Rethinking Russian Federalism
The Politics of Intergovernmental Relations and Federal Reforms at the Turn of the Millennium

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At the beginning of the 1990s Russia embarked upon several transformation processes: democratisation, liberalisation, nation-building and state-building. In fact, none of these processes have been finalised and the country is still very much in a state of transformation. This thesis deals first and foremost with the last of these transformation processes: state-building. During the last fifteen years we have witnessed the dissolution of one federation and the birth of another. In December 1991 the Soviet Union was dissolved, and in December 1993 the new constitution established Russia as a federation, the Russian Federation.

It was mere chance that 1993 was the year when I first started to take an interest in Russia, first as a student of the Russian language, and later as a political scientist. During the 1990s I observed the twists and turns of Russia’s many transformations. As I began work on this thesis in September 2000 I was intrigued by the latest phase of Russian state-building. As one of his first measures as newly elected president, Vladimir Putin reformed several of the most central federal institutions. The principles of federal government had been continuously contested and repeatedly subjected to reform throughout the 1990s. However, this time around something appeared to be different.

I was greatly surprised by the magnitude of these federal reforms. What puzzled me even more was the relative ease with which the reforms seemed to be accepted and implemented, considering that all previous attempts of the federal centre to introduce policies of this sort had failed. Indeed, the relations between the federal centre and the regions now appeared to be transforming towards a more coordinated and cooperative mode, very much in contrast to most of the 1990s, when centre-periphery as well as interregional relations had been fragmented and marked by turmoil. I also discovered that federalism had been a lively debated topic among the political establishment for several years.

These observations planted the notion in my head that there might be a connection between the transformation of the relations between various governmental layers and branches, the makeover of federal institutions, and the development of how federalism was conceived among Russian governmental actors. This study is the end result of this initial thought.

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1. Introduction

‘We have to admit that federal relations are underdeveloped in Russia. Regional independence is often interpreted as a green light to disintegrate the country. We have been talking about strengthening federalism for years. However, we need to admit that we don’t have a full-fledged federal state yet.’

(Putin’s State of the Nation speech 2000)

On 5 August 1990 Boris Yeltsin, the newly elected chairman of the Russian Soviet Federal Socialist Republic (RSFSR) Supreme Soviet, held a well-known speech in the Tatar capital of Kazan where he urged all regional leaders to ‘take as much sovereignty as you can swallow’. A ‘parade of sovereignties’ followed, through which not only the Soviet Republics, but also a large number of the Autonomous Soviet Socialist Republics (ASSR) within the RSFSR, declared their independence. In August 1991 a number of leading personalities within top governmental circles sought to reverse the disintegration of the Soviet Union. A state of emergency was imposed. Gorbachev was detained in his summer house and was announced to be ill. Yeltsin skilfully manoeuvred through this turn of events and was ultimately able to turn the attempted coup into his own advantage. The putschists failed. It was also the beginning of the end for Gorbachev and the Soviet Union. In December 1991 the Soviet Union was dissolved and Russia emerged as an independent state.

The putsch had in many respects been a struggle between different principles of government. However, this struggle was not over for Russia. Ultimately it led to the bloody confrontation between the conservative Russian parliament and President Yeltsin in early October 1993. Once again Yeltsin managed to come out on top. On 12 December 1993 his constitutional draft was adopted by the Federal Assembly (the parliament). The Constitution established the new Russia as a federation with three levels of government: the federal, the regional, and the local. It also established a vertical division of power between the Federal Government, the 89 regional governments, and the very large number of local authorities.

However, the process of filling this constitutional framework with more precise contents unfolded in an ad hoc manner. The various governmental
actors never seemed to be able to work out an agreement on how to enact the provisions of the Constitution. How powers and jurisdictions should be assigned, how the financial and fiscal system should be organised, and to what extent the federal level should be able to interfere in regional affairs became constantly disputed topics. There seemed to be no single way of reconciling the tension between shared rule and self-rule, which arises in all federal systems.

The relations between the President and the Federal Government, on the one hand, and the regional governments, as well as interregional relations, deteriorated throughout the 1990s. During the second half of the 1990s the federal centre became weaker and failed to act as a unifying force in the federation. The Russian Federation rapidly became decentralised. This led to an asymmetric kind of federalism. Some of the most influential regions, commonly the ‘ethnic’ republics and some of the most resource-rich ‘Russian’ regions, were able to retrieve more political, economic, and fiscal rights and powers through bilateral treaties with the federal centre. Regions were henceforth able to introduce laws that frequently contradicted the Constitution. Besides legal and economic asymmetries, the economic and financial coherence of the country worsened. Trade and customs barriers were introduced. There were also cases of border posts being put up between regions. The regions developed into heterogeneous ‘islands’ with few mutual ties.

This system crisis peaked in 1998. Yeltsin was significantly weakened by an ongoing impeachment process against him, very low rates of popularity, and failing health. Russia hence lacked a credible and legitimate head of state. Nonetheless, in March Yeltsin decided to dismiss Prime Minister Viktor Chernomyrdin, who had been a guarantor of relative stability and a mediator between the President and the regional leaders. This created a power vacuum and a volatile political situation. Between March 1998 and August 1999 the Russian citizens saw four prime ministers come and go.\(^1\)

In August the political crisis was followed by a complete economic breakdown. The rouble quickly depreciated by 80 per cent and the Federal Government had to cancel all payments of foreign debts. Many regional leaders responded by trying to isolate themselves in an attempt to minimise the economic damage. In September a majority had introduced some form of trade barriers and limitations to financial flows across regional borders. By late autumn the federal interbudgetary system was close to collapse. A parliamentarian in Volgograd stated that ‘the discontent is so great that the au-

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authorities could be blown away in three seconds flat. That happened in 1917. Newspaper headlines announced the imminent disintegration of the country.

Not only was there a threat of secession; the horizontal interregional relations were perhaps even more fragmented. Russian interregional relations were marked by conflict due to uneven industrial and socio-economic development, a growth in regional power that triggered competition, few effective networks through which the elites could communicate, and the fact that these horizontal relations were by and large unregulated by the Constitution and other central institutions (Makarychev 2001:227-229).

Thus by 1998 the level of political and economic disintegration of the Russian federal system was clearly alarming. The 1998 crisis once again set off a tug-of-war regarding the country’s federal principles and the federal system now became intensely debated. The crisis hence marked the culmination of an enduring pattern of the 1990s and brought the poor and often conflict-ridden centre-periphery and interregional relations to a head. Some of the regional leaders had turned into powerful agenda-setters also at the federal level where they were in a good position to influence federal policies. The federal centre, on the other hand, tried to stay in control.

However, little less than two years after the crisis of 1998 the situation was quite different. In August 1999 Vladimir Putin, a hitherto anonymous official, was appointed prime minister, and in January acting president. Finally, in March 2000, he was elected president of the Russian Federation. During his first presidential term Putin launched a reform package that involved institutions essential to any federal system: regional representation in the upper chamber of the federal parliament; regional supervision and coordination; upholding of a unified legal and economic space; and the maintenance of a multi-level budget (fiscal federalism). Although reforms such as these would have caused cutthroat conflicts during the Yeltsin era, they were now even praised by some regional leaders, accepted by many more, and openly resented only by a small minority of the regional leaders. As pointed out by Elizabeth Teague, ‘the meekness with which the governors relinquished their privileges astonished many observers’ (Teague 2002:212).

This was one indication among several others that relations between various tiers of government seemed to have changed considerably in character, becoming much less confrontational and fragmented than during the Yeltsin era. Scholars have indeed observed that relations between various governmental tiers became less fragmented, that inter-elite trust increased, and that some kind of elite harmony or at least equilibrium was established (Chirikova and Lapina 2001; Steen & Gelman 2003; Steen & Timofeev 2003). Other scholars have noted that Putin’s initial federal reforms restored elite space (Petrov 2002:82). In the terminology of this thesis, during 1998-2000 Russian intergovernmental relations had developed towards a more con-
certed mode, thereby abandoning the previous pattern of divided intergovernmental relations.³

1.1. Aim and Approaches

The general aim of this study is twofold. First, I aim to explore how the transformation of Russian intergovernmental relations came about.⁴ A second purpose is to assess in what ways the federal policies of the Putin administration and the Federal Government were more conducive to the more concerted mode of Russian intergovernmental relations than the federal policies conducted during the Yeltsin era.

Before attaching more precise research questions to these aims, I should discuss how this research task could be approached. Much prior research has demonstrated that both formal institutions (or lack thereof) and power are important to an understanding of the development of Russian intergovernmental relations in general.⁵ Having become president, Putin indeed managed to halt and to some extent reverse the disintegration of the country, partly by taking full advantage of the presidential powers granted him by the

³ ‘Intergovernmental relations’ is a term frequently used within federal studies and public administration, especially with regard to federations or federation-like polities in the West. When intergovernmental relations involve a high degree of cooperation, joint consultations, planning, decision-making, compromises, and negotiation through networks stretching across jurisdictions in a highly formalised institutional and organisational setting, they are here labelled concerted. By contrast, when intergovernmental are characterised by disentanglement, a high degree of competition, rivalry, or conflict, they can be referred to as divided.

⁴ I include both federal-regional and interregional relations in the analysis. Including the understudied issue of interregional relations in the analysis makes another small contribution to current research, as scholars within federal studies, as well as in Russian studies, usually focus on centre-periphery or federal-regional relations. Besides a few examples, such as Maria Liashevskaia (1995), Andrei Makarychev (2001), and James Hughes (1994), scholars have largely ignored interregional relations.

⁵ Irina Umnova-Koniukhova (2001), Brynjulf Risnes (2001), and Robert Sharlet (1999, 2001) have focused on the legal-constitutional aspects of these relations. The legal, economic, and political asymmetry of the Russian Federation and the above-mentioned practice of bilateral treaties between the Federal Government and individual regions is a common area of study (Bukhvald 2001; Filippov & Shevtsova 1999; Kahn 2000; Lapidus 1999; Ross 2002a; Solnick 1999, 2000; Stoliarov 2003; Stoner-Weiss 1999, 2001; Söderlund 2003). The issue of fiscal federalism is central, rendering a very rich literature (Gibson & Hanson 1996; Martinez-Vazquez & Boex 2001; Pascal 2003, Shleifer & Treisman 2000; Treisman 2001). The ethnic factor and its institutional implications put its mark on centre-periphery relations in Russia early on, and has indeed been closely scrutinised by scholars such as Ramazan Abdulatipov (1993), Mikhail Filippov (2001), Gail Lapidus (1999), and Graham Smith (1995). Adameskii (2001), and Blair Ruble, Jodi Koehn, and Nancy Popson et al (2001) have furthermore shown that other regional demographic (population density, urbanisation) and socio-economic features, which are often seen as a result of the Soviet command system, are important. There is also a rather large literature that focuses on Putin himself (Herspring 2003; Medvedev 2002; Shevtsova 2003).
Constitution and the rather weakly institutionalised position of regional leaders.

However, when Putin was appointed prime minister in August 1999 he was not a well-established politician in Moscow. Moreover, being promoted as Yeltsin’s protégé was at the time hardly something that made anyone a credible policy-maker. Although Putin later, as president, had a solid political platform – considering the powers vested in the presidency – from which to launch his policies, his political position was still generally perceived as weak. He had limited experience of being a political leader, insufficient support within the federal executive, and few connections with the regional leaders. Hence, as noted by several scholars, the power relations between federal and regional actors during the first years of Putin’s presidency never changed to any considerable extent (Lapina 2001; Reddaway 2001, 2002).

Therefore it appears that a focus on power politics, especially on Putin’s personal influence, might provide us with only a part of the story. This study argues that the transformation of Russian intergovernmental relations was not the result of a master plan engineered by an ingenious and all-powerful puppet master. Therefore, to get a fuller picture of how the transformation and consolidation came about, we should look for answers elsewhere. I argue that an ideational perspective is helpful in providing a deeper understanding of the politics of federal reform in the Russian Federation at the turn of the millennium.

As mentioned above, the meaning of federalism and the institutional design of the federal system have been deeply contested in Russia ever since the dissolution of the Soviet Union and particularly in connection with establishing the new Constitution. The 1998 crisis once again put federalism and the principles of federal government at the top of the agenda. One was once again rethinking Russian federalism. As Putin launched his reforms in 2000 it seemed that many were prepared to discard the current principles of federal government, which involved *de facto* devolution of federal power and asymmetric federalism, and embrace, or at least accept, the general centralising thrust of Putin’s policies, which emphasised a strong centralised state, a legally and economically symmetric and unified legal space, stability, and social accord.

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6 At the beginning of 1997 Putin started to work in the Presidential Administration, first as head of the main controlling department of the Presidential Administration, and later as appointed deputy head of administration in charge of relations with the regions. In August 1998 he was appointed director of the Russian intelligence service (*Federalnaia Sluzhba Bezopasnosti, FSB*). In August 1999 he was appointed prime minister. Moreover, every year Nezavisimaia Gazeta ranks the 100 most influential politicians in Russia. In 1998 he was ranked only as number 76 of the country’s 100 most influential politicians. In 1999 he was already number 6, but this is relatively low considering that prime ministers have normally been ranked as number two. For 1998 see: http://www.ng.ru/specfile/2000-12-15/14_politic_top_1000.html, 050712. For 1999 see http://scenario.ng.ru/rating/2000-01-12/3_100politicians99.html, 050712.
This would consequently imply that the relative smoothness with which the federal reforms were implemented could be seen in the light of the popularity of these new ideas among federal and regional elites, and of the deficiencies of the old ideas on federal government that had been recognised in connection with the 1998 crisis. From this perspective Putin’s policies were accepted largely because they represented a continuation of an already established line of policy, rather than a beginning of a new one. As will be shown, Putin was in this sense not a policy innovator, but rather a policy entrepreneur, who cultivated ideas that were already there. In other words, when Putin became president Russia was ready for these new ideas on federal government to become more consolidated and institutionalised.

If this conceptualisation is correct, one can conclude that this ideational shift regarding federal government paralleled the transformation of intergovernmental relations. This in turn suggests that divided and concerted intergovernmental relations are constituted by different ideas on federal government. This thesis therefore takes as a theoretical point of departure the assumption that there is a co-variation between how federalism is interpreted, conceptualised, and institutionalised, on the one hand, and the operational mode of federal intergovernmental relations, on the other.  

This thesis therefore aims to demonstrate, both that the divided mode of intergovernmental relations during the Yeltsin era and the concerted mode of intergovernmental relations of Putin’s first presidential term were upheld by different ideas on federal government, and the ways in which these ideas were conducive to the respective pattern of intergovernmental relations in the Russian context.

1.2. Research Questions

This thesis revolves around the concepts of intergovernmental relations, federalism, and federal institutions in the Russian Federation. The Russian case provides two analytical challenges in this regard. One challenge con-

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7 The analytical framework of the study at hand draws partly on the work of Blakkisrud (2004), Gelman (2003), Lynn and Novikov (1997), Steen (2003), and Steen and Timofeev (2003), which suggests a correlation between governmental actors’ ideas on various aspects of federal government or federalism, on the one hand, and their behaviour, on the other. Indeed, it seems reasonable to assume that the outline of the federal system, which to a considerable extent sets the conditions for their work, is a matter of great concern for governmental actors. The significance of ideas, values, identity, and culture has been recognised especially among students of Russian elites. Besides the ones already mentioned above, Stephen Hanson (1999) has shown how the Russian regional elite’s perceptions of economic incentives and regional identity constituted the regional leaders’ strategies vis-à-vis the federal centre in the early 1990s. Research has also shown the importance of a communality of ideas in a successful nation-building process (Kolstø & Blakkisrud 2004). Several studies have furthermore explored regional identities among the population and the elites, and their political consequences (Buckley & Smyth 2001; Gelman & Hopf 2003; Petrov 2003).
cerns how one set of ideas regarding federal government (in this study referred to as federal paradigms, see Sections 2.2.2. and 6.2) changed into another, and the circumstances under which this shift occurred (marked A in Figure 1.1. below). Another analytical challenge involves mapping out the relations between the federal paradigms that were promoted during the Yeltsin era and Putin’s first presidential term respectively, the way in which they were institutionalised, and the mode of intergovernmental relations in the respective period (marked B in Figure 1.1. below).

The process by which certain ideas about federal government faded away, and others surfaced, caught on, and finally consolidated does not concern where or whom the ideas come from or why individual decision-makers adopt certain ideas. Rather, it is a matter of establishing the situation in which the ideational shift could take place. In the spirit of John Kingdon (1984), this thesis will illustrate the circumstances in which the new federal ideas’ time came. Kingdon argues that the prominence of an idea derives from a combination of the right actors, with the right ideas, at the right time. The right combination of context and timing makes the soil fertile for certain ideas, allowing them to catch on, while other ideas fade away (Kingdon 1984:81). Part I of this thesis is devoted to how the ideational transformation of federalism transpired in the Russian Federation.

In particular two questions are addressed:

- **What ideas about federal government emerged and caught on at the end of the 1990s, and what ideas about federal government faded away?**

- **What allowed these ideas about federal government to catch on and consolidate?**

Part II of this thesis deals with how the ideas on federal government that the Putin administration promoted were supposedly more conducive to concerted intergovernmental relations than those of the Yeltsin era. The aim is not to find possible causal linkages between certain ideas and collective behaviour (intergovernmental relations). Rather, the purpose is to understand...
what ideas on federal government, together with the ways in which they
were institutionalised, made concerted intergovernmental relations more
beneficial, feasible, and appropriate in the eyes of governmental actors.

➢ In what ways were the ideas about federal government
promoted by the Putin administration conducive to a more
concerted mode of intergovernmental relations?

This is a question of general theoretical relevance. The extent to which inter-
governmental relations are divided or concerted touches upon one of the
central questions of modern federal systems: how to reconcile self-rule and
diversity, on the one hand, and shared rule and unity, on the other, under
conditions of increasing interdependence. How governmental actors, in the
light of the political challenges of modern government, manage at the same
time to be ‘coordinate and independent’8 clearly affects the performance of
the federal system (Elazar 1987; Scott & Meyer 1991:114). The stretch of
social communications, technical innovations, modern economic structures,
and an increasing number of borderless problems (pollution, crime, and epi-
demics) has indeed increased the need of enhanced intergovernmental coop-
eration. What one could argue is that governmental units should perhaps
develop cooperative or coordinate intergovernmental relations, but there is
no guarantee that they in fact do. Using the Russian case as a point of depart-
ure, this thesis aims to provide a basis for future research into the co-
variation between various forms of federalism, federal institutions, and in-
tergovernmental relations at a more general theoretical level.

1.3. Outline of Study

In Chapter 2 I define intergovernmental relations and provide the reader with
an overview of the general theoretical approach. Here I start by discussing
the theoretical underpinnings of Part II (the relation between federalism,
federal institutions, and intergovernmental relations), which concern ideas,
institutions, policy paradigms, and collective behaviour (Section 2.2.1.).
These underpinnings need to be understood before one can begin to grasp
the significance of a paradigm shift, the dynamics of which are briefly out-
lined in the following Section (2.2.2.). How these more general theoretical
issues are applied in this study is discussed in Part I and Part II respectively.
In Chapter 3 I discuss issues regarding the methodological considerations of
the study. This is followed by the two analytical parts of the thesis.

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8 This is an oft-quoted phrase of Kenneth Wheare (1964).
Again, Part I concerns the federal paradigm shift. I first go through the theoretical considerations of this process (Chapter 4), which by and large build on the theorising of John Kingdon (1984). It will be argued that the circumstances under which federal paradigms change or are replaced completely is related to the organisational nature of federations. The current federal paradigm and its institutional manifestations to a large extent determine when the system is open for change, and who is in a position to encourage it. This approach is applied to the Russian case in Chapter 5.

Part II builds on a distinction between intergovernmental relations, federalism, and federal systems (federations). Federations are seen as institutional systems that both reflect and shape the current federal paradigms (federalisms). Again, federalism is a political doctrine that promotes some form of federal system. Like any political doctrine it is quite ambiguous and might mean different things to different governmental actors (see Section 6.1.). This variation of interpretations is what provides the main analytical challenge of this study. A palette of federal paradigms (see Section 6.2.) has been created to help us to assess in what ways the federal paradigm advocated by Putin during his first time in power (1999-2004) was more conducive to concerted intergovernmental relations than that of the Yeltsin era (1991-1999). This palette is used on three institutional clusters, which were subjected to reform during Putin’s first presidential term: basic federal institutions (Chapter 7), the fiscal system (Chapter 8), and supraregional organisations (Chapter 9). In Chapter 10 I finally summarise the conclusions of this thesis and point to the more general hypotheses that were generated.

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9 I argue that they should not be seen as synonymous, as for instance Graves (1974) has asserted.

10 Again, the ambition has not been to establish plausible causal connections, but rather to search for correlations between the operational mode of intergovernmental relations, the institutional conditions of the federal system in which they take place, and the federal dogma that appears to permeate them both. The assumption is that ideas about federal government favourable for concerted intergovernmental relations provide conditions under which a consolidation of concerted intergovernmental relations may come about, but not necessarily do so.
2. Definitions and Theoretical Points of Departure

2.1. Intergovernmental Relations and How They Vary

The federal institutional construction, which rests on a constitutionally guaranteed vertical division of power, creates a multitude of relations, such as 'federal-regional', 'federal-local', 'regional-local', 'interregional', and inter-local relations. In presidential/congressional federations the horizontal division of power moreover creates three branches of government, the executive, the legislative, and the judicial, whereas in a parliamentary federation there is a fusion of power. Furthermore, the activities of the government can be sorted into sectors according to the wide range of functions that it fulfils: health care, education, law enforcement, and so on. Within federal studies and public administration the relations between these various governmental organisations are usually referred to as intergovernmental relations.

The term 'intergovernmental relations' emerged in the U.S. in the 1920-30s as a way of describing the relations that arose among governmental actors in response to the increasing demands and needs of modern government (Wright 1978:6). Since then modern government has come to involve not only actors from the governmental sphere, but also non-governmental ones (Wright 1978), domestic as well as international (Makarychev 2000). However, including these relations drains the concept of intergovernmental relations of analytical vigour as it already involves a wide range of actors. In this study, therefore, the analysis is strictly confined to actors within the Russian state sphere.

Figure 2.1. illustrates the various vectors of intergovernmental relations in federations.

11 Occasionally we also use 'centre-periphery' as an equivalent to 'federal-regional'.
12 It is important to remember that all these relations exist both at the federal level (between federal government and the upper chamber, interregional within the upper chamber), and in the regions (between the regional executive and the regional branches of federal authorities).
13 The use of the term ‘intergovernmental relations’ in federal studies should not be confused with the connotations it has within studies of international relations.
14 This broader involvement of various actors is better studied within the line of literature that focuses on ‘governance’.
Figure 2.1. – Intergovernmental Relations

Broadly speaking, the study of intergovernmental relations usually concerns how different orders of government, or ‘human beings clothed with office’ (Anderson 1960:4), in federal countries relate and communicate with each other. This involves not only interaction, but also governmental actors’ attitudes towards each other. In this I follow Brian Opeskin, who states that intergovernmental relations include ‘…all mechanisms through which governments within a federation are brought into relation with each other’ (Opeskin 2001:129).

The character of intergovernmental relations is basically an empirical question. The mere presence of relations between governmental actors should not automatically be seen as a sign of constructive and interdependent relations, as is done by Howitt (1984) and Cameron (2001). This thesis basi-
cally analyses the ways in which governmental actors handle the tension between unity and diversity, being at the same time independent and increasingly interdependent. This has been identified as one of the main variable traits of intergovernmental relations (Scott & Meyer 1991:114; Simeon 2001:97). A continuum has been created to capture these patterns (see Figure 2.2.).

Figure 2.2. – Continuum of Intergovernmental Relations

<table>
<thead>
<tr>
<th>Concerted Intergovernmental Relations</th>
<th>Divided Intergovernmental Relations</th>
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<tbody>
<tr>
<td>-Networks stretching across jurisdictions.</td>
<td>-Disentangled relations</td>
</tr>
<tr>
<td>-High degree of cooperation, compromises and negotiation.</td>
<td>-High degree of competition, rivalry, or conflict.</td>
</tr>
<tr>
<td>-Highly formalised institutional and organisational mechanisms to stimulate joint cooperative action.</td>
<td>-No or few formalised institutional and organisational mechanisms to stimulate joint cooperative action.</td>
</tr>
</tbody>
</table>

At one extreme there are intergovernmental relations, which are referred to as *concerted*. Concerted intergovernmental relations are characterised by high levels of cooperative joint action, which denotes some kind of partnership between the central government and the regional counterparts, and/or between two or more regions, with the purpose of taking united action on common problems and/or establishing a joint course of action in different issue areas. This might include everything from information sharing and planning, to extensive cooperative ventures and joint decision-making. We see frequent exchange of information through phone calls, seminars, conferences, but sometimes also cooperation, in a much more formalised format, through organisations, financial and administrative mechanisms, and contracts.

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15 The word ‘concerted’ has several related meanings, such as ‘planned or arranged by mutual agreement’, ‘acting together in harmony’, or ‘for a shared purpose’ (http://dictionary.reference.com, http://dictionary.cambridge.org).
16 This is not to say that concerted intergovernmental relations are without problems and conflict. The key point is rather that these are solved by compromise and negotiation. The German Federation serves as a good example where intergovernmental relations of this type can be encountered.
At the other extreme we can observe low levels of joint cooperative action, and are labelled divided. Divided refers to the way in which actors maintain intergovernmental relations - disentangled and separated. Actors prefer to maintain a maximum degree of independence within the federal framework. Some degree of competition is common as the constituent units try to attain as much financial means as possible from the federal centre or to attract investments in order to achieve their respective goals. This has been referred to as ‘antagonistic cooperation’ (Elazar 1991:66) or ‘intergovernmental competition’ (Kincaid 1991:89).

This does not mean that divided intergovernmental relations are necessarily marked by conflict. Indeed, coming together to unite under one federal framework is certainly a form of cooperative behaviour. Actors are still coordinate because they take each other’s actions into consideration. Yet, this reflects a less cooperative stance, a kind of rivalry among the governmental units, which disentangles and separates intergovernmental relations. In rare and extreme cases intergovernmental relations might become marked by open conflict and destructive competition.\footnote{Sometimes intergovernmental relations develop in a way that in fact threatens the very existence of the federal contract. For instance, during the period 1985-1993 the Brazilian governmental actors were even described as ‘predators’ due to the fact that regional executives always attempted excessively to maximise their gains in a Hobbesian spirit, which made the Brazil federation resemble a stag hunt leading to a tragedy of the commons (Mendes Ferreira Costa 2002: 94-95). A similar pattern of intergovernmental relations could be observed in the Russian Federation during the 1990s.}

2.2. Intergovernmental Relations and Why They Vary

It was argued in the introduction that there is some form of co-variation between ideas about federal government and intergovernmental relations. Indeed, in many of the interviews held with regional officials and experts for this study the respondents, on being asked how we can explain the behaviour of governors and federal agencies, often referred to ideas, mentality, or culture.

Indeed, as will be demonstrated below, what provides much of the analytical tension in this study is the fact that federalism is a very fuzzy notion, of which governmental actors may have very different interpretations. Put differently, the way federalism is envisioned by decision-makers in Brazil, Mexico, Nigeria, Pakistan, and Russia, does not necessarily correspond to federal ideas typically found in Australia, Canada, and the U.S., or any other classical federation. In fact, there are usually different federalisms within one federal system.\footnote{This is not to say that what defines federal systems and federalism is totally relative. As discussed in Section 6.1., there are certain definite federal traits that should be fulfilled.} I argue that this ideational variation is important for the variation of intergovernmental relations across and within federal systems. It
is therefore essential to understand the way in which ideas come and go in organisations.

In order to grasp ideational change within organisations, such as federations, I draw on historical institutionalism and organisation theory, especially the work of Peter Hall (1992, 1993), James March and Johan Olsen (1972, 1989), and John Kingdon (1984). These works concern the policy-making process and agenda-setting in fragmented organisations. I also use Thomas Kuhn’s work (1962). With only a slight modification of perspective these bodies of work can be related to the coming and going of ideas in federations as outlined below.

2.2.1. Ideas, Institutions, Policy Paradigms and Behaviour

In this thesis ideas should not be confused with thought, which denotes an internal psychological process at the individual level. Neither do ideas imply cognition, which also takes place at the individual level. Instead, ideas are here defined as collective notions about social and material relations and possible courses of action.19

The links between ideas and behaviour are complicated and constitute to some extent a black box, yet some main points may be stated. First, actors have material and social interests that they usually try to maximise or at least satisfy. In this sense actors are indeed more or less rational. However, as argued by Alexander Wendt, ‘actors do not have a “portfolio” of interests that they carry around independent of social context’ (Wendt 1992: 398). Hence, rationality and interests are not universal and cannot be taken for granted right at the outset of an analysis. Actors may have very different ideas and beliefs as to the nature of politics, and what goals and means are viable and legitimate. This means that two actors facing the same conditions may act very differently depending on their ideational structures.20 Interests are in other words given meaning and flesh by our ideas, beliefs, and understanding of surrounding social relations and material conditions (Laffey and Weldes 1997: Wendt 1999).21

Individuals thus tend to be close-minded due to their beliefs (and institutions) that influence the way information is processed (George 1969:197, Rosati 1995:50). Following the Weberian approach of Goldstein and Keohane, it can be concluded that ideas serve as road maps ‘insofar as ideas put

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19 This definition is derived from the Oxford Compact English Dictionary (2000).
20 For instance, let us assume that a businessman from Wall Street and a Buddhist monk from Lhasa both express an interest in getting rich. Most probably they would have completely diverging ideas as to what ‘rich’ implies, why it is desirable, and how you can become rich. Therefore the interest in getting rich cannot be understood unless you examine what ‘rich’ means to the businessman and the monk in their respective context.
21 From this perspective interests are not, as Goldstein and Keohane (1993), Risse-Kappen (1994), and others have suggested, something apart from ideas.
blinders on people, reducing the number of conceivable alternatives, they serve as invisible switchmen, not only by turning action onto a certain track rather than others, [...] but also by obscuring the other tracks from the agent’s view’ (Goldstein & Keohane 1993:12). In this sense, what actors believe defines what they want. The ideas on which actors’ rationale rests therefore become important objects of analysis.

Secondly, actors are also narrow-minded in that to a considerable degree they act as expected of them, according to socialised norms that define what is acceptable under certain circumstances, or as put by Wendt, what counts as a legitimate aspiration in the collective (1999:122). A similar line of thinking is also captured by March and Olsen’s concept ‘logic of appropriateness’ (March and Olsen 1996:249). Although ideas are often seen as ‘beliefs held by individuals’ (Goldstein & Keohane 1993:1), they are by no means produced individually. Ideas are predominantly collective structures, which derive from socialisation rather than from individual ‘portfolios’ of interests. In other words, cognition is individual, but the ideas and beliefs that guide cognition are not.

Thirdly, the ideas that actors entertain are not necessarily internally congruent and organised (Sartori 1969:401). This is because people hook up to different ideational structures very much according to the social and material context at hand (Rosati 1995:54).

Based on these points, I argue that ideas define an actor’s frames of reference, thereby conditioning what counts as conceivable, feasible, and rightful interest and action. The ideas that a certain individual entertains in this way define the scope for his or her actions and being. The individual makes selective interpretations of his or her context based on intersubjective and collectively created notions. I therefore argue that one can talk about a co-variation between certain ideas and certain behaviour. As long as you entertain certain ideas, you normally tend to act in a way that is in line with these ideas.

Although ideas are not always completely compatible and congruent, they do within a specific policy field usually form coherent systems and standards, or road maps, which guide behaviour. In a Kuhnesque spirit, Peter 22I do not conceptualise the relation between ideas and behaviour as causal. Causality implies a linear uni-directional or reciprocal relation between two or more independent factors. Were the relation between socialised or institutionalised ideas and behaviour causal, then ideas would logically have to be seen as something completely separate from human beings and their behaviour. In my opinion it is hard to imagine a meaningful actor-concept without including the beliefs or rationale on which he/she/it makes choices. Body and mind cannot be separated. The relation between ideas and behaviour is better understood as constitutive because ideas are endogenous to human beings (McCann 1996:463). It therefore seems more appropriate to take a holistic approach to ideas, the way they are socialised and institutionalised, and behaviour. Consequently I study the co-variation between ideas, institutions and behaviour, rather look for a linear causal chain.

23I here refer to Thomas Kuhn and his most famous work “The Structure of Scientific Revolutions” (1962).
Hall has labelled such systems and standards ‘policy paradigms’ (Hall 1993:279). A policy paradigm is influential because actors base their actions on the current paradigm, taking many things for granted, acting appropriately, or by routine.  

A policy paradigm specifies the nature of the issues officials are dealing with, the goals of policy, and the means that can be used to attain them. It can therefore be conceptualised as something similar to concepts like ‘operational codes’ (George 1969), ‘belief systems’ (Holsti 1962), ‘cognitive maps’ (Walker 1977), and the typology developed by Goldstein and Keohane (1993). These concepts map out how individual actors’ knowledge (ideas) define and organise their physical and social environment. Thus, a policy paradigm is formed when a set of ideas about a certain policy area, such as the principles of federal government, can answer the following questions:

1. What is the essential nature of political life within the policy area?
2. What are lawful, rightful, and legitimate goals to strive for within the policy area?
3. What are feasible, rightful, and appropriate means to achieve these goals within the policy area?

Ideas, or whole policy paradigms, become more stable if they are institutionalised, being incorporated in organisational design, legislation, and routines. As ideas about goals and means over time become integrated in the design, routines, and normative framework of the organisation they attain a value of their own and are taken for granted (Brunsson & Olsen 1990). Institutions, especially formal ones, strengthen ideas and make them stable. Institutions in this way reflect ideas about proper behaviour and give them physical and organisational expression (March & Olsen 1989). Consequently, institutions reflect the policy paradigm that they manifest. However, it is important

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24 Kuhn argues that within a paradigm the spectra of choice of possible hypothesis, and the chosen part of reality to verify them against, is limited in the minds of most scholars to conventions of science. The social and psychological pressure from social structure disciplines researchers and makes scientific work more or less uniform. Consequently, research is, if not theory-determined, then at least theory-laden. In other words, the scientific process is not a question of verifying or falsifying theories against empirics, but more one of making empirics fit your already existing theoretical framework (Kuhn 1997:31).

25 It should be noted that the ontological position behind policy paradigms, the one employed here, by contrast acknowledges that paradigms are constructed by a collective, and are inbuilt in the individual.

26 This question and the one above are related to George’s (1969) philosophical questions, and to Goldstein and Keohane’s (1993) ‘principled beliefs’.

27 This question is related to George’s (1969) instrumental beliefs, and to Goldstein and Keohane’s (1993) causal beliefs regarding cause-effect relationships.

28 It should be noted, however, that institutions and actions do not only reflect their ideational basis. Rather, institutions have a life of their own that might to some extent distort the rationale on which the institutions were built in the first place (Watts 1999:16).
to keep in mind that a present institution might be a reflection not necessarily only of one policy paradigm, but of several. Indeed, institutions have been described as ‘coral reefs’ made up from layers of previous ideas and institutions (Rhodes 1997).

Ideas and institutions should be seen as two conceptually separate, but at the same time intimately related, things. Institutions, on the one hand, are simply stable structural phenomena, which may be either formal (constitu-
tions, legislation, official rules) or informal (informal routines and practices) (Peters 1999:18, Rothstein 1996:145). Ideas, on the other hand, define institutions and give them content, whereas institutions are what make an idea credible, workable, and powerful in the long-term perspective (Peters 1999; Steinmo, Thelen & Longstreth 1992).

2.2.2. Policy Paradigm Shifts

If we accept the notion that there is a link between the ways in which governmental actors conceptualise federalism (ideas about federal government or federal paradigms) and intergovernmental relations, the fact that intergovernmental relations transformed at the turn of the millennium leads us to believe that the dominant conceptualisation of federalism had transformed as well. In other words, a policy paradigm shift regarding federalism was an important factor behind the transformation of Russian intergovernmental relations.

Kuhn has described paradigm shifts as intellectually violent revolutions, by which one conceptual world view is replaced by another (Kuhn 1996). Paradigm shifts therefore have implications for behaviour by changing the views regarding viable and legitimate goals and means. An essential question then becomes under what circumstances such shifts, or intellectual revolutions, occur. In this thesis it is argued that the organisational nature of federations is closely related to this matter. According to Cohen, March and Olsen (1972, 1989), and John Kingdon (1984), most large organisations can be labelled ‘organised anarchies’ because they are not confined structures with a constant set of actors, and solutions are not usually coupled to problems in ways predicted by conventional logic (see further Chapter 4).

Cohen, March and Olsen (1972) argue that the anarchic nature of organisations derives from the fragmentation of four different processes or streams:

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29 It is important to keep in mind that there might be severe discrepancies between formal and informal institutions. One must make a distinction between institutions and organisations. Organisations have agency - they can act - whereas institutions like constitutions, laws, and standard operating procedures cannot.

30 While ideas have a ‘charge’, institutions are conductors and amplifiers of that charge. For instance, the liberal ideas of liberty, equality, self-determination, and localism are reflected in the U.S. constitution. These notions have gained authority and stability by this fact. Still, liberty can never be an institution. In fact, institutional design is one of the focal points for finding ideas in this study. See Chapter 3 on method.
problems, solutions, participants and choice opportunities. Whenever a choice opportunity arises, choices must be made, hence coupling certain actors to certain decisions. These decisions in turn concern how problems should be coupled with solutions (March & Olsen 1989).31 In such an environment outcomes become rather unpredictable by conventional logic because the policy-making process does not unfold in a linear fashion.32 Rather, according to this logic ‘solutions are linked to problems, and decision-makers to choices, primarily by their simultaneity’ (March & Olsen 1989:13).

The next central question then becomes under what circumstances the separate streams are coupled together. Is this completely random or is there some predictability to it? Usually streams are coupled in more or less the same way and by more or less the same actors because the current policy paradigm is institutionalised. Due to the ‘irrationality’ produced by temporal sorting, some changes might nevertheless take place in a piecemeal fashion, but as long as the number of major anomalies is kept to acceptable levels, the current paradigm will by and large remain stable.33 Small institutional and ideational alterations may also occur gradually as a part of a learning process by which we couple streams together in a more and more ‘rational’ manner.34 Such piecemeal and evolutionary change could be considered normal policy-making, or in analogy with Kuhn’s theorising “normal science”.

However, when present ideational and institutional structures gradually break down and change due to internal insufficiencies, when old rules and routines are no longer able to process and adapt to somewhat different flows of streams, and when the inertia of established ideational and institutional structures becomes too great, the system may start to crumble under the great pressure of its own anomalies and of policy entrepreneurs lobbying their alternative notions about rational policy-making. If the number of anomalies reaches a critical mass in the eyes of a majority of actors and/or a smaller number of powerful actors, it may lead to the downfall of the current policy paradigm and a shift to a new one.

Such processes may bring about impetus to change in a much more revolutionary manner by creating unexpected choice opportunities and by opening the door to new policy entrepreneurs. ‘Critical junctures’ (Collier & Collier 1991) or ‘punctuated equilibria’ (Krasner 1984) (crises of various kinds,

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31 Cohen, March and Olsen (1972), and Kingdon (1984) have diverging opinions as to whether actors (participants) should be seen as a separate stream or if actors may move between streams.

32 The conventional view is probably that when a problem arises, it is assigned to the appropriate actor, who in turn makes an analysis and come up with a suitable solution.

33 In Kuhn’s terminology, this corresponds to first and second order change (Kuhn 1996).

34 ‘Learning’ is this sense does not necessarily mean ‘improving’. Rather, it denotes that actors adapt and transform to what is socially acceptable and physically possible in any given context by switching to other paradigms, consciously or not, genuinely or not (March & Olsen 1989:58-59; Peters 1999:33).
or what might be called serious fluctuations in the problem stream) may force actors to question the way in which issues are currently solved and to react in new ways. If the current paradigm, the current way of coupling streams, and its advocates are incapable of dealing with a crisis and with anomalies it creates, the door is open for a paradigm shift (Hall 1993:280). Such ‘focusing events’ (Kingdon 1984), which open policy-makers’ eyes to anomalies, must hence be taken into consideration as possible sources of coupling, and consequently of ideational and institutional change.

In short, new paradigms are more likely to arise when conditions are beneficial in each stream and when the streams are coupled together at the right moment: when there is a paradigm crisis; when a potential solution to this crisis is around; when there is a policy entrepreneur who has the capability, the will, and the opportunity to promote his/her/its ideas, and when the political establishment is ready for them. There is, however, no guarantee that a new paradigm will enter the scene even if this is the case, nor that a new paradigm would influence the mode of intergovernmental relations very quickly. There might indeed be considerable time lags due to enduring constraints in one or more of the streams as old paradigms linger on.

2.3. Conclusions

The character of the relations between federal and regional executive authorities, as well as between regional executive branches, varies across and within different federal systems in various ways. This thesis considers the level of cooperation and concord between governmental actors, labelling those intergovernmental relations marked by fragmentation and discord as divided, and those characterised by institutionalised collaboration and networking as concerted.

The point of departure for this study is that the dominant ideas on federal government that permeate any given federal system greatly influence the character of the intergovernmental relations of that system. What creates the analytical variation is that there might be different interpretations of federalism across and within federal systems. In a Kuhnesque spirit I have chosen to call different sets of ideas about federal government “federal paradigms”. A federal paradigm constitutes the norms and the design of federal institutions, thereby defining what is desirable, feasible, and appropriate. In this way it ultimately influences collective behaviour. The other research task continues the Kuhnesque approach by focusing on federal paradigm shifts. Building on the logic of temporal sorting I emphasise the role of fragmentation and chance in the process of policy-making and ideational change.
3. Method and Material

3.1. Research Design

The transformation of intergovernmental relations in Russia at the turn of the millennium was a highly complex and ambiguous contemporary process. Indeed, as I began this study in 2000 the federal reforms were ongoing. Although the changing nature of Russian politics never leaves the researcher bored, it certainly has its downsides. Studying Russia is usually like shooting at a moving target. Much to my own frustration more federal reforms were introduced in the autumn of 2004, which is beyond the time frame of this thesis. Under these circumstances it was difficult to formulate specific research questions and to design a fixed method at an early stage in the research process. This made a qualitative approach more suitable than more formalised and controlled approaches as it is better equipped to capture such complex and fluid scenarios (Yin 2003:4). Hence, the theoretical premises of this study were not at first completely defined, in order to allow more freedom later in the research process.

The development of Russian intergovernmental relations, federalism, and federal institutions is interesting for its own sake and indeed constitutes the central part of this thesis. Yet I argue that the Russian case also can be useful in producing theoretical hypotheses of a more general relevance. But what could this piece of Russian contemporary history tell us that has a more general relevance? What is it a case of? According to George and Bennett a case is a ‘class of events’, such as revolutions, types of governmental regimes, and kinds of economic systems. They argue that the researcher should focus on a well-defined aspect of such events (George & Bennett 2005:17-18). Russia is a case of federal intergovernmental relations (class of events), which have undergone considerable change during recent years, transforming from a predominantly divided mode to a predominantly concerted mode (aspect).35 After some time I discovered that ideas about federal government, federal paradigms, played an important role in this.

Although the case at hand is hardly a critical one, it has enabled me to further explore the relation between federal paradigms, institutional design, and

35 A basic assumption in this study is therefore that Russia has been basically federal since its foundation in 1993, and during the period in focus here (1998-2004). Indeed, most scholars have defined Russia as a federation (among others G. Smith 1995; Kempton & Clark 2002; Watts 1999).
the mode of intergovernmental relations. Two things make Russia an especially suitable case for our purposes. First, the transformation of intergovernmental relations was paralleled by a great debate on federal principles at the end of the 1990s. This debate provides us not only with a rich material, but also with a material that accentuates the various federal paradigms of governmental actors. Second, the Putin administration initiated a sweeping reform programme that touched some of the most vital federal institutions, which allowed us to study the links between the ideas on federal government that Putin represented and their institutional expressions.

Single-case studies are often criticised for not being able to generalise the findings. But by doing an in-depth analysis of a comprehensive empirical material from a clearly stated and elaborate theoretical perspective new theoretical elements may be discovered that, at least tentatively, may also be valid in a more general sense (Devine 2002:207, Yin 2003). The ambition of this study in this regard has been to provide a basis for future research on this topic. The relation between federal paradigms, institutional design, and the mode of intergovernmental relations in the Russian Federation might suggest something about this relation in other federations.

A wide range of theoretical literature on federalism, federal systems, and intergovernmental relations has been used in order to give greater theoretical transferability. Also, in order to further improve the prospect of producing valuable theoretical hypotheses minor comparisons have been made with other federations, to put Russia in perspective. To make these references relevant, I have for the most part stuck to large federal systems, such as Australia, Brazil, Canada, Germany, India, South Africa and the U.S., which share some of the basic geographical, socio-economic, and demographic conditions of Russia.

3.2. Sources

Both parts of this thesis are based on sources such as interviews, reports, party programmes, policy proposals, law bills, federal budgets, and other written material produced by governmental actors. In order to put these sources in a wider context, I have also included important think tanks, academic institutions, and newspapers in the analysis. Worth mentioning here are the Council for Foreign and Defence Policies (CFDP)\(^{36}\), the Centre for

\(^{36}\) CFDP, in Russian Sovet po Vneshnei i Oboronnoi Politike, is, according to its website (www.svop.ru), an NGO founded on 25 February 1992 by a group of well-known and influential businessmen, politicians, officials from several ministries, and representatives of the weapons industry. It is headed by Sergei Karaganov, who until 1999 was a member of the Presidential Council of the Russian Federation, Advisory Committee of the Security Council of the Russian Federation, and the Advisory Board of the Council of Federation. The council was quite influential under the Yeltsin administration and the beginning of the Putin admini-
Social Research\textsuperscript{37}, the Centre for Strategic Research\textsuperscript{38}, and the INDEM Foundation.\textsuperscript{39} The most frequently used newspapers have been \textit{Rossiiskaia Gazeta}\textsuperscript{40}, \textit{Izvestia}\textsuperscript{41}, \textit{Kommersant}, and \textit{Nezavisimaia Gazeta}\textsuperscript{42}, all of which are among the biggest in the country.

Moreover, I have conducted eighteen interviews during 2002-2004 with decision-makers in the road/infrastructure and environmental committees (the executive branch) in St Petersburg and Leningrad Oblast\textsuperscript{43} (7), with representatives from the North-Western Interregional Association (1) and the North-Western Federal District (1), the Centre for Strategic Planning (Saint

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\textsuperscript{37} The Centre for Social Research (www.c-s-r.ru), in Russian 
\textit{Tsentr Sotsialnykh Issledovanii}, was created in the summer of 1998 by a number of political consultants. Prior to the parliamentary elections of 1999 the Centre set up a website, www.vybory.ru, to cover the election campaign.

\textsuperscript{38} The Centre for Strategic Research is an NGO, but with very close relations with the Government. It was founded in December 1999 as an expert forum where the forthcoming reforms could be worked out. The Centre was headed by people like Dmitrii Kozak and German Gref, who at the same time were working in the Presidential Administration and the Federal Government respectively. It can thus be seen as promoting the voice of the federal centre. See also www.csr.ru.

\textsuperscript{39} The INDEM Foundation is an NGO founded in October 1997 at the initiative of Georgii Saratov, a former advisor to Boris Yeltsin. Its main purpose is to advance the development of democratic institutions in Russia. On its board one also encounters Mikhail Krasnov, who had also been an adviser of the Yeltsin administration on legal matters until May 1998, and Viktor Illiushin, who was First Deputy Prime Minister until March 1997. They were part of the liberal team that Yeltsin had gathered around himself at the time. Sergei Karaganov, the Head of CFDP (see above), is also a member of the board, which underlines the interconnectedness within the political establishment. They were part of the liberal team that Yeltsin had gathered around himself at the time.

\textsuperscript{40} \textit{Rossiiskaia Gazeta} is published by the Russian Federal Government. Most decisions of the president and the Federal Government are reported here.

\textsuperscript{41} In 2000 \textit{Izvestia} was jointly owned by the oligarchs Vagit Alekperov (Lukoil) and Vladimir Potanin (Oeksmbank, First Deputy Prime Minister 1996-1997) (http://bcsia.ksg.harvard.edu/publication.cfm?ctype=event_reports&item_id=57).

\textsuperscript{42} Both \textit{Kommersant} and \textit{Nezavisimaia Gazeta} were in 2000 owned by the oligarch Boris Berezovskii (http://bcsia.ksg.harvard.edu/publication.cfm?ctype=event_reports&item_id=57). Being a member of the Yeltsin clan, his relations with Putin gradually deteriorated and in 2002, accused of fraud, he was forced to move to London.

\textsuperscript{43} The road-infrastructure and environmental sectors were chosen because one may expect a higher level of interaction in these sectors, which are characterised by interconnectedness. Both infrastructure (roads, bridges) and environmental issues (pollution, common water deposits) stretch across regional administrative borders. They may therefore be seen as critical cases of joint cooperative action. Saint Petersburg and Leningrad Oblast was selected for both analytical and practical reasons. These two regions are highly interdependent, and until 1993 they were in fact one administrative unit. The main trade route to Saint Petersburg from Finland goes through Leningrad Oblast. Many urban dwellers spend their holidays in the countryside, while many oblast residents work in the city. The geographical proximity, and the academic and private networks in these regions, also facilitated the field work. It should be pointed out that the selection of Saint Petersburg and Leningrad Oblast is not central to the analysis. Rather, they are seen as representative of a larger population.
Petersburg) (1), the Russian Academy of Science (Saint Petersburg) (2), the Carnegie Institute (Moscow) (1), the Leontief Centre (Saint Petersburg) (2), SEFIR (Moscow) (1), the INDEM Foundation (Moscow) (1), and finally with one NGO – Greenpeace (Saint Petersburg) (1). The interviews were open-ended, with just a few key questions, which concerned the practices and routines of their organisations (or about governmental actors), their views on the distribution of jurisdictions, the extent and manner in which they interact with other governmental actors, and their opinion about the reforms of the Putin administration.\footnote{Arranging the interviews was extremely time-consuming. In each case a fax was sent to the central administration of each organisation, asking for an appointment. This fax was followed up by a phone call by which the final destination of the fax was traced, which in the end usually produced a name and a telephone number. The presumptive interviewee was then called and in all cases but one an interview could be arranged. Once talking to me, most interviewees were very accommodating and appeared to be frank, but sometimes quite cautious. All of the interviewees were promised anonymity.}

### 3.3. Research Design and Analytical Tools

Both parts of this thesis have in common the ambition to link federal paradigms, federal institutions, and intergovernmental relations. A central problem when studying ideas is therefore how to know when actors use ideas as commodities and tactics, when they are forced, and when expressed ideas are ‘genuine’. An actor might for some reason be forced to act in ways that contradict his convictions, or make certain statements for strategic reasons. However, one might argue that even when actors use ideas and beliefs in an instrumental manner, they nonetheless consider it necessary to refer to a line of thinking that is ‘out there’. Hence, how decision-makers legitimise their actions, even for tactical purposes, is an essential part of political life and does restrain behaviour.\footnote{Moreover, speech is as much an act (a speech act) as other measures, as has been argued by the Copenhagen school of international relations (see the work of Ole Waever among others). Statements should not therefore be seen as more tactical or genuine than ‘normal’ acts. Both can be genuine or tactical.} A related problem is how we distinguish between formal and informal institutions and actual practice. The discrepancy may be considerable.

A way of tackling these problems is to employ a multitude of methods and sources on the case, which has been referred to as ‘triangulation’ (Yin 1994:91). In this study, I have used a wide range of sources and a number of different methods to identify and evaluate the federal paradigm shift and the relation between various federal paradigms, federal institutions, and intergovernmental relations as illustrated in the figure below.\footnote{The assumption is that if a majority of sources and methods show that an actor’s statements and actions point in the same direction – if there is a high level of congruence – then we can conclude that there is probably little or no divergence between ‘genuine’ and ‘instrumental’
At the same time the range of sources and methods necessitated some delimitation. The amount of material where one could find interesting information about governmental actors’ ideas on federal government was almost infinite. It was clearly necessary to sort out the most informative and relevant sources. I have therefore focused on the federal paradigms of governmental actors, who dominate major access points and whose opinions are likely to matter. At the federal level, I put the spotlight on the President, the Presidential Administration, the Federal Government, and the Federal Assembly (the State Duma and the Federation Council). At the regional level the regional executives, i.e. presidents, governors, and prime ministers, and their close associates (advisors and the like) are taken into consideration.

When mapping out the regional ideas on federalism I have focused mainly on prominent and influential regional executive heads and their administrations from both ‘Russian’ oblasts and ‘non-Russian republics’, as being those most likely to have an opinion that would be heard. It is likely ideas, between formal and informal institutions and practices, and between decision and action.

47 The President, the Presidential Administration, and the Federal Government are sometimes bracketed together under the term ‘federal centre’. This signifies that in practice, in recent years, they jointly form the executive at the federal level. Therefore, intra-federal relations are commented on here only in passing, even though they have played a significant part in the past. Moreover, although Putin is an important actor, perhaps the most important, ‘Putin thinks’ and ‘Putin reforms’ do not necessarily only imply him personally, but also the team around him. There is no reason to believe that his power is so personalised.

48 Among others: Bashkortostan President Murtaza Rakhimov, Chuvashia President Nikolai Federov, Moscow Mayor Yuri Luzhkov, Novgorod Governor Mikhail Prusak, Orel Governor Yegor Stroev, Samara Governor Konstantin Titov, Sverdlovsk Governor Eduard Rossel, and
that a majority of these influential regional heads are biased by a federal paradigm different from that of the Federal Government. The extent to which ‘their’ federal paradigm is prominent in the general debate is therefore also a good indicator of the strength of the federal paradigm.

Second, to cover all vectors of intergovernmental relations would be an overwhelming task. For this reason, I have studied material that concerns two kinds or relations: federal-regional relations; and interregional relations within the executive branch of government. As in many other federations, research shows that the executive branch tends to dominate intergovernmental relations in Russia (Chirikova & Lapina 2001:15). This is why it was the focus of this study. Other branches of government are mentioned in passing. The interregional dimension of intergovernmental relations, by contrast, is often overlooked and understudied. Robert Zimmerman has written some of the few contributions on this issue (1994, 1996) that focused solely on the American context. As to the Russian case it seems only one article, by Andrei Makarychev (2001), is dedicated to this question.

**Outlining the Federal Paradigm Shift**

In Part I the aim was to map out the federal paradigm shift. It was analysed from a garbage-can perspective that builds on the logic of temporal sorting. This logic does not follow the conventional causal process scheme. Rather, it is essential to establish what problems were recognised, what solutions were formulated, what actors mobilised, and what choice opportunities or policy windows were open to them at a certain point in time. In other words the researcher should ascertain what is in each stream when institutional factors in ‘politics’ couple them together.

Hence, starting from the federal reforms that were launched in May 2000 and moving backwards, I have mapped out how various actors have conceptualised the problems and solutions related to the federal system at times...
when streams are to be coupled together. These points in time have usually occurred in connection with election campaigns, debates on law bills, budget debates, and the political and economic crisis of 1998. These are times when opinions are especially pronounced. I have paid special attention to the federal perspectives of those actors that have controlled important access points or in any other way been considered influential. In other words, the focus has been on opinions that matter. Further, major choice opportunities, policy windows and power relations (who is more able to advocate his ideas) are often regulated by the basic institutional framework, which is seen here as a part of ‘politics’ in Kingdon’s terminology. The research process therefore began by outlining the major institutional traits of the Russian federal system.

Federal paradigm shifts are by their very nature fragmented processes. In the Russian case, the instances when federalism was discussed are not to be found in a coherent context that could be traced over time. Rather, the debate was dispersed over different arenas and points in time. I tried to cope with these difficulties by following leads referred to in one debate or event to another debate or event. The purpose of such an approach was not to establish the relations between different debate arenas or from where certain ideas originate. As pointed out by Kingdon, this would just be a matter of infinite regress (Kingdon 1984:81). Rather, the purpose was to establish who thought what regarding federal government, and when.

Idea Analysis
How and where do I capture the ideas on federal government that permeated the Russian federal system? I have used institutions as the analytical point of entry because they can be seen as the link between ideas and behaviour. As stated by Michael McCann: ‘Institutional forces are manifest in, and to a great degree “work through”, the culturally defined intersubjective knowledge, conventions, and norms that people carry around in their heads and act on in practice’ (McCann 1996:463). Federal paradigms may therefore be captured through statements, policy documents, and actions generated and made by essential governmental actors about the design of a number of federal institutional clusters. Policy proposals, law bills and the like that concern institutional design signify a certain federal paradigm.

To move further with the analysis we need an analytical tool; a filter through which one can put the material at hand. The basis of this tool is the federal paradigm concept. In Part II a palette of federal paradigms regarding different aspects of federal design has been constructed. It is based on theoretical literature concerning conceptual links between federalism, federal institutions, and intergovernmental relations and more empirical literature.

50 Access points refer to the arenas where ideas can be launched. See further Desmond King’s work (1992).
regarding this link in other federations. Put together these federal aspects form federal paradigms that answer the three paradigmatic questions: (a) What is the essential nature of political life within the policy area? (b) What are lawful, rightful, and legitimate goals to strive for? (c) What are feasible, rightful, and appropriate means to achieve these goals?

This palette operationalises the theoretical links between federalism, federal institutions, and intergovernmental relations. A good illustrative example of how this was done concerns the distribution of jurisdictions. When jurisdictions are institutionalised in a way that forces governmental actors at different levels to carry them out jointly it seems reasonable to assume that the intention was to instil cooperation through networks across administrative boundaries. Hence, if the researcher comes across a federal constitution that establishes “concurrent jurisdictions”, one can conclude that the federal paradigm behind such an institutional solution seeks to support concerted intergovernmental relations. Another example concerns the fiscal system. Suppose a federal system is characterised by great socio-economic differences across its territory. Governmental actors may perceive this as a problem or they may not, depending on what federal paradigm permeates that federal system. If it is indeed seen as a problem, this is an indication that such asymmetries are not acceptable. One might therefore expect that institutions would be designed in a manner that reduces the level of asymmetry. So if we encounter elaborate equalisation schemes in a federal system it is likely that the dominant federal paradigm defines symmetry as a desirable quality.

How each federal paradigm is operationalised will be demonstrated in more detail in Section 6.2. and in the beginning of the empirical Chapters 7-9. Section 6.2. discusses the basic ideational material on which the federal paradigms are built. In Chapters 7-9 the relation between certain designs of federal institutions, federal paradigms, and intergovernmental relations is elaborated on in more detail.

In order to make use of the typology of federal paradigms I have selected three institutional clusters as ‘within-cases’, which are of central importance in federal systems: (a) the basic institutions that regulate the distribution of jurisdictions (constitutions and other treaties), (b) the fiscal system, and finally (c) federal supervision and coordination of the regions. As mentioned before, the Putin administration introduced reforms that touch upon all of these policy fields. These reforms were intensively debated during the first years of the new millennium, which helped to accentuate the underlying federal paradigms. In fact, I have tried to find sources with as much bias as possible so that their message can be clearly interpreted.

I argue that although statements and policy documents are made or written by individuals they may be seen as indicators of collective ideational structures. This is especially the case in policy communities, such as those formed in various committees in the Federal Assembly, in the Security Council, and in important NGOs, in which policies are not discussed and
formed in isolation. Hence the ideas that individual actors express are not necessarily an indicator only of their particular stance, but may help us to obtain insights into much broader ideational currents. By building the analytical tool on the federal paradigm concept with a focus on institutions I am able to link together collective federal ideas, federal institutions, and intergovernmental relations, not seeing them as independent forces, but as an integrated whole.

3.4. Conclusions

The analytical approach of this study builds mainly on qualitative methods and a great variety of sources such as interviews, reports, press releases, and newspaper articles. The main thrust of analysis is focused on normative proposals and statements regarding the federal system, in particular the design of central federal institutions, and the actual design of existing federal institutions. I then studied how such statements and institutional design together formed federal paradigms.

By focusing on the ideational contents in the policy formation stream and the problem recognition stream, and how these streams conflated due to ‘politics’, I was able to capture the shift of federal paradigms in the Russian federal system at the end of the 1990s. The relation between certain federal paradigms and collective behaviour was explored through literature on federalism and federal institutions, examples from other federal systems, and the Russian case.
Part I – Ideational Change and Federal Intergovernmental Relations

Ideational structures, as well as institutional structures, are usually quite stable. Nevertheless, ideas and schools of thought do change, which sooner or later has implications for behaviour. This first part of the current thesis deals with the circumstances under which ideas about federal government (federal paradigms) undergo change. It will be shown that the Russian federal system provided a combination of circumstances, which allowed a new federal paradigm to catch on. This ideational shift, in turn, encouraged a new design of federal institutions, and ultimately with some delay a transformation of intergovernmental relations.

In Chapter 4 I first elaborate on how organisations, and in particular federal systems, supply the conditions under which federal paradigms remain stable, and then on when paradigm shifts occur. I then relate these theoretical assumptions to the Russian case (Chapter 5).
4. Organisation and Anarchy in Federations

4.1. Organisations as Organised Anarchies

Cohen, March and Olsen have eloquently and intriguingly described organisations as follows:

‘An organisation is a collection of choices looking for problems, issues and feelings looking for decision situations in which they might be aired, solutions looking for issues to which they might be the answer, and decision makers looking for work.’ (Cohen, March & Olsen 1972:2)

This statement builds on the assumption that large and complex organisational environments are often incoherent, in terms of both organisational segmentation and territorial fragmentation. The authors dispute the conventional view of organisations as rational entities. Instead, as stated above, they have conceptualised organisations as ‘organised anarchies’. This anarchic nature derives from the segmentation of separate processes or streams of problems, solutions and actors. What happens to be in each stream at the point in time when they are coupled to a large extent determines outcomes. Timing, or in March and Olsen’s terminology ‘temporal sorting’ (March & Olsen 1989), is therefore vital in order to understand what ideas, or whole paradigms, fade away, surface and catch on, and what advocates and champions these ideas have.

