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SUMMARY

A strong presidency has sought to buttress a weak Russian state by reducing departmentalism in economic policymaking. An important part of this strategy has been the formation of presidential structures that could, like their counterparts in the old Central Committee, monitor and influence the Government's management of the economy. But such a policy requires a high level of discipline and cohesiveness in the presidency itself. This unity of purpose and tactics is lacking in the Russian presidency. The problems lie both in Yeltsin's mercurial character and in the shapelessness of the presidential apparatus.

Like all chief executives, Yeltsin receives advice on the economy from a wide range of officials, many of whom are not professional economists. But the Russian presidency is unusual in its lack of a collective body to weigh and synthesize this advice. This structural problem has become all the more acute with the recent addition of economic expertise and authority in the presidency. The president seems to act on the basis of purely "bilateral" relations with associates in government and commerce and with leading officials in the presidency such as Livshits, Sergei Filatov, the head of the Executive Office of the President, Victor Iliushin, the senior counsellor to the president, and Oleg Lobov, the head of the presidential Security Council. Yeltsin does occasionally chair the plenary sessions of the Council of Ministers, but these are highly formalized meetings with little, if any, debate. Without an economic cabinet in the presidency or some other institutionalized mechanism for communication and decisionmaking in economic affairs, any leader would find it difficult to sustain a coherent economic policy amid the torrent of contradictory information and advice.

Another distinctive feature of the Russian presidency is the absence, or opaqueness, of jurisdictional boundaries between officials. This lack of respect for the Weberian idea of "offices" is most pronounced at the upper level of the presidential apparatus. Like officials in all organizations, the president's lieutenants continually maneuver to expand their staffs and jurisdiction. But in Russia there are few cultural or institutional constraints to such empire-building. Irrespective of job title or formal responsibilities, Yeltsin's lieutenants seek to influence policymaking in all areas. Suspicious of the information and expertise provided by other departments in the presidency, each lieutenant insists on maintaining his own broad-based analytical center. The result is self-destructive competition over power and policy within the presidency and between the presidency and government. In December 1994, in a celebrated letter to the prime minister, a high-ranking official in the presidency advised the Government...

¹Taken from Conclusions of the Report by NCSEER Staff.
on the use of oil pipelines. The author of the letter was Yeltsin's former bodyguard and now head of the Kremlin's security service, General Alexander Korzhakov.

In economic affairs, as in other areas of policy, Russia lacks a well-developed "technology of power." In a biting critique of the presidency's role in economic decisionmaking, Vladimir San'ko observed that "when the strategy of reform is determined in the presidential apparatus by secretive analytical centers and bureaus, whose formation depends on palace intrigue, one cannot expect any other outcome...." Even those closest to the president, such as Georgii Satarov, admit that there is not "a normal system of preparing and adopting decisions." Anders Aslund writes that "after appointing his young reform ministers [in 1991-1992], [Yeltsin] kept them at a distance and gave them no direct access to him...Even Gaidar had little access to Yeltsin."

Russian's economic travails, then, are not merely the product of the sudden breakup of a command economy or an explosion of sectoral demands. They also result from a fundamental weakness in the institutions of state, a weakness with its roots in the political architecture of semi-presidentialism, in Russia's nihilistic legal culture, and in the failed personal leadership of Boris Yeltsin. For all his successes in moments of high political drama, the Russian president has been unable to carry out--or effectively delegate--the more mundane, but no less essential, tasks of state administration. Despite, or perhaps because of, the more vigorous role of the presidency in economic affairs, the Russian state has not yet developed the capacity to adopt and implement a national economic policy. Until this political problem is resolved, the course of Russian economic reform will remain erratic at best. As Michael McFaul has argued:

- An autonomous and effective state is a necessary condition for carrying out revolutionary economic transformation. Paradoxically, therefore, even if the goal of economic transformation is to stimulate market forces and eliminate state planning, a strong state is still needed to extract the state from the economy.

And to build a strong state, one must establish effective institutions at its core.
THE MAKING OF ECONOMIC POLICY IN RUSSIA:
CHANGING RELATIONS BETWEEN PRESIDENCY AND GOVERNMENT

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Assessing Russia's political and economic transition, Mancur Olson lamented the absence of an essential ingredient of the postwar economic miracles in Germany and Japan: the destruction of entrenched lobbies and cartels. Where foreign occupation swept away institutional barriers to economic reform in Germany and Japan, the collapse of communism had the opposite effect in Russia. It gave new life to sectoral and regional structures that had been tamed by the oversight, socialization, and patronage policies of the Communist Party. Further contributing to the rise of sectoral and regional fiefdoms were the policies of the Russian leadership in the critical first months of the post-Soviet era. Egor Gaidar's faith in macroeconomic, rather than institutional, solutions to Russia's problems allowed the old interest networks—temporarily disoriented by the August coup and its aftermath—to consolidate their forces. In Gaidar's own words, "at the first sign of weaker authority, the appointed governor starts to behave like an independent prince." Without a strong coordinating center, the political economy of Russia began to assume a neofeudal face.

Since Gaidar's replacement at the end of 1992, the central theme of Russian politics has been the struggle of a weak state to reassert its control over the country's diverse "estates" and territories. Yeltsin's desire to regather power and rationalize authority inspired the attack on the parliament in September-October 1993, the introduction of a presidentialist constitution in December 1993, and the war in Chechnia in December 1994. But these events are only the most dramatic moments in a broad-based and permanent campaign to shore up a political center against autonomy-and rent-seeking domains. In an attempt to overcome what Peter Stavrakis has called
ministerial feudalism" in economic affairs. Yeltsin has recently begun to claim for the presidency a larger and more direct role in economic decisionmaking. Apparently frustrated by Prime Minister Chernomyrdin's inability, or unwillingness, to bring a degree of collective responsibility to the Government, the Russian president has sanctioned the formation of presidential structures designed to articulate and defend a national economic policy against sectoral lobbies, which have deep roots in the ministries. These and related measures are reshaping the institutional framework for economic decisionmaking in Russia.

