to internal pressure due to the need to secure political support. Society becomes increasingly dissatisfied, and the social contract may break down.

Russia's dependence on its vast hydrocarbon resources has its roots in the late Soviet period, when these resources were redistributed to industries and social groups to prop up the inefficient social and economic system. Although there is no question that the institutional structure of the regime changed dramatically after the Soviet Union ceased to exist, the continuity between the two autocratic periods—the Russia under the late Soviet rule and the Russia that we find at the beginning of the 21st century—is found in state-society relations shaped by similar sociopolitical structures emerging out of abundant hydrocarbon revenues flowing into the country. In a sense, oil dependence creates surprising similarities between the regimes of different types and likely overruns other democratization drivers. Thus, political regime type may become epiphenomenal in the presence of more powerful factors rooted in economic, political, and social structures that have developed over the years of energy rents abundance.

This chapter reviews the late Soviet period, which can be characterized as a period of authoritarian stability. The purpose of the chapter is to set the stage for the following chapters by creating a baseline for subsequent political and economic developments. I explore the impact of oil and gas rents on state-society relations and their interaction with earlier Soviet legacies. I am not suggesting that energy rents were the determining factor in state-society relations in the Soviet political system. Political domination of the Communist party and socialist autocracy were not initially based on oil. However, natural resources were an important factor that prolonged the survival of the regime. Oil dependency played a role in shaping the sociopolitical system in the late Soviet period, and even more significantly it
formed the foundation for what followed after the collapse (Grigoriev interview). It did so by providing external resources which alleviated the need to terrorize and exploit the population and offered additional means to maintain stability and legitimacy of the regime. In essence, availability of natural resource revenues allowed the interest groups and elites in control of the Soviet economy to maintain and preserve the inefficient economic system (Plaksin interview).

I begin with the discussion of the role of oil and gas in the Soviet economy in the late Soviet period and state’s autonomy vis-à-vis society. I then review the history of political contention and opposition in the USSR. I suggest that although many features of state-society relations that influence Russian sociopolitical system up to this day—such as the norm of dependency on the state for provision of essential goods and services, public-private synergy, patronage and corruption—emerged prior to the resource curse, the latter exacerbated those tendencies, making them front and center to all interactions between the state and the society. I am exploring the mechanisms by which macro-level structural conditions impacted the social contract imprinted in the everyday lives and norms of millions of people at the micro level. The following section discusses the political economy of the Soviet oil and gas industry.

### 3.1 Oil Industry and the Soviet Economy

Soviet economy and state-society relations had undergone important transformations over the years. Unlike earlier periods in Soviet history, when perpetual mobilization of societal resources to achieve the state’s economic and political goals was supported by ideology and induced with terror and violence (Zaslavsky 1994), the late Soviet period was characterized by reduced coercion and lower levels of resource extraction from the society. Brezhnev’s
period was labeled as a period of “stagnation” for its low violence, inefficient and unproductive economy, significantly weakened beliefs in communist ideologies, and widespread apathy. At the same time, the ruling party and the society became accustomed to the idea that the provision of welfare is ultimately the state’s responsibility. Cook describes the arrangements:

[T]he regime provided broad guarantees of full and secure employment, state-controlled and heavily subsidized prices for essential goods, fully socialized human services, and egalitarian wage policies. In exchange for such comprehensive state provision of economic and social security, Soviet workers consented to the party’s extensive and monopolistic power, accepted state domination of the economy, and complied with authoritarian political norms. Maintenance of labor peace in the political system thus required relatively little use of overt coercion. (Cook 1993: 1-2)

Kotkin observes that although relative to the West the planned economy performed inadequately, it employed nearly every person of working age, and the Soviet standard of living, though disappointing, was tolerable for most people, given what they did not know due to censorship and travel restrictions. The enormous intelligentsia griped but enjoyed massive state subsidies manipulated to promote overall loyalty (Kotkin 2008).

In a country running an increasingly inefficient and dysfunctional command economy, such arrangements could hardly be affordable. The paradox of Brezhnev’s stagnation period was hard to comprehend for those within it. Early in the Brezhnev era, the majority of critical intellectuals optimistically assumed that radical reforms of Soviet society were around the corner. The waste and disorganization of the economy and the inefficiency of the collective farm system were strikingly evident, so the deepening of the crisis and the resulting reforms seemed inevitable. However, the stagnation continued and matured with no reform in sight. Zaslavsky observes:
There was something profoundly demoralizing in the spectacle of the gerontocratic regime managing to keep politically dictated low prices on the basic necessities of life and provide full employment in conditions of growing economic inefficiency and declining productivity. At the time the real nature of the oil-for-grain deals with the West, as well as the enormous depletion of resources and deterioration of the ecological situation that sustained the Brezhnev status quo, remained largely unknown to Soviet citizens. (Zaslavsky 1994: viii)

In the 1950s, oil supply was considered the Achilles’ heel of the Soviet economy. However, in early 1960s, five dozen new oil fields were identified in Western Siberia, and the USSR went from being a net importer to a net exporter of oil. Even better, the 1973 Arab-Israeli war and accompanying oil shock sent world oil prices up sharply, causing the greatest economic boon the USSR had ever experienced. Without the discovery of Siberian oil, the Soviet Union might have collapsed decades earlier (Kotkin 2008).

Experts in Russia point out that the significance of oil resources was not only in their ability to generate external rents. Only a smaller portion was sold to the West. The rent generated from that trade was used to fund massive projects such as the Afghanistan war. That portion of the energy trade was also the source of the biggest corruption (Grigoriev interview).

It was not only energy exports who played a significant role in the Soviet economy. The Soviet economy was based on availability of cheap energy resources, which allowed it to build a modern and diversified economy and scientific potential. It is critically important to understand that oil resources were used for the modernization of the economic potential inside the planned economy model (Grigoriev interview). Soviet oil allowed the USSR to build sophisticated and modern industries such as aircraft and marine ship manufacturing, which was critical for the country’s development. Yet, the lack of private property and the rulers’ fear of losing control over property prevented effective modernization (Rimskii
Nevertheless, from 1973 to 1985 energy exports accounted for 80 percent of the USSR’s expanding hard currency earnings. In addition, other oil exporting countries—and top customers of Soviet weapons—also saw their revenues increase from $23 billion in 1972 to $140 billion in 1977, so many Arab oil states went on military spending sprees, thus further increasing Moscow’s windfall. The USSR used oil money to subsidize its satellite states (primarily with cheap energy), paid for a huge military buildup, and helped sustain the costs of the Afghanistan war launched in 1979. Oil money went to increase salaries and perks for the expanding Soviet elite, helped acquire Western technology for the auto industry, synthetic fibers, and other consumer products, and purchased foreign grain and feed for Soviet livestock. Soviet industry was very energy inefficient, with factories consuming huge amounts of energy compared to their Western counterparts, creating a hyper fossil fuel economy on which the superpower rested (Kotkin 2008).

In his last book, Yegor Gaidar tells a shocking story of the poor condition of the Soviet economy. The extent of the ineffectiveness of the economy was staggering. The USSR extracted eight times the amount of ore the US did and produced only twice as much steel. Per capita consumption of raw materials was 1.6 and energy 2.1 times that of the US per capita consumption. The average building construction time in the USSR was more than 10 years, while in the US it was less than two years.\textsuperscript{12} The USSR produced 16 times as many agricultural machines and at the same time was dependent on grain imports.\textsuperscript{13} The leadership of the country recognized the problems associated with this ineffectiveness. In 1965 it undertook an attempt at economic reform, which proved to be the last serious attempt to

\begin{footnotesize}
\begin{itemize}
\item[(\textsuperscript{12})] Ermakov E. Vzglad v proshloe I buduschee, Pravda, 8 January 1988, cited in Gaidar 2006
\end{itemize}
\end{footnotesize}
reform the economy before the severe crisis hit the communist system. Despite that last attempt, productivity as well as workplace discipline were continuously declining (Gaidar 2006).

One of the direct implications of the ineffectiveness of the Soviet economy was constant deficit in almost all goods. The problems were gradually mounting since the mid-1960s. In the 1970s and early 1980s the deficit became habitual although it was not catastrophic yet. Perhaps the biggest of all problems, according to Gaidar, was the chronic inefficiency of the agricultural sector. The command economy did not provide market mechanisms to deal with the gap between supply and demand in agricultural products and food. Since the 1950s, the weakness of Soviet agriculture was evident. With the growing urban population, by the 1960s consumption of grain well exceeded its production. Import of grain grew from 2.2 million tons in 1970 to 29.4 million tons in 1982 and reached its maximum of 46 million tons by 1984. Clearly, these trends were exacerbated by USSR export or foreign aid donation of agricultural equipment to the Third World or other socialist countries. Along with the use of force, Soviet leadership used increasing amounts of economic assistance to mollify potential opponents in satellite Soviet states (Gaidar 2006). However, even though this additional drain of resources to satellite states skewed the statistics somewhat, this does not negate the general point of chronic inefficiency of the Soviet command economy. Russian leading analytical publication of liberal orientation Kommersant Vlast’ described the situation:

From 1971 to 1985 USSR imported good for the total of trillion dollars. This is according to the official data, but the unofficial data suggests that total imported goods

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were twice as much. In 1984... annual import of consumer goods was 90 times more than in 1950... Of course deficit existed in the country... But the Communist Party needed to make sure that the Soviet citizens felt their standard of living is growing. And they did feel it. They did not know that bread and butter was imported from abroad and that cotton was also imported. They just saw that there were more goods available [and] the Party did everything it could to improve the life in the USSR.  

The USSR was exporting metals and raw materials to capital markets but at the same time imported high-quality metallurgical products. The same was the case in other industrial sectors. The entire Soviet economy was built upon this asymmetrical Soviet external trade. The USSR was unable to increase the output of non-raw material production; therefore, importing machinery and equipment was the only option available to try to slow down the ever-increasing technology gap between the USSR and the leaders of the modern economic growth. The USSR turned into the largest net importer of food since the 1960s, which created enormous problems for the country’s leaders. These problems were only exacerbated by the fact that the USSR never maintained large enough hard currency reserves, instead choosing to keep them at a minimal level necessary to service current trade (Gaidar 2006: 178).

Therefore, the Soviet leadership was trapped. It was impossible to increase agricultural production sufficiently to meet the growing internal demand. Bringing demand in line with supply without raising prices was not feasible, as raising prices would aggravate the population and threaten social stability. As the gap between the wholesale and retail prices on agricultural products grew, the budget became more and more imbalanced. The need to increase expenditures and capital investment in the agricultural sector limited the development of other sectors (Gaidar 2006: 168). Kozlov describes the situation: “In 1950-60s authorities found themselves in a vicious circle. Economic problems were impossible to

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15 Kommendand Vlast’, No. 31 (283), 18.08.1998
solve without fostering dissatisfaction of the citizens and encouraging oppositional attitudes” (Kozlov 1999).

Oil reserves seemed to be the answer to the economic problems: Oil exports could pay for imports of foodstuffs and consumer goods. The hydrocarbon industry was initially developed after the Second World War primarily to provide resources for heavy industry and the military-industrial sector and to obtain foreign exchange to finance vital imports. Energy rents and energy subsidies were mainly used to maintain the existing state-political system and to finance expansion of the Soviet bloc. Its economic and political power was based on the extraction of rents externally and then distributing them internally (Kim 2003). The Soviet Union quickly developed a market for its oil trade in capitalist countries (Goldman 2008). Its need for hard currency prompted the Soviet leadership to use a strategy of forced exploitation of oil reserves—a strategy that called for methods that gave quick results but risked creating much lower yields in the following years (Gaddy and Ickes 2005; Grace 2005; Gaidar 2007). Figure 3-1 below illustrates the fast increase in oil production in the USSR.

![Figure 3-1](image_url)  
*Figure 3-1  Oil production in Western Siberia, million ton, 1965-1984  
Source: Gaidar 2007*
The explosion of oil prices in the 1970s and 1980s and mounting oil exports made the Soviet Union increasingly dependent on petro-dollars. Reflecting their escalating importance, the Soviet Union sold abroad one of every four barrels in new production. By the early 1980s, 60% of hard-currency earnings came from oil, with another 15-20% from natural gas (Grace 2005). It was estimated that in the mid-1980s, the annual amount of oil rent for the Soviet Union reached 40% of total budget revenues (Sagers, Kryukov et al. 1995).

How significant were oil and gas revenues for the Soviet economy in the late Brezhnev era? Following Gaddy and Ickes’s methodology, I estimate the size of total oil and gas rents in Russia from 1974 (Gaddy and Ickes 2005). The rent here is defined as the revenue received from the sale of the resource minus the cost of producing it. The size of rents gives an idea about the importance of natural resources for the economy, as well as some idea of the spoils to be distributed. The following Figure 3-2 illustrates the size of energy rents between 1974 and 1990.\(^\text{16}\)

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\(^{16}\) Using Gaddy and Ickes’s methodology, I estimate the size of total oil and gas rents in Russia and look at their dynamics since 1970. Gaddy and Ickes define the rent as “the revenue received from sale of the resource minus the cost of producing it.” To calculate rents they estimate market prices for oil and gas, the quantities of these commodities produced in Russia, and the cost of extraction and distribution for each. Production data for both oil and gas are readily available, as are world market prices for oil. Because there is no single international market for natural gas, determining the true market price of gas presents significant problems. Obtaining good estimates for costs of extraction is even more difficult. For both oil and gas Gaddy and Ickes use the simple assumptions of extraction costs: a constant $8 dollars a barrel cost of oil and a constant $18 per thousand cubic meters of gas. Although this may be a highly imperfect quantitative measure of rents, qualitatively it illustrates the point quite well. Gaddy, C. and B. Ickes (2005). "Resource Rents and the Russian Economy." Eurasian Geography and Economics 46(8): 559-583.
The graph clearly illustrates that hydrocarbon rents played a very significant role in the Soviet economy. Two points stand out. First, along with the discovery of significant petroleum reserves, the unprecedented rise on oil prices in mid- to late 1970s and the hike in prices in 1979-1981 provided a significant boost to the Soviet economy. As oil exports increased, the influx of hard currency from 1973 until early the 1980s was greater than ever. The hard currency from oil exports alleviated the growing food supply crisis (Millar 1983), allowed an increase of the import of critical equipment and consumer goods, ensured a financial base for the arms race and for the achievement of nuclear parity with the US, and permitted the realization of risky foreign policy projects such as the war in Afghanistan (Gaidar 2006: 182-3). The second point is the dramatic movement of the rent total from a peak of well over $400 billion (in 2008 dollars) in 1981 to as low as $150 billion in late 1980s. As the figure shows, after the 1981 peak, the general trajectory was one of decline.

The Soviet economy grew increasingly dependent on foreign trade. What was critical yet unnoticed by most observers of the time was the radical change in the economic relationship between the USSR and the rest of the world. At that time, the Soviet economy,
formally still closed, had become deeply integrated into the system of international trade and dependent on world markets (Gaidar 2006: 197-98). Figure 3-3 below shows that the share of export as percent of GDP increased from under 20% in late 1960s to more than 50% in late 1970s, and then began to decline.

![Figure 3-3](image)

**Figure 3-3** Export and import as percentage of Soviet GDP, 1960-1986
*Source: Narodnoe Khoziaistvo SSSR, Various years*

Another way to look at the significance of USSR foreign trade is to look at the correlation of export and import revenues. Figure 3-4 shows that exports and imports are very closely correlated.
The structure of exports and imports reveals the exposure of the Soviet economy to the external market conditions and the resulting vulnerability. Raw materials such as ores and metals contributed about 10% of export revenues on average. A portion of export revenues was coming from the oil and gas trade. At its peak in 1979, energy exports constituted about 50% of overall exports, and most of it was oil and gas. By 1980 oil and gas made up 67% of USSR exports to OECD countries (Gaidar 2006).

By the late 1970s, the USSR imported many essential goods that it was unable to produce domestically. Machinery and equipment produced in the USSR were uncompetitive in Western markets but were exported to Comecon countries in exchange for consumer goods. Consumer goods, imported primarily from Comecon countries, allowed the regime to provide home appliances, televisions, and other goods, which were of higher quality than their Soviet counterparts. Food imports, primarily grain, made up between 20 and 30 percent of all exports. Up to 50 percent of imports constituted metal production and machinery, which were essential to sustain the Soviet industry and economy. Figures 3-5 and 3-6 below illustrate the structure of imports and exports.
By 1980, oil prices remained high but stopped rising. The shortage of consumer goods and kolkhoz markets prices increased. Unable to break the vicious cycle of supporting putting more and more money into the increasingly inefficient economy, the USSR began to slide into a budgetary and fiscal crisis. More money was printed, and internal borrowing from savings and investments of the population primarily financed budget expenses. The increased financial imbalance in the economy and growing financial disparities and consumer good shortages encouraged attempts to compensate for the lack of production by lowering product quality. All of this took place against the backdrop of increasing economic crime and corruption (Gaidar 2006: 186).

From 1981 to 1984, the Soviet government had only one instrument to handle the growing difficulties in foreign trade: increasing oil production. Production rose from 93.1 million tons in 1975 to 119 million tons in 1980 and 130 million tons in 1983. However, the growth of oil production slowed down in 1980s (Grace 2005; Gaidar 2006: 190).

At the same time, oil prices collapsed, driven by external political circumstances. The
financial situation of the USSR and its Soviet client states deteriorated. In 1985 expenditures to develop new wells and to maintain the output of active wells, combined with the lack of resources, led to a fall in production of 12 million tons. At the same time, the slow decrease in the real price of oil, which began in 1981-84 after the decision of Saudi Arabia to increase production threefold, resulted in an unprecedented collapse of the prices. In 1985-86 world prices for natural resources—which supported the Soviet budget, its foreign trade balance, its consumer market, purchases of tens of millions of tons of grain a year, servicing of the foreign debt, and financing of the army and military-industrial complex—fell sharply (Grace 2005; Gaidar 2007: 196; Goldman 2008).

Essentially, oil revenues powered the Soviet recovery after the Second World War and remained the cornerstone of the economy until the 1980s. By the 1980s, the Soviet state became dangerously dependent on external revenues from oil trade to provide for maintenance of the sociopolitical system as well as for internal redistribution and support of industry and the defense-related sectors (Kim 2003). To obtain those external revenues, the Soviet state continuously invested more money into the hydrocarbon industry to extract more oil and gas while neglecting repairs and maintenance. Oil and gas could buy the Soviet regime its longevity until cheap oil began to run out. When the international market prices tumbled in the mid-1980s, the financial bargaining between the oil industry and the state could not be sustained any longer and the industry collapsed (Grace 2005). This ultimately precipitated the collapse of the entire Soviet system.

This was not the main reason for the collapse of the USSR, as its problems were preordained by the fundamental characteristics of the Soviet economic and political system. However, high oil prices bought the Soviet regime a relatively long period of ephemeral
stability based on the redistribution of oil and gas revenues. As the economic situation deteriorated, popular discontent mounted, forcing the regime to seek other means to address the problems, but by that time it was too late for reforms.

The remaining sections explore the state-society relations in the Soviet Union before and on the verge of oil price collapse with the aim of setting the stage for the following chapters. First, I review several key structural features of the state-society relations and the Soviet regime, including the degree of the state’s autonomy in the USSR, existing social organization and norms and expectations about the regime performance. Then I explore state choices and societal reactions.

3.2 State Autonomy

Totalitarianism can be viewed as an extreme autonomy of the state from society (Friedrich and Brzezinski 1956). Totalitarian systems involve the conditioning individuals on the basis of ideology and coerced unanimity of the citizens and their identification with the leader. They imply a tendency toward the destruction of the line between the state and society and the emergence of the total politicization of society by political organizations, most notably the ruling party (Linz 2000: 66). Totalitarianism means an extreme ability to mobilize resources and efforts of the population together with the unity of centralized command and power of enforcement (Deutsch 1954). The totalitarian state, therefore, by definition, is assumed to have very strong autonomy and capacity.

As mentioned earlier, the Soviet state was perhaps one of the mightiest states in the world with regard to its ability to assert control over political outcomes on its territory. The Soviet state had emerged long before as an autonomous force in the political arena and as an
interest group in its own right, with its own particular social consciousness (Janos 1970). The
Soviet state had access to resources, the ability to persuade social actors to follow its policies,
and the ability to intervene in the economy to achieve its policy goals. Virtually
unconstrained by societal demands, Soviet leaders were in a position to extract and
redistribute resources according to their preferences. Despite being inefficient and corrupt,
the state dominated every aspect of life within the Soviet Union and had significant power
internationally. In the Soviet Union, the reality of life was such that to have anything done,
the state was the only means available.

However, Ikenberry (1986) notes that equating state capacity with its ability to
intervene and assert control over the economy and society may be misleading. Indeed, he
observes that state capacity may have more to do with flexibility of state actions and the
ability of the government to provide itself with the broadest array of options in the face of the
next socioeconomic crisis. Deutsch (1954) observed that the structural features of the
totalitarian system itself created inherent contradictions that inhibited its ability to adapt and
change. The totalitarian state can only be effective inasmuch as it can stay autonomous not
only with respect to societal demands but also its own past commitments. In other words, it
should be able commit, withdraw and recommit resources as needed. Once resources become
permanently committed, the state becomes trapped in this contradiction and becomes more
“traditional” and less totalitarian. As will become clearer later in this thesis, withdrawal and
recommitment of resources as well as unity of command became major issues in the late
Soviet Union. Secondly, according to Deutsch, the totalitarian state is dependent on
voluntary compliance of the citizens based on their total identification with the regime.
In the late Soviet period, the “totality” of control had declined. Decision making had become collective and oligarchic (Nogee 1972: 214). The Soviet state in the late Soviet period had been characterized as post-totalitarian (Linz 1975). Consider the following description:

The characteristics of the posttotalitarian system emphasize the party-state’s predominance over social processes and refusal to allow for independent social activity, while recognizing that Stalinist methods of state dominance and coercion, resulting in the atomization of society, and no longer tenable in conditions of national diversity and modernizing societies. Whereas totalitarian regimes of the Stalinist variant emphasize centralized mobilization for party-directed fulfillment of ideological and social goals, posttotalitarian Communist regimes must reemphasize mobilization by reducing control over social processes, granting increased autonomy for select groups. (Weigle and Butterfield 1992: 2)

Therefore, the “totality” of control over the society through the means of ideological indoctrination and coercion had subsided. Post-totalitarian\footnote{Mature post-totalitarian regimes in fact looks very much like an authoritarian regimes, which is an important point for my argument. This is why I argue that regime transitions in Russia do not represent a unique path of transition from the specific and distinct type of regime (Communist totalitarian) but can be compared to other, non-post-communist cases.} regimes may be considered a type of authoritarian system in which the society became more complex and the regime was less prepared to resort to outright terror. A more complex picture began to emerge in which the society posed some, albeit weak, limits to state autonomy (Connor 1988). Looking ahead, this would become an important factor later on when the economic crisis hit hard. Even though it remained autonomous and the Soviet state was “strong” in the sense of control over the territory and resources, as we will see later, the Soviet state proved to have little capacity for adaptation and little resilience in the face of socioeconomic crises.

Yet, until then the Soviet state retained a significant degree of decision-making autonomy because it still retained full control over the economy. Way suggests that to the
extent that leaders have control over the economy, including reliance on energy revenues, they have the power to suppress any potential opposition. The monopolization of resources by the state creates significant barriers to activism. Thus, oil-rich states and centrally planned economies are often able to prevent the formation of independent social groups (Way 2009).

The late Soviet state was “suspended” above the society: As mobilization of the society diminished, state-society relations were predominantly reduced to expenditures, and accountability and public input into policymaking were lacking (Skocpol 1982). In that respect, the Soviet Union surprisingly resembled other capital-deficient petro-exporting states. Typically, oil exporter countries have high income taxes, of which corporate taxes including those paid by the oil industry make up the majority, along with their low levels of taxes on goods and services. There were two kinds of special taxes on energy: the turnover tax in the domestic market and the export tariff. The turnover tax was a differential between the wholesale price and the retail price that consumers had to pay. Through the export tariff, the state expropriated the wide difference between the price of oil sold on the international market and the real cost of production (Kim 2003). Direct taxation in the USSR had long been abolished as an instrument of income redistribution in any significant sense. Income tax reached a maximum of 13 percent on regular earnings. Wealth was not taxed as such (Matthews 1978), probably because wealth is not an acceptable notion in a society living under egalitarian ideology.

In the USSR, expenditures became one of the key mechanisms in the state’s relationship with the people and a key mechanism through which state-society relations were mediated. A couple of points stand out. First, the share of state budget expenditures as percent of GDP suggests that a significant portion (25-30%) of the entire country’s wealth
was redistributed through the state. Importantly, this share grew between the late 1960s and late 1980s. Compared with the total public consumption, which fluctuates around 30% of GDP, it is quite suggestive, showing the significance of state budget expenditures for the economy.¹⁸

Another way to look at the significance of state expenditures for people’s well-being is to consider the benefits and payments from social funds (operated by the state) to individuals. Maintaining the perception of a growing standard of living was critically important for the Soviet regime. Social funds covered a number of benefits and perks, including healthcare, recreation and sports, children’s activities and summer camps, and numerous other benefits and payments provided on top of monetary wages. Indeed, this seems to become crucial as a point of complaint for post-Soviet Russian citizens. Figure 3-7 shows that benefits paid from the federal budget remained high, and although somewhat dipped during the crisis, went up again as social tensions mounted in 1987.

¹⁸ Source: Narodnoe Khoziaistvo SSSR, Gosstat, various years
The role of the state in the provision of these services can be illustrated by comparing the amounts of monetary wages (average earned monthly income) with the per capita amounts redistributed by the state from social funds as benefits and disbursements. According to *Narodnoe Khoziaistvo SSSR, Gosstat*, in 1970 average monthly earnings were 122 rubles while the benefits and payments from social funds amounted to 263 rubles. In 1980, average monthly wages were 169 rubles while per capital benefits and payments from social funds were 441 rubles; in 1985, 190 and 530 rubles respectively; and in 1987, 203 and 576 rubles respectively. It is clear that social fund spending exceeded monetary earnings, and the gap was growing over time.

The Soviet state was an ultimate example of a “suspended” state, by virtue of its command economy primarily focused on redistribution of wealth. What is important to note is that while at the earlier stages of the Soviet state it had to squeeze the population severely to obtain resources (mostly in the form of cheap labour) to advance its developmental
agenda, in the later period external trade revenues provided the means that alleviated the need for extreme pressure (Rimskii interview).

The elite of the Soviet upper ranks constituted an isolated stratum. It had access to the West, and their private lives were properly insulated from those below. The elite had access to special hospitals, resorts, supply networks, and schools which were out of reach for anybody not belonging to the closed circle of the party-state apparatus. The existence of this vast self-indulgent class that was increasingly preoccupied with the spoils of office for themselves and their children had become the greatest contradiction in the postwar Soviet Union (Kotkin 2008).

At the very top, the Soviet elite was growing increasingly old and incapable. By the 1980s, all of Brezhnev’s rivals were removed and the faction of aging men—Ustinov (defense), Chernenko (party apparat), Tikhonov (economy), Andropov (KGB), Suslov (ideology), and Gromyko (foreign minister)—exercised unlimited power in their domains by keeping the enfeebled Brezhnev in place. They were constantly briefed on the country’s many problems, but refused any major reforms, especially since oil money was flowing into the state coffers (Kotkin 2008).

Still, even the ultimate suspended state had some avenues to gauge people’s attitudes. For example, one of the major central newspapers, Literatsurnaia Gazeta, ran a column entitled “If I were the director,” in which people could suggest what would they do if they had power. Even though not many of the suggestions were ever implemented (and they were probably heavily censored), at least the newspaper allowed for the expression of public opinion (Rimskii Interview).

In the next section, I explore how declining oil rents affected public opinion and
opposition activity in the Soviet Union and state-society relations more generally. Gaidar suggests that fluctuations in public opinion associated with changed prices of export rents can threaten the regime. Some examples he points out include political liberalization in Mexico, military coup in Nigeria, civil war in Algeria, and democratic crisis in Venezuela (Gaidar 2006: 106).

3.3 Contention in the USSR

State-society relations and the power struggles they entail are not constant, and one of the key problems is to explain how and why they change. The intensity of public protest and political contention fluctuates over time. In this section I review the types of political opposition and the intensity of contention that existed in the USSR. In quiet phases of contention, state institutions use their strategic positions to naturalize dominant conceptions of order and to marginalize alternatives (Beissinger 2002: 69). The Brezhnev era is a good example of this.

One of the key characteristics of the period was the relatively high degree of social stability. The number of mass protests necessitating the use of weapons was gradually decreasing from the mid-1960s. From 1963 to 1967, there were only isolated incidents when the state had to use force. Seven out of nine mass protests of the Brezhnev era happened during the first years of his rule. Later on, authorities learned to minimize the risks, and from 1968 until Brezhnev’s death, there is no record of the use of force to suppress mass protests (Kozlov 1999).

Public protest activity in the USSR can be roughly divided into two categories. The first category includes intellectuals who opposed the regime primarily on normative grounds.
Their actions involved only a narrow circle of dissidents. The second category includes spontaneous mass protests, which were triggered by rising prices or labour disputes. There were also protests by non-Slavic nationalities demanding autonomy from Russian domination, primarily in the national republics other than Russia. Nationalist protest events are beyond the scope of this study, but will be considered as part of mass protest events where appropriate. I will also consider labour unrest to some degree, although it is often linked to mass public protests.

The first category of normatively and ideologically driven opposition is well known despite its small size and rather marginal position in the society. Despite the regime repressiveness, dissent continued to surface. The dissident movement was very small—at most about a thousand brave individuals. In the Brezhnev era, opposition was diffuse and largely revolving around individual actions or small groups rather than large-scale collective action. As it was difficult for Soviet dissidents to organize large-scale actions, they favored tactics such as open letter, petition, or hunger strike (Beissinger 2002).

Alekseeva (1983) observes that the movement, as it often happens in highly hostile and repressive environments, did not have any formal organizational structure either in the core of the movement or between the “core” and the “periphery.” There were no formal leaders, as nobody assigned any tasks to anyone. The movement was held together by ideological beliefs. Cooperation was only possible inasmuch as it was based on deep trust in close circles. The only structure was provided by the *samizdat* publishing, which served as links among the loose parts of the movement.19

19 This is consistent with research on social networks that confirms that in societies with high degree of insecurity, people tend to organize themselves into networks of friends, which are called cliques. By nature, cliques are coalitions whose members associate regularly with each other on the basis of affection and common
In the 1970s, both the dissident movement and regime’s response showed signs of a critical change in tactics. The West began to figure increasingly prominently in transactions between the state and the opposition. Although human rights activists in the USSR discovered this tactic as early as 1965 (Alekseeva 1983), it appears that in the 1970s dissidents began appealing to the West more than targeting the authorities as they tended to do before. This pattern is in line with the “boomerang effect,” in which the activists lacking opportunities to influence their government directly often seek opportunities to act through international channels instead (Keck and Sikkink 1998). Interestingly, the dissident movement almost entirely ignored the issues of significance for the masses, such as standard of living and other economic and labour grievances, in their attempts to widen support for their movement, and most samizdat publications were indifferent toward the material life of people (Shlapentokh 2001).

In 1975, after the Helsinki human rights treaty was signed, dissidents established Helsinki groups and began monitoring human rights abuses in the USSR. With this, the movement completely reoriented itself towards the West. After the establishment of the Moscow Helsinki Group in May of 1976, the wave of support for the Group in the USSR and abroad led to a period of revival of the human rights movement. The Helsinki Accords found a great deal of response in the USSR and allowed government opponents to appeal to the West with the purpose of applying pressure on the Soviet leadership (Alekseeva 1983).

The authorities also changed their approach and began to expel dissidents to the West as opposed to jailing them, as this allowed them to disable them more fully. As disarmament interest. These cliques are not open to strangers, but are characterized by close interrelation and “thick” interpersonal trust between the group members. A clique is a relatively constant collection of persons who see each other for both emotional and pragmatic reasons. Boissevain, J. (1974). Friends of friends : networks, manipulators and coalitions. New York: St. Martin's Press.
was gaining momentum, the ruling elites needed room to maneuver with the West; therefore, they were unwilling to make moves that directly hindered their negotiating power. The opposition sensed this vulnerability and tried to use it to their advantage (Shubin 2008). The KGB was well aware of the threat posed by the human rights movement but had to act carefully and only in situations where it believed it could justify its position. Moreover, there was some demand in the society for dissident movement, and people continued to read samizdat and to send information to be published in it.

This was a period when the dissident movement regrouped and had a relatively good base for growth (Shubin 2008). The social base of the opposition was somewhat widening. Lyudmila Alekseeva suggests that in the 1970s, a new generation of dissidents emerged that was not satisfied with just normative opposition but wanted to see some immediate results of their fight. In 1978 an unprecedented demonstration of students took place in Leningrad (about 200 students). Unsuccessful emigrants, who were not granted exit visas, also fueled the movement, as they were considered disloyal to the regime and were excluded from mainstream social activity. Religious groups were gaining some momentum, as well, particularly among religious people and intellectuals. In 1979-80 samizdat publishing was growing (Shubin 2008). Similarly, while the founders of the human rights movements were predominantly from the intelligentsia, in the mid-1970s a wider stratum of population became involved. For example, according to Alekseeva, in 1976, 40% of those arrested for anti-regime activity were from the working class (Alekseeva 1983).

Generally speaking, under the Soviet rule all organized public activity was regulated and conducted via officially sanctioned organizations, such as komsomol, the party, and official trade unions, which were predominantly oriented on consumer and practical issues.
The most politicized activity that existed was tied to the dissident movement, which could hardly be considered oppositional although it voiced certain disagreements with the regime. A small number of such organizations appeared in 1970s. The mid- to late 1970s appear to be the apogee of the normatively driven dissident movement. By early 1980s, the movement became largely dismantled by repressions (see below). Most independent public activity was heavily controlled and often repressed by the state, so these groups were semi-illegal, underdeveloped, and died fairly quickly (Gefter interview).

Importantly, the non-material, ideological and normative dissent seemed to be taken over by a more powerful wave of popular discontent driven by “bread and butter” issues, which proved to be a lot more dangerous for the regime.

This second category of contention involved spontaneous mass protest events often associated with labor disputes, nationalism, and/or social and economic demands. Mass protest events were relatively rare but not unknown in Soviet times. Beissinger provides data on Soviet protest activity, collected as part of the study of Soviet contention and nationalist mobilization (Beissinger 2002). Between 1965 and 1987, he recorded a total of 264 mass protest demonstrations (100 people or more) for which information was available. With the exception of a very large demonstration in Yerevan in 1965 commemorating victims of the Armenian genocide (not included here), most of the protest events were rather small and isolated until 1987, when 69 protest demonstrations were recorded as glasnost was already under way. Figure 3-8 below presents the number of demonstrations and number of participants (in thousands) in these demonstrations.

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20 The number of demonstrations is likely underestimated. The demonstrations for the study were recorded based on news sources and samizdat publications, which likely do not cover all of the events. Since Beissinger’s study used multiple data sources to compile its data on protest events, such as émigré publications, Western
Beissinger identifies temporal variations in collective action across the period. Somewhat greater demonstration activity occurred in 1965-1968, when dissent unleashed by Khruschev’s removal from office, Brezhnev’s abandonment of Khruschev’s de-Stalinization efforts and attempts of number of nationalities to press rights through street actions produced some clustering of events. This wave of protests declined in the face of a systemic campaign of repression against dissent. Kozlov suggests that the partial rehabilitation of Stalin, which estranged and angered the intelligentsia and triggered the dissident movement, in fact eliminated a much greater risk for the state: the discontent of the common folk. In the mass consciousness, Stalin had been associated with “great acts of heroism,” such as the victory in the Great Patriotic War (WWII) and building of the modern industrial society and economy in the USSR; therefore, blaming the “great leader” Stalin as responsible for massive crime
alienated a great number of people who had strong feelings about those past achievements and heroic deeds. Calling for “objective and weighted” evaluation of Stalin, the regime placated the blue-collar opposition, simultaneously supporting the ideological indoctrination with material trifles in late 1960s and early 1970s (Kozlov 2002).

A similar clustering occurred in the late 1970s and early 1980s as an echo of events in Poland (primarily in non-Slavic ethnic republics) and as a result of somewhat diminished repressions. However, none of these clusters grew into a mobilization cycle. Participation in these events was limited, and contention remained isolated. Political opposition remained marginalized within the political process and isolated from society.

Importantly, from the mid-1970s social and economic rights figure more prominently among the demands advanced by the demonstrators. To be sure, popular unrest on economic and material grounds was not unknown in the USSR. The early 1960s brought a brief upsurge in strikes, triggered by a sharp increase in prices of meat and butter. The most serious incident took place in Novocherkassk in 1962, where several thousand workers took to the streets because of simultaneous price and production norm increases. They were removed by troops, with a significant loss of life. Similar protests took place in other areas at the time. During the Brezhnev era, labor unrest continued but was limited to sporadic, isolated, and poorly organized strikes and protests. From 1964 to 1978, strikes were typically spontaneous and involved little planning or coordination, with limited and localized grievances and specific, primarily material and economic goals (Cook 1993).

In the last Brezhnev years, strikes became larger and more frequent. From the 1980s more strikes were recorded, due to the deteriorating economic situation in the USSR and possibly also influenced by the Polish events (particularly in the Baltic republics). In 1980
and 1981, a wave of strikes affected the major Soviet automotive plants in Togliatti, Gorky, and Chelyabinsk (Alekseeva 1983). Strikes were reported in other sectors and regions, as well. Moreover, there was evidence of some planning and coordination of strikes in this period, with one strike seemingly precipitating the other. Local food shortages and supply problems emerged as particularly prominent strike issues in early 1980s, as did poor housing and working conditions. Despite the example of solidarity and their own rising level of activism, Soviet workers confined their demands to economic and material goods (Cook 1993: 71-73). Kozlov notes that in late 1970 a combination of terrorist threats and calls for strikes was recorded (Kozlov 2002: 75).

These popular sentiments led to attempts to use new methods and organizational structures to embrace wider circles to the opposition movement. In 1978, a type of trade union, the Free Inter-professional Union of Workers (Svobodnoe Mezhpresentationnoe Ob'edinenie Trudiaschikhsia) was formed as a first attempt to reach out into the society. It was intended to provide moral and material help and support to its members. Some of the members, however, were advocating a lot more radical ideas, and the membership was secret, which triggered repressions. The authorities took these incidents very seriously, likely seeing them as an indication that the opposition did not want to stay in the narrow niche allowed by the regime. In 1982, after the arrest of one of its founders, Volkhonskii, the organization ceased to function (Shubin 2008).

There were early indications of a possibility of merger between the blue-collar spontaneous protest movement and more normatively inclined opposition groups. The latter made some attempts to reach out to wider audiences. In December 1980, probably influenced by the Polish experience, editors of samizdat publications announced the establishment of the
Free Cultural Trade Union (*Svobodnii kul'turnyi profsoyuz*). Another one was the group “Elections-79” (*Vybor-79*), which nominated two dissidents (R. Medvedev and L. Agapova) to elected positions. The candidates were not registered, but this nevertheless was an open attempt to claim power (Shubin 2008).

Overall, however, one has to conclude that despite all of these efforts, until the mid-1980s contention continued to be minimal and opposition was marginalized and largely irrelevant for the majority of the population. Both the intelligentsia and even more so other social groups were sufficiently obedient. The Soviet regime enjoyed significant public support, sustained with an ideological blend of socialism and Russian nationalism. Shlapentokh shows that the regime always enjoyed active or passive support of the majority of the population, including the young and educated. The population adjusted, materially and psychologically, to the regime, and saw it as a force that guaranteed order in society, protection from foreign enemies, and some degree of social and economic progress (Shlapentokh 2001).

Kotkin notes that although they desired some degree of liberalization, the Soviet people simply wanted the regime to live up to its promises of inexpensive housing, healthcare, paid maternity leave, public education, and cheap consumer goods. A strong allegiance to socialism—understood as state responsibility for the general welfare and social justice—remained a part of ordinary people’s worldview (Kotkin 2008).

The following sections discuss how oil rents impacted state-society relations in a way that further inhibited the emergence of political contention in the USSR and provides some insights into the consequences of oil prices and rents declines in the mid-1980s.


3.4 Impact of Hydrocarbon Rents on the Supply Side of the Opposition

In the previous chapter, I suggested a number of hypotheses on how oil rents can impact the state-society relations in a way that inhibits formation or deactivates opposition organizations. These factors affect the relative strength of the state vis-à-vis society and the resulting choices made by both. I suggested that when oil prices are high, the state has more resources at its disposal and it becomes relatively stronger than society, more autonomous in its decision making, and less vulnerable to potential internal pressure, and has more coercive capability. As a result, it will seek to centralize power and limit political participation through repression and manipulation of societal actors. When oil prices are low, the state becomes less autonomous and will seek to devolve responsibility to other levels. It opens up political participation because it may feel pressured to do so and is more vulnerable.

First, I suggested that oil revenue is linked to diminished opportunity for mobilization of any forces against the regime. One of the hypotheses is what can be termed a “repression effect.” It suggests that increased oil revenues lead to increases in military and security spending, which allows the regime to intensify repressions of the opposition. The opposition is immobilized as a result of constant pressure.

Another causal mechanism preventing opposition from emerging implies that when external trade provides a government with enough revenue, the government will use its increased resources to manipulate the opposition and prevent the formation of social groups that are independent from the state, and hence that may be inclined to demand political rights (Moore 1976: fn 24; First; Bellin 1994; Shambayati 1994; Ross 2001). Co-optation of opposition figures during the Soviet period was not possible due to principled opposition of dissidents.
Scholars have also noted that oil-rich states have attempted to create government-controlled or semi-autonomous groups and institutions to ensure that their survival and viability remain intact. In some cases, the governments created parallel structures to deactivate potential opponents (Crystal 1990; Kazemi 1995). Another strategy was the creation of (quasi-)representative and/or consultative organs. The range of issues and the level of influence of these groups vary significantly among different states, but the key point is that the government attempts to regulate public activity through control of these groups (Crystal 1995). As a result, the state may directly impact and influence the opposition by cutting it off from material and societal resources, which negatively affects both the organizational capacity and the social base of the opposition.

The following sections discuss the state’s coercive capabilities as well as its ability to manipulate the society as it changes over time. Then I explore co-optation and patronage mechanisms and the societal reaction in the form of rent-seeking and corruption.

3.4.1 Repression and Oil Rents

The history of political contention in the USSR can be regarded as a continuous power struggle between the regime and the people. However, the severity of repression was not constant throughout the Soviet period. The red terror and Stalinist repressions are well-known and are beyond the scope of this study. Overall, the intensity of repressions decreased over time. During the Brezhnev period, it was lower than even during Khruschev’s rule, despite its de-Stalinization effort and relative liberalization. Indeed, between 1958 and 1966, as many 3,448 people were arrested for anti-Soviet propaganda, and in 1958 alone the number of arrests was more than 1,400, while from 1967 to 1975 the KGB arrested a total of
Beissinger identified 2,424 convictions on charges of “anti-Soviet activity and propaganda” between 1965 and 1987. This number likely underestimates the intensity of the repression, as numerous other criminal code articles were used to jail dissidents as well as other means of repression (Beissinger 2002: 70). The authorities knew that political repression undermined the USSR’s reputation. Alekseeva (1983) observes that from 1969 the use of psychiatric hospitals as means of political repression increased as a more discrete means to persecute opponents. In 1971, 24 of 85 political prisoners were pronounced insane, which is almost one in three. Zaslavsky highlights another quasi-legal means of persecution of intellectuals: Any specialist under 50 could be recalled to service as a reserve office for a period of up to two years, which in practice amounted to a sort of exile in a remote location in Siberia (Zaslavsky 1994: 19). In the late 1970s, many dissidents were expelled from the country instead of being jailed (Shubin 2008). Furthermore, arrests for anti-Soviet activity only apply to openly anti-regime protests, while protests driven by economic and material demands may not necessarily trigger arrests. Still, the number of arrests is a useful indicator of the intensity of the overt repression during the period.

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As Figure 3-9 above illustrates, repression appears to come in two waves in the late Soviet period. After the somewhat heightened contestation in the mid-1960s following Khruschev’s removal from office, repressions intensified greatly. The number of arrests grew fourfold between 1966 and 1970. However, by the mid-1970s the intensity of repressions diminished significantly.

It is not until the wave of labour unrest and events in Poland in 1979-1981, producing a clustering of demonstrations and other actions, that the regime again increased the repressions. This wave of protest activity made the regime very nervous. The rulers were prepared to tolerate the opposition as a closed and isolated subculture, but the attempts to reach out and increase activity was above the level of tolerance (Shubin 2008). The Brezhnev regime’s response to unrest and organizing initiatives were quite consistent over time: With few expectations, mass protests and strikes brought rapid concessions to workers’ demands, while attempts to form independent organization brought harsh repressions (Cook 1993).
Lyudmila Alekseeva believes that the campaign started in November 1979 when the KGB received permission to act upon the plan it developed as early as 1977 but not yet implemented due to diplomatic challenges (Alekseeva 1983). With the new spiral of the Cold War starting in 1979, there were significantly fewer incentives for the regime to hold back. In 1980, the number of arrests spiked to a level not seen since 1974. According to Alekseeva, in 1979-1981 in Moscow 34 people were arrested, and over 500 across the country. According to the KGB, in 1980 alone it arrested 433 people. Although the regime tolerated Sakharov for quite some time due to his internationally renowned status, this time he was finally prosecuted and expelled to the city of Gorkii, 400 km away from Moscow. This wave of attacks was strong enough to practically shut down much of the opposition activity and destroy the dissident infrastructure. The KGB declared, “masked as human right defenders and democrats, anti-social elements are now revealed and disarmed” (Tsvigun 1981: 98). By 1984 almost all openly acting dissidents were imprisoned or expelled (Shubin 2008, Gefter interview).

If prior to 1979 dissidents were part of the regime’s game with the West and the tool to monitor the mood of the most dissatisfied part of the intelligentsia, after that the changing international situation and an uncontrolled growth of dissent due to the deepening economic crisis forced the authorities to react more strongly (Shubin 2008). Beginning in the late 1970s, less intelligent and more grassroots resentment grew around everyday issues such as salaries and the economic situation. From the 1970s, the KGB and the Central Committee of the Communist Party focused increasingly on non-dissident elements—underground organizations, terrorists, and nationalists—and became less concerned with the dismantled human rights movement (Kozlov 2002: 75).
Assessing the relationship between oil and gas rents and repression presents a considerable challenge. The first proposition was that oil and gas rents increase military spending and hence repression increases just because the state has the capacity to suppress opponents. This effect of military spending is likely a mixed bag. The Soviet military industrial complex consumed colossal resources from the country’s economy and mobilized the best specialists. These expenditures held back the development of civilian sectors of economy. The military overload on the economy was one of the factors that made the Soviet economy so vulnerable. Military spending precipitated many of the difficulties in the development of the USSR in from the 1960s until the 1980s, although it was not the only factor that explains the economic collapse (Garidar 2006: 2004). However, the military was rarely involved in domestic law enforcement, which was predominantly done by security services and the KGB.

Yet, the data seems to lend partial support for the hypothesis that oil and gas rents increase repression. Interesting observations emerge if we compare the number of arrests with the size of hydrocarbon rents.
As Figure 3-10 shows, the two factors appear to be correlated. Although data for spending on internal security forces is not available to support this, it is possible that increased budget revenues allowed the regime to intensify the repression. Perhaps even more importantly, after 1979 the Soviet rulers became more confident of their economic situation as energy rents increased significantly. The regime also became less vulnerable to international and domestic pressure. The number of arrests began to grow. By 1984 the open dissident movement was quashed and the number of arrests decreased as there were no more people openly opposing the regime (Shubin 2008).

### 3.4.2 Manipulation of Society

Manipulation of the society through soft coercion and other means of preventing social activity as well as the creation of state-controlled groups was a well-established practice in the USSR.

KGB activities to control the society involved a network of informers in all enterprises,
organizations, localities, housing projects, educational institutions, etc.; this involved technical and practical surveillance, intimidation such as calling people for questioning or “profilakticheskie” (preventive) talks, threats, calls to employers, and the presence of special security sections within every enterprise (Kotkin 2008). The KGB and related agencies prevented the creation of any serious organization outside the system and established a network of informers that blanketed society (Shlapentokh 2001).

One of the key functions of the KGB was harassing or destroying any groups outside of direct party control (Deriabin and Bagley 1990). One of the interviewees, currently a human rights activist, suggested that the KGB had long developed methodologies of directly destroying such organizations, and implied that these practices continued ever since:

When I was a young man, I was studying at the KGB school. As one of subject areas we studied how in the first years of the Soviet rule, VChK dissolved underground organizations. It created parallel organizations, but controlled by [VChK], and the fight began. And discredited the main organization. This was a very good weapon…. This controlled organization assumed contacts with foreign groups, leaders, donors. And the actual organization was left without money, leadership, nothing, so it fell.22

The USSR was, no doubt, a mastermind of societal manipulation from its very inception. The critical intelligentsia was kept in check through activities of the KGB. The state’s ever-improving ability to infiltrate and suppress complemented the repression machine (Zaslavsky 1994: viii). The omnipresence of KGB in all aspects of life of Soviet society is common knowledge these days. The USSR was known to be an expert in infiltrating potential independent organizations with agents, creating parallel structures, and the Soviets served as quasi-representative institutions (Kozlov 2002).

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22 Author’s interview with Vladimir Vovk, “Za Prava,” June 21, 2006, Khabarovsk
However, the KGB itself and the system of repression had evolved significantly in the late Soviet period. The severity of the punishment diminished. KGB agents were no longer revolutionary idealists or terrorists, but regular bureaucrats or educated professional agents. KGB agents saw their work mainly as employment associated with good fringe benefits (such as better housing or special stores) and promotion opportunities. They were still quite efficient at keeping an eye on dissidents, discontented populations, or other anti-regime elements. However, the methods had become more civilized and measured (Rywkin 1989). In the late Soviet period, some observers noted a decrease in repressions but an increase in the infiltration and disorganization of potential opposition (Kozlov 2002).

3.4.3 Cooptation

Hydrocarbon wealth can translate into a lack of opposition through what can be termed the "co-optation" effect (Morrison 2005). Oil wealth provides authoritarian governments with budgets that are exceptionally large and unconstrained (Anderson 1995). One of the key features of rentier states is that the distribution of rents from external trade of natural resources is politically mediated. When state elites are given discretionary power over the distribution of resources, they are more likely to distribute those with an eye to political survival, so benefits will be distributed to build a political clientele that supports the regime (Bellin 1994: 431). Thus, resource abundance affects the ability of the elite to generate political support from spending on patronage.

The two crucial groups for the survival of the Soviet regime were the party and state bureaucracy (nomenklatura) and the intelligentsia. Based on published government scales and wage tables, Matthews demonstrates that in the 1970s the state clearly favoured party bureaucrats, managers of large productive enterprises, representatives of technical and artistic
intelligentsia, the military and security, and diplomatic corpus (Matthews 1978). The members of the creative intelligentsia were necessary for the country’s technological and scientific advancement and the advancement of propaganda, but they were also a potential opposition force (Shlapentokh 2001).

Party and state officials had to remain loyal to preserve the regime. Together, they comprised about 60% of the privileged group. Military, police and diplomatic services were also critical to maintain the Soviet polity. These privileged social categories dominated the state machine. In industry, responsible professionals and managers of enterprises were also critical to maintain the economy, and among those, the highest-paying jobs were in coal mining, ferrous and non-ferrous metallurgy, machine building, and the chemical and oil and gas sector, reflecting the importance of these sectors for the economy (Matthews 1978).

3.5 Impact of Oil Rents on the Demand Side of the Opposition

The second set of hypotheses pertaining to state-society relations was related to the impact of oil rents on the demand side of the opposition. I suggest that the state does not have to resort to hard coercive measures to generate compliance. Instead, there are a number of ways to deprive the opposition of its social base and thereby disarm it.

It has been suggested that in states with ample natural resources, elites increase spending on patronage and the populace is likely to find rent-seeking more efficient than political unrest as a way to induce redistribution (Lam and Wantchekon 2002). Instead of building long-term institutions, they focus on short-term patronage of key social groups to silence the social forces (Bellin 1994; Chaudhry 1994). The relative power of interest groups is shifted towards those who support the regime. Extreme dependence on several export
commodities not only affects the institutions of the state and the framework for decision making, but also induces changes in the prevailing notions of property rights and in the relative power of interest groups (Sayfer 2007). As a result, social groups with links to the state are much better off, and they may have better organization and institutionalization, while the "outsiders" are struggling to survive.

In such an environment, social actors find rent-seeking more efficient than more formal ways of advancing their interests. Rent-seeking will be especially attractive in any environment where property rights are weak and institutions are unstable. In such environments, agents are likely to seek immediate payoffs and discount the future (Tompson 2006). The population seeks to enter patron-client relationships with the state to advance their interests and is not interested in more formal ways of interest representation. The blurring public-private divide discourages any interest in potential collective action for political change, and there are no shared ideas about potential collective actions. No elites independent of the state are available as potential allies and/or leaders for opposition.

It is also worth noting that pre-existing features of social organization, such as the existing structure of interest representation, existing social networks, as well as dominating norms and expectations about the state’s role, will play a part in determining the effect of oil rents on state-society relations.

Social contract approaches emphasize the exchange between the regime and society in which each party tacitly committed itself to deliver political goods valued by the other. The regime consistently provided certain policy and allocational outcomes, and the society gave its political consent and compliance (Cook 1993).
A possible causal mechanism connecting hydrocarbon revenues and democratic practices is what Ross terms the “taxation effect” (Ross 2001). This effect stems from the fact that states obtain sufficient revenues from the international sale of oil so they do not need to extract resources form their populations. Therefore, they tax their populations lightly and, in turn, the public is less likely to demand accountability from the government. Therefore, the public does not have the urge to protest against inequalities or inefficient representation of their interests (Luciani 1987). Hence, a sort of social contract emerges between the people and the regime whereby the regime redistributes oil revenues through lighter taxation or subsidies and the population bargains away their right for political accountability.

This causal mechanism alters the social base for the potential opposition organizations and movements. When oil revenues are high, the state does not need to tax the population, and thus the people enjoy low taxes, subsidies, and benefits, which improve their economic situation (or perception thereof). The population is content with its growing standard of living and accepts the rulers' authority. A social contract develops, but the terms of this social contract are based on the state's redistribution of wealth and provision of services consumed by the population. As a result, the demand side of potential opposition is negatively affected: There is no perception of common need for change, and the consumption-oriented culture does not allow for any symbols to ignite collective action in the name of political change and/or democracy.

3.5.1 Patronage, Rent-seeking, and Corruption

In the USSR, as suggested in the previous section, the state was indeed autonomous and suspended above the people, but it could hardly afford to be deaf to popular discontent. A number of incidents, including the above-mentioned miners’ protests in 1962, demonstrated
that the threat of public protest was very real. The state historically developed programs structured to support key groups. The distribution of wealth was not uniform throughout the society. During Stalin’s period, socially differentiated privileges appeared and quickly increased, particularly after WWII. While during Khruschev’s years the differentiation somewhat leveled, they increased again in the Brezhnev era and particularly under the conditions of increasing scarcity (Matthews 1978; Ledeneva 1998).

The state had designed targeted social programs to contain key social groups, which were particularly important for the regime’s survival. These programs amounted to what can be considered a system of co-optation and patronage. Privilege played a critical role in society, and quite often these privileges were encouraged and protected by state policies. Complex government scales of compensation, incentives, bonuses and other factors created favored groups (Matthews 1978).

These privileges were usually not merit-based or means-tested. Access to goods and services was based on a notion of entitlement due to identification with one of the loosely defined social categories. Eventually, this selecting and non-transparent method of wealth redistribution instigated massive corruption. Growing economic crime in the form of appropriation of public property and corruption were observed particularly in the late 1970s and 1980s (Zhuravlev 1990).

Generally speaking, in Soviet society the notion of property rights was convoluted. Writing about Soviet Poland, Firlit and Chlopcki observe the complex nature of property rights and theft: Something that belongs to an identifiable person or group was considered “private” or “owned” by someone, while it was more acceptable to see public property as available for lifting and stealing if conditions warrant (Firlit and Chlopecki 1992). Indeed,
the Soviet institutions later on dissolved precisely because insider bureaucrats, seeking to extract all public assets that were in any way fungible, pulled them apart (Solnick 1998).

Workers, although they helped legitimize the regime, were considered the most dangerous segment of the population, as they concentrated in urban areas and were prone to mass actions.

For the worker population, the state had developed an all-encompassing welfare and benefit program administered through workplaces. Indeed, it is well documented that Soviet state enterprises provided the workers with everything from housing to childcare and vacation packages (Cook 1993). Workers in state enterprises had a vested interest in maintaining this stability, and no private alternatives existed anyway for them to look at. The average monthly salary for industrial workers (208 rubles in 1985) was 44% higher than the average salary of people working in culture, 37% higher than that of medical personnel, and 28% higher than employees in retail trade and teachers. The average monthly salary of miners and oil workers was around 308 rubles, compared to 200-250 rubles for an associate professor (Shlapentokh 2001). Zaslavsky (1994) notes the dependency of workers on the state and their passivity with regard to articulating their rights. Below I discuss the social contract between the workers and the state, whereby workers legitimized the state in response for the state’s provision of a wide range of material benefits.