This view of organisations clearly entails a high level of unpredictability. Still, I argue that outcomes can sometimes be predicted because the timing of the coupling of streams can be foreseen, because organisations are not only anarchic, but also organised and bound by historical patterns. March and Olsen have in fact been accused of being ahistorical (Weir 1992:191). Some insights into historical institutionalism can remedy this potential weakness. Historical institutionalists, such as Peter Hall (1992, 1993)51,  

51 Hall explains the gradual shift from the Keynesian paradigm to a monetarist paradigm in Great Britain during the second half of the 1970s first of all by the collapse of the former paradigm as unemployment and inflation grew rapidly following the oil crisis. This was paralleled by a shift of power from the labour unions to market forces. The paradigm shift was finalised by the election of a Conservative government and Margaret Thatcher as prime minister in 1979. As the parliamentarian system invested great power in the cabinet, it was able to
Desmond King (1992), and Margaret Weir (1992), have shown that institutions structure the flow of ideas and the distribution of power. In other words, institutions define when ideational change is possible, and who is able to promote it, by ordering the timing of stream-coupling through choice opportunities (elections and budget negotiations) in a cyclical and recurrent manner, and by empowering certain actors.

4.2. Federations as Organised Anarchies and Ideational Change

In *Agendas, Alternatives, and Public Policies* (1984:90), John Kingdon shows that federations are indeed organised anarchies that to a large extent function as envisaged by the logic of temporal sorting worked out by Cohen, March and Olsen (1972). Other scholars also point to the fact that federations are large and complex organisational environments with a high level of organisational segmentation that derives from the many different governmental tiers and territorial fragmentation (Scott & Meyer 1991:115; Zimmermann 1996). Federations often involve very large organisational matrices with a vast number of actors (individuals as well as administrative bodies). Moreover, the formally non-centralised character of federal systems creates parallel policy-making processes at several levels and also multiple loyalties.

However, Kingdon modifies Cohen, March and Olsen’s original model in small, but significant ways. First, instead of four, he suggests three families of processes or streams, floating around in federal systems: ‘problem recognition’, ‘the formation and refining of policy proposals’, and ‘politics’. While the first two are more or less self-explanatory, the political stream is defined as ‘swings of national mood, vagaries of public opinion, election results, changes of administration, shifts in partisan or ideological distribution in Congress, and interest group pressure campaigns’ (Kingdon 1984:93).

Secondly, just as in Cohen, March and Olsen’s model, policy outcomes are very much a consequence of what and who happens to be in each stream promote a change of policies. The two-party system also encourages the party coming to power to present innovative policies (Hall 1992, 1993).

*King* (1992) illustrates that the U.S. federal system creates vertical access points, the states, for the governors and other regional actors. It also opens horizontal access points, the Congress, in which various lobby groups may advocate ideas. The fragmentation and multiplicity of access points makes opposition easy, but success relatively difficult to achieve.

*Weir* (1992) shows that policy-making in the American federal system is deeply influenced by the fragmented structure of national political institutions and the party system. This facilitates the mobilisation of opposition and entering alliances on a short-term basis.

The participant and choice opportunity streams have thus been merged into one stream - ‘politics’. From this perspective actors may jump in and out of streams, or participate in several streams at once, and consequently do not compose a stream of their own.
at the time when they are coupled together. However, Kingdon seems to take a step further in recognising the predictability and stability of ‘stream-coupling’ that was called for above. Actors, solutions and problems are indeed coupled together mainly by their simultaneity, but the time and way of coupling is recurrent and alike over long periods of time because institutions structure temporal sorting (Kingdon 1984:195). Federal paradigms and their institutional expressions may therefore remain stable for a long period of time. In other words, federations are also organised anarchies.

This should be further accentuated in the theoretical terminology and framework. A step in this direction is to distinguish the character of ‘politics’ differs from that of the other two streams (problem recognition stream and policy formation stream). ‘Politics’ should not be described in terms of a random ‘linear’ stream, but as a more stable ‘cyclical’ process because it is regulated by institutions and the policy paradigms they uphold. Elections and budget processes regularly provide actors with predictable ‘windows of opportunity’, and actors are not constantly replaced, but bound by institutions to certain roles (sometimes several) over a longer period of time.

The problem and solution streams are usually coupled together according to conventions and institutions, and involve the same dominant actors within the policy field in question. In this way, as stated by Weir, ‘earlier policies provide politicians and policy-makers with analogies that they use to judge future policy options’ (Weir 1992:191). In other words, how streams have usually been coupled in the past influences the way in which streams are coupled in the future. There is indeed a path dependency logic present.55

However institutions are not only a source of stability, but also a source of paradigmatic change. Paradigm shifts may occur in the presence of a combination of certain conditions, as illustrated by Figure 4.1.

Figure 4.1. – Federal Paradigm Shifts

55 This path dependency also influences the contents of each stream. Old problems and solutions do sometimes return, albeit in a somewhat arbitrary way, awaiting an opportunity to emerge. In their later work March and Olsen recognise this, stating that ‘[o]ld solutions do not
First, if current institutions and practices are unable to deal with great fluctuations in the problem recognition and policy streams, the political system might start to generate anomalies (unmanageable problems). If these anomalies reach a critical mass the current paradigm and institutions, and the actors who uphold it, and the way in which the streams are coupled (circular arrows) might be undermined, and eventually lead to a systemic collapse from which a new paradigm arises.

Second, cognitive maps and established routines might also be rewritten by serious crises, or in Kingdon’s language ‘focusing events’ (1984:99-100), which further underline such deficiencies of the current paradigm. A focusing event calls attention to ‘neglected’ problems and opens people’s eyes to the anomalies of the current system. New revolutionary solutions to old problems might have the same effect. Focusing events might have their origin in external factors, such a global economic crises, epidemics, or wars, or they might also derive from the inertia of the current system, or a combination of both. Politics becomes unordered and unpredictable, streams are coupled together in new and perhaps unexpected ways, and a window of opportunity may open for new actors with new ideas.

Third, institutions regularly open up policy windows, creating choice opportunities for the actors that are around. In this way, by viewing paradigmatic and institutional structures not as static, but as in constant flux, the theorem about institutional stability and continuity can be refined to involve change as well. When an organisation opens up to ideational change in this way, it is also essential that a policy entrepreneur is present, capable, and willing to exploit the moment. Kingdon (1984:214) recognises that strong policy entrepreneurs play an important role with regard to ideational change. Powerful or authoritative actors may uphold the current paradigm or try to discard existing ideas regarding what is conceivable, feasible, and appropriate. However, a focusing event might bring forth a new generation of powerful and authoritative actors, who are eager to change things. This new generation of policy-makers should be ready to launch a new attractive paradigm. Indeed, power relations matter. However, power relations are ‘conditioned by the institutional framework within which policy was made and power over policy acquired’ (Hall 1992: 96). The analyst should therefore ask himself/herself who mobilises when choices are scheduled to be made or when a crisis occurs, what their capabilities are, and what ideas they advocate.

Fourth, power is not only a matter of being able to force or convince actors to do or think something that they otherwise would not do or think. The success of policy entrepreneurs is also very much dependent on the extent to which their ideas are recognised by others as appropriate and technically go away but wait for new occasions on which they might be represented as answers to problems unresolved by current practice’ (March & Olsen 1989:134-135).
feasible (Kingdon 1984:103, 139-140). Kingdon states that ‘[the] critical thing to understand is not where the seeds come from, but what makes the soil fertile’ (Kingdon 1984:81). Kuhn argues that even in case of crisis, the old paradigm is probably better at solving scientific puzzles than an underdeveloped new one. A paradigm shift is therefore not a very rational process, but rather a psychological question of hope and confidence for the potential of the new paradigm (Kuhn 1997: 60-63, 129-130). Not only should actors be powerful policy-makers, there should be a demand for them as well.

Finally, if an idea which is in line with, or at least not contradictory to, the established beliefs surfaces during a crisis situation, and at the same time provides a clear road map of how to orientate in this unclear situation, that idea is more likely to catch on. This is especially the case if the idea is accompanied by convincing academic evidence and good arguments. Such ideas might consequently cause a ‘bandwagon’ or ‘tipping-effect’ (Kingdon 1984:147).56

4.3. Conclusions
One may conclude that ideational change is likely when ‘a problem is recognised, a solution is available, the political climate makes the time right for change, and the constraints do not prohibit action’ (Kingdon 1984:93). Again, what problems and policies happen to be around when a choice opportunity arises, and what actors and institutions are involved in the political cycle, very much influence the outcome. Hence, as argued by Bo Rothstein, the importance of both the ‘men who make history’ and the ‘circumstances under which they are able to do so’ should be included in the analysis (Rothstein 1992:35).

56 If an idea is about to become salient among a substantial number of actors, or among influential actors, there is a possibility that the rest will jump on the wagon. If a sufficient number of actors support it, the scales will in time tip in favour of the idea that is about to break through.
Before the federal reforms that Putin introduced in May 2000, all attempts of the federal authorities to redistribute powers and jurisdictions in favour of the Federal Government had failed. Now policies that earlier would have been perceived as highly controversial were accepted or even hailed not only by the federal establishment, but by many regional leaders as well. In one sense the Putin presidency was therefore a turning point for Russian intergovernmental relations and Russian federalism. In another sense what these policies marked was by no means the beginning of a new federal paradigm – a new federalism - but rather its consolidation. I argue that herein lies the explanation for the relative ease with which Putin was able to introduce and implement the federal reforms. Putin was able to form his federal policies around ideas that had been advocated by others for quite some time. His main accomplishment was in other words not that of a policy innovator, but that he managed to carry an already ongoing ideational shift to a conclusion.

In the following analysis I demonstrate how temporal sorting and the institutional perspective advocated by historical institutionalism can be employed in order to understand the Russian case as an example of a federal paradigm shift within a federal system. I therefore take into consideration the importance of chance and timing in politics, arguing that there is seldom a master plan behind ideational change. Rather, I focus on the confluence and alignment of actors, power, choice opportunities, and policy windows, which are partly modulated by institutionalised cycles. The analysis below is divided into four phases: phase 1 (December 1993-March 1998); phase 2 (March 1998-August 1999), phase 3 (August 1999-March 2000), and finally phase 4 (March 2000 and onwards). It shows that a complete federal paradigm shift was not possible until the contents in politics, the problem recognition stream, and the solution formulation stream during phase 4 were compatible for change.

Each phase is analysed in the following fashion. First, I establish which major choice opportunities appeared during the phase and what actors dominated the major access points. As stated above, this is referred to as ‘politics’ and is heavily influenced by institutionalised cycles. Second, I analyse the problem recognition to establish what ideas circulated regarding the problems connected to the Russian federal system. Third, I investigate what poli-
cies are present that can be attached to these problems in the policy formation stream. Finally, I examine the way in which the cyclical institutional factors are coupled together with the linear problem recognition and policy formation streams.

5.1. The Birth of a Federation – The Yeltsin Era
(December 1993-March 1998)

The Russian Constitution was established by public referendum on 12 December 1993 and defines Russia as a federation – the Russian Federation. What major players does the Russian institutional framework create? What power resources and access points for their ideas do these actors have at their disposal? What recurrent decision situations and windows of opportunity does the Russian federal system provide? The answers to these questions help us understand when the Russian system is open for institutional and ideational change; insights that provide an important backdrop to the transformation of Russian intergovernmental relations.

**Actors, Access Points, and Windows of Opportunity - Politics**

The Russian Constitution is an essentially formal institution that constitutes actors and their internal power relations. It also establishes choice opportunities in terms of methods of appointment and elections that take place in a regular cyclical fashion. In this way it has considerable influence over who will process problems and solutions, and when and how.

A very basic provision of the federal constitution is that it establishes the number of constituent units (regional governments), which has practical significance for the preconditions for joint cooperative action. As pointed out by both Cameron (2001:122) and Watts (2001:28), a great number of governments tend to make sub-national governments less powerful and joint cooperative efforts more complicated to realise. By contrast, when there are only a few regional units, they are usually more powerful, which also might lead to difficulties in cooperating and even to disintegration (Czechoslovakia, Yugoslavia). The Russian Constitution that establishes 89 regional units therefore provides quite difficult conditions for concerted intergovernmental relations from the outset.

The design of the Russian Constitution in many ways reflects both the ideological and the political situation at the time of its establishment. Yeltsin, who by Russian standards represented a liberal line of policy, had been in continuous conflict with the conservative opposition in the Duma ever since the dissolution of the Soviet Union in December 1991. This power struggle ultimately resulted in the violent stand-off of October 1993 from which Yeltsin came out triumphant. Also the complex relations between the
federal centre and the regions, especially the regions based on non-Russian ethnicity, clearly put their mark on the Constitution. The Constitution also reflects the constitutional heritage of the Soviet Union, which involved some federal traits. The outcome was a constitution that established a strong presidency, and a fairly centralised federation. Yet one should acknowledge that by Soviet standards it was very liberal and quite decentralised.

As illustrated by Figure 5.1. below, the Constitution creates three levels of government, the federal, the regional, and the local. A thicker frame marks significant access points to federal policy-making.

Figure 5.1. – The Russian Constitution and Significant Access Points

In the Russian Federation the most important actors at the federal level are the President, the Presidential Administration, and the Federal Government. The Russian Constitution establishes a semi-presidential system where the President is the head of state and the Prime Minister the head of the federal executive. Intriguingly, in practice these organisations and institutions together form the executive branch. Consequently, the federal executive

57 According to Article 78:4 of the Constitution the President is responsible together with the Federal Government for the exercise of federal jurisdiction. Moreover, the three ‘power ministries’, the Ministry of Defence, the Ministry of Interior, and the Ministry of Foreign Affairs, report to the President alone (Jensen 1999:7). Hence, in a sense the President and the Presidential Administration together form a separate executive parallel to the Federal Government. Indeed, as one of the founding fathers, Sergei Shakhrai, pointed out himself, the Constitution
branch is fragmented and by no means a unitary actor. There have from time
to time been serious tensions and conflicts between the President and the
Federal Government. There have even been differences in policies between
the President and his administration, although the latter for the most part has
been loyal.\textsuperscript{58} All three must be considered powerful agenda-setters as organis-
sations, and important access points as institutions. Their internal distribu-
tion of power has shifted over time. However, in general the powers formally vested in the presidency have clearly made the President the dominant
player at the federal level.\textsuperscript{59}

At the federal level one should also mention the Security Council. It was
formed in 1992 and has been, and continues to be, an important platform for
policy-making, including issues concerning centre-regional relations. It is
chaired by the President under Article 83 of the Constitution. Other members
are the Secretary, permanent members (appointed by the President), and
regular members.\textsuperscript{60} Its daily work is handled by the Secretariat and five de-
partments, one of which deals with social and federal security.\textsuperscript{61} One of
the council’s most important tasks is to prepare the annual State of the Nation
speech to the Federal Assembly (\textit{poslanie}), which is an important channel

\begin{small}
\textsuperscript{58} After 1996 the Presidential Administration became increasingly loyal as people close to
Yeltsin, among others his daughter Tatiana Diachenko, were assigned high posts in this struc-
ture.
\end{small}

\begin{small}
\textsuperscript{59} Article 80:2-3 of the Constitution specifies that the President is to protect the sovereignty
and the coherence of the Russian Federation, and that he is the guarantor of the Constitution,
and the arbiter in intergovernmental conflicts. Also his influence over the appointment and
removal of the prime minister, of judges to the Supreme Court, and of other central officials is
immense. If the appointee to the prime minister post is rejected three times, the President may
dissolve the parliament. He also defines the main trajectories of domestic and foreign policies.
He can submit draft laws and veto legislation, which can be overridden only by two-thirds of
both chambers of Parliament. Furthermore, the Constitution makes it very difficult to remove
the President and the Prime Minister. For this reason the Prime Minister is responsible primar-
ily to the President, rather than the Parliament. Hence the Russian constitutional design does
not entail a clear division of power (presidential-congressional system), or a clear fusion of
power (parliamentarian system), but rather a hybrid variant somewhat resembling the French
one. For a comprehensive overview of the Russian presidency see Eugene Huskey’s ‘\textit{Presi-
\end{small}

\begin{small}
\textsuperscript{60} The secretary post has at times been occupied by prominent politicians, such as Aleksandr
Lebed. Later, as we shall see, Vladimir Putin occupied this post between March-August 1999.
Prominent members are often the Prime Minister, the ministers of the ‘power ministries’
(Ministry of Defence, Interior, and Foreign Affairs), the Minister of Finance, the Head of the
Federal Security Service (\textit{Federálnaia Sluzhba Bezopasnosti}, FSB), the speakers of the cham-
bers of Parliament, and other trusted persons.
\end{small}

\begin{small}
\textsuperscript{61} The other four are the Department of Information Security and Prognoses, the Department
of Defence Security, the Department of International Security, and the Department of Eco-
nomic Security.
\end{small}
through which the President can communicate his forthcoming agenda (www.scrf.gov.ru).62

The legislative branch at the federal level is formed by the Federal Assembly, which consists of two chambers, the State Duma (lower chamber) and the Federation Council (upper chamber). The State Duma is composed of 450 seats, of which 225 are distributed proportionally among political parties according to election results, and the remaining 225 are elected in single-seat constituencies on a first-past-the-post basis. In this way regional actors have a voice not only in the upper chamber, but in the lower chamber as well. The lower chamber can block the proposals of the Federal Government and the President, and therefore has considerable powers (Article 103)63, and all members of the State Duma have legislative initiative (Article:104:1). The State Duma has clearly been one of the major access points in the Russian political system throughout the 1990s.

The Federal Council’s political role as an access point was less significant than that of the State Duma during the Yeltsin era. There are 178 seats; two seats for each region, one each from the regional executive and legislative. Surprisingly, nothing further is explicitly stated as to the appointment of the senators. Rather, as illustrated throughout this thesis, the system of appointment of senators appears to reflect current power relations between governmental actors. As of 1995 governors and speakers of the regional assemblies were appointed to the Federation Council ex officio, which illustrates the growing influence of the governors. Their dual role as regional executive heads and senators allowed them to make laws at the federal level, which they were subsequently were to follow as regional executives. This of course gave them an exceptionally powerful position, and potentially turned the Federation Council into an important access point. However, due to their regional workload the council never became a vibrant arena for policy-making.

Nevertheless, the powers of the Federation Council are not insignificant. It holds the right to initiate legislation. Moreover, any piece of legislation concerning the federal budget, federal taxes, financial, monetary and customs issues, international agreements, state borders, and issues of war and peace must be approved and ratified, or vetoed, by the Federation Council by simple majority (Article 105:4).64 However, the Council’s role is strongly

63 Approving the president’s nominees for prime minister, issues concerning impeachment, and appointment of senior officials.
64 Besides reviewing legislation, the Federation Council is to: (a) confirm changes of borders between the subjects; (b) confirm declarations of war; (c) confirm states of emergency; (d) decide on the use of Russian military force outside the Russian Federation; (e) announce presidential elections; (f) decide on impeachment of the president; (g) appoint judges to the Constitutional Court of the Russian Federation, Supreme Court, and the Higher Arbitration Court; (h) appoint and remove the General Procurator; (i) appoint and remove the vice head of the National Treasury (Russian Constitution Article 102).
moderated by the dominant presidency and to some extent the power of the lower chamber, the State Duma. Yet, the Federation Council has occasionally been able to block federal and presidential law proposals and to demand revisions on issues that concerned all regions.

Finally, the major player in the Russian judicial branch is the Constitutional Court. It has been fighting to establish itself as a counterweight to the other governmental tiers, but with seemingly limited success. It was suspended in connection to the ratification of the Constitution in December 1993 and was reinstated only in March 1995. It has at times made important decisions, but it seems that it has not served as a major access point.

At the regional level we encounter 89 constituent units, of which 21 are republics, 49 oblasts, 6 krais, 10 autonomous okrugs, 1 autonomous oblast, and 2 federal cities (see Map 5.1.). Almost all regions have a presidential system where the executive branch of each region is headed by a governor, a president, a chair of government, or a mayor (Moscow and St Petersburg). The regional executive heads were until 1996 appointed by Yeltsin, except for the leaders of all the 21 republics and a small number of krais and oblasts, who had already been appointed through general elections since the beginning of the 1990s. Since 1996, however, they were generally been appointed through popular elections.

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65 Article 105:5 states that the State Duma can override decisions of the Federation Council by a two-thirds majority.

66 The President and the Federal Government have striven to merger the autonomous okrugs and the Jewish Autonomous Oblast, the so-called matrioshka regions, with their “mother” regions (see dotted lines in Map 5.1.). This process has so far been conducted by referendum. Since 2003 four such referenda have been held. In 2003 it was decided that as of 1 December 2005 Komi-Permiak Autonomous Okrug and Perm Oblast would merger to become Perm Krai. A referendum in 2004 decided that as of 1 January 2007 Taimyr Autonomous Okrug and Yevenk Autonomous Okrug would be incorporated into the Krasnoiarsk region. It is interesting to note however that on the website of Yevenk Autonomous Okrug it is stated, quite ambiguously, that the region is incorporated in Krasnoiarsk Krai, but still remains an independent entity within the federation (http://www.evenkya.ru/rus/?id=obsh&sid=polstat). In April 2006 it was decided by referendum that Koriak Autonomous Okrug and Kamchatka Oblast would merge (http://www.mosnews.com/news/2006/04/17/regionsmerger.shtml).

67 Only in Udmurtia Republic is the regional parliament the governing authority.

68 On 13 September 2004 yet another set of reforms was launched that concerned the principles of organisation of the Russian state. The regional executive heads are now nominated by the president on the basis of lists of persons compiled by the federal districts. A candidate is then proposed to the regional legislative chamber, which formally appoints the new governor. If the regional chamber rejects the nominee twice, and consultations are unsuccessful, the president has the right to dissolve the legislature. As of 2006 all regional executive heads will be appointed.
Cities:
- City of Moscow
- City of Saint Petersburg
- Oblasts:
  - Amur
  - Archangelsk
  - Astrakhan
  - Belgorod
  - Briansk
  - Cheliabinsk
  - Chita
  - Irkutsk
  - Ivanovo

Oblasts:
- Kaliningrad
- Kamchatka
- Kemerovo
- Kirov
- Kostroma
- Kurgan
- Kursk
- Khabarovsk
- Kaluga
- Kungur
- Kusnetsk
- Leningrad
- Lipetsk
- Magadan
- Moscow
- Murmansk
- N-Novgorod

Aut. Oblasts:
- Jewish A.Obl.

Aut. Okrugs:
- Aga-Buriiat
- Chukotsk

Krais:
- Altai
- Khabarovsk

Republics:
- Adygeia
- Altai
- Bashkortostan
- Buriatia
- Chechnia
- Chuvashia

Map 5.1. – The Russian Federation
With a solid and legitimate regional power base the regional heads now became less dependent on the federal level of government and at the end of the 1990s they were in fact a significant political force at the federal level also (Blakkisrud 2003:71). In general, regional executive heads also tended to dominate regional politics. The regional legislative branch, being composed in a majority of regions of a unicameral legislative assembly, has in most cases played a subordinate role as an access point. Yeltsin’s banning of the Communist Party in late 1993 and the abolishment of the regional soviets was a heavy blow from which the regional legislatures never recovered. Political representatives of the local level (towns, settlements, urban and rural districts) have commonly played an even lesser role as an access point. The regional executives were therefore an important access point from which policies could be launched during the second half of the 1990s and at the beginning of the 21st century.

The control over access points is especially important when decision situations create windows of opportunity. As stated above, these are mostly of a recurrent cyclical character. The Russian political process naturally provides a myriad of such windows. Presidential elections, parliamentary elections, gubernatorial elections, and appointments of key federal officials are of course fundamental events that generate regular windows for various actors to take control over important access points to advocate their ideas. Other recurrent windows are the annual budget process, the annual presidential speech to the Federal Assembly, and the passing of new laws and the reauthorisation of old ones in the Federal Assembly.

As Yeltsin had been elected president for a second term in the summer of 1996 there were no major decision situations and windows of opportunity in sight for some years to come. Also, there were no actors who would be able to challenge Yeltsin, at least in the short-term perspective. The President, despite his poor health, was together with his allies (the ‘family’) able to secure their power position for the time being. The years 1996 and 1997 were to be relatively calm and stable ones by Russian standards, with no major conflicts even remotely comparable to the coup d’état of August 1991 and the confrontation between Yeltsin and the oppositional parliament in October 1993. Parallel the political stability there were even some small signs of economic growth. However, problems were mounting on the horizon.

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69 Only six regions have bicameral assemblies. These are the republics of Adygeia, Bashkortostan, Kabardino-Balkyria, Karelia, Sakha, and Sverdlovsk oblast.
70 However, in some cases the regional executive heads have been challenged by influential mayors in larger cities. This has for instance been the case in Sverdlovsk oblast-Yekaterinburg. Moreover, local-self government bodies are sometimes seen as influential (Mitchneck, Solnick & Stoner-Weiss 2001:135).
71 The ‘family’ usually refers to Yeltsin’s daughter Tatiana Diachenko, businessmen like Boris Berezovskii and Roman Abramovich, Anatolii Chubais, and others such as Valentin Yumashev, former head of the Presidential Administration and Yeltsin’s ghost writer.
Towards the Abyss – The Problem Recognition Stream

In Russia all attempts during the 1990s to establish a functioning federal system had been half-hearted and more or less unsuccessful (Chirikova and Lapina 2001:63). The Russian Federation had become politically, legally and economically fragmented. Regional governments had developed into heterogeneous ‘islands’ with few mutual ties, hence resembling a feudal polity (Ruble et al 2001:14-18). Interregional ties were clearly underdeveloped, due both to psychological factors and socio-economic conditions.

The Russian central government under the Yeltsin administration allowed, and sometimes even encouraged, an asymmetrical federal system to develop. The clearest manifestation of this de jure asymmetry was the practice of signing bilateral treaties between the Federal Government and the regional governments. They were intended to define more specifically how jurisdictions were distributed between the Federal Government and particular regions, which had only been loosely defined by the Constitution. The first treaty was signed between Tatarstan and the Federal Government in February 1994. It was followed by eight other such special agreements about tax relief and control of natural resources between 1994 and the end of 1995. By June 1996 no less than 23 regions - mostly non-Russian, although some Russian as well - had some form of special bilateral agreement with the Federal Government, and in mid-1998 46 regions had special agreements with the Federal Government. This led to a fragmentation of Russia’s economic and legal space. By mid-1999 the Russian Ministry of Justice estimated that approximately 50,000 regional laws were unconstitutional or in other ways not in line with federal law.

The federal rationale for closing such deals is multi-faceted. On the one hand, many of the most powerful regional leaders had insisted on a treaty-based federation, rather than a constitutional one. Facing the risk of disintegration, the federal centre had to grant these regions more powers. On the other hand, as argued by Steven Solnick, bilateralism also played down any potential coordinated collective stance on behalf of the regions (Solnick 2000b:141). For these reasons the bilateral approach was an acceptable and perhaps even desirable way of managing centre-regional relations for the federal centre.

Others viewed bilateralism as a short-sighted and illegitimate way of managing federal relations. In 1996 Sergei Valentei\(^2\) stated: ‘everyone knows what separating one’s children into those who are favourites and those who are not can result in. The effect has been analogous, a total lack of respect on the part of the children towards the parents and towards one another’ (quoted in Smith 1998:1398). Indeed, as argued by Jeffrey Kahn (2002), the intense debate on bilateralism indicated that it weakened Bunde-
and the legitimacy of the federal system. As the Constitution and federal law were undermined, the legal asymmetries of the Russian federal system also proved to be a serious hindrance to a consolidation of state power, and with it the political and economic benefits that unity under a federal system is expected to bring (Blakkisrud & Hønneland 2001; Bukhvald 2001; Lapidus 1999; Sakwa 2002; Solnick 1999; Stoliarov 2003; Stoner-Weiss 2001).

Although many agreed that the bilateral treaties might have saved the integrity of the Russian state in the short-term, they were now threatening it in the long-term. Uneven socio-economic development and a fragmented legal and economic space hurt both federal-regional and interregional relations. The opposition to the practice of allowing such bilateral treaties slowly started to gain momentum in 1997 among regional as well as central elite groupings. In May 1997 the Siberian Accord, an interregional organisation consisting of seventeen regions (see Chapter 9), called for the termination of such treaties, despite the fact that they already had such agreements. Similar appeals were heard from many other regional elites as well, such as Nizhni Novgorod Governor Boris Nemtsov, Rostov Governor Vladimir Chub, Briansk Governor Yuri Lodkin, and Samara Governor Konstantin Titov (Fillipov & Shevtsova 1999:74). The earlier support for bilateralism among elite circles in Moscow decreased as well, including some of Yeltsin’s liberal allies (Anatolii Chubais and Boris Nemtsov). Yeltsin himself, however, remained prepared to utilise bilateral arrangements.

While bilateralism and poorly defined concurrent jurisdictions could be seen as a means of saving the country from disintegration, it was at the same time a clear sign of federal weakness and growing regional strength. The fragmentation of Russian state structures had perhaps gone furthest in the federal executive branch. The ability of the Federal Government and the president to penetrate the territories and implement their policies was severely damaged. It was not only a matter of specific individuals, but also an institutional crisis. Previous state organisations that had served as the administrative backbone of the country, the Communist Party, the system of Soviets, and the vertical organisation of ministries, had vanished without being replaced by other institutions, such as a coherent party system (Filippov, Ordeshook & Shevtsova 2004; Stoner-Weiss 1999), or an elite consensus.

73 Bundestreue implies loyalty to the federation.
74 It is notable that the Siberian Accord had previously been one of the most active regional vehicles for collective bargaining with the centre.
75 It is interesting to note that all of the above had bilateral agreements, and in some cases very beneficial ones, but nevertheless disapproved of bilateralism. Moreover, one cannot help noticing that none of them is the leader of an ethnic republic. Bashkortostan and Tatarstan, by contrast, were even advocating an upgrading of their respective agreements.
about the rules of the political game (Kahn 2000; Kliamkin and Shevtsova 1999), which could bind the country’s governmental tiers together.

The presidential representatives, who were instated in 1991, were to fulfil a supervisory function, but had been overrun and ‘captured’ by regional authorities early on. Their influence at the regional level was ranked very low in a survey carried out in 1997 (Mitchneck, Solnick & Stoner-Weiss 2001:130, 133). Towards the end of the 1990s there was an increasing frustration among the federal elites about the fact that governors controlled not only the presidential representatives, but also the tax authorities, the customs, local courts, the procuracy, electoral commissions, and some of the power ministries’ local branches. The feeling that the regional leaders had acquired too much power was strong among large parts of the federal elite even by the mid-1990s (Mitchneck, Solnick & Stoner-Weiss 2001:129).

The general lack of trust and the weakness of the state, in particular the federal centre, were by 1997 also recognised by the Kremlin. Both in the action plan ‘Programs for Action of the Russian President 1997-2000, Man, Family, Society, State’ and in Yeltsin’s 1997 poslanie ‘Order in the State – Order in the Country’ the reformation of the executive branch of government was one of the main concerns.76 In the academic world, too, this problem was given attention. In 1997 Aleksandr Arinin77 noted the weakness of the Russian state and the political leadership. He asserted that this weakness would worsen the economic troubles the country experienced and lessen its role on the international arena (http://old.iea.ras.ru).78 The liberals also seemed to share the opinion that the weakness of the federal executive was a major hindrance to the development of a functioning market economy.79

The way the regional level of government had developed was another matter of concern. Indeed, research shows that regional leaders, having been appointed by public elections, began to pay more attention to their own regional interests and their respective electorates than to national goals (Gelman & Hopf 2003; Kliamkin and Shevtsova 1999).

A deputy presidential representative in the North-Western Federal District stated:

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76 For an overview of the contents of these documents see http://www.csr.ru/print/original48.stm; http://www.bizneslaw.uz/N2/new_1.htm; and a law on the implementation of the 1997 poslanie (postanovlenie 28 August 1997, N 1081).
77 Arinin was a State Duma deputy from 1993-1999. He is also the Head of the Institute of Ethnology and Anthropology of the Russian Academy of Science.
78 http://old.iea.ras.ru/Russian/publications/applied/105.html
79 For instance see Boris Nemtsov’s homepage: http://www.nemtsov.ru/_data/objects/15475/antibur2.pdf.
‘The thing is that the economy is built on a rather closed regional basis. For the majority of federal subjects internal business/industry is the main element of economy. This is due to the economic rise within the spheres of service, transport, all internal to the region. If you take large companies that work at the national level, then a rather large part works only at the regional level.’ (Interview Deputy Presidential Representative in the North-Western District, February 2004)

The interviewee in the North-West Interregional Association also confirmed this image, stating that the regional leaders ‘deal with their day-to-day business and do not look around’ (Interview, February 2004). Yet the work of Mitchneck, Solnick and Stoner-Weiss (2001) also shows that presidential decrees and federal policies, especially concerning financial and fiscal issues, were still matters that influenced regional leaders’ policy choices. Nonetheless, the general sentiment among federal elites that the decentralisation of the federal system had gone too far grew as of 1997.

Moreover, the Soviet command economy had made many regions quite industrially specialised, reducing mutual interest in interregional trade (Ruble, Koehn & Popson 2001). Natural resources are very unevenly distributed among the regions, making the resource-rich quite independent, whereas others remained dependent on the Federal Government. In addition, socio-economic, ethnic and demographic factors contributed to inter-elite disentanglement (Ioffe, Medvedkov, Nefodova & Vlasova 2001; G. Smith 1995). In consequence, many regional leaders developed a ‘regional narrow-mindedness’ of sorts that hampered their relations with federal authorities as well as with colleagues in other regions.80

In Search of a Credible Remedy – The Solution Formation Stream

From 1996-1997 onwards a number of half-hearted attempts were made to come to terms with the practice of bilateralism. From this point onwards one can observe the beginning of the federal paradigm shift. Several of the policy proposals that were presented now were quite similar to those that were to be introduced during Putin’s first presidential term. In March 1996 Yeltsin signed Decree Number 370, which stated that bilateral agreements must not contradict the Constitution or in any way be inconsistent with Articles 71 and 72. The very title of the 1997 poslanie ‘Order in the State – Order in the Country’ indicated that a new policy was on the march to replace the extreme laissez-faire economic model with a much more statist one. This stance was also widely supported in liberal circles, for instance by Boris Nemtsov, who argued that ‘there should be a strong arbiter in Russia. There must be a strong executive power in Russia’.81

80 The lack of long-term alliances in the Federation Council (Solnick 2000:34) and the relatively limited success of the interregional associations (see Section 9.2.) are clearly signs of the fragmentation of interregional relations.

The emphasis on a stronger state and federal government also brought about reforms of the country’s federal system. On 25 April 1997 the federal law ‘On the Principles and Procedure for Delineation of the Areas of Jurisdiction and Authority between the Organs of State Power of the Russian Federation and the Organs of State Power of the Subjects of the Russian Federation’ was signed by Yeltsin. This law was intended to create a solid framework for the bilateral treaties and to re-unify the country’s legal and economic space. To this end the present treaties were to be brought back into line with federal legislation within three years. The law also recertified that only the distribution of concurrent jurisdictions could be defined by bilateral agreements. It was emphasised that exclusive federal areas of jurisdiction were no longer transferable (Hahn 2001).

With a weak and discredited president this effort to reconstitutionalise or to implement a more centralised interpretation of the Constitution was futile. As early as 1996 and 1997 there were suggestions in Yeltsin circles to reform the system of presidential envoys. In July 1997 Ukaz 696 was issued on the initiative of the head of the Presidential Administration’s Department for the Affairs of the Presidential Representatives, Anton Federov, which established the presidential representatives as the chairs of the federal collegiums in order to coordinate more effectively the federals’ work in the regions. It also established that a presidential representative can be responsible for several regions (Smirniagin 2000). In the same year the Federal Government abolished a presidential decree from December 1993 that granted the regional governments almost unlimited power to introduce regional taxes. Little appeared to change however. The federal centre remained weak.

The eight interregional associations that were formed in 1990-1991 represented a solution advocated by regional actors, and in some cases also federal ones. As the federal centre appeared to be unable to provide for the common good, the regions had to work together to stay afloat in the general chaos and decay. Later the associations were in some cases also to become vehicles of collective lobbying vis-à-vis Moscow. However, due to large interregional socio-economic differences the members of the associations often had trouble in finding common interests to build on. In most cases they never became a vibrant and efficient solution to vertical disintegration (see Chapter 9).

**Coupling the Streams**

After the presidential elections of 1996 the Russian political cycle would not provide any major choice opportunity that could open a policy window for other actors than those who already dominated until the parliamentary elec-

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82 One proposal involved twenty-five envoys, another thirty-four, who were to supervise from one or more regions (Smirniagin 2001:1). There was also an attempt in 1997 by Anatolii Chubais to create twenty-four super-districts.
tions in December 1999. For the time being there appeared to be no one that could challenge the Yeltsin camp at the federal level. However, as the regional executive heads became elected by popular vote, rather than appointed as in 1996, they henceforth had a firmer power base to work from and their influence gradually grew.

Indeed, as stated above, the view that decentralisation had gone too far, and that bilateralism had reached the end of the line, was now becoming widespread among federal circles, among conservatives as well as liberals. It could be noticed that ideas about federal government were beginning to change. Federal policies became increasingly statist and centralised from 1997 onwards. This was the beginning at the federal level of a consensus regarding the problems of the Russian federal system. The soil was becoming increasingly fertile for anyone wishing to exploit this ideational shift-in-the-making. However, influential parts of the regional elite did not agree and successfully resisted the attempts of the Federal Government to re-establish a more centralised system. Moreover, the actors who advocated these solutions, such as the liberals, were severely discredited both in broad elite circles and among the people. The practice of signing bilateral treaties therefore continued for some time more. In short, the Russian political community as a whole was not quite ready for such policies yet. Put differently, the time was not ripe for a shift of federal paradigms, as the combination of streams was not yet favourable.

5.2. Hitting the Bottom – The Crisis of 1998
(March 1998-August 1999)

At the beginning of 1998 Russian intergovernmental relations had still been characterised by a relative balance of interests between, on the one hand, central actors in Moscow (President Yeltsin and his ‘family’, and Prime Minister Viktor Chernomyrdin), and on the other hand, these federal figures and the regional elites. In the federal centre, however, due to the political and physical weakness of the President, Chernomyrdin started to play a dominant role and was in all probability preparing to become the next president. This challenge to presidential power apparently proved too much for Yeltsin. On 23 March 1998 Yeltsin removed Chernomyrdin from office.

By dismissing the Chernomyrdin cabinet in March 1998 Yeltsin had disrupted a fragile stability. Chernomyrdin had functioned as a mediator between central and regional interests. His resignation was also the beginning of the end for his main political vehicle, ‘Our Home is Russia’ (Nash Dom Rossiia, NDR); a political party that ever since 1995 had integrated large parts of the regional elites. Russia plunged into a political crisis. In August the political turmoil was later paralleled by an economic disaster.
Opening a Window of Opportunity - Politics

As President Yeltsin’s health and political authority was giving way at the end of the 1990s, the prime minister post became increasingly important as an access point. Yeltsin seemed to realize this, but at the same time not to accept it, hence the dismissal of Chernomyrdin. It was followed by repeated reshuffles of prime ministers as a means of preserving his power. Policy windows were now repeatedly opened up as new prime ministers were to be appointed. In the one-and-a-half years after Chernomyrdin’s dismissal in March 1998, the Russians saw another four prime ministers come and go: the cabinets of Sergei Kirienko (23 March - 23 August 1998), Yevgenii Primakov (11 September 1998 – 12 May 1999), Sergei Stepashin (12 May – 8 August 1999), and finally Vladimir Putin (9 August 1999 – 7 May 2000).

The liberally inclined Kirienko managed to hold on to his position only for a hundred days. During his premiership Kirienko was preoccupied with formulating an anti-crisis package, which was presented in June 1998. The package contained very little about federal relations. Indeed, he turned out to be unable to establish functioning inter-elite relations because he lacked credibility and authority throughout the regions. The normally quite pragmatic regional leaders had begun openly to show their discontent. The growing anti-Kremlin attitudes had become obvious as early as in May, when the Federation Council overrode four (!) presidential vetoes.

Domestic factors now converged with external ones. The national economy was in a shambles. On top of this the Asian economic crisis and a drop in international oil prices - oil being one of Russia’s main exports - hit the Russian economy (Moser 2001:93). In August 1998 the Federal Government was forced to abandon the goal of keeping the rouble within the predetermined corridor. The rouble depreciated by 80 per cent in seven weeks and the Federal Government was forced to cancel all payments of foreign debts (Maurseth 2001:99). GDP fell by more than 5 per cent in relation to 1997 (Herrera 2001:156). The economic collapse was now a fact. During the spring of 1998 the newspapers Izvestia and Nezavisimaia Gazeta compared the situation to 1917. No less than 82 per cent of the population received their wages only irregularly, or not at all; 21-22 per cent were living below official subsistence level. Communist leader Gennadii Ziuganov led demonstrations against the prevailing state of affairs, which caused Defence Minister Igor Sergeev to cancel his visit to Greece (Pospielovskii 1998:2-3).

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83 According to the Constitution (Article 117) the President nominates a Prime Minister, who then must be approved by the State Duma. If the nominee is declined three times the President may dissolve the parliament. This means that, although the President dominates this process, there is plenty of opportunity to influence the outcome for other actors.

84 These vetoes concerned among other things Kirienko’s proposal that regional transfers should be conditional on payment of arrears to employees funded by the federal budget (Current Digest of Post Soviet Press 50:4, May 1998).
After the August default Kirienko’s political authority was exhausted and he was subsequently forced to resign on 23 August. Ex-Prime Minister Chernomyrdin now made an attempt to regain the position he had lost, supported by oligarch Boris Berezovskii (Current Digest of Post Soviet Press 50:12, April 1998). He also enjoyed some support in the Federal Council, which wished to see the reinstatement of a predictable partner in Moscow, but he lacked support among key regional elites, such as the Mayor of Moscow Yurii Luzhkov and the Governor of Saratov, Aiatskov. On 11 September, after almost three weeks of political stalemate, the former Foreign Minister Yevgenii Primakov, who had considerable support in broad elite circles, finally replaced Kirienko. Influential regional leaders, such as Shaimiev, explicitly supported Primakov’s possible candidacy for president (www.nupi.no).  

Thanks to his authority and the relative passivity of the Presidential Administration at the time, Primakov was able to stabilise the precarious situation to some extent. But the disintegration of Russia’s political and economic space continued. The regions had responded to the crisis by imposing customs and other trade barriers to protect their internal markets. By 23 September, 66 regions (out of 89) had imposed price controls on key food products, establishing a kind of ‘food separatism’. Krasnoiarsk Governor Aleksandr Lebed and Kaliningrad Governor Leonid Gorbenko unilaterally, and unconstitutionally, declared states of emergency, taking control of federal structures (Current Digest of Post Soviet Press 50:36, October 1998; Herd 1998:28). Some regional authorities even imposed restrictions on financial flows across regional borders, taking control of payment systems.

Six regions, Perm, Sverdlovsk, Kemerovo, Irkutsk, Sakha and Magadan, created their own gold and foreign currency reserves. There was also talk of creating regional currencies parallel to the rouble or resorting to barter, which would threaten interregional ties even more (Thompson 1998:20). The intergovernmental payment system was now severely damaged. Interbudgetary federalism ceased to work. There was a 50 per cent drop in tax collection (Herd 1998:27). Fiscal flows had been the major instrument of federal control throughout the 1990s (Baev 1999:6). As the last mechanism of federal control had now been lost, the coherence of the state was indeed in danger. In September 1998 the leaders of Khabarovsk, Khakassia, Omsk, Tomsk and Tatarstan declared that they were prepared to leave the federal budget (Current Digest of Post Soviet Press 50:38, October 1998). In mid-November Kalmyk President Kirsan Illiumzhinov stated he would nationalise federal structures, and ultimately secede and join a confederation (Herd 1998:28). Federal authorities and large corporations were being ‘captured’ by the re-

85 www.nupi.no/cgi-win/Russia/krono.exe, 050623
gional executives. Russia was described in the media as a feudal state (*Izvestia*, 20 April 1999).

On 12 May 1999 Primakov was sacked. The fragile truce between the federal centre and the regions that had begun to emerge under Primakov’s leadership was once again disrupted (Baev 1999:7). Yeltsin claimed that the inability of the Federal Government to reverse the economic decline and to stop the political chaos was the reason for his decision, but the general belief was that Primakov’s supposed presidential ambitions had removed the support of the ‘family’ (Current Digest of Post Soviet Press 51:10, p. 5). Primakov’s dismissal speeded up the plans to impeach the President, the process of which commenced later in May. Yeltsin now appointed Sergei Stepashin, who was considered a more loyal and at the same time weaker candidate. However, Stepashin was able to hold on to his job only for a little more than three months.

Many elite groups, especially in the federal centre, were now starting to look eagerly for an alternative to Yeltsin (Brown 2001b:47). In 1998 most elite groups at the federal as well as at the regional level put little trust in the President (see Table 5.4.). In a report (‘Strategy for Russia III’, 18 June 1998) published by the Council for Foreign and Defence Policy (CFDP), which is an organisation closely linked to the President and the Federal Government, the authors claimed that any step or measure that the President took was questionable. For this reason, ‘[t]he readiness to join and put one’s trust in any, at least seemingly, strong figure or group is growing’ (*O Vykhode iz Krizisa* 1998). It seems that the political and economic crisis of 1998 was the end of Yeltsin as an authoritative and credible policy-maker.

Moreover, he was not only discredited as a policy-maker, but also increasingly physically unfit to fulfil his presidential duties. As stated by Viacheslav Nikov, President of the Politics Foundation, ‘the President’s almost monarchical powers aren’t being exercised by anyone’ (in *Trud*, 10 March

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86 There were even signs of military fragmentation. The Ministry of Defence was poorly financed and military units in the regions had increasingly become dependent on governors (Herd 1998:29).

87 The leftist opposition had charged Yeltsin on five points: (1) the break-up of the Soviet Union; (2) the use of force against the parliament in October 1993; (3) the deployment of troops to Chechnia in December 1994; (4) the collapse of the armed forces; and (5) the ‘genocide’ of the Russian people through poverty and depravation (http://www.nupi.no/cgi-win/Russland/krono.exe?4165). The charges were backed by all parties except by the Kremlin-friendly ‘Our Home is Russia’ and LDPR. Nonetheless, one could not reach the necessary three-hundred-and-one votes to enforce any of the five charges, but the political pressure on Yeltsin was considerable.

88 It is difficult to tell exactly how influential the CFDP report was on Putin. Nevertheless, some assert that at the turn of the millennium the ideas promoted by the council did indeed have quite substantial influence on Putin’s policies (Sakwa 2004:48). It is also striking how similar many of the thoughts put forward are to those presented in the millennium document. One cannot exclude the possibility that the Strategy for Russia report was supervised by the government.
1999, quoted in Current Digest of Post Soviet Press 51:10). The soil was now fertile for change of leadership and ideas. However, even though cracks were appearing in the close circles around the President, Yeltsin and the ‘family’ still managed to retain the position as the main force to be reckoned with in the federal centre (Moser 2001:95; Simonia 2001:281; Turovsky 1998:30).

Various clans at the federal level and powerful regional forces were fighting over the prime minister post as a prelude to the upcoming parliamentary and residential elections. However, at this point in time no new credible player who could sweep the scene was in sight. Yet it was clear that some kind of change of personage was taking place. As stated above, the regional leaders were becoming increasingly influential. In 1998 and 1999 about a quarter of the country’s top fifty politicians were regional leaders. 89 In a country where central authorities had dominated for centuries this was an astonishing figure.

At the federal level Primakov’s and Stepashin’s premierships can be seen as a hint of the beginning of a new generation in the top layers of the federal elite, who brought with them new ideas regarding federal government. Many of the old-guard liberals, represented by people like Anatolii Chubais, Yegor Gaidar, Boris Nemtsov and Gregorii Yavlinskii, gradually lost their credibility and influence. For example, Nemtsov, having been ranked quite high among Russia’s top hundred most influential politicians in 1997 (no. 5) and 1998 (no. 24), was not ranked at all in 1999. 90 To replace the old liberal guard, in the late 1990s Yeltsin had turned his eyes to the siloviki (strongmen from the power ministries and the security sector) to be his next favoured group (Huskey 2001:84). A case in point is that the three prime ministers (Primakov, Stepashin, and Putin) who followed Kirienko after his resignation in the aftermath of the default of August 1998 all had a genuine background in the security community. Another indicator was that the number of siloviki among the country’s top fifty politicians quadrupled between 1998 and 1999 (from two to eight). 91 Interestingly they seemed to share similar views on the proper design of the federal system.

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89 Author’s own calculations based on Nezavisimaia Gazeta ranking. For 1998 see http://www.ng.ru/specfile/2000-12-15/14_politic_top_1000.html, and for 1999 see http://scenario.ng.ru/rating/2000-01-12/3_100politicians99.html, both accessed 050712. Note that I also include Chechnian leaders.


62
The Wake-Up Call – The Problem Recognition Stream

The events of the first half of 1998 have been described by the ‘Centre of Social Research’, which represents a federal stance, as a ‘powerful system crisis that embraced all aspects of social life – politics, economy, finance, and the social sphere – and that for the first time since 1993 confronted the country with a national disaster, which could destroy state unity and territorial coherence’ (www.vybory.ru). As noted by scholars like Higley, Bayulgen and George, it appears that the economic and political crisis of 1998 had served as a wake-up call (2003:24).

In Kingdon’s terminology it could indeed be called a focusing event that once and for all opened up policy-makers eyes to the current problems of Russia. These problems involved the increasing fragmentation of Russia’s legal and economic space, the practice of bilateralism as a means of managing federal-regional relations, and the lack of strong leadership. I therefore argue that the political and economic crisis of 1998 was a turning point for how federalism was widely viewed in political and academic circles. As noted by Mitrokhin (2001:74), the crisis may indeed be seen as a beginning of a paradigm shift.

Russia’s current federal paradigm now began to be perceived as one of the major problems to a greater extent than before. A newspaper article from the day before Primakov’s appointment to the prime minister post states: ‘However the current crisis ends, Russia will come out of it a different country. The state system Boris Yeltsin has been building for seven years is falling apart before our eyes. The collapse of the rouble and the banking system is nothing compared to the collapse of the Federation’s political institutions’ (Nezavisimaia Gazeta 10 September 1998, translation in Current Digest of Post Soviet Press 50:36).

During Primakov’s premiership, issues concerning federal design were at the top of the agenda. On his first day in office (11 September 1998), he underscored the systemic weakness of Russia, stating that the threat to Russia’s integrity was not a theoretical or hypothetical issue and that Russia faced a serious threat of being split up (Herd 1998:27; Perovic 2000:4). Research indicates that the Russian elite perceived separatism and/or nationalism as the greatest domestic threat (Peterson 2001:162). To the question ‘Do you see any risk of the future disintegration of Russia?’ sixty-one of ninety (68 %) respondents replied ‘yes’, while only twenty-nine answered ‘no’ (32%) (Peterson 2001:164). These figures did not include the Chechnia issue, which was ranked third of Russia’s current internal threats. A parliamentarian from Volgograd stated that ‘I cannot see any individual state that, today, constitutes a threat towards Russia to the same extent as Russia con-

stitutes a threat to itself” (Petersson 2001:161). The second largest threat was the socio-economic crisis.

It was clear that the economic and political crisis of 1998, and the very real and present danger of confederalisation or complete disintegration, had discredited the current federal paradigm even further. The legal fragmentation and the practice of bilateral treaties were considered one of the main problems. One sign of this was that the practice of bilateral treaties stopped, as it seems almost by itself, in mid-1998. Research shows that 75 per cent were in favour of federal law rather than bilateral treaties in 1998 (Steen & Timofeev 2003:102).93

Many elite groups were affected by the crisis and held some kind of common view of the problems Russia now faced. The fragmentation of the country and the economic collapse naturally also affected large corporations, which had started to spread their activity to cities outside Moscow and St Petersburg. In June 1998 ten representatives of big business declared that they were prepared to back the Federal Government in its attempts to stabilise the situation.94 This rather unusual step was explained in the following manner in an article in Nezavisimaia Gazeta on 6 June 1998: ‘An immediate impetus was given by the financial crisis, which heightened the sentiment in business circles and in the Federal Government that they are sitting in the same boat – the Russian economy’.

The extreme degree of decentralisation was also perceived as a problem. In 1998 64 per cent of the Russian elites regarded the Federal Government as weak or very weak (Steen & Timofeev 2003:102).95 The same sentiment could be noted in the liberal camp. The 1999 political programme of the socio-liberal party ‘Yabloko’ pointed to the extensive power of the regional executive heads as a tremendous problem for the Russian state: ‘The federal agencies in the regions are often not able to carry out their tasks, turning into an extension of regional governments. The process of de facto transfer of control over power structures (police, security agencies, and the military) to the regional executive branches is especially dangerous’ (www.yabloko.ru).96

The view that regional power had grown too much was shared by parts of academic society. For instance, Kliamkin and Shevtsova in their analysis in ‘This Omnipotent and Impotent Government’ (1999) went so far as to suggest that it was a mistake to allow regional elections.

94 Among others representatives from Gazprom, Lukoil, Russia’s United Power System, and seven of the largest banks.
96 http://yabloko.ru/Union/Program/prog-99.html
‘[T]his has led to an inevitable destruction of the vertical structure of
the executive branch, and gave impetus to the formation of local mini-
regimes, often of an authoritarian-feudal type. The optimal variant for
Russia would be the appointment of the governors by the president
and free elections to organs of local self-government with expanded
functions.’ (Kliamkin & Shevtsova 1999:53)

That the current federal system was unviable was also a common view
among many regional leaders. Although many regional leaders had felt it
necessary to impose tolls and taxes in order to survive economically and to
protect their populations, many also seemed to come to the conclusion that
the disintegration and fragmentation of Russia had gone too far. They dis-
covered that the level of interdependence between centre and periphery, and
between regions, was greater than expected. For instance, heads of financial
and industrial centres, such as Luzhkov (Moscow) and Rossel (Sverdlovsk),
soon became aware that regional credit ratings were linked to federal ones,
which had a direct impact on the regional situation (Nicholson 1999:18).
Furthermore, it seems that in 1999 the protectionist policies of some regional
executive heads declined as they began to view them as counterproductive.
Instead, loyalty to the federal centre was a more credible way to ensure one’s
economic and financial position. A case in point is that there were quite few
objections to the 1999 federal budget (Baev 1999:7).

Moreover, as the federal level of government was unable to deliver public
services, regional expenditure grew rapidly. In 1998 the sub-federal share
(54 per cent) of total state expenditure was for the first time larger than the
federal. The economic and political chaos in the federal centre now began to
have an impact on the regional situation. Having faced the void of state dis-
integration, even traditionally oppositional regional forces seemed to be pre-
pared to make common cause with the federal level against the threat of state
collapse, which threatened not only Russia, but also in effect their own posi-

Yet there was no actor that could legitimately and feasibly exploit these
sentiments. Infighting continued as the Yeltsin era was coming to an end.
Again, at this time of need, the opinion that Russia lacked strong political
leadership at the federal level appeared to be widespread. The CFDP report
Strategy for Russia III concludes that the serious economic and political
situation (not a crisis yet) ‘is a result of the uncompleted state-building proc-
есс, the immaturity of the ruling class, the irresponsibility and lack of will of
the country’s highest leadership. The strengthening of the state is one of the
main tasks to fulfil for the Russian society’ (Strategy for Russia III:5).97
Kliamkin and Shevtsova describe the elite in a similar fashion: ‘[T]hey are

97 www.svop.ru/live/materials.asp?m_id=6739&r_id=6808, 041019
so totally consumed by their individual or group interests that they allow themselves to rock the boat heedlessly, provoking further instability’ (1999: 7).

Finding the Remedy – The Solution Formation Stream

While there seemed to be a growing consensus in 1998 and the first half of 1999 about the poor condition the state was in, it appeared that the ruling circles of Russia were less able to come to an agreement on what to do about the situation (Chirikova and Lapina 2001:70; Petrov 1999:1). Neil Robinson has described Yeltsin as ‘a hegemonic President without a hegemonic project’ (Robinson 2000:28). This was especially true during his second presidential term (1996-2000). The federal centre’s policies were launched in an incoherent manner. It was unable to establish a strong consensus about the rules of the game. Nor did the regional leaders appear to be a viable group of policy-makers. They were far from a coherent group. Some viewed the bilateral treaties as illegitimate; others saw them as a necessity. In short, in 1998 and at the beginning of 1999 no credible plan for the development of federal relations, pursued by a credible political force, was at hand. Again, at this point it seems that the field lay open for a new player with new ideas.

Bilateralism and decentralisation were widely discredited institutional solutions for Russia. However, the influence of regional leaders was also growing at the federal level. The support for bilateral treaties was still strong among the republican leaders, who considered such arrangements not as a problem, but as a precondition for a functioning and democratic federation. Yegor Stroev, the Chairman of the Federation Council and Governor of Orel Oblast, stated during a conference organised by the Federation Council on federalism on 19-20 January 1998 with regard to the bilateral treaties: ‘Today we discuss whether the federation should be symmetric or asymmetric. This argument is meaningless. As the level of socio-economic development is different across regions, as various territorial societies view the future of Russian statehood, Russia is already asymmetric’ (Boltenkova 1998).

It was also clear that the federal centre was not a unitary actor. It was sending mixed signals concerning its preferred modus of federal-regional relations. In his first address to the Federal Assembly on 12 September 1998 Prime Minister Primakov stated that the unity of the state would be of the highest priority (Lapidus 1999). At a national conference on federalism organised by the Federation Council on 26 January 1999 Primakov declared that ‘federation’ was henceforth to be understood as a unifying and not a decentralising concept (Nicholson 1999:19). At the same conference Primakov established that equality between citizens and regions was of the es-

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98 Interestingly, one year later he took a more negative stance to bilateralism (Nicholson 1999:21).
sence, implying that asymmetrical solutions were not a feasible solution any
more.

Primakov clearly also supported an increased role for the state and a more
centralised form of federalism. When he presented his political programme
on 25 January 1999 the main thrust concerned the restoration of the state as a
guarantor of territorial unity, stability, statehood and patriotism (www.vybory.ru).\footnote{67} To restore the ‘power vertical’, which implied ‘the unity
of the state apparatus and a unified responsibility to the people’, appeared to
be the means to meet this end (www.vybory.ru).\footnote{68} He underlined that the
regional governments were a part of the state and a unified vertical, as stated
in the Constitution (Article 77:2). Also, as a step to increase federal control
over the regions Primakov had already proposed in the autumn of 1998 the
creation of federal districts on the basis of the eight interregional associa-
tions.\footnote{69} Moreover, in a meeting with the North-Western Interregional Asso-
ciation in February 1999 he suggested that the governors should be nomi-
nated by the president and appointed by the regional legislative assemblies.
The tendency towards centralisation was also clear in the financial and fiscal
sphere.\footnote{70}

Moreover, a CFDP report (‘Constitutional Change’, Izmenenie Konstitut-
sii), written by prominent people representing different parties of the politi-
cal, economic and media establishment\footnote{71}, was published in Nezavisimaia
Gazeta on 6 November 1998. The report concluded that the time was ripe for
a ‘quiet judicial revolution’ in order to establish a new political balance of
power. The suggestions put forward involved a clearer ‘executive power
vertical’. The authors emphasise that there is a strong need for a powerful
presidency. ‘Strong presidential power, a unified centre, a head of state, is
indispensable and a logical need for the Russian society, which is uniquely
large and multiethnic, as is the preservation of the traditionally respectful
relation to a strong central power’ (Izmenenie Konstitutsii 1998). It was also
recommended that the president should have the right to remove heads of

\footnote{68} ibid
\footnote{69} Such ideas even had the support of some regional leaders, such as Moscow Mayor Yuiri
Luzhkov, who called for eight to ten politically and economically viable regions to replace the
present eighty-nine (www.nupi.no/cgi-win/Russia/krono.exe, 050623).
\footnote{70} As of January 1999 a unified treasury system was introduced to handle financial and fiscal
flows, beginning with the poorest regions. The right to take loans was also limited. Regional
independence was thereby clearly reduced.
\footnote{71} The working group behind the report consisted among others of A.S. Batanov (Moscow
Fund of Presidential Programs), S.Yo. Glazyev (Head of Information-Analytical Department
of the Federation Council), S.A. Karaganov (Head of CFDP Presidium), V.G. Loshak (Chief
Editor of Moskovskie Novosti), A.I. Podberezkin (Vice Chairman of the Duma Committee for
International Issues), G.A. Satarov and N.P. Popov (INDEM), V.T. Tretiakov (Chief Editor
Nezavisimaia Gazeta), L.G. Parfenov (General Producer of TV-station NTV), and S.M. Shak-
hrai (advisor to the Federal Government on judicial questions).
regional executives if they had violated federal legislation or, as an alternative, that regional leaders should be appointed by the president.

Similar suggestions had circulated before. Vladimir Lysenko, the Vice-Chairman of the Duma Committee of Federation Affairs and Regional Policies, also proposed the same mechanism of federal intervention (Nezavisimaia Gazeta, 6 June 1998). Also Oleg Sysuev, appointed deputy chief of the President’s staff in September 1998, stated that strengthening the role of the federal centre will be one of his key priorities, and that he would take legislative initiatives in this direction (Nezavisimaia Gazeta, 23 September 1998). Hence, there were many indications that an all-round consensus was about to form as to what had to be done about the problems the country faced, and that there was a considerable demand for centralisation and symmetry.

However, while Prime Minister Primakov and other federal policymakers advocated centralisation and the abolition of bilateral treaties, President Yeltsin continued at times to put forward opposing ideas. At a meeting in April 1999 he promised the republican leaders to protect them from the possible centralising ambitions of the Federal Government. In a subsequent meeting he stated: ‘You should send me your proposals about what you would like to take from the federal centre and we will meet your requests’ (www.vybory.ru).104

His line of policy was very inconsistent however. On 24 June 1999, Yeltsin signed a federal law (‘On the Principles and Procedures of Delineation of Jurisdictions Between Federal State Organs and Regional State Organs’, 119-F3), which basically aims to further define the principles and procedures for the distribution of concurrent jurisdiction and the signing of treaties. The provisions of this law indicated that this time he appeared to support centralisation.105 While previous attempts to introduce similar legislation were preceded by long and bitter interregional arguments in the Federation Council106, the swift ratification of 119-F3 in June 1999 appears to reflect the increasing level of consensus among the regional elites as to the untenable state of federal affairs, and an acceptance for measures taken to combat these problems.

