TITLE: Agrarian Interests and the Politics of Reform in Post-Soviet Russia

AUTHOR: Don Van Atta
Duke University

THE NATIONAL COUNCIL FOR SOVIET AND EAST EUROPEAN RESEARCH

1755 Massachusetts Avenue, N.W.
Washington, D.C. 20036
PROJECT INFORMATION:

CONTRACTOR: Duke University
PRINCIPAL INVESTIGATOR: Don Van Atta
COUNCIL CONTRACT NUMBER: 807-06
DATE: April 9, 1993

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* The work leading to this report was supported by contract funds provided by the National Council for Soviet and East European Research. The analysis and interpretations contained in the report are those of the author.
Since it began under Gorbachev, economic reform has had a political purpose, that of breaking the power of the old ruling elite by challenging its monopoly over the economy. Political control has now largely slipped away from the professional party workers to the enterprise and farm managers, who are perfectly conscious of the political implications of economic change. Among these, agricultural managers, much more than industrial ones, feel their power to be threatened by reform and privatization. So agrarian reform, agricultural production incentives, and private property are all tied together in a single, politically-explosive bundle.

The struggle for resources and control between most farm managers and their farm clienteles, on the one side, and individual farmers and reform-minded specialists on the other, is far from resolved. Nor are agrarian interests' relations with other groups, particularly the currently politically-dominant industrial managers' bloc, clear and unambiguous. What is clear is that the new post-Soviet Russian state is too weak to drive through reform by the leaders' orders, and that agrarian interests will play a key role in shaping the new Russia. To make reform work the government needs to find or create social forces which will support it, which must include many of those industrial and agrarian interests.

This paper surveys the overall failure of the "top down" attempt at radical economic reform in 1992. Policy-makers paid relatively little explicit attention to agrarian reform in the overall reform debate, but that debate set the context for rural transformation and the activity of agrarian interest groups. The paper reviews these groups and the formation of an uneasy

1Prepared by the staff of NCSEER.
alliance of industrial managers with conservative agrarian interests, and then considers the effect of the most likely coalition of social forces on the future of the Russian countryside, especially the independent farmers.

The long-term strength of both the "Civic Union" coalition and the various agrarian organizations representing currently dominant interests (the Kolkhoz Council, the Agrarian Union, and its bloc in the Congress of People's Deputies) may be doubted because they lack the infrastructure of local organizations that makes an institution endure. Nevertheless, they are now the dominant political players. To resolve their own internal conflicts and to secure their dominance they need a Russian state capable of implementing policy. Therefore the author poses the likely short term possibility of a "marriage of iron and rye", a more authoritarian socio-political coalition characteristic of Germany from the late 19th century to the early 1930s, or Japan before and after WWII. Over the long run, however, an alliance of industrial managers and the kolkhoz and sovkhoz elite is likely to end over the latters' inefficiency and inability to feed the country, disagreement over private land ownership, and a potential natural alliance of new industrial capitalists with independent capitalist farmers. The division between the Civic Union and the National Salvation Front is real and deep. That split, and the real roots which the farmer's organization has developed in the countryside, with local associations in every district, suggest that the independent farmers, and AKKOR, can survive and prosper.
Introduction

From 1953 to 1991 Soviet leaders struggled to preserve and improve the institutional legacy Stalin left—a centralized, imperial state and economy. Attempts at reform finally led to the collapse of the whole state structure. In the brief period since the August 1991 coup two basic questions have already been resolved. Market relations are replacing the command economy. Overall marketization and privatization, as well as explicitly agrarian reform, are fundamentally altering the agrarian institutions established by collectivization. The painful process of adaptation is proceeding. After all the struggles over government assistance and threats of imminent bankruptcy, about 24,700 of Russia's 27,200 farms and food processing enterprises finished 1992 with a profit.¹ But the post-Soviet Russian state has so far been unable to recreate mechanisms by which its positive political purposes could be achieved. So the Russian polity's future, and the country's democratic development, are far from assured.

Since it began under Gorbachev, economic reform has had a political purpose. that of breaking the power of the old ruling elite by challenging its monopoly over the economy. Political control has largely slipped away from the professional party workers to the enterprise and farm managers, who are perfectly conscious of the political implications of economic change. As Arkadii Vol'skii, leader of the major industrial interest group, the Russian Union of Industrialists and Entrepreneurs (RUIE), commented, "power belongs to those who have property and money. At present it is not the government but the managers who have both."² Agricultural managers, much more than industrial ones, feel their power to be threatened. Industrial managers bring undoubted entrepreneurial skills to large
enterprises which are physically united (a factory cannot be split easily into smaller units),
while kolkhoz and sovkhoz managers’ activities are much less obviously necessary. Farm
land is divisible in a way that an industrial enterprise is not. Arguments that economies of
scale apply to Russian agriculture are not very convincing given the historically poor
performance of large Soviet kolkhozy and sovkhozy. Proper incentives for the person who
actually carries out the farm work are the most important determinant of a farm’s success.
As development economist Theodore W. Schultz commented a quarter-century ago, "once
there are investment opportunities and efficient incentives, farmers will turn sand into gold."