Institutional Design, Sectoral Interests, and Economic Policymaking

One of the most vexing problems for semi-presidential systems is how to divide responsibilities between the two executive leaders--the president and prime minister. The institutional design of semi-presidentialism suggests that the prime minister should serve as an intermediary between the president and the ministries, which conduct the daily affairs of state. But as the experience of France, the Soviet Union, and now Russia illustrates, the president is not always content to rule through the prime minister. On some issues, most notably national security, the president displaces the prime minister as the immediate supervisor of key ministries. Like the Communist Party Central Committee before it, the presidency governs directly in certain reserved domains.

If the portfolios of defense, foreign affairs, internal affairs, and security have been, in Gaidar's phrase, "presidential ministries" in Russia, the economic ministries have formed part of the prime minister's jurisdiction. This division of labor is grounded in Russian tradition and
in Yeltsin's and Gorbachev's lack of interest and sophistication in economic affairs. Russian leaders, whether tsars, general secretaries, or presidents, have distanced themselves from the management of the economy as a way of ensuring the majesty of their office. Assigning the prime minister direct responsibility for the economy does not, however, grant him full autonomy in the field. Through the selection of key Government personnel, the issuance of decrees, and the setting of national priorities, the president intervenes decisively at times in the economy.

Although it is tempting to accept the formula advanced by Vladimir Kostikov, Yeltsin's former press secretary, "The President sets the [economic] course and the Government carries it out," the reality has been far less tidy. In economic affairs, as in other areas of policy, the interplay between president and prime minister depends on a complex calculus that reflects the sources and depth of support for the two leaders, the state of the economy and society, the personal relations between president and prime minister, and even the proximity of the presidential election. During the premierships of Gaidar and Chernomyrdin, the politics of the dual executive assumed markedly different forms. As a young economist who lacked experience and an institutional base, Gaidar operated in Yeltsin's political shadow. Chernomyrdin, in contrast, brought to office an independent political base in the natural gas industry and organizational skills honed in the Soviet bureaucracy. Even before the recent hostage crisis in Budennovsk, Chernomyrdin had begun to exhibit a capacity to function as a competitor, as well as a colleague, to the president. According to Izvestiia correspondent Irina Savvateeva, by the end of 1993 Chernomyrdin ceased being merely a "backroom politician" [kuluar'ni politik].

Taken together with the parliament's desire to divide the executive, the political stature of Chernomyrdin has contributed to the growing independence of the Government from the
As the midwife of a new Russian economic system, however, Gaidar enjoyed several personal and contextual advantages over his successor. He possessed a replacement ideology that served both as a guide to action and, at least initially, as a source of legitimacy for a new economic policy. Unlike the Chernomyrdin Government, the Government of Gaidar had fewer philosophical divisions as well as fewer ties to what the economist V.A. Mau calls "production-economic groups." Thus, where Egor Gaidar was a strategist committed to a particular vision of Russia's economic future, Victor Chernomyrdin has been a tactician maneuvering between competing political and economic interests.

Gaidar was also able to launch radical economic reform while the popularity of his patron, Boris Yeltsin, was near its zenith and the cohesiveness and confidence of the opposition was at its nadir. This window of opportunity began to close, however, in the spring of 1992, when the painful consequences of price liberalization accelerated the regrouping of conservative forces and undermined Yeltsin's own shaky confidence in liberal economics. The deteriorating political climate for reform led Gaidar into numerous concessions to the conservatives in his final months in office.

By the time Chernomyrdin assumed the premiership in December 1992, the opponents of radical reform had seized the offensive. Although no friend of liberal economics, the new prime minister nonetheless found himself under immediate attack from two sides. A clear majority in parliament challenged not only the policies but the powers of the Government in the economy. According to one official, the speaker, Ruslan Khasbulatov, was intent on creating "a parallel center of executive power in the parliament." Furthermore, the prime minister had
to endure intense pressure from within his own Government. Unlike Western executives, with their traditions of party discipline and collective responsibility, the Russian Government was an unwieldy coalition of ministers defending their own institutional interests. In their efforts to claim resources from the prime minister, the ministers rallied to their cause economic elites, regional leaders, and deputies. Even the deputy prime ministers were guilty of this "departmentalism" [vedomstvennost']. Overseeing a bureaucracy of some 20 branch departments and 800 officials that stand between the prime minister's office and the individual ministries, the deputy prime ministers often exhibit less loyalty to the premier than to the ministries that they oversee. Commenting on the increase in the number of deputy prime ministers to eight in the November 1994 Government reshuffle, the former Minister of Finance, Boris Fedorov, warned that "the more deputy premiers, the fewer reforms." What makes the ministries such potent actors in Russian politics? Put simply, the synergism of bureaucratic and sectoral interests. The interests of the ministries are often identical with the interests of broad sectors of Russian economy and society. Thus, the ministries not only govern Russia, they represent it—or at least its most powerful interests. Gaidar complained that "our ministries consider themselves first representatives of their own sphere of activity in the highest leadership of the country, and the interests of these spheres is very sharply divided." Whereas in democratic countries political parties are the primary mediating institutions between the state and society, ministries perform that function in Russia. The sources of ministerial legitimacy, therefore, are not limited to the formal rules of state. As extensions of powerful social and economic interests, the ministries have been able to flaunt Western conventions of collective responsibility, which would impose discipline on a fractious Russian
The social bases of the branch economic ministries lie in diverse interest networks, among
the most influential of which are the Agro-Industrial Complex (APK), the Military-Industrial
Complex (VPK), the Fuel and Energy Complex (TEK), and the banking lobby and various
industrial lobbies. Each lobby has its own agenda and source of political strength. Much like
the lobbies from unprofitable regions, such as the Far North, the APK uses the threat of a social
catastrophe in the countryside to extract large subsidies from the state. Its most prominent
spokesmen in the Government are currently the Minister of Agriculture, Alexander Grigorievich
Nazarchuk, and the deputy prime minister for rural affairs, Alexander Kharlampievich
Zaveriukha. According to Zaveriukha, a shameless lobbyist for the rural sector, "The nation
should feed its peasants." With Prime Minister Chernomyrdin as its patron, the TEK is the
country's most profitable and best-connected sector. The TEK generally seeks minimal state
involvement in its affairs, though individual officials in this sector have benefitted from special
licenses and the state-maintained margin between domestic and international energy prices.
Between the extremes of APK and TEK is a host of economic lobbies, which pressure the state
for goods ranging from subsidies (which made up 22 percent of Russian GNP in the summer of
1993) and licensing privileges to tax relief and price and property reform.