104 This statement clearly resembled the oft-quoted statement of the summer of 1990 when in a meeting in Tatarstan he said to the regions: ‘take as much sovereignty as you can swallow’.
105 Articles 3 and 4 establish the primacy of federal law and state that no laws may be passed that threaten ‘the human and civil rights and freedoms, the wholeness of statehood, and the unity of state power of the Russian Federation’ (Federal law 119-F3). In Article 12.1 it is stated that federal law defines the general principles of concurrent areas of jurisdiction, including the distribution of jurisdiction between the federal and the regional levels of government. Before federal law has established such principles regarding any certain jurisdiction the regions may pass their own legislation. Once federal law is in place, however, regional legislation must be in line with federal. The law also reaffirms that all constituent units of the federation are equal in their relation to the federal level of government (Article 5).
106 The debate is illuminated in the Bulletin of the Federation Council (135:1, 3 December 1997). It is also published in Petrov (1999).
However, the resistance to a re-centralisation was still strong among the more powerful regions, the republics as well as the oblasts. In a manifesto published on 17 February 1999 the ‘Voice of Russia’, a political party that united several powerful regional leaders\textsuperscript{107}, was highly critical of the attempts of the federal centre to establish more control over the regions as of 1999:

‘We basically have a unitary state. How could one in such a large country attempt to solve a majority of the tasks from the centre? /…/ It is time to realise that the centre in principle is not able to do rationally and effectively those things that can be done in a more natural way in the regions. /…/ Increasing the economic independence and responsibility of the regions does not lead to the disintegration of Russia. On the contrary, strengthening the regions enhances the unity of the state on the whole’. (www.krassever.ru)\textsuperscript{108}

Aleksandr Lebed, governor of Krasnoiarsk region, asserted in January 1999 that the main source of mistrust and conflict between the federal and regional levels of government derived from the centralisation of economy and finances. ‘The stronger the centralisation, the stronger the centrifugal tendencies will become’ (Nezavisimaia Gazeta, 16 January 1999).

A known advisor to Bashkir President Rakhimov, Rafael Khakimov, remarked with regard to the centralising policies of the federal centre that ‘they strive for the preservation of the unitary state’ and that abandoning the ethno-territorial principle of administrative division would lead to great tensions within the federation (Khakimov 1998:48-49). Another advisor to the Bashkir President, Ildus Ilishev, stated in 1998 concerning the latest wave of centralisation:

‘Unfortunately, an analysis of the latest events clearly shows that the federal government has embarked on a policy of toughening its stance towards ethnic republics. It must be realised that such politics is historically hopeless and the most spectacular failure to cope with the national question using authoritarian methods came in Chechnia’ /…/ ‘Attempts by Moscow to homogenise national republics’ and non-ethnic regions’ powers and competence with respect to the centre in fact spell the political weakness rather than the strength of the federal government, which will further destabilise the political situation in Russia and may eventually cause the country’s disintegration along the Soviet pattern’ (Ilishev 1998:736, 738)

Some of the stronger ‘ethnic’ regions thus still promoted a federal paradigm built on treaty-federalism. A decentralised and asymmetric federal system

\begin{footnotes}
\item[107] Among others Samara Governor Konstantin Titov.
\item[108] http://www.krassever.ru/archiv/1999/10-03/1.html, 050701
\end{footnotes}
was an absolute necessity to make the Russian Federation legitimate and functional. However, research shows that for the most part regional leaders did not view ethnic issues as a factor that influenced their policy choices to any substantial degree. The fiscal system and other socio-economic factors were ranked higher (Mitchneck, Solnick & Stoner-Weiss 2001:131).

**Coupling the Streams**

The political and economic crises of 1998 shook the foundation of the Russian Federation. The equilibrium that had existed in terms of mechanisms for checks and balances between governmental actors was broken and the relative economic stability of 1997 and early 1998 was gone. I regard the 1998 crisis as a focusing event that accentuated the problems from which Russia was suffering. Together with the parliamentary elections in December 1999, the presidential elections in spring 2000, and the President’s failing health, the crisis created a huge window of opportunity that would last for almost two years. The legitimacy and credibility of Yeltsin, and of the ideas on federal government that he stood for, was exhausted. The regions had suffered severely during the economic crisis. The demand for a strong leader with new ideas was increasing.

As Primakov became prime minister it seemed that the problems Russia suffered from were to an increasing degree linked to the current federal paradigm. The struggle between political forces within the federal centre, as well as between the federal centre and the regions, continued and even intensified during 1999 as the elections approached, but it also clear that a consensus regarding the need to reform Russia’s federal system was consolidating. The current federal paradigm had vividly demonstrated its flaws and was rapidly becoming unacceptable.

When Primakov started to introduce a new federal paradigm that built on a strong power vertical and a stronger focus on unity, therefore, the political community was slowly becoming ready for it. However, for the time being there was no one who could replace Yeltsin as the dominant agenda-setter at the federal level and tame the strongest regional leaders, who were now mobilising their forces for the forthcoming elections. Prime ministers Primakov and Stepashin, having only ambiguous backing from the President, never had sufficient political clout to push effective measures that could remedy the situation through the parliament. The current power relations blocked any ideational change for the time being.

In short, the crisis of 1998 strengthened the general recognition of Russia’s problems, a process that had already begun in 1997. Solutions to the situation were being formulated. However, these policy ideas had not yet found their champion. Hence streams could not be coupled in a way that allowed the ideas to put down deep roots.
5.3. Climbing Back Up – Putin Prime Minister (August 1999 – March 2000)

‘By the end of the 1990s, the absence of institutions, ideas, or leaders that could integrate the interests of diverse elites was rendering Russia ungovernable’ (Huskey 2001:83). On 8 August 1999 a generally unknown official, Vladimir Putin, was appointed prime minister. At this point in time, he was not perceived as a turning point, but rather as merely the next in line of Yeltsin’s protégés, soon to lose the support of his patron (Zudin 2002:4). Before long, however, it became increasingly evident not only that Putin would be able to consolidate his position as prime minister, but also that on his way to the presidential post he would be able to bring the ideas on problems and solutions together.

The idea of restoring a strong state and regional equality through centralisation now found a skilful policy entrepreneur, who was able to exploit the sentiments that had started to gain ground in 1997 and that had gradually become popular among wide elite circles as illustrated above. These ideas had now found their champion.

Finding the Champion - Politics

As the battle over the prime minister post seemed to be over for the moment, the battle for influence over politics at the federal level continued during the autumn of 1999 along a different vector: the forthcoming parliamentary elections in December. These elections, which would also influence the imminent presidential election, were the next major choice opportunity. Regional leaders saw this as a great opportunity to increase their position at the federal level. If veto power could be secured in the State Duma and in the Federation Council, this ‘double veto’ would grant the governors considerable power at the national level. Moreover, as the Yeltsin era was about to come to an end, and a new president was to be elected during the first half of 2000, the dominant position of the regional executive heads appeared to turn them into kingmakers (Blakkisrud 2003:71). For these reasons, the stakes in the 1999 parliamentary elections were unusually high.

In order to promote regional interests several party blocs were created: ‘Voice of Russia’ (Golos Rossii); ‘All Russia’ (Vsia Rossiiia); and ‘Unity’ (Yedinstvo). The ‘Voice of Russia’ bloc was founded on 27 January 1999 and led by Samara Governor Konstantin Titov, who in the past had been one of the most prominent members of ‘Our Home is Russia’. Titov’s decision to start a new bloc indicated that the previous Kremlin party ‘Our Home is Russia’ was now disintegrating (www.nupi.no). As the ‘Voice of Russia’ did not have a party list of its own, it joined forces with the liberally inclined

party ‘Union of Right Forces’ (URF) (Soiuz Pravykh Sil, SPS) at the federal level in August 1999. Other influential members were Kemerovo Governor Aman Tuleev and Khakassia Governor Aleksei Lebed, neither of whom could be defined as particularly liberal.

‘All Russia’ did not have a party list of its own either and therefore fused itself in the spring of 1999 with ‘Fatherland’ (Otechestvo) (Blakkisrud 2003:75). This merger meant that the most powerful regional leaders in Russia were now working from the same political platform. ‘All Russia’ was headed by Bashkir President Rakhimov, Tatarstan President Shaimiev, and Chuvashian President Federov. ‘Fatherland’, on the other hand, was the primary vehicle of the Moscow Mayor, Yurii Luzhkov. At the federal level former Prime Minister Primakov became one of its leaders. ‘All Russia’ was initially supported by the Kremlin and was probably intended to work as a counterweight to the ‘Voice of Russia’, but when it joined with ‘Fatherland’ this support quickly withered away.

The third bloc, ‘Unity’, developed soon after its creation in late September 1999 into the main Kremlin party. A case in point is that it was led by a personal friend of Putin, the Minister of Civil Defence, Emergency Situations and Natural Disasters Sergei Shoigu. However, initially Boris Berezovskii was the leading organiser of this movement (Shevtsova 2003:44). ‘Unity’ was initiated with a petition signed by thirty-nine governors, who jointly pleaded for honest regional elections (Russian Regional Report, 23 September 1999).

By the look of things the position of the federal centre must have been desperate when Putin was appointed prime minister in August 1999. As stated above, Yeltsin was extremely weakened. At the same time, Putin’s and the Federal Government’s position was far from strong. At both at the federal and regional level of government people were attempting to bring about its dismissal. However, Putin had a strong political ally in the Russian people. In September 1999 he already had the approval of more than half of the population, and in November almost 80 per cent supported him (Izvestia, 13 November 1999). Following the bombings of several blocks of flats throughout Russia in September, Putin took a tough stance on the Chechnian issue, which earned him great popularity. Signs of economic recovery also improved his ratings.

With the help of his high level of popular support, Putin found by early November that he was getting all-round support from actors who previously had been his adversaries. A Putin bandwagon was set in motion. When at the end of November, less than a month before the December elections, Putin expressed his support for ‘Unity’ its support ratings grew and quickly eroded

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110 For a full list of these regional leaders see http://elections.ru/duma/edinstvo. Note that not all of those who signed actually joined ‘Unity’, for example Chuvash President Federov and Sverdlovsk Governor Rossel.
the support for ‘Fatherland-All Russia’ and ‘Voice of Russia’, of which only the former was perceived to have any real chance of doing well in the elections.

Table 5.1. below illustrates the clear tendency of regional leaders to leave previous allegiances for the ‘Unity bloc’ or at least to demonstrate their sympathy for the movement. Out of the forty regional leaders in the Unity list, twenty-four had another previously stated affiliation not long before the creation of ‘Unity’. Former or parallel members of All Russia are marked (1), Fatherland (2), Voice of Russia/Union of Right Wing Forces (3), Our Home is Russia (4), and the CPRF (5). It appears that ‘Unity’ was draining all other blocs, but that ‘Voice of Russia’ was the one losing most of all (ten members). Hence, there was a transfer of regional executive heads that had been prepared to support the liberal party URF, but now joined the Putin camp, which signifies the fusion of liberal market policies with more conservative politics on the whole. ‘Unity’ also drew people from ‘Our Home is Russia’ (seven members lost, sometimes double membership), and ‘All Russia’ (six members lost). The Communist Party seemed to have the most loyal members.

The support for ‘Unity’ and Prime Minister Putin among regional heads of executive expressed itself in other ways as well. On 8 December 1999 twelve regional representatives jointly announced their support for Putin. These were Irkutsk Governor Boris Govorin, Kemerovo Governor Aman Tuleev, Pskov Governor Yevgenii Michailov, Sakhalin Governor Igor Farkhudinov, Vologda Governor Viacheslav Pozgalev, Head of Executive Khanty-Mansi AO Aleksandr Filipenko, Head of Nenets AO Vladimir Butov, Head of Ust-Orda Buriatia AO Valerii Maleev, Head of Jewish Autonomous Oblast Nikolai Volkov, Sakha President Mikhail Nikolaev, Chairman of the Dagestan Republican State Council Magomedali Magomedov, and Komi President Yurii Spiridonov. Several of these regional heads were not members of ‘Unity’\textsuperscript{111}, but nonetheless supported Putin. Similar announcements had also been made by governors through the interregional associations ‘Great Ural’ and ‘Great Volga’ (\textit{Kommersant Daily}, 9 December\textsuperscript{112}; Russian Regional Report, 14 December 1999).

\textsuperscript{111} Tuleev and Pozgalev belonged to ‘Voice of Russia’, Filipenko to ‘All Russia’, Michailov to LDPR, and Maleev to OHR.

\textsuperscript{112} http://www.kommersant.ru/doc.html?DocID=232362&IssueId=228, 050628
Table 5.1. – Party Affiliation of Regional Leaders (October 1999 – January 2000)\(^{113}\)

<table>
<thead>
<tr>
<th>Fatherland (1)-All Russia (2)</th>
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<tr>
<td><strong>Stability:</strong></td>
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<tr>
<td>Kareliia – S. Katanandov</td>
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<td>Moscow- Y. Luzhkov</td>
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<td>Moscow oblast – A. Tyazhlov</td>
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<td>Mordovia – N. Merkushin</td>
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<td>Murmansk – Y. Yevdokimov</td>
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<td>Nizhni Novgorod– I. Skliarav</td>
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<td>Yaroslavl – A. Lisitsyn</td>
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<td>Bashkortostan – M. Rakhimov</td>
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<td>Chuvashia – N. Federov</td>
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<td>Ingushetia – R. Aushev</td>
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<td>North-Ossetia – A. Dzasokhov</td>
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<td>St Petersburgh – V. Yakovlev</td>
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<td>Tatarstan – M. Shaimev</td>
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<td><strong>Influx:</strong></td>
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<td>Kirov – V. Sergeenkov (5)</td>
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<td>Udmurtia – A. Volkov (5)</td>
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<td>Khanty-Manssii– A. Filippenko(3)</td>
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<td>Penza – V. Bochkarev (3)</td>
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<td>Penza – V. Bochkarev (3)</td>
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<td>Perm – G. Igumonov (3)</td>
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<th>Voice of Russia – URF (3)</th>
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<td><strong>Stability:</strong></td>
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<td>Kemerovo – A. Tuleev</td>
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<td>Kirov – V. Sergeenkov</td>
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<td>Khakasia – A. Lebed</td>
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<td>Marii-El – V. Kislytsyn</td>
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<td>Vologda – V. Poizgalev</td>
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<td><strong>Influx:</strong></td>
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<tr>
<td>Samara – K. Titov (4) Ulia-novsk – Y. Goriachev (5)</td>
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| Unity |  |
| **Stability:** |  |
| Amur– A. Belogonov |  |
| Belgorod– Y. Savchenko |  |
| Buriatia– L. Potapov |  |
| Dagestan– M. Magomedov |  |
| Evenk– A. Bokovikov |  |
| Ivanovo– V. Tikhomirov |  |
| Kalmykia– K. Ilyumzhinov |  |
| Khamchatka– V. Biryukov |  |
| Koriak– V. Bronevich |  |
| Kostroma– V. Shershunov |  |
| Kursk– A. Ruskoi |  |
| Leningrad– V. Serdiukov |  |
| Nenets– V. Butov |  |
| Sakha– M. Nikolaev |  |
| Sakhalin– I. Farkhuifinov |  |
| Smolensk– A. Prokhorov |  |
| **Influx:** |  |
| Adygeia– A. Dzharimov (1) |  |
| Arkhangelsk– A. Yefremov (2) |  |
| Astrakhan– A. Guzhvin (1,3,4) |  |
| Cheliabinsk– P. Sumin (1, 3) |  |
| Irkutsk– B. Govorin (1) |  |
| Khabarovsk– V. Ishaev (1) |  |
| Komi– Y. Spiridonov (2) |  |
| Novosibirsk– V. Mukha (2) |  |
| Omsk– L. Polezhaev (1) |  |
| Rostov– V. Chub (1, 3) |  |
| Chukotka– A. Nazarov (3) |  |
| Gorno-Altai– S. Zubakin (3) |  |
| Kaliningrad– L. Gorbko (3) |  |
| Magadan– V. Tsvetkov (3) |  |
| Primorsk– Y. Nazdratenko (3) |  |
| Tver– V. Platov (3) |  |
| Tiumen– L. Roketskii (3, 4) |  |
| Jewish AO- N. Volkov (4) |  |
| Novgorod– M. Prusak (4) |  |
| Orenburg– V. Yelagin (4) |  |
| Saratov– D. Aiatkov (4) |  |
| Tomsk– V. Kress (4) |  |
| Stavropol– A. Chernogorov (5) |  |
| Volgograd- N. Maksiuta (5) |  |

<table>
<thead>
<tr>
<th>CPRF (5)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stability:</strong></td>
<td></td>
</tr>
<tr>
<td>Altai krai – A. Surikov</td>
<td></td>
</tr>
<tr>
<td>Amur – A. Belonogov</td>
<td></td>
</tr>
<tr>
<td>Briansk – Y. Lodkin</td>
<td></td>
</tr>
<tr>
<td>Krasnodar – N. Kondratenko</td>
<td></td>
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<tr>
<td>Riazan – V. Liubimov</td>
<td></td>
</tr>
<tr>
<td>Tambov – V. Starodubtsen</td>
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<tr>
<td>Vladimir – N. Vinogradov</td>
<td></td>
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<tr>
<td>Voronezh – I. Shabanov</td>
<td></td>
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<tr>
<td><strong>Influx:</strong></td>
<td></td>
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<td>-</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Our Home is Russia (4)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stability:</strong></td>
<td></td>
</tr>
<tr>
<td>Astrakhan – A. Guzhvin</td>
<td></td>
</tr>
<tr>
<td>Jewish AO – N. Volkov</td>
<td></td>
</tr>
<tr>
<td>Novgorod – M. Prusak</td>
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<td>Saratov – D. Aiatkov</td>
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<td>Tomsk – V. Kress</td>
<td></td>
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<tr>
<td>Tiumen – L. Roketskii</td>
<td></td>
</tr>
<tr>
<td>Tyva – S. Oorzhak</td>
<td></td>
</tr>
<tr>
<td>Ust-Orda Buriatiia–V. Maleev</td>
<td></td>
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<tr>
<td><strong>Influx:</strong></td>
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<td>-</td>
<td></td>
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</tbody>
</table>

\(^{113}\) It should be noted that the governors’ political affiliations were sometimes difficult to determine, as information often is uncertain and contradictory. Sources: RRR, 23 September 1999; RRR, 29 September 1999; RRR, 7 October 1999; RRR, 14 October 1999; Slider in Brown 2001:230-233; Ross 2000 (Paper PSA-UK).
Ultimately, the Putin bandwagon also manifested itself in the result of the parliamentary elections.

Table 5.2. – Results of Parliamentary Elections, 19 December 1999

<table>
<thead>
<tr>
<th>Party</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communist Party of the Russian Federation</td>
<td>24.3 %</td>
</tr>
<tr>
<td>Unity</td>
<td>23.3 %</td>
</tr>
<tr>
<td>Fatherland-All Russia</td>
<td>13.3 %</td>
</tr>
<tr>
<td>Union of Right Forces</td>
<td>8.5 %</td>
</tr>
<tr>
<td>Liberal Democratic Party of Russia (LDPR)</td>
<td>6 %</td>
</tr>
<tr>
<td>Yabloko</td>
<td>5.9 %</td>
</tr>
</tbody>
</table>

(Sakwa 2004: 22)

The outcome of the elections signified a decline in the influence of regional leaders at the federal level. It also meant that the future president could work for the first time with a lower house, which was likely to support his bills. One should not forget, however, that there was still regional opposition comprised by the strongest regional leaders, such as Bashkir President Rakhpimov, Chuvashian President Federov, and Tatar President Shaimiev. However, other strong regional executive heads, such as Moscow Mayor Luzhkov and Saint Petersburg Mayor Yakovlev, had been neutralised as political forces at the federal level.

On New Year’s Eve 1999-2000 Yeltsin resigned. Although it was unexpected, the rationale behind the decision is easy to grasp. According to the Constitution the prime minister is to carry out presidential duties as acting president until elections can be held. In practice this meant that Putin, who had decided to run for president in late 1999, would have a perfect platform for his election campaign. Moreover, new elections would be held within three months (Russian Constitution, Article 92:2). Of course, as the elections

---

114 After ‘Unified Russia’ (‘Unity’ + ‘Fatherland All-Russia’) had been created in 2001, together with pro-Kremlin factions (‘Russia’s Regions’ and ‘People’s Deputy’), the general support of LDPR and URF, and a weakened opposition, Duma support could be secured with 244 out of 450 seats (Sakwa 2004:121). In effect, the State Duma had now become quite manageable for the President and the Federal Government as Unity henceforth practically never ended up on the losing side in votes (Remington 2003:46).

115 In late 2001 Luzhkov’s main political vehicle ‘Fatherland All-Russia’ was merged with pro-Kremlin ‘Unity’ and formed ‘Unified Russia’ (Yedinaia Rossia).
were initially scheduled for June, this turn of events shortened the time for preparation for other candidates.\footnote{There were a lot of rumours at the time that the whole power transfer had been carefully orchestrated by the ‘family’, and that Putin received power in exchange for guarantees that Yeltsin and his closest allies would not be prosecuted after his resignation.}

\textbf{Finding the Will - The Problem Recognition Stream}

That Russian intergovernmental relations now became more concerted than before can of course be related to the ‘appeasement’ of the regional leaders and their defeat in the face-off with the federal centre in the parliamentary and presidential elections of 1999. The federal centre has since been able to dominate intergovernmental relations, thereby reducing the level of conflict. One of the main arguments here, however, is that Putin was able to exploit to his own advantage sentiments that had surfaced several years before. Put differently, the ideas that Putin advocated fell in fertile soil. Moreover, Putin’s ideas were presented in what appeared to be a well thought out and comprehensive manner, very much in contrast to Yeltsin’s \textit{ad hoc} style of management. The crisis of 1998 had made the regional leaderships realise that they could not expect any guidelines or help from the federal centre. This is what Putin finally delivered (Lapidus 1999:79). In short, Putin was the right man, at the right time, in the right place, and with the right ideas.

Putin’s views regarding the problems Russia suffered from were very much in line with those of Primakov. Just like Primakov, Putin appeared to link many of these problems to the flaws of the current federal system, although he was quite careful not to come out too harshly or too often on this issue while he was still prime minister. In his early political statements and manifestos he focused primarily on the economic situation and the Chechen issue, yet some more general remarks on the country’s political system can be found. In his first speech as prime minister to the State Duma on 16 August 1999 he stated:

\begin{quote}
'I have the deepest respect for the independence of the regions. I see this as the main direction for Russia’s development as a federation. But I consider manifestations of weakness or double standards towards various members as very dangerous. The relations between the federal and regional governments must be based on law and equality between the regions. The centre’s regional policies should not be determined by ethnic traits, but by the economic situation in the region. Economic discipline, uniform laws and mutual responsibility are the three main components of our regional policy'. \textit{(Rossiskaia Gazeta, 17 August, 1999)} \footnote{http://www.rg.ru/anons/arc_1999/0817/11.htm.}
\end{quote}

The problem inherent in bilateralism was thus recognised by the Putin government from the start. Later, having become acting president, Putin pro-
claimed in ‘First Person’ (‘Ot Pervogo Litsa’)\textsuperscript{118}: ‘It is essential that all regions have the same economic conditions in their relations to the federal centre. I refer to the great number of various bilateral treaties on division of jurisdiction. Some regions have unjustified benefits, benefits that no one else has’ (p.165).

As illustrated above, the practice of bilateralism had been unpopular among the weaker regions, which were in a clear majority. No such treaty had been signed after 1998. As of 1999 they started to call for greater symmetry and for federal supervision of regional affairs. They were also prepared to engage in a partnership with the federal centre (Chirikova & Lapina 2001:388). So when Putin now declared that bilateral treaties were illegitimate and that equality between the regions should be re-established he probably had considerable backing from a substantial part of the regional elites.

Putin also emphasised the weakness of the state and of its leadership both in ‘Russia at the turn of the millennium’\textsuperscript{119} and in an open letter published for the presidential elections in a number of newspapers on 25 February 2000. In this letter he noted that ‘our first and main problem is the weakening of will. The loss of state will and persistence in finishing what it started. Wavering from here to there, and a habit of putting off the hardest tasks until later’ (www.kommersant.ru)\textsuperscript{120}

\textit{Riding the Wave – The Solution Formation Stream}

One of the most serious problems that Russia has confronted during the 1990s was ‘the inability of the ruling circles to hammer out an agreement on even the most basic questions of development’ (Kliamkin and Shevtsova 1999:7).\textsuperscript{121} Putin appeared to adopt a very careful approach, always trying to establish a consensus on the measures to be taken. Finding a vector of policy that was acceptable to a large proportion of the elite, thereby avoiding open political confrontation, seemed to be one of the main ways of consolidating the state for Putin. In ‘Russia at the turn of the millennium’ Putin noted: ‘The fruitful and creative work which our country needs so badly is impossible in a split and internally disintegrated society, a society where the main

\textsuperscript{118} ‘First Person’ is a book based on interviews with Vladimir Putin. Final editing was finished on 6 March 2000, i.e. before the presidential elections.

\textsuperscript{119} An essay that can be seen as Putin’s political manifesto and an agenda for future action published on the government’s homepage on 28 December 1999. See http://www.ng.ru/printed/politics/1999-12-30/4_millenium.html.

\textsuperscript{120} http://www.kommersant.ru/doc.html?DocID=141144&IssueID=398

\textsuperscript{121} This opinion was also widespread in political elite circles. The Chair of the Federation Council Committee for Federal Affairs, Nizhni Novgorod Governor Ivan Skliarov, stated during a parliament hearing on 16 October 2001 that a consensus had not been established on what Russian federalism is, which to some extent may explain separatist and confederal tendencies (Boldyreva ILLP-Bulletin 2002:1, p 20).
social sections and political forces do not share basic values and fundamental ideological orientations’.

It is therefore possible to agree with other scholars, such as Brown (2001b:53), Sakwa (Russian Regional Report 2000:21) and M.A. Smith (2003:2), in arguing that Putin attempted to build consensus not on a new radical ideology, but on ideas that he knew were going to fall in fertile soil. His policies were also held to be legally feasible as they required no major constitutional changes, if any (Mitrokhin 2001:83). Lipetsk Governor Oleg Koroleva stated in February 2000 that at this point in time much depended personally on Putin, who was able to consolidate the state by refraining from dividing the community into right and left, position and opposition (Federation Council Bulletin, 16 February 2000, No 2). As stated by Peter Reddaway (2004:13), Putin was becoming perceived as a mediator capable of achieving consensus.

The Russian political arena had been paralysed by the head-to-heads between two major visions for Russia: the reformist market-liberal and the conservative-great power-patriotic vision (Sakwa 2004:81). It seemed that people in the reformist camp now strove to integrate the two visions (Kliamkin & Shevtsova 1999:34). The outcome was a line of policy that sought to modernise the country and make it great again by cross-fertilising market-liberal measures with a strong state. In fact, one of the reasons why Putin managed to consolidate power is most likely that he was able to continue and finalise this merger of reformist economic policies and a restoration of the state. His success in this matter depended to a large extent on his ability to ride the waves of sentiments that already existed.

It is striking how similar Primakov’s and Putin’s ideas were. Just as for Primakov, the restoration of state capacity was a recurrent theme in Putin’s statements and policy documents. In ‘Russia at the turn of the Millennium’ he makes it clear that the main vehicle for restoring the greatness of Russia and accomplishing a renaissance is the state.

‘Russia will not become a second edition of, say, the U.S. or Britain, where liberal values have deep historical traditions. Our state and its institutions and structures have always played an exceptionally important role in the life of the country and its people. For Russians, a strong state is not an anomaly to be got rid of. Quite the contrary, it is a source of order and the main driving force of any change’ (Russia at the turn of the Millennium 1999)

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122 Sergei Mitrokhin is the deputy head of the liberal political party Yabloko, led by Gregorii Yavlinskii.

123 Small signs of a merger of the two were already showing during Kirienko’s cabinet when Yurii Masliukov, representing the communist fraction in the Duma, was given the responsibility for industrial policy and the military-industrial complex in the government.
It became increasingly clear that the means to accomplish this statist message was by building a stronger power vertical. However, during his first years in office Putin was in fact quite careful when speaking his mind on the proper distribution of jurisdictions. In ‘First Person’, speaking of the president’s powers, Putin noted:

‘I do not exclude that some amendments need to be made. We need to go carefully through whether what is written there corresponds to the interest of the state and the society as a whole. If the powers of the president are too great we have to look into it. I think this has to be an object for discussion. Generally Russia was founded as a supercentralised state from the very beginning. It is embedded in its genetic code, in its traditions, and in people’s mentality’ 124 (Ot Pervogo Litsa 2000:167-168)

To a question about what the governors think about strengthening the power vertical Putin replied: ‘I think that both local self-government and the possibility of electing governors should be protected. But these two tiers of government have to be more balanced. While retaining governor elections, we have to consider ways of taking action against them. For instance, remove them from office’ (Ot Pervogo Litsa 2000:165). Putin obviously refers to the possibility of introducing the mechanism of federal intervention, which had been lively discussed under Primakov’s premiership.

Again, Putin’s policies built to a large extent on previous policies; policies that at least initially (1999-2000) appeared to be quite welcome or in any case accepted by a majority of the political elite. Once the Putin bandwagon was set in motion in the autumn of 1999 the ideas these policies built on received even more momentum. Many ‘policy-groupies’ 125 wanted to demonstrate their loyalty. Novgorod Governor Mikhail Prusak was one of the most active. Prusak, Governor Yegenii Savchenko (Belgorod Oblast), and Governor Oleg Bogomolov (Kurgan Oblast) published a letter in Nezavisimaia Gazeta on 25 February 2000, in which they aired ideas that were very similar to those of Putin. They wrote:

‘Today it is clear that a strong state is a necessary attribute of a market economy in Russia. […] As Russian history shows, great territory, low density of population in combination with a complex geo-political situation along the borders demands a centralised system of government. Russia is destined to be a democratic presidential republic with

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124 This excerpt has been widely quoted, but usually without including the first sentences (‘I do not /…/object for discussion’), which in fact put his views on centralisation in perspective.

a strong vertical executive branch.\textsuperscript{126} \textit{(Nezavisimaia Gazeta, 25 February, 2000)}

\textit{Coupling the Streams}
In late 1999 and early 2000 the ideas on the problems of, and solutions to, Russia’s current federal paradigm began to dominate the debate. As shown above, these ideas had floated around for several years, but had not established themselves because they had not been promoted by a credible and trusted policy-maker. As Putin was invited by Yeltsin and the ‘family’ to the most important access points, and after victory had been attained in the parliamentary elections, these ideas now had their champion. The federal paradigm shift, which had been pending for several years, was now taking place.

This shift can be partly accounted for by the change in power distribution between the federal centre and the regions. The economy was recovering and the Federal Government could begin to use financial sticks and carrots as levers in its dealings with the regions. The second Chechnian war and the campaign against terrorism contributed to this development.

However, explanations built solely on this kind of power are not sufficient. Many powerful actors had tried before and failed. Putin’s position initially was not very solid and could not be compared with that of Yeltsin, who despite being sick and generally unpopular among the people and the elites, was able to control politics at the federal level. Instead I argue that the main reason behind this shift was that Putin was perceived as a credible policy-maker and that the soil was fertile for his ideas. He was able to ride a wave of sentiments that were already present.


Having become acting president after Yeltsin’s surprising resignation on New Year’s Eve 1999, and with the backing of the media, and the support of a great proportion of the governors, Putin managed to secure a convincing victory in the first round of elections on 26 March 2000. He received almost 53 per cent of the votes (see table 5.3.), in spite of not having campaigned in the ordinary sense. It should also be noted that most of his greatest rivals, such as Luzhkov and Primakov, had dropped out the presidential race even before it started.

\textsuperscript{126} They also proposed that the heads of regions should no longer be senators, but rather be appointed and removed by the president with the approval of the regional legislature, which again is similar to the reform launched in the autumn of 2005.
Sealing the Victory - Politics

The presidential elections had been the next major choice opportunity, but due to the regional leaders’ bitter defeat in the parliamentary elections Putin’s victory was never really threatened. Although his share of the votes was in fact smaller than expected, it seems fair to say that President Putin, the Presidential Administration, and the Federal Government were clearly the dominant actors at this point. The regional leaders had been suppressed as players at the federal level. This is obvious if one compares their ranking in *Nezavisimaia Gazeta* in 1999 and 2000. In 1999 25 per cent of the country’s top fifty politicians were regional leaders, whereas in 2000 the proportion had fallen to 8 per cent.\(^{127}\)

Another indicator of Putin’s political authority at the time was the fact that he received 50 per cent or more of the votes in all but four regions, namely Altai, Briansk, Lipetsk, and Omsk. These regions are located in the ‘red belt’ that stretches along the southern parts of the country, where Putin’s and Unity’s popularity was weakest and support for the Communist Party strongest (www.nns.ru).\(^{128}\) If we assume that the election result can be greatly influenced by the local governor, then the conclusion that Putin had the active support or passive acceptance of a clear majority of regional leaders is not that far-fetched.

Yet, many scholars, such as Graham (2000), Lapina (2001), Reddaway (2000), and Shevtsova (2003), still questioned Putin’s power resources at the time. Putin was still dependent of the Yeltsin clan for his position. Thomas Graham argued that Putin lacked the experience of a leader, being used to taking orders, not to giving them. He also lacked the charisma of Gorbachev and Yeltsin, rather making a cult of non-personality. Moreover, his support within the executive branch was also insufficient (www.cdi.org).\(^{129}\)

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\(^{128}\) http://www.nns.ru/maps?action=showMap&id=26, 050629


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Table 5.3. – Results, Presidential Elections 26 March 2000

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vladimir Putin</td>
<td>52.94 %</td>
</tr>
<tr>
<td>Gennadii Ziuganov</td>
<td>29.3 %</td>
</tr>
<tr>
<td>Grigorii Yavlinskii</td>
<td>5.8 %</td>
</tr>
<tr>
<td>Aman Tuleev</td>
<td>2.95 %</td>
</tr>
<tr>
<td>Vladimir Zhirinovskii</td>
<td>2.7 %</td>
</tr>
<tr>
<td>Six other candidates</td>
<td></td>
</tr>
</tbody>
</table>

(Sakwa 2004:29)
istry of Defence and the Ministry of Interior were still controlled by people loyal to Yeltsin. He was even disliked in certain circles within the FSB, who saw him as an outsider having made his career too fast in Moscow (Reddaway 2000:30).

Nonetheless, in spite of not having consolidated his power in the federal centre, Putin was able to go forward with his supposedly controversial policies. Again, I argue that Putin fitted the picture of a long anticipated leader that could finally bring some stability and predictability to the system. As put by Lilia Shevtsova (2005), Putin was the ‘president of hope’. For this reason, the elites were either actively supporting him, or at least willing to grant him some room for manoeuvre for the time being. For instance, just after Putin had been elected president the governor of Khanti-Mansii AO, Sergei Sobianin, noted that first of all the heads of the Russian regions expect of the federal centre greater predictability in its foreign and domestic policies, and a political will to solve the country’s economic and social problems. Sobianin declared that ‘the president has extensive powers, and the only thing that was lacking all these years was a political will and consolidation of society’ (Federation Council Bulletin, 29 March 2000, No 3). A survey by Anton Steen shows that the confidence of the elites in the President, the Presidential Administration, and the Federal Government increased universally from 1998 to 2000.

Table 5.4. – Development of Confidence in State Institutions 1998 to 2000

<table>
<thead>
<tr>
<th>Confidence in:</th>
<th>President</th>
<th>Presidential Administration</th>
<th>Federal Government</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000: 86 %</td>
<td>2000: 55 %</td>
<td>2000: 83 %</td>
</tr>
<tr>
<td></td>
<td>2000: 79 %</td>
<td>2000: 44 %</td>
<td>2000: 63 %</td>
</tr>
<tr>
<td></td>
<td>2000: 71 %</td>
<td>2000: 26 %</td>
<td>2000: 60 %</td>
</tr>
</tbody>
</table>

Source: Steen 2003a:34

The most remarkable increase (57 percentage points) in trust for the President can be observed in the State Duma. This is not very surprising considering the successful campaign and election result of ‘Unity’ (see below) together with other pro-Kremlin parties like LDPR. A substantial boost in regional governments’ trust for the President and the Federal Government is

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130 Lecture at Södertörns högskola, November 2005.
131 In 1998 and 2000 respectively 980 and 605 elite persons from the State Duma (100), Federation Council (30), and political and political leaders at the regional level (1998=600, 2000=225), were interviewed (Steen 2003a:19).
also noticeable. A qualified guess is that Putin’s popularity spilled over into the other parts of the federal executive.

Moreover, the voting pattern of the Federation Council appears to indicate that there was an increasing support for the policies of the Federal Government and the President (see Table 5.5.) among the regional leaders, who until early 2002 still remained senators.

Table 5.5. – Voting Pattern of the Federation Council (September 1998 – July 2001)

<table>
<thead>
<tr>
<th>Sessions</th>
<th>% bills approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 September, 1998</td>
<td>43</td>
</tr>
<tr>
<td>14-15 October</td>
<td>52</td>
</tr>
<tr>
<td>2 November</td>
<td>68</td>
</tr>
<tr>
<td>2 December</td>
<td>75</td>
</tr>
<tr>
<td>23-24 December</td>
<td>68</td>
</tr>
<tr>
<td>27 January, 1999</td>
<td>86</td>
</tr>
<tr>
<td>17-18 February</td>
<td>77</td>
</tr>
<tr>
<td>17 March</td>
<td>71</td>
</tr>
<tr>
<td>31 March</td>
<td>75</td>
</tr>
<tr>
<td>21-22 April</td>
<td>80</td>
</tr>
<tr>
<td>17-18 May</td>
<td>88</td>
</tr>
<tr>
<td>9 June</td>
<td>76</td>
</tr>
<tr>
<td>2-3 July</td>
<td>77</td>
</tr>
<tr>
<td>13-14 October</td>
<td>100</td>
</tr>
<tr>
<td>2 November</td>
<td>68</td>
</tr>
<tr>
<td>22-23 December</td>
<td>100</td>
</tr>
<tr>
<td>16 February, 2000</td>
<td>68</td>
</tr>
<tr>
<td>29 March</td>
<td>76</td>
</tr>
<tr>
<td>19 April</td>
<td>88</td>
</tr>
<tr>
<td>17 May</td>
<td>91</td>
</tr>
<tr>
<td>7 June</td>
<td>88</td>
</tr>
<tr>
<td>28 June</td>
<td>81</td>
</tr>
<tr>
<td>7 July</td>
<td>78</td>
</tr>
<tr>
<td>20 July</td>
<td>100</td>
</tr>
<tr>
<td>25 October</td>
<td>78</td>
</tr>
<tr>
<td>24 November</td>
<td>88</td>
</tr>
<tr>
<td>20 December</td>
<td>100</td>
</tr>
<tr>
<td>31 January, 2001</td>
<td>68</td>
</tr>
<tr>
<td>14 March</td>
<td>71</td>
</tr>
<tr>
<td>4 April</td>
<td>100</td>
</tr>
<tr>
<td>16 May</td>
<td>91</td>
</tr>
<tr>
<td>6 June</td>
<td>86</td>
</tr>
<tr>
<td>29 June</td>
<td>88</td>
</tr>
</tbody>
</table>


Although one should not overemphasise the significance of this voting pattern, it is clear that the average approval rate increased as Putin became acting president. During the sessions that took place in February 2000 – July 2001 about 87 per cent of all bills were approved. This is higher than in the second half of 1998 and during 1999 when the approval rate on average was around 64 per cent and 80 per cent respectively.

Moreover, having become president, Putin was very careful not to rock the boat when forming his first government. He retained people from Yeltsin circles in his government for the sake of stability, such as Head of the Presidential Administration Aleksandr Voloshin and Prime Minister Mikhail

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133 First, the approval rate naturally depends on what bills are processed. Some bills are simply more controversial than others. Moreover, most bills do not concern the federal system. Second, one should also consider that a high approval rate does not necessarily imply a weak Federation Council. It might be the case that the Federal Government and the president avoid processing the most controversial bills, knowing that they will be turned down.
Kasianov. However, there was a considerable influx of new personnel from St Petersburg, acquaintances from his home town (M. A. Smith 2001;2003).

These people were partly from the security sphere. Sergei Ivanov, Deputy Head of FSB under Putin in 1998 and 1999, replaced Putin as the Secretary of the Security Council. In 2001 S. Ivanov was appointed Minister of Defence. Another example is Igor Sechin. He worked with Putin under Anatolii Sobchak (Mayor of St Petersburg 1991-1996), and was appointed head of the President’s secretariat and deputy head of the Presidential Administration. Also five out seven presidential representatives appointed to lead the work of the federal districts (see below) were siloviki.

Another group was the St Petersburg lawyers and economists. A fellow law student of Putin, Dmitrii Kozak, who was to lead the work of a commission designed to organise the distribution of jurisdiction (the Kozak Commission, see 7.3.2. below), was appointed deputy head of the Presidential Administration. Another law student from Leningrad State University was Dmitrii Medvedev, who was also appointed first deputy head of the Presidential Administration. Among the liberal economists from St Petersburg we find Aleksei Kudrin (Deputy Prime Minister, Minister of Finances) and German Gref (Minister of Economic Development and Trade). This composition reflected the liberal-conservative line of policy that Putin conducted during his first presidential term.

Hence there had not yet been a complete generation shift among central policy-makers. Although Putin had employed many friends and acquaintances from St Petersburg, the major access points were not all occupied by people close to Putin. The Prime Minister and the Head of the Presidential Administration were still loyal to Yeltsin. Indeed, the tension between Putin and Kasianov was obvious throughout the whole term (2000-2004).134

Emphasising the Symptoms – The Problem Recognition Stream

Having established control over some of the major access points Putin now dared to further emphasise his views regarding the connections between Russia’s problems and its federal system. The main points were the same as before. The state was weak. The unity of the country was threatened. Political, legal, and economic space was fragmented as a consequence of the practice of signing bilateral treaties. Decentralisation had gone too far, which caused conflicts and confusion among governmental actors, which led to inefficient government.

In his first annual speech to the Federal Assembly, the so-called poslanie, in July 2000 Putin repeated the words of Primakov, claiming that the very survival of the state was at stake. The situation at hand was clearly seen as a threat to the unity of the state. The ‘unity of the state’ was to become a consistent theme in President Putin’s policies. In the 2000 poslanie Putin ex-

134 Kasianov was not reinstated during Putin’s second term.
pressed concern about the fact that many barriers to trade and financial flows had been put up between the regions.

‘It is a shame and a scandal! One might think that this is advantageous, but in fact it leads to disaster. In Europe many states agreed in 1957 in Rome on free movement of goods, people, and services. This works. We cannot achieve this even within a single state’./.../ ‘We have created separate islands of power, but we have not built bridges between them. As of yet we have not created effective interaction between different levels of government’.

In a TV-speech to the citizens of Russia on 17 May 2000 he stated:

‘It’s a scandalous thing when – just think about this figure – a fifth of the legal acts adopted in the regions contradict the country’s Basic Law, when republican constitutions and provincial charters are at odds with the Russian constitution, and when trade barriers or, even worse, border demarcation posts are set up between Russia’s territories and provinces. Experience has shown that the consequences of such violations are catastrophic’. (www.kremlin.ru)

The stance that Putin represented could also be found in his close circles. A CFDP report (Strategy for Russia) published on 2 April 2000 stated that the level of fragmentation was on the verge of causing ‘feudalisation of the country, because it is not mediated by the development of local self-governance, and in practice is not regulated by the Constitution or federal legislation, but by bilateral contracts and agreements, themselves a result of open or hidden conflict and populist politics’.

The Putin bandwagon continued and accelerated. During the spring of 2000 a number of Duma deputies filed a complaint to the Supreme Court against several republics, asking the court to investigate the legality of their constitutions. On 27 June the court declared the constitutions of Adygeia Republic, Bashkortostan, Ingushetia, Komi Republic, North Ossetia, and Tatarstan to be flawed (www.lawtech.ru). In some cases the regions unilaterally decided to abolish their own treaties. Even republican leaders, as Tatarstan President Shaimiev, now viewed the treaties in their current form as a problem.

The level of decentralisation is clearly also seen as a threat and one of the major problems of the current federal system. In his statements Putin repeatedly concluded that there has been an ongoing and harmful competition over jurisdictions between different levels of government. In a newspaper interview on 15 July he stated:

135 http://www.kremlin.ru/appears/2000/05/17/0000_type63374_28742.shtml, 040310
Putin further argued that the federal system under Yeltsin had been perceived as a green light by the regional governments, and increasingly also the local governments, to take as much power as they wanted. In his opinion Russia had in this way become a flawed federal state. The regions were not the only ones to blame, however. The central government was in many cases paralysed not because of regional governments, but due to lack of control of federal authorities in the regions.

Putin’s analysis of the problems was by and large supported, at least verbally, by Altai Krai Governor Aleksandr Surikov, Kemerovo Governor Aman Tuleev, Orel Governor Yegor Stroev, Saratov Governor Dmitrii Aitaskov, Sverdlovsk Governor Eduard Rossel, Tula Governor Vasilii Starodubtsev, and Vologda Governor Viacheslav Pozgalev. Still, as always, republican leaders such as Komi President Vladimir Torlopov and Ingush President Ruslan Aushev, were much more sceptical (Federation Council Bulletin, 29 March 2000, No 3; Federation Council Bulletin, 17 May 2000, No 5).

The Dictatorship of Law and the Power Vertical – The Solution Formation Stream

As stated above, when Putin became prime minister and later president, he was perceived as a puppet controlled by the Yeltsin family. As it turned out, however, he pursued goals and policies in a much more independent way than most expected. Putin’s general goals were expressed in policy documents and statements in 1999 and 2000:

- modernisation
- enhancing the strength and efficiency of the state
- restoring unity and social accord
- restoring legal and economic unified space
- establishing equality between all citizens and regions
- improving economic performance
- combating poverty
- integrating Russia in international structures (such as the WTO)
- reviving morality and patriotism in society

‘I cannot see anything bad in regional leaders behaving like great politicians. But truly responsible politicians will not try to distance themselves, regardless of what it may cost, from what is written in the Article 77 in the Constitution, which establishes “a cohesive executive power”. And the governors themselves have problems with the city mayors, who are also elected by the people and who are not willing to give away one metre of their territory and freedoms in exchange for mutual cooperation in the regions’. (Izvestia, 15 July, 2000)
Obviously Putin believed that the current political system was not able to deliver these goals or in any way to contribute to their realisation. Rather, the remedy was to re-establish the state as an efficient coordinator of intergovernmental and state-society relations. In his first annual speech to the Federal Assembly in 2000 he stated:

‘Our position is utterly clear: only a strong, effective, if someone does not like the word strong, let us say effective state and democratic state that is able to defend civil, political, and economic rights, that is able to create the conditions for a happy life of the people and to make our Motherland flourish’ (Poslanie 2000)

Again the same ideas are expressed in a CFDP report. It concurs with the notion that the state is the main vehicle for political and economic modernisation and prosperity in Russia.

‘[I]t is necessary to think through the formation of a strong state ideology. Under the new conditions a strong state is an economically strong and “aggressive” system that guarantees domestic and international integration of the country and that makes it possible to use its increasing openness to our own advantage and to join international economic institutions’ (Strategy for Russia, Russia after the elections, 2 April 2000)

Indeed, in a country where state influence has traditionally been strong, it cannot have been difficult to attract support for this line of policy. Statists are in clear majority, especially within the federal administration where a leader with strong state ideals had long been awaited (Brown 2001b:47; Shevtsova 2003:71).

In his speech to the Federal Assembly in 2001 Putin asserted that a strong state and a stable federal system are mutually constitutive. So what federal vision did he have in mind? Two central buzz phrases were repeatedly used to hammer in the ‘statist’ message: ‘the dictatorship of law’ (diktatura zakona) and ‘the power vertical’ (vertikal vlasti). In the TV speech of May 2000 Putin remarked with regard to symmetry: ‘Both in Moscow and in the most remote backwoods of Russia, citizens’ rights must be strictly observed in exactly the same way, and federal legislation must be precisely understood and enforced in exactly the same way. That is what I mean by the dic-

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137 The actual meaning of the term ‘power vertical’ is not completely clear, but in official rhetoric it appeared to imply two things: either solely the federal executive branch at all levels of government (including the president), or sometimes also the executive branch in its entirety, i.e. including regional and local executive branches.
Bilateralism was hence no longer to be a central element of Russian federalism.

The main instrument for achieving a ‘dictatorship of law’ – a restoration of Russia’s legal and economic unified space – was the strengthening of the ‘power vertical’ and further specification of the distribution of jurisdictions between the levels of government (www.rg.ru). Federalism in Russia must become a ‘synonym for a unified and optimally decentralised, and therefore a strong and governable state, and not an unstable unit, in which a temporary concentration of efforts is achieved through unprincipled horse-trading or blackmail behind the scenes’ (CFDP report, ‘Russia after the elections’, 2 April, 2000).

At the beginning of May 2000 a number of reforms, aimed to achieve a dictatorship of law and to restore the power vertical, were presented. They were followed in 2001 with reforms concerning the distribution of jurisdictions, the bilateral treaties, and fiscal federalism. For the first time since the making of the Constitution the federal system was approached on a grand scale.

The Federation Council and State Council (May 2000)
The regional executive heads and the regional speakers would no longer be appointed senators ex officio. Instead, the executive and legislative branch at the regional level would appoint representatives to work full-time as Senators in Moscow. The regional leaders were instead able to express their opinions at the federal level in a State Council (see Chapter 7).

Federal intervention (May 2000)
A law concerning federal intervention that allowed the federal centre to dismiss governors and disperse regional assemblies in case federal laws had been violated. In turn, regional leaders would have the same right with regard to local executive leaders and legislatures (see Chapter 7).

The Kozak Commission (June 2001)
A commission, led by Dmitrii Kozak (Deputy Head of the Presidential Administration), was to look into the distribution of jurisdictions, the bilateral treaties, and fiscal issues (see Chapter 7).

Fiscal federalism (June 2001)
It had already been announced in May 2000 that fiscal federalism was one of the main vectors of reform. The aim was to create a more efficient federal system and a clearer division of fiscal and financial responsibilities (see Chapter 8).

139 http://www.rg.ru/anons/arc_2000/0519/1.htm
Seven federal districts (May 2000)

Organisations that were supposed to increase the control of regional and local federal agencies that had been captured by the regional executive branch, and to monitor regional legislation and personnel appointments (see Chapter 9).

It is interesting to note that all of these reforms, or ones of similar kind, had been initiated or discussed some years before, but never effectively implemented. One could also note what seemed to be a tipping effect. There was a general fatigue and concern about the state of the country among broad layers of governmental elites. One governmental actor after another therefore expressed his or her support for the reforms. In fact, Jeffrey Kahn has proposed that Putin’s reforms, and their initial support, were in many ways a reaction to the legacy of Yeltsin’s federal paradigm of weak institutions and disagreements about the basic principles of federalism (Kahn 2002:277). His initial popularity and political success, which gave him considerable authority, should therefore be seen in the light of Yeltsin’s shortcomings in this regard.

As stated above, Primakov had proposed new principles for the formation of the Federation Council in February 1999. Influential policy-makers had proposed a mechanism for federal intervention in November 1998 (see CFDP report ‘Constitutional Change’, Izmenenie Konstitutsii). The practice of bilateral treaties had perhaps been the most criticised. Ever since 1996-1997 attempts had been made to reform or completely stop them. As shown above, as of 1998 no more treaties had been signed. As to the federal districts, some have argued that the federal districts were a favourite project of Putin (Nezavisimaia Gazeta 21/12-2000). According to Gleb Pavlovskii140, the idea of establishing ‘super-regions’ had been discussed in the autumn of 1999 when Putin was still prime minister (Kontinent 2001:5, p 6). In fact, Putin had participated in the design of similar reforms as a member of the presidential administration in 1998 (Petrov 2002:74). Moreover, the fiscal reforms were in many ways a continuation of the 1998 Tax Code.

Still, it was not until now that such measures could gain some momentum and be implemented with relative ease. Again, federal as well as regional elites had supported similar institutional solutions for quite some time, and the time was now ripe. Traditionally oppositional regional heads, such as Bashkir President Rakhimov and Sverdlovsk Governor Rossel, expressed no alarming concerns with regard to the reform of the Federation Council. In fact Shaimiev had in May already supported, or almost suggested, similar reforms to those that were introduced by Putin shortly after his presidential inauguration (Rossiiskaia Gazeta, 20 May 2000). However, after the initial mostly positive, or at least passive, response, some traces of regional discon-

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140 Gleb Pavlovskii was at the time one of Kremlin’s main spin doctors.
tent could in time be observed. Gordon Hahn has asserted that some regional elites continuously waged a behind-the-scenes campaign to hold back the reform (2001:517). There were rumours that a number of governors put pressure on the State Duma to turn down the President’s proposals (Russian Regional Report 2000:21).

Yet, the regional response was generally positive. With regard to federal intervention, one of Putin’s strongest supporters, Novgorod Governor Mikhail Prusak, stated even before the reform package had been presented: ‘We do not have an economic crisis, but a political one. There is no power in the country. The first task therefore has to be to introduce order in the executive vertical of power’ (Federation Council Bulletin, 29 March 2000, No 3). In connection with the 59th Session of the Federation Council even Tatar President Shaimiev supported the bill on federal intervention that granted the president the right to remove regional executive heads from office because ‘the control over the state has been lost’ (Federation Council Bulletin, 17 May 2000, No 5).141 There also seemed to be an increasing general demand for stronger federal government. In 1998 53 per cent of the federal and regional parliamentarians wanted to allocate more power to the Federal Government, whereas in 2000 64 per cent supported a stronger federal government (Steen & Timofeev 2003:99-100). Finally, one must not forget that the mechanism was rather attractive to the regional executive heads as well, because they could exercise the same powers over local executives and legislatures.

**Coupling the Streams**

As Putin had been elected president the federal paradigm shift could be completed. That the problems that Russia suffered from had been linked to the Yeltsin federal paradigm, which was built on decentralisation and asymmetry, had been recognised. A consensus or at the very least an acceptance of the remedies had been built up. Finally, these ideas regarding how the problems and solutions concerning the Russian federal system were supposed to be framed, had acquired a champion, who had control over some of the major access points in the system.

Putin was part of a new generation of powerful and authoritative actors, a mixture of siloviki and liberals, who were eager and ready to change things. Having established a solid political platform (among other things a loyal lower chamber), they launched a reform programme, which was coherently composed and presented. It was also attractive and feasible enough to satisfy large parts of the political establishment. A majority of the first remarks were cautiously positive and sometimes even outright praising.

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5.5. Conclusions

Putin’s policies were clearly different from those that had dominated most of the 1990s, both in terms of the goals that were set up, and the means that were employed to attain them. They appear to reflect a federal paradigm shift (see further Chapters 7-9). Still, the resistance Putin encountered from the regions, apart from some critical rhetoric in a number of republics and influential oblasts, was remarkably weak. Under Yeltsin the regional leaders had always put up a fierce fight against any reform that would diminish their powers. Yeltsin had usually been prepared or forced to accommodate their demands. Now the federal centre was about to succeed with something that had not been done before. At the same time the level of confrontation was limited.

According to Kingdon, what made the difference this time around was that these were ideas whose time had come. As Putin had been elected president the contents of each stream allowed for, or even promoted, ideational change. In short, problems were recognised, solutions were formulated, and the political situation did not prohibit the introduction of a new federal paradigm.

This federal paradigm shift was not the brainchild of Putin, however. Rather, Putin’s federal reforms constituted the completion of a longer process of change that had commenced back in 1997. The ideas on federal government that were now promoted had gradually matured during the second half of the 1990s and gained momentum after the 1998 crisis.

As the problems attached to the current federal paradigm accumulated, and its standard solutions only seemed to worsen the situation, traditional solutions based on a more statist and centralised system re-emerged. However, it took some time before they could take root. There was a considerable lag as the contents of each stream and politics were not aligned in a way favourable to change. When Putin had been elected president these ideas could take root because they had a viable and authoritative political force behind them, and fertile soil to grow in. Putin was in this sense not a policy innovator, but a policy entrepreneur.

Figure 5.3. below illustrates how the contents of the separate streams gradually started to match in a way that triggered and completed a federal paradigm shift.

Under Yeltsin the federal institutions of Russia had in practice been built on a federal paradigm that promoted a decentralised and asymmetric federal system. For a long time this system had satisfied the dominant parties of the Russian Federation. However, from 1997 onwards there was a growing discontent among governmental actors regarding the current state of affairs. The anomalies of the current system were accumulating in a piecemeal fashion, but had not yet reached a critical mass. Yet, the federal system did not at this point in time provide for any major choice opportunities or policy win-
dows that could allow a new credible actor to emerge with new ideas. Nor was any viable or widely accepted solution in place.

The political and economic crisis of 1998, which constituted a major focusing event, changed all that. Together with the election cycles, it opened a major policy window that lasted for almost two years. The crisis underscored the problems attached to the current federal paradigm: legal, economic, and political fragmentation, de jure asymmetries, lack of political steering from the federal centre. No one could any longer ignore the problems as the country was on the brink of complete disintegration. The President and his capacity to govern was increasingly being perceived as a problem on its own merit. As the Russian economy was hit by the repercussions of the Asian economic crisis the situation deteriorated even more.

After the 1998 crisis there were also signs that federal policies were slowly but surely changing. Prime Minister Primakov introduced a line of policy that openly promoted a more centralised and symmetric mode. Primakov’s premiership might also be seen as the mark of a new generation of policy-makers. Yeltsin now invited people from the security sphere to work in important places in the federal centre. However, they were in no position to change the federal paradigm in any drastic manner. The control over the major access points was in flux. Yet Yeltsin and his family still remained firmly in power, being challenged only by the increasing political authority of the regional leaders. The current federal paradigm lingered on because the contents in politics and the two streams were not yet combined in a way that was favourable to ideational change.

In late 1998 the anomalies of the federal system had reached a critical mass. Facing a complete system failure actors’ opinions about the problems at hand were gradually beginning to converge. Both federal and regional actors started to perceive a stronger interdependence as the federal system on which their relations were based crumbled under their feet. However, no leader with credible and acceptable policies was in sight. Yeltsin’s illness and erratic behaviour increased the demand in Russian society for a more vital leader, capable of taking the country out of its critical state and willing to do so. The vigour and dynamic appearance of Vladimir Putin, who was appointed prime minister in August 1999, must have been a welcome contrast to Yeltsin. Putin represented hope to some, and a viable alternative, perhaps the only alternative. There was clearly a psychological dynamic working in Putin’s favour. As of November 1999 a bandwagon in support for Putin was set in motion.
Figure 5.3. – The Federal Paradigm Shift

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
</table>

**Problem recognition**

- **Politics**: Anomalies: federal system, asymmetry, weak federal center, weak leadership
  - Yeltsin dominant, regional leaders accumulating power, no major choice opportunities
- **Politics**: Common view on problems forming, soil increasingly fertile soil
  - Focusing event 1998 crisis
  - Chernomyrdin dismissed
  - Khrenko, Primakov, Stepashin PM, financial crisis, disintegration of federal system
- **Politics**: Congruence of views on problems, fertile soil
  - Putin appointed PM
  - Unity wins parl. elects
  - Yeltsin resigned, Putin Acting President
- **Politics**: Congruence of views on problems
  - Putin elected President

**Solution formulation**

- **Phase 1**: No viable or accepted solution present, no consensus
  - Primakov: centralization and symmetry
- **Phase 2**: Putin: continued policies centralization and symmetry, bandwagon
- **Phase 3**: Fed. reforms, tipping effect
- **Phase 4**: Putin elected President

**Phase 4**

- Primakov: centralization and symmetry
- Putin elected President
- Fed. reforms, tipping effect

**Phase 3**

- Putin appointed PM
- Unity wins parl. elects
- Yeltsin resigned, Putin Acting President
- Putin elected President

**Phase 2**

- Focusing event 1998 crisis
- Chernomyrdin dismissed
- Khrenko, Primakov, Stepashin PM, financial crisis, disintegration of federal system
- Putin appointed PM
- Unity wins parl. elects
- Yeltsin resigned, Putin Acting President
- Putin elected President

**Phase 1**

- Anomalies: federal system, asymmetry, weak federal center, weak leadership
- Yeltsin dominant, regional leaders accumulating power, no major choice opportunities
- No viable or accepted solution present, no consensus
- Primakov: centralization and symmetry
- Fed. reforms, tipping effect
Based on his increasing level of popular and elite support, Putin soon emerged as a credible policy-maker. His early statements indicated that he was going to continue the line of policy that Primakov had pursued. As the majority had been secured in the State Duma, and Putin had become acting president after Yeltsin’s resignation on New Year’s Eve 1999-2000, the political field was open for ideational change. It was the time for a more centralised and symmetric federal system. As Putin was elected president in late March 2000 the victory of this federal paradigm was sealed. A tipping effect could be observed as a majority of governmental actors hailed or paid lip service to this line of policy.

Intriguingly, although Putin was the one who finalised the federal paradigm shift, he was very much the product of the final years of the Yeltsin era. He was part of the generation consisting of people from the security sphere that had been invited into the corridors of power by Yeltsin in 1998, and later picked as the successor to the presidential post. His success can also be explained by the vast powers vested in the presidency, which indeed is also a legacy of Yeltsin. Finally, one can also argue that the new federal paradigm was a reaction to Yeltsin’s federal legacy.

In sum, a federal paradigm shift could take place because politics, the problem recognition stream, and the policy formulation stream were aligned in a favourable way. The 1998 crisis had cultivated the soil and made it increasingly fertile for new solutions and leaders. Putin soon started to be perceived as an energetic leader, who was willing and able to deal with Russia’s problems. Having been appointed prime minister by Yeltsin, he skilfully took advantage of the election cycle and other institutional mechanisms and attained control of some of the major access points in the Russian political system. The paradigm shift could be completed.
Part II – Federal Paradigms, Federal Institutions and Intergovernmental Relations

In Part I the ideas on federal government that emerged at the end of the 1990s, and the ones that appeared to fade away, were identified. The analysis also showed that the ideas on federal government that Yeltsin represented during most of his time in power and the ones Putin started to advocate having become president were quite different. The aim of Part II is to map out Yeltsin’s and Putin’s respective paradigmatic elements to see what federal paradigms they formed, and how these paradigmatic elements were institutionalised. I then move on to explore how these road maps were conducive to divided and concerted intergovernmental relations respectively.