Full personal dependence on the financial results of the farm—which has historically meant
competitive markets in land, agricultural inputs and produce as well as managerial indepen-
dence—offers the best set of such incentives. So agrarian reform, agricultural production
incentives and private property are tied together in a single, politically-explosive bundle.

Agrarian interests will play a key role in the shaping of the new Russia. But just how
those interests themselves will be organized, and what that role will be, is not yet clear. The
struggle for resources and control between most farm managers and their farm clienteles, on
the one side, and individual farmers and reform-minded specialists on the other, is far from
resolved. Nor are agrarian interests’ relations with other groups, particularly the currently
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This paper surveys the overall failure of the "top-down" attempt at radical economic reform in 1992. Policy-makers paid relatively little explicit attention to agrarian reform in the overall reform debate, but that debate set the context for rural transformation and the activity of agrarian interest groups. The paper then considers the effect of the most likely coalition of social forces on the future of the Russian countryside, especially the independent farmers.

The Fall of Gaidar

Two months after defeating the attempt by leaders of the old Communist apparatus to roll back reforms and reunite the USSR by force, President Boris Yeltsin announced his intention to achieve a "reformist breakthrough" in transforming Russia. The program had much in common with the "shock therapy" instituted in Poland after the fall of communism, and Yeltsin's program was quickly dubbed the "Polish model" of economic transformation in the Russian press.

Yeltsin announced that there would be an ambitious program of state privatization, as well as the price liberalizations and farm-reorganization measures discussed in earlier chapters and an attempt to impose drastically tighter fiscal and monetary constraints on farms and enterprises—used to borrowing whatever they needed from the state bank. These measures quickly met social resistance severe enough to force the government to begin backing down on many measures (for instance, softening the kolkhoz and sovkhoz reorganization requirements).
Yeltsin began by attempting to drive through reforms on his own authority. After serving as his own premier for almost seven months, he appointed his economic reforms' major architect, Yegor Gaidar, Acting Prime Minister in mid-June 1992. In retrospect, this attempt to give the "expert" Gaidar some independent political maneuvering room looks like the beginning of an increasingly frantic search for social support for the reform program. The addition of professional industrial managers Valerii Shumeiko and Georgii Khizha to the ranks of Deputy Prime Ministers in early June, 1992, shortly before Gaidar's own promotion, attempted to gain support from the managerial lobby for government economic policy. At about the same time Gaidar's reforms began to be severely watered down by the issuing of large credits to industry and agriculture. Gaidar remained the Acting Prime Minister until December because of doubts that someone ready to carry out radical reform could win parliamentary confirmation—and perhaps because of Yeltsin's wish to keep Gaidar completely dependent on the president.

Events at the Seventh Congress of People's Deputies in December, 1992, underscored the extent of the political conflict. At one moment during the Congress President Yeltsin seemed ready to prorogue the parliament and order a referendum on his own rule. At another time he seemed to have resolved simply to continue with Gaidar as Acting Premier. The president finally gave in to the parliamentary majority and appointed a new Prime Minister, Viktor Chernomyrdin. The new man seemed unlikely, based on his previous record, to continue what remained of Gaidar's policy. Western and Russian analysts' prognoses for the prospects of democracy in the Russian Federation became increasingly gloomy.
Chernomyrdin's unexpected signature of a December 31, 1992 decision to reimpose retail price controls on a variety of foodstuffs showed that policy coherence was still a distant goal as 1993 began. Newly-appointed Russian Deputy Premier for Economic Reform Boris Fedorov called the decree a "mistake," while Minister for the Economy Andrei Nechaev planned to drastically shorten the list of goods subject to controls. Deputy Premier Vladimir Shumeiko claimed that the decree was not intended for publication and that all but a section dealing with anti-monopoly law would be abandoned. The measure was given up shortly thereafter.

Agrarian policy remained particularly contentious, as the continuing lack of a Deputy Prime Minister for agrarian policy showed. All sides in the agrarian debate agreed on the need for the post, with general responsibility for coordinating agricultural production and agrarian reform policy, yet it remained open for all of 1992 and into 1993. Vice President Aleksandr Rutskoi, Federal Center for Land and Agroindustrial Reform head Vitalii Ermolenko and Agricultural Minister Viktor Khlystun had all been rumored to be on the verge of appointment to the job at various times during 1992. Rutskoi's conception of agrarian reform as a device for improving the efficiency of the existing agrarian order, a viewpoint shared by the head of his Federal Center, differs greatly from Khlystun's view, shared by Gaidar, of agrarian reform as a means to create a new social structure and a class of independent property-owning farmers, who will support democracy, in the countryside. Leaving the post empty, therefore, indicates the continuing policy disagreement about what should be done as well as the inability of any government leader to force a decision.
The weakness of the Russian state—which was both inherited from the Soviet state and the result of post-Soviet political and economic conflicts—is largely responsible for the incoherence of the economic reform process. The reform procedures themselves, although the result of compromises and political conflicts, are well-designed, even "elegant." Yet alternate proposals, such as Rutskoi's April 1992 "coupon" scheme and State Property Committee chairman Anatolii Chubais' announcement of a plan to sell land for a second, yet-to-be issued, privatization voucher, continue to be advanced. These alternate proposals often serve as cover for resistance to any reform at all or attempts to undo what has been done, as the de facto alliance between Rutskoi and the parliamentary "Agrarian Union" faction suggested. Nor is the policy dissension limited to a conflict between Yeltsin and his vice-president, or between the president and parliament. Every region, and every governmental agency, has its own policy on agrarian reform and most other political issues. The government is unable to get its policy implemented.