The interaction between sectors and the state produces political relations akin to what
Jerry Hough in the 1970s called institutional pluralism. Each policy issue gives rise to a distinct
set of ministerial and sectoral coalitions. Most of the sectors are united, however, by a desire
to compete in the arena of bureaucratic politics--whether of the communist or transition variety--
rather than in the market. In this respect, Russian political economy has more in common with
18th century England than 20th century America.

To this point, the emphasis has been on branch ministries, whose interests are tied to a single sector of the economy. But there are numerous portfolios in the Government that embrace the economy at large. These include the Ministry of Finance, the Ministry of Economics, and the State Committee on Property. It is these offices that have been politically closest to the president. Indeed, at times they assume the role of "presidential ministries." The office of acting prime minister under Gaidar, the Ministry of Finance under Boris Fedorov, the Ministry of Economics under Lobov and Yasin, and the State Committee on Property under Chubais--the leadership of all these institutions has been tied intimately to the president or his staff. Thus, where some ministers exhibit loyalty to a sector, others look directly to the president. Upon assuming his ministerial portfolio in 1994, Yasin explained that his "duty of course is to support my prime minister, but I will do so with some reservations." Such divided loyalties obviously undermine the authority of a prime minister like Chernomyrdin, who has maintained his political distance from the president.

It is a measure of the ambiguities of Yeltsin's own economic outlook and leadership that ministers with close ties to the president have had markedly different views on economic reform. In general, the "presidential ministers" who have expert backgrounds and second-level patrons in the presidency--patrons such as Gennadii Eduardovich Burbulis or Sergei Alexandrovich Filatov--have been far more market-oriented than those with industrial/political backgrounds and personal ties to Yeltsin. Such distinctions serve as reminders that, in explaining the behavior of state officials, whom one knows and where one has been may be more important than where one sits.
Government officials with broad economic portfolios have sought, with varying degrees of energy and success, to develop a national economic policy in the face of diverse sectoral claims. Like its counterparts in the West, and against the wishes of many branch ministries, the Ministry of Finance has advocated conservative fiscal and monetary policy as well as strict control over the disbursement of funds through a centralized treasury. Under Oleg Lobov, the Ministry of Economics sought to impose discipline on branch ministries by controlling scarce supplies, a la Gosplan. The current Minister of Economics, Evgenii Yasin, has favored financial means to achieve this end.27

Another potent adversary of traditionally-minded branch ministries is the West, whether it works through the IMF or through bilateral arrangements with the Russian Government. The promise of credits has encouraged Government officials, in the first instance Prime Minister Chernomyrdin, to adopt policies that are painful to many branch ministries and often to the population at large. Whereas Egor Gaidar resisted sectoral pressure out of conviction, Chernomyrdin has done so in large part out of concern for Russia's standing with international financial institutions.

That the current prime minister still finds it difficult to say no to powerful special interests is indicated by his method of handling requests from sectoral lobbies. According to Evgenii Yasin, in the first 20 days of January 1995, the prime minister forwarded requests for 7.3 trillion rubles in off-budget funding to the Ministry of Economics, whose yearly investment budget is only 9.5 trillion. When the Ministry of Economics objected to this deluge, Chernomyrdin replied: "But I didn't call you about a single one of the documents. There will be many resolutions. And the supplicants will be many. But one has to hold out."28
Assessing the full economic record of the Chernomyrdin Government is beyond the scope of this paper. Without doubt, there have been notable successes. With the assistance of new leadership in the State Bank and the policies of Boris Fedorov at Finance, the Government reduced the growth in the money supply and hence the rate of inflation. By the middle of 1995, the monthly inflation rate had dropped to 7% from approximately 25% a year earlier—an impressive achievement for a prime minister who came to office deeply suspicious of monetarism. After a crisis of state revenues in the early 1990s, Chernomyrdin reported to parliament in the summer of 1995 that state receipts were slightly above the budget amount for the first half of the year. But the economy is still hostage to powerful political forces that extract subsidies, privileges, and protection from the state on a grand scale.

