THE LDPR'S INFLUENCE IN PSKOV:

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SUMMARY

The variety of approaches to running Russian provinces comprise models that can either aid or retard the process of economic reform and political democratization. This case study of one Russian region, Pskov oblast, examines the model that has been applied by ultra-nationalist Vladimir Zhirinovsky's party, the Liberal Democratic Party of Russia (LDPR), in the one region it controls.

The LDPR governor of Pskov, Yevgeny Mikhailov, was elected in November 1996. In his time in power, Mikhailov has instituted a number of policies that could be labeled the "Pskov model." The model includes a number of policies that have been implemented in other regions: undermining the independence of local administrators, controlling the region's chief newspaper and television, and establishing or restoring state control over key sectors of the local economy.

A number of characteristics distinguish the Pskov model from other anti-reform models in Russian regions. First, and most obvious, there are the links to the LDPR and its national organization. Most of top administrators in Pskov were drawn from the ranks of the LDPR in other provinces (and even outside Russia). Second, Mikhailov and his team created their own law enforcement agency in an attempt to circumvent the local police, the head of which was appointed by the ministry in Moscow and who has exhibited an unwillingness to bow to the dictates of Mikhailov. Third, the Pskov leadership has introduced a near monopoly on the production and distribution of vodka in the region, to the detriment of outside suppliers and local entrepreneurs. In the process of establishing this monopoly, the leadership has violated a number of federal laws.

Most disturbing from the standpoint of the development of Russian federalism, the national leadership and central institutions have thus far proven incapable of doing anything to call the Pskov leadership to account. On the contrary, with the support of the powerful LDPR contingent in the State Duma, the Pskov government continues to receive federal budgetary allocations in spite of the clear threat to economic and political reform that its model presents.

THE LDPR IN POWER: THE PSKOV MODEL

The popular election of oblast governors in Russia in 1996-97 created a foundation for new types of regional political-economic models, some of which may accelerate the implementation of reforms while others may stop or reverse them. Of particular interest is the activity of "opposition" governors who were elected from the communist party and other movements that reject both the pace and direction of national socioeconomic reforms. Among the models that are emerging in the regions, that of Pskov oblast is one of the most controversial because of its links to Vladimir Zhirinovsky's Liberal Democratic Party of Russia (LDPR). Pskov, a northwestern region that borders Estonia, Latvia, and Belarus, was the only region to
the most controversial because of its links to Vladimir Zhirinovsky's Liberal Democratic Party of Russia (LDPR). Pskov, a northwestern region that borders Estonia, Latvia, and Belarus, was the only region to choose a LDPR candidate for governor in the 1996-97 regional elections -- despite the fact that in national parliamentary voting by party list the LDPR had been one of the leading vote-getters in both the 1993 and 1995 elections.

The LDPR had established its image primarily by advocating a nationalist foreign policy and through the personal flamboyance of its leader. Zhirinovsky, who has made several visits to Pskov both before and after the elections, viewed Pskov as a region that would enhance the electoral appeal of the LDPR by allowing the party to prove itself as capable of managing Russia as a whole. Economic policy was perhaps the most ambiguous aspect of LDPR policy. While a large number of LDPR deputies were self-described "entrepreneurs" or "biznismeny," they often had demonstrable links to the criminal world. Furthermore, the party lacked a coherent economic strategy; it was vaguely in favor of the market and private ownership, but did not support many of the specific policies that were part of Yeltsin's reform program.

In the first round of voting in the gubernatorial elections held in October 1996 Vladislav Tumanov, the incumbent, came in first with 31% of the vote, while Yevgeny Mikhailov, the LDPR candidate, placed second with almost 23% in a field of seven candidates. Between the first and second rounds, an open alliance was declared, the first of its kind in Russia, between local communists and the LDPR. This united opposition was able to defeat Tumanov easily in the second round of voting, held on November 3. Mikhailov won over 57% of the vote to Tumanov's 37%.