This weakness may be good for the countryside. While Moscow politicians struggle over agrarian reform policy, some 170,000 individual farms have been established in the Russian Federation. About half of all state and collective farms have reorganized, and "commercial structures" (private businesses) are taking over a growing, if still small, amount of agricultural sales and service.

But the state's weakness is not a good thing for society. A progressive breakdown of law and order, and the people's sense that things are getting worse, cannot be good for the future of the country. Although it is certainly correct to argue that the process is more important than reaching an illusory "end" of the reform, in the medium- and long-term a
government which cannot govern must be replaced with one that can. The state can become stronger only through the creation of stronger institutions, which in turn result from the action of social forces and state actors. Almost one-third of the population are still officially "rural." The food industry alone accounts for almost 20 percent of Russia’s industrial production, and assuring food for the cities remains a high-priority political task. So how agricultural interests come to define and organize themselves will have a major effect on the future of the reform process. A variety of coalitions of agrarian interests with other social forces, and so a number of different shapes of future Russian society, are possible. The future of individual farming in Russia depends, to a great extent, on those broader social developments. The future of Russian democracy may also depend on the development of individual farming.

Post-Soviet Russia as a "Weak State"

The Gaidar government assembled young academics who were elevated to high government posts in large part because more experienced, and ambitious, politicians did not wish to be associated with a government whose actions would so clearly be politically unpalatable. Its own members called themselves the "kamikaze government." One of their first measures was the radical price reform of January, 1992. By freeing prices, goods which had disappeared from sale as a result of the monetary overhang reappeared, although at much higher prices. Transactions which had formerly been done only on the black market or through individual political connections emerged into the open marketplace, making it possible for the government to regain regulatory power over much of the economy.
price liberalization also blurred the distinction between the "personal" (nalichnye) money, the ordinary ruble, which consumers use but which could not be used for investment or whole-sale transactions in the command economy, and the "impersonal" (beznalichnye) accounting money in the state bank which, with a planner's allocation order, a factory or farm needed to acquire physical goods. Without ending this institutional separation of consumers' and producers' goods transactions, no market economy could be created.

Price liberalization proved increasingly unpopular as prices inflated enormously and the currency exchange rate declined precipitously during the year. The end of regulation further worsened food supplies in Moscow and St. Petersburg by ending their priorities for deliveries from central stocks. Food supplies had been worsening in the big northern cities already as farms gradually became freer to dispose of their output as they wished. Now once-privileged Muscovites faced almost the same market as the rest of the country. City governments took on the burden of subsidizing agricultural production for their regions in order to maintain lower prices, but the municipal budgets were strained to breaking point by attempting to bear what had been the national authorities' payment burden. Because municipal, district and provincial authorities took on these subsidies, prices throughout the country fluctuated wildly from one area to the next depending on the condition of the local budget. Russian government revenues declined as local and regional authorities sought to hang on to their areas' income to the greatest extent possible, intensifying the centrifugal forces breaking apart the once-unified Soviet economic space even within Russia's new, still largely nominal, borders.
If the political goal was the creation of a new social class of property owners who would unite to defend their property rights and so limit government arbitrariness (which is the basic check on government in all existing "liberal-democratic" political systems\textsuperscript{17}), the Gaidar government was clearly right to begin with radical price reform. No valuation of industrial or agricultural enterprises could be reasonably made given the old, arbitrary, administrative-price system. Without price reform no privatization could be effective for there was no way to know what any of the potential private property might be worth. Yet the failure to dismantle such monopolies as the food processing enterprises before price reform contributed to higher prices. The monopoly processors used their power to raise prices and their own profits, harshly squeezing primary producers, whether kolkhozy and sovkhozy or individual farmers. Similar processes throughout the whole economy produced much of the price inflation.

It is easy to condemn the Yeltsin-Gaidar government for "overlooking" monopolies' power in the Russian economy and even easier to blame the omission on the government members' acceptance of "Chicago-school" economics with its emphasis on market mechanisms to resolve institutional conflicts.\textsuperscript{18} Such an economic analysis does not fit Russian reality, it is argued, because it assumes that the institutions of a market are already in place, waiting to be regulated, which in 1992 Russia they clearly were not. Many members of the Gaidar team were guilty of this misconception.\textsuperscript{19} But this is really a criticism of all Western economics, for institutional analysis has not been intellectually fashionable in the West for many years.
Confrontation with the realities of former command economies ... has begun to open Western eyes to the fact that, while we can describe the functions of a market economy, we don’t know how to 'build' one.20

Putting the dispute over Gaidar's policies into the theoretical categories of American political debates from the 1980s (Reagan-era supply-side economics vs. traditional liberal Keynesianism) also encourages a misperception of the Russian political reality. Yeltsin’s election as president in June 1991 itself marked his "successful effort to create, and then capture, the Russian presidency in the face of opposition from the old order."21 Economic reform represented a further stage in this political struggle pitting Yeltsin and the democrats who sought to eliminate the CPSU’s dictatorship, against supporters of its continuing monopoly on power, perhaps in some reformed manner.