During the past year, a major source of hemorrhaging from the treasury has attracted the attention of policymakers and the public. It is the tax and customs privileges granted to firms and organizations with close ties to the political leadership. Seemingly minor relief from customs duties at times has produced enormous losses to the state. A case in point was the removal of customs duties on items imported by the Russian Sports Committee, which is responsible for preparing Russian athletes for the upcoming Olympic games. Besides sports equipment, the Committee imported alcohol—millions of bottles of it. The state thereby lost the lucrative tax on imported spirits as well as revenues from the consumption of domestic alcohol, whose sales were undercut by duty-free foreign liquor. Even the presidential apparatus has taken advantage of such privileges. Yeltsin approved a special petroleum export license for his own
business office \textit{upravlenie delami} and a permit to breed wild game for the Security Service of
Mikhail Barsukov.\textsuperscript{32}

An even more serious threat to the integrity of Government economic policy is posed by extrabudgetary funding \textit{vnebiudzhemye fondy}. Whether through legislation or their own initiative, many state institutions have created sources of funding that are independent of the treasury. Locating a supplemental source of revenue is for some state organizations a matter of survival. For example, the Institute of Linguistics in Moscow lets its basement to a Chinese restaurant, for which it receives not only highly subsidized meals for its members but also rent payments that cover the salaries of scholars and staff. At this level, of course, greater independence from the treasury may be beneficial for all concerned. But when revenues are generated through business ventures, some of which are highly speculative, state agencies distort the market, divert energies from their primary tasks, and risk eroding further the state's ability to direct its own institutions. Most ministries and agencies--and even many individual bureaus--have established extrabudgetary funds to enhance their revenues and therefore their independence from bureaucratic superiors.

Whereas the branch funds above are controlled by individual agencies of the executive, huge social funds based on mandatory citizen contributions are at the disposal of the parliament. Revenues of the Pension Fund, the Employment Fund, and other social funds are now equal to 63\% of state budget receipts. These funds offer deputies the promise of jobs in the vast fund apparatuses for their proteges, income from illicit movement of money in fund accounts, and a golden parachute \textit{zapasnoi aerodrom} at the end of their political careers.\textsuperscript{33} If unchecked, such funds will further weaken the Russian state and deepen the conflict between executive and
Disillusioned with the Government's leadership in the economy and with Chernomyrdin's rising political profile, the presidency began to exercise a more intrusive role in economic policymaking following the adoption of a new constitution in December 1993. Yeltsin backed away, therefore, from his earlier pledge to allow the Government "to carry out economic reform," a policy that had "avoid[ed] conflicts with his own Presidential administration." Amid a flurry of ambitious economic decrees issued by Yeltsin in May 1994 were new rules on relations between president and Government and on state economic policymaking. In the words of Victor Ivanov, "These documents complete the formation of a rather orderly bureaucratic system for the state regulation of the economy, headed by the President himself."  

Further evidence of the shifting relations between president and prime minister was Yeltsin's firing of Chernomyrdin's longtime chief of staff, Vladimir Petrovich Kvasov, in November 1994. Violating the rules of protocol, the president rather than the prime minister signed the order dismissing Kvasov, who endured weeks of public condemnation by the president before his dismissal. Under Kvasov, according to one source, the Government apparatus "pursued a course towards 'independence' from the Executive Office of the Presidency." At the same time, Yeltsin appointed Evgenii Grigor'evich Yasin, the reform-oriented economist, to head the Ministry of Economics, and Vladimir Panskov, another doctor of economics, to lead the Ministry of Finance. Both men moved from positions in the presidential apparatus. Yasin
had served as head of the Analytical Service and Paskov as deputy head of the Finance-Budget Administration.

Besides these legal and personnel changes, Yeltsin created new structures in the presidency to oversee the Government's handling of the economy, thus expanding an apparatus that, with approximately 5000 officials, already dwarfed the bureaucracy of the Government.39 These new structures included the Finance-Budget Administration and the office of special counsellor to the president for economic affairs. According to one observer, these measures removed from the Government the "creative initiative" on economic policy.40 Another commentator noted that, in light of these organizational changes, "the Government's role is gradually being reduced to making purely economic decisions devoid of strategic perspective."41

To what extent political rather than economic concerns led to these reforms is difficult to assess. Certainly, the results of the December 1993 election weakened Yeltsin's ability to control the Government through the traditional instrument of personnel policy. The poor showing of the unofficial presidential party, Russia's Choice, led to the departure from the Government of radical reformers such as Boris Fedorov and Egor Gaidar, the latter having returned to Government in September 1993, in the wake of Yeltsin's dissolution of parliament, to serve as deputy prime minister and minister of economics. One may conclude that, at the beginning of 1994, Chernomyrdin was for the first time in charge of his own Government.

As for the criticisms of the Government's economic performance, those in the prime minister's camp will argue, with much justification, that the economic problems described above had their roots in presidential as well as Government policies. The premier and the ministries, for example, were not the only ones targeted by interest networks. Yeltsin himself succumbed
on numerous occasions to the special pleading of individuals and enterprises that sought protection or privileges from the state. Indeed, Yeltsin personally signed the decree that granted special customs status to the Committee on Sport. Whatever the precise mix of political and economic motivations behind Yeltsin’s initiatives, the result was a strengthening of the presidency’s ability to monitor and influence economic affairs.

Economic Specialists in the Presidential Apparatus

Prior to the adoption of a new Russian constitution in December 1994, the presidency’s institutional resources in economic affairs were limited to the Interagency Commission on Economic Security of the Security Council and a small Analytical Center for Socio-Economic Policy, established in February 1993 and later integrated into a more broad-based Analytical Service. In late February 1994, the Financial-Budget Administration, a subdivision of Sergei Filatov’s Executive Office of the President [Administratsiia Prezidenta], began work with a staff of 30 officials under the leadership of Igor’ Dmitrievich Moskovskii. Moskovskii moved to the presidency from the Government apparatus, where he had served as head of a similar bureau, the Department of Finance, Budget, and Monetary Circulation.