This thesis builds on the assumption that the way federalism is interpreted and conceptualised translates into the institutionalisation of these federal principles, which ultimately constitute intergovernmental relations. Various federalisms and their institutional expressions therefore make up different road maps that guide the collective behaviour of governmental actors (intergovernmental relations) in a variety of ways. This dissertation thus continues the work of Blakkisrud (2004), Gelman (2003), Lynn and Novikov (1997), Simeon (1998), Steen (2003a, 2003b), and Steen and Timofeev (2003), who have shown in various ways that policy-makers’ opinions about federal government matter.142

This approach requires an understanding what federal paradigms there are, how they are institutionalised, and how these ideational and institutional elements relate to various modes of intergovernmental relations. Hence, in order to make sense of the various ideas on federal government that faded away and the ones that emerged and consolidated at the end of the 1990s I

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142 The significance of ideas, values, identity, and culture has been particularly recognised among students of Russian elites. Besides those already mentioned, Stephen Hanson (1999) has shown how the Russian regional elite’s perceptions of economic incentives and regional identity constituted the regional leaders’ strategies relative to the federal centre at the beginning of the 1990s. Research has also shown the importance of a communality of ideas in a successful nation-building process (Kolstø & Blakkisrud 2004). Several studies have furthermore explored regional identities among the population and the elites, and their political consequences (Buckley & Smyth 2001; Gelman & Hopf 2003; Petrov 2003).
need an analytical tool that will allow us to categorise them into different federal paradigms. Chapter 6 is dedicated to the construction of such a tool. I first elaborate on the basic traits of federalism and federal systems (Section 6.1.). This section illustrates that federalism and federation, beyond these key traits, are quite ambiguous concepts that leave room for various interpretations. In the next section I therefore map out the main traits of these various interpretations of federalism, or federal paradigms (Section 6.2).

These federal paradigms have their respective institutional expressions. These expressions are in turn one of the main markers of different federal paradigms. In other words, by studying federal institutions and/or proposals about institutional design one can trace the federal paradigms behind them. The connections between various federal paradigms and their institutional manifestations are discussed at the beginning of the following three chapters, which focus on three very central federal institutions and proposals about their institutional design. The remainder of the second part of the thesis revolves around these three case studies of the federal reforms initiated during Putin’s first presidential term: the reform of the Federation Council and the work of the Kozak Commission (Chapter 7), the reform of the fiscal system (Chapter 8), and finally the reform of federal supervision and coordination of regions by the introduction of the federal districts (Chapter 9).

By establishing what federal paradigm Putin’s policies during his first presidential term predominantly represented, and by contrasting it with the Yeltsin period, we are in a better position to understand which federal paradigms appear to constitute divided and concerted intergovernmental relations, and in what ways. For the sake of clarity and simplicity I refer to these two federal paradigms as the Yeltsin republican paradigm and the Putin paradigm. Each empirical chapter has six main sections. Firstly, the relation between federal paradigms and the institutional mechanism at hand is discussed. Secondly, I give an account of the Yeltsin republican paradigm regarding the institution at hand in order to compare it to the Putin paradigm. Thirdly, I analyse the rationale behind the reform in order to grasp what federal paradigm the federal centre stands for. Fourly, the regional response is examined in order to evaluate the potential ideational differences between the two levels of government. Fifthly, I study the ways in which the initial proposals appeared to institutionalise, which allows us to begin to understand the road maps that were created. And finally, I bring these things together and elaborate on what federal paradigms were present, how they were institutionalised, and what conditions for various modes of intergovernmental relations they established.
6. Federal Paradigms

6.1. Federalism and Federal Systems

It is important to distinguish between federalism and federal systems. Federalism is a political doctrine (Anderson 1960:6; Burgess & Gagnon 1993; Kempton 2002; King 1982; Petersson 2004; Riker 1964; Smith 1995; Watts 1999). It promotes multi-tiered government, non-centralisation, and the value of achieving both unity and diversity by accommodating diversity within the framework of a union (King 1982). Federalism builds, then, as expressed in Daniel Elazar’s oft-quoted statement, on a ‘combination of self-rule and shared rule’ (Elazar 1994:xv).143 Kenneth Wheare has in a similar fashion stated that the federal principle is ‘the method of dividing powers so that the general and regional governments are each within a given sphere, coordinate and independent’ (Wheare 1964). In this way it relaxes the presupposition that sovereignty is indivisible and cannot be shared. Federalism then allows us to speak about pools of sovereignty, which creates the tension between diversity and unity.

143 Some scholars hold that federalism inherently and almost by definition derives from ideas connected to democracy and pluralism, and dispute the possibility of federal government in less democratic regimes (Kahn 2002:1; Kempton 2002:198; Ross 2002:7, Wildavsky 1998). However, in line with Riker (1964), I claim that these linkages between federalism and democracy and pluralism are very ambiguous for several reasons. While it is difficult to imagine how a totalitarian state could be a federation, authoritarian states and by Western standards flawed democracies might very well be. Federalism is not so much about the contract between the political leadership and the people, but more a question of balance between different governmental units. On the contrary, intergovernmental relations are frequently elitist and fairly isolated structures. This is for instance the case in Brazil, where intergovernmental relations ‘have remained a game of state political elites that are with or against the federal government’ (Mendes Ferreira Costa FORUM:46). It seems reasonable to believe that this is the case in many federations. Hence many countries commonly recognised as federations do not share a federal culture that originally built on a Western conception of democracy and pluralism. All countries have their own interpretation and enactment of these concepts, which in turn leads to very different federalisms. Consequently I do not agree with Cameron Ross that Russia is a federation without ‘real’ federalism just because it lacks a Western democratic culture (2002:7). Rather, the lesson to be drawn is that there seem to be a great number of factors other than democratic and pluralist ideals, especially of Western origin, that may explain the genesis and operation of federal intergovernmental relations in a more general sense.
Besides these few components, federalism may, like many political doctrines, be stretched or filled with quite diverse political content. Burgess and Gagnon (1993:3) argue that federalism is a ‘value concept’. David Nice has concluded that ‘the term “federalism” conjures up many different images, and when various politicians and scholars use it, they may have different meanings in mind’ (Nice 1987:4). The ambiguity of federalism is what provides much of the analytical tension of this thesis. Various federalisms are manifested through different kinds of federal systems, hence constituting different collective behaviour (intergovernmental relations).

Federal political systems, on the other hand, are the institutional expression of federalism. As argued by King, when a certain kind of federalism is institutionalised, this federalism becomes manifested through a federal system (King 1982:77). Federal systems involve a ‘broad category of political arrangements, which include some degree of unity and some degree of territorially based autonomy’ (Kempton & Clark 2002:19). The federal system (institutional framework), in turn, upholds and strengthens the federalism that defined it (Burgess 1993:7).

Some examples of federal systems are presented below.

Table 6.1. - Federal Systems

<table>
<thead>
<tr>
<th>Types of federal systems:</th>
<th>Examples of:</th>
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<tbody>
<tr>
<td><strong>Unions:</strong></td>
<td>Burma, Belgium (pre-1993), Lebanon, New Zealand</td>
</tr>
<tr>
<td>Constituent units preserve autonomy through common organs of the general government rather than through dual government.</td>
<td></td>
</tr>
<tr>
<td><strong>Decentralised unions:</strong></td>
<td>Cameroon, Georgia, Indonesia, Japan, Ukraine, United Kingdom</td>
</tr>
<tr>
<td>Basically unitary because central government ultimately has authority, but constituent units have some functional autonomy.</td>
<td></td>
</tr>
<tr>
<td><strong>Federations:</strong></td>
<td>Argentina, Belgium (post-1993), Brazil, Canada, Germany, India, Mexico, Nigeria, Russia, South Africa, Spain, U.S.A.</td>
</tr>
<tr>
<td>At least two levels of government have authority within at least one area of jurisdiction.</td>
<td></td>
</tr>
<tr>
<td><strong>Confederations:</strong></td>
<td>Benelux, European Union</td>
</tr>
<tr>
<td>Pre-existing polities unite in order to form common government for limited purposes.</td>
<td></td>
</tr>
</tbody>
</table>

144 It is important to underline that even though federalism is a stretchable concept, federal intergovernmental relations and federal systems must involve the vertical division of power that guarantees each level full autonomy within at least one area of jurisdiction in order to qualify as federal.

145 Again, it is essential to remember the possible unexpected effects that institutions may have on the rationale behind them.

146 South Africa and Spain are special cases. They are predominantly federal in form, but do not formally label themselves as federations in their constitutions (Watts 1999:10). There are also other deviations from the standard institutional framework of federations.
Federacies:
A larger unit(s) is (are) linked to a smaller unit(s), which has considerable autonomy and plays a role in the government of the larger one.

Finland-Åland Islands, Denmark-Faroe Islands and Greenland, U.S.-Puerto Rico

Associated statehood:
Similar to federacies, but can be dissolved unilaterally.

France-Monaco, Italy-San Marino, New Zealand-Cook Islands, U.S.-Marshall Islands

Condominia:
Polities that function under joint rule of two or more external states.

France and Spain-Andorra (pre-1993)

Leagues:
Independent polities come together under a common secretariat rather than a government. Members may unilaterally withdraw.

Arab League, ASEAN, Nordic Council

Sources: Elazar 1994; Watts 1999, 2001

Although federalism informs all of these forms of federal political system, the primary focus of this thesis is on federations, in particular the Russian Federation.\textsuperscript{147} Federations are basically non-centralised polities, and have multiple centres of power that operate on an equal footing. This means, in contrast to a unitary state, that several levels of government have authority over the same population and territory. Hence governmental actors within a federation share sovereignty, but not all jurisdictions.

Therefore the minimum definition of ‘federalness’ of a federation is that it involves representatives from at least two levels of government: the federal, the regional, and usually also one or two local levels. The activities of government are divided between the various tiers in such a way that each tier has at least one jurisdiction in which it has the final say. The relationship between these levels of government should be built on the principle of non-centralisation, which is guaranteed by a written constitution. In a truly federal system there can thus never be a complete concentration of all jurisdictions in the hands of one actor. In other words, a system built on formal hierarchy and subordination in all governmental aspects cannot be federal.

\textsuperscript{147} Although Russia certainly does not meet all the criteria of a federation (no country does), most scholars define Russia as a federation (among others Elazar 1994; Kempton & Clark 2002; G. Smith 1995; Watts 1999).
A federation thus involves the following main features:

- a voluntary union in order to create common good, yet retaining at least two levels of government, a federal, a regional, and perhaps also a local;
- each level of government must be formally autonomous to make and implement policies, and collect revenues, in at least one area of jurisdiction;
- a written constitution that guarantees the two prerequisites above, and that is not unilaterally amendable;
- a mechanism to maintain regional participation in federal decision-making, usually the upper chamber of parliament;
- a Constitutional Court or other form of arbitration to settle disputes between levels and branches of governments;
- processes and institutions to facilitate intergovernmental collaboration.


One can thus conclude that ‘federation’ has quite few definite traits. This is where federalism plays an important role; it puts some ideational flesh on these skinny institutional bones. However, as noted above, federalism is not very lucid either, and might vary considerably across and within federal systems. We therefore need to chisel out the various standpoints that federalism might entail, and how they inform the federal system. These standpoints are referred to as federal paradigms. Federal paradigms therefore to a large extent define the design of the constitution, how regional representation in the federal policy-making process is worked out, fiscal federalism, and how, if at all, jurisdictions of overlapping character are managed.\(^{148}\)

### 6.2. Federal Paradigms

In this section I first outline the main elements of federal paradigms: the essential nature of politics, goals, and the means to attain them (see Section 2.2.1.). Based on these elements I identify a number of different federal paradigms and describe their key traits. These federal paradigms have been

\(^{148}\) Again, the actual design of institutions might also be the result of a compromise or power games between several policy paradigms over a longer period of time. One should also not forget, as mentioned above, that institutions once in place might have quite unintended and unexpected effects.
worked out partly by scrutinising federal theory on the linkages between certain institutional solutions, federal ideology, and likely outcomes, partly by looking at debates in federations other than the Russian Federation. What federal paradigms can be related to what federal institutional solutions is a relatively complex issue, which is discussed only in passing in this chapter. These links are instead discussed in detail in connection with each of the empirical chapters, which in several ways concern the reforms of the institutions of federal political systems listed above.

The Essential Nature of Political Life
Ideas about the essential nature of politics regarding intergovernmental relations are clearly influenced by what images governmental actors have of themselves and others, and of federation politics. Beliefs about ‘self’ and ‘other’ are inherent in all relationships and crucial to their internal dynamics. In order to determine what is in your interest you must know who you are – in general, as well as in a specific situation (Wendt 1999:231). For example, in the context of the Russian federal system a regional head has several ‘selves’ because there are several ‘others’: governor – electorate; governor – regional legislature; senator – other senators; governor – president; and so on. Experiences of how the ‘other’ has acted in the past and expectations of how the ‘other’ will act in the future clearly relate to the likelihood of establishing joint cooperative action in the present, as does the interrelated image of ‘self’. For instance, in many federations such as the U.S. and the Russian Federation the regional perception of the federal centre is often quite negative, for ideological and historical reasons.149

The beliefs about self and other are closely related to the general view of federal politics. To what extent do governmental actors view themselves as interdependent, and to what extent is it feasible to have overlapping jurisdictions? Let us use a sporting analogy to illustrate the point. Governmental actors might have a positive image of each other and view each other as players in the same team. The dominating view is that in order be able to play a good match one must work together and overcome quarrels about tactics. Gains are then seen in positive-sum terms. In such cases governmental actors are likely to be more prepared to compromise with their own autonomy to serve a common good. The German concept of Bundestreue (loyalty to the federation) encapsulates this ideational stance. It implies a ‘moral commitment to work together to achieve the objectives and fulfil the needs of the federal polity’ (Kincaid 2002:9). Juan Linz has also created a

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149 As we will see, in the Russian case the federal centre sees itself as the natural ‘centre’ and ‘leader’ of the federation, and many regional heads as potential troublemakers. Correspondingly, some regional leaders perceive the Federal Government as a predator who too often meddles in regional affairs.
similar notion called ‘soul of working federalism’ (quoted in Kahn 2002:23-24).

Governmental actors representing various governmental units in federal systems might also view themselves foremost as solo players and competitors. Still, this does not mean that they are not firmly engaged in the same club. As pointed out by Kenyon and Kincaid (1991:1), ‘competition is quite natural in a federation due to ‘rivalrous’ behaviour in which government attempts to win some scarce beneficial resources or to avoid a particular cost’. In these cases governmental actors have a cautious or sometimes sceptical image of the ‘other’, but not an antagonistic one. Interaction is perceived in terms of zero-sum games. In the extreme case the federation is about to lose its function and to turn into something different, like a confederation or a group of fully independent states. In such cases the probability of attaining goals by common effort is naturally low.

The links between the positions of the governmental actors involved regarding the essential nature of politics and institutions are not totally clear, yet some basic assumptions may be made. If Bundestreue is the predominant sentiment among governmental actors it is likely that institutional mechanisms that bind them together are seen as necessary and appropriate. If, on the other hand, perceptions of self and other are marked by competition or rivalry it is likely that such institutions have decayed or never developed. Probably the easiest way to establish such links is to scrutinise how ideas about the essential nature are reflected in the other two paradigmatic elements: goals and means to achieve them.

*Goals To Strive For and Means To Attain Them*

The goals of governmental actors may of course concern many things. However, as argued by Margaret Weir, the organisation of political institutions is a major concern for governmental actors, because it directly concerns their powers and responsibilities (Weir 1992:194). Governmental actors’ ideas about the distribution of jurisdictions, and their relations to actors’ goals and means, are hence the central analytical focus in this context.

Jurisdiction in this context is defined as the power, right, or authority to make, interpret, and apply law of one or several levels of government. There are two kinds of jurisdictions: legislative and executive jurisdictions. The former implies the right to make law, and the latter the responsibility to manage the implementation and execution of laws.

The distribution of jurisdiction has two dimensions: (a) the autonomy of jurisdiction; and (b) the scope of jurisdiction (Watts 1999:71). The autonomy of jurisdiction involves the degree to which governmental actors prefer to, and actually do, share power and responsibilities. The question is whether governmental actors are prepared to compromise about their autonomy and cooperate to handle the administrative overlaps created by modern government and to achieve common goals. Or are self-rule, disentanglement, and
diversity more important priorities? The central question is thus where one’s priorities primarily lie. Does one give priority to autonomy, particularism, and diversity and thereby disregard the potential benefits of joint efforts due to the fear of losing one’s autonomy? This is probably the case if one views the federal game in zero-sum terms and sees other governments mainly as rivals. Or are unity and equity perceived as central values, which provide incentives to overcome such fears and to act in concert? This is more likely if the general sentiment among governmental actors can be related to Bunde-streue.

The scope of jurisdiction concerns which legislative and executive jurisdictions should be assigned to what level, and whether jurisdictions should be distributed symmetrically across constituent units. A federal constitution should establish at least two levels of government that have the final say in one or more area of jurisdiction. However, the scope of jurisdictions is in practice hardly ever equal. Federations tend to be either ‘centralised’ or ‘peripheralised’ (Riker 1964:5). The former represents a situation where central rulers have jurisdiction over everything, except in one issue area, the latter a situation where the central rulers can only do a very small number of things without the approval of the constituent units.

If certain regions have been assigned more and ‘heavier’ jurisdictions than others, then the federal system concerned can be defined as de jure asymmetrical (Watts 2000:7). It is important to remember, however, that de jure asymmetry might be interwoven in several ways with forms of asymmetry, such as de facto asymmetry, which denotes demographic, geographical, and socio-economic diversity. The normative stance on this point then logically creates two positions, one in favour of de jure asymmetry, and one against.

The main normative variations of the paradigmatic elements are listed in Table 6.2. These variations might furthermore be reflected in different institutional solutions if they attain a prominent position among governmental actors. What institutional solutions certain federal paradigms imply, and how institutional solutions in turn reflect certain federal paradigms is discussed in the beginning of each case study (Chapters 7-9).

The various positions that the paradigmatic elements create can now be labelled. As to autonomy of jurisdiction, the federalism that promotes unity and shared rule, and institutions that bind governmental actors together, has been labelled ‘cooperative federalism’. The opposite federal stance, which prefers each governmental level to be fairly separate, is referred to as ‘dual federalism’.150 Regarding the scope of jurisdiction, the standpoint that advo-

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150 A third stance, competitive federalism (Kincaid 1991:87), could also be mentioned. It seems to originate in the U.S., whereas it is almost totally absent in the Russian context. Competitive federalism can however be seen as a variant of cooperative federalism as it shares the notion that some degree of cooperation is necessary - or at least that competition
cates a centralised federal system can be labelled ‘nation-centred federalism’. The opposite view that speaks for a peripheralised federal system is ‘region-centred’ (Nice 1987:5). The federalism that accepts *de jure* asymmetry is simply called ‘asymmetrical federalism’ and the opposing standpoint ‘symmetrical federalism’.

Table 6.2. - Paradigmatic Elements

<table>
<thead>
<tr>
<th>Paradigmatic Elements</th>
<th>Paradigmatic Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Essential Nature of Politics:</strong></td>
<td></td>
</tr>
<tr>
<td>a) Self and other</td>
<td>a) Patterns of amity and enmity <em>Bundestreue</em> or rivalry</td>
</tr>
<tr>
<td>b) View of federal game</td>
<td>b) Zero-sum or positive-sum game</td>
</tr>
<tr>
<td>c) Perceived degree of interdependence</td>
<td>c) High or low</td>
</tr>
<tr>
<td><strong>Goals:</strong></td>
<td></td>
</tr>
<tr>
<td><em>How federation should be designed</em></td>
<td></td>
</tr>
<tr>
<td>a) Autonomy of jurisdiction</td>
<td>a) Unity, harmony, and consensus or diversity, disentanglement, competition and accountability</td>
</tr>
<tr>
<td>b) Scope of jurisdictions</td>
<td>b) Efficient coordination or autonomy</td>
</tr>
<tr>
<td></td>
<td>Equality or disparity</td>
</tr>
<tr>
<td><strong>Means:</strong></td>
<td></td>
</tr>
<tr>
<td><em>How to attain this design</em></td>
<td></td>
</tr>
<tr>
<td>a) Autonomy of jurisdiction</td>
<td>a) Shared rule or self-rule</td>
</tr>
<tr>
<td>b) Scope of jurisdiction</td>
<td>b) Centralised or peripheralised</td>
</tr>
<tr>
<td></td>
<td><em>De jure</em> symmetry or asymmetry</td>
</tr>
</tbody>
</table>

**Cooperative federalism**

‘Cooperative federalism’ (Elazar 1991), and a number of related concepts, like ‘marble cake federalism’ (Grodzin 1966), ‘row boat federalism’ (Nice 1987:9), ‘creative federalism’ (Nice 1987:7, Wright 1978:53), ‘new federalism’ (Nice 1987:8), and ‘integrated federalism’ (Simeon 1998:6), implies a federal model in which unity and social equity are central (Kincaid 1990:139). There is a sense of *Bundestreue* and a willingness to compromise and acknowledge the need of the ‘other’ (Kincaid 2001:9). Cooperation is regarded as an important means of forming and implementing policies. Federal politics are not viewed as a positive-sum game. For this reason, federal

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151 A more coherent use of the terms utilised in this study suggests a different label, ‘centre-centred’, but it is avoided due to the awkward ring to it. ‘Nation-centred’ also better captures the focus on shared rule and the nation as a whole.
institutions are designed in a way that encourages and facilitates cooperative joint action. Concurrent jurisdictions are the hallmark of this federal stance. Advocates of this model maintain that many jurisdictions should be divided functionally between the governmental actors so that tasks have to be solved jointly in order to bring about a high degree of joint decision-making (Nice 1987:7; Wachendorfer-Schmidt 2000:7; Zimmerman 2001:18) (see further Section 7.1.).

This normative standpoint does not necessarily derive only from a sense of unity, but also from a perceived need for cooperation caused by modern government, which involves many overlaps across levels and sectors of government. This creates a high degree of interdependence, as expressed by U.S. Senator Terry Sanford in 1967 regarding ‘row boat federalism’: ‘The governments are all in the same boat, tossed by the same waves and dependent on each other’s paddles. When any one fails to row, they all move more slowly, and the waves become more dangerous for all’ (quoted in Nice 1987:9). This insight was one of the underpinnings of Grodzin’s ‘marble cake’ metaphor, which aimed to show that the ‘layer cake’ model (dual federalism) was no longer applicable to the U.S. context. Indeed, it would seem that to keep the jurisdictions of different levels of government separate is an obsolete model of federal government. Yet dual federalism as a normative standpoint is still alive and kicking, in the U.S. and elsewhere, even though the political and socio-economic conditions it is best suited for might not be there. Again, it is important to remember that cooperation and other issues connected to intergovernmental relations are to a large extent a matter of perception.

Bearing this in mind one should be aware that a certain federal model might be contested or only shared among some of the actors involved. This can lead to behavioural patterns of governmental actors that vary significantly across the federal system. In fact, it is normal for certain governmental actors to interact with some more than others, and for the pattern of interaction to vary across levels and sectors of government. In the literature this has been referred to as ‘picket fence federalism’ (Nice 1987:10). For instance, a normative standpoint sometimes noticed in Canada, Switzerland and the U.S. is cooperation without the federal centre, referred to as ‘federalism without Ottawa/Bern/Washington’ respectively (Cameron & Simeon 2002:54, Watts 1999:59). In this case the cake can be described as only partially or asymmetrically marbled.

Dual Federalism

The roots of dual federalism are found in the Federalist Papers and in the U.S. Constitution. Several court decisions during the 19th Century illustrate the model. One good example is the case of Abelman v. Booth in 1859 where Judge Taney declared that ‘the powers of the general government, and of the State, although both exist and are exercised within the same territorial
limits, are yet separate and distinct sovereignties acting separately and independently of each other, within their respective spheres’ (Zimmerman 2001:17).

This might seem to reflect a rather obsolete model of government, but to many it is still an ideal. Dual federalism and a number of modified versions and labels, such as ‘layer cake federalism’ (Elazar 1962), ‘arm’s length federalism’ (Kincaid 2002), ‘competitive federalism’ (Kincaid 1991), and ‘divided federalism’ (Simeon 1998:6), stand for completely different values than those expressed in cooperative federalism. This model emphasises that areas of jurisdiction should as far as possible be like watertight compartments. It is accentuated that each level should retain their respective jurisdiction and that policies are best carried out independently of each other, except for a small number of issue areas. Preserving and protecting governmental autonomy and regional diversity is generally prioritised over the possible gains of acting together (Nice 1987:5-6; Simeon 1998:12; Wachendorfer-Schmidt 2000:7).

Federalism is in this perspective perceived in zero-sum-terms. Sharing jurisdictions means losing power. Governmental actors, especially regional ones, fear loss of autonomy to other parties. Although dual federalism refers mostly to centre-periphery relations, the same sentiment is held regarding interregional relations. Actors prefer to keep at arm’s length and do not realise the need for cooperation, or simply ignore it. Under dual federalism, therefore, the federal institutions are designed to uphold disentanglement of jurisdiction and assignment of exclusive rights to one level of government. Autonomy, self-rule, and protection of diversity are placed at the forefront.

Nation-centred Federalism

More recent versions of federalism often stand for a more centralised form of governance. Adherents of this stance believe that federal government needs to be centralised in order to be efficient. The central government is held to have better qualifications and greater resources than the constituent units, which are perceived as less competent and lacking the means to make and enforce good governance (King 1982:28). In their comparative analysis of China and Russia, Blanchard and Shleifer (2000) argue that in terms of overall economic efficiency a centralised federal rule is preferable. Without a coherent set of rules and laws enforced by the federal government, the federal system becomes too fragmented and incoherent. This, in turn, leads to unpredictability and instability that in the long run impede economic development. For this reason, administrative control over the regions must be increased and the political parties should become more national in character (Blanchard and Shleifer 2000:11).

A federal system permeated by this view logically tends to have an active central government with a wider range of powers. To leave too much responsibility to the regional governments is perceived to lead to inefficiencies
and political incoherence. Advocates of a nation-centred federal system believe that systems based on competition and decentralisation are likely to lead to market failure, the consequences of which the federal government is best equipped to remedy. Besides such economic arguments, political and administrative reasons are also put forward. A strong central government is held to be able to stand up to strong economic interests and powerful cliques, thereby protecting the people. The centre is also said to be a more efficient administrator and coordinator. It is argued that national authorities better handle functions that transcend regional borders, for instance crisis management of various kinds. National authorities are also held to be the only ones capable of removing obstacles to the free movement of people, goods, and services, which are quite common in federations (Shapiro 1995:45-46). As one American scholar has put it in 1975:

‘The federal government is the appropriate instrument for protecting citizens against the abuses of concentrated economic power, downturns in the business cycle, fluctuations in agriculture prices, pollution of the continental air mass and numerous other consequences of the interdependence of our social and economic system. Principal authority for raising and redistributing public revenue must also remain at the federal level’ (Richardson 1975:2).

For these reasons, a central government that is not only willing to do so, but also possesses certain key powers (in particular fiscal and financial), might persuade the regional level of government to engage in cooperative joint action more easily by earmarking grants and through redistribution of fiscal revenues. Put differently, increased cooperation could be achieved through a kind of de facto hierarchical structure as a majority of jurisdictions and tax raising powers are assigned to the centre. Regional influence over federal policy-making is limited.

Region-centred Federalism
This standpoint holds that the constituent units of the federation should retain a great deal of political power and leverage. At an emotional and ideological level there is fear that one will lose executive autonomy and that other levels of government will dominate. At a more practical level, some scholars suggest that political and legal systems are not able to monitor and control every part of the inter-governmental structure (Jessop 1998:30). For this reason, it might be better to set up institutions, a self-running system if you like, which lets the non-central governments self-organise. Self-organisation is particularly valuable in cases of operational autonomy and complex situations of interdependence, as in federal systems.

Further, networked organisations are generally held to be stronger than isolated ones, because knowledge and ideas are transferred more easily. Consequently, systems of self-organising parts may become more flexible
and creative (Biggiero 2001:210-211). Moreover, problems of trans-regional character, such as pollution, epidemics and organised crime, might be solved more smoothly interregionally than from a single centre, according to this argument.

Besides arguments based on efficiency, region-centred federalism is regarded as a guarantee of civic participation and a bastion against political oppression. It is also contended that the regional governments are closer to the population, more familiar with the problems that concern them, and consequently more capable of solving them. Hence policies of decentralisation are often argued as justified in terms of democracy and accountability. That decentralisation entails a more efficient and responsive economic system and social welfare through competition is also a common argument (Mitchneck, Solnick & Stoner-Weiss 2001:125-126; Richardson 1975:3; Shapiro 1995:36). To this end, in a federal system marked by region-centred federalism a significant part of the jurisdictions is given to the constituent units, which also may have substantial tax-raising powers. In such cases regions have strong influence on the formation and implementation of policies.

The scope of jurisdiction is related to the autonomy of jurisdiction. According to Elazar, with regard to the American federal system, two related factors actually threaten concerted intergovernmental relations. First, there is the threat of administrative hierarchies. When bureaucracies grow larger as they generate more resources motivated by new challenges, they may become a threat to elected bodies and give rise to a complexity and inertia that undermine interaction between governmental actors. Secondly, one should also be attentive to ‘creeping prefectorial administration’. Centralisation through supervisory structures, increased regulation, and pre-emption also prevent central and regional governments from collaborating (Agranoff 2001:38, Elazar 1981:22).152

Symmetric Federalism

In most federations executive and legislative jurisdictions, political representation, and financial resources are distributed in a symmetric way. Usually, interregional de jure asymmetry can create political problems as people receive public services of different quality across the territory, which in turn might lead to fragmentation (Hanson 2004:8). De jure symmetry is often coupled with values of cooperative federalism, such as social equity and institutional mechanisms aimed at redistribution of revenues in a manner that

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152 In the U.S., for instance, cooperative federalism began to deteriorate after the 1960s and hierarchical centralisation came in vogue. The idea was that policies could best be implemented through strong nationwide action by the executive branch. Such a model requires oversight and supervision of federal management, thereby reducing jurisdictional independence and interdependence. However, self-organisation entails certain risks and is capable of degenerating into political and jurisdictional chaos and anarchy.
evens out standards across constituent units. In these cases asymmetry is perceived to have a negative impact on social accord. From this perspective, coordination and even coercion on the part of the federal authorities might be seen as a legitimate way of maintaining unity (Watts 2000:3).

Charles Tarlton is clearly a spokesman for this view. His formula concerning the consequences of *de facto* asymmetry and appropriate degree of *de jure* asymmetry reads:

‘The elements of similarity among component units of a federal system must, if that system is to function at an optimum level of harmony, predominate over existing elements of diversity. /…/ When diversity predominates, the secession-potential of the system is high and unity would require controls to overcome disruptive, centrifugal tendencies and forces’. (Tarlton 1965:873)

Hence the symmetric federal ideal implicitly advocates centralised rule. ‘Relieving the tensions and discord often attendant upon asymmetrical systems requires not further recognition of the elements of diversity and their protection in the complicated processes of ever-increasing federalisation, but rather increased coordination and coercion for the centralising authorities in the system’ (Tarlton 1965:874).

However, federal coercion is an approach that could spur centre-peripheral conflict. The Russian experience tells us that giving certain regions special treatment might also be a way of preserving the federation, at least in the short-term perspective. However, in the long-term perspective *de jure* asymmetry also carries with it the seeds of disintegration. The choice of policies concerning the levels of *de jure* asymmetry in this respect has implications for both the centre-periphery axis of intergovernmental relations and the interregional axis of intergovernmental relations, not the least for the level legitimacy of the system.

**Asymmetric Federalism**

That some regions may receive more important political rights than others is acceptable to some decision-makers, to others not. The rationale behind such institutional solutions is usually that *de jure* symmetry is sometimes necessary in order to accommodate strong *de facto* asymmetries that could otherwise endanger the coherence of the federation. Put differently, institutional mechanisms should or must correspond to *de facto* asymmetries (Martinez-Vazquez 2002:13). This is a kind of functional argument.

At a deeper normative level this argument builds on the communitarian view that various political communities (for instance ethnic groups) have the right to a degree of autonomy in order to accommodate deep diversities. A good example is a statement about Quebec’s role within the Canadian fed-
eration: ‘Québec should have the freedom and the means to be itself – a unique society with its own distinctive place in a renewed Canadian family’ (Agranoff 1999:84).\textsuperscript{153}

6.3. Conclusions

The stances on the three paradigmatic elements can now be coupled together into eight comprehensive federal paradigms. Again, the views on the essential nature of federal politics are embedded in each paradigm.

Table 6.3. – Federal Paradigms

<table>
<thead>
<tr>
<th>Scope of jurisdiction</th>
<th>Nation-centred federalism</th>
<th>Region-centred federalism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autonomy of jurisdiction</td>
<td>Symmetric federalism</td>
<td>Asymmetric federalism</td>
</tr>
<tr>
<td>Cooperative federalism</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Dual Federalism</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

1. **Cooperative nation-centred symmetric federalism** reflects a recognition of interdependence and solidarity among governmental actors, which necessitates cooperation, negotiation, and compromises. The federal centre, including regional representation in the upper chamber, is viewed as the best coordinator of politics and as a guarantor of unity and social equality. The priority of maintaining social equity also leads to a basically symmetric federal system. The attitude of *Bundestreue* is an important value. Actors mainly view themselves and others as team players and partners.

2. **Cooperative nation-centred asymmetric federalism** reflects a recognition of interdependence and solidarity among governmental actors, which necessitates cooperation, negotiation, and compromises. The federal centre, including regional representation in the upper chamber, is viewed as the best coordinator of politics and as a guarantor of unity and social equality. *De facto* asymmetries have however created political pressure for asymmetric institutional solutions.

3. **Cooperative region-centred symmetric federalism** reflects a recognition of interdependence and solidarity among governmental actors, which necessitates cooperation, negotiation, and compromises. Unity and *Bundestreue* are important values, and are best achieved by decentralised

\textsuperscript{153} A quote from the Citizen’s forum report (Spicer 1991).
means. ‘Cooperation without Bern/Ottawa/Washington’ reflects such a federal stance. Regional actors view themselves and others as team players and partners, but hold a much more sceptical view of the federal centre.

4. Cooperative region-centred asymmetric federalism reflects a recognition of interdependence and solidarity among governmental actors, which necessitates cooperation, negotiation, and compromises. De facto asymmetries have however created political pressure for asymmetric institutional solutions. Regional actors hold a sceptical view of the federal centre.

5. Dual nation-centred symmetric federalism emphasises disentanglement, independence, and diversity. Consequently, actors prefer to keep an arm’s length away from others. The federal centre is accepted as a dominant player. Governmental actors’ relationships are characterised by scepticism. The federal system is perceived in zero-sum terms. There is little or no acceptance for, or perceived need to establish, asymmetric institutional solutions.

6. Dual nation-centred asymmetric federalism emphasises disentanglement, independence, and diversity. Consequently, actors prefer to keep an arm’s length away from others. The federal centre is accepted as a dominant player. Governmental actors’ relationships are characterised by scepticism. The federal system is perceived in zero-sum terms. De facto asymmetries have created political pressure for asymmetric institutional solutions.

7. Dual region-centred symmetric federalism strongly emphasises disentanglement, independence, and diversity. Consequently, actors prefer to keep an arm’s length away from others. Governmental actors’ relationships are characterised by scepticism, especially vis-à-vis the federal centre. There is little or no acceptance for, or perceived need to establish, asymmetric institutional solutions.

8. Dual region-centred asymmetric federalism strongly emphasises disentanglement, independence, and diversity. Consequently, actors prefer to keep an arm’s length away from others. Governmental actors’ relationships are characterised by scepticism, especially vis-à-vis the federal centre. De facto asymmetries have created political pressure for asymmetric institutional solutions.

It is important to note that governmental actors’ actual federal paradigms may be quite inconsistent. When expressing support for a whole package of institutional solutions, this package may in fact - in theory and practice -
involve incompatible components. For analytical purposes they may none-
theless be presented as coherent standpoints. Moreover, as stated above,
institutions are patchworks with layers that may reflect very different para-
digms that have come and gone over a longer period of time. One federal
system may therefore reflect several of the paradigms outlined above.
7. Rearranging the Federation – Basic Federal Institutions

Naturally, the Constitution and other basic federal institutions are very important in any federal system because they establish the basic rules of the game, which to a large extent define intergovernmental relations. The Russian Constitution was adopted in December 1993, but its provisions were often circumvented in practice. In fact, one of the characteristic traits of the Russian federal system was that politics was shaped by constant bickering over the rules of the game, which resulted in incoherent *ad hoc* legislation and a large number of bilateral treaties. It appears that this messy federal paradigm, which was in many ways intended to maintain the unity of the country, actually led to a very asymmetric federal system, a fragmented legal space, and divided intergovernmental relations. In other words, it carried with it the seeds of its own destruction.

Shortly after having been elected president, Putin began a reform process that continued for several years. This reform program clearly represented a quite different federal paradigm from that of the Yeltsin era. The aim of this chapter is to establish what the characteristic traits of the Putin federal paradigm are, as expressed in these reforms. This concerns the interpretation of the Constitution, the principles of regional representation in the federal centre, the bilateral treaties, and finally the work of the Kozak Commission, which was established in 2001.

7.1. Understanding Federal Constitutions

How a federal constitution is designed reveals a great deal about the federal paradigm it reflects and upholds. The aim of this section is therefore to map out the relations between federal paradigms and institutional mechanisms usually defined by federal constitutions by drawing on federal theory and exploring various federations as points of reference. I then apply the lessons drawn in this section to the Russian case. I focus here on constitutional mechanisms regarding the two dimensions of the distribution of jurisdictions (the autonomy of jurisdiction and the scope of jurisdiction) and the regional representation in the federal policy-making process.
Autonomy of jurisdiction

In many cases the federal paradigm that permeates a federation has deep historical roots. Typically, in many of the old Western federations, like Canada and Switzerland, the founding fathers did not foresee the interdependence of modern government, or did not desire it. They adhered to a classical federal dogma that promoted watertight compartments between the levels of government and that allowed for independent action by each level.

The original federal system of the U.S. was predominantly built on a dual federalist ideal albeit with some considerations of intergovernmental cooperation. Before the 1930s rivalry and conflict were the rule rather than the exception. Court rulings and statutory provisions commonly resolved the many disputes between different levels of government and between states. Deil Wright asserts that ‘the participants saw each other in adversary roles across boundaries, and expected differences of opinion if not outright antagonism’ (Wright 1978:44). After a period of domination of cooperative federalism (1930s-1970s), dual federalism returned at the beginning of the 1980s. A short excerpt from Reagan’s State of the Union Address of 1982 reflects scepticism about interlocked cooperative federalism:

‘A maze of interlocking jurisdictions and levels of government confronts average citizens in trying to solve even the simplest of problems. They do not know where to turn for answers, who to hold accountable, who to praise, who to blame, who to vote for or against.’ (www.townhall.com)\textsuperscript{154}

Australia is another illustrating example. Here, the railway system, the electricity grid, and other infrastructure-related matters have for a long time been the responsibility of the regions. Also the educational system is highly state-based; organisational life, as well as regulations concerning professional licences, is based on regional structures (Rydon 1993:229-230, 232). It is clear that the preservation of diversity, regional accountability, and autonomy were important values. For this reason a majority of jurisdictions were made exclusive.

In modern federations with other ideological landscapes, such as Germany and South Africa, governmental actors appear to value other things, like the unity and accord of the federation as a whole. Bundestreue has been frequently promoted by the German Federal Constitutional Court (Hrbek 2002:153). The German Constitution\textsuperscript{155} is designed in a way that aims to maximise the degree of joint decision-making and interdependence in terms

\textsuperscript{154} http://www.townhall.com/REAGAN/speeches/stateoftheunion1982.htm
\textsuperscript{155} In post-Second World War West Germany the division of the country was not recognised and for this reason a constitution proper was not framed. Instead, a Main Law (\textit{Grundgesetz}) was put in place.
of policy-making and policy implementation, which assures a certain amount of solidarity between the constituent sub-units of the federation. First of all, there is an extensive list of concurrent jurisdictions (Article 74). The federal centre controls a majority of the legislation, but any legislative act needs the approval of the Länder in the upper chamber, the Bundesrat. Solutions, such as new legislations, are worked out through a complex of institutional mechanisms that ensure the participation of both federal and regional authorities.

Another interesting feature is that in German federal practice legislative and executive jurisdictions are often separated. Article 75 of the Constitution defines a number of jurisdictions in which the federal level of government has the right to pass framework legislation. Once a law has been established, the Länder are largely responsible for its implementation. There is federal supervision and direct federal administration, but it is limited (Hrbek 2002:152). To see to it that laws are implemented with satisfactory consistency, a system of centre-periphery and interregional joint decision-making has been created. This is referred to as Politikverflechtung (Wachendorfer-Schmidt 2000:81). The Constitution also provides a mechanism - called Vermittlungsausschuss (Mediation Committee) - for solving conflicts in this complex process (Hrbek 2002:152). In this way federal and regional governments cannot consider only their self-interest, but should also recognise the common interest of the federation as a whole. In other words, solidarity is considered an important virtue (Kahn 2002:23-24). Federalism is seen more in terms of a partnership than in terms of rivalry.

South Africa is another example where the cooperative federal paradigm seems to dominate. After the fall of apartheid, the country made a clear break with its majoritarian Westminster parliamentary legacy and tried to incorporate more institutional mechanisms for consensus. Within the ANC the approach was labelled ‘cooperative governance’ or ‘Ubuntu’ (Simeon 1998:13). There is a long list of concurrent jurisdictions. Moreover, a few excerpts from the 1996 South African Constitution serve as an illustrative example of a formal institution that clearly reflects cooperative federalism. Section 41(f) Chapter 3 of the South African Constitution lays down the principles of co-operative government and intergovernmental relations in the country.

It states that:

156 Politikverflechtung includes a great number of mechanisms and bodies that promote cooperation. In the Constitution one finds Article 91a implemented in 1969, which establishes the principles of how joint tasks (Gemeinschaftsaufgaben) are to be solved (see http://www.lib.byu.edu/~rdh/eurodocs/germ/ggeng.html).
41. (1) All spheres of government and all organs of state within each sphere must co-operate with one another in mutual trust and good faith by

i. fostering friendly relations;

ii. assisting and supporting one another;

iii. informing one another of, and consulting one another on, matters of common interest;

iv. co-ordinating their actions and legislation with one another;

v. adhering to agreed procedures; and

vi. avoiding legal proceedings against one another.

(www.concourt.gov.za/constitution/const03.html)

Hence one can argue that if governmental actors perceive Bundestreue, unity, and consensus as important values and something that the federal system should promote, then it is likely that there is a rather long list of concurrent jurisdictions. Actors therefore acknowledge that they are interdependent and that the overlaps that are created in the system should be handled jointly. Concurrent jurisdictions increase interdependence, points of communication, and possibly also the ability to handle overlaps between different governmental functions as the system becomes more flexible. One may therefore assume that a long list of concurrent jurisdictions indicates the presence of cooperative federalism. By contrast, if governmental actors prioritise maintenance of diversity, competition, and regional accountability, it seems reasonable to assume that jurisdictions are mainly exclusive. Exclusive jurisdictions are in other words an indicator of dual federalism.

As indicated above, whether the constitution separates legislative and executive-administrative jurisdictions or not is yet another relevant institutional mechanism regulated by the constitution. Legislative and executive jurisdictions within one issue-area are usually kept together, being assigned to the same level of government. In Germany, and in Austria and India, they are separated (Watts 1999:36-37, 41). Such an arrangement requires a high level of communication and coordination to make the system work properly. It therefore reflects both a belief in the virtue of joint cooperative action as a way of achieving unity and a consensus. Separated legislative and executive jurisdictions are interpreted as an institutional manifestation of cooperative federalism.

The supposed relations between cooperative federalism and dual federalism, on the one hand, and their institutional manifestations, on the other, can be summarised as in the figure below.
Figure 7.1. – Autonomy of Jurisdiction, Federalism, and Federal Institutions

<table>
<thead>
<tr>
<th>Cooperative Federalism</th>
<th>Dual Federalism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nature of politics:</strong></td>
<td><strong>Nature of politics:</strong></td>
</tr>
<tr>
<td>Bundestreue, positive-sum game,</td>
<td>rivalry and competition, zero-sum</td>
</tr>
<tr>
<td>perceived high interdependence</td>
<td>game, perceived low interdependence</td>
</tr>
<tr>
<td><strong>Goals:</strong></td>
<td><strong>Goals:</strong></td>
</tr>
<tr>
<td>unity, consensus</td>
<td>diversity, accountability</td>
</tr>
<tr>
<td><strong>Means:</strong></td>
<td><strong>Means:</strong></td>
</tr>
<tr>
<td>shared rule</td>
<td>self-rule</td>
</tr>
<tr>
<td><strong>Federal institutions:</strong></td>
<td><strong>Federal institutions:</strong></td>
</tr>
<tr>
<td>Specific statements about cooperative</td>
<td>Constitution focused on maintaining water-tight</td>
</tr>
<tr>
<td>government, concurrent jurisdictions,</td>
<td>compartments between tiers of government,</td>
</tr>
<tr>
<td>separated legislative and executive jurisdic-</td>
<td>exclusive jurisdictions functionally unified.</td>
</tr>
<tr>
<td>tions, institutional mechanisms tying</td>
<td></td>
</tr>
<tr>
<td>governmental actors together.</td>
<td></td>
</tr>
</tbody>
</table>

**Scope of Jurisdiction**

The historical roots of a federation might also influence the organisation of institutions regarding the scope of jurisdiction. Federations that have developed through a process of aggregation of previously independent parts are usually *de jure* decentralised, leaving regions with substantial powers and residual rights. And conversely, formally unitary states that developed into federations usually retain a system characterised by nation-centred federalism.

The U.S. federal system has often stood as the model for a region-centred federation. The original thirteen founding states clearly valued strong self-government and preferred to retain as much power as possible.157 In Australia, also, the region-centred federal paradigm seemed to be the dominant one. In both countries the residual powers158 are left with the regions, which in combination with relatively short lists of exclusive federal jurisdictions makes these federations decentralised. Residual jurisdictions also go to the regional level of government in more modern federations, such as Brazil and Russia. However, in both cases the long list of federal jurisdictions limits the authority that the regions wield.

Indeed, most modern federations tend to be fairly centralised. In Germany the federal centre is clearly the dominant decision-maker. It has quite a lot of legislative powers under Article 73 of the Constitution.159 The South African

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157 American federalism has over time transformed into a significantly more centralised type. As noted by one of its best known analysts, John Kincaid (1991), the emphasis on cooperative federalism during large parts of the 20th century also made the federal system resemble a decentralised unitary system.

158 Residual jurisdictions refer to those not specifically defined by the constitution.

159 Yet, as indicated above, several institutional factors mediate this dominance. First, there is a substantial amount of regional representation and influence in central decision-making through the *Bundesrat*, the second chamber of parliament. Secondly, the *Länder* has the ad-
federal system resembles the German one. Its cooperative character is promoted by the central government, which is obviously the dominant party. Despite the fact that the provinces have a degree of autonomy, manifested by the right to establish regional constitutions and the recognition of traditional tribal leadership, the federal centre can override decisions made by the regions if national unity is threatened (Van Der Westhuizen 2002:286-287).

Based on these short empirical excursions and federal theory, one can conclude that in various ways the number and type of jurisdictions reflects different federal paradigms. First of all, a common, yet somewhat uncertain, indicator of the scope of jurisdiction is the level to which residual jurisdictions are assigned. Generally, the level of government that is assigned residual jurisdictions is considered the dominant one. However, it goes without saying that the longer the list of clearly specified jurisdictions in the constitution, the smaller the role of residual rights.

Secondly, a federal system in which the federal level can overawe the regions or keep the regions from overruling its decision is clearly centralised, while when the opposite is the case the system is decentralised (Riker 1964:86). Typically, issues that concern the functioning of the federation as a unified economic and legal space are matters of federal jurisdiction: economic and monetary union, major taxing powers, defence, and international relations. Issues of social welfare, education, and healthcare are usually matters of regional jurisdiction (Watts 1999:80). Any noticeable deviation from this standard pattern might be an indicator of the degree of centralisation. Whether federal or regional law has supremacy can also be seen as a sign of a nation-centred or region-centred federal paradigm respectively. If regions have the right to secede and the right to issue citizenship, this is a reflection of the region-centred paradigm (Kahn 2002:144).

Thirdly, regarding the cases when legislative and executive jurisdictions are separated, it is clear that a federation in which both legislative and executive jurisdictions are allocated to the regions is usually more region-centred than if the regions have only the executive power to implement and adapt laws to regional conditions. A region that is assigned only one, but an exclusive, jurisdiction might have more control over its own affairs than if it has

\[160\] Besides South Africa many federations, such as Brazil and India, have such institutional mechanisms for federal intervention. They should not automatically be seen as a sign of strong centralisation.

\[161\] Again, the design of the federal construct in this respect normally hinges on the country’s historical context. In federations developed through a process of devolution of powers residual powers usually remain in the federal centre. Conversely, when the federation is the result of a fusion of formerly independent units, then residual powers commonly go to the regions (Watts 1999: 36, 39).
several concurrent jurisdictions as the centre will usually be able to exert more influence over these spheres.

As to the horizontal dimension of scope of jurisdiction, the constitutions may be written so that jurisdictions are assigned symmetrically or asymmetrically across regional governments. In some cases the federal government has enhanced powers vis-à-vis certain regions; in others some regions have been given more rights than other regions. A third variant is a symmetrical distribution of jurisdictions, but with some regions still having the right to opt in or opt out of these rights and responsibilities. This is the case in Canada, an otherwise symmetric federation, where Quebec has its own pension system, special language rights, and the right to collect income tax (Agranoff 1999; Watts 1999:67). The Canadian case shows that this approach can be both necessary and successful, albeit risky (Milne 1993:221-223).

Moreover, some governmental actors may also have the right to delegate certain powers and responsibilities to other levels by constitutional provisions or separate agreements (Pernthaler 2002:482, Watts 1999:67). Stronger representation in terms of more seats in federal organisations, such as the federal parliament and other organisations that involve intergovernmental relations, is yet another solution to de facto asymmetry that is sometimes perceived as acceptable.

Figure 7.2. – Scope of Jurisdiction, Federalisms, and Federal Institutions

<table>
<thead>
<tr>
<th>Nation-centred Federalism</th>
<th>Region-centred Federalism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nature of politics:</strong></td>
<td><strong>Nature of Politics:</strong></td>
</tr>
<tr>
<td><em>Bundestreue</em>, perceived high</td>
<td>rivalry, competition, perceived</td>
</tr>
<tr>
<td>interdependence.</td>
<td>low interdependence or no priority.</td>
</tr>
<tr>
<td><strong>Goals:</strong></td>
<td><strong>Goals:</strong></td>
</tr>
<tr>
<td>efficient coordination</td>
<td>autonomy</td>
</tr>
<tr>
<td><strong>Means:</strong></td>
<td><strong>Means:</strong></td>
</tr>
<tr>
<td>centralisation, federal centre as</td>
<td>Decentralisation</td>
</tr>
<tr>
<td>coordinator</td>
<td></td>
</tr>
<tr>
<td><strong>Federal institutions:</strong></td>
<td><strong>Federal institutions:</strong></td>
</tr>
<tr>
<td>Residual rights go to the federal level of</td>
<td>Residual rights go to the regional level and</td>
</tr>
<tr>
<td>government, which also retains a majority</td>
<td>the federal level of government has a</td>
</tr>
<tr>
<td>of significant jurisdictions.</td>
<td>relatively short list of exclusive jurisdic-</td>
</tr>
<tr>
<td></td>
<td>tions.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Symmetric Federalism</th>
<th>Asymmetric Federalism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nature of politics:</strong></td>
<td><strong>Nature of politics:</strong></td>
</tr>
<tr>
<td><em>Bundestreue</em></td>
<td>rivalry</td>
</tr>
<tr>
<td><strong>Goals:</strong></td>
<td><strong>Goals:</strong></td>
</tr>
<tr>
<td>unity, equality and solidarity</td>
<td>disparity and group preservation</td>
</tr>
<tr>
<td><strong>Means:</strong></td>
<td><strong>Means:</strong></td>
</tr>
<tr>
<td><em>de jure</em> symmetry</td>
<td><em>de jure</em> symmetry</td>
</tr>
<tr>
<td><strong>Federal institutions:</strong></td>
<td><strong>Federal institutions:</strong></td>
</tr>
<tr>
<td>Constituent units have the same type and</td>
<td>Some constituent may be assigned or</td>
</tr>
<tr>
<td>amount of jurisdictions.</td>
<td>delegated special rights in various fields.</td>
</tr>
</tbody>
</table>
Regional Representation in the Federal Centre

Regional representation and participation in the federal policy-making and legislative process manifest the federal principle that diversity can be combined with unity; that the various tiers of government are at the same time coordinate and independent. The way the upper chamber operates is established by a federal constitution in terms of how regions are represented (the selection of representatives, equal representation or not), and what authority it has, says a lot about the federal paradigm that dominates a certain federation.

If the system is built in a way that often requires the various tiers of government to solve the tasks assigned to them jointly, it is likely that actors, problems, and solutions are coupled together in the federal parliament, mainly in the upper chamber. This reflects the fact that cooperation is a viable option, and that unity and shared rule are prioritised (Simeon 2001:151). An important and active upper chamber therefore signifies cooperative federalism and a sub-category referred to as ‘intrastate federalism’. When regional interests are weakly represented and the bulk of intergovernmental relations take place outside the second chamber, the federal system is characterised by dual federalism and ‘interstate federalism’ (Wachendorfer-Schmidt 2000:7). This can rather be described as intergovernmental diplomacy between clearly defined and separate partners.

Another clue to how to identify the dominant federal paradigm is how the parliamentarians of the second chamber, the senators, are appointed. Figure 7.1. shows nine different ways of appointing senators in various federations:

Table 7.1. – Appointment to Upper Chamber of Parliament in Federal Systems

<table>
<thead>
<tr>
<th>Principle of Appointment</th>
<th>Federal System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointment by federal government</td>
<td>Canada, Malaysia</td>
</tr>
<tr>
<td>Appointment by regional governments</td>
<td>Germany</td>
</tr>
<tr>
<td>Indirect election by regional legislatures</td>
<td>Austria, India, South Africa</td>
</tr>
<tr>
<td>Regional executive and legislature appoint one senator each</td>
<td>Russia 2002-</td>
</tr>
<tr>
<td>Direct election by simple plurality</td>
<td>USA since 1913</td>
</tr>
<tr>
<td>Direct election by proportional representation</td>
<td>Australia, Mexico</td>
</tr>
<tr>
<td>Regional executive heads and speakers of regional legislature ex officio</td>
<td>Russia 1996-2001</td>
</tr>
<tr>
<td>Choice of method left to regions</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Mixed</td>
<td>Belgium</td>
</tr>
</tbody>
</table>

Source: Cameron 2001:125; Söderlund 2006:51; Watts 1999:93
The general pattern is, as pointed out by Wachendorfer-Schmidt, that a federal system characterised by a cooperative ideal is likely to have an upper chamber in which senators are appointed by the regional governments. A strong regional influence on the appointment of senators creates a closer link between the regional and the federal level. If the senators, by contrast, are elected by popular vote in the regions, or if the regional heads are appointed *ex officio*, they are accountable primarily to the regional electorate, which might instil a regional perspective on politics. This might in turn counteract broader centre-periphery and interregional aspects of intergovernmental relations.

In those cases where the appointment of senators is directly or indirectly controlled by the federal government, regional interests are weakly represented in the second chamber. It is consequently unlikely that second chambers of this sort will be an important arena for intergovernmental relations because they are a kind of federal patronage (Cameron 2001:125). This is for instance the case in Canada where the prime minister is able to control the federal senate. Such an institutional solution thus reflects a less cooperative stance because it is too focused on a nation-centred ideal. It might also be the case that centre-regional and interregional politics will take other routes than through the federal parliament.

Which channels of intergovernmental relations dominate a federation, i.e. whether intrastate or interstate federalism permeate the system, is also linked to the horizontal distribution of power between federal institutions; whether the national executive and legislative branches are separated by a system of checks and balances between the president (executive) and the parliament (legislative), or whether they are fused together as in a parliamentarian system. This matters in at least two ways. First, the executive dominance is normally stronger within parliamentarian systems because the executive cabinets are able to dominate the legislature. This tendency has been labelled ‘executive federalism’, which implies that intergovernmental relations are conducted mainly between presidents, prime ministers, and governors (Simeon 2001:94). In presidential/congressional systems intergovernmental relations are generally more dispersed and might flow through other channels than the executive, as there are more independent organs at each level.

Secondly, because the executives in parliamentarian systems – especially of Westminster type – are responsible first and foremost to the legislatives of the same governmental level, intergovernmental relations tend to be of intra-regional character. Other centre-periphery or interregional commitments might hence not be realised because they conflict with intra-regional ones. This usually leads to reluctance to institutionalise mechanisms of joint cooperative action. Intergovernmental mechanisms are therefore ‘add-ons’, rather
than integrated into the constitutional framework (Simeon 2001:93; Watts 1999:89).

The power of the upper chamber can tell us about the scope of jurisdiction. When the upper chamber of the federal parliament has the legal power to veto the lower chamber it represents a decentralised system and hence reflects region-centred federalism (Kahn 2002:144). The upper chamber has veto rights in Australia, Canada, and India, among other countries. However, in some cases this has little practical significance or use because the federal executive dominates the federal parliament as in Canada, or because a veto is followed by dissolution of the parliament and joint sittings. This means that conflicts are usually solved before they develop too far. Regarding the level of asymmetry, it is quite common for federations to assign some regions more seats or votes in order to accommodate regional disparities, such as ethnicity and population size. This is for instance the case in Germany and in India.

How the various federal paradigms and institutional solutions constitute each other can now be summarised as in the figure below.

Figure 7.3. – Upper Chamber, Federalisms, and Federal Institutions

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162 In federations with European parliamentarianism, by contrast, the willingness to work together across jurisdictions is much stronger than in system of a Westminster type. In this regard one can mention the German Vermittlungsauschuss (see above) and in the U.S. Constitution we find ‘full faith and credit’ (Section 1 of Article IV) that guarantees that records, acts, and judicial proceedings of one state should be respected by all other states; ‘privileges and immunities’ (Section 2 of Article IV) that promises all citizens equal rights, and ‘internal free trade’ (Section 10 of Article I) that prohibits barriers to trade (Zimmerman 1996:59-60, 89, 117-118). Moreover, Section 10 of Article I allows for interstate compacts and agreements. This is a formal way of attaining interregional cooperation and solving interregional conflicts. A compact is basically a uniform law that encompasses all the states involved (ibid:33-34). On the other hand, such compacts do come into force unless they have congressional consent (Opeskin 2001:130).
7.2. The Yeltsin Legacy – Basic Federal Institutions in the Yeltsin Era

In the following pages I first identify the main traits of the dominant federal paradigm in 1992-1998, which is referred to as the Yeltsin-republican paradigm\textsuperscript{163} I then analyse the federal reforms that were initiated in 2000 and 2001, but reflected federal ideas that had emerged several years before as illustrated in Part I.

\textsuperscript{163} It is important to note that neither among federal, nor among regional, elites was there a homogeneous view on federalism.
The Essential Nature of Politics

The ethnic factor put its mark on centre-periphery relations – Chechnia being an obvious case in point – in Russia early on. However, in the longer perspective it appears as if ethnic relations have not been the core factor for intergovernmental relations (Gelman & Hopf 2003:10, Mitchneck, Solnick & Stoner-Weiss 2001:131). Regional identity among the elites (as well as among the population), on the other hand, has been a central factor in intergovernmental relations in the 1990s (Gelman & Hopf 2003). In Soviet times the republican and regional committees of the Communist Party were important stepping-stones to a federal career for regional elites. In 1971 two-thirds of the Politburo members had initially made a career in the obkoms as First Secretaries (Rigby 1990:221). When the Communist Party was banned and disintegrated in the aftermath of the dissolution of the Soviet Union the link that had united the centre and the periphery disappeared. When regional executive heads became appointed through popular elections as of the mid-1990s their power base became increasingly independent from the federal centre. This meant that centre-regional became even more detached.

A degree of detachment is normal in federal systems, in which the principle of non-centralisation is essential. However, in the Russian case it was paralleled by sometimes very negative perceptions of the ‘other’. Many elite groupings in the federal centre clearly perceived the regional executive heads as renegades taking far too much power. Oleg Rumiantsev, the Executive Secretary of the Constitutional Commission in the first Russian parliament, referred rather disrespectfully to the regional movement as ‘tribalism’ (www.rumiantsev.com). Moreover, the federal view of the regional ‘other’ might also influence interregional relations. As noted by several scholars, Moscow has a long tradition of being sceptical towards horizontal ties (Perovic 2002:142; Tolz & Bosygina 1997).

The regional perception of the federal centre was perhaps even worse. Moscow is usually the main point of reference (‘significant other’) for a majority of regional governmental actors. There is a feeling that Moscow always proliferates at the expense of the rest of Russia and that the Federal Government shows little interest in, and understanding of, regional problems. At the same time regional leaders often had to turn to Moscow to obtain financial support. This created a centre-focused approach, which was paralleled at the regional level where local authorities focused on regional centres.

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164 The ethnic issue has indeed been closely scrutinised by scholars such as Ramazan Abdulatipov (1993), Vasilii Filippov (2001), Gail Lapidus (1999), and Graham Smith (1995).
166 Usually there is only one major city in each region (Petrov 2000:18).
As mentioned before, the regional leaders also appeared to have developed a certain narrow-mindedness. Sergei Kirienko has stated that the strictly hierarchical internal structure of the regions, and the regional leaders’ prime prerogative to protect its economic sphere, are some of the major explanations for the many barriers to internal trade that had been set up at the end of the 1990s (Nezavisimaia Gazeta 30 October 2000).

Moreover, regional elites frequently felt more like citizens of the regions or the republics (Petersson 2001:178-179). In 1999 more than 80 per cent of Russian regional elites in selected regions were very or rather unwilling to move to another region. Migration from one region to another comprises only about one per cent of the population (Andrienko & Guriev 2004:7). One of several explanations is that regional identities are strong among the regional elites. There is no strongly developed feeling of solidarity, either between the centre and the regions, or between regions. Consequently, as Bo Petersson has observed, Russia lacked intra-state glue that could hold the country firmly together. The term ‘Russian Federation’ had bad connotations for the regional elite (Petersson 2001). In the terminology of this thesis, one might say that there was a low level of *Bundestreue*.

**Goals, Means, and Institutions**

The state-building project that awaited Russia as the Soviet Union was rapidly disintegrating triggered an intense debate on federalism among the federal and regional leadership during 1990-1993. A first attempt to define centre-regional relations was the Federation Treaty of 31 March 1992. It envisaged a decentralised and asymmetric federal system. The controversies about the design of the future Constitution, including federal relations, continued and in the end it led to the violent showdown between Yeltsin and the Soviet parliament, the Congress of People’s Deputies, in October 1993. Having gained the upper hand in the political struggle, Yeltsin was for the mo-

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167 However, it should be noted that at the level of street level bureaucrats, which several of my interviewees were, relations with colleagues in the neighbouring regions were for the most part unproblematic or even friendly. Interregional conflicts seem to be more common at higher levels.