The failure of the August coup and Yeltsin’s subsequent ban on Communist activities had resolved the open debate on the CPSU’s monopoly of political power by the time the President announced his radical economic reform program in October, 1991. The party as an institution was driven from society, although many of its members quickly transformed themselves into supporters of the new regime, and the "presidential representatives" assigned to each province were the functional equivalents of the old party obkom first secretaries. All sides already had verbally agreed that marketization was inevitable. But the debate on how to proceed with marketization was closely bound up with the question of attempting to preserve the old USSR or allowing its component republics to split off—a continuation of the debate over party rule in slightly different terms. Gaidar’s great rival, Grigoriì Yavlinskiì, made clear that his real disagreement with Gaidar was less about economics than about
politics, first the necessity of keeping the Soviet Union together and secondly the need to
give technical economists a free hand undisturbed by politicians' promises.  

What Gaidar's opponents might call his "opportunism" in producing a plan for
economic reform that could be put into place by the government of the moment his friends
might call "realism" in accepting political constraints on possible economic actions. Nor was
Gaidar purely a theorist. His earlier articles in Kommunist (where Gaidar had been a deputy
editor) had been sensitive to institutional constraints on the market and economic policy-
making.  

Although poor preparation and staff work as well as political miscalculations by the
Russian president and the government were partly at fault, Gaidar and his government could
not be blamed for all the drawn-out debates within the government and between government
and parliament about exactly how privatization should proceed, which continue to impede
serious denationalization. The longer general privatization is held up while individual
enterprises can pass into private hands, the greater the chances that current managers can
benefit from the process by arranging deals for themselves. So industrial and agricultural
leaders have a strong interest in delaying the adoption of mass privatization, in addition to
ideological and practical objections.

The intention to privatize a substantial part of Russian state property was originally
declared in the reform plan Yavlinskii drew up in the summer of 1990 that became the basis
for the USSR's "Shatalin Plan." By September 1, 1991—just after the failed coup—only
some forty-five large enterprises had passed into private ownership. The Russian govern-
ment announced another privatization plan on December 26, 1991, and a further plan
appeared in mid-summer.27 The "voucher" scheme for mass privatization, under preparation at least since the spring of 1992, was finally publicly announced by President Yeltsin on August 19, 1992, the anniversary of the putsch.28 By the end of 1992, 600 large enterprises and some 40,000 small ones, mostly shops and services, had been privatized in the Russian Federation.29 Although agricultural suppliers and processors were supposed to be privatized quickly, along with retail stores, most remained state enterprises. Continuing parliamentary reluctance to create an agricultural land market, still held up farm privatization. In hindsight, waiting for privatization before beginning price reform looks like a prescription for avoiding any meaningful reform at all.

The Gaidar team's real mistake—which, given the circumstances, was unavoidable—was not in assuming market mechanisms in a situation where those mechanisms were just developing. Rather, their demands exceeded the capabilities of the state through which they attempted to govern.30 Just as Brezhnev and Gorbachev had assumed that issuing a decree was sufficient to ensure compliance and that everyone agreed on the appropriateness of the ends those decrees were intended to achieve, so the Gaidar government acted as if its decrees would be enforced because the popular resistance to the August putsch meant that Russian society was now unified not only on what it did not want—a return to the Communist past—but also on what it did want—a western-style market economy as Gaidar and his associates understood it. In fact, the post-Communist state was much weaker than its predecessor had been since it lacked the outlawed CPSU's mobilizational mechanisms and disciplinary authority.31
The breakup of the new political and social movements which had developed during, and led, the struggle against Communist Party rule further constrained implementation of government policies. Forced to advance positive programs of action, coalitions such as Democratic Russia (as well as Sajudis in Lithuania and People's Fronts in almost all the other former Soviet republics) fractured and declined into relative impotence. Although some might in the long run yet give rise to efficient political parties, for the moment extra-parliamentary political groupings were too fragmented and disorganized to offer much support to any political leaders. The Russian constitution modelled executive-legislative relations on the French one written by Charles DeGaulle, and Yeltsin's own attempts at emulating DeGaulle by attempting to represent "the nation" outside of politics, appealing to his own legitimacy and occasional referenda to coerce a recalcitrant parliament, worsened the Russian government's institutional weakness. Yeltsin refused to commit himself to any political party or movement despite occasionally toying with the idea. As a result, the president found himself almost without support in the Seventh Congress of People's Deputies in December 1992.