With access to the full range of state information on the economy, the Financial-Budget Administration advises the president on “financial and budgetary matters, tax policy, insurance, price formation, credit relations and monetary circulation.” Besides offering general recommendations for policy in these fields, the Administration also assists in the preparation and review of laws and decrees on economic affairs. Assessing the significance of the formation of
Vladimir Berezovskii noted in mid-1994 that:

Yeltsin's entourage has taken a number of steps to create structures capable of limiting the influence of Chernomyrdin on the adoption of strategically important decisions and of legalizing presidential supervision over him. In particular, we have in mind the formation in the Executive Office of the President of the Financial-Budget Administration. With responsibility for developing the fundamental planks of financial policy, [this office] will in one way or another determine the strategy and tactics of the economic policy of the Government.

If Moskovskii's office has thus far played a less influential role in economic policy making than these remarks suggest, it is in no small part because of the establishment of contending centers of expertise and advice in the presidency, notably the office of economic counsellor to the president, occupied since November 1994 by Alexander Livshits. Although Livshits' has a smaller staff than Moskovskii, he has more direct access to the president by virtue of his location--his office is in the Kremlin rather than Old Square--and of his position as one of only ten policy assistants [pomoshchniki] to the president. Some observers regard him as the "presidential commissar" to the Council of Ministers. Whereas Gaidar was Yeltsin's primary advisor on economic affairs in the first year of the post-Soviet era, Livshits had assumed that role by the end of 1994.

An academic economist by background, Livshits is best known in scholarly circles for his publications in the late Soviet era on capitalist economies. Formerly a faculty member in the Economic Theory Department of the Moscow Institute of Machine Tool and Instrument Building, he moved to the presidential administration in April 1992, working as deputy leader of the
Center for General Policy and then as head of the Group of Experts. Among Livshits' closest associates in the presidency are Yeltsin's advisors on politics, Georgii Satarov, and security, Yuri Baturin. While the Russian Government has shed most of its young, progressive intellectuals, the group Rutskoi referred to disparagingly as "the boys in pink shorts." the presidential apparatus has become a haven for "experts" such as Livshits, Satarov, Baturin, and the president's new legal advisor, Mikhail Krasnov.

One of the ironies of recent Russian economic policymaking is the extent to which Chernomyrdin and other reluctant reformists in the Government have committed themselves to strict monetary policy, apparently in response to international pressure. For his part, Livshits also does not favor a return to the unbridled monetary emission of the Gerashchenko era, but he remains suspicious of attempts to reduce the inflation rate too quickly, fearing the social and political consequences. "The main point," he argues, "is to ensure that the price of market transformation is not too great for society." It is on fiscal policy that Livshits is unbending—he is committed to a budget deficit of no more than four percent of GNP.

Livshits' views on Russian political economy defy simply characterization. While accepting much Western economic science, Livshits retains some of the views of a Russian statist [gosudarstvennik]. He speaks favorably of international financial institutions, such as the IMF, but is highly critical of foreigners "who seek to grab our export-oriented sectors" and to control the consumer market with imported goods. In mid-1994, he estimated that, without protectionist measures, the 55% foreign control of the consumer market would rise to 70% by 1996. He has also sought to prevent deep cuts in the military, arguing that by the end of the decade Russian economic success will depend on three sectors: the military-industrial complex.
metallurgy, and oil and gas.\textsuperscript{39} And he insists that before privatization can occur in some enterprises, the state may need to renationalize them and "begin to act like an owner."\textsuperscript{37} He is particularly critical of enterprise directors who have used privatization to create "economic mutants," which are neither capitalist nor socialist.\textsuperscript{38}

Livshits appears most passionate, however, about the destructive power of lobbies in the transition from a command economy. A central task of the presidency, he argues, is to uphold a national economic policy against the special pleading of "forces in the Duma and...representives of certain sector[al] blocs."\textsuperscript{39} Along with several other members of the presidential apparatus, Livshits was a forceful advocate for the presidential decrees of May 1994 and March 1995, which annulled scores of earlier directives that granted special privileges in foreign trade to organizations and regions.\textsuperscript{40} These directives had cost the state treasury an estimated 15 trillion rubles in lost revenues. For Livshits, the political and cultural significance of these decrees exceed their financial import. Such acts, he argued, "break traditions and stereotypes of thinking" about exchange relations between the center, on the one hand, and sectors and regions on the other. "Even if we can prevent large-scale leaks in the budget for just 2-3 months, we will succeed in inculcating order in the nation" [\textit{priuchit' narod k poriadku}].\textsuperscript{41}

The storm of lobbying following these decrees was so intense that one Kremlin visitor commented to Livshits: "I'm surprised to find you alive."\textsuperscript{42} On 1 June 1994, only a week after issuing the first decree, the president granted an exemption from the decree to the energy sector, which had received the vast majority of special licenses and quotas. The climbdown reportedly followed vigorous pressure by the Government,\textsuperscript{43} whose leader is bound to the TEK by "old boy gas industry friendship" [\textit{muzhkaia gazpromovskaia druzhba}].\textsuperscript{44} Such "friendship" doesn't just
distort the economy, it corrupts it. Even one of the most sanguine foreign students of the Russian economy, Anders Aslund, warned that "corruption in Russia’s energy sector is so deep that, without action, it can threaten democracy and stability."65