168 The regions are: Kaliningrad, Novgorod, Pskov, Saint Petersburg, and Sverdlovsk. The figures are based on a survey regarding perceptions of democracy of the regional elites (political, economic, civil society, and church) conducted during 1999 by the research project ‘Democratization: Local and Transnational Perspectives 1999-2000’ at Södertörns högskola (Stockholm, Sweden).

169 There are also administrative and economic hindrances to interregional mobility. See further Andrienko and Guriev in Economics of Transition Vol. 12(1) 2004, 1-27.

170 Bo Petersson’s study (2001) is based on 110 elite interviews between September 1997 and April 1999. The respondents were predominantly regional parliamentarians from Khabarovsk, Perm, St. Petersburg, and Volgograd.

171 In fact, the Federal Treaty consisted of three separate agreements: one with the autonomous republics; one with autonomous okrugs; and one with non-ethnic oblasts and krais. Chechnya and Tatarstan did not sign the treaty.
ment able to attain a constitution that was not as decentralised as the Federal Treaty. The Constitution of the Russian Federation was adopted on 12 December 1993.\footnote{172}{The fact that large parts of the Russian elites decided to make Russia a federation derives from two factors. First, at the time a federal institutional construct appeared to be the only viable option to save the country from disintegrating into independent states. Secondly, the country had a federal legacy to build on from both imperial and Soviet times. In the Russian Empire, after the capture of the territory where Estonia, Latvia, and Lithuania are located today, the Tsar admitted the local German nobility some degree of local self-government, and specially adopted laws. The Ukrainian Hetmanate may also be mentioned. After 1809 when Finland was captured from the Swedes, it soon received its own constitution. After the annexation of great parts of the Polish territory through the Vienna Congress in 1815, Russia allowed this territory a constitution and an army of its own. These rights were however removed after an uprising in 1830-1831. In Bessarabia the local language was used in courts and bureaucracies, and in 1818 it received its autonomy as the Bessarabskaja oblast. Some degree of local self-government was also preserved in the mountainous parts of the Caucasus, Azerbaijan, Armenia, Kazakhstan, Bashkiria, and Kalmykia (Ivanov and Yarovoi 2000:9-14).}

Both documents envisaged a federal system, but based on different federalisms. However, as Yeltsin’s political authority slowly eroded, Russian federalism appeared to develop into something that looked like an uneasy merger of two federalisms. In fact, one of the main shortcomings of the Russian federal system in the 1990s was that no one ever managed to establish a consensus around a coherent set of basic rules of the game, including the principles of federalism.

At the beginning of the 1990s republican leaders within RSFSR clearly wanted solid self-determination. As early as 1990 a number of regions of the Russian Soviet Republic had followed the example of the Soviet republics and one by one declared themselves independent. By the end of 1991 Chechnia, Mari El, Mordovia, and Tatarstan had their own president and other attributes of independent statehood. In this way the unity dimension of the federal system was clearly downsized in favour of diversity and auton-
omy. An influential deputy of the Tatar parliament, Rashit Vagizov, has proclaimed that the core principle of federalism is built on bottom-up approaches (Kahn 2000:81). The republican leaders appeared to envisage Russia more as a confederation than a federation.

The Federal Treaty of March 1992, on which the republican leaders had strong influence, nonetheless shows that they were prepared to share governmental responsibilities and tasks with the Federal Government within quite a few spheres. These concurrent jurisdictions were the same as those later specified by the Constitution (Article 72, see below). This could imply that both regional and federal authorities supported cooperative federalism. Of course, apart from ideological conviction, there might be other more practical reasons for this. Many of these concurrent jurisdictions entail costs. Typically, regional leaders were less willing to share jurisdictions bringing income, such as control over natural resources and fiscal regulation. This is not surprising considering the wobbly economic situation at the time. Another cooperative mechanism that reappeared in the Constitution was Article VI of the Federal Treaty, which allowed the federal and regional executives to delegate parts of their respective jurisdictions to the other level.

The differences between the Federal Treaty and the Constitution are more noticeable regarding the scope of jurisdictions. Unsurprisingly, the Federal Treaty takes a firm stance upholding strong regional self-rule. It states that ‘the republics of the Russian Federation hold full state power (legislative, executive, and judicial) on their territory, except those jurisdictions handed over (transferred) to federal organs of state power in accordance with this treaty’ (Federal Treaty, Article III:1). This choice of words is interesting. 173 It tries to underline that state powers originate in the republics and that they are not diffused from the federal centre. All talk of republican sovereignty was later removed in the Constitution.

The treaty also states that the republics are independent actors in international economic relations, although these relations should be coordinated together with the federal centre. Moreover, it also establishes that all natural resources on the territory of the republics are the property of their inhabitants. The status of natural resources must be regulated by mutual agreement between the two levels of government (Federal Treaty 1992). 174 Surprisingly, the Federal Treaty concerning the status of the republics does not enumerate areas of exclusive regional jurisdiction. In the end the Federal Treaty became an unpopular compromise, which did not determine whether the Russian Federation should be based on the territorial or the national-territorial principle. As we shall see, neither did the Constitution.

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173 The Russian texts says: ‘peredany (otneseny)’.
174 The federal treaties concerning the status of oblasts, autonomous oblasts and okrugs, and krais establish similar principles, however less emphasised.
The design of the Constitution reveals a great deal about the federal paradigm that was advocated by the Yeltsin team, which included people like Sergei Alekseev, Sergei Shakhrai, and Anatolii Sobchak. In many ways it resembles the Federal Treaty, but there are also some differences. Beginning with the autonomy of jurisdiction it seems that the authors attempted to create a constitution built on cooperative federalism. The list of concurrent jurisdictions is extensive. Later, with regard to the work of the Kozak Commission (see below), one of the founding fathers, Sergei Shakhrai, stated in 2002:

‘The areas of concurrent jurisdictions of the centre and the regions are established in Article 72. However, both in the commission and in the regions there are representatives, who think that we should split the concurrent jurisdictions completely. Laws, decrees and everything else; this is mine, this is yours. This is an impossible task. But if one would imagine anyone nevertheless succeeding in doing this, it would be the end of the country. Self-sufficient regions, which we call donors, would be cut off from us by our own hand. We tried to incorporate into the Russian Constitution the cooperative model of federalism, which is based on cooperation between the centre and the regions. Therefore, the concurrent jurisdictions need to be preserved.’ (Interview Nezavisimaia Gazeta, December 27, 2002)

Article 72 of the Constitution establishes the following concurrent jurisdictions:

- Guaranteeing that constitutions and charters of the constituent units of the Russian Federation (republics, oblasts, autonomous oblasts, krais, okrugs, and cities) are in line with the Constitution and federal laws.
- The protection and guaranteeing of human and civil rights and freedoms, rights of national minorities, law and order and public safety, and the organisation of border zones.
- The delimitation of state property.
- The use, protection, and guaranteeing of the environment and ecological safety, natural reserves, and historical and cultural monuments.
- General issues of upbringing, education, science, culture, physical fitness, and sport.

175 In fact, it might be more important to study the opinions of these people since Yeltsin’s federal policies appeared to vary according to what his objectives happened to be at the time. Much of his regional policies can be explained by crude tactical considerations, rather than ideological ones. Interestingly, in an interview in 2003 Shakhrai reveals that Yeltsin paid very little attention to the chapters regarding the vertical division of powers (centre-periphery relations), but carefully and repeatedly reviewed chapters four, five, and six, which defined the horizontal division of powers between branches of government (Moskovskii Komsomolets, November 12, 2003).

176 The proposals made by the Constitutional Commission and its Executive Secretary (Oleg Rumiantsev), and the legislative branch led by the chairman of the Supreme Soviet, Roslan Khasbulatov, could be discarded after October 1993.
The coordination of issues related to public healthcare, protection of the family, motherhood, fatherhood, and childhood, social protection, including social security.

Measures for management of catastrophes, natural disasters, epidemics, and the elimination of their consequences.

General principles of taxation.

Administrative, administrative-procedural, labour, family, housing, land, water and forestry legislation, and legislation on mineral resources and on environmental protection.

Personnel of judicial and law-enforcement bodies, attorneys and notaries.

Protection of the primordial habitat and traditional way of life of small ethnic communities.

Hence, important state functions concerning natural resources, state property, social policies, fiscal issues, and appointment of personnel were to be shared between the federal and the regional levels. The ambition to tie the various tiers of government together is taken further in the somewhat peculiar Article 77:2. It establishes that within exclusively federal and concurrent areas of jurisdiction the executive branches of the federal and regional levels of government form a unified system of executive power within the Russian Federation. Also, the federals have often argued that the federation is more than the sum of its parts, and for the sake of unity Article 15:1 gives federal law supremacy over regional and local legislation. Both articles could surely be seen as a possible way for the federal centre to dominate intergovernmental relations. However, it also signifies that the unity of the country is an essential value. Considering the predicament the country was in at the time, it is no wonder.

Another cooperative mechanism is the possibility of separating legislative and executive jurisdictions, which is a sign of cooperative federalism. Article 78:2-3 allows the federal and regional executives to delegate parts of their respective jurisdictions to other levels. To the extent that it is practised, for instance by letting the regional level administer the implementation process, it could be a model that indeed spurs joint cooperative action and interdependence. Although there is no real analogue to Politikverflechtung, opening up for this kind of arrangement reflects an emphasis on cooperative federalism in the Constitution.

Another important observation is that the Russian Constitution does not include any provisions directly related to interregional cooperation. As noted above, the whole notion of some form of interregional interaction has been looked upon with some suspicion by the federal centre. A number of articles do, however, concern interregional relations in a broader sense. Articles 8 and 74 establish that on the Russian territory no barriers of customs or trade or any other obstacles to the movement of people, goods, and services are allowed, unless these are necessary for the security of people or the environment. Of course, the regulations about the resolution of intergovernmen-
tal conflicts (Article 125) also have a bearing on interregional relations. Nonetheless, the conception of cooperative federalism appears not to have been extended to relations between regions.

Regarding the scope of jurisdiction, Yeltsin’s stance varied over time. Yet, he repeatedly declared that he stuck by his statement that the regions should take as much sovereignty as they could swallow. However, in the team of legal advisors that surrounded him there appeared to be a firmer commitment to a nation-centred federal system, but one where respect for regional autonomy was nonetheless maintained. According to Article 71 of the Constitution areas of exclusive federal jurisdiction are:

- The adoption and amendment of the Constitution and federal laws, and monitoring of compliance.
- The federative system and the territory of the Russian Federation
- Regulation and protection of human and civil rights and freedoms, citizenship, rights of national minorities.
- The establishment of a system of legislative, executive and judicial branches of government, their organisation and activities, formation of federal authorities.
- Management of federal state property.
- Federal policy and programmes in the development of state, economy, environment, social sphere, culture, and nationality.
- Legal foundation for single market, financial, currency, credit and custom regulations, monetary emission, pricing policy, federal economic services, including federal banks.
- The federal budget, federal taxes and duties, federal regional development funds.
- Federal energy systems, nuclear power, fissile materials, federal transport, railways, information and communications, activities in space.
- Foreign policy and foreign relations, international treaties, issues of war and peace.
- Foreign economic relations.
- Defence and security, defence production, purchase and sales of weapons, ammunition, military hardware and other military property, the production of toxic and narcotic substances.
- Status and protection of state borders, territorial seas, airspace, exclusive economic zone and the continental shelf of the Russian Federation.
- The judicial system, procurator’s office, legislation on criminal, criminal-procedure, and criminal-executive law, amnesty and the granting of pardons, civil law, civil procedure, arbitration procedure, the legal regulation of intellectual property.

It is noteworthy that some of these jurisdictions appear to overlap with some concurrent ones, which has indeed created some confusion. In fact, one of the main reasons behind the establishment of the Kozak Commission was to elucidate and clarify the vertical distribution of jurisdiction. For example, the protection of human and civil rights and freedoms is of both exclusive federal and concurrent jurisdiction. To confuse the situation even more, the president is stated as the guarantor of these rights and freedoms according to Article 80:2. Similar overlaps can be found in issues regarding state property and the social sphere.
Clearly, the Constitution is more nation-centred than the Federal Treaty, but the differences are surprisingly small. Again, the republics are no longer granted sovereignty. While Article II:m of the Treaty mentions that only the organisation of local self-government is of concurrent jurisdiction, the Constitution establishes that the organisation of regional authorities also falls under joint control. The Constitution also adds the coordination of international political and economic relations to the list of concurrent jurisdictions. The Federal Treaty had defined the republics as independent economic actors on the international arena.

Moreover, the regional level of government has been assigned only unspecified residual rights. Considering the vast list of exclusive federal and concurrent areas of jurisdiction it is difficult to see what would be the exclusive powers of the regions. Hence, although the level of government assigned residual rights is usually the dominant one, it is questionable whether this is the case in the Russian Federation.

The Constitution also went further in specifying the horizontal distribution of jurisdictions, which also has a bearing on federal-regional relations. The concentration of power in the presidency potentially allows the person holding this post to exert considerable pressure on the regional level of government. First, the president clearly has the upper hand over regional representation in the Federal Assembly. Secondly, research shows that presidential decrees are one of the most important factors for regional policy-making (Mitchneck, Solnick & Stoner-Weiss 2001:133).

As to the distribution of jurisdiction between regions, one may easily conclude that the Russian Constitution sends mixed messages. On the one hand, Articles 5 and 72:2 state that all regions are equal in relation to federal authorities. All mention of republican sovereignty and special treatment in the Federal Treaty was removed in the Constitution. On the other hand, it is clear that the Soviet legacy of hierarchical relations between the constituent units lingered on. The status of the ten autonomous districts and the Jewish Oblast is especially ambiguous. Their special political and geographical position has given rise to the expression ‘Matrioshka federalism’. These regions are located within a ‘parent region’, and are administratively subordinated to them. Their status can be changed by federal treaty or by bilateral treaty with their parent region (Nicholson 1999:19). Moreover, republics are allowed to have constitutions, while oblasts and other regions only have...
statutes (*ustavy*) (DeBardeleben 1997:44). Hence, both those in favour of symmetric federalism and those supporting asymmetric federalism can find support in the Constitution.

However, the process of signing bilateral treaties that commenced in 1994 made it clear that the federal system was in practice characterised by asymmetric federalism. Many republics were in favour of asymmetrical federalism, trying to maintain the Soviet tradition of hierarchical federalism where the republics were at the top of the administrative pyramid (Hahn 2000:81). Rafael Khakimov, a personal advisor to Tatar President Shaimiev, has stated that ‘there are two basic approaches to the federalisation of Russia: one is constitutional-treaty, the other is treaty-constitutional’ (Khakimov 1996). Most republican leaders advocated the treaty-constitutional approach, which became widely used in federal terminology. In early 1995 Tatarstan, Bashkortostan, and Sakha signed a declaration saying that treaties should reflect the regional constitutional hierarchy (Kahn 2002:159).

The Yeltsin administration appeared continuously to be prepared to accept the republican leaders’ asymmetric federal conception.\(^\text{178}\) The Yeltsin-Shakhrai Constitution actually allows for bilateral treaties. Article 11:3 states that the demarcation of areas of jurisdiction is defined by the Constitution, the Federal Treaty, or other agreements. Also, as mentioned above, Article 78:2-3 enables the federal and the regional executives to delegate jurisdictions by agreement. In his annual address to the Federal Assembly in 1995 Yeltsin stated that the bilateral treaties were an essential part of the federal system, and the best way to preserve the country’s territorial integrity (Cashaback 2003:4).\(^\text{179}\) One can therefore conclude that the notion of asymmetric federalism was firmly established in the minds not only of republican leaders, but of federal decision-makers as well.\(^\text{180}\)

Consequently, for a long time there actually seemed to be some agreement on the merit of asymmetrical federalism for both ideological and strategic reasons. The Yeltsin administration acknowledged the utility of the

\(^\text{178}\) It should be noted that Yeltsin must have supported this position ever since the early 1990s. According to Fillipov and Shevtsova the treaty-signing process had been prepared during Soviet Union days (1999:72). In this way the treaties should be seen as a continuation of Soviet practices.

\(^\text{179}\) The bilateral bargaining was often conducted by Yeltsin himself (Nicholson 1999:21), making his stance on this issue important.

\(^\text{180}\) It should be noted that the bilateral treaties might not only be an expression of genuine federal ideas. They were certainly also used as goods in order to maintain the loyalty of the regions in Yeltsin’s struggles against the opposition in Moscow, especially during the presidential election campaign of 1996 (Fillipov & Shevtsova 1999:73). Moreover, by striking deals with some republics and not with others, the federal centre was able to divide a previously unified republican political force (Pascal 2003; Solnick 1999:22). To put it simply, the incentive to act collectively lessened as one could satisfy one’s demands directly with the federal centre. Also, as argued by Stoner-Weiss, the weakness of the federal centre did not allow for a regional policy that would be opposed on all fronts (1999). It is not interested in establishing clear rules of the game (Gelman & Senatova 1995).
bilateral approach (Pascal 2003:59). Of course, there were also obvious advantages for the regions, especially the strongest ones. As pointed out by Vitalii Ivanov, a member of an expert council in the committee on federal and regional policy: ‘According to the Constitution all federal subjects are equal, but in practice Orwell’s principle of “some are more equal than others” always operated. The main thing is that this situation with all its pros and cons generally satisfied everyone’ (Vedomosti, 25 October 2000). However, because the process was not transparent (Kahn 2002:172), and due to the asymmetry it caused, many regional non-republican leaders opposed it in principle, as did some elite groups in the federal centre, such as communist leader Gennadii Ziuganov and nationalist Vladimir Zhirinovskii.

Another institutional mechanism that is usually regulated by the Constitution is how the upper chamber of parliament and regional representation in the federal centre are organised. Interestingly, the Russian Constitution is quite unclear on this point. It does establish (Article 95) that the regions are to be equally represented in the Federation Council, thus reflecting symmetric federalism.181 Two deputies, one from the legislative branch and one from the executive, represent each region. Apart from equal representation, the Constitution says nothing specific about the principles of formation other than it is regulated by federal law (Article 96:2).182 As mentioned before, the regional heads had since 1995 been appointed senators ex officio. If one were to rank this on a scale showing the degree of centralisation, it is obvious that it reflects an extremely decentralised federal system, since the regional leaders made (or vetoed) laws they were later to follow as executive heads in the regions.183

Despite its potentially influential role, the Federation Council never seemed to reach its full potential as an access point for regional policymakers. Of all bills coming from the Federal Assembly, only 9 per cent originated from the Federation Council (Remington 2003b:670). Most federal-regional and interregional issues and relations appeared to be managed outside this institutional and organisational framework. One reason for this weakness might in fact derive from its decentralised character. The senators’ parallel position as governors simply did not allow for long sessions in Mos-

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181 Again, it should be pointed out that in the Russian case there is also territorial representation in the lower chamber, the State Duma. Half of the deputies (225 out of 450) are elected from constituencies; the other half from party lists.
182 Interestingly Article 96:2 makes a distinction between the Duma and the Federation Council. Whereas the former is to be elected, the latter is to be formed, that is not necessarily by elections.
183 At the other end of the spectrum, representing a centralised system, either the regional heads are prohibited from being senators or the senators are appointed by the Federal Government. The reform of autumn 2004 comes very close to such a solution. The regional heads were now to be nominated by the president and approved by the regional legislatives. If these ‘appointees’ then in turn appoint senators we in effect get a system that is strongly influenced by the federal level of government and only indirectly controlled by the population through the regional legislative chambers.
cow. Usually they assembled once a month for one or two days (Cashaback 2003:9; Kahn 2002:144; Wachendorfer-Schmidt 2000:7). Understandably, such circumstances did not facilitate the formation of a united opposition due to the pressed schedule in Moscow and a general absence of channels for continuous communication. A second reason could be that the republican leaders and the strongest regional leaders were in minority in the Council and therefore chose to exert influence through other channels, such as the bilateral treaties. In fact, the level of interregional solidarity was often remarkably low. Furthermore, the practice of bilateralism lessened the incentives to work collectively in the upper chamber to achieve common goals, which also might have been the intention of the Federal Government (Solnick 1999:24). Such institutional solutions therefore most probably reflect dual federalism.

Russia’s semi-presidential system with a strong presidency appeared somewhat paradoxically to have given the country features more reminiscent of parliamentarian systems. The informal fusion of political force within the federal executive, the dominance of the federal executive over the federal legislature, and the concentration of political authority in the regional executive heads have made the Russian system one marked by executive power, or so-called ‘executive federalism’. There has also been a reluctance to formalise and institutionalise intergovernmental relations, as in parliamentary systems. Intergovernmental mechanisms have usually been ‘add-ons’ and not integrated into the constitutional framework. As a result intergovernmental relations mainly flowed outside the Council. The Russian system can therefore be characterised as interstate federalism, which in turn usually reflects dual federalism. In the past, strengthening the unity of the state through a vibrant upper chamber had obviously not been perceived as a priority.

**Federal Paradigms, Basic Institutions, and Intergovernmental Relations in the Yeltsin Era**

The Yeltsin-republican federal paradigm that seemed to have dominated federal relations until 1997-1998 was multi-facetted and incoherent. Formal institutions and informal institutions sent different messages. Yet the main thrust of this federal paradigm, as it was enacted in practice, appeared most of all to reflect dual federalism. Federal and regional images of the ‘other’ were often negative. Governmental actors generally seemed to prefer to keep each other at arm’s length, as suggested by the model of dual federalism. The level of Bundestreue and solidarity was low. This stance also manifested itself in formal institutions. The Federal Treaty made it clear that the republics promoted diversity and self-rule. On the other hand, there were also some clear elements of cooperative federalism. Both the Federal Treaty and the Constitution establish a long list of concurrent jurisdictions, which is a common trait of cooperative federalism. However, as discussed below, con-
current jurisdictions appeared to have created conflict and distrust more than anything else.

With regard to the scope of jurisdiction, Russia was in practice far more decentralised in the Yeltsin era than envisaged by the Russian Constitution. In fact, the federal system had some clear attributes of a confederation. By contrast, the Constitution establishes a comparatively nation-centred federal system. However, one should also recognise that by Russian and Soviet standards, and in some respects by international standards, the Constitution is quite decentralised. Never before had the regions received such vast powers as now. Formally the Constitution is nation-centred, but there are also region-centred traits.

To put Russia in context one can compare the formal provisions of the Constitution to other federal constitutions (see Table 7.2.).

Table 7.2. – Distribution of Jurisdictions

<table>
<thead>
<tr>
<th>Basic Features and Jurisdictions</th>
<th>Russia 1993</th>
<th>Australia 1901</th>
<th>Brazil 1988</th>
<th>Canada 1867 1982</th>
<th>Germany 1949</th>
<th>RSA 1996</th>
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Source: Cameron 2002; Watts 1999; Constitutions
Legend:
F = federal jurisdiction
R = regional jurisdiction
C = concurrent power
FR = federal and regional jurisdiction overlap
+/+ = federal legislation administered by regions
(1) = The Russian constitution is ambiguous on this point, however.
(2) = Requires consent from or must be coordinated with regional level of government.
(3) = Banking is exclusively federal jurisdiction, but savings and credits are provincial (Cameron 2002:110).
(4) = Quebec has veto over constitutional amendments (Cameron 2002:112).

The figure illustrates that Germany and South Africa are the federal systems whose constitutions most clearly reflect cooperative federalism. In both cases there is a wide range of concurrent jurisdictions. There are furthermore special regulations and statements concerning federal-regional and interregional cooperation. These federations are also quite centralised, and characterised by nation-centred symmetric federalism. The regional influence in the federal centre appears to be stronger in Germany than in South Africa. However, in both cases taxation is of concurrent jurisdiction, whereas in Russia the federal level of government has more powers in this sphere. Australia and the U.S. can best be described as mixed federal systems, incorporating both dual and cooperative federalism. Both systems have a number of concurrent or overlapping jurisdictions, but the U.S. has some restrictions on interregional cooperation. For instance, the Congress must first approve any interregional compact. Brazil’s constitutional design seems to be the one least influenced by cooperate federalism, and at the same time formally the most centralised one.

So what kind of intergovernmental relations did the Yeltsin-republican federal paradigm seem to constitute? It appears as if the paradigm had inherent tensions that in the end contributed to the deterioration of the federal system and even the state as a whole. First, the sheer number of constituent units provides difficult preconditions for concerted intergovernmental relations. It is more likely that federal systems with a large number of units, such as the Russian Federation (1+89) and the U.S. (1+50), will suffer from a higher degree of fragmentation. Simply expressed, it is more complicated to establish efficient channels for communication in these cases.184

The long list of concurrent jurisdictions, which were intended to tie the various governmental tiers closer together, merely appeared to instil conflict. Perhaps the combination of this jurisdictional vagueness combined with the

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184 On the other hand, those federations composed of two sub-units appear to be unstable, as was the case with Czechoslovakia (Watts 2001:28).
low level of Bundestreue created uncertainty and more suspicion, and hence divided intergovernmental relations. Moreover, the numerous bilateral treaties could have been viewed as a cooperative mechanism that actually bonded the federal centre and a region together in a formal way. The treaties would potentially have reduced the legal uncertainty of federal-regional relations. However, the process of closing such deals was not very transparent, and the legal asymmetry it caused evoked even more distrust among wide governmental circles, both at the federal and the regional level. In this way bilateralism seemed indeed to downplay vibrant interregional relations and make federal-regional relations problematic.

Nor can one ignore the fragmentation process of Russia’s political and legal space to which the treaties contributed. Tatarstan’s agreement (signed in February 1994) establishes that Tatarstan ‘as a state is united with the Russian Federation by the Constitution of the Russian Federation, the Constitution of the Republic of Tatarstan and by the current treaty’ (Bilateral Treaty, 15 February 1994). Article 2 further establishes that the republic has the exclusive right to: define and impose taxes; grant amnesty; decide issues relating to natural resources and citizenship; participate in international affairs; and create a national bank. Bashkortostan’s treaty (signed in August 1994) is written in the same spirit. It states that ‘the Republic Bashkortostan is an equal subject to the Russian Federation. The Republic of Bashkortostan is a sovereign state within the structure of the Russian Federation’ (Bilateral Treaty, 3 August 1994). It also establishes, according to Article 3, that control over natural resources, and issues of law and order, citizenship, alternative military service, and international relations are of exclusive regional jurisdiction. Moreover, in Ingushetia federal legislation was accepted only if it did not compromise the sovereignty of the republic. Similarly, in Sakha Republic federal legislation had to be approved by the regional parliament before it gained force (Kahn 2000:84). Bashkortostan, Yakutiya, Tyva, and Komi had also claimed the right to stop federal legislation if it contradicted their regional laws.

In hindsight the Yeltsin-republican federal paradigm paved the way for the disintegration of Russia’s legal, political, and economic space. As a result of legal fragmentation and of general economic decay many regional economies had become quite isolated. In some cases this was because they had been left to their own devices by a federal government that lacked the resources or the will to support them, which of course the regional elites resented. By the end of the 1990s the 89 regions of Russia had developed into heterogeneous ‘islands’, with few mutual ties, and troubled centre-periphery relations (Ruble et al 2001:14-18). Being left to their own devices and in the absence of common political and economic rules of the game it was no wonder that both federal-regional and interregional relations became divided rather than concerted.
7.3. Reforming Basic Institutions

Having been elected president in late March 2000, Putin immediately launched a reform package that concerned basic federal institutions. Among other things regional representation in the federal centre, including the principles for forming the Federation Council and the establishment of the State Council, was reformed. A year later a Commission, known as the Kozak Commission, was set up to further define the distribution between the governmental tiers. In the following section I discuss the federal paradigms reflected by these reforms.

7.3.1. Reforming Regional Representation in the Federal Centre

The Rationale of the Reform

One of Putin’s first measures as president was to reform the principles for forming the Federation Council. The draft bill that Putin submitted on 19 May 2000 annulled the ex officio mechanism of representation to the Federation Council. Governors and speakers of the regional assemblies were no longer automatically to become senators. Instead, they would each appoint a representative, who worked full-time in Moscow. In several statements Putin asserted that the intention was to make the upper chamber more professional and allow the regional executives to concentrate on regional affairs. The governors were now to appoint their representatives by decree, which could be vetoed by a two-thirds majority in the regional assembly. The legislature selects its proxy by secret ballot. Since the regional governments and the legislative chambers would be able to recall their proxies at any time.

The reform is ambiguous. On the one hand, the reform reflected the belief that the regions should not be too influential at the federal level but should deal predominantly with regional affairs. The Federation Council would in that case be downgraded to a second-rate institution. This could be interpreted as dual federalism. Yet the reform also had a significant element of cooperative federalism. The new senators would now be able to work full-time lobbying regional interests. There was consequently a chance that the Council would in fact become a more active institution for intergovernmental relations. Moreover, on 1 September 2000 Putin established the State Council (Decree 1602), which was to complement the Federation Council as a coordinate institution at the federal level in that it involved the regional executive heads directly in issues of federal importance. This idea had had the support for quite some time of several influential regional leaders, such as Tatarstan President Shaimiev, Kemerovo Governor Aman Tuleev, and Vologda Governor Viacheslav Pozgalev.

All regional executive heads are members of the State Council. The work is led by a presidium, which is composed of seven regional leaders, who are
rotated twice a year. Decree 1602 states that the State Council is to be a consultative body that is to guarantee smooth interaction between various state tiers regarding issues such as the relations between federal and regional administrations and the basis of federalism. The Council is intended to become mainly a forum for the exchange of opinions without any real executive or legislative powers.

Regional Response
In his “State of the Nation” speech on 8 July 2000 Putin does not go into details regarding the reform of the Federation Council. Indeed, he had good reason not to discuss this matter as it was vigorously debated in the Federal Assembly at the time. Considering the nature of the issue this was not strange. The draft law was initially vetoed on 28 June by the Federation Council by a clear majority (129 votes to 13), and the Council also declined to create a conciliatory commission (Russian Regional Report 2000:24, p 1). Little more than a week later, on 7 July, such a commission was indeed formed, but around fifty amendments to the law were to be considered (Russian Regional Report 2000:25, p 1). Due to the high probability that the Duma would override their veto, the senators finally passed the bill on 26 July 2000 by 119 votes to 18 (Pascal 2003:164; Sakwa 2004:147).

That the regional leaders in the end approved the reform can probably be explained by the fact that the final version did include some concessions. Besides getting a voice in the State Council, they were allowed to retain their positions until their term expired. Moreover, the term would be equally long for the representatives of the executive and the legislature (Cashaback 2003:9). Furthermore, the law would not come into force until 1 January 2002, not April 2001 as first suggested (Hyde 2001:729).

However, the regional leaders’ consent can probably also be explained by the fact that the Federation Council had never played a major role and that their central concern was their regional turf. The ‘old’ senators had hardly ever raised questions of general federal relevance in the Federation Council (Petrov 1999). Bashkir President Rakhimov reacted calmly to the reform, stating that ‘for me the power in the republic is enough. This power is not diminished by whether I’m a member of parliament or not’ (Federation Council Bulletin 7 June 2000, No 6).

Some regional leaders actively supported the reform. Saratov Governor Dmitrii Aitskov stated he had already voted ‘yes’ in the first vote on 28 June and regretted the veto of his colleagues (Federation Council Bulletin 7 June 2000, No 6). Kursk Governor Aleksandr Rutskoi argued that all the regional heads should resign immediately so that they could be appointed by decree (www.nupi.no).185 Novgorod Governor Prusak even called the reform a half-measure, claiming that the governors should be appointed rather than elected

Federation Council Bulletin 17 May 2000, No 5). Orel Governor and Speaker of the Federation Council Yegor Stroev agreed that a full-time working upper chamber would enhance its performance and that the Council would retain the role as a regional channel to the federal level. Nizhni Novgorod Governor Ivan Skliarov, Sakhalin Governor Igor Farkhutdinov, Vologda Governor Vyacheslav Pozgalev, and Altai krai Governor Alexander Surikov expressed their modest support for the reform, but at the same time emphasised the importance of not trying to reduce the powers of the regional level of government (Federation Council Bulletin 17 May 2000, No 5; 7 June 2000, No 6; 28 June 2000, No 7).

Others criticised the reform as an attack on democracy and accountability, and defended the principle of subsidiarity. Tula Governor Vasilii Starodubtsev, Moscow Mayor Yurii Luzhkov, the President of Adegia, Aslan Dzharimov, Riansk Speaker Vladimir Fedotkin, Kemerov Governor Aman Tuleev, Sergei Sobianin (Speaker of the Khanti-Manskii Duma) were moderately sceptical (Federation Council Bulletin 17 May 2000, No 5; 7 June 2000, No 6). There were also a number of senators that openly expressed quite harsh criticism. For instance, the president of Ingushetia, Ruslan Aushev, argued that ‘this means that one does not trust the people that elected their leaders’ (Federation Council Bulletin 17 May 2000, No 5). Yaroslavl Governor Anatolii Lisitsyn, stated that these reforms were an attempt to ‘remove us from decisions of national relevance’ (Federation Council Bulletin 7 June 2000, No 6). Chuvash President Federov also expressed concern about losing a channel to influence national institutions (Cashaback 2003:9). The head of Khakassia, Aleksei Lebed, argued along the same lines and asserted that the federal system was indeed threatened, stating that ‘we are moving towards a unitary state’ (Federation Council Bulletin 7 June 2000, No 6). It consequently appears as if the more dual and region-centred federal stance of the Yeltsin-republican federal paradigm lingered on among the republican leaders. However, the Putin federal paradigm was now the dominant one.

Institutionalisation of the Reform

If the ambition was to downgrade the role of the governors in federal decision-making, it was in many ways successful. The Federation Council became much more compliant and dependable for the president and the Federal Government after the autumn of 2002. Since its session on 10 October 2001 (until March 2004) on average 97.5 per cent of all law bills have been ap-

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186 It is important to remember that most of the regional executives were also members of a political party, some of them of the governor blocs that were founded as described in the previous chapter. Not surprisingly, a majority of the critics of the reform were affiliated with an oppositional regional bloc. Aushev, Federov, Lisysint, Luzhkov, and Yakovlev belonged to the Fatherland-All Russia alliance, whereas Aleksei Lebed and Tuleev were associated with the Voice of Russia.
proved, which is considerably higher than in earlier years (compare Table 5.5.). In early 2002 most of the governor-senators had been replaced and the new ones immediately demonstrated their allegiance to the Federal Government on several important issues, such as the law on political parties and the new Land Code. The speaker, Yegor Stroev, was replaced by an associate to Putin, Sergei Mironov (Remington 2003a:52). 75-80 per cent of the senators in 2002 had been recommended or cleared by the Presidential Administration (Remington 2003b:674).

The second goal, to make the Federation Council more professional, seemed successful in some regards. The new senators indeed became more professional in the sense that they are able to work on a more permanent basis with legislative work in Moscow. Almost 80 per cent of the deputies have an academic degree. Nearly 40 per cent have experience from prior parliamentary work (www.pravda.ru). Moreover, by the look of things the regional involvement in federal decision-making has indeed become more active. The previous senators had almost never put forward bills, although they had the right according to the Constitution. As of 2002 this practice changed, and the senators started to present bills to the lower chamber (www.strana.ru). There was also a will among the senators to establish closer relations with the State Duma earlier in the legislative process (www.strana.ru). Consequently, one can conclude that although the governor-senators were far less directly involved in federal decision-making, and even though the new senators had less status, the new Federation Council would potentially become an institution that established more and stronger networks within the Council as well as with other branches of government. In this sense the cooperative nation-centred approach of the reform appeared to provide better conditions for concerted intergovernmental relations than the Yeltsin-republican paradigm. The latter paradigm established a road map that made the regional leaders focus more on regional affairs.

The decision to establish the State Council follows the same pattern. The State Council started to fill the role of coordinating federal-regional relations, which the Federation Council had done in the past. The State Council was very active. Since its foundation in September 2000 and until March 2004 the presidium met 34 times, and the whole Council 11 times. Furthermore, it is noteworthy that the Council has founded 22 working groups on issues such as local self-government, development of state administrative structures, land reform, and international relations. Not only do regional

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187 Based on author’s calculations of voting results in the Federation Council (Remington 2003b; www.council.gov.ru). See reports on voting results under the headline “legislative activity”.
heads take part in these working groups, but also representatives of local bodies, academia, media, and private business (www.kremlin.ru).\textsuperscript{191}

Moreover, the reform had some effects other than those anticipated by the Kremlin as well as many political commentators. Some of these effects might actually be beneficial for intergovernmental cooperation. According to some commentators, with the ‘depoliticisation’ of the Council, and the governors having been stripped of their position as senators, the level of cooperation between the Federal Government and the new senators in fact increased. Before, federal officials had tried to avoid meeting governors. Now, by contrast, they could meet on an equal footing (www.pravda.ru).\textsuperscript{192} Another reason for senators and Federal Government seeming to find a common language is that 35-45 \% of the new senators were either Muscovites or big business people (Gelman in EWI 2002, Ponars Policy Memo; Remington 2003b:675). Again, the conditions for establishing lost-lasting political networks appeared to have improved. Concerted intergovernmental relations became more probable.

Another unexpected outcome was that the Federation Council became a lobbying machine for other groupings as well. My respondent in the INDEM Foundation stated that various groups had bought many senatorial seats and that the Federation Council has become second-rate institution and a ‘sweet’ retreat for ex-politicians (Interview, October 2003). According to the Council for National Strategy a seat in the upper chamber was worth between one and a half and five million dollars (www.snsr.ru).\textsuperscript{193} On the basis of their professional background, several lobbying groups can be identified (see Figure 7.3.below).

Table 7.3. – Career background of Senators 2002

<table>
<thead>
<tr>
<th>Prior position</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business management</td>
<td>23.5</td>
</tr>
<tr>
<td>Local or regional executive branch</td>
<td>21.1</td>
</tr>
<tr>
<td>Local or regional legislative branch</td>
<td>22.9</td>
</tr>
<tr>
<td>Federal State office</td>
<td>25.3</td>
</tr>
<tr>
<td>Military, policy or security sphere</td>
<td>5.1</td>
</tr>
<tr>
<td>Others</td>
<td>1.8</td>
</tr>
</tbody>
</table>

\textit{Source}: Remington 2003b:675

\textsuperscript{191} http://www.kremlin.ru/stc/2006.shtml, 040614
\textsuperscript{192} http://pravda.ru/main/2002/02/04/36530.html, 050823.
First, and unsurprisingly, there was a group directly representing the interests of the Kremlin. These are representatives from regions where the governor is weak or where he is loyal. In this group there were also deputies from the intelligence and military sphere (siloviki). There was a strong group representing the business sphere and large financial groups, among others Sibneft, Yukos, Norilsk Nickel, and Mezhprombank (www.smi.ru). Often their interest converged with those of the Federal Government and the President.

There are also representatives lobbying for the regional executive and legislatures. This group consists of resigned governors and regional civil servants. Within this group one also encounters deputies affiliated with the Communist Party (CPRF). The party has seen the new Federation Council as a way of restoring some of its influence in the parliament, after having lost many seats in the State Duma in the election of December 1999. These people are often speakers of the regional legislative assemblies (www.ng.ru).

Had the regional elites lost all control? Again, the answer is ambiguous. Table 7.3. above suggests that the regions potentially retained some influence in the Federation Council. 44 per cent of the senators had a regional background. Moreover, 45 regions received a leadership post in the Federation Council (Remington 2003b:677). In 2002 it threatened to veto the federal budget, and in fact vetoed several laws concerning veterans’ pensions (5 December 2001), media legislation (24 April 2002), the Central Bank (14 June 2002), and the fiscal system (13 November, 11 December 2002, 15 October 2003).

After the reform the Federation Council was sometimes – with some justification - referred to as a ‘club for lobbyists’ (www.snsr.ru). The president, the Federal Government, and the regional governments were only a few among several groups. Although this is not unique to the Russian Federation, it might have lessened the regional executives’ interest in using the Council as a vehicle for regional representation in the federal centre. In this regard the reform actually had a disintegrative effect.

7.3.2. The Kozak Commission

The Rationale of the Reform

‘I am prepared to point to several facts, which prove that we live in a state far from the federal ideal. How could one otherwise explain that in some regions there are laws introducing certain rules for entering

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194 http://www.smi.ru/print/?id=254052, 050823.
196 A leadership position denotes chairmanship or deputy chairmanship in standing committees or legislative commissions.
and staying in the region or laws that forbid the export of goods to other regions? There have even been cases when they have established a special status of the indigenous people in relation to other peoples living in the region. And this is not the Middle Ages. We must as soon as possible restore the balance and normal relations between different levels of government'. (Putin interviewed in Izvestia, 15 July 2000)

Obviously, Putin was not satisfied with the current state of affairs. His federal ideal did not involve de jure asymmetry, nor was the scope of jurisdiction assigned to the federal, regional, and local levels of government satisfactorily. For this reason, redefining the autonomy and scope of jurisdiction between the federal centre and the regions became one of the main vectors of reform at the beginning of his first presidential term.

To remedy the situation Putin issued a decree (No 741) on 21 June 2001 on the formation of a commission to look into the distribution of jurisdictions between the federal, regional, and local organs of government. According to decree 741 the tasks of the commission were:

- To clarify the distribution of jurisdictions between the federal, regional, and local levels of government. This work included the budget and fiscal system, human and civil rights, law and order, natural resources, and socio-economic relations.
- To establish a legal framework for local self-government.
- To revise the procedures for the use of bilateral treaties.
- To establish mechanisms for arbitration between governmental actors.

The commission was headed by the Deputy Head of the Presidential Administration Dmitrii Kozak, who also had been responsible for several judicial reforms that were presented in the spring of 2001. Initially, the commission consisted of twenty-two members from various levels and branches of government.

As we can see in Table 7.2, the federal level of government dominates, but there is also a substantial element of regional and local representation, including prominent leaders like the Tatar President Shaimiev. This composition of the commission reflects a multilateral approach, which seemed to permeate Putin’s way of making policy in general at this point in time. One gets the impression that the intention is to dominate the process, but at the same time carefully to tap into the sentiments of other governmental actors, including lower levels of government. A case in point is that the decree

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198 In this section we focus on the distribution of jurisdictions, but leave the budget and fiscal system to be analysed in Chapter 8. Issues concerning local self-government are commented on only in passing, as they are outside the scope of this study.
199 Kozak is one of the so-called Saint Petersburg liberals, who are members of the cabinet.
200 Under the Putin administration the federal centre continuously appears to balance between an approach that Kenneth McRoberts (1985) would label unilateral through which federal-regional relations are controlled in a top-down manner, and a multilateral approach through
specifically states that the commission is to take into account the proposals of the working group that had been set up in the State Council, headed by Tatar President Shaimiev, which already dealt with the same issues. The members of the State Council working group were integrated in the commission (Rossiiskaia Gazeta, 18 July 2001). Moreover, the progress of the commission’s work was continuously discussed in the State Council.

Table 7.4. – The Kozak Commission (2001)

<table>
<thead>
<tr>
<th>Representatives:</th>
<th>Position:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Presidency</strong></td>
<td></td>
</tr>
<tr>
<td>Kozak. D.</td>
<td>Vice Head of the Presidential Administration (PA)</td>
</tr>
<tr>
<td>Brycheva. L.</td>
<td>Head of Presidential State-Judicial Department (PA)</td>
</tr>
<tr>
<td>Kosopkin. A.</td>
<td>Head of Department of Domestic Policies (PA)</td>
</tr>
<tr>
<td>Popov. A. A.</td>
<td>Head of Main Territorial Management Department (PA)</td>
</tr>
<tr>
<td>Samoilov. S.</td>
<td>Presidential Advisor</td>
</tr>
<tr>
<td><strong>Federal executive</strong></td>
<td></td>
</tr>
<tr>
<td>Aratskii. D.</td>
<td>First Deputy Minister of Property Issues</td>
</tr>
<tr>
<td>Blokhin. A.</td>
<td>Minister of Federal, National, and Migration Affairs</td>
</tr>
<tr>
<td>Bumshin. E.</td>
<td>Deputy Minister of Finances</td>
</tr>
<tr>
<td>Karlin. A.</td>
<td>First Deputy Minister of Justice</td>
</tr>
<tr>
<td>Kozlov. A.</td>
<td>Deputy Manager of Federal Government Apparatus</td>
</tr>
<tr>
<td>Khristenko. V.</td>
<td>Deputy Prime Minister of Federal Government</td>
</tr>
<tr>
<td>Tsikanov. M.</td>
<td>Deputy Minister of Economic Development and Trade</td>
</tr>
<tr>
<td>Tikhomirov. Y.</td>
<td>First Deputy Director of the Institute for Legislation and Comparative Law</td>
</tr>
<tr>
<td><strong>Federal legislature</strong></td>
<td></td>
</tr>
<tr>
<td>Ivanchenko. L.</td>
<td>Chair of Duma Committee for Federal Affairs and Regional Policies</td>
</tr>
<tr>
<td><strong>Regional executive</strong></td>
<td></td>
</tr>
<tr>
<td>Kokov. V.</td>
<td>President of Kabardino-Balkar Republic</td>
</tr>
<tr>
<td>Pozgalev. V.</td>
<td>Governor of Vologodsk Oblast</td>
</tr>
<tr>
<td>Shaimiev. M.</td>
<td>President of Tatarstan</td>
</tr>
<tr>
<td><strong>Regional legislature</strong></td>
<td></td>
</tr>
<tr>
<td>Leonov. V.</td>
<td>Speaker of Novosibirsk Regional Parliament</td>
</tr>
<tr>
<td>Mironov. V.</td>
<td>Speaker of Tver Regional Parliament</td>
</tr>
<tr>
<td>Popov. A. V.</td>
<td>Speaker of Rostov Regional Parliament</td>
</tr>
<tr>
<td><strong>Local executive</strong></td>
<td></td>
</tr>
<tr>
<td>Korsunov. A.</td>
<td>Mayor of Novgorod</td>
</tr>
<tr>
<td>Sysuev. O.</td>
<td>President of the Congress for Municipal Units</td>
</tr>
</tbody>
</table>

which the federal centre deals with the regional governments collectively (Söderlund 2006:17-17). This stands in contrast to Yeltsin’s more bilateral approach.
Two related problems were perceived as particularly troublesome. First, the practice of bilateral treaties, which had been used as a means of defining federal-regional relations in more specific terms, had, in the eyes of many, got out of control. Second, Article 72 of the Russian Constitution comprises a list of concurrent jurisdictions. Although they were initially intended as a means to increase the interdependence between the federal centre and the regions, at the end of the 1990s many governmental actors began to perceive this mechanism as an obstacle to functioning intergovernmental relations.

As mentioned before, in the Yeltsin era bilateral treaties had been the main way of further defining the jurisdictional relationship between the Federal Government and a great number of regional governments, which had been only vaguely established by the Constitution. Although the bilateral treaties were often a ‘parade document’ that merely recognised the status of a particular region without necessarily contradicting the Constitution or federal law (Bukhvald 2001:34; Stoner-Weiss 1999:91), on occasion, as stated earlier, they involved significant violations of federal law.

Having become president, Putin made it perfectly clear that he was less unwilling than Yeltsin to accept jurisdictional asymmetries. In his speech to the Federal Assembly in 2001 Putin argued that:

‘At a certain point in our history they were called for, and I think necessary. However, in practice the very existence of such treaties often leads to inequality in the relations between the regions of the Russian Federation. And, at the end of the day, between the citizens who live in different parts of Russia’. (Poslanie 2001)

Putin admitted that bilateral agreements are foreseen by the Constitution and are as such legitimate, but opposed any policies that lead to interregional inequality, and ultimately inequality between the country’s citizens. They also created an illegitimate federal system because the negotiation process was not transparent. In his annual speech in 2002 Putin stated:

‘Of course, in a state like Russia we have to take into consideration regional specificities, and a need for such an agreement might indeed arise. However, to make such agreements behind the back of other federal subjects [regions] without prior discussion and achievement of consensus, I believe is not right’. (Poslanie 2002)

The policies of the federal centre obviously reflected symmetrical federalism. As head of the commission, Dmitrii Kozak did not completely rule out a role for bilateral treaties, but said that there is little room for such arrangements, and that bilateral treaties are at the very bottom of the legal hierarchy,

The second problem, related to bilateralism, was how Article 72 of the Constitution regarding concurrent jurisdictions should be enacted. A senior researcher at the INDEM Foundation stated that ‘in the end everyone was discontent that the Constitution did not specify the concurrent jurisdictions’ (Interview, October 2003). In his annual speech to the Federal Assembly in 2001 Putin stated with reference to Article 72:

‘Today this area of potential conflict must be minimised by clearly defining what is of federal jurisdiction, and what is of regional jurisdiction. Otherwise this situation will spur new conflicts and be used by the opponents of the strengthening of the federation itself’. (Poslanie 2001)

In a State Council meeting on 28 June 2001 Putin asserted that ‘the division of jurisdictions is one of the main problems of contemporary Russia’ (www.kremlin.ru). Concurrent jurisdictions had led to duplication of government functions and unclear accountability. What the President and the Federal Government were striving for was therefore to establish a clearly defined legal basis for how concurrent jurisdictions were to be managed. It also appears that many governmental actors, including the liberals and prominent regional leaders such as Shaimiev, perceived concurrent jurisdictions as a source of conflict and confusion. There was thus a growing pressure to infuse the federal system with a stronger autonomy of jurisdiction.

In his first meeting with the Kozak Commission Putin asserted that:

‘We have to abandon the habit of pulling the blanket towards oneself’. /…/ ‘The demarcation of areas of jurisdiction does not imply building a Chinese wall between the federal and regional level of government. On the contrary, it means the creation of necessary conditions for closer and more civilised intergovernmental interaction’. (www.kremlin.ru)

In August 2002 the commission presented the first fruits of its work, ‘The Concept for demarcation of jurisdictions between federal state organs, regional state organs, and organs of local self-government on general issues of
The organisation of state organs and local self-government’ (www.prpc.ru).

The Concept lays down a number of principles that indicate that the position of the federal centre is built on a dual and at the same time nation-centred federal approach. One of the main thrusts of the Concept was that each level of government should attain more autonomy of jurisdiction. The concurrent jurisdictions should be clearly specified in order to establish what level of government is responsible for what. Jurisdictions should not be transferred from the federal to the regional level of government, and from the regional to the local level of government, unless these governmental functions are properly financed. In a way this approach annuls Article 73, which states that the residual jurisdictions are assigned to the regions, because all regional jurisdictions would be listed in the forthcoming law (see below). In this way the concept also represented nation-centred federalism.

According to the Concept concurrent jurisdictions can be managed in two ways: (a) either by federal framework legislation, leaving the remaining legislative and executive jurisdictions to the regions. In these cases financing comes from the regional budgets; or (b) detailed federal legislation, leaving only executive jurisdiction to the regions. In this case financing comes from the federal budget. This institutional construct implies that jurisdictions should be distributed according to who is able to fund them. In other words, each governmental unit must have financial sources that correspond to its task. Unfunded mandates had been a constant problem in the past (see Chapter 8).

The new approach to concurrent jurisdictions was criticised on several fronts at the federal level. Shakhrai, one of the founding fathers, was throughout the reform process one of the hardest critics at the federal level of government. In his opinion, as mentioned above, a clear division of jurisdiction, i.e. high autonomy of jurisdiction, constitutes a clear threat to the unity of the country; in this he took a position almost opposite to that of Putin. In a similar spirit the Council for National Strategy criticised the Concept for undermining the principles of federalism. In a report (‘The New Vertical of Power: The outlook of Russian federalism and the role of regional elites in the formation of new national elite’) published in September 2003, the authors stated that one should not specify all jurisdictions in detail. ‘Real federalism constantly keeps leaders in tension, forcing them to look for compromises’ (www.snsr.ru).

Moreover, during a parliamentarian hearing on 28 November 2002 Vladimir Lysenko and Viktor Grishin, both members of the Duma Com-

205 www.prpc.ru/law_org/colleag/concept.shtml
206 At the time Shakhrai was head of the National Treasury (Shetnaya Polata).
208 Professor Vladimir Lysenko was from 1996-2002 the deputy chair of the Duma Committee on Federal Affairs and Regional Policies, and a member of parliament for the ‘Regions of Russia’ bloc. He is also the head of the Institute for Contemporary Politics.
mittee for Federal and Regional Affairs, criticised the forthcoming bill because the regional parts of concurrent jurisdictions would be explicitly specified by this law, whereas the federal contributions to concurrent functions were to be regulated by other legal acts. The danger, then, was that the regions would be left without any significant legislative jurisdictions and become mere agents for implementation of federal policies (Ivanov ILPP-Bulletin 2002:4, pp. 6-7). As the federal level acquired more and more fiscal and financial powers, as demonstrated in Chapter 8, this leads us to assume that fewer functions are going to be economically sustainable at the regional level. 209

Besides the mechanisms mentioned above, the Concept established several others that reflect a nation-centred federal approach. First, it was stated that supremacy of federal law must be firmly ascertained. Further, it proposed more instances in which the federal level of government should have the right to take special measures against regional executives and legislatures than had been the case with the institution of federal intervention that had been established in May 2000. Now the federal level (the president) would also have the right to remove governors from office and to dissolve regional parliaments. The circumstances in which this would apply included crises and disasters of a magnitude that required federal assistance, when governors or regional legislative assemblies made unconstitutional decisions or refused to comply with court rulings, and finally if regional expenditures exceeded incomes by more than thirty per cent (Russian Regional Report, 21 October 2002). 210 Putin further stated that it seemed reasonable that regional authorities would have the same right vis-à-vis authorities of local self-government (Russian Regional Report, 14 March 2003).

Although the process of actually applying these measures might possibly be regulated by court decisions, it is difficult to disregard the potentially hierarchical structure this reform implies. This continued construction of the power vertical was again criticised by Lysenko, because it would jeopardise federal principles (Boldyreva ILPP-Bulletin, 2002:1, p 21). My interviewee in the INDEM Foundation stated that there is little understanding that federalism is good for Russia in the federal centre. He mentioned that he had talked to a high-ranking official in the Kremlin, who had questioned the utility of federalism altogether. ‘It’s an idée fixe of the current federal leadership that we must control everything to the maximum. This is a dead end. Control through fear is not effective. You just make the system dependent on the currently strongest figure. It is not a long-term solution’ (Interview, October 2003).

209 By contrast, more functions appear to be economically viable at the level of local self-government, as the Concept proposed that this level would have its own budgets that in many cases were lacking.

210 In this sense it is quite similar to mechanisms of federal intervention found in other federations.
When asked if the Kozak reforms contradicted the Constitution, he replied that they do not contradict the letter of the Constitution, but to some extent the spirit of federalism. He suspected that there was a risk that the regions would become mere implementers of federal jurisdictions. ‘You can’t say that the system is not federal. But they are sending up test balloons. Even governors are proposing that they should be appointed. If this were to happen you might say that federalism is dead. If would be a federation only in name, as in Soviet times. Federalism still exists. It is threatened, but not buried’ (Interview, October 2003). Yet he was in favour of parts of the reform, such as the clearer definition of the scope of jurisdiction and the mechanism of federal intervention.

The law was finally approved on 25 June 2003. The wording of N-95 F-3 reflects a dual nation-centred federal position. Article 261:4 establishes that federal laws and treaties about distribution of jurisdiction must clearly specify the rights and responsibilities of regional governments, and the source of financing. Using the location of the financial source as a demarcation for concurrent jurisdictions Article 263:2 establishes the elements to be financed by regional budgets, and in some cases by federal subsidies. Most of the functions are quite managerial, but there are some exceptions (see appendix 1). It is worth mentioning that regional governments are responsible for organising regional elections, providing low and medium education, providing certain health care, organising inter-local investment programs, closing international business treaties, and establishing regional fiscal regulation and tax collection.

Regional Response
As mentioned before, the bilateral treaties had been unpopular among most regional leaders for quite some time. For this reason the campaign against bilateralism was not a greatly disputed issue of great dispute, although there was still some resistance (see below). Moreover, there also appeared to be a level of consensus or even a request to clarify and specify exactly what areas of jurisdiction belong to what level of government. As a reaction to the Concept presented in August 2002 Tiumen Governor Sergei Sobianin stated:

‘The rationale of this law, and this is what one hopes for in the regions, is not that areas of jurisdictions should be redistributed, but that each regional government should know for what it is responsible. For the first time the regional jurisdictions are clearly defined. Now it will be possible to estimate their financial weight and allocate the corresponding financial jurisdictions to the regions. This will mean that we have as many jurisdictions as there are financial resources and tax bases’ (www.vesti.ru/comments, 21 November 2002).

The Concept was also supported by republican leaders as Tatar President Shaimiev. In a newspaper interview he stated that without a clear and ex-
plicit division of jurisdiction there could be no democratic and federal state (*Respublika Tatarstan*, 28 June 2001). Further, on a seminar on federalism in Altai 18-19 October 2001, the participants, mostly representing regional interests, proposed that Article 73, which allocates residual jurisdictions to regions, should be rewritten to give it greater emphasis (*Russian Regional Report*, 14 November 2001).

However, it seems that some of the support was lip service. In fact, the Kozak Commission’s proposals on the demarcation of jurisdictions signified the first real opposition to the federal centre during the Putin administration. The outcome of the Commission’s work, the federal law ‘On General Principles of the Organization of Legislative (Representative) and Executive Bodies of State Power of the Subjects of the Russian Federation’ (N 95 F-3), was obviously provocative to some of the regional leaders, and the law on local self-government even more so. The Federation Council finally approved it after more than two hundred amendments to the initial bill, which also indicates that the regions still had some leverage in the Council.

In November 2002 I had an interesting conversation with an official in the environmental committee of Leningrad Oblast, i.e. the regional executive branch. He seemed to be a young moderate of the liberal generation, who now had a place in the Federal Government. Intriguingly he had quite elaborate thoughts about the ongoing reform. I therefore present his response at some length.

‘Within the environmental sector jurisdictions were in fact decentralised and more clearly stated by new law from 2002. The Federal Government moves in this direction. It gives more powers to the regional governments and tries to strictly define the powers of each part. You probably remember the phrase: “Take as much sovereignty as you can swallow”. That’s not right. In our country there is no tradition of giving initiatives to the regional authorities, as these initiatives might go a very long way. There have to be certain rules, a certain framework in order to make this work. And history shows that this policy was a mistake. You give away undefined powers just like that without framework, without guidelines for policies. This leads to several problems in several sectors.

In the new period of government the principles on which it is founded are totally different. It is founded on clearly defined powers and responsibilities according to federal law. This is very convenient. We can clearly see who is responsible for what. Everything falls into place. We get a clear and understandable system of government, at least in our sector. In our sector this process is dynamic and may serve as a good example for other sectors. We are ahead. I think that time will show that we’re going in the right direction.

I personally think it’s very good that there is some tidying up of the system of rule. There is a strengthening of government. This is very good. Why? It promotes order. And when there is order, it’s easier for everyone, for the regional governments, for the citizens and NGOs.
When the system is clear and well-defined life is easier for everyone. There is stability. There is predictability. People can believe that we’re heading not for chaos, but for some kind of order. It is clear from the legislation that the government is strengthened. That’s nice, because earlier it was impossible to solve problems due to the government’s weakness. The government system more or less fell apart during the last few years and this led to several negative things in our sphere like illegal cutting of forest and pollution. Companies could do what they wanted. Everything is now built up from scratch. I like this.’ (Interview, November 2002)

One should see this very positive appraisal of the Kozak reforms in the light of the fact that the legislation within the environmental sector in fact had been decentralised.211 Another junior official in the environmental committee in Leningrad Oblast also expressed satisfaction with the fact that the new law made jurisdictions clearer and not too centralised, stating: ‘We have already experienced overall centralisation. Things are clearer on the spot. Federal agencies cannot sit in Moscow and understand what’s going on at the regional level. Moscow can’t decide whether we should remove a waste dump or not’ (Interview, October 2002). Several of my interviewees working in the regional executive branch seemed to appreciate the line of policy that the President and the Federal Government pursued at the time. More clearly defined jurisdictions and in effect a higher degree of autonomy were seen as a viable means of accomplishing better work conditions. Even a higher degree of centralisation seemed to be acceptable. It creates stability and predictability, which potentially increases governmental actors’ willingness to cooperate with other. One would guess that specified powers have a stabilising effect in a federal system where the view of the ‘other’ is often marked by distrust as in the Russian case.

Institutionalisation of the Reform
Initially, the campaign against bilateralism appeared to bring quick success. In July 2001 six regions announced that they would unilaterally annul their treaties. In fact, eighty per cent of the laws that breached federal legislation had been revised voluntarily by the regions, involving neither the procuracy, nor the court system (Sharlet 2003:337). In only six months more than half of the faulty regional laws on average had been abolished or revised. This rapid progress supports the argument that some regional executives and legislatures had realised that the previous state of federal affairs was dysfunctional and therefore agreed to revision.

211 The decentralisation within the environmental sector was confirmed by senior and junior officials in St Petersburg’s environmental committee, and by a representative of Greenpeace (St Petersburg branch).
On 22 March 2001, i.e. before the Kozak Commission was set up, Putin had declared that great progress had already been made in the legal harmonisation campaign:

‘We managed to make significant progress in strengthening Russian statehood. Remember the kind of state we were living in only recently. A quarter of regional laws were unconstitutional and contradicted federal legislation. Two-thirds of those laws have now been brought into compliance with the constitution’ (Izvestia 22 March 2001)

However, there had also been signs of regional resistance. Kozak had set a deadline for the abolishment of treaties of May 2002. By that date only thirty out of forty-two treaties had been annulled (Sharlet 2003:338).212 This signifies that there was still resistance, especially among those who had benefited from the system. A case in point was Bashkortostan, whose constitution was revised in November 2000. Its position was, if anything, strengthened. A second revision in December 2002 indeed removed the word ‘sovereignty’, but replaced it with ‘statehood’. However, the right to regulate republican citizenship and the exclusive control of natural resources were removed.

Tatarstan’s constitution was vetted in April 2000. Just like Bashkortostan it was able to retain the concept of limited sovereignty, regulation of republican citizenship, bilingualism of the president, and a number of other violations of federal law and the federal Constitution (Prendergrast 2004:20-21). It is also noteworthy that by 2003 none of the stronger and traditionally oppositional regions, like Bashkortostan, Chuvashia, Sverdlovsk Oblast, and Tatarstan, had yet terminated their respective treaties.