While for workers maintaining the status quo and egalitarian redistribution was the key concern, for the educated and well-placed an emphasis on qualification and merit was more desirable, which created a conflict (Connor 1988). The system of benefits and privileges for those groups existed by which the state provided incentives and compensation. A system of benefits existed in the USSR for a long time to provide people in key occupation groups with
a relatively adequate supply of goods. Among them, the most well-known were rations, or limited amounts of goods, provided through closed shops or distributors (raspredelitel’) or order desks (stol zakazov). These shops provided regular access to deficit goods and foodstuffs for selected social groups. Persons in prestigious occupations, such as scientific research institutes, were entitled to receive those benefits. Also, these professionals were somewhat more likely to travel abroad and interact with foreigners, so providing them with extra goods would decrease the amount of resentment they would accumulate during their travels. Housing units in the USSR were predominantly built by ministries, production enterprises and local Soviets. More high-ranking individuals were often entitled to receive better housing. Similarly, access to higher education was biased in favor of more prestigious groups (Matthews 1978).

Even though the system of selective patronage emerged in the USSR earlier, different social groups were at the forefront of state’s attention at various times. Initially, workers were the most important group for which the welfare system was developed. However, as the economy became more complex and industrialized, the state welfare system began to focus more and more on specialists and intelligentsia. Extracting industries also became key constituencies for the regime, which was reflected in the structure of wages. With declining open coercion, bureaucracy and nomenclature were increasingly important to maintain the sociopolitical system.

The dynamics of centralized rationing reflect these political fluctuations and campaigns in relation to different social groups in the population. It favoured the working class elite in the 1930s and intellectual and artistic intelligentsia in the 1960s. The system was used both as stimulus and sanction against groups and individuals. Furthermore, the distribution
systems were differentiated according to status, a phenomenon that was widely known and even accepted in the USSR (Ledeneva 1998). During Brezhnev’s period, policies were overtly protective of privilege, with a renewed emphasis on incentives and bonuses, albeit with a clear need to control the differentials. The restricted supply system gained importance, particularly with the growing scarcity of goods and food (Matthews 1978).

Inequality in the Soviet Union not only continued, but some say it even intensified during the late Soviet period if one takes into account non-monetary privileges. Status structure rigidified, and the class of specialists was among the most stable in terms of inheritance. Specialists—who typically earned higher incomes, enjoyed better housing conditions and worked fewer hours than those less qualified, and had better opportunities to educate their children as specialists—were geographically, professionally, and structurally connected with the system of higher education (Zaslavsky 1994: 76).

Oil dependency did not produce the system of cooptation and patronage but exacerbated it. As the regime was less prepared to resort to coercion, patronage appeared to be a reasonable solution to keep various societal groups in check. The system of patronage is expensive to maintain, so oil and gas revenues came in handy.

3.5.2 Soviet Social Contract

A paradox that often puzzles the observers of the late Soviet era is the apparent absence of conflict and apparent stability of state-society relations in the Soviet Union (until approximately the mid-1980s) despite the apparently decreasing level of repression.

The social contract thesis implies that the regime was constrained in policy choices. It also presumes that societal compliance was contingent on the regime’s provision of
comprehensive economic and social security. Soviet people consented to the power of existing party and state and institutions because they were at least minimally satisfied with the substantive outputs of those institutions. The regime then delivered those policies because it was constrained by its perception of workers’ expectations and fear of societal discontent if it failed to deliver (Cook 1993).

Russian experts suggest that the Soviet state, even as it declared its socialist principles, in reality spent relatively little on its people. The Soviet economy constituted a sort of triangle in which natural resources funded the military-industrial complex first and then used the remaining resources to fund civilian manufacturing and the population (Plaksin interview).

A social contract is a relatively stable agreement, but it is not fixed. As any informal institution, it emerges historically. Gaidar notes that in the post-Stalin period, Soviet society had changed significantly. Industrialization, changes in the social structure, and economic growth reduced the ability of the state to use force on its own people. Therefore, a new social contract developed. The ruling elites promised the people that they would not discontinue existing social programs, even when they became expensive. The authorities guaranteed the stability of retail prices on the most important consumer goods. In return, the society would be prepared to tolerate the authorities. The events in Novocherkask in 1962 demonstrated what happened when this condition was violated. Indeed, they showed that even a relatively moderate increase in the prices of consumer goods and food could trigger mass protests of such magnitude that they could only be suppressed by internal security forces shipped directly from Moscow (Gaidar 2006: 163-4). The ruling elites greatly feared societal discontent and therefore felt obliged to continue supplying excessive social guarantees and
other major and expensive socially oriented projects, even if misconceived (Deliagin interview).

Therefore, the proposition about the regime’s constraints in policymaking in the late Soviet period is relatively well supported by evidence. The state knew all too well that it had to provide employment security, broad-based social welfare programs, and increasing income to fulfill popular expectations and to buy compliance and legitimacy. The state’s side of the agreement was codified in major programmatic resolutions, statements, and other official documents during the 1960s and 1970s, promising Soviet society large, long-term increases in levels of income and social security (Cook 1993: 19).

As data suggests, even in the face of the deteriorating economy and declining oil revenues, the regime tried to keep up the spending patterns as long as it could. We should certainly maintain caution about the data presented above, as it was still using the Soviet pricing and accounting methodology. Nevertheless, it is quite instructive to look at the relationship between the state budget revenues and expenditures. Figure 3-11 below shows the difference between state revenues and expenditures as a percentage of the former. It suggests that beginning in 1981, when the economy was clearly on the decline and oil prices began to collapse, the state’s budget was severely strained to maintain the level of spending. By the end of the 1980s, expenditures exceeded revenues by double-digit percentage points.
On the societal side, the thesis is also supported. Studies demonstrate both the preference for paternalistic and all-encompassing social and economic policy and the conditionality of obedience.

The post-totalitarian all-encompassing regime of the communist era produced generations of Russians who had strong beliefs in the role of the state as a guarantor of social order and provider of social goods. The state for a long time was seen as the only (and quite effective) provider of the comprehensive welfare package for families, which included a wide range of public goods, such as education, housing, pension, child care, and so on. Those Russians who were politically socialized during the Soviet era developed certain expectations about the standards of those goods (Sundstrom 2005). In addition, during the oil boom the Soviet Union had the resources to purchase food and other essential items, which were poorly produced domestically, to maintain an acceptable standard of living for its people (Shlapentokh 2001). People were reasonably content with their living conditions and
perceived stability of the system, which, coupled with ample propaganda and significant fear of repression for disobedience, created a stable equilibrium in state-society relations.

The cradle-to-grave social net became a social norm. Studies found the strongest popular support for established practices of full medical care and education. People expected the state to care for them. Historically, the Soviet state was a paternalistic state. The view that the state must nurture the society that is incapable of taking care of itself seemed to be shared by the rulers and the population (Cook 1993). This affected opportunities for mobilization, in that the lack of meaningful public input into decision making made any mobilization effort irrelevant.

However, public consent was conditioned upon the ability of the state to satisfy the terms of the contract with the population. Huntington (1991) notes that the legitimacy of authoritarian regimes is often dependent on their performance. The Soviet regime struggled to perform, and that chronic underperformance generated social upheaval. While there were revenues flowing from energy rents, the terms of the contract could be satisfactorily met for significant portions of the population.

Cook finds that Brezhnev’s leadership delivered much (though not all) of what it promised in terms of full and secure employment, egalitarian wage policies, price stability, and social service provision. With the general downturn of the economy from the mid-1970s, the welfare state began to deteriorate. Increasingly obvious to the population, underperformance included inefficient labour practices, disparity between nominal and real wages, shortages of food and basic goods, a growing black market, and the inadequacy of housing and child care compared to the population’s needs. In 1981, the introduction of formal rationing and the actual decrease in per capita health expenditures constituted an open
breach of the contract terms. Growing political and economic corruption constituted another violation of egalitarian policies. Industrial workers, particularly in large urban areas, were generally better insulated from shortages and hardships than the mass of inhabitants in rural and small urban areas, but the regime’s delivery on its part of the social contract was faltering (Cook 1993: 52-3).

Furthermore, the social contract thesis cannot be applied across all societal strata and all regime-society relations. It breaks at critical points for the intelligentsia, the non-Slavic nationalities, and these were exactly the populations that more often engaged in demonstrations and protest activities. The rural population was a residual claimant of the welfare state and had little capacity for collective political action. Ethnic groups wanted more autonomy from Slavic domination. Even in the midst of the Brezhnev period, significant strata of the intelligentsia and nationalities rejected the legitimacy of the established political order. Many intellectuals opposed the regime on normative grounds. These latter two groups were not oriented to substantive or material outcomes but to political values that were not offered by the social contract (Cook 1993). However, Slavic blue-collar workers, who constituted the majority of the labor force and were the major beneficiaries of the welfare state, remained politically conformist.

From late 1970s, the social contract began to falter. Common folk protests became more concentrated and revolved around more bread-and-butter issues of everyday life: salaries, standard of living, and deficit of consumer goods. These were the first symptoms that the policy of buying off loyalty with money not matched by supply was moving toward a dead end. Mass dissatisfaction and popular protest could replace the purchased loyalty and symbiosis. Until a certain point in history, the authorities could use the egalitarian and pro-
Soviet preferences of the masses as well as material concessions to prevent the emergence of a mass protest movement. Eventually, however, they could not prevent the influence of human right activists on some of the elites, which fed into the desire to reform the Soviet system. Second, they could not prevent the emergence of nationalist sentiments at the periphery (Kozlov 2002: 76).

To sum up, the social contract hypothesis does explain well the case of Slavic blue-collar workers. Such workers were politically conformist and were the major beneficiaries of the welfare state. Moreover, they formed the core of the Soviet industrial labor force. Their strategic position in the industry gave Slavic workers at least the potential for collective action that could have damaged or paralyzed the economy (Cook 1993: 4).

For the non-worker population, the co-optation and patronage system complemented the welfare state. Together, these mechanisms did serve the purpose to prolong the regime’s survival. The opposition movement in the USSR did not pick up all the while it coincided with the short-lived period of a symbiosis between the state and the people, when the former could buy loyalty. Potential opposition movements could not emerge, as they lacked a social base (Kozlov 2002: 73). Zaslavsky notes that social activism among intermediate and younger generations weakened significantly since the 1970s despite the growing dissatisfaction of the educated classes (Zaslavsky 1994: 10).

3.5.3 Two-Level Ideology

The final point that needs to be discussed is that of the role of ideology. In Chapter 2, I suggested that cultural symbols and ideas affect the outcome of opposition activities through two main mechanisms: existing discourses (shared understandings, scripts that determine the
menus of potential activities) and the skills of elites to appeal to and manipulate these ideas and symbols. Elites can manipulate culturally resonant symbols to generate public support for their causes. This study is based on the premise that ideational and cultural factors are intervening and conditioning variables that shape and modify the effect of other material factors. It will thus be necessary to explore how ideas and cultural symbols interact with other variables.

The Soviet ideology supported other mechanisms by legitimizing them in the eyes of various social groups. Soviet ideology was a nuanced, complex, differentiated tool, selectively targeting key constituent groups. It generally broke down into two major streams: the core official doctrine and a more carefully crafted set of messages for those considered privy members of the higher circles.

The official open ideology was an effective mechanism to control the masses. Studies showed that even at the verge of the Soviet collapse, many Russians shared such values as patriotism, the superiority of the economy based on public property and central planning, and the value of Soviet culture and morals. It was also an effective tool to control people’s images of the external world. The cause of such a great success was that the USSR ran one of the most efficient ideological apparatuses in history. The most active part of the population, about 20 million by 1985, was involved in ideological work (Shlapentokh 2001).

The complex and double-sided Soviet ideology helped to legitimize the disconnect between the communist values and declared goals (such as egalitarianism) and the reality of everyday life (such as the system of privileges and corruption). It was obvious to anyone who cared to look that the Marxist egalitarian ideology was not something that drove everyday behavior. The ideology therefore was applied in a way that encouraged the divorce between
private conviction and public utterance. From the 1960s, this process of “ficticization” came to the forefront. The two ideologies existed simultaneously: the open ideology for media and masses, and the closed ideology for party *aparatchiks*. Even though the same words could have been used, a party official could get a different message than an ordinary reader (Shlapentokh 2001).

This double use of ideology and language was widespread and deeply internalized by the population and the leaders. On the public side, Marxist doctrine was given to promote the internationalist, democratic, and egalitarian tendencies. The official doctrine was far from the real life, but was masterfully used “for them”—the opponents and enemies, or those who are unwilling and unworthy of knowing the truth. At the private, operational level, the collection of norms and practices promoted nationalism and anti-democratism, but tended to describe realistically and correctly what was happening to the person (Zaslavsky 1994).

The most notable consequence of this divorce between public and private was in the differentiation of language into public and private, where public language was an expression of official symbols and predefinitions, and private language is an expression of individualized needs and privatized meanings. This “double-talk” was so deeply ingrained in public consciousness that it itself became the reality. It was seen so effective that most of the Soviet and post-Soviet leaders attempted to use this double-talk approach with varying degrees of success (Levinson interview). The double-talk helped to maintain the perception that Soviet ideology was relevant to public life.

Under the Brezhnev’s leadership, the use of ideology changed. From 1973 the party consistently launched a propaganda campaign for the “Soviet way of life.” It included the leading role of the party, a planned economy, full employment and the welfare state, the need
to maintain ideological doctrine, and the absence of individual freedoms. Socioeconomic inequality at the same time was accepted and justified by the concept of the Soviet way of life introduced as a variant of the principle of meritocracy. The meritocracy is based on the idea of the social division of labor which accounts for inequalities and was used to justify the labor ascription and institutionalized system of privileges and discriminations.

The ideological ficticization and double-talk was directed towards weakening and destroying working-class radicalism by increasing the incongruence between ideology and life experience. The massive propaganda of the “Soviet way of life” was directed against radicalism of the new Middle class by providing a middle-level theory mediating between the doctrine and the operating ideology of Soviet Marxism (Zaslavsky 1994). Both of these approaches to the point proved effective in legitimizing the regime and supporting other mechanisms of maintaining state-society relations at a stable “stagnation” phase.

3.6 Conclusion

Is there a relationship between the hydrocarbon rents and political contestation? The hypotheses presented above suggest that as oil rents increase, political contention decreases and vice versa. In other words, we expect to see some negative correlation between hydrocarbon rents and political contestation. Out of pure curiosity, I created the following Figure 3-12 to assess the potential correlation.
As we can see, in the boom cycle of oil revenues until early 1980s, there appears to be no clear theoretically predicted relationship. However, the bust cycle does appear to conform to theoretical expectations. We should not forget that there is likely a time lag between the impact of structural conditions and the actual effect that trickles down to the level of individual and group action.

Detailed examination of the hypotheses suggests that generally the evidence supports the theory. State decision-making autonomy increased with the rising oil revenues while its vulnerability to internal and external pressure declined. We observed that the Soviet state did behave in congruence with the theoretical expectations: Repressions did increase and fall together with the rise and fall in oil rents. The state increased its level of budget expenditures targeting social programs and provided material support for key social groups and tried to at least sustain them for as long as possible. The sustainment of the social contract was supported by oil rents. However, as I mentioned at the beginning of the chapter, state
autonomy does not necessarily translate into state strength, which also depends on the ability to follow through on its preferences in the face of economic and social calamities. Redistribution of oil rents slowed down the emergence of mass discontent and popular protests and helped to keep them in check for a while. Yet, as we will see later, clearly the state was unable to meet the expectations of the population and effectively withstand economic crisis.

The story, however, is not simply about material pittances, but is a more nuanced one. I suggested above that the social contract hypothesis does explain well the case of Slavic blue-collar workers, who remained politically conformist as the major beneficiaries of the welfare state. For the non-worker population, a system of co-optation and patronage complemented the welfare state. A double-edged ideology helped to legitimize the differentiation of privileges.

Together, these mechanisms did serve the purpose of prolonging the regime’s survival. Opposition movement in USSR did not pick up during the short-lived period of a symbiosis between the state and the people, when the former could buy loyalty and the opposition was disoriented and cut off of its social base (Kozlov 2002: 73). Zaslavsky notes that social activism among intermediate and younger generations weakened significantly in 1970s despite a growing dissatisfaction of the educated classes (Zaslavsky 1994: 10).

By mid-1985 the economic and fiscal crises became so severe that the terms of the social contract had to be abandoned altogether and the new era had to begin: that of renegotiating of the social contract and resulting power struggles. This is also consistent with the proposed theory. This period will be discussed in the following chapter.
Chapter 4: Gorbachev’s Perestroika and the Collapse of the Regime, 1985 – 1991

Our hearts require the changes,
Our eyes require the changes,
Into our laugh and our tears,
And into pulse of veins
Changes!
We are waiting for changes.
Viktor Tsoi, Rock musician, 1987

The previous chapter revealed a nuanced picture of how redistribution of material wealth (generated in no small part from oil trade) complemented by a system of co-optation and patronage and enforced by repressions created a dynamic equilibrium whereby the population was sufficiently content with the living standards and perks, believed in superiority of the Soviet ideology to avoid attractions offered by the Western lifestyle, and any potential discontent was contained by the possibility of reprisals. The weight of each of these factors varied for different population groups. The discussion above suggested that the social contract hypothesis does explain well the case of politically conformist Slavic blue-collar workers, who were the major beneficiaries of the welfare state. The coercion typical of the Soviet industrialization and Stalinization was significantly weakened due to a number of reasons, one of which was generally more favorable economic conditions created by the natural resource boom which allowed the Soviet state to engage in milder forms of containment of contention instead of outright violence.

Some social groups were only marginally contained by the social contract agreements. The non-Slavic ethnic groups had the least stake in the maintenance of the system, as their concerns were often related to ethno-nationalism and language/culture
preservation—post-material in nature and not as easily satisfied with resource reallocation or wealth redistribution. Due to the type of national federalism of the USSR, these groups were also geographically concentrated and potentially mobilizable.

Similarly, a part of the creative intelligentsia was also driven by primarily post-material ideals and therefore was less amenable to co-optation. For the non-worker population, a system of co-optation and patronage offered a more targeted set of incentives. A double-edged ideology helped to legitimize the differentiation of privileges. Together, these mechanisms helped maintain the Soviet regime.

However, by the mid-1980s it became increasingly difficult for the state to keep the contention in check. The economic and fiscal crises became so serious that it was impossible for the state to maintain reasonable standards of living. Therefore, the terms of the social contract had to be abandoned altogether. First, contention grew within the groups that were already prepared to mobilize. It later spread to wider social strata of previously conformist classes. This chapter discusses this period, which started with Gorbachev’s reformist policies and eventually resulted in the collapse of the regime.

There are also two important features of social organizations that helped to determine the future developments. First, the Soviet Union lacked the civil society with widespread and loose social capital networks necessary to develop solidarity for effective collective action (Zaslavsky 1994; Howard 2002; Evans 2005). Although large spontaneous demonstrations took place all over the country, civil society was not institutionalized. Political organizations were factionalized, often split along the lines of personal conflicts between individuals (Fish 1995).

Second, the Soviet population had developed certain expectations and social norms
about the state’s role, which prevented effective mobilization against the oppressive state. The surveys on the attitudes of Soviet citizens suggest that a high percentage of Soviet citizens from all social strata valued the state provision of social services and welfare, and that this was the most positively evaluated feature of the system. In the 1950s, the Harvard Interview Project found that Soviet refugees gave virtually universal support in principle to a cradle-to-grave welfare program and government guarantee of full employment. The Soviet Interview Project, conducted among predominantly Jewish Soviet émigrés in the US during the 1980s, confirm that the strongest support for any established practice was given for the provision of free public medical care (52%), and more than 50% suggested either education or healthcare as aspects of the Soviet system that should be kept. The survey also showed that the level of education was negatively related to regime support, implying that blue-collar workers were more supportive than the sample overall. The study also found that most participants noted the deterioration of Brezhnev’s social welfare system (Cook 1993).

These norms have important implications for understanding the legitimacy of the Soviet state as well as its limits. Brezhnev’s regime left strong normative legacies: “The strong popular sense … of collective entitlement to basic provision and the leaders’ correlative sense of responsibility to satisfy basic needs. Following from that was population’s orientation towards substantive (rather than procedural) output from government as the basis for political legitimization” (Cook 1993: 203). Linda Cook also notes that the centralization of the system focused responsibility for economic decisions, allocation outcomes and risks on the political regime. She cites David Lane:

In any society, the cost of economic efficiency in political terms may be measured in

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23 It should be noted that these figures likely underestimate the actual level of support, as the surveys were conducted among Soviet émigrés who were generally more hostile towards the Soviet Union.
the weakening of public loyalty and social solidarity. But the accepted division in capitalist society between politics and economics diverts responsibility for unemployment away from the formal arena of politics… In the USSR the greater fusion of politics and economics and the responsibility the state assumes for public welfare make it impossible for the government to ignore the social and political costs of economic change (Lane 1987: 229-230).

This last point is of particular interest for my argument, as it suggests that when the economy declines, citizens likely blame the government even more than they would in capitalist petro-states.

In the authoritarian welfare state, control over allocational decisions rests with the political center, but it makes acceptance of that control, i.e., regime legitimacy, contingent on state provision. The political legacy of the regime, thus, was a governmental system that focused exclusively on maintaining control and created no mechanisms for genuine communication, bargaining, or mediation with its society. At the same time, it constructed massive bureaucratic organizations with at least formal claims to represent societal interests. Structural legacies of the Soviet regime included massive accumulation over many years of social service subsidies, retail food price subsidies, and critical state-run infrastructure of healthcare, childcare, educational, and cultural institutions (Cook 1993: 203).

4.1 Political Economy of Oil and Structural Features of the State

External economic shocks had a profound impact on the functioning of these structural features of the Soviet regime. These changes negatively affected regime performance, and the population grew increasingly dissatisfied over time. The following section discussed how the external economic shock of the mid-1980s affected the Soviet economy, as well as the ripple effect it had throughout the entire socioeconomic system.
4.1.1 Decline in Oil Prices and Looming Scarcity

While in the 1970s energy prices were consistently on an upward trend, offering the Soviet leadership a constant stream of revenue from oil and gas rents and a sense of security, by the mid-1980s the prices stopped rising (Figure 4-1).

![Figure 4-1](image)

**Figure 4-1 Oil prices, 1975-1992**

Source: EIA, BC Statistical review of World Energy

The Communist Party’s policy with regard to the Soviet energy sector amounted to squeezing maximum resources out of the oil and gas industry with little investment and maintenance spending. As a result, output dropped due to unsustainable exploitation practices (Grace 2005). Vladimir Milov, Russian opposition politician and the President of the Institute of Energy Policy, who served as adviser to the Minister of Energy of the Russian Federation and Deputy Minister of Energy of Russia in Prime Minister Mikhail Kasyanov's government, suggests the Communist Party conducted a “predator” policy towards the energy sector in the mid-1980s and essentially “milked the oil industry,” extracting as many
resources as possible and accelerating its decline (Milov interview).

When oil prices collapsed in the mid-1980s, it became impossible for the Soviet Union to continue the policies of previous decades, which in essence came down to the preservation of the economic and political system without any changes. According to Gaidar, by the mid-1980s the Soviet economy was so dependent on oil revenues that it only remained sustainable with the help of a continuous inflow of energy rents (Gaidar 2006). Although one can argue that Gaidar may have reasons to advance such claims to defend his own controversial economic policies of the 1990s, his research is based on a great number of Soviet archival documents that support his conclusions. Even looking at the Soviet statistical data, it becomes obvious that the external economic shock had a tremendous impact of the Soviet economy and that the economic and political leadership of the regime was not equipped to deal with it. By the time the Soviet Union came face-to-face with the external economic shock of the mid-1980s, it was closely integrated into the world market. Volumes of export and import as percent of GDP, already relatively high at around 30 percent in 1975, grew to a whopping 50 percent in the mid-1980s.
As Figure 4-2 above indicates, exports and imports grew consistently in the first half of 1980s and then dropped. Export volumes never reached the levels of 1984-1985, constantly declining thereafter. Imports follow the export curve fairly closely with a bit of a time lag. There is a notable decline in both exports and imports around 1984-85.

The attempt to change the existing inefficient economic practices, known as Gorbachev’s policies of *uskorenie* (acceleration) and *perestroika* (restructuring), further exacerbated the situations as they led to increased demand for industrial and consumer goods, most of which had to be imported. While exports continued to decline, imports picked up again in 1988, suggesting desperate attempts of the state to meet its critical obligations. In 1989 the export-import balance became negative (Starodubovskaia and Mau 2004).

A more detailed look at the three top categories of export and import illustrates priorities and constraints the state faced. Figure 4-3 shows that according to the official government statistics, energy trade revenues grew consistently, with just a little dip in 1985. Other major categories of export kept sloping down in the second half of the 1980s, resulting
in the overall decline of export revenues. The USSR could not increase non-energy exports because its low-quality manufacturing production was not competitive (Gaidar 2006).

Figure 4-3  Various categories of Soviet export, 1980-1990 (Unstacked)
Sources: Narodnoe Khoziaistvo SSSR, GosStat, Annual Statistical Data, various years

Figure 4-4 illustrates that impact of economic crisis on the structure of imports. For the Soviet government, decreasing imports of goods that had to be purchased with hard currency was a very tough decision, because these imported products largely sustained many other industries, including agriculture. As export revenues continued to decline, however, there was no other option but to start curtailing imports. Machinery and equipment imports were the first ones to suffer declines (prior to the policy of uskorenie), which further undermined the industry and the economy. Consumer goods remained relatively constant over the years.
One category of import that the state was not prepared to reduce was foodstuffs, including grain. The USSR not only was one of the largest exporters of energy, but was also one of the largest importers of grain and other agricultural products. Gaidar (2006) observes that Soviet authorities already had to curtail consumption of food and agricultural produce, so reducing food imports amounted to political suicide, risking the triggering of massive popular discontent.

Even the official Soviet statistical data shows that the state budget became seriously strained (Figure 4-5). From 1985 state budget expenditures exceeded revenues, with the deficit reaching 20% in 1988.
Figure 4-5  Soviet state budget surplus and review, 1980-1990
Sources: Narodnoe Khoziaistvo SSSR, GosStat, Annual Statistical Data, various years

After the world oil prices dropped sharply in 1986 and devastated hard currency earnings, curtailment of Soviet imports without investments in the domestic light industry put tremendous pressure on the standard of living. What’s worse, due to technological innovations such as television and other media, the penetration of Western culture and imagery into the Soviet society also increased. Therefore, comparisons were now made not with the Soviet standards of the past but with the advanced nations, and both leadership and population became increasingly impatient (Kotkin 2008).

By the end of 1980s, the economic growth in the USSR tumbled along with employment and retail while cash savings of the population went sharply up, not matched by the supply of consumer and agricultural goods (Gaidar 2006: 250-261). Due to widespread scarcity of goods, people accumulated significant amounts of cash they were unable to spend. Most of this money landed in personal savings accounts in the state SberBank.

Meanwhile, in an attempt to alleviate the financial crisis, the government resorted to extensive borrowing. Internal borrowing skyrocketed from 18.2% of the GDP in 1985, to
35.6% in 1988, to 56.6% in 1990, primarily from personal savings accounts. In other words, the state owed approximately half of the amount of the total national product to domestic creditors and primarily individual citizens’ bank account savings.

For a while, the USSR managed to maintain some level of supply of imported goods through access to foreign credit. Its external debt accumulated rapidly. In 1989, external debt reached twice that of 1985, and in 1991 it was three times that of 1985 (Starodubovskaia and Mau 2004).

By the end of the 1980s, it became obvious that the Soviet Union was experiencing a severe financial crisis and creditors were no longer willing to lend money or product without immediate hard currency payments (Gaidar 2006). Thus the crisis transformed into the hard currency crisis, as all hard currency earnings from the oil trade were used to service the external debt. One decade later, Kommersant-Vlast,’ one of the leading liberally oriented analytical publications in Russia, summed up the situation:

By mid-1985 world oil prices collapsed. The Communist Party acknowledged that the country needed perestroika. This meant that the Soviet citizens could no longer hope that the life would get better every year. For a while relatively decent standard of living could be maintained through Western loans. But by the early 1990s Western banks became reluctant to continue providing credit [to the Soviet Union]… The Communist Party started to send delegations to Europe to arrange wholesale purchases of soap and washing detergent. It had to stop the Afghanistan war that used up too many petro-dollars. The symbol of the hard currency crisis was the closure of the hard currency stores “Beriozka,” line ups at which were much longer than those at the regular supermarkets. (Ivanov 1998)

When energy prices dropped, theoretically the Soviet leadership could have opted for some alternative mitigating strategies, such as raising retail prices, removing subsidies, imposing

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24 Sources: Narodnoe Khoziaistvo SSSR, Gosstat, Annual Statistical Data, various years
25 Berioska stores carried a limited number of high-quality imported goods which could be purchased with hard currency money.
food rationing, and reducing the amounts of fuel and raw materials delivered to Comecon countries. These would have been economically responsible measures. However, raising retail prices would have violated the fundamental social contract formulated in the late 1950s and 1960s. Keeping prices steady was one of the most important components of the social contract with various population groups that guaranteed the regime’s survival in exchange for stable living conditions. As mentioned earlier, the importance of this rule has been demonstrated by the tragedy in Novocherkassk in 1962, when a massive uprising triggered by rising prices resulted in the loss of lives and serious reverberations for the entire political system (Gaidar 2006). The dilemma the Soviet leadership faced was not an easy one.

4.2 Gorbachev: A New Hope?

The Soviet decline in the 1980s precipitated the unavoidable generational change at the top, followed by a much-anticipated campaign to reinvigorate the socialist system (Kotkin 2008). It was the time when the new leader, Mikhail Gorbachev, came to power. He represented the new generation of the political elites. His election demonstrated that the political establishment was forced to reject the gerontocracy that was characteristic of the Soviet regime for quite some time (Gaidar 2006).

In his memoirs, Gorbachev describes how he became the youngest (at 54) leader of the Communist party in decades. The previous Secretary General Chernenko suddenly died on the night of March 10, 1985. This was the third death of a Secretary General in three years, after both Brezhnev and Andropov passed away while on the job. Gorbachev, then a member of the Politburo of CPSU and Andropov’s protégé (Kotkin 2008), called a meeting of Politburo members to discuss the pressing issues the country faced. In Gorbachev’s own words, it was clear to everyone that the country was in a state of an absolute despair and that
the new generation of politicians had to come. Gorbachev recalls a discussion he had with
Andrei Gromyko, then the Foreign Affairs Minister and one of the most influential
members of the Politburo: “I told him that he knew the situation in the country and abroad as
well as I do. Multiple problems demanded solutions and the society was anxious to see
changes. These changes would be difficult. But we could not wait any longer. We had to
make some decisions. I invited Gromyko to join our efforts in this decisive moment”
(Gorbachev 2006: 11).

Gorbachev observed the conflict and disconnect that existed between the highly
educated population and the rigid ideological system of control. People craved freedom. A
multitude of problems included economic inefficiency, scarcity of almost everything, and
widespread albeit quiet dissatisfaction with privileges enjoyed by the nomenklatura.
Internationally, the USSR was falling behind due to a lack of scientific and technological
progress. The deteriorating morale called for some fresh energy to avoid catastrophe
(Gorbachev 2006).

All of these deficiencies and problems were well known even before Gorbachev came
to power. Andropov organized an informal group of relatively “young” specialists.
Gorbachev and Ryzhkov conducted meetings and discussions with heads of academic and
industry research institutes. They concluded that the situation was desperate, and that the
USSR had the most wasteful economy, the lowest productivity, and the lack of motivation
for improvement, resulting in the so-called “stagnation.” Gorbachev recalls that the group
expressed a near consensus that the country was close to a complete collapse (Gorbachev
2006). To describe the urgency of the situation, Gorbachev cites a popular Soviet motion
picture in which the captain of an aircraft in a burning airport declares, “It’s dangerous to fly
but it is impossible not to fly, so prepare for takeoff” (Gorbachev 2006: 27).

Unlike his predecessors, Gorbachev was genuinely interested in new ideas and was well read on a broad range of subjects, including Western political science and the memoirs of Western politicians. He also encouraged Soviet researchers not to be afraid of rejecting the conventional wisdom. He was familiar with integrationist, social-democratic-leaning ideas of “semi-dissident” Moscow scholars. Gorbachev’s thinking went beyond specific policy proposals to their underlying conceptions of international security and universal humanitarian values. All of this influenced Gorbachev’s “new thinking” (Brown 2001).

Gorbachev also admits that his policies were significantly affected by the external political situation (Gorbachev 2006). How much freedom did Gorbachev have to act according to his convictions and will, and how much were his actions determined by the external environment? This is a difficult question. However, one particular area, Gorbachev’s demilitarization policies, presents some interesting insights. In Gorbachev’s own words, he was well aware that the USSR was in deadlock competition with almost everyone. The arms race led to military expenditures reaching 25-30% GDP in some years, 5-6 times the percentage in industrialized countries. The military sector consumed the energy and creative potential of the most talented and qualified cadres, and consumed colossal resources and up to 90% of the scientific potential. At the same time, the most basic needs of the people were not met, with only 8-10% of funding spent on fulfilling the material needs of the people. To be sure, even before Gorbachev, Soviet leaders were aware of this problem and made some attempts to address it but never had the political will to do so. Under the circumstances, Gorbachev and his team took a more realistic and rational view of foreign policy and the USSR’s position in the world (Gorbachev 2006).
In his book *The Collapse of the Empire*, which is based on in-depth archival research of Soviet government documents, Gaidar suggests that when the USSR’s hard currency reserves evaporated and commercial sources of funding became unreachable due to the poor economic situation, Soviet leadership tried to use *perestroika* and improved relationships with the West to obtain the necessary resources to alleviate the financial crisis. Gorbachev was clear that high military expenditures are unbearable for the USSR and was trying to cut those expenditures. By the late 1980s, military security could no longer be seen as a priority issue because the very survival of the economic and political system of the USSR was in question. This forced Gorbachev to negotiate the conditions under which the USSR could receive Western credits. Gorbachev’s initiatives on weapons reduction, asymmetric reduction of military presence in Europe, and so on could be seen as significantly influenced by the severity of the economic problems that the USSR faced in 1988 (Goldman 2008). It was not only the reduction of the military burden on the Soviet economy that was driving Gorbachev’s agreeable attitude. The USSR also needed support of the USA and its allies to obtain loans from the IMF and the World Bank. So, it likely is not accidental that Gorbachev placed a special emphasis in his memoirs on attempts to goad US presidents Ronald Reagan and George Bush into accepting steep reductions in nuclear arsenals to free up resources for peaceful economic restructuring and to attract Western investments (Kotkin 2008). Consequently, politically conditioned loans influenced internal politics. Soviet leadership received clear signals that if they wanted economic aid, they had to cut back on the use of force and comply with human rights guidelines (Gaidar 2006: 294).

Similarly, an important aspect of the external environment was the USSR’s role as the center of the Comecon empire. Gorbachev writes that the new leadership had to review its
relations with the Soviet satellites. Comecon countries exploited cheap and stable energy resources from the Soviets, which were critical for the survival of the regimes that did not command the confidence of their own people. To ensure its influence over its vassals, the USSR channeled colossal resources to Eastern European countries. In hard currency equivalent, the USSR gave 4-5 times the amount it received from its satellites. Gorbachev’s leadership established a policy of nonintervention in the internal affairs of the Comecon countries (Gorbachev 2006). Essentially, the Cold War ended when the Soviet leadership, influenced both by new ideas of global interdependence and universal human values and by new calculus of the costs and benefits of maintaining Soviet hegemony over the Soviet satellites, decided to sustain these regimes no longer (Brown 2001).

Thus, the architects of perestroika reacted to the reality of economic decay, to foreign policy disasters like Afghanistan, to the pressures of the arms race, and to the logic of their own ideology. To some extent, the course of events was also influenced by the legacy of dissidents, by their repudiation of violent revolution, their preoccupation with human rights, and their shifting of the center of political gravity away from strong dominance of the central state to make political opening possible (Horvath 2005).

Under these rather desperate conditions, ideological predisposition against any sort of market economy began to give way to very careful discussion of reforms, which imply more decision-making power to enterprises, creation of incentives for improved labour productivity, increased role of profits, and transitioning from directive planning to the system of state tendering. In an attempt to find the new source of legitimization of the regime in light of the necessary but highly unpopular measures that had to be taken, in 1987-1988 the Soviet leadership advanced the new line towards economic and political liberalization (Gaidar 2006:
Gorbachev sought to get people directly involved in economic and political decisions. Gorbachev’s thinking had undergone an evolution during his time in power. In the beginning, he was firmly grounded in Leninist ideas about the socialist system and just sought to “correct” mistakes and misinterpretations (Kotkin 2008). Lenin’s new economic policy (NEP) of 1920 was his initial inspiration. Initially, the intent was to tweak the economic system to ensure acceleration of economic development and introduction of personal stimuli to achieve better standards of living for the population. According to Gorbachev, it was simply no longer possible to delay those economic reforms (Gorbachev 2006).

Ideologically, Gorbachev saw the roots of the problem in the remnants of Stalinism, the system that dissociated people from governance and maintained obedience through coercion. The reformers started to think about the very substance of the existing totalitarian system, which they dubbed “real socialism” as opposed to the Leninist ideals they believed in. In 1988, Gorbachev began an assault on the system, calling to clean the ideology from dogma and reject Stalinism in favor of freedom, democracy, social justice, and civil society, all of which he believed were integral parts of the Leninist teaching of socialism (Gorbachev 2006).

The assault on the position of the Communist nomenclature resulted in a split and a bitter fight within the ruling elites over the pace and purpose of reforms. The confrontation found its public expression in the letter entitled “I Cannot Forsake My Principles” by Nina Andreeva, a Leningrad chemistry teacher, published in Sovetskaia Rossia on March 13, 1988. The letter criticized Gorbachev’s reforms for destabilizing Soviet society, hinting that the “left-liberal” intellectuals and other anti-Soviet tendencies had captured the Communist
Party. The letter was allegedly published with the support of Central Committee Secretary Yegor Ligachev. On April 5, Pravda published Gorbachev’s response that called Andreeva’s article an “anti-perestroika manifesto” (Beissinger 2002). Kotkin believes that Andreeva’s letter was part of Gorbachev’s skillful manipulation of his peers and opponents within the ruling party to gain more power (Kotkin 2008). Although it is unclear what kinds of underlying currents had surfaced with the publication of the letter, it obviously indicated internal splits and the feeling of insecurity among the ruling elites. This publicly revealed split and an open confrontation over the limits of liberalization, and the possibility of a reversal of glasnost, encouraged public mobilization (Beissinger 2002).

To set the context and to foreshadow the following discussion of the dynamic interaction between state choices and societal reactions, it will be useful to outline a number of key events. These external economic shocks resulted in some structural changes in the state’s autonomy and capacity. These changes further manifested themselves in a number of specific state actions. Table 4-1 below presents a list of selected key events that significantly influenced the political opportunity structure in Russia:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>2 Nov 1987</td>
<td>Gorbachev publicly announces perestroika</td>
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<td>5 April 1988</td>
<td>Pravda publishes Gorbachev’s response to Andreeva: “Perestroika Principles: Revolutionary Thinking and Actions”</td>
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<tr>
<td>April-May 1988</td>
<td>Elections of candidates to the 19th Party Conference</td>
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<tr>
<td>June 28, 1988</td>
<td>19th Party Conference, resolution on practical measures for undertaking the reform of the political system, democratization of the Soviet society, international relations, glasnost and legal reform</td>
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<tr>
<td>27 November 1988</td>
<td>Law on the Congress of People’s Deputies of the USSR</td>
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<td>26 March 1989</td>
<td>Elections to the Congress of People’s Deputies of the USSR</td>
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<tr>
<td>29 May-9 June</td>
<td>1st Assembly of the Congress of People’s Deputies of the USSR</td>
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Table 4-1: Selected key events that impacted political opportunity in the USSR, 1987-1991

<table>
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<tbody>
<tr>
<td>1989</td>
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<td>4 March 1990</td>
<td>Elections to regional legislatures, including the Russian Congress of</td>
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<td></td>
<td>People’s Deputies</td>
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<tr>
<td>12-15 March 1990</td>
<td>3rd Assembly of the Congress of People’s Deputies of the USSR, end of</td>
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<td></td>
<td>political monopoly of the Communist Party, Election of Gorbachev as</td>
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<td>President of the USSR</td>
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<tr>
<td>12 June 1990</td>
<td>First Assembly of RSFSR People’s Deputies</td>
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<td></td>
<td>Election of Yeltsin as Head of Supreme Soviet of the RSFSR</td>
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<td>Declaration of independence of Russia</td>
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<td>24 October 1990</td>
<td>RSFSR declared supremacy of republican law over the Soviet law</td>
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<tr>
<td>January 1991</td>
<td>Beginning of political reaction, military action in Lithuania</td>
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<tr>
<td>17 March 1991</td>
<td>Referendum on the future of the USSR, formally positive but legitimacy</td>
</tr>
<tr>
<td></td>
<td>under question</td>
</tr>
<tr>
<td>2 April 1991</td>
<td>Price reform</td>
</tr>
<tr>
<td>12 June 1991</td>
<td>Election of Yeltsin as Russian President</td>
</tr>
<tr>
<td>14 August 1991</td>
<td>The new Union Treaty, de-facto disintegration of the Soviet Union</td>
</tr>
<tr>
<td>19-21 August 1991</td>
<td>Failed coup d’état</td>
</tr>
<tr>
<td>2-6 September 1991</td>
<td>5th and last Assembly of the Congress of People’s Deputies of the USSR,</td>
</tr>
<tr>
<td></td>
<td>declaration of the transition period to form the new system of state</td>
</tr>
<tr>
<td></td>
<td>relations</td>
</tr>
<tr>
<td>27 Dec 1991</td>
<td>Gorbachev resigns as the USSR President</td>
</tr>
</tbody>
</table>

The discussion above suggests that the economic situation eliminated the sources of control over the economy and the society and forced the Soviet leadership to change not only their behavior but also their ideological position to seek greater openness, devolution of responsibility to other levels of governance and the society at large. As an economic expert observes, decision makers were the first to respond to the severity of the crisis they faced, as they had access to the information about the state of affairs and realized that it was simply impossible to maintain the status quo (Denisova interview). Thus, it is true that perestroika started at the top of the house, but it was initiated due to the clear understanding of the inevitable societal consequences of the deteriorating economic situation. To put it bluntly, the
Soviet leadership was so afraid of the possibility of looming societal discontent that it was prepared to take some drastic measures that undercut its centralized power in an attempt to avoid the catastrophe. Therefore, the state’s autonomy had deteriorated, creating a political opening for further mobilization. The following section discusses this proposition in more detail.

4.3 State Autonomy Reduced, Both Internally and Externally

Gorbachev came to power in 1985 as a communist reformer, understanding that reforms were inevitable but believing that the socialist system could be retained and substantially improved. At the beginning of perestroika, Gorbachev did not conceive of political reform. What he had in mind at the beginning—despite the use of words such as demokratizatsia, perestroika, glasnost and uskorenie—would be more accurately described as liberalization than democratization. He was hoping that the Communist party would be the vehicle to lead the reforms (Brown 2001).

However, Gorbachev’s thinking began to evolve quickly as he faced consistent resistance to reforms from party bureaucrats and as he encountered large sections of intelligentsia who embraced glasnost and perestroika. When the reformers realized that the Communist party was not going to lead the reforms, they turned to seeking broader public support from local governance councils (Soviety). This opened the door to political reform and expanded opportunities for political participation. With the introduction of contested elections to the legislature that would meet during most months of the year and would have real power, the political system was qualitatively changed and pluralism became substantially institutionalized. The contested elections to republican legislatures changed the arrows of accountability as it became more important for deputies to be responsive to and to have the
support of their local electorate than to curry favour with Moscow as in the past (Brown
2001).

The initial attempts to devise new policies produced, at best, mixed results. One example of such apparent failure is the ill-conceived anti-alcohol campaign of 1985-87, which drove production underground (thereby draining state coffers of major tax revenue) and aroused public ire. The Soviet leaders learned from their previous experiences and began to seek greater public participation in the policymaking process. Following the failure of the anti-alcohol campaign, much care went into the 1987-88 economic reforms. Prime Minister Ryzhkov’s draft proposals, prepared by the planning bureaucracy, were criticized as too timid by Politburo member Yakovlev, who cited the views of prominent academic economists. The general secretary, appearing to steer a middle course, shepherded through a series of far-reaching laws on enterprise “autonomy,” direct relations among firms, and small-scale service-sector “cooperatives.” Top scientists brought into the policy-making process had also singled out “social activism” as the sine qua non of successful economic reform, and Gorbachev permitted the formation of “unofficial” associations as well as the workplace elections of managers (Kotkin 2008: 60-61).

After the first semi-free elections in 1989, which demonstrated people’s negative attitude towards the Communist party nomenclature and threatened their position, the latter began to block the reforms even more. Gorbachev became preoccupied with the search for, in his words, “the new understanding of the position of an individual in the society,” essentially looking for a new model of the relationship between the individual and the state. His ideological position evolved towards more of a social-democratic and liberal understanding of socialism, with freedom, social justice, socially oriented market economy, and the
corresponding role of the state (Gorbachev 2006).

If the fusion of political and economic institutions in the pre-1988 Soviet system constrained policy because it made the party-state leadership fully responsible for the costs of economic reform, now liberalization efforts began to devolve decision-making power to individuals and bodies, which were selected by at least partly democratic procedures, introducing into the system new mechanisms of accountability and legitimization. The change made it possible, at least in theory, to create a policy in which the hard choices and social costs of reform were legitimized by a combination of economic efficiency criteria and democratic choice. Popular discontent could have then expressed or diffused itself in organizational and electoral activity, rather than by the blunt instruments of strikes and riots against the authoritarian regime (Cook 1993: 205-6).

Between 1988 and 1990, Gorbachev moved political power from party to state institutions. By creating a presidency, Gorbachev freed himself from the constraints that the party leadership and apparatus were able to impose on him. In his struggle for power with the party apparatus, he unleashed the powerful force of public opinion through his policy of glasnost and freedom of press. Public opinion, and particularly intelligentsia opinion, had become an important factor in Soviet politics like never before (Brown 2001). Eventually this worked against Gorbachev, but in the early stages of perestroika, introducing public opinion into the political realm served him quite well.

However, even more significant changes occurred in economic governance. The command economy, which was the instrument for the Communist party to have full control over the population, was undermined. A number of pieces of legislation gave a boost to private enterprise and encouraged decentralization of power to economic actors. Yet, empty
shelves in the shops made it clear that the market economy still had a very long way to go while the command economy was being destroyed (Brown 2001). In 1986-89 a number of steps towards liberalization included the Law on Individual Labour Activity in 1986, the Law on the Enterprise of 1987, the Law on Cooperatives in 1988, and the Law on Leaseholds in 1989. In 1988 enterprises were given decision-making authority. In 1988 the Law of Cooperative Enterprises in the USSR opened ways for expansion of the private sector.

In 1988 Gorbachev announced that he was preparing to introduce a progressive income tax on individuals to curb the growing wealth of private business ventures. Previously, members of cooperatives were taxed at the same low flat rate as ordinary workers (13%). Gorbachev’s move seemed to address the growing public fears that the introduction of private ventures could create too much wealth for some individuals. Therefore, the new tax initiatives sought to introduce more fairness to income distribution, and ultimately win public support for broader economic changes. Cooperatives were also expected to be subject to local taxes, apparently to lower resistance of local authorities to private enterprise. For the first time in Soviet history, the state was interested in improving taxation with the aim of creating a feedback loop between the state and the people.

However, although the state’s autonomy was reduced, the mechanisms for the proper aggregation of public interests and channels for legitimization of policy decisions were not in place. First, despite the political liberalization and increased public participation, at the time the reforms were initiated Gorbachev, who was not popularly elected, lacked democratic mandate and input, and thus he was seen as fully responsible for the outcomes. Second,

competitive elections did not produce pro-reform majorities because pro-liberal-reform constituencies were too concentrated geographically and too disorganized politically, while the majority of elected candidates held to the old norms and expectations. Third, the Slavic workers used their new democratic rights to protest against economic reforms, which threatened their security and quality of life (Cook 1993: 205-6).

Similarly, democratization did not work well with responsible economic reform policy. In 1989 the government fell under tight control of the new parliament, dominated by populists. The parliament was opposing all attempts to tighten the economic policies; therefore, the Soviet leadership could not control budget spending within constitutional boundaries it had developed (Starodubovskaia and Mau 2004).

Furthermore, the inconsistency of implementation of existing policies did not alleviate the crisis, as it made it possible for some individuals and social groups to benefit at the expense of others, creating a widely shared sense of social injustice. By 1991 cooperatives employed as many as 6 million people. One of the first decisions the newly independent enterprises made was to raise wages—by 8% on average in 1988 and by 13% in 1989. Under the conditions of non-market prices, this only created further complications. With the pervasive deficit of goods and financial imbalance, many directors of cooperatives and enterprises were able to obtain windfall profits on the production of deficit goods. The law on property leasing further opened up opportunities for the privatization of state assets to benefit the management and affiliated individuals. The financial and hard currency crisis deepened, putting downward pressure on the quality of life for the vast majority of the people. Against this background, increasingly critical attitudes towards central authorities (Gaidar 2006: 279) fueled massive public mobilization against the regime.
The discussion above clearly illustrates that the mighty Soviet strength proved to be weak in the face of the economic crisis and lacked the ability to adapt and respond to the challenges. The institutions failed to effectively react to the social and political changes. State institutions were unable to aggregate interests effectively and were incapable of dealing with the popular mobilization. This was true in many policy areas. Restructuring the party lagged far behind the demands posed by processes taking place in society. Popular demands outstripped the ability of the federal government to deal with them. It was common to see proposals that would have been meaningful a few years earlier but were no longer sufficient. Gorbachev and his government had little time to rethink assumptions of their policies in light of new circumstances (Beissinger 2002). The political opportunity was thus created with Gorbachev’s policies of glasnost and perestroika which could potentially open the door to public mobilization and political contestation.

4.4 Coercive Capacity and Military Expenditures Reduced

As suggested in the previous chapters, one of the important structural features of the regime is its coercive capacity, which determines the relative balance of power between the state and the society and consequently impacts possibilities for popular mobilization. The literature conceives of coercive capacity as consisting of military forces and internal security forces. Ross noted that oil wealth may lead to increases in military spending, and thus coercive capacity may also increase (Ross 2001). In times of oil busts, according to this logic, coercive capacity may decrease due to lack of funds to continue military spending. What was the impact of oil bust on military spending, and how did it impact the Soviet state’s coercive capacity?
The Soviet Union had a massive military-industrial complex. However, the calculation of the size of the Soviet military sector as well as its share of the GDP is not an easy task. According to the U.S. Arms Control and Disarmament Agency, in 1985 the Soviet Union outspent the US in its military buildup: The US spent US$258 Billion compared to the US$277 billion spent by the USSR. This could suggest that the Soviet Union had a tremendous coercive capacity. At the same time, as mentioned above, the military burden on the economy was also very significant, in fact weakening the Soviet economy. The US GDP was almost twice that of the Soviet Union: US$4,201 billion compared to the US$2,118 billion GDP of the Soviet Union. That was perhaps the main reason why Gorbachev sought to lessen the burden on the economy from military expenditures. On March 21, 1989, he issued a Decree on the Reduction of Military Forces and Military expenditure during 1989-1990. As Table 4-2 below shows, military expenditures began to decline after reaching their peak 1987-88. Most of the reductions were due to foreign policy, but they impacted the army overall. Unfortunately, this reduction did not help the economy too much because Gorbachev’s demilitarization policies came at a price, as well (Kotkin 2008): Troops had to be relocated and retrained for civilian life, equipment and munitions destroyed or repurposed, etc.

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Table 4-2: Military expenditures, GDP, and government expenditures, 1985-1990

<table>
<thead>
<tr>
<th>Year</th>
<th>Military expenditures (ME) (Billion $)</th>
<th>Armed Forces, Million</th>
<th>Gross National Product (GNP), Billion $</th>
<th>Central Government expenditures (CGE), Billion $</th>
<th>Populatio n, million</th>
<th>ME/ GNP, %</th>
<th>ME/ CGE, %</th>
<th>ME per capita, constant 1995 $</th>
<th>Armed forces per 1000</th>
<th>GNP per capita, constant 1995 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$277</td>
<td>$380</td>
<td>3.9</td>
<td>$2,118</td>
<td>$2,903</td>
<td>$759</td>
<td>13.1</td>
<td>50.0</td>
<td>14</td>
<td>$1,362</td>
</tr>
<tr>
<td>1986</td>
<td>$288</td>
<td>$384</td>
<td>3.9</td>
<td>$2,250</td>
<td>$3,003</td>
<td>$818</td>
<td>12.8</td>
<td>46.9</td>
<td>13.9</td>
<td>$1,364</td>
</tr>
<tr>
<td>1987</td>
<td>$303</td>
<td>$392</td>
<td>3.9</td>
<td>$2,348</td>
<td>$3,039</td>
<td>$854</td>
<td>12.9</td>
<td>45.9</td>
<td>13.7</td>
<td>$1,381</td>
</tr>
<tr>
<td>1988</td>
<td>$319</td>
<td>$398</td>
<td>3.9</td>
<td>$2,507</td>
<td>$3,130</td>
<td>$855</td>
<td>12.7</td>
<td>46.6</td>
<td>13.6</td>
<td>$1,390</td>
</tr>
<tr>
<td>1989</td>
<td>$303</td>
<td>$363</td>
<td>3.7</td>
<td>$2,645</td>
<td>$3,170</td>
<td>$835</td>
<td>11.5</td>
<td>43.5</td>
<td>12.8</td>
<td>$1,257</td>
</tr>
<tr>
<td>1990</td>
<td>$292</td>
<td>$335</td>
<td>3.4</td>
<td>$2,660</td>
<td>$3,057</td>
<td>$779</td>
<td>11.0</td>
<td>43.1</td>
<td>11.7</td>
<td>$1,153</td>
</tr>
</tbody>
</table>


However, the decline of military expenditures does not necessarily mean the decline of domestic coercive capacity. In the USSR, the army was not very involved in domestic affairs, and it was never the first choice to respond to protests, though it has been called upon periodically. However, presumably one can expect a correlation between the external defense expenditures and internal security spending. It is also important to understand how the internal coercive apparatus of the Soviet Union was impacted.

The standard operating procedures governing the Soviet state’s response to mass protests and disturbances evolved over time, although they retained a certain degree of consistency. In the Stalin era, NKVD carried out most mass repression in reprisal for rebellion actions with little involvement of the local party officials, usually with a great deal of brutality and overwhelming arbitrary force. In the Khrushchev era, local party officials were charged with maintaining order and the local militia and the KGB took action first,
calling on troops and special force units if necessary. In the Brezhnev and immediate post-
Brezhnev years, the authorities displayed reluctance to deploy severe violence against
participants in mass actions. Special forces were deployed at least 21 times from 1965 to
1985 to quell mass demonstrations, but this was accomplished without the type of brutal
violence characteristic of the Stalin and Khrushchev years. Possibly in response to the
bloody suppression of rebellion in Novocherkassk in 1962, a growing human rights
movement and greater exposure of the USSR to the outside world, police and special forces
were given instructions to use firearms only as a last resort in exceptional circumstances and
only where bystanders could not be hurt (Beissinger 2002).

In the Brezhnev era, the police developed tactics aimed at eliminating public acts of
challenge without the use of severe forces against the public. More proactive measures were
taken by the KGB to prevent demonstrations before they occurred, by detaining and
harassing organizers, blocking off meeting places, and the use of police provocateurs. The
most important feature of repression in the late Soviet period was not the severity of
violence, but regularity, predictability and efficiency of coercion at a moderate level.
Beissinger notes that of 195 demonstrations in the USSR between 1965 and 1986 that he
studied, in only 10% of all known cases were serious prison sentences handed out to some
participants. Yet, some degree of police harassment ranging from blocking paths of
demonstrators to temporary detentions to serious beatings occurred in 67% of all cases.
Deaths of demonstrators were practically unknown at that time. The institutional capacity to
repress in this manner exceeded mobilizational challenges and created a sense of
hopelessness and fatigue among consistent challengers (Beissinger 2002).
It is this regime of repression that Gorbachev inherited. Although the repressive regimen was quite effective and many of the above-mentioned tactics were applied by the police during the Gorbachev era, it is also clear that few conceived of the possibility of involving the brutal violence displayed during the previous years (Beissinger 2002). Although there are no data on Soviet internal security funding that I am aware of, it appears that the reason the repression regimen became increasingly ineffective under Gorbachev, as we will see later, was not so much due to an actual decline in funding but was predominantly a result of changes in perceptions and expectations of both repressive organs personnel as well as the population. Therefore, the growing political contention overwhelmed the law enforcement organs.

4.5 Growing Political Contention

Before proceeding to the detailed discussion of the state-society dynamics, it is helpful to provide a descriptive characterization of the dependent variable, including the number of contentious events and the types of organizational activity.

One can clearly observe the increase of political contention and public mobilization more generally during the last few years of the 1980s. In 1987 a series of small waves of protest emerged, began to persist and started to influence one another. The easing of institutional constraints due to glasnost altered the boundaries of what was possible. The mobilization cycle started in the summer of 1987, when iterative attempts to contest the state, particularly the nationalist movements, became regularized and began to influence each other (Beissinger 2002).