Among the regions seeking relief from the 1995 decree was Kaliningrad, which protested that the president’s action, annulling a 10-year exemption on customs duties signed in 1993, would cost the territory 300 billion rubles. Kaliningrad was one of eleven economic or administrative regions to have received favored status in foreign trade relations.66 Again, the president and key ministers began to bend under the political pressure. In April 1995, Deputy Prime Minister Chubais promised Kaliningrad officials that the center would make good on their losses. Heightening the pressure from Kaliningrad was an alarming shift in the political loyalties of the local citizens. Whereas Russia’s Choice—the unofficial party of the president—received a majority of the vote in the region in the 1993 parliamentary elections, the Communists and the Liberal Democrats of Vladimir Zhirinovskii now enjoy the greatest popular support in Kaliningrad.67

In February 1995, Livshits contributed to another presidential decree designed to enhance economic discipline. This decree is noteworthy for its attempt to institutionalize cooperation between president and prime minister, a rarity in Russian political development. Decree no. 226 requires president and prime minister to agree formally on any executive order that raises expenditures or lowers revenues. Where all such Government-sponsored "favors" must be issued by the president in the form a decree [ukaz], the president’s own largesse must first be approved in draft form by the Government [predstavliaiutsia na podpisanie iskluchitel'no postanovieniiami Pravitel’stva].68 In a joint Kremlin press conference, Livshits and Deputy Prime Minister
Chubais explained that the decree would protect the budget from attacks by branch interests.⁵⁹

A month after the issuance of the decree, the president had succumbed to only two requests for funding above budgetary limits: one for the celebrations of the 50th anniversary of World War II and the other for the reconstruction of the Cathedral of Christ the Savior in Moscow. As Livshits notes, however, a number of avenues designed to circumvent [obvodnye kanaly] the decree are already taking shape.⁷⁰

Of all the levers of influence on economic policy available to Livshits, the most important may be his contributions to the president's budget message [poslanie], the first of which appeared in the spring of 1995.⁷¹ According to the president's economic advisor, this public document—prepared by Livshits, Satarov, and Baturin—"is a political assignment to the Government concerning the preparation of the budget." It is, he went on, "the birth of a political tradition, designed to fill a gap in the power functions of the president."⁷² To borrow the language of the old regime, with this budgetary message Livshits and the presidential apparatus are attempting to establish a "general line" on the economy as a means of enhancing the president's powers in economic decisionmaking.

Government institutions have bristled, however, at such attempts by the presidency to direct economic policy. After the issuance of the president's budget message, an official in the Ministry of Finance criticized the "theoreticians from the presidential apparatus," whose views "may not correspond to the realities of the budget process." It is the Minister of Finance, they reminded their colleagues in the presidency, who will have to answer for these policies.⁷⁴ At present, it is unclear whether the budget messages will become a guide for Government action or merely "wishful thinking," to use the term of its critics.
Livshits' duties also include vetting economic decrees that require the president's signature, whatever their provenance. To relax one's vigilance in this role even for a moment is to invite the issuance of decrees that violate the president's public commitment to reform. Whether out of ignorance or "friendship," Yeltsin at times signs decrees that undermine the presidential program. In many instances, the president accedes to the wishes of suppliants with the basest motives. Economics Minister Yasin complained that "the president has his favorite directors who can open any doors." Unfortunately, in Livshits' words, Yeltsin "doesn't know a lot [about the economy] and tries to help everyone....but some people need to be imprisoned rather than helped."

Conclusions

A strong presidency has sought to buttress a weak Russian state by reducing departmentalism in economic policymaking. An important part of this strategy has been the formation of presidential structures that could, like their counterparts in the old Central Committee, monitor and influence the Government's management of the economy. But such a policy requires a high level of discipline and cohesiveness in the presidency itself. This unity of purpose and tactics is lacking in the Russian presidency. The problems lie both in Yeltsin's mercurial character, revealed above, and in the shapelessness of the presidential apparatus.

Like all chief executives, Yeltsin receives advice on the economy from a wide range of officials, many of whom are not professional economists. But the Russian presidency is unusual in its lack of a collective body to weigh and synthesize this advice. This structural problem has
become all the more acute with the recent addition of economic expertise and authority in the presidency. The president appears to act on the basis of purely "bilateral" relations with associates in Government and commerce and with leading officials in the presidency, such as Livshits, Sergei Filatov, the head of the Executive Office of the President, Victor Iliushin, the senior counsellor to the president, and Oleg Lobov, the head of the presidential Security Council. Yeltsin does occasionally chair the plenary sessions of the Council of Ministers, but these are highly formalized meetings with little, if any, debate. Without an economic cabinet in the presidency or some other institutionalized mechanism for communication and decisionmaking in economic affairs, any leader would find it difficult to sustain a coherent economy policy amid the torrent of contradictory information and advice.

Another distinctive feature of the Russian presidency is the absence, or opaqueness, of jurisdictional boundaries between officials. This lack of respect for the Weberian idea of "offices" is most pronounced at the upper level of the presidential apparatus. Like officials in all organizations, the president’s lieutenants continually maneuver to expand their staffs and jurisdiction. But in Russia there are few cultural or institutional constraints to such empire-building. Irrespective of job title or formal responsibilities, Yeltsin’s lieutenants seek to influence policymaking in all areas. Suspicious of the information and expertise provided by other departments in the presidency, each lieutenant insists on maintaining his own broad-based analytical center. The result is self-destructive competition over power and policy within the presidency and between the presidency and Government. In December 1994, in a celebrated letter to the prime minister, a high-ranking official in the presidency advised the Government on the use of oil pipelines. The author of the letter was Yeltsin’s former bodyguard and now head
of the Kremlin's security service, General Alexander Korzhakov.  