The post-putsch Russian government had little choice but to act as it did, however. The alternative would simply have been to resign and admit the country was ungovernable. But the need to gain support for its policies, both within the ministries and the legislature, and among the general population, turned out to be the most severe limit on the regime's possible actions. If Gaidar's policies failed, they did so because of this structural weakness at least as much as because of his government's "lack of experience" or academic bent. Had the governmental institutions been strong enough to resist pressure to save failing enterprises
by giving them new credits or subsidies, the market discipline envisioned in the radical
reform plan of economic "shock therapy" might have worked. Although it redefined the
issues of Russian politics by making return to the past enormously more difficult, the
Yeltsin/Gaidar "reformist breakthrough" failed to achieve most of its explicit objectives
because it lacked organized support within the government and society.

Gaidar's men quickly discovered that the old totalitarian "transmission belts"—the
trade unions and the kolkhoz councils, as well as the ministries and state committees
composing the government machinery itself—were much more receptive to pressure from
their key members and more responsive to their own leaders' definition of the groups'
interests than they were to government policy. In the struggle for power and property that
broke out after August 1991 the old institutions quickly became independent fiefdoms,
representing the interests of relatively narrow social groups, mostly those who had benefitted
from the old society, and pursuing their own advantage with little regard for the "national
interest" the government thought it was supposed to represent and enforce. These baronies
repeatedly proved themselves stronger than the Russian government in conflicts within the
policy-making bodies of the Russian state. Throughout 1992 the Gaidar government gave in
to demands from these organized groups for increased government expenditures to support
industry and agriculture. Enterprises' monopoly power over prices and huge government
credits, such as the one with which the harvest was bought in mid-summer, combined to
create very high rates of inflation which in turn drew all available investment capital into
short-term, high-profit retail trade.
Although the government clearly adjusted its actions as best it could to take account of changing circumstances, its repeated inability to withstand the demands of various social forces—ethnic, religious, territorial, economic or status groups\textsuperscript{32}—was not a result of conscious policy, much less of a premeditated intent to deceive foreign supporters.\textsuperscript{33} The institutions of the Russian state were simply too weak to withstand other groups’ demands. Post-Soviet Russia almost completely lacks what Samuel P. Huntington defined a quarter-century ago as

strong, adaptable, coherent political institutions: effective bureaucracies, well-organized political parties, a high degree of popular participation in public affairs, working systems of civilian control over the military, extensive activity by the government in the economy, and reasonably effective procedures for regulating succession and controlling political conflict.

Even though the government still nominally owns much of the national productive capacity, it is unable to achieve its purposes even there. The post-Communist Russian state is far too weak to govern effectively. It does not deeply "command the loyalties" of its citizens and thus it lacks "the capacity to tax resources, to conscript manpower, and to innovate and to execute policy."\textsuperscript{34} In the absence of strong state institutions, the post-Soviet Russian government is a prisoner of various social forces, many of them organized as nominal parts of the state apparatus—ministries and agencies—itself.

Strong national political institutions result from the actions of political leaders and social forces which accept and understand their own interest in strong national institutions and are able to create coalitions to support those institutions. As the Gaidar government found itself unable to direct policy through established governmental levers, it sought to
gather support through a process of bargaining with the major social groups and the institutions which claimed to represent them. The model for such an arrangement was clearly the state corporatism of Western Europe. There sectoral associations bargain with the government to achieve a "social contract" understood by both bargaining parties and the general public. As in Western Europe, such a "contract" would involve government recognition of corporatist social organizations' right to bargain in the name of an entire economic sector in return for restraint in wage, investment and subsidy demands from that sector.

Avowedly-corporatist interest groups, including the Agrarian Union and former Gorbachev associate Vol'skii's RUIE, in which the leaders of particular social and economic sectors claimed to speak in the name of everyone in their sector, had been organized in the previous two years as the economy and polity collapsed. So had a wide variety of other, more narrowly self-defined interest groups, such as the Association of Peasant Farms and Agricultural Cooperatives of Russia (AKKOR), which claimed to speak only for the new stratum of independent family farmers. After the failed coup these organizations openly emerged as players in the political game. Those groups uniting industrial managers and other former "red directors" proved most powerful in 1992.

The agreement between the government and AKKOR, was the first official corporatist deal between the state and representatives of an independently-organized economic sector. In March 1992 the authorities tried to establish a more general consultative council including representatives of the government, the Federation of Independent Trade Unions of Russia (despite its name the successor organization to the old official trade union association) and
the industrial managers. The attempt quickly collapsed as it became clear that the FITUR and the managers were interested in bringing down the government—and perhaps even in recreating a neo-communist state—not in working with it. However, similar deals continued to be made, including the agreement with the Russian Agrarian Union which did much to guarantee that the 1992 harvest would be procured. But they bought the government only limited support, especially from the agrarians.

The Russian political scene was already crowded with a wide variety of groups claiming to represent particular social interests, including two competing peasant parties demanding quick depoliticization, long-time agricultural journalist Yuri Chernichenko’s Peasant Party of Russia and agricultural economist Vasilii Vershinin’s Peasant-Democratic Party of Russia (which split from Chernichenko’s group early in 1992). During 1992 the new and old economic interest groups spawned still other political parties, including groups representing the new entrepreneurs (The Party of Economic Freedom, founded by commodities broker Konstantin Borovoi and eye surgeon Sviatoslav Fedorov), the established rural interests (the Agrarian Party), and the industrial managers (the "Renewal" League).