Beissinger describes the growth of contention as a tide or a wave. The tide started on
the margins of the country, when ethno-nationalist movements began to mount challenges along the borders of the USSR. The wave then made its way towards the center as the repressive capacity of the regime declined and as the conditions further worsened to the degree that the last stronghold of the regime—Slavic worker population—divorced from it. Figure 4-6 below shows the number of participants in demonstrations from 1987 to 1991 (Russia only).

![Figure 4-6 Number of participants in demonstrations, 1987-1991](image)

Source: Beissinger 2002

The number of protesters was low at the beginning of perestroika but started to pick up very quickly, particularly beginning 1989. In February 1990, according to the *New York Times*, 100,000 people were marching in front of Kremlin walls demanding that the Communist Party surrender its monopoly on power.28 At the same time, on the periphery of the Soviet Union, practically in all Soviet Socialist ethnic republics people rallied under nationalist

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slogans demanding more political independence.\textsuperscript{29}

Simultaneously growing were the number of “informal” organizations that in essence were first social organizations independent of the state and often opposed to it. A human rights activist who witnessed the events himself described it thus:

In reality of course everything emerged at the end of 1980s. Our Memorial was one of the first but there were a few such initiatives in various forms. First in the realm of political and civil rights, perhaps as… some sort of informal clubs for various purposes. They had a short-term, one-off nature related to perestroika, to current primarily political goals. These groups could participate in discussions [of problems] or [developing] solutions. For example, the Moscow Tribune [was one of them], but also others, primarily intellectuals. From intellectual, “kitchen” circles emerged the so-called “неформальны” (informal organizations) so it became public or semi-public… Later some more formal organizations emerged, with the help of the Americans, although there was no law on public organizations yet. During perestroika everything became possible. At a minimum, there was less repression, with the exception of quelling especially politically active groups with significant presence in the streets, like Novodvorskaia’s Democratic Union. But that was relatively rare and for the most part public activity, if not legitimate, was not considered an anti-Soviet activity as in the past (Gefter interview).

4.6 Changing State-Society Relations

External economic conditions affected structural features of the regime, such as the degree of state autonomy and its coercive capacity. These changes in structural features translated into changes in state-society relations via a number of mechanisms. The dynamic interaction between the state and the society is discussed in this section.

The changes in structural features empowered societal actors who now could use the emerging opportunities. Both the supply and the demand side of the opposition began to grow rapidly. A witness of the events suggested that “After 1985-86 hundreds of new

informal organizations emerged that were not directly related to the previous dissident movement. Most of the people involved in these new organizations were also new to this activity—they were not active dissidents and regime opponents. And thus it is questionable whether they would have become involved in public activity if it were not for Gorbachev’s perestroika” (Belenkin Interview). More and more people who were not previously part of mobilization activities became involved.

Most organizations at the beginning had non-political agendas such as preservation of historical monuments, protection of the environment, and fighting alcoholism. Groups with clear political agendas began to emerge in 1987. In the spring, the political discussion group, the Perestroika Club, was established in Moscow. In the summer, some members of the group began to discuss investigation of the crimes of Stalinism, and preparations began for what would become Memorial. In August a group of non-communist intellectuals started Citizens’ Dignity, a small association promoting human rights in the USSR. At the same time, the first major conference of political discussion groups gathered in Moscow. At that time, those groups did not constitute a real opposition. Their agendas were primarily discussion and activism that were not incompatible with the official goals of perestroika. These groups were loosely organized and had highly informal leadership structures. Memberships were fluid and substantially overlapped (Fish 1995).

Public mobilization expanded at a fast pace, and street demonstrations soon became a habitual part of the political landscape. The mobilization cycle started on the periphery of the Soviet empire, but eventually it was Russian mobilization that played a pivotal role in the collapse of the regime. Although Russians were instrumental in initiating liberalization in Moscow and Leningrad, the vast majority of Russians remained untouched by the
mobilizational tide until well into the perestroika years. In 1987, with Russians constituting more than 52% of the population in the USSR, only 30% of demonstrations and only 21% of all participants in demonstrations were Russian. Russian mobilization increased in 1988 and spread geographically, particularly in association with the 19th party conference. However, in total this mobilization accounted for only 17% of demonstration and only 0.6% of all participants in demonstrations in 1988 (Beissinger 2002: 389).

In 1988 the “informal” (non-state) organizations grew in number, and some of them went beyond the levels of official tolerance and began organizing street demonstrations. In January the Perestroika Club divided into Democratic Perestroika and a more radical Perestroika-88. In February a number of high-profile intellectuals, including Andrei Sakharov and Iurii Afanas’iev, founded Moscow Tribune, a club whose purpose was organizing political discussions at research institutes. The Moscow Popular Front, embracing a wider circle of liberal intellectuals, sought to broaden political discussion and activism, yet, during 1988 the goals and activities of “informals” remained within boundaries of what was permissible and mostly focused on generating support for perestroika (Fish 1995).

The 19th party conference, held in June of 1988, served as a catalyst to encourage heightened efforts to challenge the entrenched power of the party bureaucracy. The conference accepted a resolution on practical measures for undertaking the reform of the political system, democratization of the Soviet society, international relations, glasnost and legal reform. The expectations that emerged from political reforms introduced to the conference led to an ongoing conflict between reformers and hard-liners, and a sense of the growing vulnerability of the latter. The selection of the delegates to the conference and

attempts of local party bosses to block and control it gave rise to new social movement organizations—the “popular fronts in support of perestroika”—which emerged in different parts of the country out of local intelligentsia, many of whom had close connections with local party organizations and who had become politicized by the new possibilities for political discourse and actions. Initially these so-called “informal” groups (as opposed to state-organized official groups) were primarily concerned with the process of delegate selection. Waves of demonstration to protest blockade and control of the local party bureaucracy emerged throughout the country. The demonstrators called for more far-reaching democratization of Soviet institutions. In Estonia, Lithuania and Latvia, the creation of such organizations quickly flowed into large-scale separatist manifestations (Beissinger 2002).

The 19th party conference was a turning point for perestroika, after which Gorbachev introduced partly competitive elections and the concept of the law-based state (*pravovoe gosudarstvo*), whereby all officials from top to bottom would be subordinate to the law. This was an unmistakable move towards a more open political competition. Beissinger suggests that May/June 1988 constituted a tipping point. In response to the opening provided by the 19th party conference, protest activity increased simultaneously across multiple groups. The intermittent and scattered mobilization of 1987 evolved into a wave of protests among a number of different nationalities, especially Balts, Georgians, Moldavians, Armenians, Ukrainians, and Russians. Moreover, the groups from across the country began to share information, modes of challenge, and mobilizational frames (Beissinger 2002).

The crucial event of early 1989 was the March ballot for the USSR Congress of People’s Deputies, the first somewhat competitive election in the history of the USSR. The rules and conditions strongly favoured candidates loyal to the Communist party. One-third of
the seats were reserved for representatives of state organizations controlled by the party. Procedures for the nomination of candidates from territories were almost entirely in the hands of those who already had authority. The elections nevertheless allowed some individuals with revolutionary ideas to participate in the Congress. However, perhaps the most important aspect of the election was that the populace encountered what was the closest semblance ever to a real electoral campaign (Fish 1995).

The first electoral campaign for the first semi-competitive elections in the USSR generated significant popular upheaval, partly because the party officials attempted to control nominations and electoral outcomes and partly because elections fostered the growth of electoral organizations and rallies to support specific candidates. The elections brought some humiliating defeats that further undermined the Communist authority. In many urban centers, communist incumbents lost and many party elite were unprepared to stand for election. The Communist Party became vulnerable (Beissinger 2002).

The first major mobilizational wave in Russia proper emerged in the spring of 1989 in connection with the elections to the USSR Congress of People’s deputies. The wave was liberalizing in nature, with diverse movements coming together to speed up the pace of democratization and reforms. It gained inspiration from the Baltic example, borrowing organization forms of popular fronts as a form of mobilizing populations against the party-state.

Fish also believes that 1989 was the critical takeoff phase for autonomous political activity in Russia: “Popular involvement in independent politics increased exponentially, informal groups whose activities had been limited largely to discussion evolved into far more serious political actors; and labourers in a crucial sector of economy broke with decades of
imposed quiescence” (Fish 1995: 35). From mid-1989 to the collapse of the USSR major protests, strikes, and violent interethnic conflicts emerged on almost a daily basis. Surveys conducted in 1988 and 1989 by the All-Union Center for Study of Public Opinion discovered that the level of alternative political activism in the country increased fivefold even though participation in the Communist Party had halved (Beissinger 2002).

The Russian mobilization was strongly influenced by the mobilization tide elsewhere in the Soviet Union. However, just to foreshadow the discussion that follows, it is worth mentioning that it was the growing alienation of Russians from the Soviet state with which they have in the past routinely identified that brought down the Soviet regime. It was this association between Russians and the Soviet state that made Russian opinion the structural pivotal point on which perceptions of survival or collapse of the Soviet state ultimately rested.

The Russian mobilization movement, generally speaking, consisted of two main directional streams. The first stream, including both pro-democratic liberally oriented and more populist movements and individuals, was primarily driven by ideational factors. For the most part, it involved top-down elite-driven mobilization. Various types of elites might have defected from the regime for various reasons but have identified with pro-democratic movements. They rallied and mobilized supporters under pro-democratic banners. The second stream can be better characterized as labour-economic. It emerged as a spontaneous bottom-up mobilization driven by socioeconomic issues. This stream was not driven by normative ideas such as democracy and liberalism, but rather demanded direct improvements in its living conditions.
Each of these streams comprehended their relationship with the state in different terms. In this sense, Russian mobilization differed significantly from that of other groups. The division was the expression of different relationships of Russians to the Soviet state. The mobilization tide deepened the existing polarizing cleavages among Russians. Class, not nation, had been the salient narrative of rebellion within Russian culture against the culturally similar but overpowering state. In other words, unlike the other Soviet republics, Russians did not resent the state for being a colonizing power, but instead for breaking the socioeconomic contract it had with the people. Liberals may have seen the state as never having set the appropriate social contract, while labour groups saw the state as having broken an existing Soviet-style social contract that was a legitimate one. Therefore, culture did not offer a basis for effective mobilization against authorities while class did (Beissinger 2002).

Within the liberal pro-democratic opposition in Russia there were, generally speaking, three distinct tendencies at the outset of the electoral campaign in 1988-89. The campaign sharpened these tendencies, made them more pronounced, provoked some competition among them and finally brought them together into a broader and more energetic movement. The first tendency consisted of liberal-progressive individuals, who themselves were rarely prosecuted by the regime and many of whom were members of the Communist Party. Some individuals previously working within the Communist system were attracted to the movement for the opportunities that the liberalization created by extending the bounds of the permissible. They were interested in competition but not confrontation; they were driven by liberal and westernizing ideas and had expansive ideas about the future of the country and their career ambitions. The second tendency was comprised of scholars with little experience in politics and human rights activists associated with Memorial, some of whom were former
dissidents and suffered persecution. Sakharov was the rallying point for this group, and his election as a candidate from the Academy of Sciences was their first significant victory. The third tendency was toward a wider and more amorphous social and organizational base than the first two. Its foci were individualist and vaguely populist, with broad agendas around social justice, curbing privileges and fighting corruption. Such currents formed around, for example, Boris Yeltsin, who, at the outset of the campaign, was not tied to any informal groups but enjoyed support from diverse sources due to his personal popularity and courageous personal crusade against the regime (Fish 1995).

During the initial stages of the campaign, the relations between these currents were cool and detached. However, as the campaign progressed communication among the activists improved and their common agenda and shared experiences of overcoming the control of the Communist Party provoked some convergence among the three main currents. Soon after the election, these forces together founded what became an umbrella group of democratic forces, the Moscow Union of Voters. The group’s objective was to become a core of the real opposition. The organizers arranged some compromises to ensure that various forces were represented in the leadership that took the form of a coordinating council. The organizations included about 30 various groups in Moscow and took affiliates outside Moscow from large provincial cities. Although the organization was heavily infiltrated by agents who tried to provoke splits, it held together. In the fall of 1989, it organized some of Moscow’s first large political demonstrations, including a 50,000-person manifestation in November (Fish 1995).

In the second half of 1989, a number of large national conferences of new democratic movement organizations took place. In September representatives of 60 groups from 40 cities from all over the USSR gathered in Leningrad. In October a large congress of local popular
fronts from around the Russian Republic gathered in Iaroslavl. These conferences did not stimulate organizational integration and were plagued by infighting over minor issues and unsubstantial discussions. They did, however, encourage some solidarity among activists and seemed to embolden them. The Leningrad conference called for restoration of private property, establishment of multiparty democracy and removal of the Communist Party dominance. At the end of October, Memorial staged a first demonstration against atrocities of the communist regime and against the KGB’s political repressions (Fish 1995).

Beginning in 1989, Soviet authorities were rapidly losing legitimacy and control over the situation. In the first elections in the spring of 1989, 32 out of 160 first secretaries of the obkoms were selected to run. In Leningrad none of the party and Soviet leaders were elected. In Moscow most party candidates also lost, with 90% of Muscovites voting for Yeltsin. Party leaders also lost in the Volga, Ural, and Siberian regions, and the Far East (Medvedev 1994: 85-86; Gaidar 2006: 304). A New York Times reporter observed, “The elections… for the new and theoretically powerful Congress of People’s Deputies swept in a substantial minority of independent candidates, planting the seeds of the first national opposition since the time of Lenin” (Keller 1989), though they were admittedly still outnumbered by pro-status quo party deputies.

Significant mobilization happened in anticipation of and during the first sessions of the USSR Congress of People’s Deputies. The electoral campaign led to the creation of the Interregional Group of Deputies from opposition leaders from Russia, Ukraine, the Baltic, and Georgia. Although short-lived, the group demonstrated that Russian liberal opposition leaders could cooperate with nationalist movements to advance common interests in the changing institutional environment (Beissinger 2002).
Meanwhile, within Russia itself a major shift in popular attitudes towards the center was taking shape. One of the most important developments in 1989 was the emergence of a militant labour movement in the coal and mining industry (Fish 1995). In July 1989 hundreds of thousands of coal miners in the Kuzbass region and Donbass, outraged by the lack of necessities like soap, went on strike, occupying town squares and demanding an improvement in living and working conditions and a greater control over their workplaces. The significance of the miner strikes was not the emergence of the strike as major form of action, as it was already present in 1987-1988. The strike contributed to perceptions of weakness of the regime, but more importantly it demonstrated heightened disaffection from the Soviet state among working-class Russians and Slavs. Within Russia itself, the rise of working-class opposition gave enormous force to the regime’s opponents’ social base, which before was predominantly from intelligentsia from major urban centers (Beissinger 2002).

Beginning in the spring and taking full force in the summer, massive strikes shook the mining regions across the country from Siberia and the North to the Ukraine. The strikes were spontaneous and loosely organized, but the strike committees took on the roles of independent trade unions representing workers’ interests, mostly related to pay and work conditions (Fish 1995).

Miners’ strikes had huge reverberations for politics in Moscow. They impacted the tactics of the interregional group of deputies, which concluded that the course of perestroika would be determined, in words of Gavriil Popov, “not by the readiness of the party apparatus to introduce particular legislation or even the capacity of the deputy-democrats to fight for it, but by the actions of the masses,” as well as other political forces. Yet, the miners were not eager to jump on a bandwagon of political entrepreneurs of any kind, retaining a guarded
attitude towards outsiders. With time, labour movements grew frustrated with Moscow’s inability to reverse the economic chaos and their demands radicalized, calling for disbanding the Soviet state. Thus, eventually worker movements identified with the goals of liberal politicians and their sovereignty paradigm (Beissinger 2002: 399).

In 1990 the Communist Party itself began to show signs of strain. A radical reform movement emerged within the party due to dissatisfaction of some members with the pace of the reforms. Factions began to emerge within the party itself, from conservative party functionaries to groups calling for Western-style parliamentary democracy in which the CPSU would be one of the parties (Fish 1995: 42). Gorbachev’s reforms within the party, following his conclusion in 1988 that the party was not capable of leading the perestroika, the introduction of competitive elections in July 1988, and the introduction of the presidency in 1989 as a counterweight to the party apparatus, created a lot of institutional confusion, undermined party discipline and isolated the party from an increasingly active society. Some party officials chose to resign and remove themselves from the need to participate in competitive elections. Others became more focused on the demands from below rather than on directives from party superiors. In any case, the push-pull from the street became a stronger factor than the party hierarchy (Beissinger 2002).

The 1990 elections for the republican, oblast, city and district levels, in which candidates from the democratic movement won elections in some places, including the RSFSR Congress of People’s Deputies and achieving majorities in Moscow and Leningrad city Soviets. The progressives in the new RSFSR Congress formed an influential albeit not a majority group Democratic Russia bloc. This group was instrumental in Yeltsin’s election as chairmen of the republic Supreme Soviet (Fish 1995).
These elections spurred massive popular mobilization. In the two months prior to the elections, huge demonstrations took place in many Russian cities. Several meetings in Moscow had some 250,000 people. The speeches and placards suggested radicalization of the democratic movement. The target of the movement had become the Communist regime as a whole. The goal was not reform but democracy (Fish 1995).

A number of new political parties emerged in Russia in the spring/summer of 1990, reacting to the recent removal of Article 6 declaring Communist Party dominance. Among them were the Social Democratic Party of Russia (SDPR), The Democratic Party of Russia (DPR), the Russian Christian Democratic Movement, and some smaller parties such as The Party of Constitutional Democrats and the Constitutional Democrats/Party of Popular freedom. In November some members of the Democratic Platform, a radical progressive faction within the Communist party, founded the spin-off Republican Party of Russia. These parties barely resembled western-style parties, had very small membership base, and hardly had much influence in the political life. Still, they represented a significant development as they formed a first official opposition (Fish 1995).

Democratic Russia (DemRossia) emerged to capitalize on the political openness created by Gorbachev’s call for semi-free elections to local, regional, republican, and federal level bodies. It united under single-umbrella voluntary organizations, self-proclaimed political parties, pro-reform factions in the CPSU, pro-democracy deputies in various soviets, and opposition candidates. The movement was backed by elite “rebels” in high positions in the party-state who were hoping to seize power at the local level. Democratic Russia followed the example of nationalist militant independence movements that seized power in
Armenia and Estonia in 1987-88. The movements were stepping into the breach opened by the process of devolution of central control over the federal hierarchy (Garcelon 2005).

Democratic Russia’s historical significance comes from two primary sources. First, DemRossia emerged as a key network along which the devolution of central power moved from the periphery of outlying federal territories right into its core. Second, DemRossia served as the key grassroots vehicle for Yeltsin. During Yeltsin’s campaigns, DemRossia’s drive to seize power from below converged with splits at the top of the Soviet state to empower an alternative political force in the RSFSR Supreme Soviet (Garcelon 2005).

The new parties quickly began to create a framework for cooperation. In July they formed an organizing committee and started working towards what would become the Democratic Russia Movement. The deputies from SDPR, DPR, and the Democratic Platform announced that they would form a coalition and work together in legislatures of all levels. In October the Democratic Russia movement organized its first founding conference in Moscow. Most pro-democratic parties and other political organizations, including voters’ unions, merged into the new organization in an attempt to foster a broad membership base from individual and collective bases. The group announced that it had 100,000 members, which may be an overstatement. In any case, these numbers were rather modest for a country of the size of Russia. The group remained loosely organized and riven by internal divisions form the start (Fish 1995).

By 1990 in many parts of the USSR demonstration activity had grown regularized to the point that large numbers of people within particular segments of society repeatedly participated in them. Surveys showed that more than half of the participants partook in demonstrations at least once in the past or on a regular basis. Successful protest changed
consciousness so that people and populations who did not contemplate protest began to see it a normal activity. In short, the “social order turned upside-down, the normal boundaries of political life came undone, and loyalties and affections of individuals were up for grabs” (Beissinger 2002: 91)

The easing of institutional constraints as well as the changes in the opportunity structure, particularly with the intensifying split within the ruling elites over the pace and purpose of reforms, triggered mass mobilization activity. The open confrontation within the leadership over the limits of liberalization and the possibility of a reversal of glasnost raised by these debates encouraged further migration of conflict from institutions to the streets (Beissinger 2002).

The interaction between the two streams of popular mobilization—top-down and bottom up—played a very significant role in the fate of the Soviet regime. Although labour-economic groups significantly weakened the state’s capacity and legitimacy, key to the final outcome was the fact that Russian liberals entered into alliance with non-Russian nationalists and Western liberals and adopted a sovereignty frame as the core of their struggle for power with the Soviet regime (McFaul 2001). The emergence of the sovereignty frame as a dominant theme in Russia created structural conditions conducive to the Soviet collapse (Beissinger 2002: 389).

The most important point is that during this time, the relative strength of the state and society had reversed. Despite state resistance, the concurrent growth of independent organizations and their pressure demonstrated that initiative for radical reform had shifted from the state to the society. The significant share of mobilizational challenges was no longer supportive of Gorbachev’s ideas of perestroika led by the party-state (Fish 1995).
4.7 Impact of the Oil Bust on the Supply Side of the Opposition

4.7.1 Repression, Disruption, and Manipulation

External economic shock accelerated the deterioration of the economic situation and impacted key structural features of the regime. State actions to address the multitude of economic and political challenges instigated certain societal reactions: Miscalculated policies fueled grievances, and reduced coercion and an opening in the political system encouraged mobilization. However, those state actions in turn were influenced by the growing political contention and changing expectations and norms of the population. The following section describes the state’s reaction towards mass public demonstrations and its choices dealing with organized interests.

First of all, the state also had to respond to the challenges presented by the organizational activity, such as emerging public organizations and organized labour. The state heavily borrowed from the existing set of various coercive tools it inherited from the previous periods, including hard and soft coercion.

In the first phase of Gorbachev’s period, the main development was the partial liberalization in official thinking and policy regarding independent association. The phrase “Socialist pluralism” entered the official Soviet discourse at that time. This amounted to some de facto toleration of the formation of some organizations outside the official state realm. It was publicly acknowledged that diverse and even competing interests existed in Soviet society. However, the principle of independent, organized intermediation of interests was not declared (Fish 1995).
State action towards informal groups ranged from watchful tolerance to outright repressions. As soon as any of “informal” groups voiced independent criticism of the regime—even in those aspects that the top leaders themselves claimed to oppose, such as repressions under Stalinism—they encountered official resistance. For example, the Communist Party pressured organizers of Memorial, an organization whose focus was discovering the historical truth about Stalin’s atrocities, to postpone their founding conference, seized control over the group’s bank accounts and obstructed their operations in a number of other ways. In the beginning of the spring and summer of 1989, the Democratic Union formed from a small and diverse conglomeration of groups whose goal was to establish a Western-style multiparty system. The Union declared itself an alternative political party and immediately began staging street demonstrations. Although these manifestations were small, they often provoked violent repression and arrests (Tolz 1989; Fish 1995).

The state’s responses to the emergence of autonomous miners’ organizations were in line with the standard operating procedures towards challengers from below. The authorities established ostensibly independent organizations under official control parallel to the autonomous groups. They tried to disrupt autonomous organizations by infiltrating groups, threatening organizers, and disrupting communication among activists. Fish notes that in Kemerovo, party leaders sought to counteract the United Workers of the Kuzbass. They first attempted to block the organization from formation by banning the strike committees and starting a new union under the control of local and provincial authorities. As these tactics were not overly successful, the authorities launched a campaign against the movement in the local media, fired organizers, and deployed “reliable” workers to infiltrate the organization and obstruct its activities (Fish 1995).
The tactic of creating parallel organizations was also evident in the case of professional associations. In June 1989, several months after the formation of the lawyers’ professional association, the Ministry of Justice announced the formation of the USSR Union of Lawyers, with the declared purpose of creating the rule of law and promoting Communist self-management in the legal profession. In August, just weeks after the formation of the Alliance of United Cooperatives, the official national trade union organization started a new trade union of cooperatives.

Similarly, party authorities tried to create a controlled version of workers’ political activism. The network of informal political organizations called the United Front of Working People emerged in the summer of 1989. It originated in Leningrad, and local chapters began to set up in the Baltic, Moldavia, Ukraine, and Moscow. In September the umbrella organization United Front of Working Russian People (OFT) held a founding congress in Sverdlovsk with 110 delegates from 29 Russian cities and Russian groups in other republics. OFT was not a spontaneous autonomous workers’ organization. Local chapters were sponsored by Communist Party officials who sat on their coordinating councils. The Front had explicitly political and nationalist agendas. Unlike other nationalist movements, OFT was primarily concerned with economic policy and labor issues and strongly opposed the reformist assault on the established welfare benefits. Its politics was conservative, Russian nationalist and anti-reform. It supported “Soviet patriotism” and opposed nationalist autonomy movements. It had ties to conservative and nationalist intelligentsia and constituted the main opposition to pro-reform Popular Fronts and other liberal, informal, mass organizations in the Western cities of the USSR. Some in the political scene saw it as a front for anti-reform officials and a way of manipulating the working class in the interests of the
apparat\textsuperscript{31} (Cook 1993).

By 1990, however, such measures as selective violence and the intimidation of activists, parallel organizations, and informational blockage of the opposition were accompanied by liberalization measures, such as the removal of the Article 6 from the constitution, effectively lifting the ban on alternative parties (Fish 1995). The liberalization rendered such coercive tactics against independent organizations largely ineffective, as it removed the main ideological underpinning of the coercive regime: the state’s monopoly on controlling the popular mobilization.

Similarly, the state’s reactions to mass political protest had evolved, as well. Mark Beissinger offers a compelling story of the changing repressive regimen that the state applied toward the growing public protest activity. The mass protest tide produced confusion and divisions within Soviet institutions, making it even more difficult to find solutions to the challenge of holding the Soviet state together (Beissinger 2002: 97). Repression as well as disruption of independent activity continued, but it had exhibited some qualitative changes, and became more sporadic and inconsistent because of the split and increasing conflict among elites, and because there are quite simply much fewer resources available for the regime to support these activities.

At the beginning of \textit{perestroika}, authorities reacted strongly to massive public protests. In December 1986, up to 10,000 demonstrators took to the streets of Alma-Ata in response to the removal of a Kazakh republican party leader and the appointment of a Russian in his place. The demonstration was quashed harshly—2,400 arrested, 459 injured and 2 dead—and

\textsuperscript{31} Andrei Sakharov, quoted from Moscow Television Service, FBIS:SU, September 18, 1989, p. 75, op. cit. Cook 1993
protest mobilization in Kazakhstan was effectively stopped until 1989. From January 1987 to May 1988, at least 277 demonstrations with 100 or more participants took place in the USSR. A total of 2,144 arrests, injuries or deaths occurred at these demonstrations. In all, about 30% were subject to government repressions. This was a marked decline from 67% of demonstrations repressed in the Brezhnev era, but still a significant proportion (Beissinger 2002).

In 1987 Gorbachev’s government attempted to bring the repression regime more in line with the ongoing liberalization efforts. The Soviet government began to allow small-scale demonstrations, which Gorbachev believed would help to challenge the entrenched power of bureaucrats. Gorbachev’s regime never showed a total tolerance of challengers, however. Gorbachev’s efforts to introduce a law-based state included attempts to regulate protest activity. Until 1987, no procedure existed to authorize formally the right to conduct demonstrations and meetings declared by the 1977 Soviet Constitution. Gorbachev’s government embraced the idea of introducing legal regulation as a gatekeeper for demonstration activity. It sought to discriminate between protests viewed as supportive of its goals and those that violated the spirit of perestroika. The intent was to move from the situation when all demonstrations were banned to one in which authorities could have a legal discretionary power to decide which groups would be permitted to demonstrate. Thus, the law was to serve the purposes of the regime, marginalizing serious opponents while mobilizing civic activism for the goal of institutional reform (Beissinger 2002: 335).

The law enacted by the USSR Supreme Soviet in October 1988 regulated demonstration activity. Demonstrations were legal only if organizers applied to local authorities at least 10 days in advance, and local authorities had the power to ban
demonstration if the activists violated Soviet laws or threatened public order and the safety of the citizens. Similar laws were soon passed by republican legislatures. The intent was to make the enforcement of these regulations consistent so that little challenge would emerge and severe punishment would not be necessary. Moreover, recognizing that local militia units may not be enough to deal with certain protests, the Soviet government issued a decree in 1988 expanding and upgrading MVD special forces battalions. They were to remain under all-union control and had to deal with cases in which local authorities lost control (Beissinger 2002). This indicates the willingness of the Soviet government to use coercion, although whether the resources were actually ever allocated to this initiative is unclear.

At the same time, the emerging struggle between state and society evinced inconsistency of official policy. For example, in July in 1989 the Chairman of the Ideology Department of the Communist Party Central Committee lauded the growing pluralism of Soviet society and raised the possibility of a multiparty system. However, in December the special force police units (OMON) violently repressed small public demonstration by groups calling for a multiparty system in Moscow, Leningrad, and other cities. These inconsistencies revealed deep divisions among the top leaders and suggested profound contradictions in the reform led by the Communist state itself (Fish 1995: 41). These inconsistencies indicated that the state began to slowly loosen its control over society in response to growing mobilization activity and pressure from society groups.

The explosion of protests outside of this legal framework triggered by the 19th party conference made it even more difficult for the authorities to enforce the policy of discrimination between types of challenges as the number of mobilizing groups increased. A sharp increase in the number of demonstrations occurred after the conference, particularly in
the Baltic and Georgia. From June to December 1988, at least 457 demonstrations of 100 or more participants took place, with a total of 2,328 arrests, injuries, or deaths and with 20% of all demonstrations experiencing some government repressions. Thus, the regularity of application of repression declined. In 1988 the police deployed tear gas against crowds on more than a thousand occasions, and by July 1988 more than a thousand police and soldiers had been injured and six died in attempts to repress unauthorized mass events (Beissinger 2002).

The application of the repressive regimen throughout different localities was uneven, with some authorities continuing to ban all demonstrations and repressing attempts to organize challenges with a great deal of consistency. In other cases, particularly where nationalist movements significantly influenced local governments, legal regulations of protest were hardly applied at all (e.g., Estonia and Latvia). However, the biggest problem was, of course, the sheer number of protests that the authorities were simply unable to regulate. It became common that when the demonstration was not authorized, the organizers took to the streets anyway, thus opting to hold unauthorized rallies (Beissinger 2002).

Throughout 1988 and 1989, the proportion of unauthorized rallies increased steadily. In the first six months of 1988, 246 unauthorized demonstrations took place in Moscow. In the following four months, the number of unauthorized demonstrations climbed to 398. Out of 724 mass events that took place in Ukraine in the first nine months of 1989, 338 (47%) were unauthorized. At times, regulations even provoked further protests rather than contain them. In short, by late 1988/early 1989 it was evident that the law regulating protests was failing (Beissinger 2002).

The massacre in Tbilisi, Georgia, in April 1989 appears to be the tipping point after
which the authorities were no longer capable of restoring order with repressions. Moscow had fully supported the crackdown. Because local police were considered unreliable, an additional two thousand special forces were dispatched to Tbilisi. A show of force was mounted to scare off the protesters from the streets, including military helicopters and tanks. However, the show of force had an opposite effect and ten thousand people organized a sit-in protest, attempting to stop the munitions. The crackdown proved disorganized and too violent, with 19 people dead (16 of them women), 290 wounded (183 seriously) and several thousand poisoned from the use of tear gas and other substances used by the forces to contain the protest (Beissinger 2002).

The political reverberations of the Tbilisi massacre made it a watershed for the ability of the government to apply force to stop the protests. Not only was it the amount of injuries and deaths and the severity of the force, but for the first time the military was subject to severe criticism from the society for actions against the people. Since then, the military pulled out of the game and did not want to interfere in ethnic or other conflicts. Similarly, a shift occurred in the mass consciousness. After the Tbilisi events, mass belief about the effectiveness of repression and expectations that troops would engage in severe repressive actions began to subside dramatically. After April 1989, the proportion of demonstrations that were subject to repressions declined dramatically (Beissinger 2002).

By mid-1989, efforts at violent crackdown became dysfunctional and only further disintegrated institutions. Multiple mobilizational challenges in the Russian political center and on the periphery decreased the fear that the regime could successfully deploy coercion against protesters. Liberalization undermined efforts in large-scale repressions. Finally, the tide of protests severely taxed the institutions of law enforcement, as not only it demanded a
lot more of them in terms of severity and frequency of repressions required to calm the
protest activity, but it also made it harder for the elites to believe in successful deployment of
repressions to save the Soviet state (Beissinger 2002).

The erratic policy towards political challengers continued into 1990. A number of large
demonstrations during the first half of the year occurred without incident. Some
demonstrations, however, continued to encounter repression. In mid-March, for example, a
meeting of Democratic Union in Moscow was violently repressed by OMON, and 13
participants were arrested. Another tactic was press blockage of the opposition, whereby
most large national regional and local newspapers and the Soviet television either did not
cover the democratic movement or presented distorted information, downplaying the
contradictions between the officials and the opposition (Fish 1995).

Figure 4-7 below shows the number of participants in demonstrations and the number
of arrests of the participants (in Russia). One can clearly see that at the beginning the number
of arrests was quite significant and the number of participants in demonstration relatively
small. The Soviet regime was able to keep contention in check until approximately 1989. The
year 1989 appears to be a tipping point in which the number of participants increased
significantly and began to overwhelm the coercive capacity of the state. In addition, as
described above, the expectations and norms of the population as well as those of the military
and police personnel had undergone some changes. After 1989 the number of arrests began
to decline at the same time as the number of participants in demonstrations increased
manifold.
A relevant question to ask is: What was more important, the decline in coercive capacity of the state to contain protests (due to financial constraints exacerbated by declining oil revenues), or the speed and scale of changes in popular mobilization? That is, if this had happened in a Soviet state that had greater repressive capacity, would the protests have been quashed? Although it is hard to answer this kind of a counterfactual question, it is worthwhile to consider it. There appears to be interplay between the two factors, and both of them were important in the Soviet case. Yet, both of the factors are related to the other and arguably more important issue: the overall decline of the state capacity and economy. In other words, it is the economic decline that leads to both the loss of coercive capacity and the disintegration of the social order due to poor economic performance.

Institutional changes provoked the mobilizational tide, but institutions were quickly outstripped by the pace of events. The mobilization tide produced significant confusion and
division within Soviet institutions, making it even more difficult to find institutional responses to challenges. If, at the beginning of the emergence of mobilization, the authorities were able to respond harshly, by 1989, well into the mobilization cycle, efforts at violent crackdown produced their own dysfunctions and furthered the breakdown of central institutions. The Tbilisi massacres of 1989 not only failed to stop the mobilization cycle, but caused massive outrage at the army and the law enforcement organs, to the degree that the latter shied away from performing its repressive functions. The institutions of order were no longer capable of dealing with the mobilization challenges, and the tide undermined discipline and morale and stretched institutional resources to the limits (Beissinger 2002).

4.8  Impact of Oil on the Demand Side of the Opposition

4.8.1  State Attempts to Change the Social Contract and Patronage System

With declining oil prices, the state became unable to meet obligations and keep price subsidies, and had to retract spending programs. The Soviet state was rapidly losing its ability to employ “soft” measures to control societal discontent. Among those measures, the most important were blanket welfare provisions, predominantly targeting the worker population, as well as more targeted subsidies and perks designed to offer selective incentives to the economic and creative elites as well as state and party nomenclature. This section describes how the Soviet social contract as well as the system of selective co-optation eroded during the last years of the Soviet Union. It shows that the state appears to be severely constrained by its social contract obligations. As a result, it was unable to carry out much-needed reforms even as the economic situation seriously deteriorated and demanded radical economic reforms which would certainly impose some costs on the societal actors.
In 1988, the economic situation deteriorated rapidly. Oil production continued to decline due to the grim condition of the industry. This combined with the growing economic crisis. Serious difficulties were registered primarily on the consumer goods market, which had become increasingly unstable. Various goods previously available suddenly disappeared from retail, instigating frantic demand. These goods included sugar, pastries, toothpaste, soap, laundry detergent, and school supplies, along with necessities such as meat, shoes, and fur products, which were routinely inaccessible to most people. By the end of 1989, out of 989 types of consumer goods, only 11% were reasonably available. Television sets, refrigerators, most furniture, irons, razors, and cosmetic products were not available in retail stores. Even goods that were freely available in 1987, such as cleaning supplies, school notebooks and pencils, had vanished. In addition, a lack of pharmaceutical drugs and medical supplies created serious problems (Gaidar 2006).

Under the conditions of looming scarcity of almost everything, the state had to balance between multiple and often contradictory obligations and the diverse interests of various social groups. There were few means still available to the Soviet elites to maintain reasonable levels of consumption for the population. On the one hand, the state was wary of alienating the key elites. For example, it could have been possible to reduce the production of the manufacturing sectors and use the raw resources to increase export revenues. Reducing capital investments and cutting massive purchasing of industrial machinery and equipment abroad would deny local economic elites access to capital and equipment supplies and would have violated the established rules of the game. Similarly, introducing food rationing could

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alleviate shortages. During the crisis, public opinion research demonstrated that the majority of the population (60%) supported food rationing, while the idea of price increases was only supported by 16% (possibly because the Soviet citizens did not understand supply-demand economics). However, the Soviet regime lacked the resources necessary to supply such a scheme. In addition, such measures required that rationing would apply equally to all groups of population and all regions. These measures would also contradict the entrenched logic of the late Soviet regime, according to which consumption and access to goods depended on social status (Gaidar 2006).

On the other hand, the state had to satisfy the expectations of the masses. The state remained unwilling to increase retail prices for the full four years, as the increases would impose costs on virtually all urban strata, and especially industrial workers and groups that enjoyed privileged access to state-subsidized goods under the old distribution system. Low, stable retail prices were one of the most reliable, tangible, and valued policy goods that the Soviet people received from the state. As mentioned before, Novocherkassk events of 1962 continued to serve as a strong anchor for such policies. The state, however, was not only concerned about public unrest; it was seriously worried about potential alienation of the population from the whole project of perestroika. Letters to the editors of various publications indicated the widespread opposition to the idea of price increases, suggesting that the price reforms were unacceptable for the vast majority of the population (Cook 1993: 140).

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Wholesale price increases occurred nevertheless, not as a result of conscious policy decisions but as unintended consequences of reforms. To gain support from powerful economic groups, the government began to allow increases in wholesale prices and alleviated state control over the enterprises. This was done to contest the RSFSR government that was preparing similar measures (Starodubovskaia and Mau 2004). Enterprises in the consumer goods sector that were transferred to self-financing often responded by raising the prices of their goods. Most enterprises were monopolistic or near-monopolistic and therefore were in a position to benefit from it to gain profits, mainly through raising prices without increases in productivity. They also elected to raise wages for their workers, further fueling inflation. The cooperative sector also contributed to rising prices, as it was for the most part free to state price control. Cooperatives faced a lot of risk and hurdles, but once they were established they could charge for their services prices that could be way above their costs. All of these factors, as well as ethnic unrest, created shortages and supply disruptions in 1988. The shortages further fueled corruption, hoarding, and increased efforts to secure closed distribution. When the consumer market began to deteriorate rapidly, price reform became even more difficult. Gorbachev’s government elected to tighten price controls through state-administrative regulation (Cook 1993: 143).

The democratization of Soviet politics contributed to pressures for the stabilization of prices and market conditions. Deteriorating market conditions encouraged labor unrest, as shortages, supply disruptions and high prices were among their central grievances in the massive miners’ strikes in 1989. Trade unions, in collaboration with emerging conservative organizations, staged large demonstrations for price controls and economic stabilization. The newly somewhat democratically elected Supreme Soviet acted to strengthen state control
over prices, production, and cooperatives. Thus, the leadership confronted powerful interests’
demands and popular pressure to take prices under control. The underlying concepts of social
justice and state provision of basic goods, especially for the poor, were deeply entrenched in
the Soviet political culture. In effect, the decision to postpone the retail price reform
amounted to a massive subsidy burden on the state budget. Food subsidies alone increased
from R65 billion in 1985 to an estimated R95.7 billion in 1990. Overall, consumer price
subsidies were more than R100 billion in 1989 (Cook 1993: 147).

Similarly, the Soviet government appeared to feel constrained in reforming other
important social contract provisions. Cook notes that Gorbachev realized the burden imposed
by the Brezhnevite social contract on the Soviet state and early on showed interest in
changing it. In 1987 he cited existing social and labor policies as sources of the system’s
stagnation and stated that under previous leadership, contradictions in the sphere of labor and
distributive relations accumulated. Gorbachev and his allies claimed that Brezhnev’s welfare
state was economically dysfunctional, morally debilitating, and often unfair and corrupt in its
redistributive practices. Excessive social guarantees undermined productivity and did not
provide necessary incentives for the workforce. They suggested that the paternalistic welfare
state fostered the culture of dependence and frustrated growing aspirations of the society for
independence and participation.

At the same time, the reformers held on to the basic principles that the socialist state
should provide a guaranteed minimum of provision for all while extra benefits should be
distributed according to work. Despite his commitment to meritocratic norms, Gorbachev
seemed uncertain about cutting established social protections. He and his advisers promised
that costs to the working people would be limited. This would involve a comprehensive state
program of retraining and placement of dismissed workers to new jobs, accompanying food price increases with new increased transfers to low-income groups, supplementing privatization of housing and medical services with state spending to improve provision of these services (Cook 1993).

Cook finds that Gorbachev attempted or announced reforms in a number of critical social policy areas, including giving up employment stability and security in favour of technological modernization and financial discipline, replacing wage equality with increased pay differentials to encourage productivity and creativity, and supplementing basic subsidized social services with privately provided for-fee services. These measures, if implemented, would mean significant costs for Soviet workers: layoffs, wage cuts, retail price subsidies cuts, and the loss of some free social services. However, in each of them he retracted changes as soon as they threatened to impose a serious cost on industrial workers (Cook 1993).

One of the key areas of reform, for example, was employment practices. Releases and inter-sector shifts of personnel began in 1987 and increased in 1988. According to Goskomstat, economic reforms led to release of approximately 3 million industrial workers by the end of 1989. For the first time in the postwar era, the number of industrial workers in the country began to decline. The number of production sphere workers in RSFSR reduced by approximately 590,000 out of total reduction of about one million in the 1988. These releases would pose a serious threat to the social contract with the core working class, and especially ethnic Slavs in material goods production. However, Cook also finds that the effect of the reforms had been much less than it could have been. Out of those released workers, the majority were transferred to different jobs or sectors, or even shifted within the
same enterprise. A sizable minority of dismissed workers was near their pensionable age, and some retired early or involuntarily. A small proportion of people was actually discharged from enterprises and became unemployed. Those people, however, appear to be relatively marginal producers, such as older workers, youth with little experience, single mothers with children, and poorly skilled workers, many of whom were from small towns and geographically immobile (Cook 1993: 106-7).

The overall result of the reforms was the erosion of labor’s social contract. Some social services were privatized, and retail price reforms were anticipated. However, in each case by early 1989 new decisions or concessions had limited the painful effect of workers. Factories were allowed to rehire dismissed workers, bankrupt enterprises were bailed out, quality control and wage discipline were relaxed, and retail price reforms were continuously delayed. Thus, the reforms fell short of seriously undercutting job security of the core industrial workers’ class (Cook 1993: 114). Evans also observes:

As the Gorbachev leadership…more sharply sensed rumblings of discontent from those who [felt] protected by existing guarantees, it [became] more cautious and hesitant in approaching resolution of some of the tasks most essential for successful economic restructuring. (Evans 1990: 164 op. cit. Cook 1993)

Thus, the Soviet state continued to provide social contract policy in the face of rising costs, declining resources, and pressure to make different policy allocation decisions (Cook 1993: 116).

Gorbachev’s leadership also considered another policy area in which reforms were much needed: enterprise insolvency and bankruptcy. Gorbachev’s reform envisioned the termination of the practice of redistributing assets from more efficient to loss-making enterprises and mandated the transition of all enterprises to economic accountability, self-
financing, and self-management over the two-year period. The new law also specified clear bankruptcy provisions. At the outset of reforms, the Soviet government estimated that approximately 13 percent of enterprises operated at a loss, and a total of 25% in industry and construction would have difficulty complying with the new policies. Uneven distribution of profitability made some entire sectors nearly bankrupt. Most fuel sector enterprises operated at a loss partly because the state artificially kept energy prices low as a means to subsidize the entire Soviet economy. As self-financing went into effect, almost 50 percent of construction, 38 percent of machine building, and about 30 percent of light industry enterprises were low-profit or loss-making. The importance of the unprofitability issue grew in conjunction with the recently acknowledged budget deficit. Gorbachev’s government pointed to industry subsidies as the main drain on the state budget. They attempted to target both deficit and subsidies by eliminating enterprise loss-making and tightening bank credit for weak enterprises (Cook 1993: 124).

In 1988 reform policies began to impose some measures of financial discipline in Soviet industry. However, at a critical decision point, the leadership retreated from the policy course. The final reduction of subsidies was delayed, and the new set of options for the reorganization and financing of enterprises incapable of eliminating losses were developed, including mergers with profitable plants, conversion to leases or cooperatives. Thus, unprofitable enterprises could continue to survive on state subsidies, merge, or seek private financing through leases, shareholding, or cooperatives. In fact, Cook finds that industrial subsidies continued to increase from R6.7 billion in 1988 to R7.5 billion in 1989 and planned for R8.5 billion in 1990. The policy was retracted because it met with some substantial bureaucratic and political opposition from ministerial, regional, and local authorities who
lobbied for exceptions and additional resources or provided direct aid to plants under pressure. The old patterns of patronage through allies and connections with the authorities contributed to blocking the reforms, but the lack of political will was probably the main factor (Cook 1993: 128).

To sum up, the state retracted or was unable to carry out consistently most of the reforms because it was constrained by interest group pressure (bureaucratic, state workers, enterprise managers) and popular pressure, especially from urban industrial workers. It was also significantly more vulnerable to pressure as a lot more opportunities now existed to exert this pressure though growing popular mobilization, informal groups and organizations, and the newly elected legislature. Yet, the deteriorating economic conditions as well as partial reforms undermined the workers’ protected cost of living and produced a decline in real wages. Thus, Gorbachev’s policies were failing to deliver critical policy and allocational outcomes expected under the social contract (Cook 1993: 149).

4.8.2 Societal Reaction: The Social Contract Erodes

Before perestroika, the social contract between the rulers and ruled implied silent compliance. Some rather weak and marginal forms of protest activity existed, including limited forms of watchfully tolerated cultural or student organizations. Widespread alcoholism could also be considered a form of a quiet social protest, a sign of alienation from public life. Overall, however, the tacit agreement implied that the ruling regime provided certain public goods and citizens were entitled to their private lives in exchange for political nonparticipation. In return, the citizens refrained from participation in politics. However, the last few years of the Soviet Union witnessed a massive landslide in public consciousness. This shift could be triggered by the economic situation, but it was bigger than just a response
to the current situation. It was a truly revolutionary change which implied complete and widespread alienation and disassociation from the ruling regime (Belenkin Interview). State legitimacy quickly vanished. This section details the erosion of the social contract agreements in the Soviet Union and Russia and its eventual disintegration.

The key underlying norm of state-society relations and the widely held expectation in the Soviet Union was that the state provided material benefits. This was true for both masses and elites. It continued to be true even well into the perestroika years. For example, even though in late 1980s the population generally supported the idea of private property, the prospects of rising prices and unemployment were regarded very negatively (Kosmarskii 1989; Shpil’ko, Khakhulina et al. 1991; VTsYOM 1991). Similarly, regional elites, while arguing for more decentralization of economic decision-making power, at the same time demanded guaranteed supplies of material resources (Pleshakov 1989).

In return for the reallocation of material benefits, societal actors were expected to comply with their side of the social contract; in particular, they were to stay away from expression of organized public interests. Previously, acts of contention were isolated and rarely repeated, and participation in them was limited—in no small part due to repression, but also because of the implicit and entrenched norm of noninvolvement in the political realm (Beissinger 2002).

However, in response to the easing of institutional constraints as well as rapidly deteriorating economic conditions, the situation began to shift very quickly, and in a matter of just a few years, the mobilization tide flooded the entire country. As detailed above, the mobilization cycle began in the summer of 1987, when iterative attempts to contest the state, particularly by nationalist movements, became regularized and started to influence one
another. During 1987 the interaction effect of contentious actions across groups became apparent. Specific types of demands spread modularly—that is, similar issues were advanced in various locations across the USSR. They radicalized—from cultural preservation to sovereignty, from freedom of expression to multiparty competition, from improving consumer supply and work conditions to government resignation for failure of economic reforms. Within the mobilization cycle, autonomous streams of mobilization occurred over democratization, environmental justice, labour and economic issues. Sometimes they intersected with nationalism; for example, the liberalization stream was more strongly connected to nationalist movements, while the economic stream remained almost entirely separate (Beissinger 2002).

Starting on the periphery, in 1988 the mobilization tide reached the center of the country. The extent of political mobilization is described by an observer in 1988: “Moscow today was a dizzying display of a country shaken by new political forces, and straining to find a balance between tolerance and control” (Keller 1988).

Perhaps the most serious issue for the regime was massive protest mobilization among the stronghold of the Soviet regime, the Slavic blue-collar workers, which indicated a serious breach of the social contract. A loosening of repression came at the same time as the disintegration the of social contract, so it is hard to distinguish between the effects of the two, as likely both factors had contributed (Cook 1993).

Cook identified the following phases in labor unrest in the USSR. In 1986-87 the number of labour disputes, grievances, and appeals over employment rights had begun to increase. Yet, individual grievances and appeals were mostly handled through official channels. In the fall 1987 and 1988, sporadic collective protests at the workplace, work
stoppages, and localized strikes began to emerge. In most cases, these were in reaction to reduction of pay due to new policies. Social conditions were secondary. Usually, local authorities responded quickly to negotiate and frequently agreed to the demands and there were no reports of repressions. Increased political openness allowed for more open expression of discontent. Strikers firmly opposed reform policies on wages and quality controls. When these policies imposed immediate and tangible costs on collectives of male blue-collar workers, the latter resisted strongly (Cook 1993). Labour unrest had been growing throughout the USSR in 1988-89. For the most part, these strikes were confined to a single enterprise, lasted a few days and were focused on work conditions and wages (Beissinger 2002).

The most significant wave of Russian mobilization emerged in July 1989 and was predominantly economic in nature. The strike started on one mine in the Kuzbass region in Western Siberia but quickly spread to the entire region and to other mining regions in Siberia, Northern Russia and eastern Ukraine. Strikers challenged the dominance of the exploitative state authorities, so the independence of the enterprises figured prominently in the demands (Beissinger 2002). Strikers advanced economic and social demands, consisting of a mix of market measures and provision of state services. They generally believed that market conditions would serve their collective interests, as they thought they could sell coal at higher prices. This same logic applied to other raw material industries but probably not to other industries. This suggests that policy preferences of the workers were not based on their education or skills but rather on economic and sector opportunities and their ability to benefit from reforms. Miners were also historically more disadvantaged in terms of benefiting from the social contract, as miners’ regions were notoriously neglected. Therefore, they were less
invested in the social contract, and whatever benefits they had deteriorated significantly as the state social contract provision broke down, particularly in the consumer economy (Cook 1993).

Miners’ organizational capacity grew as grassroots leadership and organization emerged, which were staging more organized, militant protests. It was perhaps not coincidental that miners were the first ones to strike. Concentration in workers’ settlements and hard and dangerous work contributed to solidarity and militancy, the low profitability of the coal industry due to state controls endangered their economic future and fueled grievances, and the possibility of selling coal internationally at higher prices presented an attractive opportunity (Cook 1993).

The miners’ strikes of July 1989 were qualitatively different, as they were significantly influenced by the broader scope of the challenge that emerged from the Congress of People’s Deputies in June (Beissinger 2002). The legislature provided miners with access to national leadership through their deputies and the audience for their actions and demands (Cook 1993). Demands were focused around the lack of consumer goods, wages, working conditions and benefits, but from the outset they also included a political element (Beissinger 2002). Despite the promises made by central authorities, they were unable to fulfill these demands, which triggered the new wave of strikes and disobedience in the Siberian mining regions. The situation regarding the coal mining enterprises was declared extraordinary. Glasnost and the opening up of historical truth about the atrocities the regime committed further contributed to growing popular grievances (Gaidar 2006).

In the fall-winter of 1989-1990, strikes continued and grassroots, working-class organizational activities were growing. Miners’ strikes had demonstrated an effect on other
raw material industries, so in 1990 oil and gas workers in Tyumen threatened to strike for improved living conditions and the opportunity to sell part of their output for hard currency. The liberalizing state was weak and vulnerable in the face of grassroots challenges. The legal and institutional framework was lacking for labor negotiation. Still, the workers’ organizational capacity improved (Cook 1993).

The breakdown of the social contract was an important factor contributing to workers’ mobilization. There is considerable evidence suggesting that workers strongly supported the concept of the state provision of basic goods and services. Miners’ demands focused on many of the social contract provisions. Many groups demanded improvement and the return of certain social contract policies and allocations, including stable prices, state regulation distribution networks, relative income equality, and guaranteed employment. On the other hand, many workers supported reforms and envisioned a self-supporting future, particularly those in the energy and raw material sectors. The social contract, therefore, was not a blanketed agreement with all strata and sectors, as the state’s delivery of social contract obligations to workers varied across geographic, social and economic lines (Cook 1993).

The Slavic workers used their new democratic rights to protest against economic reforms which threatened their security and quality of life. There were no organized political forces that could aggregate popular interests except for the Communist Party. Democratization mobilized some pro-reform constituencies but also industrial workers who were interested in preservation of the old social contract. Therefore, Gorbachev had to maintain inherited obligations of social provision but in a declining economy. The leadership feared that populations would withdraw consent and compliance from the state if the expected social contract policy goods were not delivered. Consequently, the government
continued blanket subsidies (Cook 1993: 206-8)

In February of 1990, the party renounced its monopoly on power in the Soviet Union. The party no longer had the sole authority and responsibility for policy allocations and outcomes, and no longer demanded political compliance. Elected legislatures and officials already influenced policy outcomes. Trade unions and other groups were free to lobby, and workers and the public were free to pressure the government through strikes and public protest. Essentially, the conditions for the social contract ceased to exist (Cook 1993).

By 1990-91, the economic crises deepened further, so it became obvious that prices had to be increased. In April, Gorbachev’s government finally initiated price reform (Cook 1993). The new tariffs for the most important goods and food items were put in place in April of 1991, ranging from 90% to 310% increases (Gaidar 2006).

The price increases further exacerbated public discontent, and the demands quickly radicalized. For example, Igor Znamenskii, deputy head of the Department on Relations with Social and Political Organizations of the central committee of CPSU, reported:

In connection with price increases, sociopolitical unrest grew more acute. Work collectives in other sectors and republics are joining the striking miners… While just a month ago most of the labour collectives were reserved about the miners’ strikes, in recent days their support had increased everywhere… [T]he economic demands the workers are making, under the influence of the opposition forces, are turning unto political, expressing no confidence in the central organs and the CPSU.36

The price increase of 1991 was met with massive strike movements. The leadership quickly conceded to the demands for compensation and income indexing advanced by the General Confederation of Trade Unions (GCTU), initiating a wage-price spiral and

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36 I. Znamenskii (Deputy Director of the Department on Relations with Social and Political Organizations of the CC of the CPSU) to the CC of the CPSU, on measures to stabilize the sociopolitical situation in the country, April 15, 1991 (RGANI, F. 89, Op. 22, D. 69, L. 1,2) op. cit. in Gaidar 2006
demonstrating that it could not impose income restraints on workers. Through the agreement with the GCTU in 1991, Gorbachev’s government essentially replaced the tacit social contract with an explicit negotiated agreement, giving organized labor a privileged status and influence in economic and social policymaking (Cook 1993: 209).

Opposition forces in the Russian leadership and workers’ movement became increasingly active. An important event of the spring of 1991, the miners’ strikes, was dominated by political demands—primarily, the resignation of the Union leadership. The losses from the strikes totaled 3.7 million man-days (Gaidar 2006: 376). In July, the Siberian coal mines were practically in a standstill when more than 100,000 strikers demanded further economic and political concessions in the wave of labour unrest. Workers in related industries were also joining in the stoppage, and miners were organizing rallies and confronting political officials in cities and towns (Clines 1989; Gaidar 2006).

Meanwhile, in 1988-89 Russian liberals embraced the nationalist frame and began to define themselves in opposition to the Soviet regime. Valerie Bunce pointed out that the difficulty of distinguishing between the Soviet regime and the Soviet state meant that the overthrow of the regime could not be easily disentangled from the end of the Soviet state. Beginning in 1990, the position of Russian liberals increasingly shifted to opposition to the Soviet state itself, thus converging with the position of the non-Russian separatists. In 1990 the politics of the street became institutionalized within the state through republican and local elections in the first half of 1990. At this time, the Russian public became increasingly dissatisfied with the performance of state institutions. As an editorial in Pravda described the mood of the time, “A radicalization of public awareness is taking place, distrust of official political structures and administrative bodies is gaining strength, and criticism of the
‘Particracy’ and rally-applied pressure demanding the resignation of local bodies have become pointed and embittered” (Beissinger 2002: 401). This alteration of the way in which Russians related to the state was critical in changing the balance between the regime and its Russian liberal opposition.