In economic affairs, as in other areas of policy, Russia lacks a well-developed "technology of power." In a biting critique of the presidency's role in economic decisionmaking, Vladimir San'ko observed that "when the strategy of reform is determined in the presidential apparatus by secretive analytical centers and bureaus [upravleniia], whose formation depends on palace intrigue, one cannot expect any other outcome...." Even those closest to the president, such as Georgii Satarov, admit that there is not "a normal system of preparing and adopting decisions." Anders Aslund writes that "[a]fter appointing his young reform ministers [in 1991-1992], [Yeltsin] kept them at a distance and gave them no direct access to him...Even Gaidar had little access to Yeltsin."  

Russia's economic travails, then, are not merely the product of the sudden breakup of a command economy or an explosion of sectoral demands. They also result from a fundamental weakness in the institutions of state. A weakness with its roots in the political architecture of semi-presidentialism, in Russia's nihilist legal culture, and in the failed personal leadership of Boris Yeltsin. For all his successes in moments of high political drama, the Russian president has been unable to carry out---or effectively delegate---the more mundane, but no less essential, tasks of state administration. Despite, or perhaps because of, the more vigorous role of the presidency in economic affairs, the Russian state has not yet developed the capacity to adopt and implement a national economic policy. Until this political problem is resolved, the course of Russian economic reform will remain erratic at best. As Michael McFaul has argued:  

An autonomous and effective state is a necessary condition for carrying out revolutionary economic transformation. Paradoxically, therefore, even if the goal
of economic transformation is to stimulate market forces and eliminate state planning, a strong state is still needed to extract the state from the economy.\textsuperscript{36} And to build a strong state, one must establish effective institutions at its core.\textsuperscript{37}
ENDNOTES


6. In this sense, the old shibboleth that "the party rules but does not govern" was always misleading. On questions such as press and culture and relations with other Communist states, the party governed as well as ruled.


9. Formally, Yeltsin was the prime minister until June 1992, when Gaidar became acting prime minister. However, because Gaidar was in charge of economic affairs in the Government from the end of 1991, we consider the Gaidar "premiership" to have begun then.


15. And while Yeltsin enjoyed broad decree-making powers on the economy, granted to the president by parliament.


18. "Gosapparat zhdet mini-reforma, a chinovnikov - sokrashchenie," Rossiiskie vesti, 21 December 1994, p. 2. This figure does not include the 600 technical staff and other support personnel. Ibid.


20. "U nas net bolee vazhnoi problemy, nezheli dogovorit'sia o pravilakh igry," Posev, no. 5 (1993), pp. 7-17. This is an interview with Gaidar.

21. The Ministry of Agriculture warned in February 1995 that without new subsidies, the rural sector would suffer "a complete and final collapse this year." Chrystia Freeland, "New Decree Threatens Russian Farm Reform," Financial Times, 21 February 1995. Under pressure from the agricultural lobby, the Prime Minister signed a decree on 1 February that placed almost insurmountable barriers in the path of the privatization of collective farm land by individual members of the collective.


24. For example, on the conflict between the interests of APK and TEK, see Aleksandr Bekker, "Iurii Shafranik: tol’ko shokom." *Segodnia*, 21 March 1995, p. 3.

25. As Anders Aslund points out, however, the permanent staff of old ministries, like Finance and Economics, were decidedly anti-reformist. The Ministry of Economics had inherited the staff of Gosplan. *How Russia Became a Market Economy*, pp. 62, 89, 91.


30. For the most powerful statement of these successes, see Ander Aslund, "Russia’s Success Story," *Foreign Affairs*, no. 5 (1994), pp. 58-71.


33. Sergei Chugayev, "A Crash Program of Constructing 'Alternate Airfields' Is Under Way In The State Duma," *Izvestia*, 6 June 1995, pp. 1,4, as translated in *Current Digest of the Post-Soviet Press*, no. 23 (1995), pp. 5-6. "In 1994 about 40% of the Employment Fund’s money was deposited in commercial banks, and the income was used 'for purposes other than those for which it was intended.' The salaries of employees of social funds were two to three times the salaries of employees of federal administrative agencies." Boris Boiko, "Meeting of the State Duma: Deputies Do Not Turn Over The Funds To The Finance Ministry," *Kommersant-Daily*, 8 June 1995, p. 3, as translated in *Current Digest of the Post-Soviet Press*, no. 23 (1995), p. 6.

34. Amid intense lobbying, the Duma rejected a law in June 1995 that would have regulated such funds. For an outline of the proposed law, see Natal’ia Olenich, "Vnebuidzhetnye i fondy riskuiut popast’ pod gosudarstvennyi kontrol’," *Segodnia*, 7 June 1995, p. 2.


42. For an interpretation of the validity of this decree and Government directives on the sports committee, see the "official explanation" issued by the president’s State-Legal Administration. Sobranie zakonodatel’stva, no. 9 (1995), at 1483-4.


44. In April 1995 the Analytical Service in the presidency was upgraded to the Analytical Administration, one of a dozen-odd subdivisions of Filatov’s Executive Office of the President. For the statute [polozhenie] on this structure, see "Ob Analiticheskom upravlenii Prezidenta RF," Sobranie zakonodatel’stva, no. 17 (1995), st. 1513.

46. Polozhenie o Finansovo-biudzhetnom upravlenii Prezidenta Rossiiskoi Federatsii, Sobranie aktov Prezidenta i Pravitel'stva, no. 10 (1994), st. 774.


49. His books include Sovremennye burzhauznye teorii ekonomicheskoj politiki (Moscow, 1980), Monetarizm, konceptsiia ekonomicheskoj politiki (Moscow, 1980), and most recently, Ekonomichekskaia reforma v Rossii i ee tsena (Moscow, 1994).