At mid-year many of the managers and former CPSU activists who opposed the Yeltsin/Gaidar policies united in a new coalition. Vice President Aleksandr Rutskoi’s People’s Party of Free Russia, the largest party descended from the CPSU—and, with a claimed 100,000 members, the largest organized political party in the country—joined with Vol’skii’s RUIE, Aleksandr Vladislavlev’s "Renewal" League, and former model construction foreman Nikolai Travkin’s Democratic Party of Russia, previously a part of the pro-Yeltsin "Democratic Russia" bloc. This "Civic Union" coalition emerged as the principal
opponent of quick reform. Civic Union representatives openly, if quietly, described
themselves as the party of "nomenklatura privatization," who aimed to transform their old
political and administrative control into property rights and economic power. The Civic
Union sought alliances with the new entrepreneurs such as Borovoi and Fedorov to create a
unified party of the rich and privileged. The industrial managers also entered an uneasy
alliance with conservative agrarian interests, represented in the Supreme Soviet by the
"Agrarian Union" faction of deputies and outside it by the Russian Kolkhoz Council and
Agrarian Union.

Gaidar's fall demonstrated that these quasi-corporatist groups were more powerful
than the state. President Yeltsin's DeGaulle-like attempt to remain above the battle as a
symbol of national unity led to his vacillation at the December 1992 Congress, but could not
conceal his, and the government's, growing weakness in relation to the various groups.
Building on their success in removing Gaidar, Vol'skii announced plans to organize a series
of sectoral "unions" (corporatist groups) for agriculture, energy, and so on at a meeting of
managers from throughout the CIS in late January, 1993. Chernomyrdin announced that
the government would provide large new credits to the kolkhozy and sovkhozy to finance
their spring work. In a televised statement on the announcement he emphasized that these
new credits were to be given "fairly" to all agricultural organizations. In context, that
sounded like a hint he would end the "favoritism" shown to independent farmers by the
previous cabinet, which had appropriated substantial sums for the "Russian Farmer" fund
controlled by AKKOR.
Although they have succeeded in defeating the quick transition to the market summarized in the "shock therapy" slogan, however, the various corporatist groups which dominated Russian politics during the second half of 1992 still need an overarching political authority, if only to settle their own conflicts. The kind of state they will construct will reflect the conflict of their interests and the intersectoral alliances they make. Agrarian interests will play a major part in that coalition-, and institution-, building.

Agrarian Interests' Relations with Industry

However rural interests come to be organized, agriculture's economic interests in relation to the rest of society will remain essentially the same. All farmers want to buy industrial inputs cheaply and to sell their output dearly. Industrial interests normally want cheap food for their workers to reduce wage bills, while they want to sell their products as dearly as possible. This conflict, combined with the pressure of underclasses of peasants and workers, is one major driving force of political and social modernization. That basic observation serves as the starting point for an analysis of the coalitions of interests, and institutional arrangements, likely to develop from the conflicting social forces emergent in post-Soviet Russia.

This simple, two-sector model obviously oversimplifies complex social relations (in particular, it ignores ethnic and religious tensions). However, as long as the analysis is understood to apply only to ethnically Russian areas, it can provide a way of beginning to think through possible future developments.
A Russian "Marriage of Iron and Rye"?

Although the long-term strength of both the "Civic Union" coalition and the various agrarian organizations representing currently dominant interests (the Agrarian Union, the Kolkhoz Council, and the "Agrarian Union" bloc in the Russian Congress of People's Deputies) may be doubted because they lack the infrastructure of local organizations that makes an institution endure, these groups, based on their leaders' control of factories and farms, are now the dominant players in Russian politics. In order to resolve their own internal conflicts, and in order to secure their dominance, they need a Russian state capable of implementing policy. Moreover, their leader Vol'skii's often-expressed admiration for the "Chinese model" of reform in a Communist system emphasizes the Civic Union's programmatic commitment to a more authoritarian style of rule, suggesting they will seek to create a stronger state. Given the structural opposition of agrarian and industrial sectors sketched above, what kind of deal can the Civic Union and its agrarian partners cut in order to ensure their own preeminence in a state capable of governing?

The most likely possibility is something akin to what Alexander Gerschenkron termed "the marriage of iron and rye," a socio-political coalition characteristic of Germany from the late 19th century until after Hitler came to power in the 1930s. This marriage was a regional as well as economic coalition. Eastern German Junkers, drawing their incomes from large estates worked by semi-serfs, dominated national politics and particularly the army. Western German industrialists conceded political liberty in return for guaranteed orders from the state at high profits and government enforcement of labor peace. Although naked coercion was often used against the agricultural labor force to keep it in its place, the industrial working
force was rewarded as well as coerced. The state provided extensive welfare benefits paid for by general taxes to the workers, who also enjoyed relatively high wages as well as low food costs. Much of the state business was military, since the German military provided not only jobs for the Junkers and a symbol of still-precarious national unity but also an unlimited captive market for industrial products.