The graphs below show the types of demands advanced by demonstrators between 1987 and 1991, the last years of the Soviet Union.\(^{37}\) It is clear that the number of demonstrations with political demands—that is, the ones that not only demand certain specific social or economic improvements but also make specific calls for changes in leadership and claims for power—increases over time. I coded the demands into four distinct categories:

1) Protests advancing only social, economic, and civil rights demands. These can include, for example, all labour protest, environmental protest, freedom of speech, release of prisoners, commemoration of national events of the past, etc., as long as they do not include explicit claims for power or protest against government (green color on graphs);

2) Protests that explicitly include claims for political power, such as resignation of government, electoral campaigns, and other types of clearly political demands (red color);

3) Demonstrations that combine the two previous types of claims (orange color);

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\(^{37}\) I am using the database on collective actions on the territory of the Russian Republic for the period 1987 to 1992 assembled by Mark Beissinger. As no single source would reliably cover the turbulent historical period he studied, Beissinger used over 150 different new sources, from Samizdat and émigré publications to Western news outlets and the FBIS service. The database includes information on protest events of 100 participants or more, their size, the types of claims made by the organizers and participants, and the degree of repression by the authorities. For details, see Beissinger 2002, Appendices I and II. In addition, some data on protest events, albeit less comprehensive, was collected by Beissinger and his team from 1965 to 1986.
4) Lastly, I coded separately all nationalist protests, including ethno-nationalism, radical-conservative nationalism, fascism, etc. (purple color)

Figure 4-8 and 4-9 below illustrate the erosion of the social contract in Russia over time. Clearly, street activity becomes more and more politicized over time.

Figure 4-8  Number of demonstrations per months by demand type, 1987-1991 (Stacked)
Source: Beissinger 2002
One can also clearly see the signs of the breakdown of the social contract. I coded demonstrators’ demands that address popular attitudes towards the regime. More specifically, I coded demonstrations based on whether their participants showed signs of their dissatisfaction of dissociation from the state. Those include:

1) Demonstrations in support of the existing regime (blue color on graphs below);

2) Calls to reform the existing regime, e.g., reform electoral system, increase political freedoms, etc., without directly calling for the change of government or regime (green color);

3) Demands to change the government or specific government officials (orange color);

4) Calls to end the regime itself (red color);

5) Nationalist reasons to disassociate with the state, such as separatists and irredentist claims (purple color).
While at the beginning protesters often called for improvements or reforms of the existing regime, later on claims radicalized, calling for change in government and then the end of the regime itself. This radicalization indicates the gradual breakdown if the social contract; over time, people showed more willingness to withdraw their consent in response to the government’s inability to comply with its part of the social contract. As would be expected, because in Russia the main driver for protest activity was class and economic performance, ethno-nationalist issues play only a minor role.

Figure 4-10 Number of demonstrations, by level of support for the regime, 1987-1991 (Stacked)
Note: The graph does not show all demonstrations, but only those advancing the selected set of demands
Graphs 4-9 and 4-10 above provide insights into the social processes that were unfolding in the USSR in the last few years of its existence. The demands to change the government and/or end the regime became a habitual part of life at the same time as the government appeared to be unable to enforce the order through coercion and repression.

The society increasingly showed signs of willingness to withdraw its consent, and the regime was rapidly losing legitimacy. The central newspaper *Argumenty i Fakty*, which during perestroika achieved circulation of above 30 million—the most of any paper in the world—received 5,000 to 7,000 letters to the editor per day. By 1989 the readers exhibited profound disillusionment with the regime’s performance, bordering on defection. Kotkin cites some letters:

“What sort of a government is it [that] allows only selected people to live normal family lives?”

“Why is it that people in authority have everything, flats, dachas, and money, and
others have nothing?... I am a simple woman. I used to believe in our government. Now I no longer believe.”

“I had a chance to go to the United States on an exchange basis. I used to be a true patriot of our country and I turned into something really horrible. I became a human being. I think; I have my own opinions; it’s a nightmare. After what I saw in the USA, it’s impossible to live here.... I sympathize with Gorbachev, but deep in my heart I am no longer a Soviet citizen and I don’t care what’s going on in the USSR and I don’t believe in anything in this country.”

Under the pressure of the deteriorating economy and deepening financial crisis in 1990, Gorbachev made significant concessions. He gave up a significant portion of the central authorities’ powers in favor of more decentralization, and agreed to reduce a significant portion of budget expenditures, primarily defense and security apparatus (50-70%) and state capital investments (20%), and attempted a political union with Yeltsin (Yavlinskii, Zadornov et al. 1990). Unfortunately, such a program was unacceptable to most of the Soviet Union elites, particularly the military and the KGB. Heated discussions, backed by military exercises in close proximity to Moscow, forced Gorbachev to back up (Gaidar 2006).

In early 1991, Gorbachev changed the political course under pressure from power fractures in government. In January, Gorbachev received special decree powers from the USSR Congress of People’s Deputies. Media freedom suffered as much of the official media returned to its pre-glasnost state of reporting and some independent publications were shut down. The central government deployed troops to quash the independence movement in Lithuania. Troops seized control over communication facilities while killing 13 demonstrators. All republican banks were placed under direct control of the KGB (Fish 1995).

The reaction triggered a substantial popular resistance and polarized antagonism between the state and the society. The democratic movement, although it remained
fragmented, completely dissociated from the state. Popular support for the regime dropped very low while Yeltsin and other pro-democratic figures enjoyed substantial increase in public support. In late January and February, a series of pro-democratic demonstrations on a scale not seen since early 1990 took place in many Russian cities (Fish 1995).

The events of 19-21 August 1991 in Moscow demonstrated that the sociopolitical system, which was based on the ability and readiness to use unlimited force towards its people, ceased to exist. The unsuccessful coup d’état, staged by the power fraction (siloviki) of the Soviet leadership, showed that the country had already changed. The army refused to shoot people. These three days showed that Gorbachev did not use force to save the failing regime, not because he did not want to but because even if he did want to, he could not have done it. Even if the coup’s organizers could hold on to power, it would not have changed the framework of economic development, which by that time was predetermined (Gaidar 2006: 380).

Despite state resistance, the concurrent growth of independent organizations and their pressure demonstrated that initiative for radical reform had shifted from the state to society. The significant share of mobilizational challenges was no longer supportive of Gorbachev’s ideas of perestroika led by the party-state (Fish 1995). The relationship between the state and the society changed significantly and qualitatively. One observer noted, “The most important precedent took place—for the first time in 73 years citizens were able to force the heavily armed state to capitulate. Instead of the inertia of fear public life began to be determined by the inertia of fearlessness” (Sokolov 1991). Others report on the powerful public support and a sense of unity—even an “upbeat mood”—among the people who got together to oppose the
junta (Bohlen 1991; Clines 1991). The coup was a critical turning point when it became apparent that the people and the opposition were now in charge, not the incumbent regime.

The Soviet regime disintegrated soon after, and the terms of the social contract had to be abandoned altogether. The new “contract” had to be renegotiated with the new Russian state. The following section discusses the political economy of the post-Soviet Russia and assesses how well my proposed explanations fit with the post-Soviet Russian case.

4.9 Conclusion

By the mid-1980s, external economic shocks had a profound impact on the functioning of these structural features of the Soviet regime. These changes negatively affected regime performance, and the population grew increasingly dissatisfied over time. The economic and fiscal crises became so serious that it was impossible for the state to maintain reasonable standards of living.

The profound decline of the Soviet economy in the 1980s precipitated the generational change at the top, followed by a much-anticipated campaign to reinvigorate the socialist system (Kotkin 2008), which led to the election of Mikhail Gorbachev as the Secretary General of the Communist Party. Meanwhile, the deteriorating economic situation eliminated the sources of control over the economy and the society, and forced the Soviet leadership to change not only its behavior but also its ideological position to seek greater openness, devolution of responsibility to other levels of governance and the society at large. The Soviet leadership worried about a possibility of societal discontent. Gorbachev’s mistakes also contributed to the widely shared sense of popular dissatisfaction.
Consequently, the state’s autonomy had deteriorated, creating a political opening for further mobilization.

At the beginning of *perestroika*, contention grew within the groups that were already prepared to mobilize, such as nationalities and intelligentsia. The tide of political contention started on the margins of the country, when ethno-nationalist movements began to mount challenges along the borders of the USSR. The mobilizational wave made its way towards the center as the repressive capacity of the regime declined and as the conditions further worsened to the degree that the wider social strata of previously conformist classes—the Slavic worker population—divorced from it.

Despite state resistance, the concurrent growth of independent organizations and their pressure demonstrated that initiative for radical reform had shifted from the state to society. Russian liberals entered into an alliance with the non-Russian separatists and adopted a sovereignty frame as the central focus of their fight against the ancient regime. The significant share of mobilizational challenges was no longer supportive of Gorbachev’s ideas of *perestroika* led by the party-state (Fish 1995). The relationship between the state and the society changed significantly and qualitatively.

Institutional changes evoked the mobilization tide, but institutions were quickly outstripped by the pace of events. The mobilization tide produced significant confusion and division within Soviet institutions, making it even more difficult to find institutional responses to challenges. If, at the beginning of the emergence of mobilization, the authorities were able to respond harshly, by 1989, well into the mobilization cycle, efforts at violent crackdown produced their own dysfunctions and furthered the breakdown of central institutions. The institutions of order were no longer capable of dealing with the mobilization
challenges, and the tide undermined discipline and morale and stretched institutional resources to the limits.

Soviet leadership understood the massive burden of the Brezhnevite social contract obligations on the economy. Consequently, its policy preference would have been to retract most of the costly obligations and restructure the economy. However, as noted in the previous chapters, despite its original great material capabilities, the Soviet state proved to be weak in its ability to implement reforms. The state’s autonomy vanished together with the oil rents, and the state was unable to carry out consistently most of the reforms because it was constrained by interest group pressure (bureaucratic, state workers, enterprise managers) and popular pressure, especially from urban industrial workers. The Slavic workers used their new democratic rights to protest against economic reforms that threatened their security and quality of life. Democratization mobilized some pro-reform constituencies but also industrial workers who were interested in the preservation of the old social contract. Therefore, Gorbachev had to maintain inherited obligations of social provision but in a declining economy. The leadership feared that populations would withdraw consent and compliance from the state if the expected social contract policy goods were not delivered. As a result, the government continued blanket subsidies.

Thus, while Russian pro-democratic forces were pushing for radical liberal reforms, conservative economic elites and the urban worker population sought to preserve the Soviet-style social contract provision. This push-pull from various powerful social groups made it impossible for the Soviet regime to maintain a coherent economic policy.
Chapter 5: Yeltsin and Democratization, 1993-1999

Not only the dissolution of the USSR but also the political course during the 1990s (including structural reforms, seeking foreign aid from international financial organizations, etc.) was determined by the fact that we suddenly lost opportunities to use oil export resources for any significant domestic purposes [due to low world oil prices].

In the mid- to late 1980s, external economic shocks in the form of low oil prices had a profound impact on the structural features of the Soviet regime. These external economic shocks, aided by the Soviet leadership policy mistakes, created economic and fiscal imbalances that led to the almost catastrophic deterioration of the entire economy. The adverse economic situation eliminated the sources of state control over the economy and society, and forced the Soviet state to give up sole control over policymaking, which became shared with other levels of governance and societal forces. Therefore, the state’s autonomy had deteriorated and the opportunity structure changed, creating a political opening for further mobilization for the emerging pro-democratic societal actors.

At the same time, diminishing external revenues from the oil trade negatively affected the ability of the regime to maintain reasonable standards of living, so the population grew increasingly dissatisfied over time. The Soviet social contract became unbearable under the deteriorating economic conditions. However, the Soviet leadership was under pressure from various interest groups (bureaucratic, enterprise managers, and workers) who often opposed economic reforms that threatened their security and quality of life. The leadership feared that

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38 Author’s interview with Vladimir Milov, Russian opposition politician, President, Institute of Energy Policy, and former Deputy Minister for Energy in Kasyanov’s government
citizens would withdraw their consent and compliance if the expected social contract policy goods were not delivered.

While the newly emerged Russian pro-democratic forces were pushing for radical liberal economic reforms and less state control over the economy, conservative economic elites and the urban worker population sought to preserve the Soviet-style social contract. This push-pull from various powerful social groups made it impossible for the Soviet regime to carry out a coherent economic policy. Low oil prices and the loss of control over the economy deprived the state of sources of revenues while its obligations to fulfill the social contract continued to drain the budget, creating severe fiscal imbalance. The inconsistent and incomplete economic reforms and unclear property rights created enormous opportunities for rent-seeking, particularly around state enterprises and commodity exports, further draining the state of its remaining resources.

Meanwhile, the growth of independent organization and popular pressure demonstrated that the initiative had shifted away from the state to the society, in that societal actors began to play an increasingly important role in politics. The significant share of mobilizational challenges was no longer supportive of Gorbachev’s ideas of perestroika led by the party-state. The relationship between the state and the society changed significantly and qualitatively. The unsuccessful coup of August 1991 was a critical turning point when it became apparent that the people and the opposition were now in charge, not the incumbent regime.

The Soviet regime disintegrated soon after, and the terms of the social contract had to be abandoned altogether. The new contract had to be renegotiated with the new Russian state. This chapter discusses the political economy of the post-Soviet Russia and suggests that the
same features—the relative strength of the political contenders and the diminished state autonomy—continued to characterize the post-Soviet state-society relations under the conditions of low oil rents.

5.1 Political Economy of the New Russia: Low Oil Rents and Economic Collapse

At the time of the dissolution of the Soviet Union, the new Russian state continued to be a petroleum exporting country, but also inherited a diversified, industrialized economy with significant militarized non-resource sectors. Economic and political forces associated with the petroleum industry did retain a significant degree of influence. When oil prices were low, the oil and gas sectors could not outweigh the rest of the economy and did not play an overwhelmingly important role in politics, as it may be expected to do in a petroleum exporting country. However, the push-pull between the resource and non-resource sectors and the interest groups affiliated with them shaped much of the post-Soviet politics, and certainly paved the way for what followed after the period of low oil rents.

This section provides an overview of the political economy of oil and gas in the new Russia. Unfortunately, despite having a relatively modern and diversified economy, in the course of transition from Communism, Russia reoriented itself toward low-tech production and away from industries requiring higher technologies. Sayfer demonstrates that between 1990 and 1992 industrial production fell by 25%, and then another 30% by 1998. While the decline affected all sectors of the economy, there was significant variation among the sectors. Fuels and energy (oil, gas, coal, and electricity) fell by around 30%. At the same time, the

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39 This is an important point to keep in mind. The economic and political forces in the society associated with the oil industry were very powerful, and they remained powerful and influential when oil prices were low even though the direct political-economic impact of the rents diminished significantly. However, as we will see in the next chapter, once oil prices began to grow, their latent power increased again.
light industry declined by more than 80% by 1998 and high-tech industries fell by more than 60%. Those industries directly linked to Russia’s major exports, i.e., minerals and energy, declined less than 50%, as the extractive industries remained relatively more profitable under the conditions of the economic collapse (and offered additional opportunities for rent-seeking). After the dissolution of the Soviet Union, the liberalization of the economy and the disintegration of the non-competitive industries, science, and other sectors of economy increased the importance of the raw material industries, and Russia experienced a petrolization of the economy (Sayfer 2007). As the competition of other industries declined, the relative share and role of petroleum industry in the Russian economy increased (Grigoriev interview).

Thus the new Russian state firmly continued on the path of the energy-driven economy (Grace 2005). The country inherited from the Soviet Union a substantial share of the European energy market as well as a well-developed infrastructure for the delivery of its energy resources (Goldman 2008). Russia continued to be a major exporter of raw materials to the West, and external energy and natural resource trade revenues were significant contributors to the state budget (Brookings Institution 2006). However, despite its relatively more advantageous position, the oil and gas industry also degraded due to previous poor maintenance practices and lack of investments. Overall oil production remained a largely unprofitable activity until 1998. Plummeting oil production in the early 1990s mirrored and intensified Russia's economic disintegration (Grace 2005).

In addition, during the 1990s, the Russian federal government followed a course of liberalization and privatization of the energy sector (Hill and Fee 2002; Khartukov 2002; Quayat 2003). The policy was that of decentralization and elimination of state control in a
number of resource sectors, including control over profits (Milov interview). In the 1990s, the new Russian federal government's policy was that of withdrawal of state funding to the industry with the transfer of title to reserve any equipment to the new private firms. These firms were to take responsibility for self-financing and to recover expenses through the sales of oil. In Russia in the early 1990s, the energy sector was initially excluded from privatization. However, the Russian government lost control over much of the energy sector by the mid-1990s, when the country’s strategic oil and gas companies were transferred over to Russian oligarchs in exchange for financing of the government’s debts through what was known as the “loans for shares” program. That was the critical moment in the Russian privatization, when some of the most lucrative assets, including Yukos and a number of other oil and gas companies, were transferred from the state to the oligarchs (Grigoriev interview). Along with those transfers, the state lost much of its control over the energy revenues.

Although the Soviet oil and gas ministries were transformed into corporations in 1989 and a clear goal of their privatization was set as early as 1992, the paths of the oil and gas industries were very different. By the mid-1990s, the Russian government had radically restructured the oil industry by breaking up the monopoly into several vertically integrated utilities and reducing state shares in them. The government maintained ownership of the oil sector in 1991-93, significantly reduced ownership in 1995-96, almost entirely lost control over the oil sector in 1997-98, and then began to reassert its ownership and control of the sector after 1999 (Luong and Weinthal 2010). However, the Russian government never allowed foreign ownership in the oil sector, setting the official limit on foreign ownership of only 15% for each company (Rutland 1997). The gas sector retained its monopoly structure in the form of the Gazprom joint stock company, and the government retained enough shares
to maintain controlling interests and leveraged those shares with personal and political ties. In exchange for preserving its monopoly, Gazprom accepted the state’s right to exert influence on the company (Luong and Weinthal 2010).

Thus, as the Russian government relinquished its control over the energy industry and revenues, the rentier effect did not play a very significant role in Russia in the first decade after the dissolution of the Soviet Union. Energy rents, although not insignificant, were not as large as during some other periods of Russia’s modern history and did not exceed 15-20% of the shrinking GDP (RossStat, various years), compared to 40% in mid-1985 (Gaddy and Ickes 2005). Decentralization and privatization of the energy sector further reduced the already diminished energy rents that accumulated in the federal state’s hands (Quayat 2003; Luong and Weinthal 2010). The state partially lost its control over the discretionary revenues it brought. Hence, during the 1990s the oil industry did not influence the domestic economy too much (Gudkov interview).

However, certain forces and interest groups affiliated with the energy industry, especially Gazprom, remained politically influential (Gudkov interview). The role of commodities and the energy trade in the Russian economy became increasingly important, especially as non-commodity industries suffered from the economic crisis and disintegration of the existing trade links. Domestic prices on commodity (including energy) goods were regulated far below world prices, but export quotas were maintained, which allowed commodity exporters to become millionaires daily. The government imposed some taxes on them but could not do much to control this source of revenue. Gaidar’s government tried to liberalize energy prices repeatedly, but Yeltsin was always opposed to such moves (Alsund 2007). Commodity producers remained powerful as an interest group.
Unlike the USSR, Russia sought greater integration with the West. Russia established economic and political ties with Western countries and became participant in many intergovernmental organizations. As the new Russian state lacked resources to fulfill its massive social and welfare obligations it inherited from the Soviet Union, it was also willing to accept external assistance to deal with its many problems. Russia emerged as a major recipient of foreign aid in the 1990s (Wedel 2001). This foreign aid money at times played the same role as another external rent—for example, allowing Yeltsin’s government to pay off salary arrears before the elections (Beznosova 2011).

Thus, during the period of low oil prices during the 1990s, the size of rents and the ability of the state to use the rents had declined significantly, making the government’s position much more vulnerable in the face of the challenges. Still, the very concept of rent did not disappear from the Russian political and economic landscape.

5.2 Transition from Communism and Establishing the New Russian State, 1991-93

The argument presented in this study presumes the existence of a reasonably coherent and functioning state with relatively uncontested mandate and authority. Therefore, for the purposes of the discussion of the post-Soviet period, I will mostly focus on the period after 1993, when the regime transition was complete and the new Russian state received its first democratically elected Parliament and Constitution and assumed full responsibility for policymaking in the newly defined territorial boundaries. However, the discussion of the political economy and social dynamics in post-Soviet Russia should be put in context of the institutional and political developments that took place during the transition phase of 1991-93.
The aborted coup of August 1991 was, in essence, Russia’s revolution. The Soviet Union collapsed and from that moment existed only nominally, functioning as neither a state machine nor as an organ for conducting economic or other policy (Sinelnikov-Murylev and Uluykaev 2003). The new de facto ruler of Russia became its popularly elected president, Boris Yeltsin. Yeltsin’s ambitious reform program emphasized democracy, a multi-party system, the defense of human rights, a market economy, private property, and free travel. However, upon assuming power in 1991, Yeltsin stopped short of comprehensive political reform. He did not dissolve the Soviet Parliament and did not hold founding elections. He did not change the Constitution. Yeltsin was too close to the old apparatchik stratum, so he stopped short of the lustration undertaken in other countries. Old nomenklatura survived and no real discontinuity occurred, especially at the regional level (Alsund 2007). Overall, Yeltsin’s view of democracy appeared to be limited, focusing on competitive elections but with little regard for most of the procedural and institutional aspects of democracy (Brown 2001).

Yeltsin’s priority was comprehensive economic reform (Brown 2001). By the end of 1991, he received special rights to issue priority decrees related to economic reform (Shevtsova 1999). The task of reforming the Soviet command economy was, without question, a monumental one, and there were many uncertainties and problems. In 1991, economic and political institutions were weak and rudimentary, including the Central Bank of Russia and the Ministry of Finance. The payment system was a relic of the prior nonmonetary world, and the monetary system was not unified, as prices and the rationing system differed for various social groups. Prices remained regulated, and price subsidies surged with rising costs. Public expenditures skyrocketed beyond control. The budget deficit,
estimated at 31% of the GDP in 1991, mostly due to subsidized prices, was also out of control. Russia had a huge money overhang due to previous shortages. The USSR effectively defaulted on its foreign debt payments and lost access to international credit. The trade system with former Soviet republics and Eastern European countries fell apart. The problems were so massive that it was unclear where to start. The reformers sought rapid and radical transformations that would include price liberalization, free trade, and balancing the consolidated state budget. Prices were liberalized on January 2, 1992. Surprisingly, even though most prices went up by 250%, no public discontent occurred (Alsund 2007), probably because by that time the public became convinced that there was no other way.

One of the key objectives of the reform was the introduction of private property and transferring state enterprises to private hands. The reformers tried to carry out a quick and extensive privatization in the first half of 1992. The goal was to prevent state enterprise managers from taking over nominal control of their enterprises and instead to establish clear private property rights and depoliticize the economic life by removing politicians from controlling the firms. Another objective was to form a broad stratum of private owners (Boycko, Shleifer et al. 1995; Åslund 2007). The voucher privatization model, inspired by Czechoslovakia, sought to establish market economy with an early concentration of ownership. Vouchers could be traded, and anybody could bid for stocks of a specific company in auctions. As a result, a critical mass of private enterprises was built, but the distribution of shares did not produce broad ownership base. Only 20% of stocks were auctioned away to outsiders, while 18% of stocks belonged to managers and 40% to workers, and the managers de facto controlled the workers’ shares (Blasi, Kroumova et al. 1997).
As mentioned above, Gorbachev’s incomplete economic reforms with unclear property rights and multiple loopholes for the manipulation of public assets for private use created a bonanza of rent-seeking. Financial stabilization was failing because in Russia in 1992, the rents were tremendous and powerful rent-seeker lobbies blocked all attempts to bring it to a halt. There were four main sources of rent. First, export rents were no less than 30% of the GDP in 1992 because of the margin that existed between the regulated domestic prices and world prices, and more than 70% of Russia’s exports were commodities subject to export quotas (Hellman 1998). One could buy raw materials at lower domestic prices and sell them abroad, thus making a huge windfall profit. Second, due to fear of starvation, Russia maintained special exchange rates for critical imports, subsidizing them as much as 99% while domestically basic foodstuffs were sold at ordinary prices. Third, the emission of subsidized credits equaled 32% of the GDP, given out at 10% to 25% per year while inflation was 2500%. Fifth, direct enterprise subsidies from the state budget came to 10% of the GDP in 1992. A small rent-seeking elite of state enterprise managers benefited from subsidies to industry and cheap credits paid by the state when they were able to appropriate those subsidies for their private gain, although this resulted in high inflation for the rest of the society (Alsund 2007).

One of the highly contested policy areas was the control of the budget deficit, which was out of control. In 1991-93, the levels of government spending, formed under socialism, exceeded revenues on a continuous basis (Sinelnikov-Murylev and Trofimov 2003). The government sought to reduce expenditures to industry, elimination of price subsidies, and slashing 70% of military procurement (Mau 2003). To stabilize the revenues, Gaidar’s government introduced new taxes: VAT at 28% (the following year reduced to 20%), social
security tax at 38% of total wages paid to employees, corporate profit tax at 38%, and personal income tax of 12% (up to 30% for the wealthy) (Alsund 2007).

However, the relationship between tax receipts and government revenues was weak. Although taxation rates (burden on enterprises) were high, there was also erosion of tax payment discipline as the state abandoned repressive measures (Sinelnikov-Murylev and Trofimov 2003). The constitutional framework did not allow for responsible economic policymaking because it created endless opportunities for political power games. Pressure from populist members of Parliament prevented the adoption of unpopular measures and at the same time allowed for preferential policies that would benefit selective enterprises with close connections to Parliament members. Distribution of tax receipts was not standardized and was subject to endless bargaining between the center and the regions. Furthermore, the issue on nonpayment of taxes was also a subject for the political games between the president and the Parliament (Mau 2003).

### 5.2.1 Political Crisis and Constitutional Reform

On the political side of things, Yeltsin combined two contradictory tendencies: On the one hand he allowed significant freedoms, while on the other he neglected creating the foundational institutions of democracy. This inconsistency resulted in a political deadlock and a government crisis in the first years of his presidency.

Yeltsin allowed free press and promoted young people to high-level positions. He assembled a new government consisting of young economists with academic backgrounds and a reasonable understanding of market economy (although they never studied it in the West) but no political experience (Shevtsova 1999). However, the government was highly
elitist and distant from the population, which undermined its credibility. Yeltsin was tolerant of foreigners, as well, allowing the IMF and World Bank to have a say in Russia’s reforms from the beginning. He had a number of Western advisors with significant influence (Alsund 2007).

The Parliament was at odds with Yeltsin from the beginning and constantly posed problems. Since Yeltsin did not carry out comprehensive political reform, Russia lacked a constitutional order with a stable division of powers as well as a founding parliamentary election, which could have led to the creation of political parties and a democratic majority. According to Brezhnev’s constitution, the Parliament was sovereign and had the power to change the constitution with 2/3 of the votes. Furthermore, the Parliament was elected prior to full democratization; therefore, the deputies did not fully represent their voters or even maintain contact with their constituencies, so they were not accountable. The deputies in Parliament were also frustrated because they did not have much of a legislative role, with Yeltsin mostly ruling by decree in 1991-92 (Alsund 2007).

Policymaking in economic reform was a constant struggle for power between the executive and the legislature. Yeltsin repeatedly resorted to his powers of decree to force through his government’s policies, while Parliament passed legislation directly contradicting them. This “war of laws” was accompanied by continuous pressure from Parliament to change the composition of the government (for example, replacing Gaidar with Victor Chernomyrdin, the last Soviet minister of the gas industry and the founder of Gazprom), and an escalating battle over the drafting of a new constitution (Barber 1997).

By mid-1992, pressure on the government and president to increase support for both the population and industry was mounting, justified by the objective difficulties of the
transition period. The budget was revised by the Parliament, setting the revenues at 13.1% of the GDP, expenditures at 18.4% of the GDP and deficit at 5.3% of the GDP, and differed significantly from the government’s proposals (Sinelnikov-Murylev and Trofimov 2003). The following year, the Parliament adopted a budget for 1994 with the deficit of 25% of the GDP, which would send Russia into severe hyperinflation. Minister of Finance Boris Fedorov refused to abide by such budget, and the political stalemate over economic policy alone made a political explosion inevitable (Alsund 2007).

The impasse exploded into an open conflict between the president and the Parliament in late September (Mau 2003). The breakdown of negotiations between the two sides and the impending administrative chaos led to the crisis of autumn of 1993. On September 21, Yeltsin published decree no. 1400, dissolving Parliament and calling an election. The Supreme Soviet responded by impeaching the president and appointing his deputy, Alexander Rutskoi, as acting president. On October 3-4, the provocative actions by paramilitary parliamentary units were met by devastating retribution from armed forces loyal to the government, which ended with the bombardment of the Parliament in the White House and the leaders of the opposition being incarcerated in Lefortovo prison (Barber 1997). Yeltsin prevailed in the impasse, in no small part because the Parliament did not have much support among the population and there were no organized interests that could stand up to demand democratic representation. As a public figure, Yeltsin had more appeal.

At the same time, an interesting feature of the impasse was that even though masses did participate in the conflict, their involvement was minimal. Only about 15,000 people took to the streets to support Aleksander Rutskoi and the Parliament, representing only 0.5% of Moscow’s population. Yeltsin’s supporters represented about 1.5%. Considering that the
Russian media portrayed the Parliament rather negatively and the fear factor associated with supporting it, the numbers seem largely quite similar (Moses 1994). For an event of this magnitude, which could have changed the entire political course of the country, this lack of public participation is puzzling. As before, the Russian public remained largely passive and did not voice its concerns with regard to the political course of the country.

Yeltsin certainly captured the opportunity to try to minimize the opposition’s ability to obstruct the government’s strategy. The new constitution gave the President strong powers, a system often referred to as superpresidential. Barber describes the new constitution:

The next phase opened with Yeltsin dictating the terms of a new constitution. This, endorsed by a referendum in December 1993, was specifically designed to provide the government with maximum capacity to implement its policies. Reference to it as a presidential constitution, implying similarities with, for example, those of the United States or France, seriously understates the degree to which the balance of power in Russia was and is weighted in favour of the executive. The president has decisive power over government appointments and strategy. He determines foreign and defence policy (the latter in conjunction with a Security Council solely appointed by him), and has power to declare states of emergency and war, call referenda, veto legislation and dissolve parliament. The powers of the bicameral legislature (the elected State Duma and a Federation Council composed of the heads of the republics and regions of the Russian Federation) are essentially confined to overseeing government appointments, initiating legislation, and approving the budget—with the proviso that the Duma’s rejection of government proposals three times in succession results in its dissolution and the holding of new elections. While parliament has the power to impeach the president, this requires an improbable two-thirds majority in both houses. (Barber 1997)

Yet, despite all the shortcomings, the new constitution contained all the requisite institutions and a reasonably clear division of powers, although tilted in favor of the president, and provided reasonable constitutional stability (Alsund 2007). The main virtue of the new constitution was that it created clear rules of the game in general, and in particular in the financial-economic area. The budgetary process became more manageable while the central bank was distanced from populist legislators (Mau 2003).
Overall, the first years of transition were a mixed bag because the reformers focused on the economic reform without addressing the political system. Yeltsin never took the leadership initiative to build a democracy, and his greatest error probably was not to dissolve the Soviet Parliament and establish a new constitutional order immediately. Yeltsin had some early successes in building a market economy, such as price deregulation, the liberalization of imports, unifying the exchange rate, cutting military expenditures by as much as 85%, and establishing private property through privatization. The shortcomings included the inability to control inflation and curb rent seeking, including that in the energy sector (Alsund 2007), and failure to explain the privatization better to citizens to curb rent seeking (Hellman 1998).

Once again, the population did not pose any obstacles to the radical market reform. However, it also did not provide support for the economic and democratic reforms, as it was unable to mobilize, unlike their counterparts in other eastern European countries. Therefore, rent-seeking elites and state enterprise managers were the single beneficiaries in the transition process (Alsund 2007).

5.3 State Autonomy Low: Susceptible to Internal and External Pressure

In this section I argue that the fact that the new Russian state had to begin its transition to a market economy and democracy under the conditions of the complete economic collapse and absence of external sources of revenues largely determined the corridor within which the new Russian government could act. It was clear that the situation required radical structural reforms to address multiple and significant economic problems which would make Russia more competitive in the world economy, and there was hardly anybody who disagreed with the need for reforms. This allowed the state to carry out a number of structural reforms. However, there was hardly a consensus on the direction of the reforms, and the state was
heavily influenced by a number of economic and political lobbies, which pursued contradictory agendas. Because the state suddenly lost control over the economy and needed to collect revenues domestically (through taxes), it became dependent on domestic business. At the same time, the state had inherited massive social obligations which accumulated over the years of the Brezhnevite social contract largely funded by the oil rents, so it was under constant pressure from the populist social and political forces to keep up with its social contract obligations. Also, the state had become susceptible to various international influences, due to the need to obtain foreign aid and to be part of the international community.

According to Vladimir Milov, although the structure of the Russian economy and the national product is larger than just the natural resource sector, world prices on commodities and resources, particularly oil and gas, affect the menu of opportunities and choices that may exist for the state and therefore impact the state and society. This influence is not deterministic, but it is significant enough that it can change the political vector and impact the sociopolitical system. Hence, when resources were cheap, there was greater demand for new political institutions and institutional reforms that could increase the overall competitiveness (Milov interview).

As shown above, in the 1990s energy rents were not a decisive factor in the political economy of Russia. Consequently, the rentier effect in the new Russia was weak. Thus, in the 1990s the Russian state did not behave as a rentier state—nor did it succeed in the implementation of the neoliberal model, primarily because of the strong opposition that the government could not ignore or defeat.
The government’s fiscal position remained extremely vulnerable throughout the 1990s. Yeltsin’s regime was unable to overpower various lobbies and interest groups to impose fiscal discipline. Tax rates that were arbitrary, constantly changing, and excessive led to high rates of tax evasion. Managers and owners engaged in ongoing negotiations with the government to determine their tax burden, and implicit subsidies via arrears and offsets became customary. The oil and gas sector followed the same patterns. At the same time, the Yeltsin administration was unable to contain public expenditures. In 1998, the pension fund, employment fund, social insurance fund, and medical insurance fund accounted for 63% of direct expenditures and 9% of the GDP, leading to a substantial budget deficit. Although the oil and gas sector made up a bulk of the shrinking tax revenue—oil sector accounted for one-fourth of explicit tax revenue in 1998, and the gas sector contributed the lion’s share of implicit energy subsidies to consumers (Luong and Weinthal 2010)—it was not enough to close the widening gap.

The struggle of Yeltsin’s government to fulfill its obligations to the population under the conditions of low oil prices is evident from the graph below. With oil prices floating at a relatively low level at around $20 per barrel, the State Bureau of Statistics (RossStat) data shows that the state ran significant budget deficits of up to 15%.

To alleviate the budget crisis, Yeltsin’s government took a course on neo-liberal restructuring of the economy as prescribed by its Western advisers. Facing economic deterioration, weak fiscal position and the lack of cash to pay for the expensive welfare system inherited from the Soviet Union, Yeltsin’s government sought to decentralize Russia’s welfare regime and limit the role of the state, particularly that of the federal center. Reforms attempted to devolve provision to regions and municipalities, introduced market
mechanisms in healthcare and education, liberalized labor markets, and eliminated subsidies and entitlements. The so-called “young reformers” who presided over the package of deregulation and privatization drew up a series of ambitious plans and programs that followed World Bank prescriptions. However, the neoliberal welfare reform did not succeed in Russia during the 1990s, although it certainly had enthusiastic proponents. One reason these plans never came into effect was the presence of the strong opposition that the government could not ignore or defeat. During the 1990s, Communist political parties had strong representation in the State Duma; together with powerful interest groups and coalitions, they were able to block the executive branch from following through on these policies (Cook 2007). Some studies suggest that these reforms were not strenuously pursued, due to concern about the potential political fallout (Chandler 2004, Hemment 2009).

Experts believe that in the 1990s, while the world oil prices were low, the state was dependent on the business simply because taxes became a major source of revenue (Auzan interview). As a result, the Russian state remained weak and susceptible to various influences and was unable to carry out independent policymaking throughout the 1990s. Its fiscal position remained extremely vulnerable, and its attempts to cut expenditures and increase revenues were unsuccessful. Different interest groups exercised influence over the flailing state at various times, and their relative power positions were determined in no small part by the economic situation. Below I discuss the changes in relative strength and influences on the Russian government during the 1990s. The discussion illustrates that under the conditions in which the state had limited external sources of revenue and was subject to rent seeking and manipulation, it was unable to carry out an independent economic policy.
The key interest group that became very powerful early on during the post-Soviet period was state enterprise managers. They rose to power with the appointment of Chernomyrdin and other industrialists as ministers as early as 1992. The enterprise managers took over the government and stalled the reforms for nearly five years. The only area where reforms continued was privatization. The other reforms were partial and halted halfway, and the dominant policy aimed at rent seeking, not radical market reform. The coalition of state enterprise managers was the chief lobbyists of the dominant industries. In 1993 Prime Minister Chernomyrdin represented the energy industry. His first deputy, Soskovets, lobbied for the metal industry. Deputy Prime Minister Zaveryukha represented the old kolkhoz agricultural lobby. The managers were also the most organized interest group, united under the auspices of the Russian Union of Industrialists and Entrepreneurs (RSPP) and the Association of Russian Banks. In early 1994, the managers controlled the government, had conditional ownership of most big enterprises, and manipulated fiscal, regulatory, and monetary policies to encourage conditions beneficial for rent seeking. However, the managers appeared to be unable to successfully manage their enterprises in the market economy, keeping their enterprises afloat with cheap credits while output continued to fall. Increasingly, the enterprises were unable to pay taxes, bank loans, supplies and materials purchases, and worker wages, leading to the crisis of nonpayments (Åslund 2007).

Among all post-Soviet enterprises, Gazprom stood out as a special case with a lot of influence on its own. While most enterprises were broken down and divided, Gazprom remained corporatized as one company that included literally all enterprises and institutions which were formerly part of the gas ministry: production facilities, pipelines, refineries, trading companies, foreign trade companies, regulatory agencies, teaching and research units,
and 400,000 employees. Gazprom received a near monopoly on the production, sale, transport, and export of natural gas through an agreement sponsored by Chernomyrdin. Gazprom was exempt from the export tax, some import tariffs, and the value added tax; these exemptions altogether amounted to 1-2% of the Russian GDP in 1993. Control over Gazprom was to be retained by the Russian government, and almost no foreigners were allowed to own the stocks. Gazprom kept up production and delivered gas to Russian enterprises and households even as it was not being paid for, and remained Russia’s largest exporter (Åslund 2007). Inefficient enterprises and consumers could receive gas while withholding pay. By World Bank estimates, that energy sector extended subsidies through unpaid bills totaling $63 billion during 1993-97, coming to about 4% of the GDP each year. In other words, the tax exemptions they received were perhaps paying for the roughly half the subsidies they were giving out. The utilities were also obliged to serve public at a fraction of the true cost (Treisman 2011).

With energy and commodity prices being relatively low and exchange rates rising, the export rents were small and the commodity traders were losing ground as the dominant interest group. Anatolii Chubais, newly appointed to oversee the macroeconomic policy, moved to achieve financial stabilization by cutting subsidies while maintaining the socially important expenditures. Chubais’s efforts were assisted by low rents as well as prospects of IMF credits, which could be used as leverage in Russian politics (Åslund 2007).

Another political force that played a significant role was foreign donors. Western influence became an important factor in Russian domestic politics as early as the mid-1980s, when, faced with a substantial threat of public discontent due to deteriorating living conditions in a shrinking economy and declining oil revenues, Gorbachev was eager to make
concessions externally in return for support for the weakened regime (Cook 1993; McFaul 2001; Gaidar 2006). The Soviet state also became susceptible to the influence of transnational groups (Evangelista 1999). Western influence continued to be an important card to play in the competition for legitimacy between Yeltsin’s new Russian government and Gorbachev’s Soviet regime. McFaul suggests that due to Gorbachev’s popularity with the West, Yeltsin and opposition leaders had to trumpet a revolutionary program that would be even more pro-Western than Gorbachev’s. This included neoliberal market capitalism, multiparty elections and direct election of the Russian president (McFaul 2001).

By the mid-1990s, Russia emerged as one of the largest recipients of Western aid (GAO 2000; Wedel 2001). When the Soviet Union collapsed, the international community saw a unique window of opportunity to push the post-Soviet regime away from the dreadful antagonism of the Cold War (Goldgeier and McFaul 2003; Marsden 2005). A more democratic, peaceful, and prosperous Russia appeared to be a strategic priority for most Western states. They stated that Russia had to develop strong democratic constituencies and market economic forces to successfully integrate with the international community to become a reliable strategic partner and a supplier of energy. During the 1990s, Western states, non-state international actors, and international institutions carried out aid programs to support the Russian transition to market economy and democracy, designed based on best practices employed in successful transitional assistance to Eastern and Central Europe (GAO 2000; Wedel 2001).

Foreign donors had a somewhat controversial impact on Russia’s economic and political transition. The IMF pushed the Russian government to continue with tightening the monetary policy and macroeconomic stabilization, curbing inflation and cutting
expenditures. Thanks to Russia’s agreement with the fund in 1995, the inflation went down. However, Western donors were prepared to turn a blind eye on the loose fiscal policy to allow Yeltsin to stay in power and defeat Communists. Distributing pre-election gifts in 1996, the government allowed the deficit to rise from 6.6% of the GDP in 1995 to 9.4% of the GDP. This forced the government to borrow extensively to finance its large budget deficit, primarily through domestic treasury bills at real interest rates around 100% annually. Almost 4% of the GDP went towards payment of yields on the treasury bills. These loans, as well as IMF credits, diminished the need for the state to collect taxes or cut subsidies (Alsund 2007).

As macroeconomic stabilization began to undermine the rent-seeking state enterprise managers and the currency crisis diminished the influence of the commodity exporters, by 1996 these two groups lost their influence, while another powerful force had emerged: younger big businessmen, known as oligarchs. The enterprise managers did not know how to run their companies under the new conditions of the emerging market economy, output continued to fall, huge wage and enterprise payment arrears mounted, and they knew little about finance and marketing. They began to lose to the new outside businesses that started to take over large enterprises. The oligarchs were opportunists prepared to do whatever it takes to generate wealth; they were very talented in finding and exploiting opportunities to extract profits. They were politically well connected. About a dozen of these new oligarchs emerged, virtually all of them bankers. The bankers initially emerged on the wave of the new rent-seeking opportunity, the state treasury bills (known as GKO in Russian). The GKO yielded as much as 100% per year until 1998. The bankers were not interested in maintaining inflation, but they were interested in preserving the state budget deficit, which maintained the
government’s need for credit and kept the real interest rates high (Treisman 1998). The oligarchs, most of whom started business activities in all sorts of trading cooperatives during Gorbachev’s liberalization, later on were able to start the first commercial banks and then obtained large numbers stocks through the voucher privatization (Alsund 2007).

The oligarchs became the dominant force in Russian politics and the Russian economy by the mid-1990s, when they were able to obtain large shares in the most lucrative Russian industries. Through what became known as the loan-for-shares schema, six Russian commercial banks joined together to lend the Russian government $2 billion for one year against the collateral of large stakes in the country’s best companies. The banks were to manage the companies in trust, and if the government did not repay the debt, the bankers were entitled to sell the collateral to themselves (Alsund 2007). The auctions took place in November-December of 1995. Twelve companies were sold, including five oil companies (Yukos, Sibneft, Sidanko, Lukoil, and Surgutneftegas), Norilsk Nickel, and two steel corporations. Several of these auctions did not change control, such as Lukoil and Sibneft. Only three companies—Yukos, Norilsk Nickel, and Sibneft—had some competition. Despite the fact that these auctions were the most transparent among the Russian privatization activities, the companies we auctioned to the insiders at the expense of outside bidders and produced a great deal of controversy (Kokh 1998). Essentially, these auctions signified the demise of the state enterprise managers and the rise of oligarchs, who for a while also had a very close connection and influence over Kremlin (Alsund 2007). These privatizations were also an opportunity to ensure that the new powerful group of oligarchs supported Yeltsin in the upcoming elections (Freeland 2000).
Meanwhile, the public mood shifted towards the left (as demonstrated by the 1995 Duma elections; see next section for details) in 1996, so keeping Yeltsin in power and defeating Communists became the main goal of the economic and political elites. The main issue for the electorate was wage arrears, which were growing by 85% compared to 1995. The government loosened the monetary policy to alleviate the nonpayment crisis (Mau, Sinelnikov-Murylev et al. 2003). It became obvious that the 1996 government was extremely susceptible to pressure from various lobbies at the same time that the tax system was being destroyed by mutual settlement and mounting arrears (Arkhipov, Batkibekov et al. 2003).

After the elections of 1996, some serious attempts were made to achieve stabilization and economic development. It was clear that business elites needed to be removed from the government and the government needed to be strengthened to become more focused on the reform agenda (Arkhipov, Batkibekov et al. 2003). Yeltsin revitalized the government with young reformers, including Chubais as first deputy prime minister and Boris Nemtsov as another deputy prime minister (Alsund 2007). The reformist government set out an ambitious agenda for reforms in social and economic spheres. The populist and anti-market groups seeking cheap credits and redistribution of profits were weakened.

The conflict among the various economic and political forces intensified. The reformers’ government tried to make Gazprom and the wealthiest oligarchs to pay taxes, hold open auctions for the remaining big state enterprises, and deprive the oligarchic bankers of their privileges as authorized banks to hold state funds for minimum interest payments. The oligarchs, however, believed that since they helped Yeltsin’s re-election, they were entitled to receive huge rewards (Brown 2001). The oligarchic media waged a war on the reformer government, devastating their credibility and reputation. The oligarchs were not alone in this
war; Prime Minister Chernomyrdin was not on the reformers’ side, making sure Gazprom was not weakened. A coalition of Communists and nationalists, which held a majority in the Duma, did not accept the reform legislation and periodically attempted to impeach Yeltsin himself. The regional governors also blocked any reform legislation. Overall, the reforms were unsuccessful and the government was devastated, although these efforts paved the way for the reforms of 2000-2003 (Alsund 2007).

5.3.1 The 1998 Financial Crisis and the Change of the Economic and Political Landscape

Throughout the 1990s, the Russian government’s position was extremely weak and the collapse was inevitable. In May of 1998, creditors finally got scared and withdrew on a large scale, putting the exchange rate under severe pressure. The central bank was quickly losing its limited currency reserves to defend the exchange rate in order to save most commercials banks from bankruptcy. The IMF pressured the government to reduce the deficit, and the government agreed to substantial expenditure cuts and new tax laws to raise revenues. However, the Duma refused to adopt the proposed measures, and as a result, the IMF only issued $4.8 billion out of the $23 billion initially planned (Arkhipov, Batkibekov et al. 2003). Salvation was no longer possible without serious changes in the expenditures/revenues structure. On August 17, 1998, the Russian government defaulted on its domestic debt of about $70 billion and the value of the ruble fell by three-quarters. In addition, the government declared a moratorium on Russian banks’ foreign payments, which in effect came down to a general freeze on the bank accounts. About half of Russian commercial banks went bankrupt, including the big oligarchic banks (except for Alfa Bank). Russian bank account holders lost their money, and the Russian stock market fell 93% in one month.
The Russian Duma refused to adopt the measures that were aimed to increase tax revenues and cut expenditures. In addition, the regional governments blocked the transfer of regional funds to the federal government (Alsund 2007). Powerful economic and political groups resisted any attempts to raise taxes (Mau, Sinelnikov-Murylev et al. 2003). In essence, the government was unable to carry out a coherent economic policy, as all the measures it attempted were met with fierce resistance and halted.

The financial crisis of 1998 significantly changed the economic and political landscape in Russia. The crisis signified the end of the oligarchical period in Russian post-Soviet economic history. The oligarchs had the most influence of the Russian government in 1996, and after the defeat of the Communist threat, their unity, and hence their influence, began to subside. Oligarchs encouraged the large budget deficit and thrived on high yields of treasury bills, but thus precipitated their own demise. Their banks were very exposed because of heavy investments in the treasury bills and large foreign loans. After the financial collapse, the time horizons of most oligarchs changed to longer-term and their goal became profit seeking rather than rent seeking. The changes in the Russian economy—devaluation of the ruble, the collapse of major banks, and the exit of foreign investors, including the international financial institutions, as well as the rise of commodity prices that soon followed—shifted the power balance in favour commodity producers, particularly energy (Alsund 2007). Also, the import-substituting industries saw growth in demand for their product, which strengthened their position (Shevtsova 1999).

The financial crisis in August of 1998 also ruined the existing positions of political forces. Interest groups that supported the regime previously had dissolved, including the oligarchs, liberal technocrats, and shadow networks that Yeltsin created to support his
position in power. The political space around Kremlin was clearing up, and the new era of professional bureaucracy had begun. The new prime minister, Evgenii Primakov, a figure with no significant connections to the previous interest groups, became a symbol of the new phase of Russia’s political development. The government had a chance to become more independent of the president, signifying the new trend towards separation of powers (Shevtsova 1999).

Following the financial crisis, one can clearly observe an evolution of the government’s ability to conduct coherent budgetary policy. The pro-Communist Primakov government demonstrated strong populist tendencies in the first half of 1998, including signing tax covenants with major taxpayers such as Gazprom, and other tax reduction measures. Such decisions undermined the power of the government in favour of various lobbies. In September-December, the government took a more cautious position on the budget for 1999. Despite the arm-twisting of the Communists, it succeeded in pushing a tough 1999 budget with significant restraints on monetary policy through the legislature and implementing it. In part, this success was aided by an open discussion of the potential consequences of the budgetary decisions in the media, which reduced the ability of the parliamentarians to push for populist decisions (Arkhipov, Batkibekov et al. 2003).

Even with significant improvements in the monetary policy, the budget passed by the Duma and signed by the president in December 1998 was still extremely vulnerable: Tax revenues amounted to 10% of the GDP, foreign loans at 5%, and the inflation rate of 30%. Due to the central authorities stepping up tax collection efforts, improving returns on capital investment in the real sector, and reduced nonpayments, the budget performance was actually better than expected. Export commodity markets and the Russian economy overall had
rebounded. Consequently, the GDP actually grew 3%. Most importantly, the principal elements of macroeconomic stability—a tough monetary policy and a balanced budget—were put in place (Arkhipov, Batkibekov et al. 2003). The government finally was able to conduct a responsible economic policy without being overly susceptible to domestic and international pressures. Figure 5-1 shows that the government was able to cut federal budget expenditures in the wake of the financial crisis of 1998 and reduce the budget deficit to an almost balanced budget in 1999:

![Figure 5-1 State budget expenditures and deficit, 1994-1999 (Unstacked)](source)

Source: RosStat, Various Years

Thus, 1999 was another critical juncture in Russian post-Soviet history. First, the economic transition was largely complete by that time and the new market mechanisms began to work. The economy began to recover after the Soviet collapse (Figure 5-2). An expert sums up the story of the first decade of the post-Soviet transition:

The most difficult and dramatic period when market and representative institutions were formed happened precisely when oil prices were extremely low. And when the transition period was completed (approximately at the end of 1996 and the beginning
of 1997), for better or worse, the market mechanisms began to work, and the economy began to rebound. The crisis bounced it back so only after the end of the crisis in 1999 the economy began to grow (Gudkov interview)

Figure 5-2  Change in gross national product, 1993-1999
Source: RosStat, Various Years

The growth of export oil prices from $10 to $25 in one year increased inflow of dollars to help finance imports, as the exporters were obliged to sell 75% of their hard currency earnings for rubles. In addition, in 1999 Russia essentially ceased paying its external debt, which meant that the money stayed in the economy (although no foreign aid was received, either). Most importantly, however, experts note that the main reason for the economic growth is that the money was no longer “free,” i.e., no longer available as subsidies or cheap credits. As a result, instead of rent seeking, businessmen turned to actually making profit. In this sense, the Russian economy became a market economy.\(^\text{40}\) Also, as exchange rates fell, the ruble lost value. As imports became more expensive, domestic production became more attractive to consumers, further increasing profitability.

\(^{40}\text{Kommersant Vlast’ N 50 (351), 21.12.1999, 1999-j—osmyslennyj I besposchadnii}\)
5.3.2  **Summary: State Autonomy Reduced**

One of the expectations stemming from the theory proposed above is that in times of low oil prices, state autonomy will be low and the state will be subject to various influences from social and economic groups. Therefore, it will be relatively weak compared to societal forces and will be unable to carry out its preferred policy. This proposition appears to be strongly supported by the evidence.

As the discussion above detailed, domestically Yeltsin confronted several interest groups with the strongest influence: state enterprise managers and employees of the Soviet era, the country’s bankers, local and regional governments, the federal bureaucracy, managers and workers of potential profitable enterprises, in particular commodity and energy producers, and ordinary Russians who could vote the government and Parliament out of office at election time. All reforms had to be enacted into law by the Parliament. Even though the 1993 constitution gave more power to the president, it was impossible to enact economic reforms if the Parliament was opposed, as was often the case. Even though Yeltsin could rule by decree, the Parliament could still overturn the decrees by passing laws. Furthermore, economic legislation had to be passed by the Duma. In addition, the Central bank and the constitutional court also impacted certain decisions. The reforms also needed to be implemented by the bureaucracy after they were enacted. Opposition to reforms lobbied in Parliament and also surfaced in the streets (Treisman 2011).

Yeltsin faced severe constraints. He had to balance the need for victory in any given area or measure against the broader goals, fencing simultaneously against the Parliament, courts, governors, and opposition leaders (Treisman 2011). In the 1990s, state budget expenditures were overseen by the Parliament, which was controlled by the opposition.
Therefore, Yeltsin had to fulfill the demands of not only his supporters but also his opponents (Sonin interview). Vladimir Milov believes that the fact that Russian natural resources were significantly less valuable in the 1990s created stimuli for structural reforms to increase the quality of the institutions. He believes that the economic growth that began slowly in 1997 and increased in 1999 due to ruble devaluation is the direct result of the institutional reforms that resulted from the decline of the oil rents.

5.4 Political Contention in Russia

As predicted by the theory proposed above, this period of low oil rents was characterized by a high degree of political contestation. Multiple political forces that emerged advanced a variety of highly polarized positions. The battle among Communists, nationalists and pro-democratic forces became very intense. In this section, I look at the election results and the number of public protests as indicators to illustrate this point.

As discussed above, the growing political crisis between Yeltsin and the Parliament resulted in a military confrontation in September 1993, in which Yeltsin prevailed. Although his use of force to dissolve the Parliament was unconstitutional, Yeltsin showed a willingness to establish the new rules of the game in which elections would play a critical role. With no parliament in place, by decree he established the new electoral system. Thus, unfortunately, both the electoral law and the new constitutions did not emerge through democratic processes, but were imposed by Yeltsin (McFaul and Petrov 2004).

Nevertheless, new political forces began to organize and engage in competitive electoral processes. The 1993 elections served as Russia’s founding elections, ratifying the new set of the long-lasting rules of the game. The 1993 vote was also the first vote in Russian
history in which parties could participate fully, and the proportional representation gave them additional incentives to organize. Most major political players, including the Communist Party of the Russian Federation and the Agrarian Party of Russia, had agreed to participate in the elections, thus legitimizing them (McFaul and Petrov 2004). However, except for Communists, all other political parties were mainly individual political projects of their leaders, as they did not act as agents of particular interest groups in the country (Auzan interview).

The political competition was intense. The first Duma was quite fragmented, consisting of a large number of diverse parties, and opposition to Yeltsin in the Duma was very strong (see Figure 5-3). Unexpectedly for Yeltsin and his team, an extreme nationalist party with the misleading name Liberal Democratic Party, led by Vladimir Zhirinovsky, won almost a quarter of the seats. The Communist Party (KPRF) and its rural counterpart, the Agrarian Party, together won 20%. The pro-Yeltsin Russia’s Choice gained only half of what it expected—15%. The seats elected from single-member districts were predominantly from the Soviet nomenklatura, and Communists dominated in rural areas (McFaul and Petrov 2004).

Although his critics often called Yeltsin’s new constitution authoritarian, the president was unable to enact and implement reforms that he favoured. He remained blocked at every step by the coalition of opponents: the opposition in the Duma, the governors, hostile bureaucrats, and self-interested business-groups (McFaul and Petrov 2004).
The second parliamentary elections held in 1995 were probably the most free and fair of all Russian federal elections. By this time, Russian political parties and individuals were accustomed to working within the new institutional framework, and the number of those who were willing to seize power by force was dwindling. The power of the central state was growing, but it was not strong enough to alter the basic composition of the Duma (McFaul and Petrov 2004).

The 1995 elections produced a Parliament that was no better for Yeltsin. Figure 5-4 shows that the Communist Party turned out the winner of these elections, due to their efforts to rebuild the networks and structures left over from the Soviet rule. Party list candidates and single-member district candidates together won 58 seats in the new Duma. Pro-Yeltsin parties and electoral blocs did not do well, with Chernomyrdin’s Our Home Russia gaining barely over 10% and Russia’s Choice not even reaching the 5% threshold. Leaders and
parties from the old Soviet *nomenklatura* now dominated both the reformist and opposition wings of Russia’s polarized political spectrum. Russian politics was looking increasingly polarized (McFaul and Petrov 2004).