To say anything conclusive about the outcome of the Kozak reforms is beyond the scope of this thesis, which is focused on the first presidential term of Putin, ending in March 2004.213 Nonetheless, one of the interviewees of this study, an expert from the Carnegie Centre in Moscow, stated that the Kozak reforms had indeed a real effect on the legal system. However, the effect was predominantly psychological. For the first time in a long time the federal centre had demonstrated resolve and a willingness to do something substantial about the situation. However, the expert suggested that the system, since the strongest regions were able to retain their treaties, paradoxi-

212 Among those that were indeed terminated we find: Marii-El 28 November 2001; Omsk oblast 21 December 2001; Chelyabinsk oblast February 2002; Saratov oblast 9 February 2002; Ivanov oblast 27 February 2002; Rostov oblast 15 March 2002; Vologda oblast 15 March 2002; Saint Petersburg 23 March 2002; Nizhni Novgorod oblast 8 April 2002; Orenburg oblast 8 April 2002; Krasnodar krai 12 April 2002; Astrakhan oblast 26 April 2002; Republic of Komi 20 May 2002; Murmansk oblast 21 May 2002; Altai krai 22 May 2002; Kaliningrad oblast 31 May 2002; Khabarovsk krai 16 August 2002; North Ossetia 4 September 2002.

213 However, it is interesting to note that one of its cornerstones, the law on local self-government, was postponed in 2005.
cally now had become more asymmetric than before (Interview, February 2004). In a sense he seems to be right. When many regions had treaties, the treaties actually mattered less than when only a few could still engage in such bilateral deals with the federal centre.

The general image was, however, that bilateralism had by and large been defeated. The bilateral treaties constituted a formal and institutionalised mechanism that created ties between some regions and not others. In a sense, concerted intergovernmental relations had been established through this mechanism, but only in an asymmetric way. Considering the wide-ranging unpopularity of bilateralism among many regional leaders, its abolition - combined with the more multilateral approach of the federal centre - probably created more favourable conditions for concerted intergovernmental relations in the Russian case. Creating rules of the game that at least formally applied to everyone in a similar fashion would seem to have increased the legitimacy of the federal system.

Yet, the legal harmonisation campaign also had negative effects. In several of the interviews for this thesis it was pointed out that federal authorities, especially at the regional level, often have a tendency to interfere too much in regional affairs. This makes it difficult for the regional executives to orient themselves towards their regional colleagues, as all their attention goes to the federals. The project of building a stronger power vertical thus seems to impede more concerted interregional relations. In no case was interregional cooperation or interaction in any way institutionalised or permanent.

7.4. Conclusions - Federal Paradigms, Basic Institutions and Intergovernmental Relations

The reform of the Federation Council and the work of the Kozak Commission reflected cooperative nation-centred symmetric federalism. One could also detect clear elements of dual federalism, but the most prominent element was nonetheless nation-centred. In fact, one of the things that have changed the most during Putin’s presidency in comparison to the Yeltsin years is that the federal centre - for better or for worse - has demonstrated a much greater engagement in federal-regional politics. The demonstration of political will and determination with which federal reforms were launched in 2000 and 2001 stood in stark contrast to the off-the-cuff policies of Yeltsin.

This had an important psychological effect. The general trust in the President and the Federal Government increased. It also sent the message that the federal centre would no longer tolerate the regions going about their own business as in the past. In other words, it appears as if the views of the federal ‘other’ at this point became more positive than in the past, or at least
more respected. This change in the image of the federal centre, combined with the insight many governmental actors had acquired in connection with the 1998 crisis into the fact that the interdependence between and across governmental tiers was greater than expected, most probably increased the inclination to engage in joint cooperative ventures.

Furthermore, federal politics has become less confrontational than in the Yeltsin era, not only because the federal centre had become stronger, but also because federal and regional views about viable and rightful ends and means in many cases corresponded quite well. Although some of the previously favoured regional executive heads sometimes voiced harsh criticism, it appears that a majority supported the measures taken. This enhanced level of consensus or acceptance for federal policies appeared to create a more solid base for concerted intergovernmental relations.

Another important point is that Putin’s policies were far more coherent than those of Yeltsin. This increased the predictability and transparency of federal politics, which in general is a good thing for cooperation. As envisaged by the reform of the Federation Council, regional representation in the federal centre in some ways more professional and active. Moreover, the State Council reflects the federal multilateral approach that appears to have replaced bilateralism. The State Council has become an active channel for intergovernmental communication. More and more such channels have been created and institutionalised, which makes the conditions for concerted intergovernmental relations more favourable.

Yet Putin’s early federal policies (2000-2003) in some cases involved tension between ends and means. Intriguingly, Putin’s policies attempted to build a cooperative system that promoted unity, social accord, and stability by means that reflected not only cooperative federalism, but in several cases also dual federalism. The work of the Kozak Commission entailed clear elements of the latter. Trying to strengthen the autonomy of each level of government and to increase accountability by establishing more clearly defined spheres of jurisdiction might be seen as a strange way to achieve a cooperative federal system. Exclusive jurisdictions decrease the necessity to interact in order to solve governmental tasks, which implies that more divided intergovernmental relations might follow. Paradoxically, this approach might have been a better way to attain concerted intergovernmental relations in the Russian case because the view of the ‘other’ is usually more negative than positive. If governmental actors are prone to turf wars, as in Russia, it might simply be better to clearly define their respective jurisdiction to reduce the fear of losing sovereignty, distrust, and confusion about responsibility. Lucid rules that are applied in similar ways increase predictability, which is good for all kinds of cooperation. In the Russian case it seemed to be a successful approach, at least in the short term. In the past many governmental actors had perceived both concurrent jurisdictions and bilateral treaties as problems that confused intergovernmental relations and created distrust.
Nevertheless, one could also present a much bleaker picture of the reforms analysed here. One cannot deny that the Federation Council is not the influential body that it is in many other federations. The new senators are only weakly connected to the regions they represent, which might give them a poor understanding of the interests they are supposed to promote. This most probably lessened the commitment of regional governments to participation in the Council’s work. Consequently, in the long-term perspective the upper chamber might lose its relevance altogether. Since the abolishment of gubernatorial elections in the autumn of 2004 this seems even more likely. It is also highly questionable whether the State Council could compensate for the Federation Council as a channel of regional representation in the federal centre due to its purely consultative nature.

Moreover, both the reform of the Federation Council and the work of the Kozak Commission implied a federal centre that was perhaps too dominant. As mentioned before, such an approach might downplay federal-regional relations and interregional relations, and ultimately undermine the federal principles of the Russian Federation. The multilateral approach and the federal intention to strive for compromise on federal issues took the edge off this risk to some extent, but in the long run it will not be enough.

The reform of the basic institutions of the Russian federal system, first conforming to the Yeltsin-republican federal paradigm and subsequently to the Putin paradigm, suggests that the co-variation between these federal paradigms and intergovernmental relations in this case may be described as in Figure 7.4. below.

Figure 7.4. – Federal Paradigms, Basic Federal Institutions, and Intergovernmental Relations

<table>
<thead>
<tr>
<th>Yeltsin-republican Federal Paradigm</th>
<th>Putin Federal Paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nature of federal politics:</strong></td>
<td><strong>Nature of politics:</strong></td>
</tr>
<tr>
<td>negative image of ‘other’, perceived low interdependence</td>
<td>slightly more positive image of the federal centre, perceived higher interdependence.</td>
</tr>
<tr>
<td><strong>Goals:</strong></td>
<td><strong>Goals:</strong></td>
</tr>
<tr>
<td>diversity without complete disintegration.</td>
<td>unity (Bundestreue), social accord, efficient coordination, equality.</td>
</tr>
<tr>
<td><strong>Means:</strong></td>
<td><strong>Means:</strong></td>
</tr>
<tr>
<td>shared/self-rule, bilateralism, de jure asymmetry acceptable.</td>
<td>shared/self-rule, multilateralism, consensus, federal centre as coordinator, de jure symmetry.</td>
</tr>
<tr>
<td><strong>Federal institutions:</strong></td>
<td><strong>Federal institutions:</strong></td>
</tr>
<tr>
<td>concurrent jurisdictions, separated legislative and executive jurisdictions, but bilateral treaties that bypassed the Constitution and enhanced regional power.</td>
<td>concurrent jurisdictions more specifically defined, legislative and executive functionally more unified, re-constitutionalisation, and enhanced federal power.</td>
</tr>
</tbody>
</table>

Divided IGR  ←  Concerted IGR
The phenomenon of multi-level budgets, to which the federal construct gives rise, is usually referred to as ‘fiscal federalism’. Daniel Elazar has stated that the joint control of revenues and expenditures is in fact a characteristic feature of federal systems (or other non-centralised systems) (Elazar 1987:185). As argued by Brian Opeskin, fiscal issues often dominate intergovernmental relations (Opeskin 2001:132), and therefore need to be brought into the analysis. The literature on fiscal federalism is extensive and the Russian fiscal system could easily be a subject of research in its own right. However, for the broader purposes of this study it is sufficient to understand the basics of fiscal federalism.

The aim of this chapter is to sort out what federal paradigm the development of the fiscal system during Putin’s first presidential term chiefly represents, and to explore the relations between its institutional expressions and intergovernmental relations. I shall now first discuss the central theoretical dimensions that help to evaluate the ideas behind Putin’s fiscal policies and the regional response. Then the general features of the Russian fiscal system will be illuminated as a backdrop to the analysis of the policies that have been conducted under the Putin administration of 2000-2004.

8.1. Understanding Fiscal Federalism

At a basic level fiscal federalism deals with the question how federal states organise the collection of tax revenues, distribute expenditures among the various levels of government, and handle possible financial imbalances across the system. There are consequently three important elements of fiscal federalism that have a bearing primarily on the scope of jurisdiction, but also on the autonomy of jurisdiction: (a) the distribution of tax collection rights; (b) the distribution of expenditure responsibilities; and (c) the intergovernmental transfer system. These elements also indicate which federal paradigm permeates the federation.

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214 Brian Opeskin is Commissioner at the Australian Law Reform Commission since 2000.
Distribution of Tax Collection Rights

The distribution of fiscal revenues is a concrete and common indicator of the scope of jurisdiction (Lavrov, Litwack & Sutherland 2001:9). What taxes are assigned to what levels, and to what level the revenues are allocated, tells us a lot about which level has the financial position to dominate intergovernmental politics. Some taxes are easier to collect and more lucrative than others. In this respect it is also a matter of who is getting the largest share of the total amount of tax revenues. Further, the extent to which tax collection rights are assigned equally to the constituent units of the federation reveals the level of asymmetry within the federal system.

In order to explore tax collection rights to the full one needs to disaggregate their jurisdictional components. An essential marker of the scope of jurisdiction is what level determines the tax base and the tax rates, i.e. the scope of taxable activities and property and how high taxes may be levied, and ultimately to what level tax revenues go. Hence it is quite possible that the federal level of government decides the regional tax base and sets the limits for tax rates.

It is assumed here that the level of government with the largest share of tax revenues and influence over tax base and tax rates has the best opportunity to influence the intergovernmental arena. If an actor feels that the federal centre should collect the major taxes, and controls legislation over setting the regional tax base and tax rates, then this is interpreted as an indicator of nation-centred federalism, and vice-versa.

The distribution of fiscal revenue powers is usually stated in the Constitution. The major taxing powers are commonly distributed as follows:

Table 8.1. – Allocation of Taxing Powers

<table>
<thead>
<tr>
<th>Tax</th>
<th>Level of Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs</td>
<td>Are with almost no exception handled by the federal level in order to ensure the preservation of the economic union within the federal system (a unified economic space) and an effective management of international customs.</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>Is usually managed by the Federal Government as many companies have subdivisions allocated in several regions. However, there are also cases of concurrent jurisdiction.</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>Is frequently shared between the federal and regional level of government. In some cases this taxation right is assigned exclusively to the Federal Government.</td>
</tr>
<tr>
<td>Property tax</td>
<td>Here we find great variation. This tax may be allotted to all levels of government, including the local level.</td>
</tr>
<tr>
<td>Retail sales tax</td>
<td>Is allocated to both the federal and regional level.</td>
</tr>
<tr>
<td>Value added tax (VAT)</td>
<td>Is almost always determined by the Federal Government.</td>
</tr>
<tr>
<td>Natural resource revenues</td>
<td>Is usually controlled by the Federal Government.</td>
</tr>
</tbody>
</table>

Source: Dahlby 2001:96; Watts 1999:43-44
The ‘right’ degree of centralisation is a widely debated topic, among both scholars and practitioners. There seems to be no general consensus on whether decentralisation is a cure or a disease. Nevertheless, the more common view appears to be that the federal level of government should have the majority of fiscal revenues (Dahlby 2001; Hanson 2004; Oates 1999). This is because the central government should have the responsibility for macroeconomic stability. The modern economy with mobile companies and citizens moving across administrative boundaries puts the federal centre in a better position to regulate various imbalances, especially between the constituent units of the federation. That the Federal Government has greater fiscal powers than its regional counterparts should not, therefore, automatically be viewed as a sign of strong nation-centred federalism, but as a general feature of federal systems.

Indeed, the federal level of government has the majority of significant tax-raising powers in Australia, Germany, India, and the U.S., among others. In Table 8.2. below we can see that the federal centre normally gets the lion’s share of tax revenues, Canada and Russia being exceptions to the rule.

Table 8.2. – Distribution of Revenues (before intergovernmental transfers)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Federal</th>
<th>Regional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1996</td>
<td>69,1</td>
<td>10,9</td>
</tr>
<tr>
<td>Brazil</td>
<td>1995</td>
<td>66</td>
<td>34</td>
</tr>
<tr>
<td>Canada</td>
<td>1993</td>
<td>52,3</td>
<td>47,7</td>
</tr>
<tr>
<td>Germany</td>
<td>1996</td>
<td>64,5</td>
<td>55</td>
</tr>
<tr>
<td>India</td>
<td>1994</td>
<td>64,6</td>
<td>54,4</td>
</tr>
<tr>
<td>Russia</td>
<td>1996</td>
<td>49</td>
<td>51</td>
</tr>
<tr>
<td>U.S.</td>
<td>1996</td>
<td>65,8</td>
<td>4,2</td>
</tr>
</tbody>
</table>

When evaluating the scope of fiscal jurisdiction one must also take into account the final outcome of the intergovernmental transfer system. For instance, the federal centre might indeed collect the lion’s share of taxes, but ultimately remain with the smaller part of the total revenue when redistribution is completed. This was the case in Canada in 1993 and in Germany in 1996 (Watts 1999:47). This implies that although the federal centre has the greatest tax collection powers, regional governments have great influence on the reallocation of tax revenues. See also below.
However, many scholars also point to the importance of maintaining a certain degree of decentralism. Hanson (2004) argues that the fiscal system should provide a clear delineation of powers and responsibilities, and that regional (and/or local) governments should have a high level of independence in economic and budgetary matters, because they are undeniably more aware and knowledgeable about regional problems. This makes them better able to respond to local demands, which in turn increases accountability vis-à-vis their constituencies. Decentralisation also stimulates policy innovations as discontented citizens may ‘vote with their feet’ and move to other more prosperous regions (Boadway 2001; Garman, Haggard & Willis 2001; Hanson 2004; Tanzi 2000). Here we appear to encounter greater differences between practitioners’ beliefs. The kind of interregional competition, including ‘races to the bottom’\(^{216}\), to which a decentralised system might lead may be unacceptable in federal systems where *de facto* asymmetries create very different preconditions for such competition.

**Distribution of Expenditure Responsibilities**

The distribution of expenditures also gives us a clue to the scope of jurisdiction. The usual pattern is that the more executive the jurisdiction assigned to the regional governments, the greater the powers of expenditure (Watts 1999:44). That regions do not ‘earn’ a majority of their revenues independently is by international standards a fairly rare phenomenon. The federation with the highest degree of budgetary independence in this sense appears to be Canada, whose revenues mostly come from their own sources, around 85 per cent in 1995. The German *Länder* also have highly independent budgets, intergovernmental transfers comprising only around 18 per cent of total regional revenues. At the other extreme among large federations we find Australia and India, which in 1996 and 1994 respectively were dependent on the federal government for about 40 per cent of their revenues. The most extreme case by far is South Africa whose regions in 2001 depended on federal transfers for up to 96 per cent of their budgets. Somewhere in the middle of the scale we encounter Brazil and the U.S., where regions received 27 per cent and 29.6 per cent respectively in the mid-1990s (Lavrov, Litwack & Sutherland 2001:10; Lavrov & Makushkin 2001:64; Watts 1999:48; www.fpcenter.ru).\(^{217}\)

\(^{216}\) ‘Race to the bottom’ denotes a scenario when regions compete by offering lower tax rates to companies in order to bring more companies, which in the end might evaporate the regions’ tax base. It also increases the pressure on infrastructure without providing the revenues to pay for it.

The extent to which regional units are able not only to legislate but also to
decide how the administrative tasks that follow should be financed does of
course also affect their level of autonomy of jurisdiction. From this it follows
that any level of government that is constantly insufficiently financed will
undeniably have to depend on federal or other external financial sources,
which implies less autonomy.218 Actors then become entangled through a
common tax system that requires a fair amount of communication and nego-
tiation in order to work. This can be seen both as a sign of nation-centred
federalism and, indirectly, as a sign of cooperative federalism, depending on
how federal-regional relations are organised institutionally. We correspond-
ingly assume that when governments are able to cover expenditures with
their own tax base, they are less vulnerable to excessive influence on the part
of other governmental units. If the level of autonomy is seen as an important
value, it is interpreted as a sign of dual federalism.

**Intergovernmental Transfer System**

The transfer system provides us with another set of indicators of the scope of
jurisdiction. As indicated above, the distribution of revenue powers and ex-
penditure responsibilities is intimately related to the intergovernmental trans-
fer system. One of the main purposes of the intergovernmental transfer sys-
tem is to correct various imbalances that might occur within the fiscal sys-
tem (Oates 1999:1126). There are two types of imbalances: vertical and
horizontal. Vertical imbalances arise when the tasks assigned to either of the
levels of government do not match their expenditure responsibilities. Horiz-
ontal imbalances occur when regional governments are not able to provide
the same public services because they have different tax bases and varied
expenditure needs (Watts 1999:46).

Such imbalances may derive from either *de jure* or *de facto* asymmetry,
or both. It is most common that regions are compensated by adjusting reve-
cue imbalances, but corrections of expenditure imbalances also occur. There
are two kinds of transfers: conditional (earmarked) and unconditional. A
high level of earmarked transfers of course reflects the stronger influence of
the level of government that sets the conditions.

How redistribution of tax revenues is managed, through conditional or
unconditional transfers, is important to consider, as the extent to which fed-
eral transfers are earmarked or not also influences the federal leverage over
regional governments. The way in which transfers are assigned reveals
whether interregional equality is considered an important social value (Oates

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218 Other external sources include borrowing (for instance municipal bonds). This is an impor-
tant element in the fiscal system that has a bearing on the autonomy of jurisdiction. If sub-
national governments have access to financial markets they naturally obtain more leeway to
pursue independent polices than if the Federal Government imposes restrictions on borrow-
ing. Here, however, we content ourselves with the distribution of revenues and expenditures
as a measure of scope and autonomy of jurisdiction.
1999:1127). The ideological character of federalism may once again be demonstrated. In Australia, where horizontal imbalances are relatively limited, equalisation is a very important mechanism. Meanwhile, in the U.S., where horizontal imbalances are considerable, they are not a matter of great debate. Consequently, in Australia we find institutions that manage de facto asymmetries, while in the U.S. there are a few such mechanisms.

One might assume that if the share of federal transfers of the total amount of regional revenues is great, then federal influence is greater than if the opposite would have been the case. Moreover, the proportion of conditional transfers is another important indicator of regional autonomy (Watts 1999:49). In federations where all transfers are conditional, as in the U.S. where transfers at the same time comprise a third (1996) of total regional revenue, the federal leverage is of course substantial.219 One should not forget, however, that the constituent states have considerable influence on federal decision-making through the Congress. In this respect federal governments are confronted by a dilemma. Many of the jurisdictions commonly allocated at the regional level are expensive, which would motivate directed earmarked transfers. On the other hand, unconditional transfers are more consistent with the federal spirit of non-centralism (Boadway 2001; Watts 1999:44).

Finally, what actors get to decide the outline of the transfer system may also show not only what level of government is dominant, but also the willingness of the governmental actors involved to resolve crucial questions in a cooperative manner, which is also linked to the autonomy of jurisdiction. In presidential/congressional systems the involvement of the federal legislature tends to be greater than in parliamentary ones, where the transfer process is usually managed through negotiations within the executive branch (executive federalism) (Watts 1999:53).

Ute Wachendorfer-Schmidt argues that the tax system also reveals the underlying federalist rationale with regard to the autonomy of jurisdiction. A joint tax system, equal tax rate, and equalisation mirror an emphasis on intra-state federalism and cooperative federalism. In this case the upper chamber becomes an important arena for negotiating fiscal relations. By contrast, when tax-raising powers are separate, and tax fees are variable, this in all probability reflects inter-state federalism and dual federalism (Wachendorfer-Schmidt 2000:7). Typically there is a joint tax system in Germany, whereas there is more variation in Canada and the U.S. (Filippov, Ordeshook & Shevtsova 2004:7).

219 The corresponding figures for other federations in the mid 1990s were: Australia – 21.6 per cent, Canada – 0.9 per cent, Germany – 9.8 per cent, and India – 15 per cent (Watts 1999:50).
One may also assume that the greater the extent to which each level of government is able to cover its expenditures by its own revenues, the greater the level of autonomy. If each level of government prefers to define its tax bases and tax rates independently, it reflects a more dual federalist position than if they are defined jointly by committees or any other collective mechanism.

The relations between federal paradigms and the institutional mechanism that both reflect and uphold them can be illustrated as in Figure 8.1. below.

<table>
<thead>
<tr>
<th>Cooperative Federalism</th>
<th>Dual Federalism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nature of politics:</strong></td>
<td><strong>Nature of politics:</strong></td>
</tr>
<tr>
<td>Bundestreue, positive-sum</td>
<td>rivalry and competition, zero-sum</td>
</tr>
<tr>
<td>game, perceived high interdependence</td>
<td>game, perceived low interdependence</td>
</tr>
<tr>
<td><strong>Goals:</strong></td>
<td><strong>Goals:</strong></td>
</tr>
<tr>
<td>unity, consensus</td>
<td>diversity, accountability</td>
</tr>
<tr>
<td><strong>Means:</strong></td>
<td><strong>Means:</strong></td>
</tr>
<tr>
<td>shared rule</td>
<td>self-rule</td>
</tr>
<tr>
<td><strong>Federal institutions:</strong></td>
<td><strong>Federal institutions:</strong></td>
</tr>
<tr>
<td>Institutions to coordinate tax bases and tax rates if these are decided upon at different levels, to manage possible underfinancing of regional budgets.</td>
<td>Tax bases and tax rates are not separated; each level of government is financed by own revenues.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nation-centred Federalism</th>
<th>Region-centred Federalism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nature of politics:</strong></td>
<td><strong>Nature of Politics:</strong></td>
</tr>
<tr>
<td>Bundestreue, perceived high</td>
<td>rivalry, competition, perceived</td>
</tr>
<tr>
<td>interdependence.</td>
<td>low interdependence or no priority.</td>
</tr>
<tr>
<td><strong>Goals:</strong></td>
<td><strong>Goals:</strong></td>
</tr>
<tr>
<td>efficient coordination</td>
<td>autonomy</td>
</tr>
<tr>
<td><strong>Means:</strong></td>
<td><strong>Means:</strong></td>
</tr>
<tr>
<td>centralised, federal centre as</td>
<td>decentralised</td>
</tr>
<tr>
<td>coordinator</td>
<td></td>
</tr>
<tr>
<td><strong>Federal institutions:</strong></td>
<td><strong>Federal institutions:</strong></td>
</tr>
<tr>
<td>Federal government assigned majority of significant tax powers, regional revenues and expenditures do not necessarily match, ear-marked transfers.</td>
<td>Regions assigned substantial fiscal powers, regional budgets balanced or balanced by unconditional transfers.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Symmetric Federalism</th>
<th>Asymmetric Federalism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nature of politics:</strong></td>
<td><strong>Nature of politics:</strong></td>
</tr>
<tr>
<td>Bundestreue</td>
<td>rivalry</td>
</tr>
<tr>
<td><strong>Goals:</strong></td>
<td><strong>Goals:</strong></td>
</tr>
<tr>
<td>unity, equality and solidarity</td>
<td>disparity and group preservation</td>
</tr>
<tr>
<td><strong>Means:</strong></td>
<td><strong>Means:</strong></td>
</tr>
<tr>
<td>de jure symmetry</td>
<td>de jure asymmetry</td>
</tr>
<tr>
<td><strong>Federal institutions:</strong></td>
<td><strong>Federal institutions:</strong></td>
</tr>
<tr>
<td>Equalization mechanisms present.</td>
<td>No or few equalization mechanisms present.</td>
</tr>
</tbody>
</table>
8.2. The Yeltsin Legacy – Fiscal Federalism in the Yeltsin Era

An analysis of the Russian fiscal system, often referred to in Russian as ‘interbudgetary relations’ (mezhbiudzhetnye otnosheniia), is inseparable from the distribution of jurisdictions and touches the very core of intergovernmental relations. Any attempt to reform the fiscal system in the Yeltsin era failed due to regional resistance. In effect, Russian legislation on fiscal matters did not change much until the turn of the millennium (Pascal 2003:37; Shleifer & Treisman 2000:115). The fiscal system was therefore a central part of the reform agenda of the Putin administration. The reform of the main elements of the fiscal system, the distribution of tax collection rights, the distribution of expenditure responsibilities, and the intergovernmental transfer system accentuated existing views and beliefs on federalism in general. Hence, studying the fiscal system allows us to capture the federal paradigms that various governmental actors defended.220

The Essential Nature of Politics

The formal institutions of the fiscal system that developed during the first half of the 1990s implied that the Federal Government was meant to play the role of a director and coordinator of intergovernmental relations. Formally Moscow imposed the vast majority of taxes and could define the tax bases and rates. In practice, however, the Federal Government was not at the time able, or perhaps even willing, to play that part. Again, this strengthened the negative image of the federal centre throughout the regions. In May 1998 a regional official in Volgograd stated: ‘The Russian government pursues an impertinent policy vis-à-vis the regions. They make us handle all problems, but they do not allocate us means to enable us to deal with them’ (Petersson 2001:177). From the regional perspective the Federal Government often appeared to be a predator, who left little incentive to develop the regional tax base as the potential profit would be reallocated to the federal level in any case (Shleifer & Treisman 2000:120-132).

The Federal Government in turn looked upon the regional governments with suspicion. A large proportion of regional tax revenues derived from shared taxes. However, instead of sharing the revenues with the Federal Government, the regions often helped enterprises to withhold tax in exchange for benefits. Such informal ways of handling fiscal issues were often paralleled by a ‘capture’ of the federal tax authorities and the Ministry of Finance, which gave the Federal Government little control over what actu-

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220 One must be aware that there was a great discrepancy between formal provisions and actual politics, which was to become a characteristic trait of the Russian fiscal system. The political process that commenced in 1994 took place at a very chaotic time when much was up for grabs for those who had the will and the capacity.
ally went on in the regions. The regional executive gradually took control of the regional branches of the Ministry of Finance and tax authorities. A striking case in point is that personnel of these federal organs were often recruited from the regional administrations. They were also dependent on regional governments for housing and sometimes even wages. This, in turn, strengthened the negative image that the federal centre had of the regional governments.

Goals, Means, and Institutions
The Soviet system had left little leeway for independent fiscal policies at the sub-national level. The breakdown of the Soviet Union changed the situation, but only in a piecemeal fashion. In 1992-1993 the Soviet system of shared fiscal revenues and bargained transfers lived on, with the important exception that many spending responsibilities were shifted to the sub-national level of government without sufficient funding (so-called ‘unfunded mandates’). As a result many regional (and local) governments constantly suffered from budget deficits, which made them dependent on the federal centre. The Constitution of 1993, the introduction of regulated and standardised tax-sharing rates, and a system of intergovernmental transfers created in 1994 established some order in the interbudgetary relations. For the first time regional fiscal autonomy was introduced into the federal system.

Yet the collection and distribution of tax revenues often became an issue of dispute between, on the one hand, the centre and the regions, and on the other, the regions themselves. The tax system was reduced to a series of ad hoc agreements between the federal authorities and the leading regions (Treisman 2001:51). In the end it seems that the federal centre was willing to accept region-centred federalism combined with elements of both dual and cooperative federalism. Formally, the Federal Government had jurisdiction over general tax regulation and the administration of tax collection through the Ministry of Finance and the State Bank (Gosbank) (Pascal 2003:49). But the regions were granted a large proportion of fiscal revenues (see Table 8.3. below). Regional fiscal autonomy was strengthened. In December 1993 Yeltsin issued a decree that granted the regions almost unrestricted powers to introduce their own regional taxes (Shleifer & Treisman 2000:119). The system of shared taxes that bound the various tiers of government together manifested cooperative federalism.

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221 In June 1992, 85 out of 89 regions sent their own lobbyists to Moscow to try to maximum benefits from the federal budget. Tax relief and other benefits were used as a means of appeasing those regions prepared to challenge the existing order (Treisman 2001:47).
The effective distribution of revenues is a common marker of the scope of jurisdiction. As we can see, even though the Federal Government set a majority of the tax rates, official statistics show that at least half of the fiscal revenues ended up at the regional level of government in 1993-1998. Hence, as the federal centre normally receives more fiscal revenues than the regions in most large federations, Russia was relatively decentralised by international standards (Lavrov, Litwack & Sutherland 2001:10; Ross 2002:73).

The regional, or more accurately, the sub-national share of fiscal revenues was already greater than the federal share in 1993 and peaked in 1998. It should be remembered, however, that that seemingly high degree of decentralisation during the 1990s had to some extent been an illusion. Usually calculations on the distribution of tax revenues are based on tax collection powers of the respective level of government. In Russia, however, regional

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222 Ross’ calculations appear to be based on somewhat different variables from those used by Martinez-Vazquez and Boex, which leads to slightly different proportions without changing the main tendency. Andreeva and Golovanova’s data, which covers only 1998-1999, matches Ross’ for these years.

223 Throughout this chapter ‘regional share’ often refers to the sub-national level, i.e. the regional and local levels of government. Although the local level of government is formally autonomous it is fair to say that in practice it was very dependent on the regional level for revenues and the administration of taxes. To aggregate regional and local in this context is therefore in most cases not a major analytical problem. Furthermore, this is the normal way of accounting for this data, and there is a shortage of disaggregated data for the sub-national level.
revenues derived to a high degree from taxes, which regions did not fully control. The federal level of government maintained formal control over the majority of taxes, by defining the tax base, or the tax rate, or how big a share was to be assigned to what level. In fact, the fiscal system remained one of the few effective levers of control for the Federal Government during this period. It suggests that there was a willingness to let the regions manage a great deal to appease their ambitions of strengthened independence, but at the same a fear of giving them too much autonomy, which could endanger the coherence of the country. In this sense the Federal Government manifested a dedication to cooperative federalism.

However, the system of shared taxes to some extent undermined regional autonomy. Regions earned more and more of their own revenues, but the proportion never rose to more than half of the total. In 1992 the share of the regions’ revenues coming from their own sources of income (taxes and other means) was only about 15 per cent of total regional revenue. By 1997 the corresponding share had risen to 43 per cent.

Table 8.4. – Regional Revenue Structure (fiscal and other revenues, excluding inter-governmental transfers)

<table>
<thead>
<tr>
<th>Year</th>
<th>Own-source revenues</th>
<th>Shared revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>15.5</td>
<td>84.5</td>
</tr>
<tr>
<td>1993</td>
<td>15.2</td>
<td>84.8</td>
</tr>
<tr>
<td>1994</td>
<td>27.8</td>
<td>72.2</td>
</tr>
<tr>
<td>1995</td>
<td>32</td>
<td>68</td>
</tr>
<tr>
<td>1996</td>
<td>40</td>
<td>59.9</td>
</tr>
<tr>
<td>1997</td>
<td>43</td>
<td>57</td>
</tr>
</tbody>
</table>

Source: Martinez-Vazquez & Boex 2001:40

In order to fully appraise the fiscal system one should not only consider revenue, but expenditure as well. Naturally, the large share of regional fiscal revenues in Russia must be put in relation to their expenditures. Statistics show (see Table 8.5. below) that not only did the regional governments receive more revenues; they also maintained a smaller share of expenditures than the Federal Government for most of the 1990s. The share of expenditures gradually grew and the regions were initially, as argued by Pascal, willing to take on a larger responsibility for expenditures according to the 1993
‘Law on the Foundations of Budgetary Rights’, which stated that sub-national revenues must cover no less than 70 per cent of sub-national expenditures (Pascal 2003:39).

One of the main problems of the Russian fiscal system at the time was that expenditure responsibilities were not clearly specified in tax and budgetary legislation (Martin-Vazquez & Boex 2001:11). This problem had arisen in the early 1990s, when the Federal Government was unable to manage its obligations and delegated much of the responsibility for social welfare to the regional governments without attaching sufficient funds (Zulkarnay 2003:70).

As a result of the federal economic slump, while the regional share of fiscal revenues (56 per cent) peaked in 1998, so did the share of expenditures (54 per cent). This is a fact that has been pointed out repeatedly by regional leaders during the debates on strengthening the power vertical, implying that the federal centre treats them with disrespect and ingratitude. It also reminds us that the heavier load of expenditures might be one of the reasons why regional leaders were prepared to accept a higher degree of centralisation as later envisaged by Putin.

Table 8.5. – Federal and Regional Shares of Total Expenditures in Russia 1992-1999 (before intergovernmental transfers)

<table>
<thead>
<tr>
<th>Year</th>
<th>Regional</th>
<th>Federal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>23.7</td>
<td>76.3</td>
</tr>
<tr>
<td>1993</td>
<td>39.7</td>
<td>60.3</td>
</tr>
<tr>
<td>1994</td>
<td>53.2</td>
<td>46.8</td>
</tr>
<tr>
<td>1995</td>
<td>54.6</td>
<td>45.4</td>
</tr>
<tr>
<td>1996</td>
<td>37.7</td>
<td>62.3</td>
</tr>
<tr>
<td>1997</td>
<td>52.1</td>
<td>47.9</td>
</tr>
<tr>
<td>1998</td>
<td>46.0</td>
<td>54.0</td>
</tr>
<tr>
<td>1999</td>
<td>48.0</td>
<td>52.0</td>
</tr>
</tbody>
</table>

Sources: Andreeva & Golovanova 2003:8; Martinez-Vazquez & Boex 2001:14

224 The usual pattern in other federations seems to be that the federal government is responsible for the lion’s share of expenditure. In the mid-1990s the German central government had 62.1 per cent of the total amount of expenditure, the U.S. 53.5 per cent, while the Canadian case again appears to indicate a decentralised system, the central government bearing 40.7 per cent of the expenditure.
Having studied the revenue and the expenditure side of fiscal politics, we now need to bring the two together. This is where the intergovernmental transfer system comes in. The transfer system is an additional marker of the distribution of fiscal jurisdiction. It tells us to what extent vertical and horizontal imbalances are acceptable. As pointed out, the extent to which imbalances are resisted is very much a question of socio-political values. There is no obvious connection between \textit{de facto} asymmetries, leading to vertical and/or horizontal imbalances, on the one hand, and actually taking measures to combat these imbalances through intergovernmental transfers. This might simply be a priority, or it might not.

Russia has a very high degree of asymmetry in this sense. In 1999 only thirteen regions could be defined as self-sufficient donor regions, which meant that federal transfers composed less than 5 per cent of their budgets. There were: St Petersburg, Moscow, Moscow Oblast, Irkutsk, Lipetsk, Samara, Perm, Sverdlovsk, Bashkortostan, Tatarstan, Khanty-Mansi, Yamal-Nenets, and Krasnoiarsk (Ross 2002:83).

Regional equalisation is a stated goal of Russia’s regional policy. However, in the Yeltsin era federal transfers were not a major policy goal, nor a major policy instrument.\footnote{However, as the practice of bilateral treaties practically stopped after 1998, the significance of transfers increased, comprising 46.7 per cent in 1996, 63.2 per cent in 1998, and 71.1 per cent in 1999 (Klimanov 2002:113).} The share of federal transfers in relation to total regional revenue was 9.4 per cent in 1994, 17.3 per cent in 1995, 15 per cent in 1996, and 16.4 per cent in 1997 (Lavrov, Litwack & Sutherland 2001:10; Martinez-Vazquez & Boex 2001:62). Of the larger federations only Canada can display a smaller share, around 11 per cent in 1995. Federal transfers also comprise a rather small share of consolidated regional revenue in the U.S. and Germany, about 16 (in 1997) and 18 per cent (in 1998) respectively. At the other extreme we find India with just above 40 per cent, followed by Australia with around 37 per cent and Brazil with 27 per cent (Lavrov, Litwack & Sutherland 2001:10). Again, Yeltsin’s Russia comes across as a fairly decentralised federal system.

The very design of federal transfers in Russia further underlines this impression. Federal transfers might be conditional or unconditional. Practices vary considerably across different federations, some using only conditional transfers as in the U.S., others almost none at all, like Brazil (Graman, Haggard & Willis 2001:217; Watts 1999:49). In 1999 forty-nine Russian regions received 20 per cent or less in federal transfers. Hence, a majority of the regions depended quite little on the federal level for transfers (Ross 2002:84). Moreover, in 2001 conditional transfers composed only a small portion of all transfers in Russia, about 5 per cent of the total regional revenue (Andreeva & Golovanova 2003:21), which is less than in Australia, Germany, India, and the U.S., although more than in Canada. Hunter’s sec-
ond coefficient shows that the regions throughout the 1990s continuously maintained high independence of the federal centre in this sense.

Table 8.6 – Regional Budgetary Independence

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient # 2</td>
<td>0.94</td>
<td>0.83</td>
<td>0.77</td>
<td>0.88</td>
<td>0.87</td>
<td>0.89</td>
</tr>
</tbody>
</table>

Coefficient # 2 based on real terms, 1995-Roubles/capita (Martinez-Vazquez & Boex 2001: 18, 46).226

We can conclude that Russia had a smaller vertical imbalance and higher regional budgetary independence in 1997 than, for instance, Germany (0.244 and 0.794 respectively) (Martinez-Vazquez & Boex 2001:48). However, vertical imbalances and federal transfers are very unevenly distributed, giving rise to horizontal imbalances. Regional revenues in Russia vary substantially across regions and the difference has increased over the years. In 1993 the region that collected the most revenues measured in revenue collections per capita collected thirty times more than the one that collected the least (943.5 thousand roubles versus 31.2 thousand roubles). In 1997 it was almost 170 times more (Martinez-Vazquez & Boex 2001:48). This discrepancy in revenue collection potential was the result of a very uneven distribution of natural resources, which often constituted objects of taxation.227

**Federal Paradigms, Institutions and Intergovernmental Relations in the Yeltsin Era**

The fiscal sector confirms the image conveyed in the previous chapter. The Yeltsin-republican federal paradigm establishes a standard that most of all reflects a mixture of dual and cooperative federalism, on the one hand, and an emphasis on region-centred and asymmetric federalism, on the other.

Typically of federal systems marked by the dual ideal, the relations between the various governmental tiers in Russia were marked by distrust and negative images of the ‘other’. The regions perceived the Federal Government as a ‘predator’, and the Federal Government the regions as ‘renegades’.

226 Coefficient # 2 = 1 – (untied and other transfers) / total expenditures

227 For instance, while federal transfers comprised more than 60 per cent of the total regional revenues for poor regions like Aga-Buriat AO, Altai Republic, Dagestan, Ingushetia, Koriak AO, and Tyva in 1994-1996, influential and well-off regions like Bashkortostan, Komi Republic, Moscow, Samara, Saint Petersburg, Sverdlovsk, and Tatarstan were receiving less than 10 per cent during the same period (Ross 2002:83-84). Furthermore, while on average a region transferred 35-50 per cent of tax revenues collected on its territory to the federal level for redistribution, advantaged regions like Bashkortostan, Sakha, and Tatarstan sent only 0-30 per cent to Moscow in 1992-1998 (Ross 2002:87).
Due to the lack of trust and long-term thinking one might assume that each level of government perceived intergovernmental relations in zero-sum terms and tried to maximise its gain if it had the opportunity.

This ideational landscape is most likely to be one that upholds divided intergovernmental relations. In actual fact, some of the formal fiscal institutions, such as the mechanism of shared taxes, were intended to establish networks and tie the governmental tiers together. But again, just as in the case of basic federal institutions, the combination of this view of the essential nature of politics and the attempt to create institutional mechanisms that encouraged or forced governmental actors to interact influenced intergovernmental relations in a negative way. Trying to accomplish *Bundestreue* without a genuine feeling of working federalism was a recipe for divided rather than concerted intergovernmental relations.

There is little doubt that the republican leaders and many of the other regional leaders sought to establish a federal system characterised by region-centred federalism. Somewhat surprisingly President Yeltsin and the Federal Government seemed prepared to accommodate this ambition. During the 1990s regional fiscal autonomy increased and by the middle of the decade the fiscal system was quite decentralised even by international standards. Yet, the Federal Government could still exert considerable control by defining tax bases and setting tax rates, which partly undermined the autonomy of the regions. Lacking solid and fully predictable fiscal revenues, many regional executive heads focused their attention on the federal centre in search of financial guarantees and support. Again, being dependent on a party that one does not trust is not a good precondition for concerted intergovernmental relations.

Moreover, this dependence also aligned most intergovernmental relations along the executive vertical. Interregional relations remained as divided as they had been in the past. The bilateral treaties, many of which concerned fiscal issues, had a similar effect. Socio-economic differences between the regions became greater during this period. Although it was an official goal to combat such imbalances the federal centre appeared unwilling or unable to do so. Many of the poorer regions viewed this as a betrayal on the government’s part, which reduced the level of legitimacy of the current system. At the same time the advantaged regions were reluctant to surrender their benefits and any attempt to remove them caused lively protests.

In hindsight one may conclude that the inherent tensions of the Yeltsin-republican federal paradigm meant that it probably carried with it the seeds of its own destruction. Although this federal paradigm remained stable for some years, the basic lack of consensus made Russian intergovernmental relations basically divided. As no one was really content with the current state of affairs the paradigm became vulnerable as governmental actors either wanted to strengthen the traits of the paradigm or completely shift to a new one.
8.3. Reforming Fiscal Federalism

The problems associated with the Yeltsin-republican paradigm were generally recognised by 1997. The crisis of 1998 was a wakeup call for the Federal Government. The previous federal paradigm was abandoned for a new one. A first wave of fiscal reforms commenced in 1998-2000. The ‘Concept for Reform of Interbudgetary Relations in the Russian Federation in 1999-2001’ was elaborated at the end of Chernomyrdin’s period as prime minister. Despite changes of cabinets after his dismissal the concept lived on and was finally adopted in July 1998 (http://pubs.carnegie.ru). The tax code of 1998 also marked a new stage in fiscal politics. A second wave followed in 2001 when the Kozak Commission also engaged with fiscal issues. It is interesting to note that practically all of the goals and means of the first wave were also to be advocated by the Putin administration with only minor modifications during the second. Again, we are reminded that Putin’s presidency was not a turning point, but a continuation of a process that began in conjunction with the 1998 crisis.

The Rationale of Reform

The main thrust of the two waves of fiscal reforms rested on a nation-centred dual symmetric federal approach. The ‘Concept for Reform of Interbudgetary Relations in the Russian Federation in 1999-2001’ recommended that the autonomy of all governmental levels should increase, in that the previously poorly defined expenditure responsibilities should be regulated by law in order to avoid unfunded mandates. In fact, the Budgetary Code adopted in 1998, which was to come into effect in 2000, banned unfunded mandates (Zulkarnay 2003:70). Also in a report from the Ministry of Finance on the realisation of the President’s 1999 poslanie published in January 2000, when Putin still was acting president, it was stated that the main vectors of reform concerned a clearer delineation of fiscal jurisdictions and the termination of ‘unfunded mandates’. There was no talk, however, of reducing the regional share of tax revenues (http://budgetrf.ru.nsu.ru). The Concept also stated that the system should be unified, i.e. elements of asymmetric federalism should be removed. It further enumerated the expenditures assigned to each level of government and what taxes each level might impose.

At the same time the 1998 Tax Code reaffirmed a centralised fiscal system. Table 8.7. gives an account of how some of the major taxes were assigned, as established by Articles 13-15 in the Tax Code (Part I). Although

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228 The Concept can be found on: http://businesspravo.ru/Docum/DocumShow_DocumID6248.html, 050714
229 http://pubs.carnegie.ru/books/1999/08np/05.asp, 010628.
231 For a full list see the Concept Section III.
the regional level of government imposes several taxes, such as sales tax and transportation tax, it does not determine their tax base, and only in some cases does it define the tax rate. Yet the sub-national governments frequently receive a substantial share of the revenues.

As we can see, regional and local governments have some autonomy in defining tax rates, but are still required to stay within the limits set by federal framework legislation. Yet in many ways Russia follows the normal pattern (compare Table 8.1. and Table 8.7.).

Table 8.7. – General Distribution of Fiscal Jurisdictions (1998 Tax Code)

<table>
<thead>
<tr>
<th>Tax Jurisdictions</th>
<th>Tax base</th>
<th>Tax rate</th>
<th>Tax revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value Added Tax</td>
<td>F</td>
<td>F</td>
<td>F, R</td>
</tr>
<tr>
<td>(VAT)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>F</td>
<td>F, R(f)</td>
<td>F, R, L</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>F</td>
<td>F</td>
<td>F, R</td>
</tr>
<tr>
<td>Excise tax</td>
<td>F</td>
<td>F</td>
<td>F, R</td>
</tr>
<tr>
<td>Natural resources tax</td>
<td>F</td>
<td>F</td>
<td>F, R</td>
</tr>
<tr>
<td><strong>Regional:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales tax</td>
<td>F</td>
<td>R</td>
<td>R, L</td>
</tr>
<tr>
<td>Transportation tax</td>
<td>F</td>
<td>R(f)</td>
<td>R</td>
</tr>
<tr>
<td>Corporate property tax</td>
<td>F</td>
<td>R(f)</td>
<td>R, L</td>
</tr>
<tr>
<td>Gambling tax</td>
<td>F</td>
<td>F, R</td>
<td>F, R</td>
</tr>
<tr>
<td><strong>Local:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land tax</td>
<td>F</td>
<td>L(f)</td>
<td>F, R, L</td>
</tr>
<tr>
<td>Personal property tax</td>
<td>F</td>
<td>L (f)</td>
<td>L</td>
</tr>
</tbody>
</table>


Legend:

F=Federal
(f)=Within limits set by the Federal Government
R=Regional
L=Local

The federal level imposes VAT and corporate income tax. Personal income tax is most often shared between several levels of government, but in Russia the federal level has exclusive jurisdiction. In 1992-1999, however, the re-

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232 http://english.fpcenter.ru/themes/english/print-version.asp?Folder=1525&foundid=1972, 050714. The Center for Fiscal Policy is a Russian non-governmental think tank with a mission to establish a more efficient fiscal system in Russia. It has been involved in developing recommendations and draft programmes for the Russian Federal Government. The Centre appears to have close connections to the Russian Ministry of Finance, as well as the U.S. Agency for International Development (USAID). More information can be found on its homepage (http://english.fpcenter.ru).
gions were assigned by law the lion’s share of the revenues from this tax, usually 90 per cent or more.233

However, it seems that the first wave of fiscal reform made little progress. When Putin was elected president in late March 2000 fiscal relations were therefore named as one of the main vectors of reform. In 2000 Putin stated that ‘balanced inter-budgetary relations must become an active instrument for the creation of mature federalism and an effective national economy as a whole. This is one of the key tasks (www.kremlin.ru).234 Reforming the fiscal system became one of the main headaches of the Kozak Commission in June 2001.

The rationale of the reform package that the Commission eventually came up with was remarkably similar to that of the first wave of fiscal reforms. The Kozak reforms concerned several elements, which were formulated in the ‘Program for Development of Interbudgetary Relations Until 2005’, conferences, statements from Putin, and other federal officials during the summer of 2001. The main things to be improved were:

- to increase economic efficiency;
- to create clear and acceptable rules;
- to abolish unfunded mandates;
- to establish budgetary accountability and to create sound budgetary incentives in the regions;
- to establish a unified set of principles for the whole budget system, and to achieve territorial integration and political consolidation;
- to secure basic and equal social services across the country.


233 First, one should note that the tax allocation defined by law is not necessarily the same as the actual distribution. Secondly, Table 8.7. above reflects the general pattern of fiscal jurisdiction distribution, but there have been some notable changes over the years that are worth mentioning. For instance, during 1992-1999 the revenues coming from VAT were shared between the federal and regional levels of government, usually somewhere within the range 75 per cent to federal level and 25 per cent to the regional level. As of 2001 all revenues from VAT go to the Federal Government (see further below) (Lavrov et al 2002:67-68; Martinez-Vazquez & Boex 2001:34-35; Zulkarnay 2003:108).


Furthermore, in the 2001 speech on the budget (biudzhetnoe poslanie) to the Federal Assembly Putin declared with regard to the Commission’s work that ‘its main aim is to establish a clear delineation of revenues and expenditures, in order to secure the financial independence and responsibility of the regional and local state organs, to increase their interest in effective public financing, to support the economic development of the regions, and to implement structural reforms’ (www.kremlin.ru).\textsuperscript{236}

Unfunded mandates were perceived as one of the major systemic problems for all levels of government and were to be abolished. In 2001 they amounted to 300-350 billion roubles (Russian Regional Report 27 September, 2002). The shortcomings of the system of shared taxes were thus recognised. During a meeting in November 2002 with parliamentary fraction leaders Putin said with regard to unfunded tasks:

‘Those who have worked in the regions know what it is about. I know from my own experience that sometimes during the year, under an already fixed budget, some problems are lumped over from above to the regional governments, or to local self-government. Problems that no one knew about, and about which nothing is said on how to finance them’. (www.kremlin.ru)\textsuperscript{237}

Yevgenii Bushmin\textsuperscript{238}, the Chair of the Working Group on Interbudgetary Relations within the Kozak Commission, conceived the main problem of the current fiscal system to be its excessively centralised character (http://rels.obninsk.com).\textsuperscript{239} In the ‘Program for Development of Intergovernmental Relations Until 2005’ (approved on 15 August 2001) it was already stated that although the regional share of fiscal revenues was on a par with that of other federations or even larger, the legislative powers of the Federal Government were still sometimes greater than in some unitary states. As a result, while regional and local governments were assigned important responsibilities, the taxes that were to cover these expenditures were imposed and legally regulated at the federal level. Consequently the regions could not control the relation between the flows of income and expenses. This was perceived as a problem for macro-economic stability, accountability, and a developed economy on the whole (Program on Fiscal Federalism until 2005).

Bushmin vividly described the problems in a speech given at a conference on budgetary federalism 23-24 April 2002 in Saint Petersburg:

\textsuperscript{236} http://www.kremlin.ru/text/appears/2000/05/63436.shtml, 050718
\textsuperscript{237} http://www.kremlin.ru/text/appears/2002/11/29562.shtml, 040915
\textsuperscript{238} Bushmin was at the time the Senator of Nizhnii Novgorod and also the Chair of the Budget Committee of the Federation Council. Again, one should note that the regions were not excluded from the process, but rather deeply involved in the outline of the reform.
\textsuperscript{239} Stated in a presentation at a conference dedicated to the delineation of jurisdictions in Saint Petersburg, 23-24 April 2002 (http://rels.obninsk.com/Rel/Lg/0205/14-01.htm, 050609).
‘The lack of clear spheres of responsibility and sufficient legislative jurisdictions makes the regional and local governments resort to a ‘black’ budgetary policy – the use of monetary surrogates, allocating resources in extra-budgetary funds, individual fiscal benefits, hidden subsidies, irresponsible loans, and mounting indebtedness. The main efforts are not directed towards creating conditions for economic growth, improving the investment and business climate, conducting a public fiscal-budgetary policy that is rational and responsible, and understandable to the public, and organising efficient public services, but rather towards negotiating more resources, benefits, and privileges from higher-standing tiers of government, and maintaining administrative control over financial flows and ‘tax-making’ companies.’ (http://rels.obninsk.com)

The Kozak Commission concentrated its efforts on establishing clarity of assignment of expenditures in order to make the fiscal system more transparent and to improve the incentives for the sub-national governments to strengthen their own tax base. In order to come to terms with these problems the Federal Government wanted to establish more realistic regional expenditure responsibilities and to ensure sufficient financial means to carry them out. This implied creating a smaller, but more solid regional tax base in order to make the tax revenues match the expenditure responsibilities.

The Budget Code was specific only regarding the distribution of fiscal revenues, whereas the distribution of expenditures was not defined. The Kozak Commission’s Working Group of Interbudgetary Relations therefore proposed to introduce ‘expenditure jurisdictions’, which implied that each level of government was now both to legislate on budgetary expenditures, to ensure that they are properly financed, and finally to execute them, within their respective competence (Draft-concept of Interbudgetary Relations; Bushmin Conference speech).

Expenditure jurisdictions were to be distributed according to a number of principles:

**Subsidiarity:** maximum closeness of state organs to the citizens using a given expenditure jurisdiction.

**Territorial coherence:** maximum closeness between the territory of the state organs that execute a given expenditure jurisdiction and the territory where this service is utilised.

**External effects:** the greater the interest of society as a whole in ensuring that an expenditure jurisdiction is accurately executed, the higher the level of government that should be responsible.

240 http://rels.obninsk.com/Rels/Lg/0205/14-01.htm, 050609
241 The draft-concept was published in March 2002.
Effect of territorial differentiation: the greater the difference between regional and local provision and consumption of public services, the lower the level of government to which these expenditure jurisdictions should be assigned.

Effect of scale: the concentration of budgetary expenditures also benefits the balance of budgetary revenues.

(Program for Development of Interbudgetary Relations Until 2005'; http://rels.obninsk.com)242

Those cases when expenditures and revenues nevertheless had to be separated were also to be regulated by law. The Kozak Commission proposed two principles for this. The first stated that when the Federal Government, or a regional government, decides to delegate a certain function to a lower level of government for implementation, it must guarantee and provide sufficient financial means to cover the costs of that function. Another possibility for delegation was that the Federal Government provided framework legislation, which should be implemented and regulated in more detail by regional governments, as well as financed by regional governments.

The main thrust of the reform therefore reflected nation-centred dual federalism. In short, sub-national governments would receive less tax revenues, but more legislative powers. In this sense the fiscal system was supposed to become more centralised, but at the same time regional budgetary autonomy would also become stronger. The idea was that this would allow Russia to replace the principle of ‘my competence, but your budget’ with ‘my competence, my budget’.

The means to establish a viable delineation of expenditure responsibilities is of course only one side of the coin. The other side inherently involves the distribution of tax revenues. The Kozak Commission argued that the norm of a fifty-fifty split between the Federal Government and sub-national governments should be abandoned. The plan was to allocate to the federal level approximately 70 per cent of revenues and to sub-national governments 30 per cent (Zulkarnay 2003:78). The proposal that the federal level of government should receive more fiscal revenues was easy to understand if one looks at the principles of revenue allocation established by the Program for Development of Interbudgetary Relations Until 2005:

Stability: The more the source of tax revenues depends on economic ups and downs, the higher up these revenues should be allocated.

242 http://rels.obninsk.com/Rel/Lg/0205/14-01.htm
**Economic efficiency:** Each level of government should control tax revenues that derive from tax bases, which depend on that level of government.

**Territorial mobility of tax base:** The higher the likelihood of a high mobility of the tax base, the higher up the taxes that derive from this tax base should be allocated.

**Evenly distributed tax base:** The more asymmetric the allocation of a certain tax base across regions, the higher up the revenues should be assigned.

(Program Fiscal Federalism Until 2005)

All these principles are based on the view that economic growth and socio-economic development are two overarching goals. They also build on the assumption that the Federal Government is the best coordinator of the economy. Again, one can observe the nation-centred approach of the Putin federal paradigm. It is also important to note the possible tension between the principles governing expenditure responsibilities, which potentially assign to the federal level of government more responsibilities, whereas the principles of allocating fiscal revenues imply less income.

The ‘Program for Development of Interbudgetary Relations Until 2005’ provides us with more indicators of the rationale behind the fiscal reforms, which on the whole confirm this image. The Centre for Fiscal Policy has compiled an exhaustive list of 116 basic state functions and the delineation scheme as proposed in the program (see www.fpcenter.ru). In Table 8.8. below I have sorted the state functions according to level of government and type of jurisdiction (regulation, financing, administration). In this way we may attain further insights into how the future distribution of jurisdiction - the scope of jurisdiction as well as autonomy of jurisdiction - is visualised by the Federal Government.

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244 It must be noted that Table 8.8. does not say anything about the actual “weight” of each jurisdiction. Rather, it illustrates whether they are concurrent or exclusive. This makes it difficult to evaluate conclusively the distribution of jurisdiction. It does however give a hint to the ideational thrust of the reforms and may be seen as one piece of many of the greater puzzle.
Table 8.8. – State Functions by Level of Government and Type of Jurisdiction

<table>
<thead>
<tr>
<th>Level(s) of government</th>
<th>Legislative regulation</th>
<th>Administration</th>
<th>Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal exclusively</td>
<td>56 % (65)</td>
<td>49.1 % (57)</td>
<td>45.7 % (53)</td>
</tr>
<tr>
<td>Regional exclusively</td>
<td>10.3 % (12)</td>
<td>20.7 % (24)</td>
<td>16.4 % (19)</td>
</tr>
<tr>
<td>Local exclusively</td>
<td>11.2 % (13)</td>
<td>18.1 % (21)</td>
<td>12.9 % (15)</td>
</tr>
<tr>
<td>Concurrent federal-regional</td>
<td>16.4 % (19)</td>
<td>6 % (7)</td>
<td>12 % (14)</td>
</tr>
<tr>
<td>Concurrent federal-local</td>
<td>4.3 % (5)</td>
<td>0 % (0)</td>
<td>0.9 % (1)</td>
</tr>
<tr>
<td>Concurrent regional-local</td>
<td>0.9 % (1)</td>
<td>5.2 % (6)</td>
<td>1.7 % (2)</td>
</tr>
<tr>
<td>Concurrent federal-regional-local</td>
<td>0.9 % (1)</td>
<td>0.9 % (1)</td>
<td>0.0 % (0)</td>
</tr>
<tr>
<td>Federal-population</td>
<td>-</td>
<td>-</td>
<td>2.6 % (3)</td>
</tr>
<tr>
<td>Regional-population</td>
<td>-</td>
<td>-</td>
<td>2.6 % (3)</td>
</tr>
<tr>
<td>Local-population</td>
<td>-</td>
<td>-</td>
<td>4.3 % (5)</td>
</tr>
<tr>
<td>Federal-regional-population</td>
<td>-</td>
<td>-</td>
<td>0.9 % (1)</td>
</tr>
<tr>
<td>Total:</td>
<td>100 % (116)</td>
<td>100 % (116)</td>
<td>100 % (116)</td>
</tr>
</tbody>
</table>

The table shows that 56 per cent of federal legislative jurisdictions, 10.3 per cent of regional legislative jurisdictions and 11.2 per cent of local legislative jurisdictions were supposed to be exclusive. The sub-national level would enjoy a slightly higher degree of autonomy in administration of governmental tasks (executive jurisdictions). The regional level is to administer 20.7 per cent of the jurisdictions, and the local level 18.1 per cent. The federal level manages about half of the executive jurisdictions. The level of sub-national autonomy is also to be higher regarding financing of jurisdictions. The regional level of government will finance 16.4 per cent of the jurisdictions, and the local 12.9 per cent.

This means that altogether 77.5 per cent of legislative regulation powers, 87.9 per cent of the administrative jurisdictions and 75 per cent of the expenditure responsibilities are exclusive to one layer of government. Moreover, the list of the 116 state functions also demonstrated that in almost 63 per cent of the cases all three types of jurisdictions (regulation, financing and administration) were to be performed by the same level of government. Unsurprisingly the federal level of government had the highest level of autonomy in this sense: 71.2 per cent were federal, 11 per cent regional, and 17.8 per cent local. Hence the fiscal reforms show that the dual federalist

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245 In eight cases the regions had legislative, financial and administrative control: the operation of regional executive and representative state organs; management of regional state media; protection of regional environment; youth policies; development of market economy infrastructure and support of small business; maintenance of regional roads; management of regional state property; and management of regional reserve funds.

246 It should be added that five out of thirteen state functions of the local level were to be co-financed by private persons through fees.

247 That the local self-government authorities are more autonomous in this sense might seem surprising. Yet to increase the self-sufficiency of the local level of government, especially relative to the regional level, was one of the major objectives of the Kozak Commission. In this sense, the policies of the federal centre reflect both nation-centred federalism, striving to increase control over the regional government, and a more decentralised federal position.
element was clearly more present in the Putin federal paradigm than in the Yeltsin-republican one.

The analysis suggests that the Federal Government might come to dominate legislative regulation of these functions, having exclusive legislative control in more than half of the cases (56 per cent). Although it has little less than half of exclusive expenditure responsibilities and executive jurisdiction, the Federal Government still has the largest share by far (45.7 per cent and 49.1 per cent respectively). Hence the Federal Government has the power to legislate on issues, which it does not necessarily have to finance or administer.

Furthermore, the regional level of government was to have full exclusivity of regulation in only 10.3 per cent of the cases. It may be noted that the regional expenditure responsibility is greater than the legislative power (20.7 per cent). The regions should therefore contribute financially to governmental functions over which they have little legislative control. On the other hand, regional administrative autonomy is higher (20.7 per cent), which means that the regions will be able to administer jurisdiction within federal framework legislation. Including all jurisdictions, one can conclude that the federal level is somehow involved in 77.6 per cent of exclusive and concurrent regulation. In sum, although the regions were assigned more solid regional autonomy, one cannot deny that the federal level would dominate intergovernmental relations. The belief that the federal centre should be the coordinator of most governmental powers and responsibilities indicates a nation-centred federal position.

Further, there is no ambiguity with regard to the goals of the intergovernmental transfer system, which clearly reflects symmetric federalism. The ‘Program for the Development of Interbudgetary Relations Until 2005’ underlines the importance of levelling out possible asymmetries across regions. The citizens should have equal rights and access to social services regardless of their place of residence. Again it is pointed out that federal aid should mainly be provided by transfers, and not through allocation of fiscal revenues from shared taxes. Transfers should be calculated according to a standardised formula applied in the same manner in every case.