50. As an expert, Livshits was responsible, inter alia, for providing two-month forecasts for macroindicators, such as prices, unemployment, and industrial production. "Plat'e iz zaplat," Moskovskii komsomolets, 30 June 1994, p. 2.

51. Also in this group of "liberal doves" [golubi-liberaty] in the presidential apparatus are Mark Urnov and Boris Kyzyk, the latter an advisor to the president on foreign technical cooperation in military affairs. Veronika Kutsyllo, "Striapchie gosudareva prikaza," Kommersant Daily, 8 June 1995, p. 4. Both Krasnov and Livshits had worked earlier for Baturin in the presidential apparatus.


54. Aleksandr Bekker. "Prezident napravit pravitel'stvu biudzhetnoe poslanie," Segodnia, 4 May 1995, p. 1. Speaking in the spring of 1995, Livshits warned that "the Government of Russia will soon have to decide which laws to implement: either the law on the budget of 1995 or those that increasingly depart from the budget." Aleksandr Bekker, "Pravitel'stvo boretsia s iskusheniem i lobbistami," Segodnia, 21 April 1995, p. 2. He had nothing but contempt for budget-breaking parliamentary measures, such as the law to restore savings lost by citizens in the 1993 devaluation. Like a good central banker, he feared that the upcoming elections would encourage deputies to pass "good" laws that will be bad financially. Viktor Khamraev, "Sovetnik prezidenta o trekh istochnikakh ugrozy stabilizatsii," Segodnia, 11 April 1995, p. 2.


63. This accusation was made by Andrei Illarionov, the former economic advisor to the Chernomyrdin Government. Andrei Illarionov, "Uroki rossiiskikh reform." *Znamia*, no. 3 (1995), p. 174. The willingness of Yeltsin to accede to Chernomyrdin on questions of energy policy appears to have been confirmed in a 1 April 1995 decree on the oil sector. "O pervoocherednykh merakh po sovershenstvovaniiu deiatel'nosti neftianykh kompanii." *Sobranie zakonodatel'stva*, no. 15 (1995), st. 1284.


66. Except for Murmansk and the Volga region, the other areas were non-Russian republics (Chuvashia, Udmurtia, Komi, Karelia, Buriatia, Dagestan, Adegei, Sakha). See "O priznanii utrativshimi silu i ob otmene reshenii Prezidenta RF v chasti predostavlenii tamozhennyykh l'got." *Sobranie zakonodatel'stva*, no. 11 (1995), st. 967.


75. One should note that a large portion of draft decrees [ukazy] originate outside the presidency, in the Government apparatus or the ministries. Although some reach Yeltsin’s desk through stealth, most pass through a review by several officials in the presidential apparatus.


78. When the journalist who conducted this interview turned off the tape recorder, Livshits discussed the massive theft that was plaguing economic development. He also alluded to the weaknesses in Yeltsin’s ability to understand economics, though suggested that this topic should be taken up only “when all present players are in retirement.” "Aleksandr Livshits: Nizkaia inflatsiia tozhe opasna," Literaturnaia gazeta, 13 July 1994, p. 10 [no. 28].
79. Juan Linz has warned that under presidentialism the personality and ability of the leader are far more important than in a parliamentary system. See Linz, "Presidential or Parliamentary Democracy: Does It Make a Difference?" in Juan J. Linz and Arturo Valenzuela (eds.), The Failure of Presidential Democracy (Comparative Perspectives, volume 1) (Baltimore: Johns Hopkins University Press, 1994), pp. 52-53.

There are some who regard Yeltsin's zigzags as part of a well thought out system designed to keep his adversaries off balance. Other analysts, whose views I share, "do not believe that Yeltsin is cunning enough to play such a game." "Yeltsin's 'Roller-Coaster' Method of Rule Eyed," Kommersant-Daily, 15 April 1995, p. 3, as translated in Foreign Broadcast Information Service. 18 April 1995, p. 22.


81. The most remarkable example of the mania for analytical centers was the creation of a think-tank of from 60-100 specialists in the 1500-person security service of Alexander Korzhakov. For a portrait of the head of this center, General Georgii Rogozin, see Sergei Parkhomenko, "Modern Day Rasputin," Moscow News, no. 16 (1995), pp. l,6.


84. "Georgii Satarov: Prezidentu nado chashche ob’iasnitat’ svoiu pozitsiiu," Argumenty i fakty, no. 33 (1994), p. 3. According to Alexander Livshits, new ideas for economic policy emerge from 10-15 persons in Government and presidential structures, often in chance meetings on the street or in the staff dining hall. Ideas generated in this way may then get written up at storming sessions in state dachas outside the capital. Only at this point do they seek the president’s blessing. "If it weren’t for the President, nothing would happen." Livshits observed, as if in mocking tribute to a leader who becomes involved only to place his authority behind favorite projects. "Aleksandr Livshits: Nizkaia inflatsiia tozhe opasna," Literaturnaia gazeta, 13 July 1994, p. 10 [no. 28].

85. Anders Aslund, How Russia Became a Market Economy, p. 86.


87. In the view of Fedor Burlatskii, an early advocate of a presidency for Russia: "Never mind those pipe dreams about building a legal state or a social state. We need to revive a
Robert Putnam, among others, has argued that developing a Government or any effective political institution depends less on political architecture or the context of decisionmaking than on socio-cultural resources, such as trust, which cement relations among elites. Robert Putnam, *Making Democracy Work. Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1993). Set against this view, which holds out little hope for an early resolution of Russia's political problems, are the ideas of Mancur Olson, with whom we began this paper. For Olson, culture imposes only minor barriers to successful collective action. Even Olson, however, recognizes that powerful interests stand in the way of democratic development in Russia.