![Election results in the 1995 Russian Federal Duma](image)

**Figure 5-4  Election results in the 1995 Russian Federal Duma**  
*Source: Centre for the Study of Public Policy, University of Strathclyde*

With the public mood swinging to the left and support for Yeltsin dwindling, the results of the 1996 presidential elections looked increasingly uncertain. Despite his incumbent advantage, Yeltsin and Zyuganov came out very close in the polls. The reemergence of the Communist party as a major force in Russian politics allowed Yeltsin to frame the race as a contest between Communism and anti-Communism and to position himself as the only candidate able to defeat the Communist threat. Figure 5-5 illustrates that the race was very close: Among a dozen candidates in the first round, Yeltsin barely won more than his main opponent, Zyuganov (35% and 32%, respectively). In third place came independent
candidate Lebed’, with 14% of the votes. However, in the second round, Yeltsin’s campaign painted him as the lesser of two evils and used state administrative resources heavily. Part of this success perhaps had to do with America’s support to Yeltsin’s campaign, although this factor in itself likely was not decisive (Beznosova 2013). Yeltsin won at 54% to 40% for Zyuganov. Even though the political competition was quite intense, the electoral process of 1996 was less democratic than earlier elections (McFaul and Petrov 2004). The results still point to the highly polarized and contentious nature of Russian politics at the time.

Figure 5-5  Russian presidential election results, 1996
Source: Central Electoral Commission

Whether or not Yeltsin was the greatest democrat, under the conditions when the state was weak relative to other political forces, he had to play the game of competitive elections and he faced a very real and significant challenge from his opponents. As predicted by the theory, the lack of external resources made the state less autonomous and more dependent on the domestic population for its revenues. It also deprived the state of an opportunity to buy out political support through distributing welfare benefits. In 1996 Yeltsin could use foreign aid in a manner similar to any other rent; for example, he could spend some of the funds to pay
off wage and pension arrears prior to the 1996 elections, which helped to build enough political support to win the highly contentious election (Beznosova 2011). Yet, as I show elsewhere, the state did not have enough resources to entirely fulfill the expectations of the population. Consequently, the opposition was able to exploit the emerging political opportunities to mobilize supporters to mount claims for political power.

The last point, that opposition politicians were able to mobilize political supporters and challenge the incumbent regime, is critical to my argument. I claimed at the beginning that the decline in external resources in petro states has important consequences for the political mobilization of the masses, as well. In particular, I argued that in petro states, the masses generally tend to be passive, as the citizens mostly expect the state to take responsibility for the popular socioeconomic welfare. The masses do not engage in political activities that make demands on the state. On the flip side, state legitimacy depends on its performance, and the social contract is based on this tacit agreement. However, when the state loses its external revenues, the welfare regime seriously deteriorates. Thus, the social contract fundamentally changes, as the state is no longer the sole provider of social welfare. Citizens begin to make claims bearing on the state, demanding not only welfare but also political participation. We had clearly observed this pattern at the end of the Soviet period, and the early post-Soviet years also seem to fit this description.

Indeed, political mobilization of the masses in the 1990s was clearly on the rise. During the 1990s, the demonstrations were somewhat sporadic but could be quite sizable. In 1993 the government crisis was an indication of the political battles during the initial establishment of the rules of the new political game at the very beginning of the new Russian statehood. The population responded strongly to those crises and spilled into the streets.
Electoral cycles played a role; for example, just before the 1996 presidential elections, the opposition mounted a big show of force, which was matched by Yeltsin’s supporters.

Social and economic issues also gave rise to significant waves of popular mobilization (Figure 5-6 and 5-7). The mid-1990s saw a series of organized labour protests around the issue of salary arrears, especially in coal mining regions and state-budget-funded organizations. The Russian economy was in a very poor state, and people and enterprises were not paid for months in a row. By the mid-1990s, workers realized that they had to take action to demand improvement in salaries and work conditions. By the summer of 1998, as the economy continued to deteriorate, the country witnessed was became known as the “railway war,” in which coal miners blocked the railways and hundreds traveled to Moscow to sit in a picket in front of the Government’s White Dom for days. Other workers joined in on the strike. Labour protest initially advanced only social and economic demands but quickly became political, with protesters requiring government resignation and forcing government to make significant concessions (Clement interview). The 1998 events and the financial crisis also spurred a great deal of protest activity, as would be expected.

![Graph showing number of protest demonstrations per month, 1993-1999](image)

**Figure 5-6** Number of protest demonstration per month, 1993-1999  
**Source:** Kommersant, Pravda, Express Khronika
Civil society developed freely in the Yeltsin period. A prominent Russian human rights activist, Lyudmila Alekseeva, observes that it is hard to say how Yeltsin would behave if the world price of oil were $100 instead of $10, but it is definitely true that Yeltsin did not cause problems for civil society organizations (Alekseeva interview). In the early 1990s, many new organizations were established or revived. The number of organizations quickly multiplied. In the mid-1990s, Yeltsin issued a decree to support the human rights movement, which was lobbied by the Helsinki group and former dissidents like Yurii Orlov or Lyudmila Alekseeva, giving the human rights movement more of an official state-supported status. Regional organizations also developed (Gefter interview). The new Russian state adopted several rather liberal laws regulating civil society groups, including the Law on Civic Organizations and the Law on Non-profit organizations. NGOs were registered easily and quickly, and the NGOs were able to develop and work at the local and federal levels (Gefter interview). The authorities did not cause any problems to emerging civil society organizations, as they had other, more urgent issues to deal with, although did not show much interest in them (Belenkin interview). Western donors played a big role in the establishment of the civil
society, as most funding from 1993 to 1998 was provided by them, as well as training and resources centers (Kaminarskaia interview), but again, as I showed elsewhere, their resources could not be compared to the impact of oil rents (Beznosova 2013). At the same time, in the 1990s the concept of civil society did not yet enter the discourse of state-society relations, as most organizations conceptualized their relations with the state actors separately from others (Auzan interview).

Chechen war protests provide a good illustration of how the actors of society were able to influence government policy during the 1990s. In the early 1990s, nationalist and separatist movements in several former national autonomous federal units were concurrently seeking independence from the Russian state, a phenomenon that became known as the “parade of sovereignties.” In mid-1994, Yeltsin, seeking to overthrow the separatist Dudayev regime in Chechnya, authorized the security service to covertly assist opponents of Dudayev. However, the plan went wrong and Yeltsin, humiliated by the defeat, had decided to invade the capital Groznii. The poorly trained and ill-equipped army met strong resistance, and it took two month of brutal fighting to occupy Groznii. The Chechen rebels started a guerilla war, attacking the troops and civilians in nearby Russian regions. By 1996 the war caused the deaths of 5,500 Russian troops according to the official estimate, although other estimates ran as high as 14,000, and around 35,000 Chechen civilians were killed (Treisman 2011).

The Chechen disastrous war became the most serious crisis of Yeltsin’s presidency. The emergence of protests in response to the war and its brutalities forced his weak regime to reverse its policies. The anti-Chechen war movement emerged between December 1994 and August 1996, and consisted of 25 protests in Moscow and St. Petersburg. During the first few months, protests took place nearly once a week, creating the appearance of a dynamic
movement that threatened to scale up quickly. Only after March, when Yeltsin publicly declared the need to exit the war, did the movement virtually cease holding large-scale rallies\(^{41}\) (Lyall 2006).

The antiwar movements, albeit relatively small, played a key role in entrapping Yeltsin. Using his own language of democracy and civil liberties and revealing glaring inconsistencies between the regime’s prior rhetoric and its current Chechnya policy, the antiwar movement succeeded in articulating a frame that resonated among a populace that shared the same democratic values and human rights concerns as the protesters. Thus they raised the specter of electoral defeat that led Yeltsin to abandon his policy in Chechnya. The impact of these protests was multiplied by the media, with newspapers devoting extensive coverage to the war. Television coverage of antiwar protests, along with gripping images of the war itself, proved to be critical in shaping popular opinion. Given this negative coverage, it is unsurprising that Yeltsin and his advisers were concerned about his political prospects, especially in the run-up to the June 1996 presidential election (Lyall 2006).

5.5 Supply Side: Repression, Manipulation, Parallel Structures, and Co-optation

The theory outlined at the beginning of this dissertation suggested that a number of causal mechanisms impact the supply side of the contentious movement, which prevents political mobilization. These include various coercive means, such as repressive capacity, manipulation and parallel structures, and co-optation. While we can expect these tools to be readily available to any capable state, we can also expect that the state’s use of these tools

\(^{41}\) Looking ahead, it is worth noting that under Yeltsin, on average 1.2 protests occurred per month, while during Putin’s second Chechen war, the rate of protest was lower, at roughly one protest held each month. Also, protests during the first war were generally larger, with an average rally attracting 932 individuals during Yeltsin’s tenure (Lyall 2006).
will depend on the overall amount of discretionary resources it has. For example, when external rents are at their lowest, the state will have fewer discretionary resources that can be directed toward suppressing potential or real opponents.

The first proposition advanced in the literature (see, for example, Ross 2001) is that the abundance of resources allows the state to use its control of the army to suppress its opponents. On the flip side, the lack of resources will disable this function of the military (and likely, by implication, the police and security forces) and will deprive the state of the opportunity to repress using military forces. Another proposition advanced in the study was that the state would try to manipulate the opponents to obtain a competitive advantage. The level and the effectiveness of manipulation are expected to covary with the level of external rents the state receives.

Interviews with leading Russian experts suggest that Yeltsin, in fact, was very eager to rely on the traditional power structures, such as the police, internal security forces, and the military. However, the biggest factor that predetermined the development of Russian democracy was that despite all of the democratic rhetoric, there was no authoritative and cohesive elite which could offer alternative ways to modernize the country. The multiparty system, even though it somewhat resembled the one in Eastern Europe, in reality emerged out of the fractionized Soviet elites. The parties did not serve as machines for articulation of societal or economic interests. Hence, by 1996 the system was of a completely different nature, as the party system was used more as a tool for mobilization of electoral support for those already in power, although it remained weak and was not able to provide enough stability for the incumbent rulers, i.e., Yeltsin’s team. Therefore, under the conditions of economic reforms and deteriorating living conditions, Yeltsin could not rely on party system
or social groups. Thus, he decided to rely on traditional power structures, which he saw as a more secure foundation. Already in 1996, the technologies of public opinion manipulation, political mobilization, and administrative resources were tested and employed (Gudkov interview).

Yeltsin had full command of the military forces that largely remained loyal to the president and showed willingness to support his regime in several conflicts. After the collapse of the Soviet Union, Yeltsin acquired relatively uncontested control over the military forces:

[T]he Communist party control over the military was abolished but it was not replaced by clear mechanisms of civilian oversight over the military, a crucial feature of any established democracy. President Yeltsin increasingly absorbed powers to control the military without informing the Duma and the Federation Council, while appeasing the military personnel and commanders with bonuses and pay raises when necessary. Civilian oversight over the military amounted to the ad-hoc and unregulated arrangement of checks and balances largely created by the president and often used as his discretion to play off individuals and institutions against each other (Barany 2001).

Yeltsin also early on had showed willingness to use force in confrontation. He had tested this model in 1991 during the attempted coup of 1991, and then again during the government crisis of 1993 (Barber 1997).

However, due to the poor state of the economy and the lack of resources, the army was largely neglected and constantly underfunded. Military spending in Russia underwent a sharp reduction at the end of the Soviet Union by 70% over the two years of 1991-92 (Simonia 2001). As the Duma was constantly frustrated about its lack of authority over the military forces, it repeatedly cut the military budget. In addition, due to plummeting revenues and the constant budget deficit, the ministry of finance repeatedly failed to transfer the
approved funds of the MoD. The army was significantly downsized from over 4 million in 1985 to around 1.2 million troops in 1999, and the level of trust among mid-senior-ranking officers under Defense Minister Grachev was low (Barany 2001).

The government also neglected the military reform, reorganization and defense industry conversion, whereby despite the abundance of slogans, practical results were lacking (Simonia 2001). Although the military attained a certain degree of independence and was actively involved in the military conflicts in Russia’s periphery, it was obviously greatly weakened by the lack of funding and mismanagement (as demonstrated by lack of preparedness and dubious performance in the Chechen war, for example). With all of the political, social and economic problems affecting it, the post-Soviet Russian military had become a weak, disorganized institution with low morale and pitiful material conditions (Barany 2001).

There were fears that the military could get involved again in 1998, as the economic crisis was developing into the social and political one. The situation called for some radical measures: Miners completely blocked railroads, and the opposition stepped up its activities. Under these conditions, many people seemed to believe that powers should be transferred to people who would be more capable of combating the crisis, so Yeltsin seemed to fear the possibility of another coup. For example, at a meeting with the power-wielding departments’ top commanders, he made the following unexpected declaration: “We have sufficient forces to cut short any plans to seize power that extremist forces are currently making. You are well aware of these plans” (Koshkaryova and Narzikulov). The newspaper Kommersant reported

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42 The newspaper article does not indicate who participated in this meeting.
that all military and internal security units located in Moscow were prepared and expecting an order to suppress any protests or disorder.43

To sum up, it appears that Yeltsin could not count on coercive means to repress his opponents. With the exception of the 1991 and 1993 incidents, the military was not involved in domestic political conflicts. The lack of institutional cohesion within the army had contributed to the lack of preparedness to interfere into the country’s political affairs. A military officer confessed in Kommersant Vlast’ magazine in September of 1998 that it was absurd to believe that the underfunded and underequipped army would stand up against “aggravated old women who did not receive their pensions four months in a row” to defend the government that so fully neglected them.44 In addition, it appears that the military officers had developed an allegiance to democratic values, and they did not desire an authoritarian regime or a restoration of the Soviet Union. For many of them, the military also represented the best possible economic option in the current society, so they were not totally dissatisfied with all aspects of military life. Moreover, the Russian military does not have a tradition of political interference (Barany 2001), although internal security forces certainly did.

Even though it was not typical for the government to use the army for internal defense except in extreme situations, the presence of its potential repressive capacity was arguably an important deterring factor. Furthermore, military spending can serve as perhaps an imperfect metric but still indicative of the overall spending on repressive measures. It is highly unlikely that the state would be able to disregard the army while at the same time keeping the internal defense spending at a very high level. The number of arrests that took place during

43 Kommersant, 167 (1570), November 10, 1998
44 Kommersant Vlast’, 35 (287), November 15, 1998
public protest events in 1993-1999 also confirms that the level of repression during those years was relatively low. Figure 5-8 shows that with the exception of the severe government crisis in 1993 and the socioeconomic crisis in 1998, there were hardly any arrests of the participants in public demonstrations.

![Figure 5-8 Number of arrest of demonstrators, 1993-1999](image)

*Source: Kommersant, Ekspress Khronika, and Pravda*

Yeltsin’s government also did not shy away from attempts to manipulate the opposition. They had attempted to manipulate the elections as early as 1993, when the state intervened in the electoral processes. Out of 21 electoral blocs that submitted signatures to qualify for the ballot, eight were disqualified, including three prominent nationalists’ blocs (McFaul and Petrov 2004). Nevertheless, despite the manipulation and the constitutional mechanisms heavily skewed towards the executive, the expected pro-government majority in the new Parliament did not materialize. The elections to the Duma in December 1993 resulted in a resounding defeat for the main pro-government party led by Gaidar, Russia’s Choice (VR, later Democratic Russia’s Choice, DVR) (Barber 1997). In 1995, to steal votes from
Zhириновский, several new nationalist and patriotic groups appeared on the ballot. Many new entrants also competed for the Communist vote. Despite all efforts, the Communist party was the most successful in the election and other opposition parties did well, while pro-Yeltsin forces performed poorly, leaving Yeltsin with the largely oppositional Duma (McFaul and Petrov 2004).

Because the 1996 presidential election was seen as the last chance for Yeltsin and his “family” to stay in power, these elections were much more heavily manipulated. The state played a pivotal role in determining the outcome of the election. Russia’s state TV channel RTR and oligarchical media such as NTV and ORT fully supported Yeltsin and discredited Communist Party candidate Zyuganov. Oligarchs also provided financial support to Yeltsin which exceeded the permitted campaign spending limits. Yeltsin distributed government pork to obtain support from regional administrations. Throughout the campaign, Yeltsin threatened to use state power in completely undemocratic ways to stay in power. Some officials openly called for postponing the elections, fearing that Yeltsin would lose. Only at the last moment was Yeltsin convinced by his daughter and Chubais to stay on the electoral course. Reports of falsification of results also surfaced (McFaul and Petrov 2004).

Nevertheless, the elections were highly competitive, and the advance results were uncertain.

Overall, the repressions and interference with the opposition remained moderate (with the exception of the political crisis of 1993), and independent political parties and opposition groups were allowed to exist and actively participate in political life. Indeed, generally speaking, individuals and political groups that adhered to the constitution were allowed to participate in elections in the 1990s, although some parties were not allowed to participate in
the 1993 elections, one group was denied access to the ballot in the 1999 parliamentary elections, and others were removed from regional contests (McFaul, Petrov et al. 2004).

The principal position of the state was that of noninterference in societal life unless it was perceived as a direct threat to its very existence. Yeltsin gave freedom to people even in the areas where it should not have been given, which resulted in a great deal chaos, disorder, and even crime (Deliagin interview).

It is difficult to make a claim that Yeltsin was a democrat principally opposed to political repressions. He was ready to use force against the people, as he demonstrated in October of 1993 and again showed that he was ready to do so in 1998, as well as during the war in Chechnya. Yeltsin also did not shy away from manipulating his opponents and public opinion. At the same, time due to the lack of resources, Yeltsin was unable to utilize the coercive mechanisms as his successor would. In addition, despite the concentration of power and willingness to contain the opposition, Yeltsin was facing strong political opposition backed by significant popular support, so he was not in a position to use force, as it would have been politically dangerous for him.

5.6 Demand Side: Taxation Effect and Social Spending, Mobilization of Supporters

So, one of the key questions then becomes: Why did Yeltsin face such a powerful opposition which was also supported by the population? I argue that the key to the strength of popular mobilization was the disintegration of the old Soviet social contract (based on the terms of rents distribution) and the struggle over the terms of the new one. In the situation in which the state was unable to perform according to the expectations of the population and at the same time became less autonomous from the population due to the lack of external resources,
the regime’s power balance shifted towards the societal forces, which actively mounted claims upon the state. This section discusses in greater detail the state’s performance in fulfilling popular expectations, the political struggles over the terms of the social contract, and some indicators of popular attitudes towards the social contract.

While some indicators suggest that overall Russians lived better in 1999 than in 1990—for example, access to goods and services, including telephone lines, hot water, housing, automobiles, etc., had improved—one of the most important story lines that runs through the 1990s and that serves as one of the most important anchors in the collective identity of the Russian people is the sharp deterioration of living standards associated with the transition from Communism. Primarily, what most people noticed was the decline in real household income throughout the 1990s, as well as some other non-economic factors, such as the increased crime rate, birth rate, and mortality rate, as well as the declining quality of medical services (Milov interview).

Figure 5-9 below shows how the real household income was, indeed, on the decline throughout the 1990s. The next Figure 5-10 suggests that the year-by-year fluctuations in real income and real wages—the two factors that affect Russian households the most—also did not perform very well. Both indicators seem to be correlated with the world price of oil: When the world prices of oil and the economy improved slightly in 1996-7, both real income and wages showed a slightly positive tendency but then declined again.45

45 Gaddy and Ickes (2005) demonstrate that the Russian oil industry had a significant impact on wages, not only in the industry but also in a number of spin-off industries such as railway transportation, metal and machinery manufacturing, etc.
Figure 5-9  Real income of households as per cent of 1993

Source: RossStat

Figure 5-10  Change of real wages and real income, as per cent to previous year and world oil prices (USD/barrel) (Unstacked)

Source: RossStat, various years

One area that was highly contested after the collapse of the Soviet Union was the social welfare state. As described above, Russia entered the post-Soviet era with the population accustomed to the cradle-to-grave social welfare system, which did not provide the highest quality of service but covered the basics for every member of the society, including extensive employment protections for both men and women, fully funded basic healthcare and education, and virtually universal coverage of their labour forces by retirement pensions.
Cook notes that post-Communist political economies were characterized by strong popular attachments to the welfare state: As late as 1996, 91.6% supported the idea that the government should provide jobs, 97.3% saw the state responsible for healthcare provision, and 98% believed that government should provide a decent standard of living for pensioners (Cook 2007). The Soviet social contract included the idea of a comprehensive welfare state.

Thus the welfare system had become one of the most important focal points around which the newly emerging political competition began to form. At the beginning, the culture of dependency on the state, created by the centralized state-run welfare regime, obstructed the creation of dense bottom-up interest groups that could defend their interests and bargain politically over welfare reform.

By the mid-1990s, democratization created the possibility for political parties and unions to take on a limited representative function and engage in the politics of welfare. After the elections of 1993, the new legislature, especially the lower house, the Duma, provided some representation for societal interests and exercised stronger political constraint on the president. Societal welfare constituencies supported legislative parties that pursued moderate reformist policies, seeking to preserve substantial outputs of social protection and public sector spending. Health and education workers mobilized to become the most strike-prone sector of Russia’s labor force. The major legislative opposition to restructuring emerged from the hard left Communist successor parties, which were supported electorally by older, poorer, and more state-dependent groups. Their legislative coalition dominated the Parliament, seeking to restore the Communist-era welfare state rather than negotiate reforms. The welfare state policies were highly contested, first by a moderate coalition that sought to negotiate them (in the 1993 Duma) and then by a radical coalition that largely obstructed them (in the
The legislature became a veto player refusing to approve changes in the legislative base of the welfare regime, and thus produced a polarizing deadlock over welfare policy. Hence, the balance of political and bureaucratic power shifted against liberalization, locking much of the old welfare state in place despite severe economic decline (Chandler 2004, Cook 2007).

Unsurprisingly, these demands proved impossible to meet under the conditions of the economic crisis. Russia’s GDP continued to fall, although less sharply, and grew slightly in 1997, but then slid again as a result of the financial crisis in 1998. Russia’s economic reforms cut budget expenditures and scaled down the size and scope of the public sector. Federal budget expenditures fell from 27% of the GDP in 1992 to about 18% in 1995, while regional expenditures increased only slightly. Enterprises shed their social expenditures and welfare functions by half. The cost of food and other necessities increased manifold. The poverty level reached one-quarter to one-third of the entire population. Inequality grew at an extremely rapid pace. Unemployment rose from 5% to 13-15% by different estimates (Cook 2007), though it still remained relatively low compared to other transitional countries in Eastern Europe (Treisman 2011).

In 1991-93, technocratic elites and liberal reformers were responding to the deep economic shock of transition and a severe fiscal crisis. They attempted to eliminate massive subsidies and fundamentally reorganize the welfare state, decentralizing social services and education, competitive contracting for healthcare, and privatization of housing, introducing privatization and insurance programs, and off-loading social security obligations from the federal budget. Many of these programs were poorly implemented, partly because of weak state capacity, but the federal government did withdraw from large areas of social provision
and initiated liberalization of the welfare state. As a result, real spending fell by more than 40% in education and 30% in healthcare from 1990 to 1995. Family allowances collapsed, unemployment benefits remained marginal, and estimated pension spending fell to less than half by 1995 (RossStat, various years). The expenditures declines varied across policy areas, but generally followed the decline in the GDP (Cook 2007).

Although Yeltsin’s government somewhat succeeded in cutting social expenditures, it failed to fully liberalize the social sector. The outcome was policy deadlock between the legislature and the executive, and an incoherent policy of welfare state retrenchment without restructuring. The executive was able to cut spending but lacked the power to eliminate benefit programs, dismantle institutions or privatize social sector services. Reformers reorganized the welfare state in ways that worsened disparities in access to services and benefits across regions, disorganized coordinating mechanisms, and left the federal government with little ability to address rising poverty and unemployment (Cook 2007).

In short, although the 1993 constitution appeared to privilege the executive, by the mid-1990s the balance of political power shifted away from the executive to the forces that opposed welfare state restructuring. World Bank intervention in 1997 gave additional push to restructure the inefficient and piecemeal policies, but still domestic political resistance blocked the reforms preferred by the government. This suggests that the state was under severe pressure from societal forces and was unable to carry out the policies it favoured, and the opposition was powerful enough to block the state at every step (although not able to fully accomplish its own agenda). Hence, the strongest opposition came from the forces that defended the Soviet-style welfare system. Hellman (2009) also suggests that the groups that
benefited form partial and incomplete reforms were also creating obstacles for their implementation.

The general population also responded strongly to the underperformance of the state in welfare provision as well as the overall perceived decline in the standard of living. Most people attributed blame for the deterioration of their way of life to the democrats and Yeltsin personally (Levinson interview). Yeltsin’s approval rating dropped from almost 90% in 1989 to 6% in March of 1999 (Treisman 2011). Levada Center Public opinion data also indicates that both the president and the prime minister consistently rated low (Figure 5-11). The prime minister’s rating began to modestly improve when the new figure—Vladimir Putin—was appointed, but it was still unstable until the economic situation began to improve in 1999 after the financial crisis.

![Figure 5-11](image.png)

Figure 5-11    Rating of the President and the Prime Minister, 1994-2000 (Unstacked)

Source: Answers to the question “How would you rate the president/prime minister on the scale of 1-10?” Levada Center, Obschestvennoe mnenie 2004
Zuravskaya and Guriev suggest that there are a number of factors that caused the feelings of dissatisfaction in transition: a decrease in quality and quantity of public goods provision; a sharp increase of volatility and uncertainty of earnings; an increase in aspiration levels due to better information about the quality of life in high-income countries; a substantial increase in inequality and perceived unfairness of the new socioeconomic order; and an unforeseen depreciation of human capital accumulated before the transition as different skills become relevant in command and market systems (Guriev and Zhuravskaya). More generally, people felt that they had been deprived of their familiar and relatively secure way of life, as captured by the following quote:

My parents got their apartment from the state. They had a guaranteed salary that was in line with prices in the shops. They had a guaranteed pension. They knew they would get free medical care, they studied for free and their jobs were guaranteed. So they had no need to worry about anything… I do not have any of these hopes (CESSI 2007)

Thus, the citizens felt strongly about the state’s underperformance in what was previously perceived as the state’s obligations in social contract provision. As the state was unable to comply, it became obvious that the terms of the social contract had to change. In particular, the citizens withdrew their consent to refrain from political participation. In the 1990s, public life was vibrant and public protest and opposition activity became a normal part of the sociopolitical landscape. It was typical to walk the streets and hear highly politicized conversations within or outside of the specific protest events, and it became customary to express one’s political views and opinions either against the regime or in support of it (Belenkin interview). The Russian intelligentsia was searching actively for new identities and ways to participate in the new social order (Gessen 1997).
The data on public protests also suggest that the population continued to be quite active in voicing their grievances and advancing various demands, presented in Figures 5-12 and 5-13. The data collected on public protest events involving over 100 participants illustrates the types of demands that were made. In the 1990s, protest activity was more spontaneous and largely responded to current events. For example, in 1993 two major events spurred protest activity: The Chechen independence aspirations produced a spike in nationalist demands, and the political crisis between Yeltsin and the Parliament generated a number of large political street protests. In April 1995, a huge wave of protest emerged in response to significant salary arrears, mobilized by trade unions and Communists and advancing predominantly socioeconomic demands. In May-June 1996, Yeltsin’s re-election campaign triggered mass demonstrations of opponents and supporters of the president. October 1997 and 1998 were the first two major campaigns of Communists and trade unions, who tapped into widespread public grievances centered around the poor economic situation and engaged the public into massive anti-government protests around the symbolic date of the October Communist revolution. It is worth noting that most public protests in the 1990s voiced some political demands.
I argued earlier that demonstrations are a good measure of “citizens’ orientation” towards the regime. It is important to see whether or not citizens are protesting as one measure of political opposition, but it is equally important to determine why they are protesting in order
to pinpoint what the points of opposition are and whether or not they are likely to be linked to oil revenues.

To assess citizens’ orientation towards the regime, I coded public demonstrations that show signs of dissatisfaction with the regime, using similar categories that were used for the Soviet period: ethno-nationalist reasons to disassociate with the state, demands for government resignation or changes in government, and protests against the regime itself. Note that this coding does not apply to all demonstrations, but only to a subset of them. As such, most demonstrations that voice social and economic demands but not demands for changes in government or other types of political claims are not included here. Figures 5-14 and 5-15 below present the number demonstrations that voice explicit dissatisfaction with the regime and the number of participants in them.

Figure 5-14   Number of demonstrations per month by level of support for the regime, 1993-1999 (Stacked)
Source: Kommersant, Express Khronika, Pravda
One can see that at the beginning of the new Russian statehood, there were quite a few challenges to the very existence of the regime. Opponents were prepared to go as far as to demand the overthrow of the ruling regime or the restoration of the Soviet Union. After the 1996 elections, it appears that the stability of the regime itself was no longer a question, but that is not to say that the opposition to the ruling government subsided. In fact, Yeltsin’s government was under constant pressure from multiple political forces and the general public. The key point for my argument is that there were strong anti-government sentiments and the public was prepared to mobilize under the banners of political opposition.

5.7 Conclusion

During the period of low oil prices during the 1990s, the size of rents and the ability of the state to use the rents declined significantly, making the government’s position much more vulnerable in the face of its challenges. The very concept of rent did not disappear from the
Russian political and economic landscape and economic and political forces associated with the petroleum industry retained a significant degree of influence. However, during low oil prices, the oil and gas sectors could not outweigh the rest of the economy and did not play an overwhelmingly important role in politics, as it may have been expected in a petroleum exporting country. In reality, much of the contestation in Russia in 1990s was a battle over the terms by which the Soviet Union disintegrated and the new Russian state was established, stemming from the mutual fear and distrust between the hard-liners, the soft-liners and the opposition of the new regime. In that sense, the contestation was not a direct effect of the reduced oil rents. But this reduction of the rents made this contestation possible. In addition, the push-pull between the resource and non-resource sectors and the interest groups affiliated with them shaped much of post-Soviet politics and paved the way for what followed after the period of low oil rents.

One of the expectations stemming from the theory proposed above is that in times of low oil prices, state autonomy will be low and the state will be subject to various influences from social and economic groups. Therefore, it will be relatively weak compared to societal forces and will be unable to carry out its preferred policy. This proposition appears to be strongly supported by the evidence.

I argued that the fact that the new Russian state had to begin its transition to a market economy and democracy under the conditions of the complete economic collapse and absence of external sources of revenues (with the exception of foreign loans, which could not compensate for the lack of oil revenues; see Beznosova 2011 and 2013), largely determining the corridor within which the new Russian government could act. It was clear that the situation required radical structural reforms to address multiple and significant economic
problems that would make Russia more competitive in the world economy. This allowed the state to carry out a number of structural reforms. However, there was hardly a consensus regarding the direction of the reforms, and the state was heavily influenced by a number of economic and political lobbies pursuing contradictory agendas.

These contradictory demands plagued the economic and political development in the first decade of the Soviet Union. Because the state suddenly lost control over the economy and needed to collect revenues domestically (through taxes), it became dependent on domestic constituencies. At the same time, the state had inherited massive social obligations that accumulated over the years of the Brezhnevite social contract largely funded by the oil rents, and it was under constant pressure from the populist social and political forces to keep up with its social contract obligations. Also, the state had become susceptible to various international influences due to the need to obtain foreign aid and to be part of the international community.

As the discussion above detailed, domestically Yeltsin confronted several interest groups with the strongest influence: state enterprise managers and employees of Soviet-era enterprises, the country’s bankers, local and regional governments, the federal bureaucracy, managers and workers of potentially profitable enterprises, in particular commodity and energy producers, and ordinary Russians who could vote the government and Parliament out of office at election time. Yeltsin had to balance the need for victory in any given area or measure against the broader goals, fencing simultaneously against the Parliament, courts, governors, and opposition leaders (Treisman 2011). Yet, the fact that Russian natural resources were significantly less valuable in the 1990s created stimuli for structural reforms to increase the quality of the political institutions (Milov interview). As this chapter
demonstrated, the economic policymaking, tax policy, and representative institution had to adapt to these challenges.

The theory outlined at the beginning of this dissertation suggested that a number of causal mechanisms impact the supply side of political contention in ways that prevent political mobilization. These include various coercive means, such as repressive capacity, manipulation and parallel structures, and co-optation. While we can expect these tools to be available to any state, we can also expect that the state’s use of these tools will depend on the overall amount of discretionary resources it has. For example, when external rents are at their lowest levels, the state will have fewer discretionary resources that can be put into suppressing potential or real opponents.

I showed that Yeltsin was not principally opposed to political repressions or manipulation of the opposition and public opinion to achieve his goals. He was prepared to use force against the people, as he demonstrated in October of 1993 and again showed that he was ready to do so in 1998, as well as during the war in Chechnya. At the same time, due to the lack of resources, Yeltsin was unable to fully utilize the coercive mechanisms in the way that his successor would. In addition, despite the concentration of power and willingness to contain his opponents, Yeltsin was facing strong political opposition backed by significant popular support, so he was not in a position to use force, as it would have been politically dangerous for him.

As predicted by the theory proposed above, this period of low oil rents was characterized by a high degree of political contestation. Multiple political forces that emerged advanced a variety of highly polarized positions. The battles among Communists, nationalists and pro-democratic forces became very intense.
The key finding for my argument is that there were strong anti-government sentiments and the public was prepared to mobilize under the banners of political protest against the ruling regime. Why did Yeltsin face such a powerful opposition with widespread popular support? According to Treisman, the main underpinning of the fluctuation in public opinion is the public’s beliefs about the state of the economy. Oil and gas mattered in this story, as they affected Russia’s economic performance. Sometimes it is not the skill of the rulers but the external economic conditions that impact the rating. Public opinion played a major role, and Russian elites were not insulated. In this sense, public opinion determined the president’s freedom to maneuver (Treisman 2011). Elsewhere, Treisman demonstrates that if oil prices, and hence economic performance, stayed at a high level, Yeltsin’s approval raitings could have been compared to those of president Putin (Treisman 2008).

I argue that the key to the strength of popular mobilization was the disintegration of the old Soviet social contract (based on the terms of rents distribution) and the struggle over the terms of the new one. The citizens felt strongly about the state’s underperformance in what was previously perceived as the state’s obligations in social contract provision. As the state was unable to comply, it became obvious that the terms of the social contract had to change, and the citizens withdrew their consent to give up political participation. In the situation in which the state was unable to perform according to the expectations of the population and at the same time was less autonomous from the population due to the lack of external resources, the power balance shifted towards the societal forces, which actively mounted claims upon the state.
Chapter 6: Increase in Oil Revenues and Authoritarian Revival: 1998-2008

I argued in Chapter 5 that the fact that the new Russian state had to begin its transition to a market economy and democracy under the conditions of the complete economic collapse and lack of external sources of rents to a significant degree determined the corridor within which the new Russian government could act. It was clear that the situation required radical structural reforms to address multiple and severe economic problems to make Russia more competitive in the world economy. This allowed the state to carry out a number of structural reforms. However, there was hardly a consensus regarding the direction of the reforms, and the state was heavily influenced by various economic and political lobbies pursuing contradictory agendas.

These contradictory demands plagued the economic and political development in the first decade of the Soviet Union. Because the state suddenly lost control over the command economy and oil revenues, it needed to collect revenues domestically (through taxes). Even though its effort to collect taxes was not overly successful, it changed the dynamics of state-society relations in that the state became dependent on domestic constituencies. At the same time, the state had inherited massive social obligations that accumulated over the years of the Brezhnevite social contract largely funded by oil rents, and it was under constant pressure from the populist social and political forces to keep up with its social contract obligations. Once again, the state was pushed and pulled by contradictory demands and was unable to pursue a coherent and independent economic and social policy. In addition, the state had become susceptible to various international influences due to the need to obtain foreign aid and to be accepted as part of the international community.
Various powerful interest groups rose and fell in influence during the first decade of Russia’s statehood. They attempted to take advantage of the weakened Russian state to extract as many resources out of it for personal gain as possible. At the same time, the fact that Russian natural resources were significantly less valuable in the 1990s created stimuli for structural reforms to increase the quality of the institutions; therefore, some important structural reforms went into effect.

One of the key points for my argument is that while oil prices were low, the public readily mobilized under the banners of political protest against the ruling regime. I argued that the key to the strength of popular mobilization was the disintegration of the old Soviet social contract (based on the terms of rents distribution) and the struggle over the terms of the new one. The citizens felt strongly about the state’s underperformance in what was previously perceived as the state’s obligation in social contract provision. As the state was unable to comply, it became obvious that the terms of the social contract had to change, and the citizens withdrew their consent to be governed without popular political participation. In the situation in which the state was unable to perform according to the expectations of the population and at the same time was less autonomous from the population due to the lack of external resources, the power balance shifted towards the societal forces which actively mounted claims upon the state. Hence, the level of popular mobilization and public participation in politics was on the rise in the 1990s. As the space for contestation opened up, opposition political groups, civil society organizations and independent media also developed.
6.1 Political Economy of the New Russian Regime: A Change of Fortune

Throughout the 1990s, the Russian government’s position was extremely weak and the 1998 economic collapse was inevitable. High inflation and constant tax underpayment undermined revenues, while expenditures were running high. The government had to turn to extensive borrowing to pay its bills. By mid-August 1998, government borrowing had become unsustainable as the only way to pay the current debt was to get another loan. Eventually the government ran out of money to finance the Ponzi-like scheme of treasury obligations (Goldman 2008).

In May of 1998, creditors finally got scared and withdrew on a large scale, putting the exchange rate under severe pressure. The Central Bank was quickly losing its limited currency reserves to defend the exchange rate in order to save most commercial banks from bankruptcy (Arkhipov, Batkibekov et al. 2003). Salvation was no longer possible without serious changes in the expenditures-revenues structure. By August 17, the Treasury and the Central Bank were forced to announce that they were no longer able to redeem the country’s bonds and pay back its lenders (Goldman 2008). The Russian government defaulted on its domestic debt of about $70 billion, and the value of the ruble fell by three-quarters. The crisis was partly precipitated by the Asian financial crisis, but the root causes of the crisis lay in the loose fiscal policy of the Russian government.

The 1998 financial crisis hit the Russian financial market hard. The ruble devaluated to approximately one-fifth of its pre-August 1998 value. Ironically, this financial crisis was central to Russian industry recovery; as the devaluation had no immediate effect on domestic ruble prices, tariffs, taxes and operating costs, those expenses essentially became five times less in dollar values. Thus, even though export prices somewhat declined in 1998-99 (from
$19 to $13), export revenues paid a lot more in domestic expenses. In 2000, the surge in export prices and the rise of domestic prices significantly increased the income of oil producers (Grace 2005). Russian oil and gas production increased substantially after the initial drop following the Soviet Union breakdown (Brookings Institution 2006).

Russia's change of fortune at the close of the 1990s, when President Putin came to power, was indeed remarkable. Beginning in 1999, commodity markets were on the rise and the Russian GDP grew significantly thanks in large part to energy rents, which climbed above one-third of the total national product at the same time as Putin sought to consolidate control of Russia’s natural resources. The state began to absorb much of the revenues from hydrocarbon sales. Formulas for the calculation of oil export taxes were constructed in such a way that they transferred to the state the vast majority of super-profits that oil companies were earning. For example, with the price of oil at around $100 per barrel in March 2008, out of $723 per ton, oil-exporting companies paid the state $472 (65%) as an export tax. In addition, oil companies were obliged to pay all other taxes, so some industry experts claim that in reality, the state collected over 90% of profits resulting from increased oil prices in the last few years.46

Energy trade brought significant revenues into the state. Putin’s first term (1999-2004) was influenced by this change of fortune, which helped improve social and economic conditions in the country. Figure 6-1 below illustrates these points.

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The correlation between Russia’s annual gross domestic product (GDP) growth and the growth of its crude oil export revenues, depicted on Figure 5-17, suggests how important oil has been in the past decade (Brookings Institution 2006; Goldman 2008).

Using Gaddy and Ickes’s methodology, I estimate the size of total oil and gas rents in Russia and look at their dynamics since 1970. Gaddy and Ickes define the rent as “the revenue received from sale of the resource minus the cost of producing it.” To calculate rents, they estimate market prices for oil and gas, the quantities of these commodities produced in Russia, and the cost of extraction and distribution for each. Production data for both oil and gas are readily available, as are world market prices for oil. Because there is no single international market for natural gas, determining the true market price of gas presents significant problems. Obtaining good estimates for costs of extraction is even more difficult. For both oil and gas, Gaddy and Ickes use the simple assumptions of extraction costs: a constant $8 per barrel cost of oil and a constant $18 per thousand cubic meters of gas. Gaddy, C. and B. Ickes (2005). "Resource Rents and the Russian Economy," Eurasian Geography and Economics 46(8): 559-583.

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47 Using Gaddy and Ickes’s methodology, I estimate the size of total oil and gas rents in Russia and look at their dynamics since 1970. Gaddy and Ickes define the rent as “the revenue received from sale of the resource minus the cost of producing it.” To calculate rents, they estimate market prices for oil and gas, the quantities of these commodities produced in Russia, and the cost of extraction and distribution for each. Production data for both oil and gas are readily available, as are world market prices for oil. Because there is no single international market for natural gas, determining the true market price of gas presents significant problems. Obtaining good estimates for costs of extraction is even more difficult. For both oil and gas, Gaddy and Ickes use the simple assumptions of extraction costs: a constant $8 per barrel cost of oil and a constant $18 per thousand cubic meters of gas. Gaddy, C. and B. Ickes (2005). "Resource Rents and the Russian Economy," Eurasian Geography and Economics 46(8): 559-583.
While on October 1, 1999, Russia’s foreign exchange reserves had fallen to $6.6 billion and the country owed the IMF alone a total of $16.8 billion, in 2006 Russia had foreign exchange reserves in excess of $250 billion and held an additional $80 billion in its oil stabilization fund, and Russia had no debt to the IMF (Brookings Institution 2006). Figure 6-3 below illustrates the close relationship between oil prices\textsuperscript{48}, hydrocarbon revenues and growth in foreign exchange reserves.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure6-3.png}
\caption{Russian hydrocarbon revenues, foreign reserve, and world oil prices, 1994-2007 (Unstacked)}
\end{figure}

Russia remained a major exporter of energy to the EU and, with higher hydrocarbon prices, was flooded with energy rents, allowing the state to pay off much of its international debt, thereby further decreasing the vulnerability of the regime to external pressure. Figure 6-4 below shows oil price ($US per barrel) and foreign debt servicing as percentage of Russia’s GDP.

\textsuperscript{48} Oil and natural gas prices are correlated.
In 2004, the government established the Oil Stabilization Fund with the objective of reducing
the impact of fluctuations in oil prices on the resources available to the budget, which
absorbs oil windfalls above a reference price (in 2008 set at $27 per barrel) (IMF 2006: Box
3).

6.1.1 The Role of the State

In recent Russian history, one could observe a full circle from state domination of the oil
industry during the Soviet times to significant privatization of oil and gas enterprises in the
1990s, and back to centralization of state control over the industry in the 2000s. In the 1990s,
the Russian energy sector was developing according to the liberal market approach (Bohi and
Toman 1996; Mane-Estrada 2006:3774). Most of Russia's oil production was transferred to
private hands, and a relatively small number of vertically integrated companies were created.
Some foreign companies were allowed limited access to Russia's oil reserves (Khartukov
2002; Quayat 2003). Some argued that during this time, oil and gas oligarchs provided
critical backing to president Yeltsin’s regime (Rutland 1997; Hoffman 2001; Goldman 2008).
It appears that after 2000, Russia’s approach to energy policy began to gradually change. Hill and Fee observed that “there has been what amounts to a creeping re-nationalization of the Russian oil industry,” and in spite of the breakup of the Russian oil industry after 1993, the energy industry as a whole remained state-dominated (Hill and Fee 2002: 17). The Russian government had moved to take control of the country’s energy resources and to try to use that control to exert influence elsewhere. Arguably the push for control was partly the motivation behind the government’s prosecution of Mikhail Khodorkovskii, CEO of Yukos. Yukos was broken up, with its principal assets being sold off to meet alleged tax debts. Yuganskneftegaz, Yukos’ main oil production subsidiary, was sold at a state-run auction to the Baikal Finans Group (previously unheard of), the sole bidder, for $9.4 billion, about half of its market value according to Western industry specialists. That group soon afterward sold the unit to Rosneft, the state oil company. Another government takeover followed when Gazprom bought 75% of Sibneft, Russia’s fifth largest oil company (Pirog 2007: CRS6-7).

On top of this, perhaps the most important factor determining the state control over the oil and gas industry, which is dependent on exports for the lion’s share of its income, is the fact that the oil pipeline system is under the exclusive jurisdiction of Russia’s state-owned pipeline monopoly, Transneft, and gas pipelines are controlled by 51% state-owned Gazprom (Pirog 2007).

6.1.2 Rent Sharing

It appears that the Russian Federation differs from most rentier states, which openly redistribute oil wealth to the population. The Russian government had maintained that it employs a very strict fiscal discipline, not allowing oil windfalls to enter the internal market.
Before the recent financial crisis, when oil prices beat all records and oil stabilization fund had accumulated more money than could have ever been predicted, Minister of Finance Kudrin had been constantly defending against numerous attempts to open the fund to finance numerous programs.\textsuperscript{49}

However, this picture is markedly different if one considers the informal rents. Gaddy and Ickes (2005) provide an analysis of the rent-sharing practices and their evolution under President Putin. Putin’s regime did not attempt to eliminate informal rent sharing, nor did it have any desire to do so. Informal rents are less transparent than formal rents, which can be valuable because it makes it easier to direct where the rents will go without public oversight. Profits, for example, must go to shareholders, and the expenditure of formal tax revenue is governed by the political process. Informal rents, on the other hand, may be directed, to varying degrees, by the payee. This is particularly useful when rents are being used to purchase protection or compliance. Therefore, the objective of Putin’s government rather was to centralize informal rent sharing in order to control it. Putin has been transforming the previous schemes into a single, centrally run scheme, requiring constant investments by oligarchs to protect property rights.

In Russia, the assessment of the effect of oil rents on the economy cannot be based on formal taxes alone. In fact, informal rent sharing sustains a much broader part of the economy and society. Lower oil prices mean smaller overall rents, and thus less to be shared among all of the categories. However, price subsidies are also used informally as a means of buying compliance. For example, Russian oil is sold domestically at prices much lower than the price that same oil brings on the world market. The domestic price has been anywhere

from 31% to 46% of the world price. The price of oil exported to the CIS countries tends to be about halfway between the domestic and world prices (Gaddy and Ickes 2005). Interestingly, for social spending there has been a shift towards greater formality and transparency. For example, companies like Sibneft and Lukoil made a special effort to publicize their activities. In April 2004, Sibneft released its first-ever “annual social report”—in effect, a public account of its informal taxes (oil companies spending funds on certain targeted social goods, usually under implicit government direction). Lukoil published its first such report in September 2005 (Sibneft and Lukoil websites).

Bribes are another major component of informal taxes. A study of the corruption market in Russia (INDEM 2005) asserts that the volume of bribes paid by businesses in the country increased more than ninefold between 2001 and 2004. This is a growth rate four times that of the federal budget in the same period. According to Transparency International, the situation with regard to corruption in Russia is bad and only getting worse. TA’s Corruption Perceptions Index (CPI) for Russia, which is measured on a scale of 0-10 with 10 being corruption-free, dropped from 2.7 in 2002 to 2.1 in 2010.50

In addition to price subsidies and corruption, there are also excess costs, which are used as de facto subsidies to industries and key groups. For example, it is well known that Russia’s oil and gas industries are extraordinarily inefficient. Some observers have mused that this is not just due to incompetence but perhaps to conscious choice. One example is the rail transport of oil in recent years. Shipping oil by rail is several times more expensive than by pipeline due to the high costs of the inputs—materials and labor—used to produce oil tanker cars. In other words, there is greater demand for inputs like steel and for workers in...

plants that can produce railway freight cars. The big producer of railway tank cars is Uralvagonzavod in Nizhniy Tagil, which is also the tank manufacturer. This company has benefited greatly from the costly decision to ship oil by rail rather than pipeline. Railway tank car production is higher now than it ever was during the Soviet period. Transporting oil by rail is inefficient, but at the same time, it helps motivate the continued activity at one of the country’s key industries left over from the Soviet times. Production itself—higher physical output—is thus part of the way the oil windfall is shared. As a result of the demand from the oil sector firms, those parts of manufacturing that are contributors to excess cost benefit when Russian oil production increases (Gaddy and Ickes 2005).

Overall, despite apparent attempts of the government to break the dependency on oil revenues in the form of formal rents, it appears that informal rents, excess costs, and other ways of redistributing informal rents picked up along with growing oil prices. Their toll on the Russian economic and social system sounds alarmingly similar to the Soviet past, as well as that of other petro-states. The World Bank study suggests that low general labour productivity coupled with growing income generate demand that is not met by supply (Alam, Casero et al. 2008). The result is a high inflation rate and record increase in the amount of imported consumer goods (40% in 2007). Moreover, in 2007 the gap between the productivity rate and growth in real wages became wider. Wages increased by 16.2%, while productivity only increased by 6%.\footnote{Voennaya taina rossiyskoi ekonomiki. Gazeta.ru, 17 May 2008, http://gzt.ru/business/2008/05/16/063013.html} At the same time, tax policies and the lack of stable property rights for oil producers slowed down growth in production.
6.2 From Yeltsin to Putin

On New Year’s Eve of 2000, Boris Yeltsin, whose physical and mental health were continuously and visibly deteriorating, appointed his Prime Minister Vladimir Putin to replace him in governing Russia. Putin stood in the general elections a few months after that and was, indeed, elected President of the Russian Federation. There are numerous conspiracy theories concerning his election and the events surrounding it, including the terrorist bombing of apartment buildings in Moscow and the activity of the Chechen insurgents (Shevtsova 2005). These questions I leave outside the scope of this study.

An important point, however, is that while it became customary, especially in Russia, to associate Vladimir Putin with the revival of the Russian economy, the Russian economy began to improve five months before Putin’s appointment as Prime Minister in July 1999 and one year prior to Putin’s election as president in March 2000. The improvement of the external and internal economic conditions gave Vladimir Putin additional resources to approach the multitude of economic and political problems that his predecessor faced. He also set about to reassert the state’s control over Russia’s abundant natural resources (Goldman 2008). Putin’s first term (1999-2004) was influenced by this change of fortune, which helped to improve social and economic conditions in the country. During Putin’s second term (2004-2008), Russia had enough resources to pay off much of its international debt (Brookings Institution 2006), thereby further decreasing the vulnerability of the regime to external pressure.

For this study, one of the biggest challenges is to sort out the effect of Putin’s personality and policy from the impact of the change in the economic situation in Russia after his election. Although agency certainly plays a role in politics, I argue that it is not so
much, or at least not only Putin’s policy that brought Russia increased stability and prosperity, while simultaneously decreasing opposition activity. I argue that structural and institutional factors, such as increasing oil prices and informal institutions in Russian society, created a window of opportunity for Putin to centralize the state’s control over the country’s natural resource rents and allowed him to establish tighter control over the society under the auspices of the new oil-driven social contract (which was, to some extent, a rerun of the old Soviet one).

6.3 State Autonomy Increased

As mentioned above, on August 17, 1998, the Russian government defaulted on its debt and the value of the ruble fell by three-quarters. In addition, the government declared a moratorium on Russian banks’ foreign payments, which in effect came down to a general freeze on the bank accounts. About half of Russian commercial banks went bankrupt, including the big oligarchic banks (except Alfa Bank). Russian bank savers lost their money, and the Russian stock market fell 93% in one month (Alsund 2007). The Russian Duma refused to adopt the measures that were aimed to increase tax revenues and cut expenditures, and the regional governments blocked the transfer of regional funds to the federal government (Alsund 2007). Powerful economic and political groups resisted any attempt to raise taxes (Mau, Sinelnikov-Murylev et al. 2003). In essence, the government was unable to carry out a coherent economic policy, as all the measures it attempted were met with fierce resistance and halted.

The financial crisis of 1998 significantly changed the economic and political landscape in Russia. The crisis signified the end of the oligarchical period in Russian post-Soviet economic history. The oligarchs had the most influence on the Russian government in
1996, but after the defeat of the Communist threat, their unity, and hence their influence, began to subside. Oligarchs encouraged the large budget deficit and thrived on the high yields of treasury bills, but thus precipitated their own demise. Their banks were highly exposed due to heavy investments in the treasury bills and large foreign loans (Åslund 2007).

In the 1990s, the winning groups—bankers and trade business—were objectively interested in partial reforms, which enabled them to preserve their rent sources despite the damage it caused to the economy and the wider society (Hellman 1998). Furthermore, in the short term, the business strategy that assumed close “contractual relations” with the state, in the form of individuals in government or legislative structure, were allowed to channel the resources in the right direction and provided better protection than any criminal structure. However, such an economy could not be competitive. The 1998 crisis had a cold shower effect on the Russian elite, which came to realize that these short-term gains do not sufficiently protect them from losing their property and status. Such an understanding of system risks and the extended horizon of interests became the basis for drafting a new reform program, known as the “Gref Plan,” and the search for new variants of the social contract, which had not even been mentioned since the beginning of the 1990s (Yakovlev 2008). The crisis proved that the economic models based on short-term gains from rent seeking, dominating the Russian economy prior to the financial crisis, were no longer viable. Therefore, after the crisis, the time horizons of most oligarchs had to change to longer-term, and their goal became profit seeking rather than rent seeking. The changes in the Russian economy—the devaluation of the ruble, the collapse of major banks, and the exit of foreign investors, including the international financial institutions, as well as the rise of commodity prices that soon followed—shifted the power balance in favour of commodity producers,
particularly energy (Alsund 2007). Also, import-substituting industries saw growth in demand for their products, which strengthened their position (Shevtsova 1999).

Thus, the financial crisis in August of 1998 shook the existing positions of the economic and political forces. Interest groups that supported the regime previously had dissolved, including the oligarchs, liberal technocrats, and shadow networks that Yeltsin created to support his position in power. The political space around the Kremlin was clearing up, and the new era of professional bureaucracy had begun. The new prime minister, Evgenii Primakov, a political figure with no significant connections to the previous interest groups, became a symbol of the new phase of Russia’s political development. The government had a chance to become more independent of the president, allowing for greater separation of powers (Shevtsova 1999). In a sense, rents were drying up, and consequently rent seekers began to give way to other economic interests.

Alongside the changes in the horizon of interests, there were also important shifts in the composition of the elites. In some cases, the crisis enabled players who previously occupied less important positions to come forward. The oligarchs were replaced by second-tier business elites who did not have access to the state and its budget. So, they had to invest in business development, and during the crisis, their companies proved to be more competitive. Similarly, in government some younger mid-level officials advanced in their careers after the crisis. In many cases they were more professional, but as they did not have strong connections under the old system, they could not get promotions. As they were not bound by strong relations and obligations, they were more interested in promoting public interests and having more transparent and competitive rules of the game inside the government establishment (Yakovlev 2008).
Following the financial crisis, one can clearly observe an evolution of the government’s ability to conduct a coherent budgetary policy. The pro-Communist Primakov government demonstrated strong populist tendencies in the first half of 1998, including signing tax covenants with major taxpayers such as Gazprom, and other tax reduction measures. Such decisions undermined the power of the government in favour of various lobbies. In September-December, the government took a more cautious position on the budget for 1999. Despite the arm-twisting of the Communists, it succeeded in pushing a tough 1999 budget with significant restraints on monetary policy through the legislature and implementing it. In part, this success was aided by an open discussion of the potential consequences of the budgetary decisions in the media, which reduced the ability of the parliamentarians to push for populist decisions (Arkhipov, Batkibekov et al. 2003).

Even with significant improvements in the monetary policy, the budget passed by the Duma and signed by the president in December 1998 was still extremely vulnerable: Tax revenues amounted to 10% of the GDP, with foreign loans at 5% and the inflation rate at 30%. Due to the central authorities stepping up tax collection efforts, improving returns on capital investment in the real sector, and reducing nonpayments, the budgetary performance was actually better than expected. Export commodity markets and the Russian economy overall had rebounded. As a result, the GDP actually grew 3%. Most importantly, the principal elements of macroeconomic stability—a tough monetary policy and a balanced budget—were put in place (Arkhipov, Batkibekov et al. 2003). The government was finally able to conduct a responsible economic policy without being overly susceptible to domestic and international pressures. Figure 6-5 shows that the government was able to cut federal
budget expenditures in the wake of the financial crisis of 1998 and reduce the budget deficit to an almost balanced budget in 1999, and was in surplus thereafter:

![Figure 6-5 State budget expenditure and budget deficit, 1994-2006 (Unstacked)](image)

Source: RosStat, Various Years

Thus, the year of 1999 was a critical juncture in Russian post-Soviet history. First, the economic transition was largely complete by that time, and the new market mechanisms began to work. The economy began to recover after the Soviet collapse. The most difficult and dramatic period when market and representative institutions were formed happened precisely when oil prices were extremely low (Gudkov interview). Most importantly, however, the main reason for the economic growth was that after the financial crisis, the money was no longer “free,” i.e., no longer available as subsidies or cheap credits. Consequently, instead of rent seeking, businessmen turned to actually making profits. In this sense, the Russian economy became a market economy.52

At the same time, the 1998 crisis essentially discredited the neoliberal doctrine, which served as a sort of an official ideology in the 1990s. The failure of the neoliberal approach

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52 Kommersant Vlast’ No. 50 (351), December 21, 1999, “1999-j—Bessmyslenyj i besposchadnii”
led to the demand for new ideas. Discussions took place in late 1998 and early 1999 among elite representatives of various groups and the media. Several government sites—including the Council for Foreign and Defense Policy, which was close to Primakov, and the Center for Strategic Research newly established by Putin—served as the platform for elaboration and discussion. A variety of opinions were presented, and the government attempted to listen to the alternative points of view. However, this dialogue did not lead to the formation of consensus for the sake of reforms, as it happened in Eastern European countries. Instead, the government chose to make its own decisions on policy direction. Instead of continuing with policy discussion and introducing accountable policymaking, the Russian government embarked upon building the “power vertical” in an attempt to strengthen the state’s position (Yakovlev 2008).