Regional Response
During the crisis of 1998, as the federal economy had more or less collapsed and the Federal Government was unable to live up to its obligations, the regions and the local administrations were forced to take more responsibility for their inhabitants. At first, many accepted centralisation as a means of creating stability. Yet once the consequences became more tangible to the
regional leaders in the 2001 budget, they started to complain that the incentives to develop the regional economy had been undermined.

That the constituent units of federations are dissatisfied with the allocation of fiscal revenues and expenditure responsibilities is probably not a very unusual phenomenon. This has been the case in Russia ever since the Federal Government started to increase its share of the fiscal revenues in 1999. However, the Russian regions almost never act as a coherent political force.248 In the budget debates it is very clear that the so-called donor regions were always the ones most critical of any form of centralisation, while the recipient regions were usually in favour. In 1999, as the federal centre started also to tighten the financial screws on them, the donor regions protested quite loudly. Vladimir Averchenko, at the time vice-governor of the Rostov region, said in 1999 that:

‘[t]hey have to understand that each territory must live according to how well it works. At the moment ten Russian territories are donors. Let them live better. There has to be a system where it is profitable for regions to work better. At the moment we see the opposite happening – regions which do not work live better’ (Chirikova & Lapina 2001: 388)

In a similar tone the Governor of Perm Oblast, Gennadii Igumnov, stated:

‘Why should donors like us have the same budget provisions as all the rest? Why does the federal centre only remember us when it needs to take away piles of our money? Why do I have to be treated the same as any territory on 80 per cent subsidies? I’m earning money, you see, and that money is going straight to the territories. I shouldn’t be living like they are’ (Chirikova & Lapina 2001: 388)

Commenting the adoption of the new Tax Code (in effect as of 2000), Moscow Mayor Yurii Luzhkov asserted that ‘since adopting the second part of the Tax Code, we have not at all noticed that we have already begun to live in a unitary state’. He argued that the transfer of more fiscal revenues to the centre simply reduced the autonomy of the regions and the incentives to develop their economic potential (Federation Council Bulletin 2000:9, 26 July).

As a way of showing their resistance and resolve, eighteen donor regions met on 12 September 2000 to discuss the 2001 budget. The main message from that meeting was that these regions composed 40 per cent of the popu-

248 This regional cleavage is of course a fact of which the federal centre can and does take advantage. It was an important factor in the adoption of the 2001 budget, which was to become the first real standoff between the regions and the federal centre. As mentioned above, the regions were about to lose a substantial part of their revenues from VAT and the road fund. 119 billion roubles were assigned to the federal level, while only 70 billion were reallocated back to the regions. The loss was particularly great for the donor regions.
lation and 65 per cent of GDP, which meant that their interests could not and must not be ignored. They called upon the Federal Government to cancel its plans to abandon the principle of sharing fiscal revenues fifty-fifty (Federation Council Bulletin 2000:10, 27 September). Samara Governor Konstantin Titov, who had taken the initiative to assemble the donor regions, stated: ‘When they take everything from me, and then return merely 60 per cent I have no interest in working with the centre’ (http://titov.samara.ru).

Titov also criticised the lack of budgetary independence for regions. As of 2001 the federal centre took over many regional functions through earmarked subsidies. Throughout the debates on this issue he maintained that although the aim is monetary stabilisation, it harms the regions and that the regional budgets come close to being merely payrolls for salaries, leaving no financial room to develop the region’s economic potential (ILPP-Bulletin 2002:2, p. 28-29). Farid Mukhametshin, the Chair of Tatar State Council, also expressed discontent by asserting that the 2001 budget threatened the execution of regional as well as federal programs. Moreover, there were no incentives for the regions to develop their economic potential (www.tatar.ru).

My interviewee in the North-Western Interregional Association confirmed that the new fiscal system mostly entailed a financial loss for the donor regions, and that in 2003 there would no longer be any donor regions left. He also argued that this is bad for regional development. ‘If they stuck to the 50-50 formula, then you could create much more motivation and incentives for economic development. Why do you have to pay taxes to Moscow, when you know better how to spend them. This creates uncertainty. We have to create predictability.’ (Interview, November 2002.)

The regional response particularly reflects a region-centred federal notion. Most regional leaders did not oppose the dual federal approach, which entailed a clearer delineation of fiscal revenues and expenditures. Yet, many appeared to think that their fiscal autonomy was undermined and that they were less able to respond aptly to regional needs. The federal centre continued to be perceived as somewhat of a predator. The regional response has usually been to try to circumvent federal diktats in various ways. This attitude in turn spurs the often prefectorial approach of the federal centre. As a result, mutual trust between the various levels of government remains low.

The recipient regions, however, were more prepared to accept the 2001 budget and the changes in fiscal revenues it entailed (http://www.akdi.ru). Aleksandr Dzhasokhov, President of North Ossetia, one of the poorest regions, was by contrast very pleased that the federal centre was now prepared to take on more responsibility for paying salaries and other social services.

250 www.tatar.ru/?DNSID=4839b564bcee362eccdb8bd66e35fd39&node_id=689,050729.
The support among a majority of the regions for the plans to terminate unfunded mandates and increase regional budgetary autonomy was enough to push both the 2001 budget and the Program through.

**Institutionalisation of the Reform**

Although it is too early to say anything definite about the direction the Russian fiscal system has taken, some tentative conclusions can be made based on developments in 2001-2003. The most obvious result is that the federal level of government has obtained a larger share of tax revenues, underlining the ambition to strengthen the power vertical. There had already been a break in the distribution of fiscal revenues in 1999, when for the first time the sub-national level of government received a smaller share than the federal level, which marked the shift of federal paradigms that took place in 1997-1998.

Federal revenues have been redistributed back to the regions to a larger extent and in a more symmetric fashion than before. This means that the difference in revenues is less once intergovernmental transfers have been executed. The loss of revenues, combined with a continuing large share of expenditures, has in general made the regions less self-sufficient and more dependent on financial aid from the federal centre. Lavrov, Litwack and Sutherland (2001:7) agree with the regional leaders (see above) that this approach might lessen the regional leaders’ interest in developing ‘their’ economies. Indeed, a junior expert at the Leontief Centre told me in an interview in October 2002 that a larger share goes to the federal centre, and that although the regions are compensated by redistribution schemes, the fiscal independence of regions is more limited than before. He argued that such policies are most likely to lessen the will to cooperate and increase the tendency to compete for federal money (Interview, October 2002). Again, we can see that there is a risk that centralisation might lead to poorly developed interregional relations because the regional leaders are forced to focus on the federal centre.

On the other hand, one should not forget that the income in real terms (roubles) has remained at the same level or even increased, which might explain the fact that the level of criticism has actually been quite moderate. As illustrated by Table 8.9. below, the regional share of revenues before intergovernmental transfers has decreased substantially since 1999. In this sense the federal goal of increasing the federal share of revenues has been achieved. By comparison with most of the 1990s, when the regions could collect a little above 50 per cent of the revenues, regional revenues now dropped and amounted only to about forty per cent or slightly less. The norm of sharing revenues fifty-fifty established in the Budget Code had clearly been abandoned.
Table 8.9. Federal and Regional Shares of Revenues in the Russian Federation 1999-2003 (before intergovernmental transfers)

![Bar chart showing the federal and regional shares of revenues from 1999 to 2003.](chart.png)

Sources: Author’s calculations based on budget execution reports (www.budgetrf.ru).

This realignment of income can first and foremost be explained by the fact that the regions have received a smaller and smaller share of VAT and taxes on oil, gas, petrol and cars (www.vremia.ru).\(^{252}\) These taxes are among the easiest to collect and the most lucrative. For resource-rich regions, such as Komi, this change meant a loss to the budget of 1.3 billion roubles in 2001 (Russian Regional Report 24 April 2002). Moreover, in 2002 it was decided to cancel road tax as of 2003 and to abandon the two-key principles on tax on natural resources. In effect the regions lost another profitable source of income. In May 2003 the Ministry of Finance proposed to reduce the regional subsoil extraction tax from 20 per cent to 8 per cent, which of course affected resource-rich and influential regions, such as Khanti-Mansi AO, Tatarstan, and Tomsk (Hanson 2004). As compensation for these losses the regions received a larger share from sales taxes on tobacco, beer, and other consumer products, increased from 14.5 per cent to 16 per cent, and higher tax rates on land (ILPP-Bulletin 2002:3, pp 23-25).

Many regional executive heads, especially those representing donor regions or moderate recipients like Bashkortostan, Cheliabinsk, Komi, and Voronezh, complained that they were losing the incentive to improve the investment and business climate, as the federal level collected everything anyway (Russian Regional Report 19 October 2001; Russian Regional Re-

\(^{252}\) http://www.vremya.ru/print/10323.html
Regional leaders were increasingly worried that indebtedness would grow. Indeed, while sub-national governments on average (in the consolidated budget) showed a surplus in 2000 and 2001, the 2002 budget had a deficit of almost 44.1 billion roubles (2.3 per cent) and in 2003 48 billion roubles (2.5 per cent) (www.budgetrf.ru).253

However, one must put this in perspective for two reasons. First, the revenues become much more evenly distributed between the centre and the sub-national governments after intergovernmental transfers, as illustrated by Table 8.10. below. The difference was especially noticeable in 2002, when the regional share was only 35.2 per cent before transfers and 46.2 per cent after transfers.

Table 8.10. - Federal and Regional Shares of Fiscal Revenues in the Russian Federation 2000-2003 (after intergovernmental transfers)

<table>
<thead>
<tr>
<th>Year</th>
<th>Regional Share</th>
<th>Federal Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>52.3%</td>
<td>47.7%</td>
</tr>
<tr>
<td>2001</td>
<td>55.2%</td>
<td>44.8%</td>
</tr>
<tr>
<td>2002</td>
<td>53.8%</td>
<td>46.2%</td>
</tr>
<tr>
<td>2003</td>
<td>57.2%</td>
<td>42.8%</td>
</tr>
</tbody>
</table>

Sources: Author’s calculations based on budget execution reports (www.budgetrf.ru).

The portion of intergovernmental transfers of the total amount of regional revenues has increased, it seems. According to Lavrov, Litwack and Sutherland (2001:10), intergovernmental transfers composed about 15 per cent of total regional revenue in 1999. In 2000 this proportion had increased to 21.8 per cent. In 2001 the allocation of transfers peaked at 27.2 per cent, but then

253 http://www.budgetrf.ru/index.htm
dropped somewhat to 23.9 per cent in 2002 and 25 per cent in 2003.\textsuperscript{254} This is to be compared with federations like Brazil (27 per cent in 1994) and Germany (18.3 per cent in 1996) (Lavrov, Litwack & Sutherland 2001:10; Lavrov & Makushkin 2001:64; Watts 1999:48; www.fpcenter.ru).\textsuperscript{255}

However, the goal of decreasing horizontal imbalances has not been attained. In terms of average real income the differences were astounding; in 2001 the richest tenth of the regions had 13.9 times the income of the poorest tenth (Hanson 2004:8). Furthermore, most regions continuously depend on the Federal Government to cover their expenditures, although there appeared to be an increase in regional autonomy as of 2004. During 2001-2003 only 13-14 regions (about 20 per cent) had a share of federal transfers from the Federal Fund for Financial Assistance that amounted to less than 20 per cent of total regional income. In 2004, however, this number had grown to 22 regions (32 per cent). Also, the level of dependency on transfers varied immensely, ranging from almost nothing to more than 90 per cent.\textsuperscript{256}

The second factor we should consider in order to keep things in perspective is that the diminished regional share of revenues still amounts to as much or even more income in absolute terms (roubles). Table 8.11. below shows the development of federal and regional revenues. The remarkable growth of the Russian economy in recent years has created a larger cake to split. As a result the federal revenues had more than doubled in 2003, and the regional revenues had almost done the same; from 1.13 in 2000 to 2.6 billion roubles in 2003 at the federal level, and from 1 to 1.9 billion roubles at the sub-national level.\textsuperscript{257}

Table 8.11. – Total Federal and Regional Revenue (indexation of real terms, thousand roubles)

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal</th>
<th>Subnational</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2001</td>
<td>141</td>
<td>125</td>
</tr>
<tr>
<td>2002</td>
<td>195</td>
<td>183</td>
</tr>
<tr>
<td>2003</td>
<td>228</td>
<td>187</td>
</tr>
</tbody>
</table>

Note: Author’s own calculations based on budget execution reports (www.budgetrf.ru).

Index: Year 2000=100
Federal: 1.131.801.837.000 roubles
Subnational: 1.031.506.823.000 roubles

\textsuperscript{254} The calculation is based on budget execution reports (www.budgetrf.ru). I have included unconditional transfers (dotatsii, subventsii, transferty) and conditional (tselevye) transfers, but excluded bezbozmezdnye and extrabudgetary funds.

\textsuperscript{255} http://www.fpcenter.ru/common/data/pub/files/articles/1856/Transferty.zip

\textsuperscript{256} Author’s own calculations based on budget execution reports. They are somewhat ambiguous as data could not be ascertained for 18-19 regions during the period 2001-2004.

\textsuperscript{257} The increase in absolute revenues remains, albeit moderated, even if inflation is taken into consideration. The inflation during the period 2000-2004 was: 2000 - 20.1 %; 2001 - 18.8 %; 2002-15.1%; 2003-12.0 %, and 2004 - 11.5 % (http://www.dcenter.ru/1/files/1/2/54/169.pdf).
Of course, the sharp increase of revenues in absolute terms must in turn be put in perspective by contrasting them with the distribution of expenditures. The legislation that regulates the relation between revenues and expenditures appears to reflect the ambition to create more autonomous sub-national budgets. The law ‘On General Principles of the Organization of Legislative (Representative) and Executive Bodies of State Power of the Subjects of the Russian Federation’ (N 95 F-3), adopted on 4 July 2003, establishes with regard to exclusive regional jurisdictions: ‘The jurisdictions of regional state powers of the Russian Federation are executed by these powers independently at the expense of own budgetary means (with the exception of subsidies from the federal budget)’ (Article 262). Furthermore, it is stated that concurrent jurisdictions ‘are executed independently at the expense of own budgetary means (with the exception of subsidies from the federal budget). The execution of these jurisdictions may in cases regulated by federal law be additionally funded by means from the federal budget and federal extra-budgetary funds, including targeted programs’ (Article 263:1).

It seems that the phrasing ‘with the exception of subsidies from the federal budget’ plays an important role due to the distribution of expenditures in 2000-2003. It is on the expenditure side of the budgetary equation that we find part of the explanation for the regional complaints of decreased regional shares of revenues and increasing indebtedness. Table 8.12. shows that the regional share of expenditure responsibilities indeed diminished, but at the same rate as revenues. The federal expenditures are on average only marginally larger than the regional.

The Russian system thus suffers from a vertical imbalance as regional revenues cannot cover all expenditures and then compensate by allocating intergovernmental transfers. As mentioned above, in 2002 and 2003 regions suffered from a substantial budget deficit. This is probably an effective way for the Federal Government to maintain a measure of control over the regions. However, it runs contrary to the stated goal of increasing regional fiscal autonomy, which would require a solid regional tax base that matches the region’s own expenditure responsibilities. Instead, expenses are ‘decentralised’ to regions with sufficient federal financing attached. There is consequently a danger that the regional and local governments will turn into managers of federal policies.
Table 8.12. - Federal and Regional Shares of Total Expenditures in Russia 1999-2003 (after intergovernmental transfers)

![Bar chart showing Federal and Regional shares of total expenditures in Russia from 1999 to 2003.]

Note: Author’s own calculation based on budget execution reports www.budgetrf.ru

During the budget debate in 2002 the Chair of the Federation Council Budget Committee, Samara Governor Konstantin Titov, argued that although the aim of this policy is good – monetary stabilisation – it harms the regions. The regional budget comes close to becoming merely a payroll, leaving no room to develop the region’s economic and financial potential. ‘No financial aid can compensate the regions for the loss of own tax potential and economic flows’ (ILPP-Bulletin 2002:2, p. 28-29).

Consequently, although Hunter’s second coefficient (regional budgetary autonomy) shows high, albeit falling, numbers (high budgetary autonomy) – 0.90 (2000), 0.83 (2001), 0.84 (2002), 0.76 (2003)\(^{259}\); on a par with Germany in 1991 (0.794) (Martinez-Vazquez & Boex 2001:48) – the regions depend heavily on the federal level of government for revenues through various forms of financial aid. An overview of the relation between own sources of revenue (taxes and others) and shared sources of revenue (taxes and others), excluding intergovernmental transfers, shows that the share of own sources is quite low.


\(^{259}\) Author’s own calculations based on budget execution reports (www.budgetrf.ru). I have included unconditional transfers (dotasii, subventsii, transferty) and excluded extra-budgetary funds.
Table 8.13. – Regional Revenue Structure (taxes and other revenues, excluding intergovernmental transfers)

Note: Author’s calculations on budget execution reports (www.budgetrf.ru).

By comparison with the mid-1990s the share of own resources has decreased significantly. Whereas in 1996 and 1997 around 40 per cent of the regions’ revenues derived from their own sources of income, the level plummeted to between 20 and 30 per cent in the period 2001-2003. This also implied that in 2000 sub-national governments could cover only 26.2 per cent of their expenditures with their own resources, in 2001 15.7 per cent, in 2002 17.9 per cent, and finally in 2003 21.8 per cent. Obviously, regional dependence on the Federal Government is indeed great.

8.4. Conclusions – Federal Paradigms, Fiscal Institutions and Intergovernmental Relations

It seems likely that the generally negative images of the ‘other’ among governmental elites remain a part of the Russian political landscape. The federal centre is perceived as a predator and the regions as renegades. Yet, the Putin federal paradigm might on the whole involve a slight improvement in this regard. The Kozak Commission’s federal vision clearly reflected a desire to erect more watertight compartments between the various levels of govern-
ment in order to increase accountability and reduce informal ways of handling budgetary issues. The aim was to make the sub-national governments’ share of expenditure more manageable, and to create a solid tax base that matched their costs in order to increase their budgetary autonomy. Hence, by means of independent regional budgets, although with smaller powers and responsibilities, the federal system was to become at the same time more dual, nation-centred, and symmetric.

At first sight this must have looked quite appealing or at least acceptable to many regional leaders. In the light of intergovernmental distrust, policies built on dualism could be the remedy leading to a more solid and secure regional financial and fiscal base. Somewhat contrary to what might be expected, policy means built on dual federalism can thus lead to concerted intergovernmental relations because they make governmental actors more secure and increases predictability.

Although serious attempts have been made to define expenditure responsibilities clearly and create a solid sub-national tax base through legislation, practice gives the impression that only nation-centred federalism has become firmly institutionalised. Of course, it might also illustrate that the federal centre never had a genuine interest in building a dual federal system. It might suggest that national leaders do not think of the regional governments as indispensable parts of the governing machinery, but mainly as potential troublemakers. Regional shares of revenues have become smaller, while expenditures in fact remained rather high. Even though regional revenues do not decrease in absolute terms, regional budgets suffer from deficits. Regions will therefore probably look first and foremost to the centre to secure their revenues. This makes it more difficult for the regional leaders to take a decisive stance against the federal centre. Furthermore, as long as regional revenues do not decline in absolute terms there will probably be an acceptance of a more centralised approach as the current fashion of federal government.

One should not forget, however, that the federal centre is dependent on the sub-national governments for the planning and administration of fiscal and other policies. This requires a high degree of joint cooperative action and negotiation. The consequence of this development might be that federal-regional relations will remain ordered as long as the federal centre is strong. In other words, the impact of a strengthened power vertical is that federal-regional relations have become fairly concerted.

However, there is a price attached to this achievement: interregional relations remain underdeveloped. The federal centre does support stronger inter-regional ties verbally, but its fiscal policies and other tangible measures appear to reflect a dislike for strong interregional relations. If regional leaders are busy trying to extract benefits from the centre, and losing interest in developing their own economic potential, there will be less room and interest in developing not only of their own economies, but also in developing
interregional cooperation as an alternative way of creating a common good. To put matters simply, if the regional economies do not grow, the incentives to promote interregional cooperative ventures will probably be lower. As a result interregional relations will probably remain underdeveloped as regional leaders’ focus lies mainly on pleasing the hand that feeds them.

The development of the Russian fiscal system, first being informed by the Yeltsin-republican federal paradigm and subsequently the Putin paradigm, suggests that the co-variation between these federal paradigms and intergovernmental relations in this case can be described as in Figure 8.2. below.

Figure 8.2. – Federal Paradigms, Federal Fiscal Institutions and Intergovernmental Relations

<table>
<thead>
<tr>
<th>Nature of federal politics:</th>
<th>Nature of politics:</th>
</tr>
</thead>
<tbody>
<tr>
<td>negative image of ‘other’.</td>
<td>slightly more positive image of the federal centre.</td>
</tr>
<tr>
<td>Goals:</td>
<td>Goals:</td>
</tr>
<tr>
<td>unity and diversity.</td>
<td>efficient coordination, equality.</td>
</tr>
<tr>
<td>Means:</td>
<td>Means:</td>
</tr>
<tr>
<td>self-rule, bilateralism, de jure asymmetry acceptable.</td>
<td>self-rule, federal centre as coordinator, de jure symmetry.</td>
</tr>
<tr>
<td>Federal institutions:</td>
<td>Federal institutions:</td>
</tr>
<tr>
<td>unfunded mandates, shared taxes, bilateral treaties to manage fiscal issues, 50-50 scheme, low degree of ear-marked transfers.</td>
<td>unfunded mandates not acceptable but still remains, unified fiscal system, tax bases and tax rates still separated, shared taxes remain but to lesser extent, 50-50 scheme abandoned, higher degree of ear-marked transfers, intergovernmental transfer system more important.</td>
</tr>
</tbody>
</table>

![Divided IGR](#) [Concerted IGR](#)
9. Carrots and Sticks – Establishing Supraregional Organisations

The creation of seven federal districts was an important part of the reform package of May 2000. The reform fitted quite well in the overarching ideational thrust of the Putin federal paradigm’s reform package of May 2000, which aimed to restore a unified legal and economic space, and to quickly modernise the country by erecting a power vertical and at the same time becoming a platform for intergovernmental coordination and cooperation. In other words, the federal districts were to provide both carrots and sticks.

The aim of this chapter is to analyse paradigmatic traits of the federal district reform and to understand in what ways they were more conducive to concerted intergovernmental relations than their predecessors of the Yeltsin era: the regional envoys and the eight interregional associations that were established in the early 1990s.

9.1. Understanding Supraregional Organisations

Supraregional organisations are mechanisms and arenas for communication between governmental tiers, establishing connections within and/or across governmental levels, branches, and spheres. They can fulfil the purpose of coordinating intergovernmental relations or being an instrument of supervision and control for the federal level of government.260

How, then, can we tell which federal paradigms supraregional organisations and institutions reflect? It seems reasonable to assume that a general belief in the value of bringing various intergovernmental actors together in an organised manner reflects cooperative federalism. So the very existence of supraregional organisations could be seen as a reflection of cooperative federalism, which emphasises interdependence and unity.

However, this relation is far from clear-cut. Even though such mechanisms are initially intended to stimulate joint cooperative action, they may nevertheless complicate the administrative apparatus. Their possible positive effects may affect only parts of the federal system. Organisations that focus

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260 Although political parties are essentially non-governmental organisations, they constitute an important part of intergovernmental relations. This is not the case in Russia, however, and for this reason the party system is dealt with only in passing here.
strictly on interregional cooperation exclude the federal centre and may in effect worsen centre-regional relations. One should also realise that they may also serve merely as a vehicle for coordinated regional lobbying of the federal centre, or for federal meddling in regional jurisdiction. To a great extent the purpose of supraregional institutions and organisations is an empirical question.

By categorising these organisations according to three parameters we may come closer to understanding the underlying federal ideas behind them. First, they vary by their degree of multilateralism. An organisation that involves multiple levels, branches and sectors of government, and representatives of non-governmental organisations, arguably represents a more cooperative and above all a symmetric federal stance. A cooperative stance may also manifest itself by more bilateral or regional schemes building on ‘federalism without Bern/Ottawa’, as mentioned earlier. If such interregional organisations are based on inter-ethnic or any other group allegiance, they can be treated as a sign of asymmetric federalism.

A better measurement of actors’ inclination to engage in substantial cooperation is probably the level, scope and intensity of formal decision-making. Neumann and Robinson argue that in a competitive environment intergovernmental relations are most often less institutionalised than in a cooperative one (Neumann & Robinson 2001:9). In other words, organisations that have a low degree of formal decision-making are less likely to represent cooperative federalism, whereas organisations that frequently deal with questions of importance and whose decisions can be binding would seem to reflect and uphold a serious dedication to the cooperative ideal of federalism.

Hence, as they establish a wide range of channels for intergovernmental communication through which actors engage in formal and binding decision-making, they can be interpreted as a representation of the cooperative ideal. By contrast, if such solutions are perceived as being of limited utility, counterproductive, or even threatening, then probably dual federalism is the dominant federal ideal. The political outcomes produced by supraregional organisations must also be taken into consideration. For one thing, a limited practical output may reflect the fact that not all the actors involved share the rationale behind the organisations, or that some other structural constraint is present. Moreover, actors’ attitudes to the organisations may change if outcomes are poor.

A third dimension is the extent to which supraregional organisations are a mechanism for federal control over the regions. If they are manifestations of federal prefectoralism they clearly reflect nation-centred federalism, or perhaps even a paradigm shift towards a more unitary type of political system. The signs of prefectoralism are to a large extent an empirical question that has to be scrutinised from case to case.

In Australia we find examples of a type of a multilateral organisation that binds together governmental actors in a quite formal way. Australia’s Loans
Council coordinates both federal and regional borrowing and its decisions may be binding. In contrast to the rather specific purposes of this organisation, the Council of Australian Governments has the broader task of promoting intergovernmental collaboration (Cameron 2001:125).

Examples of more informal supraregional organisations that exclude the federal centre can be found in several federations, for example Canada, Russia and the U.S. In Canada the annual Western Premiers Conference brings together all the local heads of the executive from the regions of Manitoba, Saskatchewan, Alberta, British Columbia, Yukon, Nunavut and the Northwest Territories. The purpose of this conference is to protect the rights of this part of Canada. The theme of the 2004 conference was ‘Working together – enhancing the role of Western Canada in the Federation’. There are also plans for working out a northern strategy for the region (http://www.gov.nt.ca/wpc). In Russia there are eight interregional associations, each encompassing a number of regions. These associations have had varying success in their efforts to influence federal policies towards their member regions.

In the U.S. the Council of the Great Lakes Governors, which involves governmental and non-governmental actors from the states of Illinois, Michigan, Indiana, New York, Ohio, Wisconsin, Minnesota and Pennsylvania, aims to achieve an ecologically sustainable development while promoting economic growth. The members of the organisation have among other things agreed to protect the water resources of the Great Lakes Basin (http://www.cglg.org). All of the above are quite diffuse and unbinding organisations that exclude the federal centre.
<table>
<thead>
<tr>
<th>Federalism Type</th>
<th>Nature of politics:</th>
<th>Goals:</th>
<th>Means:</th>
<th>Federal institutions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative Federalism</td>
<td>Bundestreu, positive-sum game, perceived high interdependence</td>
<td>unity, consensus</td>
<td>shared rule</td>
<td>Presence of multilateral supraregional organizations, which involve formal decision-making.</td>
</tr>
<tr>
<td>Dual Federalism</td>
<td>rivalry and competition, zero-sum game, perceived low interdependence</td>
<td>diversity, accountability</td>
<td>self-rule</td>
<td>No or few supraregional organizations, low degree of formal decision-making.</td>
</tr>
<tr>
<td>Nation-centred Federalism</td>
<td>Bundestreu, perceived high interdependence.</td>
<td>efficient coordination</td>
<td>centralised, federal center as coordinator</td>
<td>Low degree of prefectorialism, federalism without Bern/Ottawa.</td>
</tr>
<tr>
<td>Region-centred Federalism</td>
<td>rivalry, competition, perceived low interdependence or no priority.</td>
<td>autonomy</td>
<td>decentralised</td>
<td></td>
</tr>
<tr>
<td>Symmetric Federalism</td>
<td>Bundestreu</td>
<td>unity, equality and solidarity</td>
<td>de jure symmetry</td>
<td>supraregional organizations involve all or many go</td>
</tr>
<tr>
<td>Asymmetric Federalism</td>
<td>rivalry</td>
<td>disparity and group preservation</td>
<td>de jure asymmetry</td>
<td>supraregional may involve only a few regional governments based on ethnic belonging.</td>
</tr>
</tbody>
</table>
9.2. The Yeltsin Legacy - Federal Supervision and Coordination in the Yeltsin Era

In the Yeltsin era there were two super-regional institutions of significance. First, in 1991, Yeltsin established the institution of presidential representatives, each assigned a region where they would function as the president’s ‘ears and eyes’. This institution was later incorporated in the Constitution (Article 83:k). Second, eight interregional associations were established on regional initiatives at the very beginning of the 1990s. I now analyse these institutions to reveal what they tell us about the Yeltsin-republican federal paradigm.

The Essential Nature of Politics

History shows that imperial and Soviet Russia has traditionally been ruled through strong inter-personal hierarchical structures (Hoskins 2001:5). The general scepticism and distrust of other governmental units, regional authorities in particular, manifested itself through the fact that the ruler established a parallel - and often superior - structure to other branches of government. In imperial times this was the Tsar and his chancelleries; under communist rule it was the General Secretary and the Politburo; and today the president and his administration play a similar role (Huskey 1999:7). Yeltsin’s initiative in establishing presidential representatives clearly follows this pattern.

In the Yeltsin era the federal centre showed little interest in encouraging horizontal contacts that could pose a threat to central power and potentially lead to the break-up of the country into large pieces. There were exceptions, however. Some leading politicians, such as the founder of the liberal party Yabloko Gregorii Yavlinskii, openly supported the initiative to create the interregional associations. Early on he urged the regions to establish stronger horizontal ties and to replace the traditional vertical dependency on Moscow (Stoner-Weiss 1997:106).

The decision of the regional executive heads to establish interregional associations in a similar fashion demonstrated their lack of faith in the will and ability of the president and the Federal Government to fulfil their responsibilities in the regions. Moscow and the Kremlin were left out and many of the regional affairs were now to be handled directly between the regional leaders. However, the limited success of these associations also reflects that interregional trust was low, at least on the higher levels of politics.261

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261 One should also not forget that the Soviet command economy had created very different regional economies. Therefore neighbouring regions often have very different socio-economic conditions, which might militate against incentives to initiate various forms of cooperation.
In August 1991 Yeltsin instituted presidential representatives (or envoys) in the regions. It was a means of securing the integrity and unity of the Russian state, and of controlling the Communist Party in the regions. It was at the time a highly controversial measure and the Supreme Soviet opposed this institution for several years (Blakkisrud 2001:73).

At the end of the day this supervisory function became weak and in fact often an instrument for the regions to influence the federal centre. The presidential envoys were in practice dependent on the good will of the regional executives. Sometimes representatives took the side of the governor against the president. This is not particularly surprising considering that many representatives were of local origin. Those who were not soon “went native”. This often led to a fusion of the representatives’ federal functions with regional responsibilities. A case in point was the fact that in Stavropol krai the presidential representative was simultaneously deputy governor (Ross 2003: 32-33).

Intriguingly, it seems that this institution, which was intended to strengthen presidential power in the regions, had only limited support from Yeltsin. He seldom included the representatives in his policies or met with them on a direct basis. They appeared to have more contact with the Presidential Administration than with the president himself. In some cases the president even took the side of the governor against his representative (Hyde 2001:722). Again, Yeltsin’s federal approach had a region-centred touch.

Towards the end of the 1990s there appeared to be an increasing frustration among the federal elites about the fact that governors controlled not only the presidential representatives, but also the tax authorities, the customs, local courts, the procuracy, electoral commissions, and some of the power ministries’ local branches. Regional federal authorities, which employed as many as 460,000 federal personnel in total at the regional level (Russian Regional Report 2000:19)262, were also as a rule highly dependent on regional authorities for offices and appointments of federal officials.

The envoy institution was reformed several times, by Ukaz 765 (July 1992), Ukaz 186 (February 1993), and Ukaz 696 (July 1997), without any tangible results. One proposal involved twenty-five envoys, another thirty-four, who were to supervise one or more regions (Smirniagin 2001:1). In July 1997 Ukaz 696 was issued on the initiative of the head of the Presidential Administration’s Department for the Affairs of the Presidential Representatives, Anton Federov, it established the presidential representatives as the chairs of the federal collegiums in order to coordinate more effectively

262 It is interesting to note that at the time the 89 regional executives throughout the country employed not even half of this number, 190,000. However, in ethnic republics, such as Bashkortostan, Komi, and Tatarstan, the number of regional officials is still double the number of federals. By contrast, in many ethnically Russian oblasts there are four or five federal employees for every regional one (Smirniagin 2000).
the federals’ work in the regions. It also established that a presidential representative could be responsible for several regions (Smirniagin 2000).

There was also an attempt in 1997-1998 by Anatolii Chubais, head of the Presidential Administration at the time, to create twenty-four super-districts. In 1998 the Security Council also initiated a reform that aimed to establish a number of administrative territorial units according to which power structures were to be organised. Prime Minister Yevgenii Primakov proposed in the autumn of 1998 to create federal districts on the basis of the eight interregional associations (see below). Such ideas even had the support of some regional leaders, such as Moscow Mayor Yurii Luzhkov, who called for eight to ten politically and economically viable regions to replace the present eighty-nine (www.nupi.no).263 As we will see, the federal district reform built on similar ideas. Again, the federal reforms of May 2000 were in this sense not new, but a continuation of a policy that began in 1997-1998.

Another important institution was the interregional associations. From late 1990 and during 1991 eight interregional associations were founded. They encompass between six and seventeen regions264 with borders almost exactly coinciding with those of the Soviet economic regions (see Table 9.1. and Map 9.1.) The members are groups of heads of regional executives, directors of large enterprises, and private business. A council, which meets not less than twice a year, leads each association. A prominent governor heads the council for a period of two years at the time in a rotating system.

At the time of their foundation the interregional associations were seen as the beginning of a whole new system of federal governance in Russia. In an interview published in Delovaia Sibir in February 1993 Novosibirsk Governor Vitalii Mukha stated that the interregional associations would be ‘a new principle of the Russian state and a new model based on integration of territories which would have autonomy in decisions regarding their own vital interests’ (Hughes 1994). Interestingly, First Deputy Prime Minister responsible for regional policy, Sergei Shakhrai, shared this opinion, stating that ‘the interregional association is not only a form of interregional cooperation in economic activity but may be the most important element of the future state system of the Russian Federation or the element that will shape this system’ (Hughes 1994).

263 www.nupi.no/cgi-win/Russia/krono.exe, 050623.
264 During some periods some regions had a double membership or switched membership.
Table 9.1. – Interregional Associations

<table>
<thead>
<tr>
<th>Association</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Central Russia Association:</td>
<td>Briansk Oblast, Ivanovo Oblast, Kaluga Oblast, Kostroma Oblast, Moscow Oblast, Riazan Oblast, Smolensk Oblast, Tver Oblast, Tula Oblast, Vladimir Oblast, Yaroslavl Oblast, and the City of Moscow.</td>
</tr>
<tr>
<td>North Western Association:</td>
<td>Republic of Karelia, Republic of Komi, Arkhangelsk Oblast, Kaliningrad Oblast, Kirov Oblast, Leningrad Oblast, Murmansk Oblast, Novgorod Oblast, Pskov Oblast, Vologda Oblast, Nenets Autonomous Okrug, and the City of Saint Petersburg.</td>
</tr>
<tr>
<td>Great Ural Association:</td>
<td>Republic of Bashkortostan, Republic of Udmurtiya, Komi-Permyak Autonomous Okrug, Cheliabinsk Oblast, Kurgan Oblast, Sverdlovsk Oblast, Orenburg Oblast, Perm Oblast.</td>
</tr>
<tr>
<td>Black Earth Association:</td>
<td>Belgorod Oblast, Kursk Oblast, Lipetsk Oblast, Orel Oblast, Tambov Oblast, Voronezh Oblast.</td>
</tr>
</tbody>
</table>

In an interview with a representative of the North-West Association in November 2002 he elaborated on the development of the North-West Association: ‘In the beginning we decided problems at a very basic level, the exchange of goods. In 1993-97 this moved to a higher level, to develop common markets. To promote own companies. Then joint ventures. And now we move beyond this’ (Interview St Petersburg, November 2002).

The interregional associations may be seen as a horizontal response to vertical disintegration. The current head of the Siberian Accord stated that ‘we united in order to survive’ (www.sibacc.ru). When the Communist Party collapsed, which had been a guarantee of the country’s vertical coherence, interregional cooperation became a natural solution to many local problems for regional elites (Klimanov 1999). Rather, they soon developed into vehicles to exert pressure on Moscow and protect economic interests in terms of more beneficial budget and taxation systems, and gain more control over local natural resources and other economic assets (Tolz & Bosygina 1997:406). The associations became a recognised political force. It should be
noted, however, that their respective influence varied considerably. The Great Volga, the Great Ural, and especially the Siberian Accord are usually considered more successful than the others in terms of lobbying success in Moscow. In time they became more involved with the federal centre. Prime Minister Primakov allowed the heads of the associations to join the presidium of the Federal Government, a practice that continued under the Stepashin cabinet (Sakwa 2004:142).

Federal Paradigms, Institutions, and Intergovernmental Relations in the Yeltsin Era

It seems reasonable to argue that the decision to instate a presidential representative in every region reflected nation-centred federalism. Besides preserving the unity of the state, it implied that the federal centre was seen as the more efficient coordinator of politics. However, as the presidential parallel was institutionalised one could see that it soon became integrated into the overarching federal standards, which involved a much more region-centred approach.

The interregional associations can be viewed as an interesting example of crude cooperative federalism without the involvement of Moscow. In this way they resemble the Canadian, Swiss, or U.S. model of ‘federalism without Ottawa/Bern/Washington’. The associations were a formalised organisational institution that established intergovernmental networks across several regions. Admittedly, the regions were in a sense forced to cooperate. Hence the initiative to establish the associations should perhaps not be interpreted as a long overdue manifestation of a suppressed urge to cooperate. Nonetheless, interregional solutions to common problems were at least seen as a viable, acceptable, and potentially beneficial mechanism. The regions started to play the role of a coordinator of politics, a function previously fulfilled by the Communist Party. In this sense, the initiative to create such associations also reflected what seems to be a relatively rare combination of cooperative and region-centred federalism. These institutions therefore upheld concerted interregional relations.

However, the fact that only a few of the associations were actually successful in becoming a viable forum for intergovernmental communication also demonstrated that interregional ties to a large extent remained underdeveloped. Moreover, in another sense the associations also represented dual federalism. The associations were obviously not a way to smoothen the relations with the federal centre. Rather, they embodied the distrust in the federal centre’s will and capability to fulfil their duties in the regions. However, one should not forget that several influential officials at the federal level actually supported these initiatives.
Map 9.1. – Interregional Associations

Map 9.2. – Federal Districts
9.3. Reforming Federal Supervision and Coordination

One of the central parts of the federal reform package of May 2000 was the introduction of seven federal districts (13 May 2000, Ukaz no. 849). The goal was to merge the supervisory function of the previous presidential representatives and the coordinative function of the interregional associations. In what follows we present the basic features of the district as an organisation and an institution.\(^{265}\)

Each district comprises between six and eighteen regions (see Table 9.2. and Map 9.2.). A presidential representative (Polnomochnii Predstavitel or Polpred for short), who effectively replaced the former regional representatives that were put in place under Yeltsin, heads each district. Five of the seven Representatives (Georgii Poltavchenko\(^{266}\) - Central District, Konstantin Pulikovskii\(^{267}\) - Far Eastern District, Viktor Cherkesov\(^{268}\) - North Western District, Viktor Kazantsev\(^{269}\) - Southern District, Piotr Latyshev\(^{270}\) - Ural District) did not have any particular political experience, coming from military, police or intelligence structures. Only Sergei Kirienko\(^{271}\) in the Volga District is a nationally known politician, and he has without a doubt been one of the most active. Leonid Drachevskii\(^{272}\), presidential representative in

\(^{265}\) It must be remembered that the outcome of the reform has varied greatly across space, as aptly illustrated by among others Nelson and Kuzes (2002). The analysis below is based on material that primarily covers the North-West, Ural, and Volga districts. These districts are of special interest because the presidential representatives here have been the most active and influential (Kommersant Vlast 6/2, 2001), perhaps slightly less so in the case of the North-Western District where Viktor Cherkesov was the representative. At the same time many of the most prominent governors reside in these districts. One should also bear in mind that the Siberian (Latyshev) and Volga (Kirienko) districts have been recognised as the ones that conduct the most innovative policies, supporting small business, new personnel recruitment procedures, and local self-government. The other districts have conducted less dynamic policies, more aimed at strengthening the power vertical than anything else (Lysenko 2002:12). Although the reform was introduced in May, it was not until September-October that the federal districts became fully operational.

\(^{266}\) Poltavchenko was born in 1953. He worked for the KGB for fourteen years (1980-1992) and then headed the Federal Tax Police in St Petersburg for eight years (1992-1999).\(^{267}\) Lieutenant General Pulikovsky has a background as deputy commander of the North Caucasus Military District.

\(^{268}\) Cherkesov was born in 1950. He worked for the KGB 1975-1998, from 1998 as its First Deputy Director.

\(^{269}\) Army General Kazantsev was born in 1946. He made a military career and was Commander of the North Caucasus Military District 1997-2000.

\(^{270}\) Latyshev was born in 1948. He made a career within the structures of the Ministry of Interior and served as Deputy Minister of the Ministry of Interior 1994-2000.

\(^{271}\) Kirienko was born in 1962. During Soviet times he made a career within the Komsomol organisation. He then entered the private sector working in the banking and later the oil sector. He served as first deputy minister and fuel and energy minister from April 1997-April 1998. In April 1998 he was appointed prime minister and served until the financial crisis of August 1998. He became a member of the State Duma in December 1999.

\(^{272}\) Drachevskii was born in 1942. A world rowing champion who later made a political and diplomatic career. From 1986-1990 he was the deputy chairman of the RSFSR State Committee on Physical Education and Sport. He then went into diplomacy working in Spain and
the Siberian district, has a background in diplomacy. Each district has a staff of approximately a hundred people, a majority of whom are from Moscow. A federal inspector was deployed in each region. Furthermore, an average of forty-two per cent of the personnel have a background in power and security structures (Taylor 2002:2).  

Table 9.2. – Federal Districts

<table>
<thead>
<tr>
<th>District</th>
<th>Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Central District:</td>
<td>Belgorod Oblast, Briansk Oblast, Ivanovo Oblast, Kaluga Oblast, Kostroma Oblast, Kursk Oblast, Lipetsk Oblast, Moscow Oblast, Orel Oblast, Riazan Oblast, Smolensk Oblast, Tambov Oblast, Tver Oblast, Tula Oblast, Vladimir Oblast, Voronezh Oblast, Yaroslavl Oblast, and the City of Moscow</td>
</tr>
</tbody>
</table>
|                         | District capital: Moscow
|                         | Total district population: 37.1 million (2000)                         |
| North Western District: | Republic of Karelia, Republic of Komi, Arkhangelsk Oblast, Kaliningrad Oblast, Leningrad Oblast, Murmansk Oblast, Novgorod Oblast, Pskov Oblast, Vologda Oblast, Nenets Autonomous Okrug, and the City of Saint Petersburg |
|                         | District capital: Saint Petersburg
|                         | Total district population: 14.5 million (2000)                         |
| Volga District:         | Republic of Bashkortostan, Republic of Chuvashia, Republic of Mari El, Republic of Mordovia, Republic of Tatarstan, Republic of Udmurtia, Kirov Oblast, Nizhnii Novgorod Oblast, Orenburg Oblast, Penza Oblast, Perm Oblast, Samara Oblast, Saratov Oblast, Ulianovsk Oblast, Komi-Permyak Autonomous Okrug |
|                         | District capital: Nizhnii Novgorod
|                         | Total district population: 32 million                                  |
| Ural District:          | Cheliabinsk Oblast, Kurgan Oblast, Sverdlovsk Oblast, Tiumen Oblast, Khanty-Mansii Autonomous Okrug, Yamal-Nenets Autonomous Okrug |
|                         | District capital: Yekaterinburg
|                         | Total district population: 12.6 million                                |
|                         | District capital: Novosibirsk
|                         | Total district population: 20.8 million                                |

Poland and as the deputy minister responsible for relations within the CIS (Commonwealth of Independent States).

273 Central district – 50 %
North-Western District – 69 %
Volga District – 37 %
Southern District – 44 %
Ural District – 36 %
Siberian District – 24 %
Far Eastern District – 29 %

204

District capital: Rostov-on-Don
Total district population: 21.7 million

Far Eastern District: Republic of Sakha, Khabarovsk Krai, Primorskiy Krai, Amur Oblast, Kamchatka Oblast, Magadan Oblast, Sakhalin Oblast, Jewish autonomous Oblast, Koriak Autonomous Okrug, Chukchi Autonomous Okrug

District capital: Khabarovsk
Total district population: 7.2 million

The Rationale of the Reform

According to the Russian Constitution the President is the guarantor of the Constitution (Article 80:2). The federal districts were a means of achieving the goal of establishing a ‘dictatorship of law’ and restoring the ‘power vertical’. This implied two main functions. First, the districts were to supervise and monitor both regional federal authorities and regional executives, and to remove inconsistencies between federal and regional legislation, and interregional barriers to trade, capital flows, and people. The second related function was to increase intergovernmental coordination and the coherence of policymaking and implementation throughout the federal system, regarding both federal-regional relations and interregional relations. This in turn was a part of the overarching ambition to strengthen and modernise the Russian state.

Judging by the rhetoric Putin did not want to equate a strong and effective state with a totalitarian state. By contrast, the state is the guarantor of the well-being of Russian citizens. For this reason Russia needs a strong state power, which builds on ‘a democratic, law-based, workable federal state’. He intended to ‘make the Russian state an efficient coordinator of the country’s economic and social forces, balancing out their interests, optimising the aims and parameters of social development, and creating conditions and mechanisms for their attainment’ (Russia at the turn of the Millennium). The ambition to make the state, and implicitly the federal level of government, the guarantor of order and equality and the coordinator of politics clearly reflected nation-centred federalism.

There was reason to suspect that the federal district reform indicated the beginning of ‘creeping prefectorial administration’, which Daniel Elazar had warned would lead to poor intergovernmental coordination and cooperation (Elazar 1981:22). However, in any case Putin continuously paid lip-service to federal principles. In Putin’s own words the federal districts were not to

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274 This is a rather rare regulation by international standards. Usually the Constitutional Court is the sole source of authority in this regard. It seems reasonable to assume that this is a legacy of the early Russian state building process. In the battle with the communist parliament in the beginning of the 1990s Yeltsin sought to secure the new system.
be seen as a way of establishing direct control over the regions, but rather as a step to strengthen the federal construct.

‘One of the first measures to strengthen federalism was to establish seven federal districts and to appoint presidential representatives. The rationale behind this decision is not to enlarge the regions, as sometimes argued, but to enhance the presidential vertical in the regions. Not to redraw the administrative territorial borders, but to increase the efficiency of the state. Not to weaken regional power, but to establish conditions for stable federalism’. (Poslanie July 2000)

What do efficiency and ‘stable federalism’ entail in this respect? I agree with Perovic (2002:8), who has argued that had the federal district reform been established by legislation and rhetoric that suggested a Soviet style ‘unitarisation’ it seems unlikely that it could have been implemented without the federal centre being prepared to use great force. It may perhaps be assumed that the reform did not intend to completely abolish the federal principles. In that sense Putin’s assurances were genuine. On the other hand, there was reason to maintain a balanced rhetoric in order not to provoke the still powerful regional leaders.

One of the districts’ functions did entail stricter federal monitoring and supervision, which by all accounts reflected nation-centred federalism. However, at this point it was not a question of clamping down on the regional executives, but of regaining control over the federal executive branch in the regions, which had been lost to the regional executives in the 1990s. The preamble of Ukaz 849 clearly states that the reform’s emphasis lies on increasing the capacity of the president to perform his duties, to obtain control over regional federal authorities, and to optimise their efficiency in implementing federal policies.

The means of attaining this was to erect the ‘power vertical’. Ukaz 849 established a direct link between the presidential representatives and the president. The federal districts and the presidential representatives are an integrated part of the Presidential Administration and directly subordinate to the president. The representatives were furthermore members of the Security Council, which is chaired by the president.275 In fact the ‘power vertical’ appeared primarily to imply a ‘presidential vertical’ that runs parallel to the vertical of the Federal Government. As mentioned above, this institutional

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275 According to an amendment made to Ukaz 849 in August 2000 a connection is furthermore established between the presidential representatives and the Federal Government by allowing the latter to invite the former to attend the proceedings and take part in commissions and councils established by the Head of Government in matters that concern the respective federal district. The same amendment also makes it possible to organise monthly meetings of deputy ministers with presidential representatives and federal authorities within their sphere of responsibility. Arrangements such as these potentially increase the efficiency and coordination of a wide range of actors.
set-up is well in line with Russian traditions of government. It also illustrates that the president, the Presidential Administration, and the Federal Government perform executive powers jointly or in parallel.

Undeniably, the reform also included mechanisms to strengthen federal supervision over the regional and local governments as well. The presidential representatives were to get regional legislation in line with federal in cooperation with the state attorney, to regain control over appointment of federal personnel, and to regularly provide the president with reports on the political, economic and social situation in the regions. In fact, the territorial outline of the federal districts can itself be viewed as an indicator of the ambition to disturb earlier regional relations. The borders of the federal districts did not coincide with those of the eight interregional associations, but rather with the districts used by the Ministry of Interior for the deployment of troops. In addition, they were drawn to include a mixture of ‘ethnic’ republics and ‘Russian’ oblasts in an attempt to balance the influence of the former. None of the districts’ capitals were situated in a republic.

Yet, this centralising thrust of the reform should be put in perspective. In formal legal terms the Ukaz did not establish any right for the presidential representatives to intrude in the jurisdictional sphere of the regions. Putin pointed this out on several occasions. In the speech on the State of the Nation in July 2000 Putin carefully underlined that the federal district reform should not be interpreted as a means of direct meddling in regional affairs.

‘Public opinion ascribes to the presidential representatives dangerous intentions. They are supposedly both a “punishing sword” and bureaucrats-intermediaries between the centre and the regions. /…/ By clearly defining the competences of the presidential representatives, we make their work transparent to regional administrations and populations. By doing away with duplication of functions, we create individual responsibility. This decision, undoubtedly, consolidates the unity of the country. Of course, the representatives will promote efficient solutions to the problems of their respective districts. But they do not have the right to interfere in the jurisdictions of the elected head of regions. The representatives will in their work rely only on law and the powers given to them’ (Poslanie 2000)

Although one should probably not accept such statements at face value, again it did indicate that it was important to pay at least lip service to regional autonomy, and that Putin at this point chose a cautious approach. Indeed, formally nothing in Ukaz 849 entails change to the Constitution. The reform is coupled to Article 83:k, which states that the president appoints and removes his representatives. This article says nothing about the actual design of this institution.

It should also be pointed out that the new presidential representatives did not have substantially more formal powers than their predecessors as estab-
lished by Ukaz No 696 in 1997 by former President Yeltsin (Hyde 2001:723). Moreover, the concurrence of the federal districts’ geographical outline with those of the Ministry of Interior is not an unambiguous sign of centralisation. Many other ‘power structures’, inter alia the military districts, had quite different borders. Also, a majority of the federal inspectors in the republics were of indigenous origin (Petrov 2002:83). This could be interpreted as a way of mitigating the centralist approach and as in fact recognising the specificities of regional affairs and ethnic relations. So the federal district reform should not automatically be equated with defederalisation. Rather, the main thrust mainly reflected cooperative nation-centred federalism.

As mentioned above, the federal district reform also involved a second element: intergovernmental coordination. To make Russia a force to be reckoned with on the international arena required a quick modernisation of its political and economic system. Hence, after the initial work of bringing regional legislation into line with federal, Putin made it clear that the horizontal is also an important part of modernisation and the state-building project. It would appear that the intention is to make the federal districts fulfil the function of a hub, an intersection for intergovernmental relations at the regional level.

During a meeting in the North-Western District in 2002 Putin announced:

‘A hot topic is the uneven economic development in the Northwestern region. The situation is worsening because of the low level of cooperation between the regions of the district, and insufficient development of the transport, financial, and communication infrastructure. Today we need efficient and multi-level interregional cooperation. It has to become one of the main instruments of national growth. Without it we cannot attain the task of forming a unified economic space and a full-blown internal market in Russia. This will in turn allow us to equalise socio-economic indicators of regional development, and to eliminate the significant cleavage in terms of people’s income living in different parts of the country, and finally to leave the conception “depressed region”’. (President’s press service, 8 June, 2002)

Moreover, in a meeting with the presidential representatives on 25 December 2000 Putin argued that many federal programs had failed because their goals

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276 By an amendment to Ukaz 849 on 30 January 2001 the presidential representatives became subordinated to the presidential chief of staff, at the time Aleksandr Voloshin, rather than Putin directly. In this way Putin distanced himself from his representatives. The presidential representatives appear to have been compensated for this loss of status. As of now some of the personnel working in the Territorial Management Department (Territorialnoe Upravlenie) in the Presidential Administration will work for the presidential representatives, assisting them in their efforts to coordinate federal organisations in Moscow.

277 See www.fas.org/nuke/guide/russia/agency/mo-md.htm for the outline of the military districts.

278 Russia’s foreign policy (see Rossiiskaia gazeta 7 July 2000).
were defined from the centre. Instead federal grants should be designed from the perspective of not only one region, but of several with the framework of the federal districts. ‘In this way we would begin to restore the state not only in a top-down manner, we would start to solve not only the problem of building a strong federal vertical, but we would also unite the state horizontally. […] I think the future lies in interregional programs’ (www.kremlin.ru).279

This more multilateral approach that potentially establishes channels for intergovernmental communication could be encountered in reports and development plans. For example, documents produced by the district centres for strategic planning often entailed similar schemes. The approach reflects a cooperative federal ideal. The goal is to bring regions together to work as larger economic entities, and to involve non-governmental structures in this process.280

It should be noted that the reform had its critics at the federal level. A senior official in the INDEM Foundation, who had taken part in formulating similar proposals in the final years of the Yeltsin era, argued that the districts were too big and were burdened with too many state functions. This made them into proto-states. There was also, he stated, a danger that the districts would merely become an additional bureaucratic layer fulfilling no meaningful function (Interview, October 2003). As shown below, similar criticism was delivered by some of the regional leaders.

**Regional Response**

Many governors seemed initially to appreciate or even praise President Putin’s initiative. Poorer regions, like Dagestan, hailed the reform. The chairman of Dagestan’s State Council, Magomedali Magomedovitch Magomedov, stated that the reforms ‘completely serve the interests of the country. They are directed at strengthening the state, improving the institutions of power, and increasing the quality of managing social processes’. Yevgenii Nazdratenko of Primorye krai, said: ‘I fully support the thoughts and ideas the President has placed before Russians. I completely agree with Vladimir Putin’s opinion that without strengthening vertical power, plans for economic revitalisation cannot be implemented. The core of the draft laws is to establish order and execute laws throughout the country’ (Russian Regional Report 2000:20).

Perhaps somewhat unexpectedly, some of the powerful donor regions also welcomed the reform. Arkhangelsk Governor, Anatolii Yefremov, supported the drive for a strong system of vertical power. Putin also received support from Perm Governor Gennadii Igumnov, who asserted: ‘I consider the president’s proposals logical, and based fully on the Russian political experience of strengthening the political institutions of the Federation’. Governor Rossel

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280 See for instance *Doktrina Severo-Zapada Rossii*, which was published in 2001.
(Sverdlovsk Oblast) even claimed that the district mechanism was his innovation. However, Rossel had argued that the interregional associations should be the basis for these macro-regions (Sakwa 2004:142).

The interviewee in the North-West Interregional Association also appeared to agree that the general thrust of this reform was right. In his opinion the country needed more efficient coordination.

‘The districts provide the preconditions for effective coordination. One must realize that we are interdependent. Interdependence is the glue of federalism. There shouldn’t be any tolls and trade wars. The northwest should not consist of individual regions, but one whole socio-economic region. This situation defines the relations between the regions. /…/ When we interact with our neighbours you have some effect. When you regulate your shower, the temperature of your neighbour’s shower changes. By joint action you attain more.’(Interview St Petersburg, November 2002)

In short, we can see that the federal district reform was fairly well received among broad layers of the regional elite. At the outset many paid lip service to the reform, and in some cases actively supported the institution. This shows that a more centralised mode of federal government, which also recognised the need for more coordinated efforts and interregional cooperation, was in vogue.

However, the reform was also criticised. The main trajectories of this criticism were: (a) a defence of the bilateral treaties, and (b) the interregional associations; (c) that the federal districts merely created yet another layer of bureaucracy; and (d) that the federal system was becoming too centralised. Some of this criticism demonstrated that at least parts of the Yeltsin-republican federal paradigm lingered on. Dual region-centred asymmetric federalism still had its supporters.

Bashkortostan, Chuvashia, Komi Republic, Moscow, Saint Petersburg, the Sakha Republic and Tatarstan, among the politically strongest regions, were among the most critical. They argued that the bilateral treaties that had been negotiated under Yeltsin should remain in place and that Putin’s policies and federal legislation were backward in comparison with theirs. Some reactions were even openly hostile. Murtaza Rakhimov, the President of Bashkortostan, stated that he would ‘cut all the telephone lines’ to Moscow rather than let the general prosecutor set up an office in his region (Hahn 2001:519). Chuvashian President Nikolai Federov went to court to test the constitutionality of Putin’s reforms. Perhaps even more hostile was the response of the Deputy Head of the Komi Republic, Anatolii Karakhiev, who dramatically, and unrealistically, stated that war was imminent if the reform

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281 The six administrative districts he had already introduced in 1997 to supervise the region’s seventy-three local governments now got an analogy at the federal level (Russian Regional Report 2000:19).
was to be initiated without the consent of the governors of the northern republics (Russian Regional Report 2000:21).

Many regional decision-makers also argued that the federal districts were harmful to the interregional associations. First Deputy Chairman of the Cheliabinsk Legislative Assembly, Aleksandr Salomatkin, asserted that the reform destroyed the economic ties that had been built up between the Great Ural and Great Volga associations. Another case in point is Volgograd Oblast, which was now included in North Caucasus federal district and played an important role in the Great Volga interregional association as most of its economic interests were directed towards this area. Volgograd Governor Nikolai Maksyuta stated that he preferred to work through the interregional association (Russian Regional Report 2000:20).

Another common criticism in the initial phase of the federal district reform was that it would merely create another layer of bureaucracy, which might either attain a quite independent role or further complicate the already complicated bureaucratic system. The federal districts tied many federal agencies and functions close to themselves, which potentially made them the basis for mini-states that could tear the Russian Federation into seven pieces. This possibility was pointed out by many politicians and political commentators (Sakwa 2004:145).

Nikolai Federov (Chuvashia) argued that enlarged bureaucracies employing military and security personnel were a step backwards, back to a Soviet style of political management. This additional administrative layer also lessened the opportunities for direct contact between the governors, on the one hand, and the president and the federal ministries, on the other (Perovic 2002:10). The Chairman of Tatarstan State Council, Farid Mukhametshin, also complained that the system was too complicated. Irkutsk Governor Boris Govorin doubted whether the federal districts would be an effective institution, stating with regard to the presidential representative in the Siberian federal district: ‘Drachevskii does not have any instruments, neither financial, nor administrative. It turns out that we are going to discuss some problems with him, he will take notes, and then go somewhere to discuss them’.

Fear that the federal districts would lead to an overemphasis on centralisation was also common. The representative of the North-West Interregional Association stated that centralisation was probably necessary in order to accomplish joint action, admitting that the regional leaders often had too strong a focus on regional affairs. At the same time he stressed the importance of maintaining the principle of subsidiarity, stating that ‘the regional levels know what is best for them’. He was critical of excessive centralism and supervision. ‘It’s not possible to control federalism. You can only build it on an equal footing. It’s a matter of allocating resources, about budgets. Federalism is a balance of interests. It is also a matter of the extent to which the centre interferes in regional affairs’ (Interview, November 2002).
The Chair of the Irkutsk Legislative Assembly, Gennadii Istomin, while stating that Putin’s ambition to reduce the economic and legal inequalities between regions was commendable, nevertheless asserted that the federal districts were not the best starting point for this. He feared that the districts would take over the control of financial flows, which in effect would make the governors’ position meaningless. This, in turn, would lead to appointed governors instead of elected ones (Russian Regional Report 2000:19).282

A frequent stumbling block related to this issue was the federal districts’ involvement in the appointment of personnel to regional federal authorities. The Tatar President, Mintimer Shaimiev, stated that ‘federal appointments can be made without our participation. But from our point of view such candidates should be agreed upon’ (Russian Regional Report 2000:20). The appointment of some federal officials (within the judicial and crime-fighting sector) in the regions is of concurrent jurisdiction according to Article 72:1 of the Constitution.283 As the Federal Government now advanced their position on this issue one might assume that it was perceived as ‘creeping prefectorial administration’.

It therefore appears that the republican and some of the other regional leaders saw the new federal paradigm as a breach of the current federal principles as nation-centred symmetric federalism now replaced region-centred asymmetric federalism as the main federal paradigm. Yet many regional leaders supported it. One cannot rule out that, as suggested by Vitalii Ivanov284, the reform allowed the governors to declare their loyalty to the president by welcoming the reform and the presidential representatives. At the same time they could introduce their own version of the ‘dictatorship of law’, thereby strengthening their position in their home region (Vedomosti, 25 October, 2000).

**Institutionalisation of the Reform**

The federal districts initially accumulated considerable political weight at the beginning of the new millennium. On the other hand there is also reason to question their efficiency. The spokesman of the North-West Interregional Association thought that the federal districts had too little power and too few resources to reach their full potential. The presidential representatives only had a rather weak stick and no carrot to offer (Interview, November 2002). The analysis below shows that initially the districts neither became the effi-

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282 Although the federal districts never controlled financial flows to any considerable extent, Istomin was right that the governors were to be appointed rather than elected.
283 However, Decree No 849 lays down that the presidential candidates work out suggestions for federal positions if these positions are supposed to be appointed by the president, the Federal Government or federal authorities. The Constitution, in turn, does not say whom these actors have the right to appoint. In other words, from a legal position this function is unclear.
284 Member of the expert council in the Duma committee on federal and regional policies.
cient tool for supervision and coordination that was intended, nor confirmed
the worst fears regarding the degree of centralisation.