The essential feature of such a coalition is a political consensus, formal or more likely informal, between leaders of agrarian and industrial interests, in which the state directs industry and assures profits to all sides. Unlike other historical patterns of economic modernization in which the landlords and peasants are replaced by independent capitalist farmers, the "marriage of iron and rye" largely preserved the corporate identity of—and distinctions between—industrialists and agrarians. It also preserved a rural order of increasingly inefficient large estates whose workers provided a captive base of political support for the landlords and local notables. However, even there political preeminence slowly passed from the agrarian to the industrial interests.

Barrington Moore, Jr., extended Gershchenkron's analysis to modernizing Japan. Again agricultural interests united with industrial ones to transform and modernize the country while preserving the social structures on which each group based its power. Although he would be unlikely to accept Moore's neo-Marxist premises, some elements of Chalmers Johnson's analysis of the Japanese state's role in guiding the economy suggests that a similar coalition of social forces not only continues to exist but still directs Japanese policy through its hold on the Liberal-Democratic Party. In this case, of course, the domestic
political bargain is no longer based on military spending. Rather a relentless drive for export markets provides the profits which keep the coalition partners happy.

It is easy to cast the Civic Union in the role of the industrial side in this marriage. It is a peak association of industrialists much like the political parties of Imperial German industrialists in its tendency to unite "notables" based on their economic importance rather than acting as a true mass party in the way the Democrats or Republicans in the contemporary United States do, or the Social-Democrats in Imperial Germany did. Much of the group's support comes from heavy industry and most Russian heavy industry is, ultimately, military industry. Converting military industry to civilian purposes is extremely difficult. Maintaining it, or winding it up much more slowly, by restoring the flow of orders for military goods is much easier to do as well as more in the spirit of the Civic Union's proposals. Indeed, First Deputy Minister of Defense Andrei Kokoshkin outlined just such reliance on military industry as a major point of his suggested "industrial policy," a position apparently endorsed by the Civic Union. Civic Union has repeatedly demanded that the market transition be softened by maintaining the Soviet welfare state for the working class. The implicit bargain, mis-labeled a "social contract," between state and workers that existed in the USSR would thus be resurrected. The Russian working class would once again trade political quiescence for social welfare, in exactly the same fashion as it did in the old USSR or Imperial Germany.

Civic Union has few agrarian members. Vice President Rutskoi is their acknowledged agrarian-policy expert. Rutskoi's well-intentioned attempt to guide agrarian policy, although the Agrarian Union welcomes his support for its anti-reform position, largely serves
to make plain how little experience of agriculture he has. For the moment, therefore, Civic
Union's agrarian policy tends to follow the arguments of the old farm management elite.
Even Rutskoi's commitment to agrarian reform might be questioned. After all, Yeltsin put
him in charge of agrarian reform only to remove him from more critical-seeming policy
areas.

How long is the alliance between the industrial managers and the kolkhoz and
sovkhoz elite likely to last? In the last years of perestroika the agrarians' leaders were
demanding that all state investment be channeled to the countryside. Such demands contra-
dict the needs and wishes of industrial managers, who feel that they too need much greater
state support. Since the post-Soviet state clearly does not have the resources to restore pre-
reform levels of state subsidies to factories and farms, and also lacks the foreign currency to
maintain high levels of grain imports—or any grain imports at all from farther away than
Kazakhstan and Ukraine without concessionary credits from the exporters—it seems likely
that agrarian and industrial interests must eventually face off over investment priority.

There are real policy differences between the major industrial and agrarian organiza-
tions as well. The core of the Civic Union (including Rutskoi's party, descended from a
moderate reform faction in the CPSU) has accepted marketization and privatization although
it seeks to extract maximum benefit for itself from it. The leadership of the parliamentary
Agrarian Union is more conservative than their colleagues in the Civic Union. The frac-
tion's chairman, Mikhail Lapshin, signed the call to create the National Salvation Front and
serves on its coordinating council. The Front, the so-called "red-brown" alliance of hard-
core Bolshevik-Stalinists and Russian nationalists, was founded in late October 1992 and
immediately outlawed by President Yeltsin. Front members refused to recognize the legality of Yeltsin's decree, openly stating that they did not recognize the legitimacy of his "provisional occupation government." The Front also rejects privatization and economic reform on principle. Lapshin's reactionary views do not seem to be unusual for the agrarians. His predecessor as acknowledged spokesman for the farm managers was Russian Agrarian Union chairman Starodubtsev, who joined the August 1991 State Committee on the State of Emergency, the coup leadership.

Industrial managers may not oppose private land ownership, since they stand to make money for their enterprises and themselves from land speculation. But the agrarian organizations tend to oppose any sale of farm land because it threatens their power in the countryside. It is likely, although the materials are not yet available for a definitive demonstration, that the compromise on land sales reached at the Seventh Russian Congress of People's Deputies in December 1992 allowing the sale of garden and dacha plots, but not land for commercial farms, reflects exactly this tension in the ranks of the parliamentary agrarian-industrial alliance.

Even if they do not come to an explicit and open struggle, the policy and resource-allocation tensions between the Civic Union and the agrarians must make this contemporary version of the "marriage of iron and rye" a singularly unhappy union.