Part of the reason the Russian state was able to do so was that the state’s autonomy began to increase as the world economy began to recover and oil prices rebounded. The growth of export oil prices from $10 to $25 in one year increased inflow of dollars to help finance imports, as the exporters were obliged to sell 75% of their hard currency earnings for rubles. In addition, in 1999 Russia essentially ceased paying its external debt, which meant that the money stayed in the economy (although no foreign loans was received, either). Figure 6-6 demonstrates that Russia’s GDP change year over year turned positive, and the economy began to recover quickly:
Figure 6-6   GDP change, percent to previous year  
Source: RosStat, Various Years

As the economy began to recover and the state’s economic position strengthened, Putin endeavored to centralize the power of the federal government through what became known as the “vertical of power.” Building the vertical of power involved the weakening of governors and the creation of federal districts headed by presidential representatives, as well as strengthening the federal government’s position. Essentially, it amounted to the consolidation of the state agencies and domination of the state corporate interests over the interests of other social groups. As a result, state agencies had a greater ability to implement their own bureaucratic interests and became less responsive to pressure from business or societal forces. However, the consolidation of the bureaucratic machine began to interfere with business activity. Yakovlev (2008) notes that businesses responded by taking measures to protect their interests—for example, the consolidation of market power and vertical integration and the creation of giant conglomerate business groups with sufficient resources to counterbalance certain consolidated agencies.
The clash between the business interests and the state broke out over the issue of natural resource rents and the legislation regulating their taxation. Natural resource rents represent political assets for the state, which are instrumental to ensuring popular support. However, big business was unwilling to give up the valuable assets without a fight. Yukos took the most active role in the fight over this issue, in particular openly funding Putin’s opponents on the left (the Communist Party) and the right (Yabloko and the Union of the Right Forces). The blocking of the bill on production-sharing agreements in 2003 in the Duma was allegedly also tied to Yukos. Finally, an attempt to merge Yukos with Sibneft, owned by Roman Abramovich, and the possibility of selling large number of shares of the merged company to one of the global oil companies, implied that the state was at risk of losing control over strategic assets in the oil industry. The state responded harshly by launching a campaign to selectively apply the law to Khodorkovsky and other Yukos owners. The coercive approach essentially amounted to suppression of the state’s political opponents and resulted in the collapse of the sociopolitical structure that was developing in the previous three years. The atmosphere had changed: After the Yukos affair, the market became controlled and the economic freedoms declined (Yakovlev 2008).

Lilia Shevtsova observes that in the 2000s, Putin succeeded in taming the governors, fighting the oligarchs, liquidating the independence of the Federation Council, pocketing the Duma, weakening all of the other political institutions and cowing the press (Shevtsova 2005).

To sum up, generally speaking, if 1996 could be considered a year in which big business dominated the state, by 2004 the pendulum swung in the opposite direction to state domination over business. This was achieved in no small part through securing control over
natural resource rents, taming opposition and ensuring popular support for state consolidation. In some ways, what we observe in Russia is a restoration—although in more market-oriented forms—of the hierarchical system characteristic of the Soviet Union. This system is generally a noncompetitive one in which the political actors prefer to live on rent rather than innovate (Yakovlev 2008). The following section discusses the decline in political contestation in Russia after the end of the 1990s.

6.4 Political Contention

Observers have noted that political freedoms in Russia have recently deteriorated (Freedom House 2008) yet there is very little political discontent and almost no political opposition. In a non-democratic regime, election results are not necessarily free and fair and thus are an imperfect measure of popular opinion. Nevertheless, they are illustrative of mass attitudes. Election results over the last decade demonstrate that the share of votes that opposition parties receive is consistently shrinking over the years (Figure 6-7). If, in 1996, the incumbent candidate (Yeltsin) received 35% of the votes compared to 32% received by the Communist Zyuganov and 14% by Lebed’, already in 2000 newly appointed Prime Minister Putin won 52% of the votes, followed by Zyuganov with a still sizable 29%. In 2004 Putin’s share reached a whopping 71%, and in 2008 the almost unknown candidate Dmitry Medvedev received 70% of the votes simply because he vowed to continue Putin’s political course.
On the Figure 6-7 above, the blue sections refer to the share of votes received by the incumbent candidate, red shows the votes received by Communists, green depicts the right-wing Zhirinovskii’s Liberal-Democrat party, and yellow represents right-of-center candidates promoting Western-style liberal democracies. One can see that the blue section is consistently expanding over the years, while shares of votes received by the opposition shrink or even disappear.
The Duma elections demonstrate the same pattern: While the Federal Duma in 1995 was extremely fragmented and contestation among various fractions was very high, after 1999 the share of seats in the Duma won by the incumbent parties and parties affiliated with the government increased while the share of votes received by the opposition contracted.

The Duma elected in 1999 remained fragmented although Communists were not holding the majority of the seats anymore. The largest group of deputies was comprised of independents elected from single-member districts. Figure 6-8 below shows the composition of the Duma (seats), and one can see the major political players and the great number of small parties and movements represented in the second Duma.

![Figure 6-8 Seats in the 1999 Russian Federal Duma](image)

Source: Centre for the Study of Public Policy, University of Strathclyde
In the next Duma elections in 2003, the ruling party already increased its share of seats to almost 50 (Figure 6-9). Independent candidates (purple on the graph) held 15% of the seats, the Communist Party got almost 12%, and Zhirinovskii’s LDPR and Motherland received around 8%. The two liberal parties—Yabloko and the Union of the Right Forces—together did not hold more than 2% of seats, and 2003 so far was the last year of the Duma in which the liberal parties had at least some representation.

![Figure 6-9 Seats in the 2003 Russian Duma](source: Centre for the Study of Public Policy, University of Strathclyde)

The electoral law was changed by the Duma in 2005 on the initiative of President Putin. The 450 seats in the Duma are awarded by proportional representation exclusively from party lists, and the electoral threshold was raised to 7% instead of 5%. The 225 single-member districts were abolished. In 2003, 100 of these seats were won by independents or minor party candidates.
The 2007 Duma elections further reinforced the trend of domination of the pro-Putin ruling party United Russia (Figure 6-10). Out of 11 parties contesting the election in 2007, only four passed the electoral threshold, and the elections were a landslide victory for Putin’s United Russia. Communists remained the second largest party but did not hold more than 13% of the seats. The Liberal Democratic Party and Fair Russia were at roughly the same level of around 8%. The liberal parties did not pass the electoral threshold and lost representation in the Duma completely.

![Votes and Seats in 2007 Duma Elections](image)

**Figure 6-10  Russian Presidential Elections Results, 1996-2008**

*Source: Centre for the Study of Public Policy, University of Strathclyde*

The Russian case is particularly striking in its complete reversal of the political course. While President Yeltsin appeared as a liberal democrat who tolerated political opposition and alternative voices, President Putin established nationalist-leaning authoritarian rule with very little opposition still active in the country. In Russia, where over the past decade we observed
the increasing tendency of the federal government to centralize and consolidate its power at the expense of independent voices, the opposition has been unable to overcome the government’s repression and sustain any publicly relevant effort. Election results demonstrate that the share of votes that opposition parties received has been consistently shrinking over the years. The Russian government has eliminated from the political scene any centers of activity that can possibly present a challenge to the incumbent regime. As noted in Chapter 1, Russia has successfully transitioned from an ambiguous regime to a competitive authoritarianism to a full hegemonic authoritarianism by 2010.

Still, the important question remains: Is this mostly an indication of the electoral political and manipulation, or does it mean that Russian society fully approves of the chosen political course? If the latter is true, we should observe a decreasing number of protesters. Some interesting observations emerge when looking at the number of mass demonstrations and participants in them in Russia.\(^{53}\)

Figure 6-11  Total number of protests occurring anywhere in Russia, 1993-2007
Source: Kommersant Publishing House

\(^{53}\) See Appendix B: Method for data and sources
Several observations stand out. First, it is clear that the population is responsive to various events and voices its demands to the ruling regime on a regular basis. Looking at the number of demonstrations alone, it appears that their number had actually increased. However, judging by the number of participants in those demonstrations, one can conclude that the number of protesters they attracted had decreased.

Second, the year 2000 appears to be a critical turning point for organized protest activity. During the 1990s, the demonstrations were somewhat sporadic but could be quite sizable. In particular, the 1993 government crisis was an indication of the political battles during the initial establishment of the rules of the political game at the very beginning of the new Russian statehood. The population responded strongly to those battles and spilled into the streets. The mid-1990s saw a series of organized labour protests around the issue of salary arrears, especially in coal mining regions and state budget-funded organizations. 1998 and the financial crisis also spurred a great deal of protest activity, as would be expected. Electoral cycles played a role; for example, just before the 1996 presidential elections, opposition mounted a big show of force, which was matched by Yelstins’s supporters.
Interestingly, for more than a year after the economic recovery began after 1999—coincidentally with the increase of oil prices—there were hardly any protests recorded at all. The protest activity picked up again after 2001, but it seemed qualitatively different from that of earlier years. The number of demonstrations recorded by the media had increased significantly compared to the 1990s. Furthermore, the pattern of protest activity had also changed; from sporadic and responsive to major political and economic events, it grew to become regularized and fairly predictable, with two peaks in the spring and the fall of each year. Against this backdrop, the fall of 2004 and the winter of 2005 stand out due to big waves of protest against the attempt to reform the Soviet welfare system, known as the “monetization of benefits.” The spring of 2006 saw a growth in protest in response to the reform of the Soviet-style housing servicing and exploitation fees (zhilischno-konumal’noe khoziaistvo), which resulted in increases of monthly fees for housing maintenance and utilities.

The electoral and mobilizational trends presented above can be explained by at least two sets of factors. First, the government may be increasingly successful in repressing the opposition and manipulating the electoral results. As will be discussed below, there are strong reasons to believe that Putin’s government ramped up repressions and manipulations of civil society manifold. Yet, government repression and electoral fraud can be successful in the long run only when the masses accept such practices. In some countries—such as Georgia and Ukraine—citizens were able to mount large protest movements in response to the electoral manipulations of their governments and helped the opposition gain power and alter the political course. In Russia, although certain segments of the population were prepared to mobilize and demand their rights, political protest at the time failed to be a
powerful mobilization factor, while economic and redistributive demands took the front seat. The degree of electoral manipulation in the Russian case may not be fully known to the public, possibly because the public or the opposition parties failed to fully investigate and publicize the electoral fraud. This, in itself, may be a good indicator of the lack of capacity of the oppositional forces and their followers. The following two sections discuss these two topics—state repressive capacity and societal approval—and how oil rents impact them.

6.5 Supply Side: Repression, Manipulation, Parallel Structures, and Co-optation

As shown above, in the 1990s energy rents were no doubt significant but not a decisive factor in the political economy of Russia. Consequently, the rentier effect in the new Russia was weak. The repressions and interference with the opposition were moderate (with the exception of the political crisis of 1993), and independent political parties and opposition groups were allowed to exist and actively participate in political life (McFaul, Petrov et al. 2004).

Putin replaced Yeltsin in 1999 and was elected as president in 2000 with the promise of “saving” Russia. The overall economic growth (driven largely by higher oil prices) and re-nationalization of the oil industry had a profound effect on the federal budget; even accounting for inflation, one can see that the state budget expanded dramatically. Figure 6-13 below illustrates several major categories of budget expenditures in Russia since 1997. Two areas particularly stand out: budget spending on the social safety net, including health, pensions, stipends, welfare, etc., and means of coercion, including the army, law enforcement, internal forces, and the FSB.
Figure 6-13  Categories of federal budget spending, 1997-2007 (Stacked)
Source: Author’s calculations based on Federal Budget Bills and Federal Treasury

I will return to the discussion of the social sending increase and its effects later in this chapter. For now, I will focus on the observation that spending on security and coercive apparatus increased steadily over the years (Figure 6-14).

Figure 6-14  Federal funding in several key budget categories, 1996-2007 (Unstacked)
Source: Author’s calculations based on Federal Budget Bills and federal Treasury

The rapid increase in the state budget allowed for substantial growth in the power ministries’ budgets (Figure 6-15). Spending on defense (the armed forces and scientific research in the
defense sector) more than doubled under Putin from 382 billion constant (adjusted for inflation) 2007 rubles to 822 billion rubles in 2007. However, the budget remained between 2% and 3% of the GDP, which is below the 3.5% target set by Yeltsin in the 1990s and well below the Soviet levels (Taylor 2011).

Figure 6-15 National defense and security and law enforcement budget, constant 2007 rubles, 1997-2007 (Unstacked)

Source: Taylor 2011

Figure 6-16 shows that spending on security and law enforcement increased at an even greater rate. Between 2000 and 2007, spending on national security more than tripled. In general, both Yeltsin and Putin favored national security over external security. As a share of the power ministries’ budget, military spending dropped from 80% in 1992 to 56% in 2007. Between 1999 (the last year of Yeltsin’s presidency) and 2007, military spending continued to decline from 66% to 54%, while the FSB received a big increase from 10% to 15%, the MVD from 15% to 22%, and the procuracy from 1% to 3% (Taylor 2011):
Furthermore, the role of the security forces and power agencies had greatly increased in recent years. The Federal Security Service (FSB, the successor of the Soviet KGB) had been strengthened, and its status rose to that of equal to a federal ministry. The FSB has administrations in the individual subjects of the Federation, as well as in the armed forces, military institutions, and border troops. It has sub-departments of aviation, centers for special training, as well as sub-departments of special purposes, enterprises, educational institutions, science and technology, expertise, forensic expertise, military medicine and construction, etc. Over the years, the FSB has placed its staff across a wide range of institutions, including the presidential administration, the Security Council, the government, the State Duma, ministries and parliaments of the republics, banks and commercial companies. The FSB has a significant degree of control over large sectors of the economy, including energy companies (including the Rosneft, LUKoil, Sigueft, Surgutneftegaz, Transneft, and RAO EES electrical companies) as well as telecommunications, metals, aviation and forestry. Allegedly, the FSB played a large role in the initiation of the second Chechen campaign, which allowed Putin to
present himself as a resolute politician and played a major role in his election as president (Schneider 2008).

Taylor argues that under Putin a coercive and repressive regime was built, whereby the state became increasingly efficient in undermining opposition groups and aggressively policing opposition demonstrations while it has been relatively inefficient in combating other crimes (Taylor 2011). Anyone who has visited Russia in recent years could see that the level of repression of state opponents had gone up. The police and internal security forces have received a great deal of attention from the state. My own field observations at protest events in Moscow in 2009 confirm this. The police and the OMON (the security forces) are supplied with the latest equipment and munitions. At any political opposition demonstration, they far outnumbered the demonstrators and exhibited the readiness and willingness to harshly attack and suppress any political protest.

My analysis of the database of protest events also shows that the number of arrests of public protest participants gradually increased over time (Figure 6-17). Although massive police presence at these events had become the norm, the government appeared to tolerate Communist and organized labor events, which combined socioeconomic and leftist demands. These groups did not propose diminishing the role of the state. Even though they might have called for the change of the regime back to Communism, it appears that nobody in Russia considers the possibility of return to Communism a serious threat anymore. However, the government responded harshly to protests that directly threaten its position in power. The wave of repressions in the late 2000s was mostly in response to more systematic and regular

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54 The number of arrests is included in the data set on contentious events. Note that the largest number of arrests (over 1,000) took place during the political crisis between Yeltsin and the Communist-dominated Parliament in October 1993. As this was a major political crisis and not a regular protest demonstration, this event is not included in this graph.
challenges by “The Other Russia,” the opposition coalition of left-wing radicals and right-wing forces whose publicly stated goal was the change of the regime itself (with no socioeconomic demands whatsoever). Referring to the Figure 6-12, Total number of participants protests occurring anywhere in Russia, 1993-2007, one can see that this spike in repressions cannot be explained by the increasing number of protesters.

![Figure 6-17](image)

**Figure 6-17  Number of arrests of participants in public demonstrations, 1994-2007**

*Source: Kommersant*

In addition to, or sometimes instead of, outright repression, oil wealth also gives the state the means for more targeted manipulation of opposition groups and independent social organizations with the aim of destroying or dissolving them. The government can use its increased resources to manipulate the opposition and prevent the formation of social groups that are independent of the state and hence that may be inclined to demand political rights (Moore 1976: fn 24; First; Bellin 1994; Shambayati 1994; Ross 2001).

McFaul et al. find that generally speaking, individuals and political groups that adhered to the constitution were allowed to participate in elections in the 1990s, though some
parties were not allowed to participate in the 1993 elections, one group was denied access to the ballot in the 1999 parliamentary elections, and others have been removed from regional contests (McFaul, Petrov et al. 2004). However, it has become increasingly difficult for the opposition to participate in elections. In 2008, liberal opposition candidates claimed that they were largely excluded from the presidential elections. Opposition leader Garry Kasparov alleged that his United Civil Front group was repeatedly turned down in its attempts to rent halls for a meeting to nominate him as its candidate. Boris Nemtsov from the Union of Right Forces Party received approval from the Central Electoral Commission on December 22, 2007, to collect signatures necessary for his nomination, but ended his campaign four days later, stating that the government had predetermined who would be president (Nichol 2008). In 2008, liberal opposition candidates claimed that they were largely excluded from presidential elections (Lowe and Balmforth 2008).

One of the key functions of the KGB in the Soviet times had been harassing or destroying any groups outside of direct party control (Deriabin and Bagley 1990). One of the interviewees, currently a human rights activist, suggested that the KGB had long developed methodologies to destroy such organizations. He further implied that these practices have continued ever since (Vovk interview).

In recent years, these tactics have been dusted off and brought back to light. There is also some evidence that the federal government was trying to manipulate political parties. In the fall of 2008, Internet media closely followed the unfolding dissolution of the Union of the Right Forces, a liberal opposition party led by Boris Nemtsov, Nikita Belykh and other opposition figures. In October, allegedly with the direct involvement of the Kremlin, an alternative liberal opposition movement the Right Act (Pravoe Delo) was created. Right-of-
center moderates, who were likely to be more amenable to cooperation with the state, were appointed to lead the new party.\textsuperscript{55} Similarly, there was an attempt to establish an alternative Communist movement.\textsuperscript{56}

We also observed a surge in co-optation and manipulation of the societal forces. An interesting example of the state’s involvement in and manipulation of civil society is its engagement in the creation of massive youth organizations. Beginning in the spring of 2005, a number of national quasi-independent youth organizations, including \textit{Nashi} (Ours) and \textit{Molodaia Gvardiia} (Young Guard), were established. Russian politicians saw these organizations as a means to morally educate youth and engage them in the provision of voluntary service to vulnerable populations. All of these were quasi-state organizations with a pronounced nationalist-patriotic orientation, established with the support of the authorities and supported by grants from the local administration or businesses. These organizations did not take over state functions but worked in conjunction with the state. They also sought to affirm the symbolic meaning and importance of Soviet-era categories and identities (Hemment 2009). The ruling party, \textit{Edinaia Rossia} (United Russia), also became much more involved in popular politics, staging demonstrations in support of the ruling regime. Figure 6-18 below suggests that the phenomenon of pro-government public demonstrations, although not unknown during earlier years, has indeed become an important part of the political landscape. The red segments represent the pro-government youth organizations and the blue ones are other types of demonstrations in support of the current regime. Until recently, public funding for youth activities such as \textit{Nashi} has been denied, but the budget cuts in light of the

\textsuperscript{56} May 18, 2009, Kreml’ sozdaet alternativu KPRF – dvizhenie “Komunisty Rossi,” retrieved from newsru.com on May 18, 2009
financial crisis of 2008 had revealed that state and regional budgets had expanded funding for youth programs during the wealthy 2000s.\textsuperscript{57}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure6-18.png}
\caption{Number of pro-government demonstrations, 1993-2007 (Stacked)}
\label{fig:pro-gov-demos}
\end{figure}

Source: Kommersant

Finally, as resources at the Russian state’s disposal expanded greatly, it was able to claim the role of a key donor to civil society. Nadia Diuk observed in 2009:

Russia has also developed funding mechanisms to support (and in some cases create) “nongovernmental” organizations that pose as independent bodies but in fact are beholden to the will of the government. Some of these organizations are deliberately meant to copy Western organizations in order to present the façade of an independent civil society. These institutions are being emulated in other countries—for example, the government of Azerbaijan (ranked as Not Free by Freedom House) has created its own foundation to fund NGOs. An added incentive to seek funding from Kremlin-approved sources comes in the form of restrictions and difficulties that have been imposed on the receipt of grants from “foreign funders.” (Diuk 2009: 59)

Russian President Putin publicly acknowledged the importance of civil society and instituted a number of mechanisms to provide funding to civil society groups, ranging from grants\textsuperscript{58} to

\textsuperscript{57} BBC Monitoring. Pro-Kremlin youth group sees its popularity drop as budget funds dry up – TV. Excerpt from report by privately owned Russian television channel Ren TV on May 29

\textsuperscript{58} See, for example, the Public Chamber of the Russian Federation, Konkurs NKO 2009, retrieved from http://www.oprf.ru/interaction/nko_list/1160/ on June 17, 2009
public procurement laws. Governors in all regions began to set up grant-making programs to support NGOs involved in providing essential educational, health, and other social services. As the amount of state funding to civil society grew, it replaced the resources previously only provided by Western donors and promoted different policy agendas (Beznosova and Sundstrom 2009).

All of these efforts enabled the state to regain control over independent social organization and to draw on Soviet norms and symbols to reinstate the central role of the state as provider of social welfare. The state increased funding for security forces, social spending and civil society programs. Such policies strike a chord with Russian people, especially older generations socialized in the Soviet period when dependency on the state was the social norm (Cook 1993). Such a shift diminished the demand for policy alternatives and decreased the support of opposition. Additional resources allowed the state to engage in the manipulation of independent social groups that could threaten the state’s legitimacy and create parallel structures to draw attention and resources away from potential or real opposition. Simultaneously, the state began to provide material support and shape the agendas of civil society organizations.

Thus, repressions, manipulation and disruption of the opposition had indeed increased along with the rising oil prices, as would be expected. However, I argue that the story is more complex than simply having more money to repress. More specifically, I argue that repressive policies could only be successful because they were accepted by the population. I suggest that oil resources changed state-society relations in a way that inhibited political contestation. The state had been socially constructed to assume the role of the key

59 Federalnii zakon, N 94-F3 “O razmeshenii zakazov na postavki tovarov, vypolnenie rabot, okazanie uslug dlia gosudarstvennykh i munitsipalnykh nuzhd,” July 21, 2005
redistributor of the wealth, and the society had essentially agreed to give up political participation in exchange for the increased public welfare. The following section describes the evolving social contract, which increasingly moves towards the Soviet model and looks more and more dissimilar to the Yeltsin era’s political contestation.

6.6 Demand Side: The Social Contract

As we have seen, Yeltsin’s government struggled to fulfill its obligations to the population under the conditions of low oil prices. With oil prices floating at a relatively low level at around $20 per barrel, the State Bureau of Statistics (various years) data shows that even barely maintaining the average level of social welfare spending on pensions and other social programs at the same nominal level, the state ran significant budget deficits until 1999.

Facing economic deterioration, a weak fiscal position and the lack of cash to pay for the expensive welfare system inherited from the Soviet Union, Yeltsin’s government sought to decentralize Russia’s welfare regime and limit the role of the state, particularly that of the federal center. Reforms attempted to devolve provision to regions and municipalities, introduced market mechanisms in healthcare and education, liberalized labor markets, and eliminated subsidies and entitlements. However, the neoliberal welfare reform did not succeed in Russia during the 1990s, although it certainly had enthusiastic proponents. One reason these plans never came into effect was the presence of the strong opposition that the government could not ignore or defeat. During the 1990s, the Communist and populist political parties had strong representation in the state Duma; together with powerful interest groups and coalitions, they were able to block the executive branch from following through on these policies (Cook 2007). Some studies suggest that these reforms were not strenuously pursued, due to concern about the potential political fallout (Hemment 2009).
However, the situation changed dramatically when oil prices began to rise. The broader literature on resource-rich states argues that in periods of export growth and high international energy prices, these states’ governments increase social spending, expand public sectors, and introduce new welfare programs. They act in the absence of strong mechanisms for popular participation or accountability (Karl 1997). In line with this reasoning, observers lately have attributed increases in welfare spending to the expansion of oil revenues.

Figure 6-19 below shows that while spending on coercive apparatus steadily increased over the years, beginning in 2002 the government began to attribute much greater importance to social spending (which includes social policy, social welfare, pensions, and healthcare and sport). The peak in 2002 could be an odd result due to changes in accounting codes or other factors rather than an actual increase in spending. Still, there appears to be a quite significant increase in social spending.

![Figure 6-19 Comparison of budget spending in means of coercion and social programs, 1996-2008 (Unstacked)](image)

**Figure 6-19** Comparison of budget spending in means of coercion and social programs, 1996-2008 (Unstacked)

**Source:** Author’s calculations based on Federal Budget Bills and Federal Treasury
Some observers believe that the response to the Color Revolutions could be a factor that drives the desire of the Russian government to increase social spending. Beissinger suggests that after the Orange (Ukraine) and Tulip (Kyrgyzstan) revolutions, established elites in surrounding countries “learned” how to prevent similar revolutions from occurring by imposing institutional constraints and engaging in repressive tactics (Beissinger 2007: 270). Whether or not diffusion or demonstration effects (Bunce and Wolchik 2009) played a role on the societal side, there appears to be a learning process on the part of the authorities. Per capita health expenditures in Russia rose on average 29% annually from 2003-2004 and have steadily increased since that time (36% every year thereafter until 2007). The initial spike occurred following the Rose Revolution and just in time for Putin’s re-election in 2004. In just four years, Russia’s health spending ratio nearly doubled, representing a steep rise in governmental commitment to health care. The steady increases in health spending since 2004 may have solidified further support for United Russia in legislative elections (2007) and for Putin’s chosen successor, Dmitry Medvedev, in the 2008 presidential election. These increases may be attributed to high economic growth rates against the backdrop of the oil boom, but also suggests that there is a link to electoral unrest in neighboring states.60

Other analysts, particularly in Russia, strongly disagree with this proposition (Grigoriev Interview). Indeed, one can see that the trend of increasing social spending started in 2002, well before the Color Revolutions that occurred in 2003-04. The Color Revolutions in themselves cannot be the main reason for expanded social spending. Oil revenues, on the other hand, were certainly a necessary condition to make the increased social spending possible in the wake of the Color Revolutions, and there could have been some increase in

60 Marcy E. McCullaugh, Regime type and social spending in post-Communist countries, 1995-2007, paper prepared for the 2009 meeting of the American Association for the Advancement of Slavic Studies
social spending even without the Color Revolutions since social policies had been so ineffective for over a decade.

I suggest that one of the most important factors driving the increases in social spending were the changing expectations of the population with regard to the degree of state involvement in public welfare provision. This change marks a significant departure from the earlier neoliberal ideology of the Yeltsin era. Luong argues that Russia was considered a relative success story among the petro-states in the 1990s, having managed to balance the budget and to improve its taxation policy by the end of the decade. She attributes this to the fact that unlike many petro-states, Russia chose a private ownership model (liberalization) of the energy market. This privatization reduced population expectations regarding redistribution of oil wealth and prevented many of the follies that petro-states with nationalized oil industries faced, such as expanded social spending and the spiral of public overspending. However, Luong notes, once the oil prices began to rise, the Russian state endeavored to re-nationalize the oil industry (Luong and Weinthal 2010). Importantly, this move seems to be in perfect sync with the population’s expectations. As oil prices began to grow, citizens became increasingly aware of the growing oil wealth. In 2001, as many as 84% of Russians believed that the Russian economy was dependent on oil and that Russia could not do without oil exports. 79% believed that the Russian budget was dependent on world oil prices. Simultaneously, they began to demand that it be redistributed more fairly. For example, already in 2001 Fund of Public Opinion (FOM) polls suggested that people believed that oil should be nationalized. Indeed, according to FOM, to an open-ended question about the role of oil in the Russian economy one responded noted:

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If it were not for oil we would not have anything. This economic growth that we supposedly had in 2000, was only because of the increase in the world oil prices. Everything should be based on this. And oil first of all should be in the state’s hands. These… our [energy] monopolies should be in the state’s hands and not anybody else’s. First of all, they were created by the Soviet Union and not any particular private individual.\textsuperscript{62}

Furthermore, consider the following statement by another respondent (another open-ended comment):

First of all, oil should help meet the needs of our own country. What have we, the state, received from oil? How did it happen that the entire people created it but then RAO EES ended up in the pocket of one individual, Gazprom—the other, and so on. How is it possible at all? These are public assets (narodnoe dostoianie) but they receive dividends from it... This is unacceptable.\textsuperscript{63}

The generous support of the population given to the president at the Duma elections in December of 2003 and the presidential elections of March of 2004 suggests that the state managed to skillfully exploit the mounting feeling of social injustice and resentment towards the oligarchs in the Russian society, as well as the growing longing for strong power and redistribution of profits from the country’s most valuable assets. Yakovlev observes that it was symptomatic that the political bloc Rodina, whose main slogan was to take natural resources away from the hands of the oligarchs, gained more votes than Yabloko and the Union of the Right Forces in the Duma elections in 2003 (Yakovlev 2008). Putin had almost no influential political opponents or political rivals. Even the traditional critics of the authorities, such as Grigorii Yavlinksii, the leader of Yabloko, stopped baiting the Kremlin, seeing that Russian society was quite happy with Putin and that criticizing him only irritates people. The power and autonomy of the state increased so much not because Putin was

striving to become omnipotent (Yeltsin, by nature, was probably more authoritarian), but because the society was longing for simplicity, order, and security, and Putin’s state was successful in convincing the population that it could provide just that (Shevtsova 2005).

The citizens also demonstrated that they are prepared to mobilize to defend strongly what they believe is their intrinsic social right: provision of state welfare benefits. Putin’s government had learned this lesson from a costly policy mistake: the attempted monetization of the Soviet-era benefits. In his first term, Putin continued the course of liberalization of the welfare regime. The Gref Plan, the centerpiece of reform policy in Putin’s first term, was designed to restrict the role of the state in the regulation of social services and insurance markets, as well as the direct provision of transfer payments and social services for the poor. Putin’s last major liberalizing initiative, the “monetization” of social benefits in early 2005, was designed to end a massive system of untargeted subsidies and in-kind provisions that had been inherited from the Soviet period (Cook 2007).

The events following the monetization initiative demonstrated that liberalization had reached the limits of the population’s tolerance for such efforts and showed that people expect the government to provide the broad-based welfare regime. The safety net has a strong symbolic meaning and is a source of pride dating back to the Soviet times. The attempts of Putin’s government to further liberalize the welfare system and reduce the number of benefits inherited from the Soviet Union met serious resistance. Public protests to Law 122’s monetization of benefits, which attempted to introduce key elements of neoliberal individualizing logic, demonstrated that there exists a powerful and potentially mobilizable opposition to such reforms. In the face of mass protests, the state rolled back most of these reforms and launched new programs that significantly extended forms of social welfare: four
National priority projects (healthcare, education, affordable housing, and agriculture) and the pro-natalist “maternity capital” system (Hemment 2009).

Linda Cook finds that since 2006-07, the Russian case fits the pattern predicted by the oil-led development literature reasonably well. Russia followed what has been characterized as an “oil-led social policy,” an expansion of public expenditure financed mainly by energy revenues (Cerami 2009). Russia’s welfare regime has undergone a major shift from the retrenchment and liberalization of the Yeltsin years and first Putin administration toward a more generous, statist model. Russia has displayed “a growing tendency to use oil windfalls [for] increases in budget-sector wages and pensions, and to appease social protest against the monetization reforms” (Tompson, 2005: 347). Russia’s central government began to play a much more activist and interventionist role in social welfare, mounting Priority National Projects in health, education and housing, as well as ambitious demographic policies. New social sector programs have partially re-centralized the welfare state and increased federal responsibility and financing. Social sector wages have been increased substantially. In a reversal of recent moves toward rationalizing reforms and need-based provision, they have introduced new untargeted subsidies, entitlements and privileges for selected population groups (Cook 2009).

Thus, the evolution of societal expectations was in sync with the changing state policies and increased oil prices. These changes also had an effect on the patterns of popular mobilization. A detailed examination of the data on public protest events offers some interesting insights. Figures 6-20 and 6-21 illustrate the types of demands for all recorded public protest activities from 1993 to 2007 (the number of demonstrations that occurred anywhere in Russia per month and the number of participants in them).
The graphs suggest that while in the 1990s protest activity was more spontaneous and largely responded to the current economic and political situation, after 2000 the share of social and economic and civil rights demands greatly increased while the share of political demands decreased. The regularized, seasonal nature of protest activity illustrates the new tactics that both the anti-government and pro-government forces began to employ. For example, the
Communist Party became much more effective in mobilizing protest demonstrations around symbolic historical events, such as the October demonstrations in commemoration of the Soviet revolution and May 1 (Labour Day). Those protests were often primarily focused on social and economic demands, while occasionally also voicing protests against the regime and the government. Similarly, trade unions, both independent and the Federal Confederation of Trade Unions (which is more corporatist in nature due to its close ties with the federal government) had organized their own campaigns in the fall and the spring of each year demanding various social and economic improvements. Those demonstrations often appealed directly to the government and demanded governmental action in specific policy areas. Occasionally, protesters demanded directly to redistribute oil wealth. For example, they wanted to spend the money accumulated in the Stabilization Fund—which was established after four years of discussion to sterilize the oil money and prevent the Dutch disease—to increase salaries for the employees of budget-funded organizations. Since 2005, the use of the Stabilization Fund to fill the gaps in the Federal Pension Fund had become common knowledge. Meanwhile, political demands had become marginal. Nationalist and fascist demonstrations, despite the great deal of attention they had recently received in the media, do not appear to play a major role, at least not until 2007.

So, even though citizens mobilize to defend their rights, to improve their quality of life, overall people do not believe that this should be done through involvement in political

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64 Tatyana Konischeva, Tatyana Panina, Andrei Illarionov: Opasnii Povorot, Gosudarstvo v Bisnese – Neudachnik (Interview with Andrei Illarionov: Dangerous Turn, State in Business Fails), Rossiiskaia Gazeta, September 23, 2005
65 Svergнем Pravitel’stvo – Otninem Stabfond: Studenty vyshlì na aktii protesta (Overthrow Government – Take away the stabilization fund: Students gather for the protest action); Kommersant/Novgorod, No. 65, April 13, 2005; Pervii miting “Spravedlivoi Rossi” vyshel komom (The First Demonstration of the Just Russia Failed), Kommersant, No. 41, March 15, 2007
66 Petr Netreba, Interview with Aleksei Kudrin: “We underestimated the situation,” Kommersant Vlast’, No. 4, January 31, 2005
activity. At best, they are prepared to participate in grassroots protests against certain local issues that directly affect their livelihoods, such as land ownership, the construction of certain undesirable infrastructure, or excess taxes on imported cars. Interestingly, they distrust and actively reject any involvement of politicians (interview with Vladimir Milov).

To assess citizens’ orientation towards the regime, I coded public demonstrations that show signs of dissatisfaction with the regime, using similar categories as I did for the Soviet period: ethno-nationalist reasons to disassociate with the state, demands for government resignation or changes in government, and protests against the regime itself. Note that this coding applies not to all demonstrations, but only to a subset of them. As such, most demonstrations that voice social and economic demands but not demands for changes in government or other types of political claims are not included here. Figures 6-22 and 6-23 present the number demonstrations that voice explicit dissatisfaction with the regime and the number of participants in them.

Figure 6-22  Number of public demonstrations per month, by level of regime support, 1993-2007 (Stacked)
Source: Kommersant
Judging by the number of days of demonstration in a month, one would see a fairly consistent level of protest against the ruling regime. The number of participants in those events, however, tells a very different story: that even though people find plenty of reasons to protest against all sorts of injustice, it has become increasingly unpopular to demand the change of the regime or the government. A slight increase in political anti-regime protest had been recorded in 2007, largely due to the activities of the opposition coalition The Other Russia. Still, their activities remain marginalized, as they are hardly supported within Russia.

It appears that people turned to demanding a greater extent of state involvement in their lives through the provision of public welfare and the correction of what they see as economic injustice. It also appears that the society is well aware of growing wealth due to higher oil prices, and a certain part of the population (especially the older generation, blue-collar workers, and employees of state budget-funded organizations) began to demand redistribution of this wealth according to the entrenched egalitarian principles.
Therefore, when oil prices are high, even though the state readily engages in demonstration of force and is prepared to violently quash political protests, wherever possible it seeks to employ softer measures such as co-optation and patronage to demobilize protesters and mobilize supporters. This can be done through highly visible, targeted social spending programs and other means directly or indirectly benefiting the constituencies. In a sense, it is preferable for the state to socially construct its role as a provider of social well-being in exchange for popular support than to engage in contentious politics. The Russian state had reversed the course towards creating social welfare programs that amount to a widespread system of patronage that touches upon many aspects of the everyday lives of many social groups and ties them closely with the regime, such as pensioners, young families, workers, etc. It carries a highly symbolic meaning and, in that respect, it is somewhat similar to the Soviet welfare system, although the Soviet system was certainly far more expansive. Moreover, the population is more likely to demand the redistribution of the oil wealth in favour of public social programs. Considering that norms about the state as a provider of welfare benefits are well entrenched in Russian society, these programs are most likely here to stay.

Observers recently noted the trend towards the revival of some elements of the Soviet-era social contract. This welfare regime almost becomes a cornerstone of the revived state-building efforts. The exercise not only involves budgeting and social program design, but also has a deep symbolic element. Anyone who visited Russia in recent years has been struck by the apparent revival of Soviet symbols, including the reinstatement of the analog of the KGB—the FSB, the new party following the old Soviet Communist Party model—the United Russia, and the revival of the old Soviet songs and the Soviet national anthem (albeit
with new words) (Interview with Aleksei Levinson). A great number of Russians still feel strongly about the Soviet-era social contract. White finds that in 2001, as many as 28% of Russians continued to believe that job security was one of the best features of the Soviet regime, as well as economic security (21%) and interethnic peace (25%) (White 2004). Rose et al. find that idea of the restoration of Communist rule has always had a fair amount of supporters in Russia, anywhere between 23% and 47%. What is somewhat surprising is that the percentage of people supporting the return of Communist rule has not declined over the years, and may in fact even have increased slightly between 1994 and 2005 (Rose, William et al. 2006: 97). They also find that the number those who approved of the pre-perestroika regime had gradually increased over time (Figure 6-24).

![Approval of past regime, 1993-2007](image)

**Figure 6-24  Approval of past regime, 1993-2007**  
*Source: New Russia Barometer surveys, Rose et al 2006*

This retrospective positive evaluation of the Soviet regime reflects a selective memory that ignores many of the problems that existed during the pre-perestroika period. Nostalgia about

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67 Answers to the question: “Here is a scale for ranking how our system of government works. The top, plus 100, is the best; the bottom, minus 100, the worst. Where on this scale would you put the political system we had before the start of perestroika?”
Soviet-era security and stability encourages some Russians to support it. In 2005, as many as 35% of Russians approved of the Communist regime and wanted to see it restored, while another 35% approved of the old regime but did not want it back. Younger people tend to support the current regime more often, and as the time goes on, one would expect that the younger generation will take over the political scene. However, we do not observe a corresponding decline in the number of supporters of the Communist system (Rose, William et al. 2006). This suggests that probably even young people are willing to see certain elements of the Soviet social contract revived under the new regime.

This nostalgia was skillfully exploited to generate support for the current regime to establish the new “social contract” through the selective use of Soviet-era welfare elements and symbolic measures. Similar to the Soviet times, the new post-Yeltsin social contract may be summed up as “permanent improvement in well-being in exchange for political rights and freedoms” (Milov interview). At the same time, the type of “social contract” that exists in Russia today is not akin to a Rousseauian social contract wherein both the authorities and the citizens play an active part. Predominantly, elites and the state bureaucracy are the key beneficiaries of the social contract, in which each level of authority redistributes wealth to the lower levels. In this sense, the state is hardly “buying out” political loyalty directly. Yet, the great majority of the population benefits from the increased wealth one way or another, so the impact has been quite significant. Prominent Russian sociologist Aleksei Levinson suggested in an interview with the author that much of the “social contract” obligations to the citizens—particularly the older generation—were delivered through Soviet-era symbols transmitted via television and other mass media (Levinson interview).

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68 Regime support is measured as the distribution of the answers to the following question: “Here is a scale for ranking how our system of government works. The top, plus 100, is the best; the bottom, minus 100, the worst. Where on the scale would you put our current system?”
The social contract evolved over the course of the 2000s and solidified somewhat by 2004-5. Following the tragic terrorist events at the Moscow musical theater Nord-Ost in 2002 and in the North Caucasus city of Beslan in 2004, the so-called “Putin’s package” implied that political rights will be further retracted in exchange for security and stability. This agreement could only be based on the state’s full control over the vertical of power, oil rents, and mass media to portray the picture of stability (Auzan interview). The resulting social contract targeted passive social groups and active but marginalized social groups. The authorities did not want public input into policymaking, as the state was fully autonomous and independent of the population due to increased oil rents. Thus, they are very cautious about the emergence of active and capable opposition groups (Auzan interview).

The efforts to establish the new authoritarian social contract appeared to be fruitful (at least before the financial crisis of 2008-9). The declining number of anti-regime protests suggests that support for the regime was growing over the years. Poll data supported this conclusion: Even though there remains a great dispersion in support for the new regime, the New Russia Barometer surveys find that in 2003 the mean level of support for the regime turned positive for the first time in post-Soviet history (Rose, William et al. 2006).

6.7 Conclusion

Russia’s change of fortune at the turn of the millennium was indeed remarkable. The financial crisis wiped out many of the parochial rent-seeking economic and political actors and opened up the space for new players. The market economy began to work, and the state was finally able to establish some degree of fiscal and monetary discipline. However, the rebound in the world oil prices gave new stimuli to the state to reinstate its control over the energy rents and altered the menu of choice available to the ruling regime. The first decade
of the 2000s marked a dramatic reversal of the political course in Russia. If in 2000-2002 there existed a relatively independent Parliament (albeit one that was generally loyal to the president), by the mid-2000s the Parliament became an instrument of formal approval of the executive’s decisions. The media, by the early 2000s, was not absolutely free, but five years later it was completely controlled by the authorities. Formerly influential business associations, such as Russian Union of Manufacturers and Entrepreneurs (RSPP), became no more than a decorative organ, and regional governors’ elections and single-member district elections were abandoned (Gaidar 2006). By the end of the first decade of the 21st century, Russia had transitioned to become an authoritarian regime (Levitksy and Way 2010).

One can observe a remarkable decline in political contestation: The elections became increasingly predictable, and citizen protests became predominantly limited to local socioeconomic concerns, often coupled with demands for an increased role of the state in the provision of social welfare and social justice. The Russian ruling regime had almost no political contenders as the opposition became increasingly marginalized and pushed out of the political system.

I have shown that although oil rents were not a decisive factor in the installation of such patterns, they significantly facilitated them. On the supply side, increased oil revenues allowed the state to ramp up its repressive regimen, and this negatively affected the organizational capacity of potential political contenders. The internal security forces are better funded and trained in repressing political protests. Manipulation of the elections results and societal groups is widespread and effective.

Importantly, the repressive tactics are so effective because the regime enjoys the support of the population. Rentier state theories suggest that petro-states are able to buy out
political support and induce obedience through redistribution of oil rents. I contend that the picture is slightly more complex. Not only is the state able to buy out the population, but the citizens themselves are increasingly aware of the growing oil wealth and actively demand redistribution but give up demands for accountability and political participation. In this sense, the state’s role as a provider of social welfare and the sole controller of the political system is socially constructed.

Sociologist Olga Kryshtanovskaia notes that Putin’s popularity is based on “big state money” which can be used to support pensioners, intelligentsia, and other disadvantaged social groups. Treisman shows that Putin’s popularity, in large part, was determined by people’s positive evaluation of the economic performance, and the economy was objectively doing better under Putin (Treisman 2011). Using statistical methods and simulation, Triesman also suggested that the popularity of president Yeltsin would have risen due to economic factors similarly to that of president Putin (Treisman 2008). Russia’s improved economic performance, in turn, is objectively linked to the rebound of the world oil prices.

At the same time, Russian sociologist Lev Gudkov believes that although oil rents had an impact on the Russian political system, they mostly amplified the tendencies that were already present. In this sense, it would be incorrect to argue that oil caused authoritarianism, but one could claim that it certainly made it possible by ensuring mass support for the authoritarian regime (interview with Gudkov) and limiting political contestation. Putin perhaps was not more authoritarian than Yelstn (Shevtsova 2005), but he had more opportunities to consolidate his power at the expense of independent voices than his predecessor could ever imagine.

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In Russia, the population is highly familiar with the Soviet-era political model, which provided a perhaps poorly functioning but egalitarian and all-encompassing welfare regime in exchange for compliance. The renewed flood of oil revenues to Russia revived those old social structures. The continuity between the two autocratic periods—the Russia under the late Soviet rule and the Russia that we find at the beginning of the 21st century—is found in state-society relations shaped by similar sociopolitical structures emerging out of abundant hydrocarbon revenues flowing into the country. Redistribution complemented by state coercion resulted in a form of social contract whereby the majority of the population compromised political demands in exchange for economic stability and personal security. A culture of dependency on the state inhibited the formation of independent social groups and political opposition.

Where contestation is limited, a political system as sophisticated as democracy is not sustainable. Instead, we are likely to observe a strong, dominant and coercive state and a weak and dependent society, and this seems to be in line with what we are observing in Russia. In a sense, oil dependence creates surprising similarities between regimes of different types and likely overruns other democratization drivers.
Chapter 7: Comparative Analysis

This chapter offers a comparative analysis to assess whether the hypotheses proposed at the beginning of this dissertation hold true in other contexts besides Russia. First of all, for my argument to be valid, I have to demonstrate that high oil prices tend to diminish opportunities for political contestation, while reduced oil rents tend to encourage public upheaval and increase contestation. This appears to be the main mechanism that affects regime transitions in petro-states.

Therefore, the first question I would like to address is: Does the empirical data support the claim that oil rents are related to the degree of political conflict? The Banks Cross-National Time-Series Data Archive offers an opportunity to explore this question. The data archive includes data on eight variables of domestic conflict. These variables are combined into a weighted conflict index in which the values entered were assassinations, strikes, guerrilla warfare, government crises, purges, riots, revolutions, and anti-government demonstrations. On graphs depicted in Figure 7-1, I plotted the index of domestic political conflict on the left axis (as a reasonable proxy for political contestation for comparative purposes) and the world oil price adjusted for inflation (for 2011) on the right axis, as a proxy for oil rents. Even though both of these measures are perhaps imperfect, they provide an opportunity to assess the correlation between oil rents and level of political contestation.

Source: http://inflationdata.com/inflation/inflation_rate/historical_oil_prices_table.asp
The data shows the annual average crude oil prices, adjusted for inflation to April 2011 prices using the Consumer Price Index (CPI-U) as presented by the Bureau of Labor Statistics. Although the monthly peak occurred in December 1979, the annual peak did not occur until 1980 since the average of all of the monthly prices was higher in 1980. Inflation-adjusted prices reached an all-time low in 1998 (lower than the price in 1946). Then, just ten years later, oil prices were at the all-time high for crude oil (above the 1979-1980 prices) in real inflation-adjusted terms (although not quite on an annual basis). Prices are based on historical free market (stripper) prices of Illinois crude as presented by the IOGA (http://www.ioga.com/Special/crudeoil_Hist.htm).
Russia: Political conflict and oil price

Kazakhstan: Political conflict and oil price

Mexico: Political conflict and oil price

Venezuela: Political conflict and oil price

Indonesia: Political conflict and oil price

Algeria: Political conflict and oil price

Angola: Political conflict and oil price

Nigeria: Political conflict and oil price

Figure 7-1  Political conflict and oil price in select oil exporting countries (Unstacked)
Source: The Banks Cross-National Time-Series Data Archive
This exercise provides a visual illustration of the relationship between the oil rents and the degree of political contestation, and it confirms the general idea of this study. It is clear that in most cases, the periods of highest political contestation correspond with the lowest oil prices and vice versa—higher oil prices correspond with the overall lower level of political conflict. Naturally, the level of political contestation varies from country to country depending on the existing political system and other features of the social organization, such as the political culture, the social networks, the strengths of political parties and civil society organizations, and military conflict. In countries with more restricted and repressive political systems, we can expect to see less contestation. On the other hand, in war-torn countries like Angola and Algeria we would clearly observe more political conflict. Yet, overall, the relationship between the two variables is quite revealing.

Since the hypotheses are mechanism-based and are conditional on a number of preexisting legacies, the question remains as to whether these hypotheses hold in contexts beyond the former Soviet Union and Russia. To illustrate the applicability of these mechanisms, I will compare two different political systems: Venezuela and Russia. While the political regimes and historical paths of the countries vary significantly, the two countries have important similarities in the degree of their economic dependency in oil, which in turn impacts their political trajectories and regime transitions in surprisingly comparable ways.

7.1 Comparison of the Two Cases: Venezuela and Russia

In this section, I show that the mechanisms described above are not unique to Russia by comparing the impact of oil rents on state-society relations in Russia and Venezuela. The analysis is based on Mill’s method of agreement, which suggests that if the two political systems are substantially different on a number of critical characteristics but share one in
common, the similarity of the results can be attributed to the effect of that shared trait. I argue that the mechanisms described in this study work in different regime types: under Soviet rule, during the democratic transition in Russia, as well as in Venezuela during the democratic regime for more than four decades. Regardless of the regime type, high oil rents still encourage lower political contestation and therefore restriction of political participation, centralization of power, lack of public input into political decision-making, lack of political opposition that can articulate alternative views, and hence decreasing quality of democracy (or lack thereof). Low oil rents lead to greater political agitation and simultaneously decrease state autonomy, so we expect to observe decentralization, greater public input into political decision making, a growing number of alternative political forces and oppositional activity. Thus, even though the regime may be destabilized, opportunities for political participation increase. When opportunities for political participation exist, the regime has a chance to institutionalize into a more open political system (ultimately a democracy). Unfortunately, the oil prices have tended to fluctuate widely in the last few decades. As the prices rebounded in both cases, we observed the reversal of political openness towards centralization, greater state involvement in economy, and a decrease of political contestation.

In the discussion that follows, I will mainly focus on two periods: 1) the sharp decline in oil prices and the period of low oil prices in the 1980s-1990s, and 2) the sharp increase in oil prices, and hence government revenues, after 1999.

7.1.1 The Political Economy of Oil in Russia and Venezuela

Figures 7-2 and 7-3 below show several key macroeconomic indicators and illustrate the importance of oil and gas in the political economy of Russia and Venezuela. I plotted the national GDP on the right axes and government revenues, expenditures and the value of oil
exports on the left axes. It is clear that there is a significant correlation between all four indicators, as was to be expected. The value of oil exports, although important, does not capture the full value of oil rents, however. Domestic oil consumption at lower prices and the spillover effect from the expansion of the oil industry are among the other mechanisms of oil wealth redistribution. It is important to note that since Russia exports more natural gas than oil, this graph greatly underestimates the amount of fuel export revenue for Russia. IMF data for natural gas exports is not available, so it is not included in these graphs for comparison purposes. However, it would be useful to refer to Chapters 5 and 6 for more detailed examination of Russia’s hydrocarbon exports based on other sources. Also, IMF data only covers Russia from 1992, so it would be helpful to refer back to Chapters 3 and 4 to recall the impact of oil rents under the Soviet rule and thereafter.

Figure 7-2  Venezuela’s GDP, oil export and government revenues and expenditures (Unstacked)
Source: World Economic Outlook database, International Monetary Fund
Similar to what we have observed in Russia, the pattern of oil rent in Venezuela is the same: After the peak in the 1970s (not shown on this graph) follows a dip in the 1980s and stagnation in the 1990s. The central government received rents at levels far below the boom years of the 1970s. Until the end of the 1990s, the Venezuelan rentier state entered a significant decline (Karl 1990).

In Russia, when oil prices declined, the oil industry plunged into a severe crisis as profits decreased. As the industry was in decline, the state gave up its control over the industry and let it take care of its own problems. As a result, the state also lost control over the profits that the industry generated, which in the 1990s did not matter much because those profits were not that significant compared to the preceding boom period. Similarly, in Venezuela as a result of the growing crisis, the state gave up control over the petroleum sector (Mommer 2003). The state company PDVSA began to impose its own agenda,
departing from its role as a public enterprise, and was increasingly becoming a transnational corporation adhering to the liberalizing agenda of multilateral economic institutions (Lander 2007).

During the 1990s and into the early 2000s, Russia’s transitional economy was in distress and facing a great many problems. To a significant extent, this was a consequence of the collapse of the previously existing centrally planned economy and the transition to a capitalist economy. Venezuela’s economy was a reasonably diversified and functioning capitalist economy prior to the collapse of oil prices, despite its dependency on oil. Yet, it also underwent a severe and prolonged crisis that had significant implications for Venezuela’s social and political system, discussed later in this section. During the economic crisis, the gross domestic product fell nearly 20% from the late 1970s to the mid-1990s, and the impact was heavier on the lower-income groups (Karl 1990). Between 1984 and 1995, the proportion of the population living below the poverty line increased from 36% to 66%. Real industrial wages fell by the 1990s to 40% of their 1980s levels. The ability of the state to finance public spending was severely undermined in the 1980s and 1990s. The decline in oil rents increased the level of inequality and led to increased class conflict in Venezuela (Dunning 2008). Like in Russia, the government was forced to implement austerity measures and, following the IMF’s advice, neoliberal policies were implemented to alleviate the crisis (Lander 2007; Parker 2007). The social consequences of the neoliberal policies were dramatic, resulting in massive riots and protests named Caracazo. Despite the drastic measures taken by the government, Venezuela’s economy suffered a severe decline as public debt got out of control and capital flight soared.
With an eerie resemblance to Putin’s ascent to power at the end of the 1990s, driven by fear of instability and the appeal of populist promises, Venezuelan voters elected Hugo Chavez around the same time in the hope of bringing back order and social security while simultaneously rejecting the preceding political establishment and its neoliberal paradigm. By then, as I show below, the prolonged economic crisis created massive social changes, and voters’ preferences swung to support nationalist policies with a broad-based social security net.

Similarly to Putin, Chavez benefited greatly from oil prices’ rebound early in his presidency. From the beginning, the Chavez movement linked its development model to oil policy and positioned itself as an alternative to neoliberalism. The Chavez government contributed to oil prices’ recovery by strengthening OPEC (Parker 2007). Since 2001, Chavez’s government moved to assert state control over the oil industry and place its operations in line with his government’s social and economic objectives. Indeed, the entire struggle between Chavez and his opponents in this period revolved fundamentally over control of the state-owned oil company. The fact that the 2002 coup against Chavez occurred immediately after he took control of PDVSA is indicative of those struggles. Once Chavez regained control over it, profits from the oil industry were used to fund a broad array of social programs aimed at the most disadvantaged sectors of the society (Salas 2007) and thus helped Chavez to build his supporter base through co-optation.

The ambitious nationalist energy expansion program began in 2005. Chavez intended to reclaim and re-emphasize the need to use the income from the sale of crude oil for the benefit of society—petroleum socialism. Social spending programs were not funded through taxes, but rather through the abundant oil resources (Uzcategui 2010).
7.1.2 Contestation in Russia and Venezuela

In both countries, we have observed limited political contestation during the decade of high oil prices in the 1960s-1970s. The reasons for the low level of political contestation were different, but they can still be traced to the impact of oil rents on state-society relations.

In the Russian case, as I have shown earlier, the last two decades of Soviet rule were characterized by a particularly low level of contestation and a high level of dissociation from the state. Although this was certainly a consequence of the Soviet post-totalitarian political system, it is clear that oil rents enabled the government to keep the citizens reasonably content while not requiring extraction of additional resources from the population. The citizens agreed to accept the role of the state as a provider and guarantor of social welfare and stability in exchange for political representation. Thus, contestation and protest remained low much longer than otherwise might have been possible.