The presidential representatives seemed at first to find the work of disci-
plining the regional branches of federal government and bringing regional
law into line with federal legislation closer to their hearts than their coordi-
native function. Restoring the power vertical and establishing the ‘dictator-
ship of law’ therefore became a priority. Latyshev, the representative of the
Ural district, seemed to prepared to go to great lengths to achieve a stronger
vertical, stating that ‘I cannot see a sphere in which I cannot or should not
interfere if an issue is going badly or in the wrong direction’ (Novoe Vremia,
November, 2000). This is a stance that appears to go one step further than
was officially sanctioned by Putin. Pulikovskii of the Far Eastern District
began with the same attitude, stating: ‘If you disagree with me, you disagree
with the President’ (Izvestia, 5 June 2000). This indeed appeared to imply
that creeping prefectorialism was imminent. Sergei Kirienko (Volga District)
seemed to take a more balanced approach and stated that ‘the Governor and
the Mayor have their issues, and I have mine’ (Interview ‘Samara’, 26 July
2000).

As a crude measurement of the nature and practical impact of these fed-
eral districts I have analysed the activities of North-Western, Ural, and
Volga districts on the basis of press releases between October 2000 and Oc-
tober 2001, and between October 2002 and October 2003. These press
releases cover events (meetings, seminars, exhibitions) which have been
sorted according to two parameters, (a) the field of activity, and (b) the par-
ties involved in the event. On the whole the character of the districts’ ac-

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285 Although the reform was introduced in May, it was not until September-October that the
federal districts became fully operational.

286 There is reason to be cautious in the interpretation of the press releases. First, one should
keep in mind that the press releases primarily reflect the image that the federal districts want
to project. Also the press releases are not always very specific, which might make their classi-
ification difficult. Moreover, the press releases do not indicate the amount of time or resources
actually spent on each activity. Rather they state the number of events in which the districts
were active, what the districts were engaged in during these events, and with whom. In this
sense they give us a rough picture of the activity of the districts.

Secondly, not all districts have been included in the analysis. The North-Western, Ural, and
Volga districts have been chosen because some of the strongest regional regions are
situated here. They also represent a good selection of the districts’ leadership style. Cherkesov
(North-Western District) and Latyshev (Ural district) have a background in the security
sphere, while Kirienko (Volga District) has managerial and political experience. These dis-
tricts were also chosen because data was easily accessible on their homepages.

Third, first-hand press releases for this period were not available in the case of the
North-Western District. Most of the figures could however be found in secondary sources (see
Duka 2001:8). However, in Duka’s work the data for the categories ‘intra-presidential’, ‘dis-
tribution/division of jurisdiction’, ‘religious/church relations’, and ‘citizens’ are missing. For
this reason I have taken the average value of Ural and Volga districts to cover the missing
categories in the case of North-Western District. The numbers produced by this seem very
plausible except in the case of ‘intra-presidential’ intergovernmental relations. The high num-
ber of interactions with the President, the Presidential Administration, and the Security Coun-
tivities, and the parties involved, is stable. But some changes deserve comment.

Table 9.4. below illustrates that quite a large proportion (20.3 per cent) of the total number of events described in the press releases in 2000-2001 were devoted to restoring the federal vertical by supervising central and regional federal authorities in their work on issues covered by Article 71 of the Constitution (federal property, federal budget issues, energy, transport and other issues of infrastructure, crime fighting and other legal issues) in 2000-2001. 26.8 per cent of the events involved contacts between the presidential representatives and federal authorities. In addition 4.5 per cent of the events concerned intra-presidential issues, such as presenting reports in the Kremlin. 6.7 per cent of the representatives’ contacts were with the president or the Presidential Administration.

In 2002-2003 the number of events regarding intra-federal issues had declined to 16.8 per cent. The contacts with federal authorities also dropped from 26.8 to 22.5 per cent (table 9.3.). Intra-presidential issues comprised 1.5 per cent of all events, which was less than in the previous period (4.5 per cent percentage points). Although these reductions are not very significant, it seems reasonable to assume that the focus of the districts’ work now shifted away from disciplining the federal executive vertical. Instead, during the second period more energy was put into organising concurrent jurisdictions according to Article 72, which is not very surprising considering the ongoing work of the Kozak Commission. In 2002-2003 17.8 per cent of the events concerned inter-level issues, whereas in 2000-2001 13.6 per cent did so. It hence appears that the presidential representatives now directed their attention towards organising federal-regional relations.

cil in the case of Latyshev (Ural District) can most probably be explained by the fact that he was a member of the Security Council, while the others were not. Finally, there were no figures available for the latter period (October 2002-October 2003) in North-Western District. The calculations are therefore based solely on Ural and Volga districts.

287 There was a clear shift in period 2 when much more attention was given to issues concerning anti-terrorism.
Table 9.3 – Actors Involved in Federal District Activities per Event (as stated in press releases)

Table 9.4 – Field of Activity per Event (as stated in press releases)
The effort in 2000-2001 to restore order among the regional branches of the Federal Government was made by tying regional federal authorities to the district level. Early on each district was assigned a deputy state prosecutor, and a department for combating organised crime under dual subordination to the presidential representative and the Russian minister of internal affairs. Also several federal ministries and agencies, such as the Ministry of Justice, Ministry of Interior Affairs, Ministry of Health, the Procuracy, the Audit Chamber, the Tax Inspectorate, the Inspectorate of the President’s Oversight Administration, and the human rights ombudsman quickly opened new offices at the federal district level (Hahn 2001:509; Hyde 2001:727; Ross 2002:142; Sharafutdinova 2002:5). In the Southern federal district there were in fact no fewer than twenty-eight federal agencies connected to the district altogether. Moreover, twenty-one new administrative-court districts were created to match the district structures, and so were the medical insurance funds. Russia’s energy system is also organised according to the districts (Petrov 2002:79-80). Finally, as of 2000 the State Committee of Statistics presents its data broken down by federal district.

Considering this organisational realignment, and the nature and form of contacts of the federal districts, one can conclude that a presidential vertical has been established that partly runs parallel to the Federal Government, and partly ties the two together. As formal and institutionalised networks were established it seems reasonable to assume that intergovernmental relations within the federal executive became more coordinated and concerted. Those policies that aimed to make the federal centre more capable of assuming the role of an organiser and coordinator were those most representative of cooperative nation-centred federalism.

In 2001 the federal districts turned their attention to the regional executives with the intention of restoring the legal and economic space of the Russian Federation. In order to fulfil this task each federal district was assigned a deputy procurator-general, who was to coordinate the work of the regional procurators. In addition, the Ministry of Justice appointed a senior official to each district. The presidential representatives were also able to involve the local federal court and ultimately the president (Sharlet 2003:336). Moreover, commissions similar to the Kozak Commission were organised in all districts.288 The political and legal weight that the federal district and the

288 Latyshev (Ural District) set up a district commission in August 2001. Apart from Latyshev himself, the commission also comprised four deputy presidential representatives, five representatives of the Federal Government, five persons from regional executives and legislative, one from the local level, and three from academic institutions (Press Release UFD, 10 August, 2001). The composition of this commission was consequently balanced and it is hard to imagine that it was impossible for the regions to have some input in the matter. It is interesting to note, however, that the only representative from Sverdlovsk Oblast was the current Mayor of Yekaterinburg, Arkadii Chernetskii, a known adversary of Sverdlovsk Governor Eduard Rossel. It is also noteworthy that the commission came to the conclusion that a more centralised power structure was to be recommended (Kondratev 2004:191).
The federal districts also performed tasks that do not show in the press releases. Many of the presidential representatives were involved in gubernatorial elections, trying to replace difficult governors with more loyal ones. Moreover, practically all presidential representatives were involved in the appointment of senators (Reddayway & Orttung 2004).

Had the federal system become too centralised, as had initially been feared? Were the federal districts an example of creeping prefectorial administration? I argue that one should not overstate the federal districts’ part in the overall centralisation. In fact, the success of the legal harmonisation campaign could partly be explained by the fact that regions had in many cases removed or corrected their legislation voluntarily rather than being forced to do so. Moreover, there had been pockets of regional resistance, which were harder to overcome. Volga District had the greatest number of regional legal acts that were out of line. As of December 2000, only seventeen out of ninety-two unconstitutional laws had been abolished in Bashkor-
tostan and nine out of seventy-five in Tatarstan (Nezavisimaia Gazeta 21 December 2000).

In fact, Peter Reddaway and Robert Orttung (2004) argued that the federal districts never became such a strong mechanism for cracking down on the regional executives as was sometimes argued by the President and the Federal Government. The federal districts were too poorly institutionalised for that. They had been established by decree with no defined place in the federal construct established by the Constitution, and could hence be removed by decree. Their power largely depended on the support and authority of the president. They also lacked the economic and administrative capacity to become effective instruments of centralisation in the long-term perspective.

Interestingly, President Putin and the Presidential Administration appeared somewhat hesitant to allocate too much power at the federal district level. The Presidential Administration is still in charge of the main outline of regional policies. A federal district office for the Ministry of Finance has not been put up at the district level and the presidential representatives had limited or no control over financial flows between the centre and the regions (Sharafutdinova 2002:4). Also, the federal districts did not have their own budget to conduct independent policies. Moreover, after a couple of years of rather intense activity the districts appeared to lose some momentum.

Ross has even suggested that the federal districts could once again be ‘captured’ by regional political forces (Ross 2003:38). Indeed, in some regions the merging of federal and regional bureaucracies was observed early on (Badovsky 2001:4). For this reason one can raise legitimate doubts as to whether the districts will be able to make the regional federals fall into line.

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289 Tatarstan was one of the regions that were able to keep its treaty with the centre with only minor alterations. A political commentator has described Kirienko’s relationship to Tatar Governor Shaimiev. Shaimiev treats the presidential representative like a waiter. ‘First he listens attentively, then he orders his favourite dish’ (quoted in Treisman 2002:62). The Tatar leadership argued that the Constitution of Tatarstan (November 1992) was in fact instituted before the Russian Constitution (December 1993). Furthermore, the referendum about the Constitution in 1993 was not valid in Tatarstan due to a very low turnout (fourteen per cent). In the end Shaimiev met Putin personally in order to solve these issues, which can be seen as a token of Shaimiev’s special status. This gave mixed results from a federal perspective. For the concessions Tatarstan made in the end, it received compensation in the form of federal grants. In fact, Kozak even had to back off, stating that he had not been referring to Tatarstan in his criticism of the bilateral agreements (Scarlet 2003:340).

290 The presidential representatives had quickly attempted to increase their powers. At the end of the summer of 2000 Volga District Representative Kirienko sent a collective proposal to the President, but ran into resistance from the Presidential Administration. This battle continued throughout the autumn and was finally settled by the January 2001 amendment, which basically benefited the Presidential Administration.

291 They do however monitor the flow of federal transfers and can participate in the design of federal grant programs.

292 This expressed itself in, among other things, low attendance at district meetings. When the Siberian federal district arranged a meeting in the district council on energy issues, which are of the greatest importance, only six of sixteen governors showed up (Russian Regional Report 28 November, 2001).
in the long run. This effect might be increased even more by the fact that the federal districts brought with them a unique inflow of officials of Muscovite origin. In other words, the channel running from Moscow to the regions may work in both directions. If this is the case, then the presidential vertical cannot be seen only as the president’s instrument for reaching the regions, but also as the regions’ instrument for influencing the president and the federal centre. In this sense, the districts actually establish formal and informal networks that stretch across jurisdictions. They might therefore uphold more concerted intergovernmental relations by an approach that was more reciprocal than intended. However, as discussed below, they were seen by some regional leaders rather as a nuisance, merely making intergovernmental relations more complicated than necessary.

The ambiguity of the federal district reform is reflected in scholars’ assessments. Some argue that it endangers the federal foundations of Russia. Vladimir Lysenko stated that the federal districts are in practice meddling in the affairs of regional executives and that this kind of institutional mechanism can work only in a unitary system (Lysenko 2002:14). Cameron Ross has compared the role of the districts to that of the Communist Party in the Soviet Union; ‘a leading and guiding role, but not supplementing’ (Ross 2003:36). Jeffrey Kahn has pointed out that building the power vertical by means of the federal districts resembles the Soviet system of dual subordination, in which the regional executive branch in practice must answer to both its electorate and higher-ranking executive bodies (Communist Party/President) (Kahn 2001:376). The federal principles of two independent levels of government are hence infringed. Leonid Smirniagin, by contrast, argues that the reform, because of its striving for centralisation and reconstitutionalisation, has led to a refederalisation of Russia, although this might have not been the intention (Smirniagin 2001:3).

The second function of the federal districts, intergovernmental coordination and integration (both federal-regional and interregional relations), has been a priority that constitutes a considerable part of the districts’ work. Initially it seemed that the districts were indeed taking on such a role. Figure 9.2. below demonstrates all the contacts in which the federal districts were directly involved during 2000-2001 and 2002-2003 according to press releases.

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294 Daniel Tarschys has illustrated the double and at the same time superior role of the Communist Party during the Soviet era. See “Sovjetunionens politiska problem” (1978, chp 7).
As mentioned above, one of the major problems of Russian federalism had been the fragmentation of intergovernmental relations. Regional leaders had focused quite narrow-mindedly on regional affairs, in many ways as a response to federal policies and socio-economic conditions. The interviewee in the North-Western Federal District claimed that the districts had been a remedy to these problems and that cooperation was facilitated.
‘When we organize meetings and conferences they exchange experiences and knowledge. Thus, without any big steps one can educate people to collaborate more effectively. They perceive this as something positive. I don’t think that there will be any resistance to the optimisation of the system as long as you don’t remove their political power.’ (Interview, February 2004)

As shown by the figure just above, the federal districts tied together almost all parts of the governmental sphere. About a fifth of the events in 2000-2001 (19 per cent) and 2002-2003 (20 per cent) involved contacts that stretched across levels and branches of government (see Table 9.3.). Coordinating federal-regional-local relations was a priority.

After the initial focus on building the presidential vertical and restoring a unified legal space, the federal districts started to concentrate more on attaining a unified economic space in a broader sense that involved a more horizontal outreach. Many presidential representatives underscored this shift of focus. Kirienko appeared particularly keen on this vector of reform. In an interview in a local newspaper he continued:

‘There cannot be a strategy only for the Volga region, but for Russia as a whole. This is the task of the President. And I as his representative must realise this task within the perimeters of the federal district. To take responsibility for programs that integrate the country and that cross regional borders: car construction, aeroplane construction, transport corridors. We should also add inter-ethnic, inter-cultural, inter-confessional relations, which transcend the borders of a single region.’ (Samara, July 26, 2000)

Meeting parliamentarians from the Volga District to discuss the development of interregional economic ties in November 2000, Kirienko stated that ‘if during this year we were building the power vertical, then in the upcoming year I would define this process as building a horizontal’ (Press release, 21 November, 2000). Cherkesov expressed a similar view: ‘We must improve the economic and social situation in the regions by using their own resources and interregional ties. Who if not the federal districts can act as catalysts and coordinators of the practical realisation of such a policy’ (Vek, 9 February, 2001). The same priority could be noted in the Ural district (Kirillov 2001).

These ambitions were not only noticeable in terms of rhetoric, but also left an imprint in practice. The efforts put into the economic sphere increased from 20.2 per cent in 2000-2001 to 24.3 per cent in 2002-2003. These activities naturally implied a more multilateral approach involving governmental

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296 The top priorities in this regard concerned car construction, the oil sector, aeroplane construction, and the building of transport corridors.
297 During 2001 a number of interregional meetings to work out common approaches to issues regarding energy and agriculture were held there.
actors of different levels, state and private companies, and occasionally academic institutions and/or NGOs. Moreover, of the contacts with the non-governmental sector contacts with the business community were the most common (about a third). Observers have concluded that the presidential representatives have indeed become major brokers of interregional flows of capital (Matsuzato 2004:8).

These contacts and activities varied in terms of the degree of formalisation, the intensity, and the parties involved.298 The districts opened up permanent channels for intergovernmental communication: councils, committees and sub-departments. In this way the federal districts facilitated a more multilateral approach than had been the case during the Yeltsin era when bilateral ties had dominated. In Volga District alone about thirty consultative councils have been founded, among which may be mentioned a council for the governors within the district, a trade-industry chamber, a commission on territorial development, a research centre for strategic planning, and councils for women’s organisations, political parties, municipal organisations and the media. In North-Western District three advisory councils have been founded covering economy and investment, law and security, and societal issues (Duka & Rutland 2004:59-62). Similar mechanisms can also be observed in many of the other districts.

It is difficult to establish the degree of formality of these activities. Sometimes the press releases stated that an agreement had been signed, which was usually formulated quite broadly. In other cases the nature of the events involved more informal ways of interaction, such as sharing of information and opinions in seminars and conferences. The analysis of the press releases therefore suggests that the federal districts are not primarily a body for formal decision-making. Rather, they appear to serve the function of a conductor for subsequent decision-making in other settings. The intensity of interaction was very high during this period. One or more of the district officials or departments were involved in various events almost every working day.

The districts were also involved in more temporary activities, such as mediation of multi-level and multi-sector conflicts. For instance, in North-Western District the district administration was involved in solving a dispute over the Baltic Pipeline System (BTS) between Leningrad Oblast, Transneft (the state pipeline company), and the Ministry of Transport (Nezavisimaiia Gazeta, 12 October, 2000). Similarly, during the autumn of 2000 a crisis had

298 The character also varied between the districts. While Latyshev in Ural District focused on what may perhaps best be described as traditional intergovernmental diplomacy involving meetings between various officials, Kirienko in Volga District put a lot of energy into establishing a seminar and conference culture. An explanation for this ‘softer’ strategy might be the extremely delicate political situation in Volga District, which required a less ‘prefectorial’ approach. Another explanation is of course that the presidential representatives have different backgrounds. Whereas most had made a career in the power structures, Kirienko was the only one with a firm background in politics, which also might explain why he was assigned what was perhaps the most complex district.
emerged concerning heating in Ulianovsk Oblast, for which Kirienko was clearly involved in working out a solution. On 14 November 2000 he was able to present a protocol that regulated the situation. Besides Kirienko himself, the protocol was signed by representatives of Ulianovsk Oblast, the Mayor of Ulianovsk, UES (Unified Energy System of Russia), and Ulianovskenergo.

It is clear that the federal district reform, in terms of both its initial rationale and the way it institutionalised, by and large reflects cooperative federalism. The goal was to pull the country together and to restore order, unity, and social accord by means of shared rule. The Putin federal paradigm was in this sense more compatible with concerted intergovernmental relations than the Yeltsin-republican one. However, it was not a partnership on equal terms. The federal level of government was to be the director of politics. Federal-regional relations balanced between multilateralism and top-down unilateralism.

An intriguing thing about the federal district reform is that part of its integrative effect appeared to be unintentional. The districts worked like a wedge that was driven in between the omnipotent governor or president, on the one hand, and other political and economic actors on the regional scene, on the other. This created a more open political landscape at the regional level by disturbing the traditional culture of mono-centrism and centre-focusing (Cashaback 2003:19-22). Indeed, several scholars have claimed that the federal districts and the presidential representatives together with the governors and the regional branches of federal ministries now formed a ‘power triangle’ (Ross 2002:38, 145).

All in all, it appears that the federal districts, at least initially, functioned as a hub for intergovernmental coordination and cooperation. Nikolai Petrov, usually quite a critical commentator on Putin’s policies, admits that the federal district reforms had restored ‘elite space’ (Petrov 2002:82). Not only had the districts brought together officials from various branches and levels. The prior post-Soviet system where local elites had tried to drive outsiders out of their regions to remain kings of the heap had been shaken. There had also been a substantial influx of Muscovite officials into the regions to work in the federal district. Intergovernmental communication had been re-established.

However, there are several reasons to moderate this rather positive image of the districts. First, a recurring feature in the initial debate on the federal districts was the prospect of creating an idle layer of bureaucracy and yet another actor at the regional level. Indeed, the actual efficiency of the many district committees and councils that had been created was questioned by some of those who participated and by some politicians (Lysenko 2002:8). The workload of the federal district is tremendous. The massive pressure of other bodies and agencies might cause the federal district apparatus to drown in its own work. In a newspaper interview in 2000 Chuvashian President
Federov stated that the main result of the reform was ‘enormous delays in the delivery of letters, appeals and decisions. The time for viewing issues has doubled or trebled because now everything is discussed with the presidential representatives in the federal districts, and not only with the presidential representatives, but with their deputies. All papers just circulate’ (Novoe Vremia, October 29, 2000).

Second, the multilateral approach of the districts had a negative effect according to some regional leaders. To some extent there have been fewer contacts between the presidential representatives and important regional leaders. Indeed, only a very small fraction of the contacts arranged by the districts involved direct contact with the president outside the State Council (see Tables 9.3. and 9.4.). Previously privileged regional leaders complained about this. Novgorod Governor Michail Prusak stated that the federal districts ‘restored the power vertical, but as a result they destroyed the link between the President and the governors’ (Expert, 27 November, 2000).

Third, although the districts in many ways stimulated interregional cooperation, one could suspect that in other ways the conditions for concerted intergovernmental relations might in fact worsen. As mentioned above, the centre-focusing tendencies might downplay interregional relations. Moreover, the interregional associations seem to have lost some of their political weight as vehicles for interregional integration and leverage (Badovsky 2001:3; Lysenko 2002:10). In August 2001 the advisor of the Head of Government in Karelia, Tamara Kolesova, stated that important tasks were taken away from the North-West Interregional Association (http://www.csr-nw.ru). Piotr Latyshev (Ural District), on the other hand, stated in December 2002 that the interregional associations played an important role in the past when the regions needed to survive, but that the present situation was different and that regionalisation of the economy was unacceptable (Rossiiskaia Gazeta 31 December 2002).

However, the presidential representatives appear to see the associations quite differently. While Latyshev has treated the Great Ural Association as a competing political structure, Drachevskii (Siberian District) has worked in quite close cooperation with the Siberian Accord (Sakwa 2004:142). It is also interesting to note that inter-district contacts were quite scarce. Only a very small fraction of the districts’ contacts were conducted bilaterally with another district without going through Moscow. Furthermore, the districts’ policies were sometimes poorly coordinated. Polices on socio-economic issues were at times quite different between districts (Badovsky 2001:3).
9.4. Conclusions - Federal Paradigms, Supraregional Organisations and Intergovernmental Relations

The federal district reform was a part of the overarching ambition to modernise and strengthen the Russian state and economy. The state, in particular the federal level of government, was to take on more responsibility for the welfare of the people. The particular aims of the district reform were to restore the power vertical (or the presidential vertical), to establish a dictatorship of law, and to even out socio-economic conditions across regions. The districts were a means that would guarantee that this remained a well-managed process that allowed the Kremlin to maintain a level of control. The federal centre should be a coordinator of politics.

During 2000-2003 the federal districts functioned not only as an instrument for supervision but also as a hub for both federal-regional and interregional coordination. Although formal decision-making within the district framework was quite rare, the activities were quite intense and involved a wide range of political issues. They adopted a multilateral approach and established networks that stretched across regional jurisdictions. In this sense the districts actually made the dual approach conducted by the Kozak Commission more balanced. The federals appeared to have a belief in the utility of supraregional organisations and institutions. Hence the federal district reform on the whole reflected cooperative nation-centred symmetric federalism.

So, is it possible to argue that the Putin federal paradigm upholds more concerted intergovernmental relations than the Yeltsin-republican one? First of all, it is clear that the Putin federal paradigm is in many respects quite different from the Yeltsin-republican federal paradigm, which basically built on a mixture of cooperative and dual federalism combined with region-centred asymmetric federalism. The federal centre had not been able or willing to assume the role of a coordinator. The regional executives had easily captured the former presidential representatives. Interregional associations had with a few exceptions been inefficient. The general approach seemed to be either ‘every man for himself’, bilateral, or in some cases multilateral, but without including the federal centre. This federal paradigm was on the whole more conducive to divided intergovernmental relations than anything else. As demonstrated above, there were fewer networks stretching across jurisdictions and the degree of joint cooperative decision-making was limited.

The federal districts, by contrast, created a fairly rich flora of district councils, committees and standing seminars. On the whole, one can conclude that during the period 2000-2003 the federal districts facilitated intergovernmental communication and coordination of the level of joint cooperative action. Elite space was restored. Moreover, one cannot help noticing that a consensus had been established on the merit of this kind of institutional and organisational mechanism, and also on the more basic principles of federal-
ism. On the whole, then, the Putin federal paradigm appears more conducive to concerted intergovernmental relations than the Yeltsin-republican paradigm. The conditions for establishing trust, predictability and interdependence are better.

However, there were also problems attached to this reform. First, as mentioned, there were signs that after some years the districts formed an idle layer of bureaucracy that actually complicated rather than facilitated intergovernmental cooperation. Moreover, as illustrated above, once in place the federal district institution acquired a life of its own. This produced somewhat unexpected effects, some beneficial to concerted intergovernmental relations, others probably not.

Yet the most serious problem appears to be that the federal approach did not entail the kind of equal partnership that genuine cooperative federalism builds on. There is an inbuilt tension in the ambition to create active intergovernmental cooperation that is managed from above. Much research supports the assumption that too strict a vertical organisation hampers self-organisation and horizontal outreach. The ‘prefectorial’ elements of the reform might have a positive short-term effect in tidying up the mess of the Yeltsin era. In the long run, however, the possibility of interregional collaboration between regional governments initiated from below might be reduced, and the scope for self-organisation restricted.

The presidential vertical might be an institution that infringes on the regional autonomy that could very well lead to ‘creeping prefectorial administration’, which Daniel Elazar has pointed out as a counterproductive feature of intergovernmental coordination and cooperation. There is therefore a risk that a tendency to focus on the federal centre will continue, which might hamper the development of horizontal relations. Russian intergovernmental relations might then become concerted along the vertical, but divided along the horizontal.

The reform of the supraregional organisations in the Russian federal system, first being informed by the Yeltsin-republican federal paradigm and subsequently by the Putin paradigm, suggests that the co-variation between these federal paradigms and intergovernmental relations in this case can be described as in Figure 9.3. below.
Figure 9.3. – Federal Paradigms, Supraregional Organisations and Intergovernmental Relations

<table>
<thead>
<tr>
<th>Yeltsin-republican Federal Paradigm</th>
<th>Putin Federal Paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nature of federal politics:</strong></td>
<td><strong>Nature of politics:</strong></td>
</tr>
<tr>
<td>negative image of ‘other’, perceived low interdependence</td>
<td>perceived higher interdependence.</td>
</tr>
<tr>
<td><strong>Goals:</strong> unity and diversity.</td>
<td><strong>Goals:</strong> unity (<em>Bundestreue</em>), social accord, efficient coordination, equality.</td>
</tr>
<tr>
<td><strong>Means:</strong> self-rule, shared rule without Moscow, bilateralism, de jure asymmetry acceptable.</td>
<td><strong>Means:</strong> shared rule, multilateralism, federal centre as coordinator, de jure symmetry.</td>
</tr>
<tr>
<td><strong>Federal institutions:</strong></td>
<td><strong>Federal institutions:</strong></td>
</tr>
<tr>
<td>Presidential representatives, interregional associations, some networks along horizontal, fragmented vertical regulated by bilateral treaties.</td>
<td>Federal districts, establishing multilateral networks both along vertical and horizontal, some signs of creeping prefectoralism.</td>
</tr>
</tbody>
</table>

Divided IGR  ←  Concerted IGR
10. Conclusions

When Putin was elected president in March 2000 many scholars perceived him as weak. But as things unfolded during his first presidential term (2000-2004) he would be able to remodel the Russian federal system in a way that the federal centre had been unable to do in the post-Soviet era. Elite space was restored. Russian intergovernmental relations became more concerted. Two things were puzzling about this. First, contemporary scholars were bewildered by the relative ease with which the federal reforms could be implemented. Second, it raised the question of what role Putin’s federal policies played in transforming Russian intergovernmental relations from a divided to a concerted mode.

At the beginning of this thesis I proposed that an ideational approach could shed more light on both these issues. I argue that I have indeed found support for the ideational perspective and that it has provided us with valuable insights regarding both the transformation of intergovernmental relations and the relation between Putin’s federal paradigm and intergovernmental relations. It has been shown that the relative ease with which Putin’s federal reforms of 2000-2001 were accepted can be seen in the light of the fact that the federal paradigm they built on had already taken root a couple years before and that its time had now finally come. The thesis has also shown that the Putin federal paradigm encouraged concerted intergovernmental relations in the contemporary Russian context.

10.1. Ideas Whose Time Had Come

This thesis has shown that the respective federal paradigms of the Yeltsin era and the first Putin administration differed in several ways. The period 1992-1998 was characterised mainly by region-centred asymmetric federalism, whereas the most distinctive features of Russian federalism in the following period (1998-2004) could rather be related to nation-centred symmetric federalism. The relative balance of cooperative and dual federalism was more difficult to evaluate, as traits of both cooperative and dual federalism could be identified in each period. Yet the notion of establishing a federal system built on the cooperative ideal appeared stronger during Putin’s first presidential term, although some of the methods of achieving this goal rather appeared to reflect dual federalism.
Hence, although the federal paradigm shift that took place at the end of the 1990s was multi-faceted, its main thrust can be depicted as in the figure below.

Figure 10.1. – The Federal Paradigm Shift

<table>
<thead>
<tr>
<th>Scope of jurisdiction</th>
<th>Nation-centred federalism</th>
<th>Region-centred federalism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autonomy of jurisdiction</td>
<td>Symmetric federalism</td>
<td>Asymmetric federalism</td>
</tr>
<tr>
<td>Dual federalism</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Yeltsin’s oft-quoted statement to the regional leaders - ‘take as much as you can swallow’ - which he continuously repeated from 1990 onwards (also after 1998) encapsulated in many ways the federal spirit that dominated most of the period 1992-1998. Federal policies were often incoherent and of ad hoc character. Consequently, the character of the federal system was in many ways derived from federalism as the most influential regions envisaged it. In their opinion the federal system must be built from below. Autonomy and self-rule were core values. 

De jure asymmetry was accepted or even desired. In the eyes of the regional leadership the federal centre lacked the commitment and the ability to engage in regional affairs in a fruitful manner. Instead, it seemed that the Federal Government was perceived as a predator, which was trying to meddle in issues of which it lacked proper knowledge. The trust in federal institutions and organisations, especially the Presidency, the Presidential Administration, and the Federal Government, was by and large low. As Yeltsin continued to repeat his message of decentralisation it was not very surprising that many regional executive heads actually took as much as they could swallow and in some cases probably more than that. Moreover, some regional leaders were able to take more than others. In effect the Russian federal system became much more decentralised and asymmetric than the Constitution had ever envisaged, and in practice it rather reflected the Federal Treaty (1992).

It should be underlined that the decentralisation process did not reflect increased trust of the federal centre relative to the regional authorities. Rather, the regional authorities were often looked at with growing scepticism. The outline of the fiscal system indicates this. First, the Constitution involved a
long list of concurrent jurisdictions, which was a means of ensuring that the regions, and the republics in particular, would not be able to handle their affairs completely independently. Second, as shown above, the fiscal system remained an important tool for federal leverage over the regions. The system of shared taxes was important in this respect. The sub-national levels of government did not have the jurisdiction to define the rates and bases of several important taxes. Instead, they were dependent on mechanisms of fiscal redistribution, which the Federal Government controlled.

At the end of the 1990s the federal centre was nevertheless losing control of the country. As the Putin administration had consolidated its position, it set up new goals for the country. It was clear that if the federal centre were to remedy the problems that Russia faced it would have to show resolve and strength. It had to establish a new image of itself throughout the regions. Therefore, as Putin consolidated his power, Moscow now became more engaged in regional affairs than it had been for many years. Although there is little reason to believe that governmental actors have radically refined their negative images of the ‘other’, it still seems reasonable to assume that the sudden explosion of federal activity must have had a psychological effect on regional leadership. Considering the lack of engagement and the negligence of the Federal Government during the second half of the 1990s this change was probably welcome among broad layers of the regional elites, who had been brought to their knees by the crisis of 1998. Others probably perceived it as a threat.

The priority was now to modernise Russia, to enhance the strength and efficiency of the state, to restore unity and social accord, to improve economic performance and to combat poverty. These goals had consequences for the views on federalism. The federal paradigm that now gained terrain entailed to a considerable degree new ideas on federal government. It also entailed a generally much firmer stance on federal issues. The federal polices and the manner in which they were conducted appeared to be much more coherent and thought through than in the preceding period.

Putin had stated that a stable federal system requires a strong state. One of the main elements of this new line of federal policy involved instating a ‘dictatorship of law’. This was an attack on the legal inconsistencies between federal and regional legislation that had arisen during the previous decade. These discrepancies were viewed as a substantial obstacle to the modernisation of the economy and as an infringement of the equality between citizens. In order to come to terms with bilateralism and other asymmetric features of the federal system Putin decided to strengthen what he referred to as the ‘power vertical’, which had a somewhat ambiguous meaning. Initially, it seemed to imply the federal executive branch, which had often been captured by regional executive authorities. Later, it was clear that it also involved strengthening the presidency. Putin’s statist approach hence also included centralisation in several regards. Power was to be concentrated not
only in the federal level of government, but also in the President and the Presidential Administration.

These policies manifested themselves through the reforms that were scrutinised in this thesis. It is interesting to note that the federal policies that these reforms represented were by no means new. Similar reforms had been proposed or adopted several years before without any noticeable change to Russia’s federal system. Yet the federal ideas these reforms reflected failed to take root. The resistance among regional leaders, especially those representing non-Russian nationalities, to any attempt at centralisation was strong. Federalism built from the bottom up was seen as the foundation of the federal system. So what was different this time around? What allowed these ideas to catch on?

In a Kingdonesque spirit I have argued throughout this thesis that the Putin paradigm was based on federal ideas whose time had come. At the turn of the millennium a combination of various streams converged with several factors in Russian politics, which allowed this paradigm to emerge and take root. First of all, the federal system had produced a critical mass of anomalies and was no longer sustainable in the eyes of many governmental actors. Moreover, President Yeltsin, the ‘Yeltsin family’, and the old-guard liberals were completely discredited as policy-makers. Since 1997 the demand for new leadership with fresh ideas had been rapidly growing. At the same time a consensus regarding the problems that Russia faced was forming. In other words, the political soil was becoming increasingly fertile for change.

In 1998 Russia was hit by both a political and economic crisis. This crisis became a focusing event that made it utterly clear to most governmental actors that the current federalism and its institutional manifestations were no longer feasible. The political elements of the 1998 crisis opened up a window of opportunity that would last for almost two years. The period 1998-2000 provided several choice opportunities for new actors as well as new ideas. During this period Yeltsin removed and appointed five cabinets. One cannot help noticing that during the period September 1998-December 1999 all three prime ministers (Primakov, Stepashin, and Putin) had a background in the intelligence sphere. Although they were not from the same political ‘team’, it was nonetheless clear that these actors basically shared the same ideas. Yeltsin had now opened the door to a set of actors with certain beliefs.

Moreover, and perhaps more importantly, the crisis converged with the Russian election cycle. Parliamentary elections were planned for December 1999, and presidential elections for spring 2000. After a short while as prime minister Putin emerged as a credible and popular politician, who represented the federal ideas that had gained ground for a couple of years among federal as well as regional elites. His appointment to the prime minister post also occurred at a time when Russia was going through a remarkable economic recovery. This economic progress and Putin’s tough stance on the Chechnian issue also brought him great popularity among the people. As the parliamen-
tary elections in December 1999 approached he could invest a great deal of authority in winning the election for ‘Unity’, which had been established as a party loyal to the Kremlin. As Yeltsin resigned on New Year’s Eve nothing appeared to stop Putin from becoming president. Putin’s political position at the time set in motion a bandwagon of considerable magnitude, which ‘convinced’ Putin’s critics that the time was right for a federal paradigm based on cooperative nation-centred symmetric federalism.

In short, one of the main arguments of this study is that the political and economic crisis of 1998 constituted a turning point in the way federalism was conceived among broad layers of the governmental elite, especially in the federal centre, but also throughout many regions. The crisis disturbed the equilibrium that had prevailed, and underlined the problems that the country faced. It shook people’s beliefs about federal governance and brought federal issues to the top of the agenda. Governmental actors reached for a federal approach that involved centralisation and asymmetry. A majority of governmental actors appeared to perceive this traditional approach as more viable than the Yeltsin-republican federal paradigm. The federal paradigm shift hence paved the way for Putin, who was able to cultivate the already fertile soil. This ideational shift was also the beginning of the transformation of Russian intergovernmental relations.

Organisation and Anarchy in Federations

In Agendas, Alternatives, and Public Policies (1984) John Kingdon noted that the garbage can model of organisational choice and temporal sorting, as visualised by Cohen, March and Olsen (1972), in many ways captured the fashion in which agenda-setting in federal government works. However, the study at hand has utilised this approach in a somewhat broader way. This thesis has centred on the process through which ideas surface and take root or wither away in a federal environment that involves both the executive branch of the federal and regional levels of government, and actors outside the governmental sphere such as scholars and experts. I have shown that the basic theoretical notions elaborated by Kingdon, James March, and Johan Olsen constitute a helpful point of departure for understanding the manner in which federal paradigm shifts occur. Hence, in this thesis organisational choice concerned the coming and going of ideas about federalism.

Indeed, the Russian case shows that timing of coupling of streams matters and that there is a high degree of coincidence, or anarchy if one will, involved in this process. However, the Russian cases also showed that the same people coupled problems and solutions in a similar manner for longer periods. Participation and the coupling of streams were not completely fluid. From the beginning of the 1990s onwards the dynamics of federal politics changed quite little. Consequently, this approach needed to be supplemented with theoretical elements in order to understand not only ideational change, but also ideational stability. For this reason I have combined temporal sort-
ing with some theoretical elements of historical institutionalism and the theorising of Thomas Kuhn.

By combining temporal sorting and the institutional approach I acknowledged that the outcomes in a political system are not the sole result of a random coupling of streams, but in many ways influenced by the ideas that permeate the system and their institutional expressions. In other words, I have emphasised that institutions establish major choice opportunities when the problem recognition stream and the policy formulation stream can be coupled, and who is able to influence this process. The institutions of a political system thus create a degree of stability and predictability. By viewing ‘politics’ not as a linear stream, but as a cycle, we capture this. The cyclical perspective also better underlines the contextual and historical dimensions of stream-coupling. How streams have been coupled in the past influences how they are coupled in the present. Again, institutions are like coral reefs, consisting of layer upon layer of ideas. The Russian case clearly illustrates that some Soviet federal ideas, such asymmetric federalism, lived on. Similarly, many elements of the Putin federal paradigm are of a more traditional character.

A positive outcome of the combination of temporal sorting and the institutional approach, however, is that it can handle both stability and certainty, on the one hand, and a level of flux and unpredictability, on the other. While policy paradigms and their institutional manifestations usually create organisation, there is also room for anarchy because the structural perspective of the temporal sorting approach is not static. Structure is constituted by streams and cycles that are stable, but in constant motion. For this reason there is always a possibility that streams will be coupled in unexpected ways and by unexpected actors. This is especially the case if major choice opportunities predicted by ‘politics’ coincide with fluctuations in the policy formulation and problem recognition streams. The Russian case illustrates that when a period of major choice opportunities (the parliamentary election in December 1999 and presidential elections in 2000) coincided with a major focusing event (the 1998 crisis, which involved the accumulation of a critical mass of anomalies in the federal system in combination with external economic factors), the political landscape opened up for ideational and institutional change.

In this sense the dynamics of ideational stability and policy paradigm shifts can be somewhat dramatically viewed in a Kuhnesque spirit as ‘intellectually violent revolutions’ (Kuhn 1996). In my opinion, one of the great merits of Peter Hall’s introduction of the policy paradigm approach, which built on Kuhn’s theorising, is that it brings a psychological dimension to ideational change. There must be a demand for ideational change. Actors must also place their hope in a new paradigm and see its potential, although the old one is probably better fitted to handle current problems. The federal paradigm that Yeltsin represented was considered hopeless. Yeltsin himself
was completely discredited as a policy-maker. At this point in time there was clearly a demand for new actors with new ideas. Putin emerged as a credible policy-maker at the right time. Putin and the political revival - including a new federal paradigm - represented hope.

Although I argue that these conditions were very important in order to understand the process by which these ideas’ time had come, I do not claim that it is an exhaustive understanding of the federal paradigm shift. Other explanations based on agents and individual power (excluding formal authority through institutions) have played a secondary role in this thesis. Yet, the personal power and skills of policy entrepreneurs certainly matter.

In this regard it should be noted that prior to his appointment to the prime minister post Putin was the head of the Russian security service, the FSB. In 1998 this organisation was probably one of the few federal organisations that still exercised a considerable amount of leverage. Putin was most probably supported by great parts of the intelligence sector, not to mention the powerful Yeltsin ‘family’. I also argue that he demonstrated great skills as a policy-maker and a politician as he managed to balance the influence of the Yeltsin clan against a new generation of his own allies. He was also able to implement the new federal paradigm without provoking too much resistance and to find compromises with the regional leaders, who still resented these novelties. Powerful and skilled policy entrepreneurs can in this sense cause ideational and institutional change.

A point related to power concerns the material conditions of the Russian Federation. The country is characterised by a high degree of de facto asymmetry, i.e. a great number of different nationalities, unevenly distributed natural resources, and socio-economic differences. Peter Söderlund (2006) has illustrated that regional economic wealth matters. As indicated in this study, the most influential regional leaders are usually those who represent resource-rich regions or regions with large minorities. Moreover, as mentioned in passing above, the Soviet economic structure where regions were industrially specialised created poor incentives for interregional cooperation. The general state of the national economy also matters. As the federal economy recovered in 1999-2000 it seems reasonable to assume that the federal capability to introduce controversial federal policies without taking the regional elites into consideration increased.

Power and material and socio-economic conditions are consequently important factors to take into consideration when studying intergovernmental relations. Yet I maintain that how these factors interact and blend with ideational structures such as federal paradigms is a story that is also worth telling. In my view these different perspectives do not compete with, but rather complement, each other.
10.2. Federal Paradigms, Federal Institutions and Intergovernmental Relations

The assumption that the shift of federal paradigms mattered for the transformation of Russian intergovernmental relations implies that the Putin federal paradigm was more conducive to concerted intergovernmental relations than the Yeltsin-republican one. In other words, it appears that in the Russian context at this point in time cooperative nation-centred symmetric federalism was more conducive to concerted intergovernmental relations than the dual region-centred asymmetric federalism of the Yeltsin era. The relations between the Yeltsin-republican and Putin federal paradigms, federal systems, and intergovernmental relations are illustrated by the figure below.\(^{299}\)

Figure 10.2. – Federal Paradigms and Intergovernmental Relations

<table>
<thead>
<tr>
<th>Yeltsin-Republican Federal Paradigm</th>
<th>Putin Federal Paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nature of politics:</strong></td>
<td><strong>Nature of politics:</strong></td>
</tr>
<tr>
<td><strong>Goals:</strong></td>
<td><strong>Goals:</strong></td>
</tr>
<tr>
<td>Diversity without complete disintegration.</td>
<td>Bundestreue, unity, social accord, efficient coordination, dictatorship of law, equality.</td>
</tr>
<tr>
<td><strong>Means:</strong></td>
<td><strong>Means:</strong></td>
</tr>
<tr>
<td>Self-rule, bilateralism, de jure asymmetry acceptable.</td>
<td>Shared/self-rule, power vertical, multilateralism, consensus, federal centre as coordinator, de jure symmetry.</td>
</tr>
<tr>
<td><strong>Federal institutions:</strong></td>
<td><strong>Federal institutions:</strong></td>
</tr>
<tr>
<td>Fiscal institutions: unfunded mandates, shared taxes, 50-50 scheme, low degree of ear-marked transfers.</td>
<td>Fiscal institutions: unfunded mandates not acceptable, unified fiscal system, shared taxes remain, but to a lesser extent. 50-50 scheme abandoned. Higher degree of ear-marked transfers.</td>
</tr>
</tbody>
</table>

Divided IGR  \(\text{\rightarrow}\)  Concerted IGR

\(^{299}\) These relations are neither causal nor necessarily universal. Rather, the figure first and foremost points to relations that appear likely to co-vary in federal systems.
Dual Region-Centred Asymmetric Federalism and Divided Intergovernmental Relations

The Russian Constitution establishes a long list of concurrent jurisdictions, which is the hallmark of cooperative federalism. One would imagine that cooperative federalism is more likely to lead to concerted intergovernmental relations. In the Russian Federation, however, this relation was questionable during most of the 1990s. As shown above, the institution of concurrent jurisdictions had been an attempt by the founding fathers to bind governmental layers together. However, at this moment in time it rather seemed to have the opposite effect. Federal and regional executive leaders engaged in turf wars as each party attempted to pull the ‘jurisdictional blanket’ over to their side. It also forced the regional leaders to focus on their relations with the federal centre.

A lot of the same dynamics could be observed regarding fiscal federalism. The institution of shared taxes was a way for the federal centre to maintain control over the regions by keeping regional budgets underfunded. Naturally, this often strengthened the mainly negative view of the federal centre. Furthermore, this state of affairs made it more difficult for the regional executives to plan ahead. Again, the propensity of the regional leaders to focus on the federal centre as the main source of income held back interregional cooperation. As a result the Federal Government viewed the regional leaders as troublemakers. The regional leaders, on the other hand, perceived the federal centre as an indifferent and incapable predator. The high level of Bundestreue and the sense of working federalism that are both necessary to make concurrent jurisdictions work appeared to be in short supply.

The eight interregional associations were also an expression of the general decentralisation process of the 1990s and the fact that the regions were very much left to their own devices. These associations represented a case of cooperative federalism that here appeared to encourage partly concerted intergovernmental relations. Networks were established across regions. However, the federal centre was basically excluded from this cooperation apart from being the target for regional lobbying through the associations. This type of concertedness can also be observed in Canada and Switzerland.

The combination of a low level of Bundestreue, federal passivity, and Yeltsin’s federal policies encouraged the regions to handle regional affairs in an independent manner and created an often narrow focus on regional politics. Having been appointed by popular elections, the governors started to dominate regional politics and in many cases even controlled the regional branches of federal authorities, which were dependent on regional structures for wages, office space and housing. Many regions established legislation that contradicted federal legislation. This kind of irregular legislation was manifest both in regional charters and in the bilateral treaties.

The competition for political or fiscal benefits through bilateral treaties encouraged regional executive leaders to focus on the Kremlin and to engage
in turf wars. In consequence interregional cooperation was often underdeveloped. The interregional associations were in many cases quite idle organisations, although there were exceptions to this rule. As a result intergovernmental cooperation and coordination were in short supply. One can conclude from this that the kind of cooperative region-centred asymmetric federalism that permeated the Yeltsin-republican federal paradigm, and its institutional manifestations, constituted a road map that guided governmental actors towards divided intergovernmental relations.

Cooperative Nation-Centred Symmetric Federalism and Concerted Intergovernmental Relations

In what ways, then, was the Putin paradigm more conducive to concerted intergovernmental relations? Formally, the premises of the Constitution were not changed. Yet in many ways the constitutional framework was filled with new substance, both in terms of institutional mechanisms, and in spirit. In the short-term perspective the Putin federal paradigm entailed remedies to several of the problems that had marked the Yeltsin era. However, it is questionable whether this line of policy will be sustainable in the long run. The federal reforms of the autumn of 2004 represent federal policies that are likely to discourage concerted intergovernmental relations. But let us first summarise the approach and the institutional mechanisms of the Putin federal paradigm that by all appearances were favourable for concerted intergovernmental relations.

One of the greatest differences between the Putin federal paradigm and the Yeltsin-republican one was the role of the federal centre. The comprehensiveness and dynamism with which Putin introduced his federal policies in 2000 marked the end of federal inactivity and incapability. It signalled to the regional leaders that the federal centre would henceforth play a much more energetic role in intergovernmental affairs. Moreover, the policies were launched in a manner that gave the impression of a carefully thought-out program for the development of the federation. The ad hoc policies of the Yeltsin era appeared to be over. To many of the regions that had suffered from the political and economic crisis of 1998 this turn of events was most likely welcome. Those who took a more sceptical standpoint were either swept away by the Putin bandwagon or remained modest in their criticisms.

Another great change was that under the Putin administration the Russian economic and legal space has become more unified than before. This almost by definition facilitates collaboration between various governmental actors because legal and organisational principles become harmonised. The practice of bilateralism had increased the fragmentation of the country. Although the practice of signing bilateral treaties had been abandoned before Putin became president, he was very clear about his negative position on this issue. No region could count on special treatment by default any more, and bilateral treaties would play a marginal role in the future. Putin seemed to prefer
more multilateral approaches, which might stimulate more concerted intergovernmental relations. Multilateralism binds together governmental actors from various levels and branches. There is a stronger likelihood that elites will become more integrated, and understand each other’s interests, which may in turn increase predictability and mutual respect. In other words, Bundestreue is more probable in such a setting.

Further, as mentioned above, the policy of further clarifying the list of concurrent jurisdictions was somewhat paradoxically a way of enhancing the preconditions for concerted intergovernmental relations. However, considering the mainly negative views of the ‘other’ and the low level of Bundestreue among governmental actors (trying to maximise gains and viewing politics in zero-sum terms), this might in fact have created better preconditions for concertedness because all actors are more certain about their own position, which generates trust and predictability. In a similar fashion, the federal ambition to strengthen the regional fiscal autonomy appears to contradict the goal of increasing intergovernmental unity. It might however positively influence accountability and predictability, which may indeed be important factors for cooperation and coordination. A solid tax base potentially creates regular incomes that allow for long-term thinking and lessen the dependency on the federal centre. This, in turn, may strengthen the horizontal outlook of regional governments. They become less dependent on an external hand that feeds, and may be more able and willing to seek ways to develop their economies beyond regional administrative borders.

However, this fairly positive image outlined above is far from clear-cut. It seems that some elements of these reforms might in fact discourage concerted intergovernmental relations in the longer perspective. Several of these institutional mechanisms had in common that they were, or at least were intended to be, managed in a top-down manner. One of the clearest features of the Putin paradigm was centralisation, although it should be underlined that the Putin paradigm includes elements of decentralisation as shown in this study.

The nation-centred approach goes well with concerted intergovernmental relations, as the German and South African cases illustrate. However, there are different kinds of ‘nation-centredness’. A centralised federal system may imply that most jurisdictions are allocated at the federal level, but that regional governments are at the same time deeply involved in legislation regarding these jurisdictions through their representation in the upper chamber of parliament. Another type of centralisation may entail a more ‘prefectorial’ style of management on the federal government’s or the president’s side. As stated above, research indicates that this kind of centralisation appears to have a negative impact on interregional collaboration as well as on the overall effectiveness of the federal system.

For instance, as to the reform of the Federation Council, it can be questioned whether it was Putin’s main goal to create a more vibrant node of
intergovernmental communication. Although the Federal Government probably would not mind working with less ‘narrow-minded’ senators, the goal also appeared partly to be to squeeze the governors out from the federal centre and to downgrade their political influence at the federal level.

As mentioned above, better defined regional jurisdictions might initially have had a positive influence on intergovernmental relations. In the longer perspective, however, as the need for more inter-jurisdictional activity is likely to increase, this more dual arm’s length design might impede this development. Moreover, the Commission also reduced the regional scope of jurisdiction. Several commentators have pointed to the risk of sub-regional governments becoming mere implementers of federal policies as concurrent jurisdictions have become heavily regulated by federal framework legislation. In theory it leaves very limited room for independent regional action.

The fiscal system was reformed in a way that aimed to create a more solid regional tax base. The simultaneous reduction of the scope of fiscal jurisdiction and increase of fiscal autonomy conveys a complex message. On the whole, considering that the outcome of this reform did not fully match its ambitions, it was in the end a way of reducing the financial leeway for the regions, especially for the most prosperous ones. As to the federal districts, besides fulfilling the function of a hub of intergovernmental communication and cooperation, they were perhaps first and foremost a way of re-establishing control over captured federal agencies and coordinating their work throughout the regions from above.

In sum, in the short-term perspective Putin’s policies were clearly conducive to concerted intergovernmental relations. The federal centre was now determined to establish the dictatorship of law through the erection of a power vertical. Order and the presence of a strong coordinator do create predictability and hence better preconditions for cooperation and more concerted intergovernmental relations. Federal-regional relations appeared to become much more integrated through various institutions and organisations than during the Yeltsin era. However, one can entertain serious doubts as to the comprehensiveness and the future prospects for this ‘concertedness’ of Russian intergovernmental relations.

The tendency towards prefectorial rule and a formal and legalistic interpretation of federalism appears to make the Russian federal system fragile and to establish poor conditions for intergovernmental cooperation, especially between the regions. If the federal system builds on a strong direct federal engagement in regional affairs, concerted intergovernmental relations can be maintained, but only as long as the federal centre is able and willing to do so. To maintain concertedness built on coercion, and not on negotiation in the upper chamber, requires much resource. Prefectorialism also forces the regional leaders to focus excessively on the federal centre. Satisfying the hand that feeds them then becomes more important than other governmental networks and schemes of cooperation. Interregional relations thus remain
basically underdeveloped. In short, intergovernmental relations become vertically integrated and horizontally fragmented.

10.3. A Prelude to Future Research

What lessons can one draw from this study at a more general level? Most importantly, I think it has demonstrated that an ideational approach to the study of intergovernmental relations in federal systems can be rewarding. The Russian case has illustrated that when a federal paradigm shift occurred in connection with the political and economic crisis of 1998, the mode in which intergovernmental relations worked followed suit, albeit with some delay. This suggests that what federal paradigm permeates a federal system actually matters. By developing the concept of policy paradigms into federal paradigms to fit federal studies we have taken a step towards a better understanding of how ideas on federal government, how the way these ideas are institutionalised, and how they come into practice, influence intergovernmental relations. There are still many aspects that remain to be explored. Here I mention two.

First, this study has put forward the argument that the paradigmatic elements cooperative federalism, nation-centred federalism, and symmetric federalism appear to be a common combination, and that the federal paradigm these elements form, cooperative nation-centred symmetric federalism, is conducive to concerted intergovernmental relations. Of course, basing these results only on a single case means that caution is necessary when making strong general inferences. Yet the results can serve as a prelude to future research.

Cooperative federalism is conducive to concerted intergovernmental relations because it implies goals and means that emphasise the importance of unity, interdependence, and a shared common destiny. Actors who sympathise with the cooperative ideal have a tendency to view each other as part of the same team and as potential partners. The ‘federal game’ is conceived in positive-sum terms. This means that the institutional design, which is likely to follow, reassures a certain level of Bundestreue between all governmental actors. The institutional solution that follows cooperative federalism is likely to include concurrent jurisdictions. It is perceived that unity is best achieved by sharing the powers and by performing jointly the responsibilities that sovereignty brings.

The German, South African, and U.S. cases demonstrate that cooperative federalism is often coupled with nation-centred federalism. The federal centre plays an important role as a node for intergovernmental communication and cooperation. A more energetic engagement of the president and the Federal Government, and nation-centred policies, might facilitate economic coordination and performance in a time of increasing interdependence and
complexity. Again, it is important to underline that an overly intrusive federal government might have the opposite effect. Prefectorialism hampers the regions’ ability and will to act independently in response to their particular challenges and to plan ahead basing their decisions on regional conditions. In short, the federal centre should be a coordinator rather than an actor who meddles directly in regional affairs.

Furthermore, the cooperative and nation-centred federal ideals are frequently coupled with the notion that jurisdictions should be distributed equally across the constituent units. A majority of those federations usually described as cooperative have no formal provisions that make them asymmetric. In order to ensure this, the federal level often dominates intergovernmental relations. If one seeks to combat poverty and promote equal living conditions across the nation, the federal centre is probably seen as the best guarantor of such goals.

Are all these relations also valid in a more general sense? On the one hand, not only the Russian case, but also the German, the South African, and the U.S. cases imply that cooperative federalism, nation-centred federalism, and symmetric federalism go well together, and that the federal paradigm they form upholds concerted intergovernmental relations in these federal systems. On the other hand, there is still much to be investigated if we are to confirm these relations with greater certainty.

The Russian case illustrates that there were tensions between the views on the essential nature of politics, and what policy goals and policy means governmental actors set up. As pointed out above, policy goals and policy means that derive from the cooperative nation-centred symmetric federal paradigm might in fact encourage divided intergovernmental relations if the degree of *Bundestreue* is low. The Russian case also shows that one must take into consideration socio-economic and ethnic conditions. Simply, the cooperative nation-centred symmetric federal paradigm may well not be conducive to concerted intergovernmental relations in all federal systems. Under what conditions this is the case is an important task for future research.

A second topic that deserves more attention concerns value consensus. As I dug deeper into the Russian case I discovered that a great proportion of the Russian governmental elite embraced or at least accepted the Putin federal paradigm. This made me think about what role consensus around a federal paradigm plays as a supplementary precondition for concerted intergovernmental relations. To establish a consensus on federal policies among the elites has been an important element of Putin’s political approach. During his first presidential terms he was much less confrontational than Yeltsin and always seemed to be anxious to tap into whatever his possible opponents had to say in order to adjust his policies or at least to present them in a way that was not too provocative, although without compromising too much with his own priorities. The fact that the Putin team was able to reform the federal system in an unprecedented way indicated a rather high level of value con-
sensus or acceptance for the ideas on federal government that Putin advocated.

Vladimir Gelman argues that this consensus was ‘imposed’ (2003:44). It is certainly true that political and administrative measures have been used in order to ‘convince’ regional leaders to join the Putin bandwagon, especially at a later stage. Yet it does not change the main thrust of the argument that the forging of a consensus, be it imposed or voluntary, appears to be a factor that both made the implementation of the Putin federal paradigm more probable and enhanced its concerted features.

Can we bolster theoretical support for this empirical observation? The assumption that a high level of ideational and organisational congruence may encourage cooperation is common in many fields of research, such as transition theory (Rustow 1970, Steen & Gelman 2003), international relations (Adler & Barnett 1998; Richards 2001; Wendt 1999) and organisation theory (Smircich 1983). Anton Steen has asserted that ‘only internalised values among the broader leadership provide the basis for a minimum level of political integration and joint actions’ (2003:ix). Alexander Wendt has argued with regard to ideas about identity and interests that ‘when these various beliefs are not shared, when there is no cultural definition of the situation, then actors are likely to be surprised by each other’s behaviour, and the outcomes of their interaction will call their beliefs into question’ (Wendt 1999:187). In this way, shared ideas and values stimulate diverse interaction, long-term interests and trust, because inter-subjective meaning is created that provides a common language (Adler & Barnett 1998: 3, 31).

I assert that this argument can be applied to federal studies, in particular to federations that are in a state of flux as the Russian Federation was during most of the 1990s. Instability makes shared ideas important because, as argued by DiMaggio and Powell, ‘when organisational fields are unstable and established practices ill formed, successful collective action depends upon defining and elaborating widely accepted rules of the game’ (DiMaggio and Powell 1991:30). Or as stated by Barry Weingast: ‘ex ante conventions help reduce ambiguity by serving as a focal point, thus allowing members of a community to coordinate their behaviour by arriving at similar conclusions in a new situation’ (Weingast 1995:450).

Shared ideas may in a similar fashion be important for federal systems and the character of federal intergovernmental relations. Carl Schmitt has argued that federal systems must have a substantial level of homogeneity in order to function, and ultimately to survive. The substance of this homogeneity may be cultural or ideological (Ulmen 1992). In fragmented organisations such as federations it is difficult for actors to grasp what in fact lies in his/her interest due to the organisation’s complexity and the lack of credible and unambiguous information. Actors then fall back on dominant mental models that block out other parallel and perhaps competing rationales. If these mental models are shared or compatible, collaboration and coordination may be
smoothed as standard operating procedures and routines then make the organisation operate in tune across the system (Peters 1998:298-299). Ideational congruence may help to create a ‘systemic bias’, by which the anarchic features of a federal system can be reduced. As a result the fragmentation and segmentation of problems, and solutions created by garbage-can dynamics, can at least partly be overcome (March & Olsen 1989:14).

To conclude, this study proposes several topics for future research. One concerns the conditions under which the cooperative nation-centred symmetric federal paradigm is not conducive to concerted intergovernmental relations. It also proposes to further investigate the argument that a shared belief among the governmental elite of federal systems in the viability and legitimacy of cooperative nation-centred symmetric federalism encourages concerted intergovernmental relations.

Epilogue – Towards a Unitary State?

On 13 September 2004 yet another set of reforms was launched that concerned the principles of organisation of the Russian state. One of these laws has a direct bearing on the federal system. The regional executive heads will be nominated by the president on the basis of lists of persons compiled by the federal districts. A candidate is then proposed to the regional legislative chamber, which formally appoints the new governor. If the regional chamber rejects the nominee twice, and consultations are unsuccessful, the president has the right to dissolve the legislature. As of 2006 all regional executive heads will be appointed.

Obviously this reform increases the powers of the federal centre, and the powers of the president in particular. The prefectorial tendencies of the federal policies introduced in the preceding presidential term were thus further strengthened. But does this mean the end of Russian federalism? Clearly, when the federal centre has such a strong influence on the appointment of regional executive leaders the federal principle of non-centralisation is infringed. The balance between autonomy and unity, which all federal systems build upon, is broken. So yes, in formal terms Russian federalism is indisputably threatened. Russia is on the verge of leaving the federal paradigm and becoming a federation in name only.

However, in practice the regional elites are still an influential group that cannot be disregarded by the federal centre. As argued by Helge Blakkisrud (2005), the reform itself, and the very limited resistance among the regional executive leaders, might be explained by the fact that the regional elites actually benefited by the reform. Having been in power for more than eight years, for many influential regional leaders, such as Yurii Luzhkov (Moscow City), Murtaza Rakhimov (Bashkortostan), Eduard Rossel (Sverdlovsk) and Mintimer Shaimiev (Tatarstan), their term was coming to an end. The easiest
way to prolong their career in this situation was by agreeing to become appointed and then establishing good relations with the Kremlin.

Moreover, I have several times come across an attitude among the regional leadership that Moscow is far away and that the regions will always find a way to circumvent federal policies if they want to. The representative of the North-West Interregional Association stated with regard to the reform packages of 2000-2001: ‘The regions will adapt. We have a saying: a law is like a lamppost, you can’t jump over it, but you can go around it. We’ll manage.’ (Interview, November 2002). In this informal sense the Russia of 2006 is still a decentralised system, balancing between the federal and the unitary principles of government. The Russian state-building process will most probably continue.
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