The industrialists do not really need the agrarians' support in the medium term. Having Lapshin at the head of a phalanx of doomsayers crying that the national economy would be destroyed if Gaidar's policies continued, as he was for most of 1992, was convenient for the government's opponents. The agrarian deputies are the largest registered
faction in the current Congress of People’s Deputies. But continuing agrarian reform will reduce their electoral base in the countryside.

If the kolkhozy and sovkhozy cannot feed the country without much more investment and foreign imports, then it is not clear why the managers will want to retain their alliance. Even if Rutskoi’s plan to sell arms and create "turnkey" farms legislated in early 1992 does not succeed, if independent farmers can do a better job and grow prosperous, they will provide an alternate market for industrial production. Private farmers need tractors, too.

The industrialists have good political reasons to jettison the farm managers in favor of the agrarian reformers as well. They can hardly afford to take back all the democratic gains of the past five years by such measures as restricting the franchise. Instead, they seek to ensure their political position by providing welfare benefits to their worker constituents. If urban workers can vote, rural ones will too. And they will demand the same welfare payments as their city relatives. But if those benefits as they existed in the 1970s and 1980s are retained for masses of unproductive agricultural workers in the same kolkhoz structures, agriculture will continue to be a high-cost, low-productivity sector which will not be able to feed the country. Instead of throwing still more resources after the ones the Brezhnev regime buried in rural welfare, it may make more sense to the industrialists to support individual farmers.

In the short term the farmers’ movement will probably suffer from the change in government. Chernomyrdin’s comments on agricultural subsidies suggest that he will be less favorable to private farmers than Gaidar was. Self-described "peasant parties" which define themselves on class criteria and so are hostile to "managers" on principle are unlikely to gain
influence with the new cabinet. Private farmers in the countryside are also likely to face more of the kind of random violence and discrimination which has been their lot since the first individual farms began to be established in the mid-1980s.50

But the Civic Union has no strong stake in the long-term artificial survival of the kolkhoz system, and good reasons to support private farming. Although kolkhoz chairmen and industrial managers may seem like natural allies, there is equally good reason to think that a new capitalist class, such as the industrialists clearly aspire to become, may find equally natural allies in independent capitalist farmers. Such a coalition, similar to the classic Republican Party alignment in the United States, would be much more likely to support democratization in Russian society while preserving private property and a true market economy. The power of the currently dominant agrarians is based on their power over their workers. Like landlords in Western Europe centuries ago, that power is not likely to survive the continued development of markets and a capitalist economy. The division between the Civic Union and the National Salvation Front is real and deep. That split, and the real roots which the farmer's organization has developed in the countryside, with local associations in every district, suggest that the independent farmers may survive at least as long as the top-heavy Civic Union or the Agrarians. AKKOR, can survive and prosper because, as an interest group, it supports its members, not any particular government. And a political system based on coalitions of the real interests of voluntarily organized social groups in the long run will be a much "stronger" state than anything based on the gerontocratic, repressive "Chinese model" of reforming socialism.
Notes


30. "State" is used here in a structural, institutional sense, encompassing the entire ensemble of national policy-makers, central, regional and local administrators and the organizations within which they work and which shape them in turn.


33. For an impassioned argument that the Gaidar government intended from the beginning to act as it did and sought to deceive outside observers about its intentions, see Jerry F. Hough, "The Theater of the Absurd or Simple Fraud?" *Politics of Soviet Economic Reform*, Vol. 2, No. 4 (April 1, 1992), p. 1.


35. "Corporatism" may be defined as "a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories recognized and licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders


The "social contract" some theorists discerned in the USSR was implicit, however, the result either of policy-makers' unilateral assumptions about what the people needed and would accept or of covert bargaining among elites within government and party organizations. No independent institutions claiming to represent any social interest were permitted, and so no West European-style "social contract" was possible.

37. Specialists fiercely debate both the empirical accuracy of this corporatist/social contract model of Western European politics and its political desirability. What matters here, however, is the hold the ideas have over many Russian political actors and the model's usefulness in describing Russian politics.


40. ITA "Novosti," (January 27, 1993), as rebroadcast on C-SPAN (January 28, 1993), 7:20 AM EST.


42. ITA "Novosti" (January 27, 1993).


48. That Rutskoi’s efforts at understanding the technical issues of agriculture are not taken seriously by his allies was made clear by Mikhail Lapshin, chairman of the "Agrarian Union" parliamentary fraction, as well as chairman of the "Zavet Il’icha" kolkhoz, Stupino raion, Moscow oblast’. Discussing Rutskoi’s book on agrarian reform (see Chapter 6), Lapshin commented that he had told Rutskoi, who became a Hero of the Soviet Union as a result of his exploits as a combat aviator in Afghanistan, that much of the book was silly because it attempted to give advice on particular agronomic problems about which the author clearly did not know very much. "I told the Vice President," Lapshin observed, "I don’t tell you how to fly a plane, so don’t you tell me how to plant a crop." (Author’s interview in Moscow, November 1992.)


50. For instance, in October 1992 the mother of one individual farmer in Tatarstan was badly beaten by two women, refugees from Central Asia. The kolkhoz chairman had promised the two assailants that he would make sure they received the house if they ran off the man’s mother. (Author’s interview in Ufa, November 1992.)