Even though Venezuela had well-entrenched democratic institutions and was not a totalitarian or authoritarian regime, the country still suffered from somewhat similar symptoms, which included reduced political contestation and restricted opportunities for political participation. Karl observes, for example, that by the 1960s, democracy in Venezuela stabilized into a system with a dual, even contradictory character. A pacted democracy emerged from elite bargaining and compromise, which ensured its survival by selectively meeting demands while limiting the scope of representation. On the one hand, representation was ensured by holding regular and fair elections in which citizens could participate. On the other hand, representation was restricted by pactismo. By promoting practices that were simultaneously top-down and inclusive yet preemptive and restrictive, the regime established formal institutions and informal norms that limit contestation and restrict
the policy agenda and the autonomous organizational capacity of mass actors (Karl 1990). Burns (2009) argues that under the democratic pact, a politics of exclusion and politicization of the judiciary forced those who did not have power to operate outside of the political system. Dunning (2008) believes that the stability of Venezuelan (pacted) democracy was aided by the availability of oil rents that elites could use to appease potential opponents, who in return had given up their aspirations for power. By the 1970s, the democratic system consolidated into a system characterized by a significant degree of consensus and compromise. Venezuela during the Punto Fijo period had a stable democratic regime, but a more in-depth overview demonstrates that parties supplanted state institutions. Influence over the executive inoculated the parties from accountability and, as a result, an exclusionary system emerged (Burnes 2009). Two main parties, AD and COPIE, had rotated several times in the executive office (Dunning 2008), but both were part of the political establishment and no outsiders were permitted to enter the political scene.

At the same time, Venezuelan masses appear to be passive. In the 1970s, the struggle for hegemony was resolved in favour of those who signed the political pacts at the outset of the democratic period, thereby strengthening the legitimacy of the system and of its principal actors. These circumstances, aided by the oil boom of the same decade, explain the generalized sensation of social peace and harmony of the period. Venezuelan political scientist Juan Carlos Rey\(^7\) considers the apparent passivity of the masses one of the basic conditions for explaining the successful functioning of the Venezuelan political system

\(^7\) Rey, Juan Carlos 1989, El futuro de la democracia en Venezuela Caracas: Universidad Central de Venezuela. Cited in Maya 2006
during the 1970s. Rey argued that Venezuelan democracy rested on the consolidation of the limited number of large and highly disciplined parties that fermented political stability by avoiding zero-sum situations. The politicians who promoted Venezuela’s democracy pact had feared that, if the political parties did not channel popular demands, the system would be uncontrollable and could collapse. Avoiding zero-sum situations was possible as a result of the resources available to the state from oil revenues. Thus, according to Rey, the stability of Venezuelan democracy depended on the demobilization and the lack of participation of the masses (Lopez Maya and Lander 2006).

However, by the mid-1980s, oil prices collapsed and the situation changed significantly. The Soviet Union experienced further deterioration of the economic and political system. The lack of resources that previously supported the Communist Party hegemony as well as rising fear and confusion among Soviet elites created opportunities for political mobilization. By the end of the 1980s, the country witnessed a massive explosion of popular protest as well as mushrooming opposition political forces. Political contestation increased manifold.

In Venezuela, as well, as oil prices went down in the mid-1980s and the system began to erode. The apparently integrative and consensual system almost totally broke down. Along with the near loss of electoral support for traditional political parties AD and COPEI, the most salient feature of Venezuelan politics has been the emergence of class conflict. Popular mobilization—some more organized, some less—took on class tones. More than 5,000 popular protests occurred from 1989 to 1992, mostly concentrated in poorer areas. The attempted coup in 1992 by Chavez enjoyed wide support among the popular sectors. During the 1980s and 1990s, popular mobilization and protest increased dramatically and were
linked to class politics. Similarly, class politics affected voting behavior, leading to the near collapse of the traditional party system (Dunning 2008).

Attempts to impose neoliberal adjustment policies in the 1990s prompted extraordinary popular resistance (Lander 2007). Crisp and Levine (1998: 27) note that “after decades of political stability and social peace, beginning in 1989 Venezuela’s democratic order was shaken by widespread unrest and citizen disaffection.” In response to the macroeconomic adjustment program announced by Perez’s recently installed government (1989-1993), a massive social uprising shook Caracas and other major cities between Feb 27 and March 3 in 1989. The extent of the disturbances revealed the extent to which the legitimacy of the political system had already been undermined. They also contributed to the political crisis that soon was reflected in the frustrated military coup in 1992 and the destitution of Perez in 1993 (Lopez Maya and Lander 2006).

Human rights organization Provea put together a data set that includes protest events by type, e.g., conventional, confrontational, and violent. Conventional protests are day-to-day protests, often legal, that do not provoke fear or anxiety among participants, observers, and authorities. Confrontational protests are those that provoke fear and anxiety but do not involve physical aggression or property damage—for example, roadblocks, non-authorized combative demonstrations, or hunger strikes. Violent protests involve the damage or destruction of property and affect the physical integrity of people (Lopez Maya and Lander 2006). The greater incidence of confrontational (and violent) protests indicates that the society is undergoing a period of turbulence and sociopolitical transformation (Tarrow 1989).

According to the data collected by Provea, illustrated by Figure 7-4, between October 1989 and September 2003, a total of 12,889 demonstration protests occurred in the country,
an average of 2.52 per day, not including strikes and work stoppages. Two periods of particularly intense activity took place between 1991-1994 and 1999-2003. During the first period the acute political crisis reflected most dramatically in the aborted coups in February and November 1992. After that, Perez’s government rapidly lost political support until May 1993, when the National Congress dismissed the president on the counts of misappropriation of public funds. The second peak after 1999 coincides with the first years of the Chavez government, when the new elites were trying to implement the alternative project for the country, generating demonstration both in opposition and in support of it (Lopez Maya and Lander 2006).

![Graph showing number of protests by type and percentage of protests by type](image)

**Figure 7-4** Number of protest in Venezuela per month, by type, 1984-1998 (Stacked)

*Source: Database El Bravo Pueblo, cited in Lopez Maya and Lander 2006*

It is clear that the share of confrontational and violent protests increased manifold during 1990s and then began to subside slightly by the end of the decade. The peak in violence in 1991-93 is the result of the political crisis during the second Perez’s term. The second peak
in 1995-6 corresponds to the implementation of the economic adjustment programs of the 
Venezuelan Agenda (Lopez Maya and Lander 2006).

Even though the number of violent protests somewhat subsided, the overall number 
of protests continued to grow. Dunning observes that by the early 2000s, the Venezuelan 
political system was destabilized, in that the political institutions previously channeling the 
protests became incapable of doing so. Declining oil rents led to a sharp increase in the 
redistributive conflict and led to politicization of class. Contestation increased significantly, 
and multiple forces challenged the regime’s authority (Dunning 2008).

In accordance with the theory presented in this thesis, by the mid-2000s oil prices 
rebouned and political contestation began to subside. In Russia, as we have seen above, 
political contestation diminished again, even though redistributive conflicts continued to 
emerge. Overall, however, the state was able to appease potential opponents and control the 
opposition forces enough to be firmly in control of the political system, with no viable 
opposition presenting any significant challenge (until recently, as I discuss later in this 
chapter).

Venezuela, at first glance, presents a challenge to this proposition. Observers noted 
that political contestation under Chavez appeared to be on the rise throughout early 2000s. 
This was mainly a result of the unwillingness of the wealthier classes to accept Chavez’s 
nationalist and populist Bolivarian Revolution agenda. The recall referendum of 2004 and the 
presidential elections of 2006, contested by a credible opposition candidate, suggested that 
the political discourse was highly contentious. The main difference between Venezuela and 
Russia is that in Venezuela’s established democracy and capitalist economy, the middle and
upper classes existed. These social groups were organized and willing to oppose Chavez’s redistributive policies.

However, looking deeper into the political processes, one would observe that the availability of oil rents helped to smooth over and reduce this apparent ideological conflict. At the same time, as redistributive practices have changed in favour of greater social spending during the second half of the 2000s, Chavez’s administration was able to do so without the imposition of extraordinary costs on the elites. Dunning observes that even though the Venezuelan political system remained deeply polarized with respect to Hugo Chavez and social class continued to be the best predictor of support for the opposition or the government, many opponents appear to reconcile themselves with Chavez in certain ways. Public opinion polls (discussed later in this chapter) suggest that elite resistance to Chavez had moderated in the second half of the decade. In the period between 2004 and 2006, substantial sections of the opposition also became more moderate towards Chavez. For example, the fact that Rosales, the longtime opponent of Chavez who was implicated in the 2002 coup, chose to challenge Chavez through electoral route was a significant step towards de facto legitimizing the system and Chavez’s administration (Dunning 2008).

This study suggests that for a democracy to have meaningful quality, rather than façade institutions, political participation and contestation is necessary. If considered from this standpoint, the quality of Venezuelan democracy is deteriorating. In fact, Chavez’s Venezuela can be classified as Diamond’s ambiguous regime. According to Diamond (2002), ambiguous are regimes in which some form of competition exists but it cannot be defined as free and fair.
This definition seems to apply to Chavez’s Venezuela. On the one hand, power is concentrated in the executive branch. Judicial and legislative checks are weak. The boycott of legislative elections by the opposition in 2005 left the National Assembly entirely in the hands of the Chavista coalition. Chavez himself made attempts to extend the presidential term to serve indefinitely. Hence, liberal checks and balances are weak. At the same time, electoral competition remained relatively robust. The failed coup of 2002 was a serious threat to Chavez. In 2004 Chavez had substantial chances to lose a recall referendum as Chavez’s popularity plummeted. Moreover, constitutional changes were rejected by voters in 2007. Political competition in the Chavez era had increased; for example, the 2006 presidential elections were contested by a credible candidate. However, the newly established social programs, created with funds generated from state control over the oil revenues, helped to bump up the president’s popularity after 2004. Opposition is weak after withdrawing candidates from elections for the National assembly and losing the presidential elections in 2006 (Dunning 2008). Yet, one of the critical differences between Venezuela’s ambiguous regime and Russia’s semi-authoritarian regime is the nature and extent of popular participation in Venezuela. This feature of the regime to a significant extent is a result of pre-existing sociopolitical structures in the two countries. Even though we clearly observed that oil rents have a very similar impact on the two polities, this difference between the two cases illustrates the role of pre-existing structures in defining the ultimate outcome.

7.1.3 State Autonomy in Russia and Venezuela

The degree of a regime’s autonomy is an important structural factor that impacts state-society relations. The state’s autonomy may be significantly affected by its political economy. The revenue base of the state, especially its tax structure, creates incentives that pervasively
influence political and economic life and shape government preferences with respect to public policies (Karl 1997). If the need to collect taxes from the population to finance state expenditures is reduced due to the availability of an external source of revenue, the state’s relationship with the society in the economic sphere is essentially reduced to expenditures (Smith 2004: 233). Such states are more independent and autonomous from societal pressure. As I showed, when state-society relations are reduced to expenditures, accountability and public input into policymaking are lacking, so opportunities for mobilization are curtailed and independent institutions for the advancement of public interests are expected to be weak or nonexistent.

In the Russian case, we observed that when oil rents increased, state autonomy also increased. Although certainly dependent on the type of political regime, it is hard to deny that oil rents contributed to the state’s ability and willingness to make and implement policies with little or no public input. In the Soviet case, the degree of state autonomy was so significant that not even distant opportunities existed for the opposition to intervene in the political process.

In her study of the Venezuelan petro-state, Karl finds that high oil rents led to expanded state jurisdiction, which means greater state autonomy in decision making in line with the predictions from the theory advanced here. She argues that during times of high oil prices, “oil exacerbated the already high degree of centralization of authority in the executive [and] aggravated the form of presidentialism that could be found elsewhere in Latin America” (Karl, 1997, p. 90).

When oil rents were high, the state enjoyed much greater autonomy in its policy decisions. When oil prices fell, the Venezuelan state had to revert to decentralization of
decision-making authority and became influenced by domestic and foreign actors to a much greater extent. Below I provide a quick summary of Karl’s findings that illustrate this statement.

In Venezuela, the 1961 constitution affirmed state intervention and extreme presidentialism. Establishing that only a state could distribute the fruits of the nation’s patrimony and that the democratic forces needed a mediator who could rise above all kinds of partisan conflicts, the constitution validated the tradition of highly centralized power. The office of the president had control over the nation’s defense, monetary system, all tax and tariff policy, exploitation of subsoil rights, foreign affairs, granted authority to name cabinet ministers, state governors, and leadership of state enterprises. Except in times when the opposition party held a congressional majority, almost no mechanisms of accountability existed for the president (Karl 1990).

During the boom of the 1970s, these practices—the consensus over state-led industrialization and the tradition of extreme presidentialism—coupled with Perez’s overwhelming popularity led to the president’s proposals being accepted without question. His proposed development strategy was not debated at all and was adopted with no input from public or other political actors. In 1974, President Perez requested from the congress “extraordinary executive authority” to enable him to confront the challenges of the oil boom. The president requested the authority to implement a package of important economic and financial measures including reform of income tax, reorganization of public financial institutions, and wage and salary hikes. He also called to raise taxes of foreign oil companies and move to nationalize the petroleum industry. Publicly, the rationale for the president’s special powers was the need to address the crisis provoked by the extraordinary rise in oil
prices, which threatened major economic dislocations that would affect the living standards of workers, peasants, and the middle class. Privately, the presidential administration had a more ambitious goal of moving Venezuela faster on its chosen development path without the need to consult the congress and other parties. The request sparked much controversy from the opposition, led by COPEI, as it challenged the very foundations of the pacted democracy. However, the AD-dominated congress overrode the objections of COPEI and awarded President Perez “extraordinary executive authority.” This move transformed the norms of consensus and compromise underlying pactismo and freed the president from the need to consult the congress or his own party (Karl 1990). Thus, as predicted by my theory, during the boom cycle the autonomy of the state to carry out its policy decision without consultation with other political forces had greatly increased.

In the mid- to late 1980s, oil prices collapsed and petro-states lost a great deal of their autonomy, becoming subjects to multiple and often contradictory influences both within their borders and internationally. As we have seen in the Russian case, as the external economic conditions provoked an acute domestic economic crisis, even the highly autonomous Soviet state was forced to decentralize its decision-making process and began to allow greater public input into economic policymaking and the political process in search of popularly legitimatized solutions to the deepening crisis. It also became more susceptible to external pressures, giving up a lot of ground in its international relations. This loss of autonomy cost the state the loss of immunity from popular pressure and led to massive mobilization in response to emerging political opportunities.

Consistent with the expectations of my theory, when oil prices collapsed in the mid-1980s, the Soviet state’s autonomy decreased while vulnerability to societal demands
increased. As the economic situation deteriorated, the Soviet state became unable to continue supplying allocational benefits to social actors. In an attempt to devolve responsibility for poor economic performance and in order to obtain wider social support for much-needed but politically difficult decisions to retract social welfare benefits, the state had to give up some of its centralized authority. Consequently, alternative power centers began to emerge. Both lack of resources and the devolution of control led to diminished repressions. Furthermore, the state inevitably responded to the increased pressure from social actors.

In the decade following the collapse of the Soviet Union, Yeltsin’s government struggled to fulfill its obligations to the population under the conditions of low oil prices. With oil prices floating at a relatively low level of around $20 per barrel, the State Bureau of Statistics (various years) data shows that even barely maintaining an average level of social welfare spending on pensions and other social programs at the same nominal level, the state ran significant budget deficits until 1999.

Facing economic deterioration, weak fiscal position and the lack of cash to pay for the expensive welfare system inherited from the Soviet Union, Yeltsin’s government sought to decentralize Russia’s welfare regime and limit the role of the state, particularly that of the federal center. Reforms attempted to devolve provision to regions and municipalities, introduced market mechanisms in healthcare and education, liberalized labor markets, and eliminated subsidies and entitlements. However, the neoliberal welfare reform did not succeed in Russia during the 1990s, although it certainly had enthusiastic proponents. One reason these plans never came into effect was the presence of the strong opposition that the government could not ignore or defeat. During the 1990s, Communist political parties had strong representation in the State Duma; together with powerful interest groups and
coalitions, they were able to block the executive branch from following through on these policies (Cook 2007). Some studies suggest that these reforms were not strenuously pursued, due to concern about the potential political fallout (Chandler 2004; Hemment 2009).

Similarly, in Venezuela during the oil bust cycle between the late 1980s and the end of the 1990s, the state exhibited significant loss of autonomy and contraction of its political authority. This decade was characterized by high levels of politically motivated violence leading to President Pérez’s impeachment and essentially became a transition between Punto Fijo-style “representative” democracy and the start of the Bolivarian revolution (Burns).

More specifically, by the mid-1980s, the situation began to change significantly as the government no longer had resources to appease and redistribute. The economic crisis deepened, and foreign banks insisted that Venezuela get IMF approval for its economic plan. The government announced that it would seek an unconditional loan from the IMF for the first time. The issue of IMF conditionality was highly politicized and eventually caused the loss to the ruling COPEI party; the AD candidate won. At the same time, the political conflict amplified due to growing party factionalism and division between agencies favouring austerity measures (the Central Bank, the Ministry of Development) and those advocating higher public expenditures (the Ministry of Planning and the Labour unions). The new government faced opposition even from AD’s traditionally most loyal ranks. Measures adopted in 1984 which contained some of the IMF policy prescriptions provoked open opposition from the CTV and ultimately encouraged the rise of independent radicalized new unions (Karl 1990).

Burns notes, “when oil prices fell, the political parties lost grip of their stronghold on power. In the absence of strong parties it became evident that other institutions necessary for
the maintenance of democracy were not present. The stability of the democratic regime was called into question at the end of the 1980s, when the high level of political instability challenged the democratic regime” (Burns 2009: 89). By 1988, in light of looming elections, the AD administration was seriously constrained both domestically and internationally and was trying to balance different contradictory demands. The banks were unwilling to consider any renegotiations without the IMF and refused to grant any new credits to Venezuela. Yet, agreeing to IMF conditionality was politically impossible during the electoral campaign, even as debt payments were taking up more than half of the oil revenues. Domestically, the government took a tough and popular stand by declaring that as a result of falling oil prices, Venezuela will not be able to make a $2.5 billion debt payment due in November. Behind closed doors, even as both candidates pledged to revive the economy without bringing in the IMF, the government agreed to negotiations as soon as the elections were over. At the same time, the AD government initiated a major expansion in public spending, so the election year economy grew by nearly 5%. The voters returned Perez to power. However, Perez lacked a 50% congressional majority and a unified party, so there was no possibility of ruling by decree. Instead, like his counterpart in Russia, the new president would have to bargain for virtually every policy initiative (Karl 1990).

Contrary to Perez’s promises, the economy had not recovered; instead, as Perez assumed office, the economy collapsed. Price controls and artificially contained inflation produced a huge black market, rationing, and severe shortages. Foreign reserves plunged, the current account deficit reached $5.8 billion, and the budget deficit increased to 9% of the GDP. Real wages plunged, and real per capita income dropped to the 1973 level. By 1989, the number of households living in poverty increased tenfold since 1981 (Karl 1990).
The declining legitimacy of the political system, evident since early 1980s, prompted the elite to reform a centralized state that was increasingly ineffective, corrupt, and incapable of responding to the demands of a more diverse and complex society. Politicians from across the political spectrum embraced the goals of modernization and democratization, with the latter understood principally as decentralization. The Presidential Commission for the Reform of the State, founded in 1984, made this goal a priority. Thus, while society became increasingly fragmented, the idea of carrying out institutional changes to make the Venezuelan political system more decentralized, democratic, and participatory dominated the political debate (Lander 2007: 23). The political reforms included steps to decentralize the state as well as institute the direct election of mayors and governors, and they promoted the emergence of diverse regional and local leadership, bringing new actors to the political system (Lander 2007).

In light of all these changes in external conditions and the decline in state autonomy, Perez’s structure of decision making and policy preferences changed, as well. Instead of spending, the government began to push for privatization and encouraged the influx of foreign capital and decentralization. Immediately after the 1989 elections, Perez entered negotiations with the IMF and started painful neoliberal reforms (similar to the shock therapy reforms in Russia). The economic shock plan has undone the three pillars that had thus far underwritten Venezuelan democracy: state intervention, subsidization of organized private interests, and sustained increase in social spending. The immediate impact of the measures was dramatic: Unemployment rose from 7% to 10% in a year, real salaries declined by 11%, and inflation climbed to 94%. The government also announced plans to raise personal
income taxes and establish a general sales tax and a tax on capital assets. If implemented, those plans would have radically transformed the fiscal basis of the petro-state (Karl 1990).

Thus, we can see that the oil bust cycle produced somewhat similar drivers in both countries. In both countries, the centralized state had given up a lot of the decision-making authority and autonomy and became much weaker compared to its opponents. There are some differences between the two countries. In Venezuela, which was a capitalist economy closely integrated with the world economy, much of the controversy started with the external influences, which quickly grew into internal conflict. In the Soviet case, the international context went unnoticed until information became more freely accessible to the public during perestroika. However, in both cases the pressures of the international economy produced irreversible changes in domestic contexts which led to the emergence of political contestation and violence, which ultimately ruined the existing regimes. The key distinction between Venezuela and Russia is that in the former, there existed political parties and groups that were ready to take on the challenge of opposing the existing regime. In the Russian case, such groups were rather rudimentary or nonexistent at the beginning, but they began to develop over time, so we began to see more organizational capacity of civil society and political organizations. Still, the overall effect in both contexts was largely the same: The state’s loss of autonomy was compensated by the emergence of the opposition powerful enough to overthrow the ruling regimes.

However, by the early 2000s, the situation changed again and we can see how the same powerful forces began to impact the structure of decision making and incentives for the state and the society. The state’s behavior is fairly consistent with the expectations. When oil rents increased, the state’s autonomy increased while its vulnerability to public pressure
somewhat decreased. The Russian government under Putin was able to build a stronger vertically integrated state at the expense of other political forces. The state controlled the Parliament and hence had the almost unobstructed decision-making power on many matters impacting public policy and economy.

Similarly in Venezuela, once oil prices began to increase, the government began to behave very much as expected according to the theory proposed in this study. Jennifer McCoy (2004: 294) observes the continuity between the two periods of high oil prices: “The Fifth Republic has not changed these basic traits of power-1958 Venezuelan politics: structurally, dependence on oil continues;... Institutionally, it [the post-1958 system] maintains a highly centralized decision-making structure, even though a new set of privileged actors have emerged.” Similarly, Buxton (2001) argues that under Chavez, there has been continuity with the “politics of exclusion” that characterized the Punto Fijo period. Burns observes:

Much like pacted democracy, in the beginning Bolivarian democracy was buttressed by high oil prices. Again, pluralist representation has been damaged by a concentration of power in the executive and, when attempts to influence the political system from within were exhausted, individuals who were discontent with the political system pushed for change outside the political system. The use of state resources from oil to invest in social programs no doubt mitigated societal problems that may otherwise have emerged. Oil wealth was, however, used by the state to uphold the state’s power. The executive is restructuring the state of Venezuela and buttressing its own power, and it is doing so in the absence of institutional checks and balances (Burns, p. 119)

Therefore, external economic factors such as international commodity markets may impact some of the domestic regime’s structural features and affect state-society relations within the state. Both states exhibited a strong tendency towards greater decision-making autonomy and centralization. However, at the same time the states were far from immune from societal
pressures. On the contrary, both Venezuelan and Russian leaders were wary of broader societal discontent and felt obliged to comply with their side of the social contract even when economic conditions were highly unfavorable. I will discuss the implications of societal demands and expectations later in this chapter. Below I review the evidence on the four hypotheses on state-society relations in petro-states proposed above. As discussed above, the mechanisms identified below operate on two conceptually distinct but related levels. On the one hand, oil-related mechanisms may diminish opportunities for mobilization by affecting the supply side or organizational capacity of the opposition. On the other hand, even if opposition groups emerge, they may be lacking followers, or the demand side, and therefore they may be unable to make a significant impact on the policy process.

### 7.1.4 Impact of Oil Revenues on the Supply Side of Political Contestation

First, I suggested a set of hypotheses on the impact on the supply side or the organizational capacity of the opposition. In a nutshell, these are the mechanisms by which increased oil revenues create incentives for the government to disrupt opposition activities and improve the government’s ability to undermine opposition organizational capacity, either through application of repression or other, softer means of coercion.

#### 7.1.4.1 Repression and Manipulation

Oil revenues allow the state to demobilize opposition groups (using soft or hard coercion). The literature points to a number of possible mechanisms which link oil revenues to the ability of the state to demobilize opposition groups that may be emerging. One of the hypotheses can be termed a “repression effect.” It suggests that increased oil revenues lead to increases in military and security spending, which enables the regime to intensify its
repression of the opposition. As a result, it immobilizes the opposition through the
application of constant pressure (Ross 2001). Another causal mechanism that prevents
opposition from emerging implies that when external trade provides a government with
enough revenues, the government will use these revenues to manipulate the opposition and
prevent the formation of independent social groups that may be inclined to demand political
rights (Moore 1976: fn 24; First 1980; Bellin 1994; Shambayati 1994; Ross 2001). Scholars
have also noted that some states have attempted to create government-controlled or semi-
autonomous groups and institutions to ensure their survival and viability, especially resource-
rich petro-states. In some cases, the governments created parallel structures or (quasi-
)representative and/or consultative bodies to deactivate potential opponents (Crystal 1990;
Kazemi 1995). The end result is that the state directly impacts and influences the opposition
by cutting it off from material and societal resources, which negatively affects its
organizational capacity and social base.

As I demonstrated in the case of Russia, there is a relationship between coercion and
oil rents. The state appears to feel more confident in its coercive capacity when oil prices are
high. Both during the Soviet rule and under president Putin, the state more readily engaged in
both outright repression and softer versions of coercion. During the period of low oil rents
under Gorbachev and Yeltsin, coercion was less widespread as the volume of popular protest
simply overwhelmed the state. Furthermore, it became obvious that the public was no longer
willing to accept coercive practices, so the relative cost of coercion increased significantly.

I do not claim that there is a direct and deterministic relationship between oil rents
and coercion. The degree of repression and other means of coercion will also depend on a
number of other factors which impact the state’s calculation of the relative costs and benefits
of coercion, such as state ideology, tolerance towards alternative voices, and societal perceptions about the acceptability of coercion. Nevertheless, high oil rents likely encourage the state to engage in some sorts of activity that aim directly at containing the protesters. Oil rents also offer the opportunity and capacity to do so, and we indeed observed some degree of correlation between coercion and oil rents in the Russian case. As oil prices drop, the state may try to continue using coercion for a while in the hope of keeping protests in check, but with time, its ability and capacity to do so likely declines.

In Venezuela, we observe a similar pattern. As the economic situation deteriorated, as I showed above, the level of protest went up, particularly that of violent and transgressive protest. The state attempted to continue using coercion to keep protest in check. According to Provea, an organization dedicated to the defense of human rights, during Perez’s second term from 1989-1993, violent state repression of protest was commonplace. One of every three protests was repressed with an elevated cost in human lives (Lopez Maya and Lander 2006).

However, as time went on, the level of repression began to subside. Modifications in the patterns of repression were evident during the Caldera administration of 1994-98, when the level of repression was lower. The attitude towards protest also changed. The criminalization of protests, which dated back to the 1960s, now became less common as a result of efforts to submit cases of repression to a body of rules. Towards the midterm of Caldera’s second period, the proportion of demonstrations repressed had fallen to one of every six. Under the Chavez government, there has been a greater recognition of the right to protest. In 1998-1999, one of every 25 protests was repressed, in 2000-2001 one of every 28, and in 2002-2003 one of every 26, though Provea registered another increase of violence in 2002-2003 related not so much to state repression but to the acute political confrontation
associated with the April coup and its aftermath (Lopez Maya and Lander 2006). Even though it would appear that Chavez’s government has the resources to repress, it obviously chose not to. One potential explanation for this apparent lack of repression is that the state may choose to use soft means of coercion or manipulation instead of outright repression. It is possible that the state might have chosen to do so due to the longstanding history of democracy and civil society, and thus the nature of the social contract may have been different.

Indeed, I showed above that another means of coercion is softer coercion or the manipulation of societal actors to contain their protest activities. Sometimes such measures may be more efficient than repression. As I showed in Chapter 6, in Russia, the state actively engaged in various forms of manipulation of societal actors to hinder opposition activities. The extent of this soft coercion was notably higher when oil prices were high. The state appeared to be less capable of manipulating the opponents when oil prices were low.

In Venezuela, the regime has been democratic, so there existed some checks on the ability of the state to engage in such undemocratic practices. In addition, political parties in Venezuela have historically been important players in the political system, which aggregated and channeled societal demands. Thus, the system worked somewhat differently than in Russia, where political parties were weak or nonexistent. Yet, in Venezuela too the political system was structured in such a way that enabled the ruling elites to manipulate protesters or oppositionally inclined voters. Venezuela’s two major political parties penetrated society and served as the main means of mass participation in the political process. AD and COPEI extended their power and influence by infiltrating other organizations of civil society, including labor unions, neighborhood associations, and student and professional associations.
These parties ultimately obtained control of the political process. From 1973 to 1988, AD and COPEI gained more than 80% of the vote in every election, pushing competitors to the political margins (Canache 2002).

Once oil rents began to decline in the mid-1980s, the traditional parties were no longer able to satisfy public demands and interests. The conciliatory approach, which helped to support democracy for three decades, also concealed abuses and corruption. The regime’s legitimacy was undermined. New political actors calling for profound institutional change soon began to emerge, and stability in Venezuela gave way to turmoil (Canache 2002).

7.1.4.2 Co-optation

Another mechanism which allows the state to control the potential opposition is what may be termed the “co-optation effect” (Morrison 2005), whereby with access to external sources of wealth the state can remove or weaken political opposition by co-opting key actors. Co-optation is different from manipulation in that it seeks to buy out certain actors (mostly elites) to remove them from the realm of oppositional politics and transfer them into the mainstream political establishment. Oil wealth provides authoritarian governments with budgets that are exceptionally large and unconstrained (Anderson 1995). Instead of building long-term institutions, state elites focus on developing patronage networks and co-optation of key groups and actors to silence social forces (Bellin 1994; Chaudhry 1994). Thus, resource abundance enhances elites’ ability to generate political support by spending on patronage.

First, oil revenues allow the state to halt opposition activity by selectively co-opting (potentially) oppositional social groups and actors. As we have seen in Chapter 6, with high oil prices the Russian state was able to co-opt oppositional groups and particular individuals
into the governance structures. In the Soviet Union, this mechanism was less feasible because in the one-party state, all actors who were outside of the Communist establishment were considered outliers and therefore could not be easily co-opted into the mainstream politics. In Putin’s less ideological Russia, co-optation became a prevalent strategy, whereby cooperatively inclined oppositional figures occasionally received appointments from the government in exchange for toning down their anti-government position. Selective co-optation of particularly unsatisfied social groups was also widespread during the periods of high oil rents.

In a pacted democracy, political competition among parties was constrained. The barriers for entry for new political parties, while not strict in the legal sense, in reality were very substantial. The professionalization of parties as electoral machines and the extraordinary cost of electoral campaigns in a petro-state required tremendous financial resources, which could not be raised by parties not affiliated with the influential business groups or those that had not previously been in power (Karl 1990). The parties essentially supplanted state institutions and divided government and judiciary positions between them, thus making it difficult for the new actor to enter the political system (Burns 2009). If the two major parties, which alternated in government, would not have access to oil resources, they too would not have been able to raise this money. The availability of huge financial resources for the main parties then made it virtually impossible for other actors to enter the political scene.

Karl observes that in Venezuela’s centralized state, co-optation was also a preferred strategy. Regime norms and practices were institutionalized to reinforce centralization over decentralization, states over markets, preemption over autonomous reaction, restrictiveness
over contestation, the purchase of elites’ support over autonomous organization of the masses, network complicity over broadly debated policies, and appeasement over hard choices. These practices defined policy behavior during the 1970s boom (Karl 1990).

The rules and norms of the party-based electoral system did not counteract these centralizing tendencies but further encouraged them. Elections provided a degree of representation for the groups that formed the mass base of the parties in election years. However, entry into the political process was severely restricted, as powerful parties like AD and COPEI could constrain nominations, voting, legislative action, and freedom of organization. Party discipline reinforced control over any outliers. The governing party generally limited itself to supporting the presidential administration’s projects, worked out in consultation with the party’s central committee, thereby renouncing certain responsibilities of oversight and criticism. Because parties were the road to state patronage and control over petro-dollars, powerful incentives existed to form highly personalistic factions linked to different leaders, especially in the year prior to candidate selection and elections. This top-down yet divided organization of the parties encouraged rent-seeking and clientelistic participation but not competent professional bureaucracy (Karl 1990).

7.1.5 Impact of Oil Revenues on the Demand Side

The second set of hypotheses on state-society relations is related to what I termed “soft power,” borrowing from Joseph Nye’s discussion of states’ “soft” power in international relations. Essentially, I suggest that the state does not have to resort to hard coercive measures to generate compliance. Rather, compliance may be the outcome of more targeted patronage of social groups or a social contract that defines the state as a redistributor of oil wealth and the guarantor of public welfare. These mechanisms work on the demand side of
the opposition, depriving it of its follower base. If the first set of mechanisms mostly works on the elite side, the two mechanisms described in this section mostly focus on the masses.

7.1.5.1 Patronage and Mobilization of Supporters

One such mechanism is the mobilization of regime-supporting social and interest groups. Dependence on oil and other concentrated export commodities not only affects state institutions and the framework for decision making, but also induces changes in the relative power of interest groups (Sayfer 2007). Social groups with links to the state are therefore much better off and may have stronger organizational structures, while the “outsiders” struggle to survive. As a result, interest groups that support the regime gain power. In other words, the regime may be able to mobilize its supporters at the expense of the potential opponents and thus distract public attention from opposition activities.

In the Russian case we have observed that interest groups with direct connection to the state and/or which benefited directly from the state were more likely to support the state. Furthermore, target spending of additional resources from oil rents on key stakeholder groups resulted in greater support from those population groups. In the Soviet Union, state spending patterns were skewed in favor of the worker population, as the latter were a concentrated and potentially mobilizable social stratum. During the Putin years, pensioners, young families, and youth had received greater attention as social groups critical for the survival of the regime. For example, pro-Kremlin youth organizations that are funded through the state budget had become a major political force that diverts attention from the opposition, demonstrates support for the regime, and at times directly engages in verbal or physical harassment of the regime’s opponents.
In Venezuela, too, oil rents significantly impacted the relative power of various population groups and social classes. Oil weakened non-oil interests and fostered the emergence of new social classes and groups linked to the state through the distribution of rents. Consensus emerged around the role of the state as a redistributor of rents to correct the deficiencies of development (Karl 1990).

Between the 1970s and the mid-1980s, the Venezuelan state counted on extraordinary oil revenues to keep protest at bay. Its capacity to overcome conflict contributed to the disarticulation of the attempts of independent popular sectors to organize themselves. Frequently protests were a mere prelude to negotiations between trade unions and the political parties or state institutions. Despite the high level of protest, this pattern could not lead to the creation of solid social movements or organizations (Lopez Maya and Lander 2006).

In Venezuela, petroleum rents helped to reconcile competing interests by turning all organized interests into subsidized clientele. The consensus about the interventionist role of the state and statist economic model was constructed in such a way that offered substantial subsidies and benefits to all politically significant groups, including state officials. State-led industrialization focused on steel, aluminum, hydroelectric projects, and petrochemicals. All of those were controlled by a holding company, Corporacion Venezolana de Guayana (CVG), with broad authority to plan economic development (Karl 1990).

Sustaining long-term support of the capitalist class through subsidized and protectionist import-substitution industrialization and low taxation was another pillar of this new political community. The system of import licensing (instead of ad valorem tariffs used throughout the rest of the continent) gave unusual protection to the private sector. It also had
substantial advantages for state officials, as it granted them enormous discretionary power over quotas, which were awarded on an individual basis and often through personal and political contacts. Benefits accrued disproportionately to the economically most powerful groups which were able to influence state officials (Karl 1990).

Subsidizing the private sector to encourage industrialization also brought benefits to the working class, incorporating politically privileged unions into the network. Manufacturing jobs increased from 18.7% to 23% between 1961 and 1974. However, the capital-intensive and anti-agrarian model could not generate enough jobs to alleviate the serious equity problem. Then social spending, subsidized by petro-dollars, became the key mechanism for delivering jobs and service to the middle and lower classes (preempting more radical demands for redistribution) and for fostering patronage (Karl 1990).

However, with the sustained economic deterioration and the weakening legitimacy of the political system, especially during the late 1980s, the situation changed. Protests took center stage in the political struggle, and the socioeconomic demands could no longer be countered by relying on the clientelistic and corporative mechanisms of the past. The conditions had been created for transcending protests and establishing an autonomous dynamic for popular movements and social organizations. The entrance of new actors from the middle and upper classes into street politics made it more visible, as they possess more resources and are backed by private media (Lopez Maya and Lander 2006).

During the Chavez era, the patterns of mobilization for state-supported population groups re-emerged. For example, in 2004 the opposition made several attempts to remove Chavez from office, including a 48-hour April coup, a two-month civic strike and sabotage of the vital oil industry in December, and a campaign of civil disobedience from February 27-
March 2 that brought about disruptions and some violence in the eastern half of Caracas. However, in each case supporters of the president countermobilized to meet the opposition threats. The recall process was initiated by the Coordinadora Democrática, a coalition of opposition parties, business groups, and other organizations, and included a number of labor leaders associated with the Punto Fijo regime. Chavez took direct control of the counter-effort and drew on the ranks of his mass base. A grassroots movement eventually organized in response to the president’s call for action through locally based electoral battle units (Hellinger 2007).

This mobilization was possible because Chavez’s government had resources for direct mobilization efforts. However, mobilization went hand in hand with Chavez’s social policy, which was designed to generate support of certain population groups. The missions (which will be discussed in detail later) helped to generate support of some specific pockets of the poor strata. The Venezuelan state was also directly subsidizing the private sector. The government applied measures to stimulate cooperatives and, as a result, their number grew rapidly. The government also gave considerable grants to small businesses. In a reversal of the neoliberal policies of the previous decade, Chavez issued a decree recognizing the property rights of individuals occupying lands in slum areas and aiming to increase community participation in those decisions (Parker 2007).

The discourse of the Chavez government denigrates the market and gives preference to values such as justice and social redistribution over private property and even individual freedom. As a result, the liberal project for society and democracy has little chances. Social organizations lose their autonomy when they become co-opted into the political parties. However, in Venezuela, unlike in Russia, strong liberally oriented middle- and upper-class
groups played an active role counteracting these tendencies. The middle and upper classes feared that under the Chavez presidency, respect for the individual values of freedom of expression and private property that they consider the cornerstone of democracy were being threatened, while the popular sectors were optimistic about the possibility of redistribution of wealth and social justice. Thus, two conflicting ideologies emerged: one intended to improve the quality of democracy, increasing competition in the marketplace and stimulating the exercise of individual liberty (liberal), and the other one aimed at transforming the values of society and redefining democracy in terms of social equality and justice. Social organizations with neoliberal orientation have therefore adopted new strategies, including confrontation and open conflict with the state and alliances with political parties and corporatist bodies that oppose Chavez (Garcia-Guadilla 2007). This is why in Venezuela there appears to be more political conflict than in Russia.

The pro-government groups used the state’s excessive resources to counter-mobilize to defeat their opponents. The pattern of politicization and alliances with the pro-governmental political party, the Movimiento Quinta Republica (MVR), has been emerging within pro-Chavista social organizations in order to counteract the broad front of opposition groups. An example of such integration of social organizations with pro-government political forces is the convergence of pro-Chavez social organizations such as the Comites de Tierra around the Unidades de Batalla Electoral (Electoral Battle Units), which were linked to the MVR and canvassed in favour of the “no” vote in the presidential recall election in August of 2004. Thus, civil society organizations often played the role assigned to political parties, confusing their identity. In other cases, political actors disguise themselves as civil society organizations. This creates a power vacuum and a lack of a common sociopolitical project
that would clearly define the roles of individual actors. As a result, since 2002 both the opposition and pro-Chavez forces concentrated their efforts on street mobilization rather than promoting civic-democratic culture (Garcia-Guadilla 2007).

7.1.5.2 Social Contract

The last mechanism that I discuss in this dissertation is what I termed the “social contract.” Social contract approaches emphasize the exchange between the regime and the society, whereby each party tacitly commits to delivering political goods valued by the other. The regime consistently carries out certain policy initiatives and pursues allocational outcomes, while society gives the state its political consent and compliance (Cook 1993). This assumes that the state is able to spend the necessary resources to obtain societal compliance and buy out potential opponents. The “taxation effect” (Ross 2001) may connect hydrocarbon revenues and democratic practices. States can redistribute oil revenues through lighter taxation or subsidies, and in exchange, the public does not have the urge to protest against inequalities or the inefficient representation of their interests (Luciani 1987). This mechanism is different from the co-optation of elites and the patronage and mobilization of supporters because it assumes a more widespread, blanketed redistribution of wealth to the society at large, almost regardless of their economic or political position. These mechanisms presume the emergence of social norms that define the state as a guarantor of welfare and redistributor of wealth.

Since the social contract that emerges in petro-states is based on the state’s redistribution of wealth and the provision of services consumed by citizens, the demand side of potential opposition is negatively affected: There is no perception of a common need for change, and the consumption-oriented culture does not allow for collective action in the
name of political change and/or democracy. It has been suggested that when the elites use resource allocation to increase patronage, the populace is likely to find rent-seeking a more efficient means than political unrest for inducing redistribution (Lam and Wantchekon 2002).

I have shown in Chapters 3 and 6 that the social contract hypothesis explains reasonably well the low levels of political contestation in the Soviet Union and Russia after the 2000s. It is important to distinguish between political contestation of the regime’s power and popular demonstrations that may demand certain material benefits from the existing regime. I have demonstrated above that the level of political protest generally negatively correlated with the oil rents in the Russian case, which can be attributed to the redistributive patterns of those rents. In other words, when oil prices were high, the state increased levels of social spending on social services and infrastructure, which resulted in the increases in the standards of living for the majority of the population. Hence, the citizens gave their approval to the ruling regime and did not feel the need to oppose or protest the regime’s authority and power.

Similar patterns can be observed in the democratic Venezuela. Social spending, including health, education, water and sanitation, housing, recreation, and labor relations, grew from 11.4% under Perez Jimenez to 31% in 1973 (Karl 1990). In the 1970s, although income inequality remained at a high level, the material conditions of the majority of the population improved as a result of rising oil rents (Lander 2007). Correspondingly, this period was characterized by lower levels of political violence.

When oil prices dropped in the mid-1980s, the economic situation deteriorated, which resulted in substantial decreases in the standard of living in the Soviet Union. I have shown in Chapter 4 that the population reacted strongly to these declines and expressed their
disapproval. The Soviet regime was hard-pressed to maintain the level of provision of goods and services to the point that the economy collapsed under the weight of these pressures. However, the inability to keep up with social contract obligations led to the growth of political protest, which eventually toppled the regime itself. During the Yeltsin period, low oil prices prevented the state from supporting the poor and social inequality increased greatly, leading to more discontent and feeding political protest.

Similar patterns once again can be observed in Venezuela. After the collapse of oil prices in 1983, with a significant decline in per capita oil income and the devaluation of Venezuelan currency, inequality sharply increased and the rate of impoverishment persisted throughout the 1990s, leading to an outbreak of popular protest. The political impact proved to be more profound because expectations of sustained growth and improved living conditions had deep roots in the Venezuelan mode of thinking. The economic crisis was deep and prolonged, and the living conditions of the majority of the population declined substantially. Per capita income in 1997 was 8% less than that of 1970, and workers’ income was reduced by half. Total poverty in the country nearly doubled between 1984 and 1991 from 36% to 68% of the population (Lander 2007).

The impact of those changes on Venezuelan political culture was profound. Social divisions and exclusions became very difficult to ignore. Social segregation and the sense of insecurity led to the emerging culture of violence. Along with unemployment, personal safety came to be one of the greatest concerns. The number of homicides increased fourfold, and fences and bars surrounded houses and buildings in middle- and upper-class neighborhoods. The process of segregation, exclusion, and fragmentation led to the socioeconomic decay and
decomposition of traditional mechanisms and forms of socialization and social integration, especially the family, school, and work (Lander 2007).

As in the Russian case, the state was hard-pressed to keep up with its social contract obligations for as long as it was possible. Because the policies of rent extraction from the international system were so successful for nearly five decades, it was hard for both the citizens and the government to change their behavior during the oil bust. The institutions of the petro-state and the pacted democracy strongly encouraged the short-term preferences of the government to avoid the necessary adjustment and continue to appease immediate interests. Public expenditures, which cemented together parties and capital, labor, and the state, continued despite growing debt and constant conflicts (Karl 1990). Indeed, in the wake of Caracazo, attempts were made by the Perez administration and later by the Caldera administration to put in place compensation schemes targeted towards popular sectors. For example, Perez established educational scholarships, food security, healthcare, and daycare programs. Yet, with low oil prices and the absence of the redistribution of non-oil income, the distributive programs initiated by Perez and Aldera could not meet the popular demands from below (Dunning 2008).

Data on public protests illustrates the amount and structure of popular demands. The El Bravo Pueblo database, cited in Lopez Maya 2006, contains information on the types of demands the protesters advanced. The author coded the demands into two broad categories: those advancing socioeconomic demands (related to the material living standards) and those including civic and political concerns. Figure 7-5 below represent the totals as well as the percentages in each category.
As we can observe, the majority of the demands concentrate on socioeconomic concerns, particularly those related to the cost of living and public services. However, in several years the percentage of political demands increases up to one-third of the total. In particular, the number of political demands increased in 1986-87, 1991-92, and 1998-99, which coincide with the moments of particularly high political agitation. In 1986-87 there were important mobilizations in favour of political reform, particularly those related to the process of decentralization, which paved the way for the adoption of legislation favouring decentralization. The years of 1991-92 witnessed the abortive military coup, and 1998-99 were the first years of the Chavez government, which spurred substantial mobilization in favour of the Constituent Assembly (Lopez Maya and Lander 2006).

Social and political organizations (unions and parties) that previously served as channels of expression for popular demands were in crisis and increasingly seen as illegitimate. With the increasing de-legitimization of redistributive public policies and social policies, the underprivileged sectors had little opportunity for articulation and expression of
their interests. This fracture in Venezuelan society led to the social explosion in February 1989, when looting and violence occurred in major cities on a scale previously unknown. Large-scale military repression produced hundreds or even thousands of deaths. This rioting constituted a symbolic breaking point in the legitimacy of the democratic regime associated with the Pact of Punto Fijo. The absence of popular opposition to the coup attempts in February 1992 further confirmed the growing illegitimacy of the political system (Lander 2007).

By 1992, Perez was under strong pressure at home to modify his policies and to resign, and at the same time he was pushed by the IMF to enter a second a more severe phase of structural adjustments. The sudden announcement of the economic shock plan and a huge gap between electoral promises and reality triggered an explosion of violence. Riots that killed more than 350 people (unofficially 1,000) forced Perez to declare a state of emergency and call in troops to repress the protests. Widespread riots and strikes from 1989 to 1992 demonstrated the diminishing capacity of the regime to implement its economic policies and to manage conflict without petro-dollars. Disenchantment with both major parties and the growing number of people who believed that violence was justified in changing the system suggest the breakdown of the social contract. With no petro-dollars to smooth over the protests, rumours of a coup constantly emerged. As demonstrations against the government grew, several generals publicly suggested that the armed forces need to take control to ensure democratic institutions. An attempted coup in February 1992 was a clear sign of the extent of the political decay (Karl 1990).

The president had absolutely no support. Perez’s popularity plunged, along with support for the ruling party. Public opinion polls indicated that 81% had lost confidence in
the president, and 57% said they would change the government immediately. Opposition legislators critical of Perez threatened a complete policy stalemate, essentially making it impossible for Perez to achieve day-to-day control of the government. In 1993, Perez was suspended from office on charges of mismanaging government funds (Karl 1990). Chavez won the elections in 1998 because the poorest majority supported him and his redistributive promises and firmly rejected the previous political system.

At first, Chavez did not seem to be able to deliver on promised benefits to the poorest section of the population (Dunning 2008). Low oil prices certainly made it more difficult to increase social spending. Despite a clear indication that social policies were a priority for the new government, structural changes were not introduced in education or social security in the first years of the Chavez administration (Parker 2007), and his popularity rating fell sharply by 2001 (Dunning 2008). At this point, Chavez began to make a serious effort to implement redistributive policies. He moved to reassert control over the state-owned oil company PDVSA. The threat of redistribution as well as state control over the economy increased opposition to Chavez from the upper classes, eventually leading to an attempted coup in April of 2002 (Dunning 2008). During 2002 and 2003, violent confrontation with the opposition, including the frustrated coup in 2002 and the lockout in the oil industry from December 2002 to February 2003, stymied government initiatives in social policy (Parker 2007).

However, by the mid-2000s the situation changed again as world oil prices were on a steep rise. Having survived the lockout, the Chavez government counterattacked and placed social priorities on the forefront of its political strategy. With the help of increasing oil rents, it began to channel growing resources to the resolution of basic problems in health and
education (Parker 2007). The Venezuelan state turned into a rentier state once again. The levels of social spending increased significantly. Dunning observes, “the connection of oil rent to the delivery of social spending that reaches significant sections of the Venezuelan population is direct and broadly proclaimed by the government itself, and the rent has clearly been widely distributed” (2008: 188).

Dunning (2008) notes that the general increase in public spending was concentrated in various areas of social spending: Between 1998 and 2004, real social spending per capita rose more than 50%, with a 20% increase occurring between 2003 and 2004. Increases in social spending were concentrated on public education and social security provisions. For example, per capita spending on public education grew 75% between 1998 and 2004, from 3.2% to 5.3% of the GDP. Healthcare had also been increased by 40% during the same period. The sharpest increases for all areas of social spending occurred after 2003.

Chavez was willing and able to accelerate economic and social programs often at odds with the neoliberal orthodoxy, eschewing the imposition of sacrifices on his core mass constituency. This was possible because of the oil rents. Many critics charge that Chavez won the election the populist way: by buying votes with massive social spending made possible by the oil boom. Part of the new oil policy was the creation of a lucrative social fund by which PDVSA directly provided money to subsidize popular markets and to support “missions” aimed at improving healthcare and educational services. These missions were also used to encourage support for the president; for example, patients were given leaflets and promotional materials for a “no” vote. The ability of Chavez to deliver services to the poor was critical for gaining their support (Hellinger 2007).
Since 2003, with oil prices rising, Chavez began massive social programs known as missions—service delivery programs set up in poor urban neighborhoods and rural areas—which included literacy, expanded access to education at all levels, employment, and the promotion of cooperatives (Lander 2007), funded by the parastatal oil company PDVSA (Dunning 2008). Dunning observes that a significant proportion of Venezuelan voters benefited from the missions. An AP-IPSOS poll of 2006 found that nearly 60% reported that they or family members benefited from subsidized supermarket chain Mercal, 42% reported benefiting from the healthcare mission that brought Cuban doctors to Venezuela, and smaller percentages reported benefiting from scholarships for adults, literacy and housing programs and other missions (Dunning 2008).

However, perhaps even of greater importance was the policy of increasing of communal power, which was extended through consejos comunales, or community councils. Burns (2009: 236) observes that these councils gave groups of families who work together in cooperative-style community organizations control over community development projects. This empowered communities to be more directly involved in their own development. However, the councils remained under direct control of the executive. Like the missions, since the funding was not transparent, there were accusations that the government was using the councils a tool to reward supporters. The efforts seem to produce results. The new policies helped to boost popular support for the president, reflected in the 58% of the voters who backed Chavez in the recall election in August 2004 (Parker 2007).

At the same time, the level of contestation decreased. Greatly increased oil rents allowed the regime to increase social spending without taxing the rich. Dunning notes a disconnect between redistributive reality and discourse. Even though class remains the best
predictor of support or opposition to Chavez, there is evidence for moderation of elite resistance from above and redistributive demands from below. While the 2005 legislative elections were boycotted by the opposition, in 2006 an opposition candidate participated in the presidential elections, thus de facto legitimizing the regime it considered illegitimate. Although political competition remained at a high level and opposition to Chavez remained quite sizable, in the mid-2000s one could observe moderation in the view among substantial sections of the opposition. In addition, the opposition faced an uphill battle: There was strong popular support for the current path of Venezuela (62%), for Chavez himself (64%), and parties associated with Chavez’s government (69%) (AP-IPSOS poll, Nov 2006). Chavez’s administration approval rating had increased since 2004 on matters of economic policy, even among the higher income groups (Dunning 2008).

These policies of structural adjustment demonstrate that international economic and political factors impacted the choices made by actors in Venezuela’s political system. The availability of externally extracted resources endowed Chavez’s slogans of popular and national autonomy with special significance, positions that explain, in large part, his immense popular support (at least, from the poorer strata). Although the upper and middle classes distrust Chavez, he represents the new social contract, calling for the revival of the nation and the people. New historical levels of participation and organizations of the underprivileged groups complement the symbolically integrative discourse (Lander 2007). At the same time, oil rents enabled Chavez to reduce the redistributive burden on the upper and middle classes while dramatically increasing public and social spending targeting the poor. This allowed Chavez to maintain the redistributive discourse (i.e., keep up with the idea of the state as a main arbiter and provider of welfare), while in reality redistribution did not take
place and many elites appeared to reconcile themselves to aspects of Chavismo policy (Dunning 2008).

This study suggested that for a democracy to have meaningful quality rather than just façade and shallow institutions, meaningful political participation and contestation are necessary. If considered from this standpoint, from the mid-2000s the quality of Venezuelan democracy has been deteriorating. Even though political competition remains relatively robust, the boycott of legislative elections by the opposition in 2005 left the National Assembly entirely in the hands of the Chavista coalition. Opposition appeared to be weak after withdrawing candidates from elections for the National Assembly and losing the presidential elections in 2006, while the newly established social programs helped to bump up the president’s popularity after 2004. Chavez himself made attempts to extend the presidential term to serve indefinitely. Power is concentrated in the executive. Judicial and legislative checks are weak. Thus, liberal checks and balances broke down, and there is no guarantee that Venezuela will remain a democracy even in the minimal Schumpeterian sense (Dunning 2008).

7.1.6 Impact of Oil on Political Systems in Russia and Venezuela

The two countries—Russia and Venezuela—in the past have had markedly different political regimes. Oil rents appear to have impacted state-society relations in those countries in similar ways, producing somewhat similar populist regimes with limited political competition. This is because the oil rents change the structure of incentives for both the state and the society. The state and the society behaved fairly consistently in regard to the expectations of the theory proposed above. When oil prices were high, both states instituted widely spread social spending programs targeting key population groups and thereby increased support for the
regime and hindered opposition activities. In times of oil bust, the states were losing autonomy and the ability to comply with their social contract obligations, so their support base diminished and political contestation increased. We have also observed that the societies in both countries were active players in the process. Societal actors were demanding the state’s compliance with their social contract obligations and reacted strongly when those promises were broken. This severely constrained the ability of the state to implement much-needed economic reforms that would have broken the oil dependency.

An interesting difference from Russia is that Chavez in Venezuela swept in during crisis as a populist voice for the poor (heavily supported by them), while in Russia Vladimir Putin’s election appeared to be supported by all population groups. The support of the poor, alienated by the decade of economic recession and neoliberal reforms, was essential for Chavez to win the elections for the first time in Venezuela’s electoral democracy. The rich opposed Chavez’s populist policies but were outweighed by the masses. Putin’s appeal to the mass electorate was based on the desire for stability and order, which followed from the decade of recession, disorder, and neoliberal reforms that impacted the majority of the population. In Russia at the time, there was no real middle class and the majority of the population was poor. The rich were supportive of Putin because initially he was seen a successor of Boris Yeltsin. Yet, there is also a parallel in both cases in that while Putin was not speaking for “the poor,” he was speaking for “real Russia” and “real Russians” as opposed to Westernized liberals, similarly to Chavez railing against globalized neoliberal elites in other parties. However, when oil revenues picked up again, both leaders became more and more authoritarian in their rule.
An interesting counterfactual exercise would be to assess what would have happened in both countries if the oil prices stayed low for a long time. In Venezuela, Chavez would not have had the resources to simultaneously appease the poor while not imposing a strain on the rich. He would have either had to break his promises to his electorate and thereby lose their support, or he would have had to tax the rich to support programs for the poor and hence the former would have been more determined to replace him. In Russia, if oil prices had stayed low, Putin would have perhaps continued to be as dependent on the rich as his predecessor was, and they would have continued to dominate economic policymaking. He would not have been able to revamp security and the military, and it is unlikely that his promise to bring order and stability would have materialized. Alternatively, Putin might have been forced to impose stricter taxation rules and reduce social spending programs, and thus the citizens would have been more inclined to demand representation and contestation would have increased. In either case, it is clear that both leaders would not have had the freedom they had to pursue their preferred agendas and to centralize their power.

Thus, this discussion confirms my proposition that the external economic conditions of high oil prices coupled with internal sociopolitical features skew state-society relations, inhibit political contestation, and encourage centralization of power and ultimately authoritarianism. In very broad terms, this study suggests that high oil prices diminish opportunities for political contestation, while reduced oil rents tend to encourage public upheaval and increase contestation. This appears to be the main mechanism that affects regime transitions in petro-states. Although the specific outcome will depend on the type of existing social structures and interest groups, in a sense oil dependence creates surprising similarities between regimes of different types and is likely to overrun other democratization
drivers. So, regime type may become epiphenomenal in the presence of more powerful factors rooted in the economic, political, and social structures that have developed alongside long-term, abundant energy rents.

7.2 Russia: 2008 Crisis and Beyond

Before closing the discussion on the impact of oil rents on Russia’s political system, it is important to assess the impact of the most recent economic and financial crisis. The financial crisis of 2008 was a serious setback on the image of stability and economic growth of the previous decade, which was a very important motivation for the mass population to support the existing regime.

7.2.1 Political Economy

Indeed, the pre-crisis economic growth did trickle down to both the middle class and the poor, and not just the rich parts of the society. According to Sergei Guriev and Aleh Tsyvinski (2010), real income more than doubled in 1999-2008, while real wages more than tripled. Mobile phone penetration grew from virtually zero to more than 100%. The Russian car market became the largest in Europe. Moscow real estate prices grew almost ninefold. The financial system grew manifestly in terms of size and sophistication. Unemployment went down by more than half, from 12.9% in 1999 to 6.3% in 2008. The poverty rate went down from 29% in 1999 to 13% in 2008. Moreover, self-assessed life satisfaction rose significantly (Guriev and Zhuravskaya 2009).

At the same time, important structural reforms have not taken place. In particular, the economy retained the same structure where it was imperative to allocate rents to maintain and expand specific production sectors of the economy, notably those that were inherited
from its Soviet predecessor. As rents grew, they were increasingly claimed by the inefficient production sectors, which used the rents to expand production capacity, hire new workers, and build new plants and even whole new cities, which heightened the need for even more rents in the future. This reinforced the legacy of misallocation inherited from the Soviet period. However, the more serious negative effects come in the bust cycle, as the misallocation was not self-correcting (Gaddy and Ickes 2010). Politically, it was impossible for the regime to close down the so-called mono-cities built around the inefficient enterprises, and instead the state had to assume the responsibility for keeping afloat these enterprise-cities along with their entire populations.

Thus, the 2008 crisis had rather serious consequences for the Russian economy and, by implication, Russian state-society relations. The crisis hit the Russian market hard. By September 2008, the Russian Trading System (RTS) stock index had plunged almost 54%. Trading on the Moscow Interbank Currency Exchange (MICEX) and the dollar-denominated RTS had to be suspended three times in a period of two months. Bank failures worsened the stock market collapse. The price of oil collapsed from above $100 per barrel to just over $30 in December, a fourfold drop in just a matter of several months, and stayed relatively low throughout 2009. Russia’s other major export, metals, experienced a similar price decline (Guriev and Tsyvinski 2010). Figure 7-6 below illustrates the depth of the crisis in Russia. One can see a substantial drop in both value of oil exports and GDP, which correlate closely.
As the economy sank, the volumes of import of goods decreased significantly. As Figure 7-7 illustrates, although export of goods declined by 10%, import of good fell as by 30%. The population, over the last decade accustomed to the increasing standards of living and foreign-made goods, certainly felt the consequences of the crisis.

In October 2008, the Russian government acknowledged the crisis and announced a package
of anti-crisis measures. Since Russia had entered the crisis with a strong budget, balance of payments and reserves, the government was able to cover the budget deficit from the reserve fund that it had built up from oil and gas revenues in the preceding years. Nevertheless, the economy shrank 7.8% in 2009. Hardest hit were the areas dominated by steel and non-ferrous metals production (often concentrated in the enterprise mono-cities). As mentioned above, when enterprises began to experience financial difficulties, workers began to protest and the federal government had to bail out entire factories and towns. For example, to stave off bankruptcy, the government provided $2.5 billion to AvtoVAZ, the Soviet-era automobile-plant which remains Russia’s largest car producer (Teague 2011).

Overall, in comparison with the economic crises of the mid-1980s and 1990s, the 2008 crisis was sharp but relatively short-lived. Russia’s economic decline reached its lowest point in mid-2009 and, by autumn of that year, there were signs indicating that the economy was emerging from recession. Oil prices rebounded in 2010 and boosted the economic growth, which helped to reduce the budget deficit accumulated in 2008 and 2009. As a result, the GDP in 2010 was 4% higher than the 2009 level (Teague 2011). Inflation even declined, and unemployment somewhat declined, as well.

7.2.2 Contestation in Post-Crisis Russia

According to some analysts, the rise in strike activity in 2007 and 2008 has been remarkable, especially because Russian workers had been largely quiescent previously (Vinogradova and Kozina 2011). Although the 2007 strikes may not be directly linked to the economic crisis, starting in 2008 one could observe the protests directly linked to it. One of the first most visible protests occurred in Vladivostok in December 2008 and January 2009 against increased tariffs on imported automobiles, aimed at protecting Russia’s own car industry.
The protests picked up and grew in numbers, and alarmed federal authorities, who on December 21 dispatched OMON troops to Vladivostok from Moscow and the North Caucasus to break up the demonstrations. Workers remained relatively passive in the spring of 2009, but by May-June, according to Moscow’s Institute of Collective Action (Institut kollektivnogo deistviya), the number of workers’ protests began to rise again. In particular, the number of rallies outside enterprises went up. The number of public protests such as street demonstrations also went up sharply, and continued to rise throughout the rest of 2009 (Teague 2011).

Russian authorities had to address multiple challenges from disenchanted citizens protesting against the decrease in their standard of living. Perhaps the most well-publicized protest took place in June 2009 in Pikalevo, a mono-town near St. Petersburg, where the only sources of employment for Pikalevo’s 21,000 inhabitants were the local aluminum, cement and potash factories. These enterprises had been shut down the previous winter, and the population was stranded without work or income. Eventually even hot water and heating were turned off, and desperate Pikalevo residents blocked the main railway line between St. Petersburg and Vologda and a major road, causing a 250-mile traffic jam. The protests took on a political air and showed signs of radicalization, with some protestors carrying placards accusing the government of being “impotent.” Putin himself had to intervene to publicly force the owner of the factories, oligarch Oleg Deripaska, to pay all of the outstanding wages. In addition to the ones at Pikalevo, similar protests took place on the opposite ends of the country—in Vladivostok in the Far East and Kaliningrad in the northwest. In Kaliningrad, major demonstrations occurred over the tax increase on automobile imports, cuts in social welfare programs, and high utility costs. The protest intensified and began to combine
economic demands with political ones, calling for the resignations of both Prime Minister Putin and the governor of the Kaliningrad region, Georgii Boos. The striking 10,000 took to the streets, making it, at that time, the largest public protest since the collapse of the Soviet Union. Clearly alarmed that the protest might grow and spread, federal authorities sent a group of officials to the region to help local officials cope with the problems, and Boos himself was sacked by the Kremlin (Teague 2011).

However, even though the protests were occurring on a regular basis and reportedly had a tendency to radicalize, I did not find data that would support the claim that the volume of protests increased significantly as a direct response to the financial crisis. The data collected by the Institute for Collective Action covers the period between August 2006 and September 2009, albeit unfortunately somewhat intermittently, especially towards the end. Figures 7-8 and 7-9 below represent the number of protest activities and number of participants in them in approximately one-week intervals, with some gaps. I was not able to detect any significant increase during the crisis period.\footnote{Unfortunately, admittedly large chunks of data are missing for the periods between April and October 2008, February and May of 2009, October of 2009, and June and September of 2009.} The largest peaks are as follows: May of 2007 is the organized action by the Federation of the Independent Trade Unions, September 2007 is the KPRF campaign against “popular genocide,” and September 2008 is the action of the Federation of the Independent Trade Unions against the fuel price increase. The May 2009 peak is primarily organized May 1 demonstrations that failed to turn into protest events. These were rather significant public mobilization campaigns that possibly signal the increased organizational capacity of these groups. These actions, however, at that time did not produce any significant policy changes and remained somewhat marginalized.
Part of the reason why the financial and economic crises failed to produce a massive wave of
protest, as will be described below, is that the government was able to mitigate the effects of the crisis by pouring oil rents accumulated previously in the reserve fund back into the economy, especially targeting politically active and potentially mobilizable population groups. Because the crisis was relatively short-lived and the recovery occurred reasonably quickly, the protest activity failed to turn into a political crisis as had occurred during the economic collapse in the mid-1980s. This is an important point for my argument. Had the financial crisis continued and oil prices remained dipped for a longer period, the government would have run out of its cache of stored-up oil rent funds and would have encountered problems, but this did not happen, as oil prices stayed low only for a short period of time.

Still, the most important outcome of the crisis was that the previously existing near-universal consensus about the role of the state as a guarantor of social welfare and stability began to be questioned. As a result, some important changes took place in the collective action patterns after the financial crisis. In particular, the financial crisis seemed to have changed the nature of civic action in Russia. The events described above as well a number of similar ones, which became known to many across the country, appeared to encourage ordinary people to come together to defend their rights and interests by means of demonstrations and social protests. For example, one of the best-publicized large protests was launched in summer 2010 to prevent the building of a high-speed motorway through the endangered Khimki Forest, part of Moscow’s Green Belt. The leader of the movement, Yevgeniya Chirikova, then a 33-year-old mother of two young daughters, became one of the new faces in the political spectrum of Russian society. The protests of 2010-11 were not led by an organized opposition movement, but were the result of spontaneous self-organization on the part of Russian citizens, whose willingness and capacity to organize themselves
appeared to be increasing at a significant rate (Teague 2011).

As appears to be the case all around the world, an important new trend in protest activity was that it had increasingly moved into the virtual space. Internet and social media sites became important tools for this self-organization, as the events during the elections of 2011 and 2012 demonstrated. Popular bloggers became important political players. For example, Aleksei Navalny, lawyer and the founder of RosPił (http://rospil.info/), a Web site devoted to revealing government corruption and misuse of public funds, became one of the most prominent opposition figures. Some commentators noted that the Internet had become a platform for the consolidation of people with active political position. A research paper from the Berkman Center for Internet and Society suggests that the most active core of the Russian blogosphere consists of about 11,000 most-linked-to bloggers, who serve as citizen watchdogs and promoters of independent civic action. Indeed, recent protests against electoral fraud in 2011 and 2012 demonstrated that even without television coverage prior to the protests, organizers were able to use social networks, blogs, Twitter and YouTube to rally between 50,000 and 70,000 protesters in Moscow (and tens of thousands in other cities), easily the largest protest in recent Russian history. By many estimates, an even larger protest with more diverse participants took place on December 24 on Sakharov Prospect in Moscow, with upwards of 100,000 participants (Alexanyan, Barash et al. 2012). In February of 2012, 35,000 people self-organized into a massive human chain along the entire 10-mile Garden

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73 Kollektivnoe soznatel’noe: Internet stal ideal’noi proschadkoi dlia ob’edinenia lyudei s aktivnoi grazhdanskoj pozitsiei, Olga Borodina and Yulia Chernukhina, Novye Izvestia October 31, 2011.
Ring Road encircling the city center.  

This is a significant change in the sociopolitical landscape in Russia as well as in many other authoritarian and semi-authoritarian regimes. Internet penetration is growing rapidly and is now approaching 50% in Russia, which may mark an important tipping point. However, Internet penetration is still heavily concentrated in Russia’s major cities and urban centers, where 73% of its population is located (Alexanyan, Barash et al. 2012).

Graeme Robertson argued that the nature of protest and oppositional organization capacity in Russia had been changing over a long period of time, from approximately mid-2000s. The hunger strikes and direct transgressional protests of the 1990s were replaced by arguably more democratic demonstrations and rallies, many of which were focused on specific and often pragmatic issues, as we have seen above. Robertson argues that the large-scale protests of 2011-12 were a direct implication of those earlier protests. They used the same repertoire, demands, locations, and people than the earlier ones (Robertson 2012). I would suggest that the biggest difference, aside from size, was that these demonstrations became openly political as opposed to earlier bread-and-butter types of protests.

It is possible, therefore, to talk about the beginning of the new mobilization period. The question remains, however, as to whether this stratum of educated urban dwellers is significant enough to tip the balance in Russia. Clearly, the strong base of the current Russian regime is not so much in the major urban centers as in the smaller urban centers as well as rural and remote areas where the less educated and less Internet-savvy population may still

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believe in the benefits of stability over democracy. This will be the key puzzle in the next few years.

7.2.3 Impact on the Supply Side of the Opposition During the Crisis

7.2.3.1 Repression and Manipulation

At the beginning of the new mobilization period, the Russian authorities responded to the challengers in a way similar to what has been commonly used in the past. In particular, the authorities responded promptly to the bread-and-butter protests. In these circumstances, resources were often channeled to these regions and population groups to satisfy immediate needs and release the tensions. At the same time, authorities reacted rather harshly to any real or potential political challenges. The administrative resources and coercive capacity were widely utilized, for example, to quash opposition political movements such as The Other Russia. For example, the latter attempted to launch a campaign called “Strategy 31” in support of freedom of speech, constitutionally guaranteed by Article 31 of the Russian Constitution, which the opposition claimed was consistently violated by the authorities. As part of this campaign, political protests were to be held at the end of each month with 31 days in it (i.e., January, March, May, July, August, October, and December). These demonstrations, as well as the protest Marches of Discontent, were severely quashed by the authorities throughout 2007-2011. My own field observations in the summer of 2009 confirmed that the authorities severely overpowered and harshly repressed political protests.

Although the Russian leadership coped well with the effects of the crisis, they showed clear signs of nervousness about the population’s reaction. For example, the authorities

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75 Kak razgoniali “Marshi Nesoglasnykh,” Gazeta «Kommersant» No. 69 (3645) April 24, 2007; Oppozitsii ustroili “Zinnie Zabavy”: na aktssii v zaschitu konstitutsii zaderzhano bole sta chelovek, Gazeta “Kommersant” No. 16/II (4316), February 1, 2010; Po vsei strogosti OMONa: “nesoglasnykh opyat’ razgonali v tsentre Moskvy, Gazeta “Kommersant,” No. 139 (4194), August 1, 2009
responded angrily to predictions that mass protests would take place across the country and that the popularity of the Russian leadership would begin to fall. For example, Teague (2011) observes, in November 2008 the economist Yevgenii Gontmakher published an unprecedented provocative article in Russia’s leading business newspaper, Vedomosti, in which he warned that anti-government riots comparable to those that took place in 1962 in the southern Russian town of Novocherkassk were possible as workers responded to the economic crisis. Gontmakher pointed in particular to the challenge posed by Russia’s 460 single-factory towns, in which their inhabitants would extremely vulnerable if the single employer experienced financial problems. In response, the Kremlin warned Vedomosti’s management that Gontmakher’s article might be considered “incitement to extremism” and hence be liable to criminal prosecution. However, Gontmakher followed up in December 2008 with another article, also in Vedomosti, in which he called on the authorities to start reforming the political system and to initiate a dialogue with society, including those “outside the system” —that is, political parties not represented in the state Duma (lower house of Parliament), independent trade unions, and so on.

As the protest activity grew to include demonstrations of over five to ten thousand participants, the strategy began to change. If previously no anti-government demonstration could receive government approval, in the winter of 2011-2012 authorities began to grant permission or simply did not prevent holding large-scale protest events. These tactics may have been chosen to avoid confrontation prior to the presidential elections in March of 2012.

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At the same time, the authorities used all possible means to discourage attendance.

For example, during the protest activity that was permitted on December 5, when as many as 5,000 people protested against alleged fraud in the Duma elections, about 300 people were detained by the police. The following day, a smaller crowd formed with the hope of maintaining the momentum; however, it was rapidly choked off by riot police officers, who arrested 250 people. Two of the leaders of the protest—Ilya Yashin, a liberal activist, and blogger Aleksei Navalny—were sentenced to 15 days in prison for disobeying police orders. On February 21, 2012, Nadezhda Tolokonnikova, 22, and Maria Alyokhina, 24—both mothers of young children—were arrested for bursting into Moscow’s main cathedral in February and performing a song calling on the Virgin Mary to rid Russia of Vladimir V. Putin. The two were sentenced to two years in jail. A third member of the group was released after an appeal hearing. The case received a great deal of attention from supporters and opponents of the action, with heated arguments on both sides. However, despite the international resonance and protests, the two women were sent to penal colonies to serve their sentences in October of 2012. The recent innovations of the law also included a bill that raises fines 150-fold for people taking part in unsanctioned rallies.

Similarly, the authorities intensified their efforts to mobilize their supporters to intimidate and harass the opposition. For example, on December 6, the opposition site was flooded with throngs of pro-government activists who banged on tin drums, drowning out the anti-government slogans.

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81 Russia approves 150-fold rise in fines for illegal protests, guardian.co.uk, Wednesday, June 6, 2012
82 Ellen Barry, Russia Cracks Down on Antigovernment Protests, New York Times, December 6, 2011
It appears that although repressions had some effect on the opposition’s ability to gather protest demonstrations in the beginning, the protests gained momentum and grew in numbers, and the authorities had to adjust their actions. No doubt, hard and soft repressions are still effective at containing the protest activity, but they don’t seem to play a decisive role.

7.2.4 Impact on the Demand Side of the Opposition During the Crisis
7.2.4.1 Patronage

The state may be able to co-opt social groups and mobilize supporters to demonstrate widespread approval of the regime and distract public attention from opposition activities. As I described earlier, oil revenues enable the state to prevent opposition groups from emerging by selectively co-opting potentially mobilizable social forces. In Russia, I argue, we observed exactly that. As the crisis was relatively short and the Russian government possessed significant resources accumulated over the period of the oil boom, the state was in a position to continue targeted subsidies and selective public expenditure increases to mitigate the consequences of the crisis. The Russian state was able to use its resources to appease specific groups that were either highly mobilizable or the most affected by the crisis, and hence were more likely to protest against the declining living conditions.

Russian pensioners regularly protested against social and economic injustices and proved to be a highly mobilizable group. Pensioners have become a major constituency for the opposition forces, in particular the Communist and left parties. The Russian government was clearly aware of this and took preventive measures seeking to co-opt this group. For example, in October of 2009 Russia submitted its annual budget for the next year to Parliament. Although finances were tight, one group of Russians—pensioners—were set to
receive a dramatic 50% increase in the average pension, which would rise to around $280 a month by end of 2010, on top of a 25% increase the previous year. The hike came at a time when Russia already faced a gaping hole in its pensions budget, which was expected to balloon. The projections showed that the following year, Russia’s State Pensions Fund was officially to run a deficit of some $40 billion (2.4% of the GDP), but the Fund’s actual drain on the budget would be more than double that (5.3% of the GDP) because many categories of expenditure were not included when calculating the deficit. Overall, the average annual labor and social pensions in Russia were planned to increase almost twofold by 2020, according to Healthcare and Social Development Minister Tatiana Golikova.

Similarly, as the crisis hit the poorest strata the hardest, the Russian state took measures to target those population groups with selective public expenditure increases. For example, poor people began to experience problems with access to drugs and medicine due to 10-15% increases in the price of imported pharmaceuticals as a result of the exchange rate. The Russian state tried to counteract these developments. In 2009, it had directly purchased medicine equivalent to 12.2 billion rubles from the federal budget in order to maintain healthcare standards for the poor.

In addition, as factories and enterprises began to experience problems that led to mass layoffs, the Russian state was aware that such layoffs might directly lead to popular discontent among the worker population. As we recall from previous discussion, Russian workers tend to be geographically concentrated and highly mobilizable when facing economic hardship. The Russian government took proactive measures in companies planning

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mass dismissals, including vocational training, creation of temporary jobs, relocation of employees and the support of self-employment and start-ups. Russia also increased unemployment benefits and took steps to expand coverage.85 Moreover, the government clearly learned its lesson from the 1980s, when the highly concentrated and militant miners became a leading force of the new protest activity. In 2008, the government channeled resources to bail out key enterprises, among which Kuzbass coal mines were mentioned specifically.86

Putin’s 2012 electoral promises included perks and benefits for several key population groups that in the past proved to be willing to take their grievances to the streets. In addition to pension increases, his program included raising wages for doctors and teachers. It is also planned to expand the popular “baby bonus” payments the Russian government provides to mothers to include a third child. The payment of up to $8,300 for housing or baby-related expenses currently comes as an incentive only with each of the first two children. The additional cost of the expanded baby benefits alone will total $4.6 billion per year, according to an estimate by the Higher School of Economics in Moscow. New York Times commentator Andrew Kramer believes that most of Mr. Putin’s spending promises came at least partly in response to the street demonstrations by young and middle-class protesters in Moscow and other big cities challenging his authority in the weeks leading up to the March 4 election. Putin’s apparent goal was to shore up support from the rest of Russia:

poorer and rural parts of the country, and from state workers and the elderly.\textsuperscript{87}

As described in the previous chapter, beginning in the mid-2000s the Russian state had begun what seems to be a concerted effort to establish institutionalized pro-regime movements. The movements were focused on two key categories of the population: First, the active working adult regime supporters were mobilized through United Russia, and second, a number of youth movements such as \textit{Nashi} targeted young people with an apparent aim to socialize them into the “right” ideas of patriotism under the banners of Putin’s regime. The models for such mobilizational mechanisms already exist in the collective memory of the Russian people dating back to the Soviet times. Some observers suggest that “just as today’s pro-Putin United Russia party resembles the Soviet Communist party in that ambitious officials feel they need to join, so Nashi has echoes of the Komsomol, the communist youth league.”\textsuperscript{88}

The federal budget is an important source of funding for the activities of these movements. For example, youth camps have become a rather visible element of developing a social base for the regime among young people. According to the opposition Web site Kasparov.ru, which in turn cites the newspaper \textit{Vedomosti}, the federal expenditure on the youth camp Seliger had increased almost twofold in 2011 to 178 million rubles from about 100 million rubles in both 2009 and 2010. Seliger is a highly visible project that brings together youth from various regions to train them in patriotism and regime support. Seliger is

also sponsored by private companies, which use this as an opportunity to demonstrate their
loyalty to the regime.  

Nashi and other youth groups take an active role in the mobilization of regime
supporters among young people. During the presidential elections of 2012, for example, the
organization brought over 500 buses with young people from different regions to Moscow to
vote for Putin and also demonstrate their support publicly. In addition, massive pro-
government demonstrations and events were held on nearly each occasion that the opposition
organized anti-government protests.

7.2.4.2 Social Contract

For the past decade, the social contract was based on the state’s redistribution of wealth to
citizens, which negatively affected the demand for potential opposition. However, as the
crisis loomed, previously silenced forces became more vocal in questioning and debating the
social contract arrangement. RFE/RL’s commentator, Brian Whitmore, noted that the
Kremlin’s threats not only failed to silence Gontmakher; they also encouraged other
members of the intelligentsia to come forward with criticism of the regime. Teague (2001)
writes:

An impassioned debate ensued in the press and among the intelligentsia about the
continuing relevance or not of so-called “social contract.” Whitmore detected “a
growing sense that the authoritarian social contract that dominated Russia since
Vladimir Putin’s rise to power in 2000—that ordinary Russians give up civil and
political rights and agree to stay out of politics in exchange for social stability and
steadily rising living standards—is perilously close to being null and void and needs
to be replaced.” Igor Yurgens, director of the Institute of Contemporary Development
think-tank and a close associate of Gontmakher, added fuel to the fire when, in

89 See also Cathy Young, Putin's young “brownshirts” (first part), The Boston Globe August 10, 2007;
Gazeta.ru, “Politicheskii kindersurpriz,” October 2, 2005
90 Miting na Manezhnoi ploschadi v podderzhku pobedy Putina na vyborakh prezidenta sobral okolo 15 tysyach
chelovek, retrieved from newsru.com on March 5, 2012
February 2009, he told a newspaper interviewer that, “At the current moment, economic well-being is shrinking. Correspondingly, civil rights should expand. It’s just simple logic.”

However, a pro-Kremlin political analyst Dmitrii Orlov disputes this assessment, suggesting that historically, Russian social contracts had had little in common with Western ideas of Jean-Jacques Rousseau. In Russia, “the main (and decisive) contracting party . . . was always the state,” which imposed social order from above. He argues that this “vertical contract” is better suited for Russia than the “horizontal contract” prevalent in Western societies, “where the estates and social groups agree first and foremost among themselves.” Orlov further argues that “[i]n our country, a severe weakening or disintegration of authority has always been followed not by . . . a transition to the ‘horizontal’ model beloved of the West, but by the rapid disintegration of political and social institutions and social interconnections. Examples are the Time of Troubles, the February Revolution, and the collapse of the USSR.”

This opinion is in line with the official position that is being promoted.

Clearly, the Russian state made an effort to maintain its role as a guarantor of public welfare in order to maintain the status quo. Figure 7-10 shows that even as revenues decreased, social spending continued to rise. Figure 7-11 illustrates that government expenditures surpassed government revenues during the crisis.

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Figure 7-10  GDP, government revenue and expenditure in Russia, 2000-2010 (Unstacked)
Source: World Economic Outlook database, IMF

Figure 7-11  Government revenues and expenditures as percent of GDP in Russia, 2000-2010 (Unstacked)
Source: World Economic Outlook database, IMF
At the time of this writing, even as certain groups and individuals are questioning the previously widely accepted “vertical” social contract, it still remains strong, as demonstrated by the recent reelection of Vladimir Putin as President of the Russian Federation. Recent polls (May-June 2012) demonstrated that 60% of respondents in Russia feel positively about President Vladimir Putin, while 14% are negative. At the same time, the Moscow alignment of forces is different: 38% in Moscow sympathize with the president, and 20% disapprove of him. A similar difference is observed for Premier Dmitry Medvedev: In general 51.5% of the country is sympathetic with him, while in Moscow only 35%. In contrast, one of the new key opposition figures, Aleksey Navalny, has the support of only 11% of the respondents even in the capital. The rest of the respondents either do not like Navalny (31%) or are indifferent to him (44%), and 14.5% simply do not know him. On average, 43% of the country does not know him, while his support is 7%. Sociologists note a split between public opinion in the capital cities and the rest of the country. The head of the research group that conducted the polls, Professor of the Department of Sociology of the HSE Alexander Demidov, suggests that there is a new trend division of Russia into “Russia on TV” and “Internet-Russia.” “Internet-Russia” is represented in Moscow and other major urban centers, and “Russia on TV” in the provinces. As the “Internet-Russia” somewhat expands, views expressed by the Muscovites will be better distributed; however, analysts do not expect dramatic changes. Sociologist Lev Gudkov concurs that the country in general is extremely passive and not interested in politics, and the president’s rating is still high. Therefore, it remains to be seen whether the Russian state succeeds in maintaining the prevailing model around which consensus is being built.

7.3 Conclusion

I began this chapter by illustrating that there is indeed a relationship between oil revenues and political contestation. The data presented above suggested that when oil revenues are on the rise, there appear to be fewer opportunities for political conflict.

However, oil by itself does not “cause” political quiescence. It is the expectations and perceptions of the state and the societal actors that make it possible. I identified a number of mechanisms that link oil wealth to changes in behavior of the state and social forces, and have shown above that these mechanisms appear to work somewhat similarly in the contexts of two initially different political systems: Russia and Venezuela. Ultimately, the analysis shows that both countries in times of high oil prices developed similar populist regimes with limited political competition.

At the same time, the impact of oil revenues on state-society relations is far from deterministic. Existing social structures shaped the resulting social contract arrangements. The differences between the cases were due to the different preexisting sociopolitical structures. In particular, in Venezuela organized political parties and liberally oriented interest groups existed over a long period of time, and thus they were in a better position to mobilize in opposition to the ruling regime. In the Russian case, we have observed that opposition groups did not exist at the beginning. They emerged over time, though they were less organized and less capable of effectively aggregating societal interests.
The capacity of civil society and political organizations in Russia, including opposition groups, appears to grow over time despite the state’s repressions. It is possible that oil wealth contributed to this growth in capacity, as it simply allows for more resources in the economy. However, the bigger problem for the opposition continues to be the demand side of the opposition, whereby there is simply not enough demand for the opposition’s agenda among the general population. The key point is that oil prices have remained high except for a brief dip in 2008-09 that was short-lived.

As the discussion above suggests, there is an active battle between the old and the new forces in the current Russian political system. There are signs that more independent political forces are seeking an active role in politics and are preparing to take a lead in challenging the vertical power structure. The state, in turn, continues to use the tools described above, which are made possible by abundant oil rents, to preserve its centralized power. These policies seek to appeal to the masses that may be more interested in preserving authoritarian stability and economic growth over democratic development. At the time of this writing, it appears that the state still possesses a significant degree of control over society. Vladimir Putin is still the President of Russia, and there are no real challengers.
Chapter 8: Summary and Conclusions

This thesis explains the causes of alternating periods of state-dominated stability and mass popular movements in Russia over several decades and shows that oil rents shape state-society relations and regime outcomes. Due to its peculiar characteristics, the oil and gas industry, as a sector of the national economy, has had a significant impact on the political environment in producing countries. The explanation that is advanced in this study seeks to show how major external structural factors and changes associated with the world commodity markets influenced the regime transitions in Russia and other oil rich states by affecting political contestation. As Charles Tilly observes, political contestation - which includes politically constituted actors making public collective claims for power - is a crucial democracy-promoting mechanism (Tilly 2007). When there is no possibility of contestation, a liberal democracy is not likely to emerge.

While most studies of petro-states focus on political elites and state institutions, this thesis looks much more closely at the societal level and links patterns of activism and passivity with theories of mobilization and resources. This dissertation proposes an argument which links oil rents to the possibility of political contestation in petro-states and suggests that this, along with elites’ actions, is the key factor that helps explain the regime type and the direction of the change in times of external economic shocks. Most authors do not explicitly include societal actors as agents in their models. For example, Dunning (2008), by operationalizing democracy in the narrow Schumpeterian terms, implies that once democratic institutions and elections are in place, they provide meaningful and sufficient avenues for public participation to influence policymaking, and there are powerful groups
representing public interests. Further, Dunning’s argument somewhat oversimplifies authoritarian regimes in assuming that societal interests do not play much of a role in them. However, these assumptions may not hold in many petro-states. Unlike authoritarianism, democracy can be seen as a “radial” category (Collier and Mahon 1993; Collier and Levitsky 1997), and thus it is more meaningful to speak of the quality of democracy, which depends on whether citizens have actual rights and freedoms that allow them to participate in public life (Dahl 1971). It is, therefore, imperative to focus on state-society relations and the possibility of political contestation to explore the impact of resource wealth on political regimes.

My research suggests that a political economy model of political contestation explains changing state-society relations in petro-states, which result in alternating periods of state-dominated stability and public upheaval. The external economic conditions of high oil prices coupled with internal socio-political features, skew state-society relations, inhibit political contestation, and encourage authoritarianism.

My argument can be summarized as follows: When oil prices are high, petro-states have overwhelming incentives to expand social spending in order to ensure obedience and calm down potential political opponents, which appears to be an easy means of securing legitimacy. This is not to say that contestation or demonstrations cannot happen in petro-states, but that the state has more freedom to advance its policies without consulting with societal actors because it has the resources to suppress opponents and to appease those who are unsatisfied. It is less vulnerable to societal demands and does not require broad societal support for its policies because it is not solely dependent on taxes.

93 Although my research is primarily concerned with the emergence of petro-authoritarian regimes, I expect that democratic states (e.g., Norway) may have somewhat similar patterns with variations in contestation.
This dissertation further argues that when states have abundant resources to distribute societal groups have incentives to seek redistribution rather than representation. Consequently, the social contract that emerges is based on the shared understanding of the role of the state as a re-distributor of oil rents and guarantor of societal welfare.

When oil prices are low, the state can no longer meet the expectations associated with its legitimacy and, therefore, becomes more vulnerable to internal and external pressures. Moreover, retrenchment of social benefits is a notoriously difficult process, which tends to mobilize affected social groups (Pierson 1994). Citizens become increasingly dissatisfied and the social contract may break down. In some cases, the regime’s loss of legitimacy may precipitate its disintegration.

In very simplistic terms, this study suggests that high oil prices diminish opportunities for political contestation, while reduced oil rents tend to encourage public upheaval and increase contestation. This appears to be the main mechanism that affects regime transitions in petro-states. Karl shows that oil booms have had a profound effect on state evolution and institutions, expanding state jurisdiction while weakening its capacity (Karl 1997). Others note that resource booms tend to prolong the survival of regimes (Smith 2004). The effects of resource busts are more uncertain. Busts often trigger political instability or important political shifts (Karl 1997), but existing literature does not provide us with clear explanations of what determines the direction of the change: whether one would expect a revolution as in Iran, political liberalization as in Mexico, a military coup as in Nigeria, a democratic crisis as in Venezuela (Karl 1997), or dissolution of the regime as in the Soviet Union (Goldman 2008).
The goals of this study have been twofold. Firstly, I have tested the precise mechanisms on empirical events through a detailed focus on political contestation and opposition as opposed to the more macro-level arguments about the regime's characteristics. Secondly, I have explored the legacy factors which interact with oil revenues and shape the qualities of state-society relations, such as pre-existing social interest groups and norms. My level of analysis is choices made by state and societal actors within the framework imposed by the oil-based political economy. I explored how both sets of actors respond to the changing economic conditions and interact with each other.

To recap, the following Table 8-1 summaries the mechanism-based hypotheses:

<table>
<thead>
<tr>
<th>“Supply” side</th>
<th>“Demand” side</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Repression and manipulation. Oil revenues allow the state to demobilize opposition groups (using soft or hard coercion)</td>
<td>H3: Patronage State may be able to mobilize support of the regime and distract public attention from opposition activities by instituting selective and targeted perks to specific population groups (e.g. youth, pensioners, etc)</td>
</tr>
<tr>
<td>H2: Cooptation Oil revenues allow the state to prevent opposition groups from emerging by selectively co-opting particular social actors (organizations or elites)</td>
<td>H4: Social contract The social contract will be based on the state's redistribution of wealth consumed by citizens, so the demand side of potential opposition is negatively affected. This presumes a more blanketed normative agreement across various population groups that the state is the ultimate guarantor of social welfare and stability.</td>
</tr>
</tbody>
</table>

Table 8-1: Summary of hypotheses

Long-standing features of social organization that predate the discovery of resource wealth, such as structures of interest representation, social networks, as well as prevailing norms and expectations about the state’s role, also influence the effect of oil rents on state-society
relations. The pre-oil features of social organization and state-society relations ultimately shape the configuration of the resulting social contract.

Although the specific outcome will depend on the type of existing social structures and interest groups, in a sense oil dependence creates surprising similarities between regimes of different types and is likely to over-run other democratization drivers. The interesting part of my argument is that pre-existing regime type (democracy vs. authoritarianism) appears to be less important than high oil rent versus low oil rent scenarios. That is, regime types appears to become epiphenomenal in the presence of more powerful factors that are rooted in the economic, political, and social structures that have developed alongside long-term, abundant energy rents.

8.1 Summary of Findings

I find consistent correlation between oil wealth and patterns of behaviour of state and societal actors. Unlike most studies on the impact of oil wealth on regime transitions, this study focused on both the boom and the bust cycle of mineral markets. On the boom side, I identified a number of consequences of high oil rents for state-society relations. In particular, I argued that when oil prices are high, economic forces interact with previous societal legacies to create pervasive incentives for the state to throw money at social problems, instead of pursuing a more difficult bargaining position. To this end, I showed how changes in external economic conditions (such as world oil and gas prices) translated into the state’s choices with regards to toleration of political opposition and social policies.

The state’s behaviour is fairly consistent with expectations. When oil rents increased, the state’s autonomy increased, and vulnerability to public pressure decreased. This was true...
during the Soviet period, although one can argue that it was associated with the Soviet political system. However, even during the post-Soviet era, under President Putin, as soon as oil prices began to grow, the state’s behavior changed, demonstrating more autonomous decision making and lesser vulnerability to social actors’ demands. Yet, the state was far from immune to societal pressure. On the contrary, during both boom periods, the leaders continued to be wary of broader societal discontent and felt obliged to comply with their side of the social contract, even when economic conditions were highly unfavorable.

The repression thesis had the weakest support in my analysis. Repression of real or potential opponents was used routinely, but it does not appear to be the decisive factor containing the opposition and is not necessarily linked directly to the oil rents. Repressions tend to somewhat correlate with oil rents, albeit perhaps not directly, and possibly with a time lag. There appears to be a certain inertia associated with the use of repression. For example, the Soviet state continued its attempts to use repression even as oil rents collapsed and Perestroika or restructuring of the political system was well underway. Adjustments to repressive regimes in Venezuela also lagged behind the political and economic changes. Similarly, the number of arrests in Russia did not seem to increase significantly until 2006-2007. Furthermore, the question remains whether state repressions are even effective when protest mobilization reaches a certain critical mass level. Under certain conditions, the repressive capacity may be overwhelmed by the number of contentious events and become dysfunctional.

One of the most important findings in this study is that soft coercion appears to be more effective in many contexts and petro-states appear to prefer soft coercion and manipulation to hard coercive methods. In all cases of high oil rents (the Soviet Union,
Russia in 2000s and Venezuela during boom years), the states implemented some schemes to avoid potential mobilization by creating quasi-independent organizations or by manipulating existing oppositionally inclined groups. These efforts clearly appeared to be much less effective in the bust cycles.

Cooptation of the political figures proved to be effective in some contexts but not in others. In the Soviet Union, cooptation was not even viable because all opposition was categorically again the existing regime and thus was labeled as “the enemies of the people” by the latter. Cooptation of key oppositional actors into the mainstream political system was one of the tools that the Putin’s regime used to diffuse tensions. Cooptation was also used in Venezuela, where the political establishment sometimes embraced key societal actors and organizations. Cooptation does have its limits, however, as many oppositional political actors would not accept political appointments for ideological reasons or because they are hoping to eventually win the elections and take office. Quite often, when oil prices collapsed, those oppositional figures may have had the chance to do just that.

Targeted patronage of specific social groups was the tool that seemed to be especially effective and cherished by many petro-state leaders. The Soviet leaders instituted targeted patronage programs for potentially mobilizable social groups, such as workers and intelligentsia. Chavez implemented missions to attract the poor, who were the main social based of his electorate. Putin’s regime targeted pensioners and young families, among others, because they were critical for his electoral success and also, potentially, socially active (e.g. pensioners demonstrations in 2005-07 and younger middle class in December 2012).

Evidence of the state’s willingness to use social spending as means of controlling opponents, is fairly consistent with expectations but not entirely. For example, as oil prices
started to climb in early 2000s, the Russian state started to increase social spending as a federal budget line item in both absolute terms and as a percentage of the overall spending. At the same time, the Russian state kept pushing to continue retrenchment of Soviet-style social benefits well into the “wealthy” years. And it may be in response to a strong wave of public protest from society that it reversed its course and began to increase social spending. The social protest may be real or imagined -- in fact, there is a possibility of a learning effect from the “color revolutions” on the part of Russian ruling elites. As the state became wary of potential public mobilization, it started to look for preemptive measures to avoid such mobilization by increasing social spending programs, reaching out to wider social strata. The state and society thus exist in a dynamic equilibrium defined by the terms of the tacit social contract, which defines the role of the state and the nature of societal participation in politics.

Thus, another key finding of this study is that not only the state is affected: social and political groups may also prefer to demand redistribution and engage in rent-seeking behavior in order to obtain a larger share of natural resource wealth, rather than establishing formal institutions of interest representation. Consequently, a necessary component of a liberal democratic regime – political contention, understood as collective claims for power made by politically constituted actors – is missing.

My findings suggest that societal actors react to the changes in the external economic situation as well as to the state’s actions. In this sense, they are not just objects of state policies, but actively seek to intervene and impact redistributive policies when opportunities present themselves. My data show that, with time, the organizational capacity of the opposition in Russia appears to have grown. These groups have also begun to understand the power of popular protest and are increasingly interested in attracting street support. One can
observe more regularized activity coordinated by more institutionalized political parties and organizations. It is possible that oil rents had a positive effect on the oppositional organizational capacity because as the economy grew, more resources became available to them.

However, the biggest problem is the “demand side” of the opposition. When oil rents are high public interest in and support of the political opposition diminishes. At best, the population is mobilized around redistributive claims and socio-economic demands. As oil prices grow, the “demand side” suffers because masses are more inclined to demand redistribution rather than representation, simply because the public sees the state as a guarantor of re-allocation of significant material wealth. These findings seem reasonably consistent with the observations across the two boom periods – before the mid-1980’s and in the 2000’s. Although the more recent wave of protests in major urban centers in Russia may potentially challenge this proposition, it still remains true in most of Russia, as the recent reelection of Vladimir Putin has demonstrated.

Thus, the social contract hypothesis appears to have the strongest evidence. By directly testing the social contract thesis in petro-states, this dissertation brings together the two literatures and conducts a comparative analysis of the resulting social arrangements. It also looks at how pre-existing state-society relations impact the oil-based social contract. To my knowledge, there are no other studies that specifically address this question.

Oil prices collapsed in the mid-1980s, and during the 1990s and into early 2000s Russia’s transitional economy was in distress facing lots of problems. To a significant extent this was a consequence of the collapse of the previously existing centrally planned economy and transition to a capitalist economy. Venezuela’s economy was a reasonably diversified
and functioning capitalist economy prior to the collapse of oil prices, despite its dependency on oil. Yet, it also underwent severe and prolonged crisis which had significant implications for Venezuela’s social and political system, discussed later in this section.

Consistent with expectations, the petro-states’ autonomy decreased, while vulnerability to societal demands increased. As the economic situation deteriorated, the petro-states became unable to continue supplying allocational benefits to social actors. In an attempt to devolve responsibility for poor economic performance, and in order to obtain wider social support for much needed but politically difficult decisions to retract social welfare benefits, the state had to let go of some of its centralized authority. The Soviet leadership found itself unable to keep up with its obligations and initiated Perestroika. In Venezuela, the existing political equilibrium deteriorated, the ruling party lost the elections and mainstream political actors lost a great deal of their decision-making power. Therefore, alternative power centers began to emerge. Both lack of resources and the devolution of control, led to diminished repressions. Furthermore, the state inevitably responded to increased pressure from social actors.

The society was a very active player and reacted quite strongly. In all the cases in this study, we observed instances when societal actors collectively protested against or demanded certain modifications in the existing social contract arrangements. We also observed considerable pressure on the state to comply with its terms of the social contract. The Soviet citizens demanded provision of certain basic goods. But with the growing realization that the state was unable to perform according to the established norms and expectations, the society exhibited signs of impatience and greater dissociation from the state. The degree of disassociation reached a point when societal consent was essentially withdrawn and the terms
of the social contract had to be abandoned altogether. This ultimately led to the collapse of
the ruling regime. In Venezuela, which had a capitalist economy and therefore did not have
such a strong tradition of state provision of goods, the economic decline resulted in social
crisis and violence. Even the short-lived decline in state provision of public goods in Russia,
in 2009, resulted in increased redistributive pressures and the state’s attempts to appease the
masses. These findings suggest that even semi-democratic and authoritarian states are
sensitive to, and have to respond to, societal demands.

An important conclusion regarding the expected patterns of social activity in petro-
states follows from this discussion. It appears that petro-states tend to generate a specific type
of social contract that is based on the shared understanding of the role of the state as a re-
distributor of wealth and provider of social welfare. This social contract presumes rulers’
greater autonomy in decision-making and limited public participation. At the same time,
state’s legitimacy is based on economic performance. This legitimacy is thus conditional
upon satisfactory economic conditions, while the blame for potential problems is
concentrated in the state as the key guarantor of public welfare. This type of a social
arrangement results in alternating patterns of authoritarian stability and heightened public
upheaval. During boom cycles the state dominates the society and the economy. The
economy may become overheated and inefficient and tensions may start to develop. Yet, the
lack of mechanisms for effective aggregation of popular sentiments prevents mobilization.
When an oil bust comes the situation is already explosive. Hence, a much higher degree of
contention and violence can be expected, and there is a higher chance that the social contract
may break down.
8.2 Limitations of the Study and Direction for Future Research

The research design of my PhD dissertation sought to demonstrate the impact of oil wealth on Russia’s state-society relations and political regime. The dissertation presented a compelling picture of the role of the political economy of oil in Russia’s regime transitions. A comparison with Venezuela was also conducted, which highlighted similarities and differences between the two “most different systems.” Some additional exploration can further strengthen the analysis and help mitigate certain potential biases. Below I outline some potential limitations and biases and suggest mitigation strategies for future research.

The study employed a qualitative micro-historical case study method to illustrate the relationship between oil rents and political contestation. This method offers a very powerful toolset to test mechanism-based hypotheses and to generate new theories. Since this research design is a small-n study, predominantly based on one specific case, the first question is: How robust is the inverse relationship between oil wealth and political contestation? In other words, can we prove that there is indeed a robust statistically significant correlation between oil wealth and decreased number of political protest?

The limited data management capability of a single researcher in the span of a dissertation did not allow me to perform quantitative analysis as part of my dissertation project. However, my database of protest events offers an opportunity to enrich the analysis by testing the hypotheses using quantitative time series analysis of protest events on oil prices to test the causal relationship between the two. There is also a possibility for an expanded cross-country analysis of oil and political contestation.

My dissertation included a comparative analysis with another petro-state – Venezuela – to illustrate the similarities and differences between the two cases. I found that many
mechanisms appear to work similarly across different cultural and institutional settings. However, the question remains whether these mechanisms are universal to most petro-states. In my future research, I would like to expand the comparative analysis to include additional petro-states (e.g. Indonesia, Mexico, Nigeria, Iran, possibly even established democracies like Canada). Furthermore, could these findings be attributable to the effects of economic recession alone? To explore this question in more detail one needs to include comparative cases of non-oil-exporters to control for the effect of oil rents.

In my research, I found that pre-existing conditions such as norms and informal institutions play an important role in shaping the oil-based social contract. But can these observable implications be simply a result of cultural and historical pre-conditions specific to Russia, e.g. post-Soviet legacies? To analyze this question in more detail one can include a comparative analysis of post-Soviet states (e.g. Azerbaijan, Ukraine, Georgia) to see to what extent Soviet legacies are responsible for the observed effects. This expanded comparative analysis of post-Soviet petro-states and non-petro states will allow to control for the effect of pre-existing conditions and norms.

8.3 Contributions

This thesis presented a theoretically original link between the “resource curse” and political mobilization. The main contribution of this dissertation was to identify the mechanisms of how oil rent fluctuations translate into regime fluctuations, looking for evidence to test the hypotheses on the effect of external economic shocks on the state’s behavior and popular contentious claims, as well as the choices made by contenders to voice their political demands. Therefore, the first objective of this study was to create a compelling theory that would convincingly explain the empirical observations with respect to one – albeit, I argue,
very important – case. To my knowledge, this is the first project that looks closely at these mechanisms and tests the hypotheses based on empirical data. Beyond that, I added another shadow case study of a substantially different polity (Venezuela), and demonstrated that the mechanisms I identified work very similarly in different sociopolitical systems.

This dissertation contributes to the literature on petro-states. It seeks to further deepen our understanding of such states by looking closely at state-society relations in them. Some work in this area has been done to date but it leaves some important gaps. For example, Dunning (2008) explores some of the aspects of state-society relations but does not offer an in-depth comprehensive analysis of the subject. Dunning’s analysis is very much elite-focused, and employs a game-theoretical approach to analyze elites’ choices. This dissertation paints a broader picture of the relationship between oil wealth and certain patterns of behaviour we observe on both sides of the equation – the state and society – and the choices they make. It further seeks to identify direct evidence of oil rents translating into changed government approaches with the goal of quieting opposition. Importantly, I analyze not only elite behavior, but also the role that masses play in shaping state-society relations in petro-states.

Another contribution of this dissertation is the detailed investigation of the bust cycle. This fills the gap in our understanding of what happens in petro-states as a result of the decline in world prices on their main export commodities. Although Terry Karl looked at some implications of resource bust in Venezuela, the main focus of her study was the impact of oil wealth on state institutions. I hypothesized that when natural resource rents are low, the state becomes less autonomous from society and needs to renegotiate the rules of resource allocation. The retrenchment of institutionalized allocational benefits fuels societal discontent
and increases opportunities for mobilization. Economic factors are no longer creating incentives for interest groups to enter into preferential relationships with the state and, therefore, we may observe increased open political contestation. Social actors may seek to pursue independent collective interests and thus create alternative centers of power or viable political alternatives.

This dissertation makes a contribution to the Russian area studies literature by suggesting that rather than just a post-Communist state Russia can and should be looked at as a member of a set of cases that it is not typically associated with – petro-states. This dissertation demonstrated that looking at Russia through the lens of the political economy of oil opens up new possibilities for the analysis of post-Soviet regime transitions. It provided a new explanatory framework for the Russian political developments of the last few decades. In particular, while most scholars consider the 1990s a time of low societal mobilization, by constructing cumulative data over time this thesis shows that there is in fact substantial variation in activism, and shows how patterns and levels of social mobilization vary with oil rents in Russia (and Venezuela).

The thesis expands on some of the earlier analyses of Soviet and Russian political developments. For example, the thesis builds on Cook’s enlightening analysis of the Soviet social contract (Cook 1993), but adds a new dimension that was virtually absent from that book. This missing variable is the importance of oil rents, which adds a new critical context in which the late Soviet social contract had developed. Steven Fish in his book Democracy Derailed in Russia (2005) had identified the “resource curse” as a potential cause of the authoritarian reversal. However, Fish’s explanation is centered around corruption and economic statism, which are likely consequences of the oil-based social contract rather than
its causes. Finally, by looking at the oil rents and regime transitions over a longer historical period, this thesis contradicts some of the more temporally bounded studies, such as Luong and Wienthal (2010), who argue that privatization of the oil industry in the 1990s allowed the Russian state to break away from the resource based authoritarianism. This thesis suggests that this was only true during the low oil price period and as soon as oil prices rebounded state actors had incentives to regain control of the oil industry and thus the mechanisms identified in this study began to outweigh democratization drivers.
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## Appendices

### Appendix A Summary of Hypotheses and Observable Implications

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Causal mechanism (oil revenues high)</th>
<th>Reverse causal mechanism (oil revenues low)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repression and manipulation:</td>
<td>Share of military and internal security (e.g., police) expenditures increases, police and security forces expand the menu of soft and hard coercive options</td>
<td>Number of arrests and crack downs on opposition increases, targeted coercion of key activists and groups. State creates quasi-governmental organizations, and uses other means to manipulate the opposition.</td>
</tr>
<tr>
<td>Co-optation:</td>
<td>Selected groups key to regime survival get benefits</td>
<td>Change towards apolitical activities, rent-seeking</td>
</tr>
<tr>
<td>Social contract:</td>
<td>Public expenditures increase, state funded social welfare programs expand</td>
<td>Social contract is based on state's redistribution of wealth: Approval rating of the govt. is high, consumption oriented culture, culture of dependency on the state</td>
</tr>
<tr>
<td>Patronage:</td>
<td>State expenditures selectively target specific social groups that are</td>
<td>Targeted social groups buy into the regime support</td>
</tr>
<tr>
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|                           |                                      |                                             |                                      |                                      |
|                           |                                      |                                             |                                      |                                      |

Oil revenues allow the state to demobilize opposition groups (using soft or hard coercion)
| attention from opposition activities by instituting selective and targeted perks to specific population groups (e.g., youth, pensioners, etc.) | easily mobilizable | No perception of common need and no interest in collective action, so the social base of the opposition is negatively affected | groups and quasi-representative organs. | the civil society | affected |
Appendix B  Protest Events Database, 1993-2007: Data Sources and Method

This database was compiled following a similar method and, in some sense, is an extension of the database created and used by Mark Beisinnger in “Nationalist Mobilization and the Collapse of the Soviet State.”

Data sources:

During this research project I reviewed a great number of periodical publications, including online sources and print publications available at the Russian State Library in Moscow. As a first step, I reviewed a number of newspapers for the same period of time to assess the quality and extent of coverage in various publications. It became apparent that not all news sources were equally efficient in their coverage of protest events, demonstrations, manifestations, and strikes. While some consistently and systematically mentioned such events, others would only mention some or none. I have determined that the following publications were the most useful:

1. Kommersant Publishing House (*Kommersant* newspaper (weekly), *Kommersant-Vlast*’ magazine (monthly), website kommersant.ru, and regional kommesrsant.ru sites (1990+). Kommersant publications proved to be the most consistent in terms of level of coverage and time span (for the purposes of this study, from 1993 to 2007).

2. Newspaper *Ekspress Khornika*, a human rights newspaper, had extensive coverage of the period of the 1990s, became increasingly sporadic at the end of the 1990s, and was closed around 2000.

3. Newspaper *Pravda*, the main Communist publication, provides extensive coverage of protest events and demonstrations against the new Russian regime, although arguably biased towards leftist and Communist events. However, the vast majority of protest events were staged by these groups, anyways.

Which events were recorded:

Events where people voluntarily participated in protest demonstrations or manifestations expressing collective interests and which met the following criteria:
- For or against social or economic policies (i.e., not private interests)
- No fewer than 100 people (if the number was unknown, the best estimate was made based on the narrative description)
- Temporally and territorially bound (i.e., had a specific time and place)
- The number of participants was not limited by the organizers (e.g., it was not a conference)
- Was not a violent event (i.e., the primary purpose was not damage of property or fighting)
 Strikes were not included in the database, but workers’ protests and demonstrations were.

 Events that simultaneously took place in different cities under the same umbrella were recorded as separate events.

 **Variables:**

 **SOURCE1, SOURCE2, and SOURCE3:** List sources that mention the particular event (list all possible).

 **STARTDATE:** List the date when the event started. If it was not possible to determine the start date, the event was not included. If only the month was known, record 1, 15, or 30, whichever date appears the closest.

 **DURATION:** record the duration of the event. In most cases it was one day, but certain events continued for more than one day at the same place. The number of participants used in the event analysis was then multiplied by the number of days.

 **PLACENAME and PROVINCE:** city and province where the event took place.

 **EST1PARTIC, EST2PARTIC, and EST3PARTIC:** estimated number of participants based on different sources. If not known, but the event appeared significant enough to include, the value was put at 0. The number of participants for the event analysis was calculated as the average of all sources.

 **DEMAND1, DEMAND2, DEMAND3, …:** briefly describe demonstrators' demands, either economic or political, e.g., for or against Yeltsin, against regional authorities, for the restoration of the USSR, in commemoration of the historical events, etc.

 **ORGAN1IZER, ORGAN2IZER, ORGAN3IZER:** organizations and groups that staged the event.

 **PERMITTED:** if known, note whether the event was permitted by the authorities or not.

 **VIOLEVEL:** level of repressions against the protesters: 0) no repression, 1) physical intimidation but no arrests, 2) low-level repressions, fewer than 10 arrests, 3) significant repressions, 10-75 arrests and/or 10-40 injuries, 4) severe repressions, more than 75 arrests and more than 40 injuries.

 **ARRESTNUM:** Number of participants arrested before, during or after the event.

 **SANCTIONS:** type of sanctions toward the protesters: 0) none known, all released, 1) fines, employment problems, etc., 2) insignificant jail terms, fewer than 60 days, 3) significant jail terms, more than 60 days.
INJUREDNUM: total number of injuries or deaths.
DEMINJURED: among protesters and
POLINJURED: among law enforcement and police.

DEATHSNUM: total number of deaths.
DEMDEATHS: among protesters and
POLDEATHS: among law enforcement and police.
Appendix C  List of Interviews

1. Alekseeva, Lyudmila, Moscow Helsinki Group, Moscow, August 2009
2. Auzan, Aleksandr, Professor, Moscow State University Department of Economics; President, Institute of the National Project “Obschestvennii Dogovor”, Moscow, July 2009
3. Avrorina, Larisa, Charities Aid Foundation of Britain, Moscow, June 2009
4. Belenkin, Boris, Memorial, Moscow, June 2009
6. Delyagin, Mikhail, Economist and political scientist, former chairman of the ideological council of the «Rodina» political party, former expert and advisor to Yeltsin, Kulikov, Nemtsov, Primkov, and Kasianov, Moscow, July 2009
7. Denisova, Irina, Lead Economist at Center for Economic and Financial Research, Professor, New Economic School, Moscow, August 2009
8. Gefter, Valentin, Human Rights Institute, Moscow, June 2009
10. Gudkov, Lev, Director, Levada Center, Moscow, July 2009
11. Kaminarskaia, Natalia, Donor Forum, Moscow, July 2009
12. Kostina, Olga, President, Pravozaschitnoe Dvizhenie “Soprotivlenie”; Member of the Public Chamber, Moscow, August 2009
13. Levinson, Aleksey, Social Research Director, Levada Center, Moscow, June 2009
14. Milov, Vladimir, Member of Politsovet of “Solidarnost’”; former Deputy Energy Minister; President, Independent Energy Center, Moscow, June 2009
15. Plaksin, Sergei, Institute of Contemporary Development (INSOR) Moscow, August 2009
16. Rimskii, Vladimir, Fond INDEM, Moscow, May 2009
17. Sonin, Konstantin, Professor, New Economic School, Moscow, May 2009
18. Vovk, Mikhail, Za PRava Cheloveka, Khabarovsk, June 2006
19. Zhavoronkov, Sergei, Institute for the Economy of Transition, Moscow, August 2009
Appendix D Interview Questions

a. What do you think is the role of oil in shaping state-society relations in Russia today and in the past?

b. What do you think are the principles that guide the way oil wealth is redistributed? How does it happen?

c. How much do you think public input influences government decision-making? Do oil resources influence the processes of decision making one way or another?

d. How much in your opinion public trust the government? Is this level of trust affected by the way oil wealth is distributed?

e. In your opinion, is there public support or interest in independent civil rights or opposition activities? Why or why not? When?

f. In your opinion, is the government trying to prevent independent civil rights groups or opposition from functioning? If yes, what are some of the methods that government uses to prevent such groups from being active?

g. In general, which civil society groups tend to gain more attention or more support from the government?

h. Do you observe any changes in the way independent civil rights or opposition groups are able to function relative to the size of oil revenues?

i. How much do you think government repression prevents opposition activities? Is there any correlation between oil wealth and repression?

j. Do you have any other comments you would like to make about the impact of oil revenues on state-society relations, now or in the past?

k. Who else should I meet with?