The governor was defeated despite substantial support from the Russian government and the "party of power." Our Home is Russia headed by Russian Prime Minister Viktor Chernomyrdin. Tumanov had been governor since 1992, when he was appointed by Yeltsin after having been endorsed by the oblast soviet. Among the steps taken to help Tumanov between the first and second rounds of voting, in addition to visits to the oblast by several national-level political figures including Yuri Luzhkov, the popular Moscow mayor, was a special decree by Chernomyrdin. The decree ordered the Ministry of Finance to allocate funds for a major infrastructure program for Pskov and to allow the oblast to keep 120 billion rubles from customs duties collected locally to assist raions along the Russian border. Chernomyrdin also instructed the Ministry of Foreign Affairs to enter talks with Latvia and Estonia on cooperation between border regions.

Relations between the LDPR in Moscow and the Pskov leader were close and reflected the strong
governor drawn from the communists. D. Malyshev, had immediate control over law enforcement organs, but these powers were also limited by the defacto distribution of power in Mikhailov's administration. Ultimately, the overall number of top-level administrators was increased under Mikhailov from six to ten, including four first deputy governors and six deputy governors. Perhaps the most important staff appointment was that of Mikhail S. Gavunas, a 28-year old self-described "biznesmen" and LDPR functionary who made his fortune in Moscow by importing automobiles. Gavunas was second only to Mikhailov in his role in the oblast and was said to have close links to Zhirinovsky. He was put in charge of economic policy and was also given the role of overall coordination of law enforcement organs. Gavunas also traveled frequently to Moscow to represent the oblast to Russian government ministries. Another key figure in setting oblast economic policy was deputy governor Vladimir Ivchenko, who was from Rostov. His portfolio included overseeing natural resource sectors of the economy such as peat, timber, fish, processing industries relating to the above, and the production of linen. Several other of Mikhailov's deputies were from Moscow, including the director of the administration's apparat, his press secretary, and the head of the committee on the mass media. The latter, Yevgeny Elfimov, was a longtime associate of Mikhailov's.

2. Local Government

Mikhailov's predecessor, Vladislav Tumanov had been one of Russia's most innovative governors in the area of local self-management. Pskov oblast was one of the first regions to adopt a law on local self-management and to hold elections for both local representative bodies and local chiefs of administration, in February 1996. Most regions delayed these elections as long as possible in order to permit continued control over raions from the oblast administration, which had the power to appoint and remove district officials. Despite the fact that many of the elected raion leaders were prominent local figures backed by the communist party, they quickly found accommodation with Tumanov. When the election for governor was held in October 1996, the Pskov Oblast Association of Municipal Formations endorsed him for reelection. Also at Tumanov's initiative, two raions in Pskov became the site of an All-Russian experiment to test models of local self-government. The experiment, under the supervision of the Ministry of Nationalities and Federal Relations, was later continued under Mikhailov.

Perhaps the most important initiative undertaken by Tumanov was in the budgetary sphere. Because of political disagreements in Moscow, there was no national law regulating local government finance until September 1997. Typically, oblasts receive the bulk of taxes and transfer payments from
party discipline that Zhirinovsky had established over regional organs, a feature described by LDPR officials using Lenin's concept of "democratic centralism." According to Mikhailov, Zhirinovsky "does not interfere in operational questions. But I get his approval for any decision concerning the most important policy directions."6

The Politics of LDPR Rule

1. Leading Cadres

The new Pskov governor, Yevgenii Mikhailov was, when elected at the age of 33, the youngest governor in Russia. Mikhailov grew up in Pskov oblast and was trained as a construction worker. Mikhailov was elected to the Moscow city soviet in 1990, where he served on the budget committee. In 1991, while still a deputy in the city council, he earned a graduate degree in history from Moscow State University. A turning point in his career came when he met Zhirinovsky in 1991. Mikhailov became a deputy editor of the party newspaper, Pravda Zhirinovskogo, and was elected to the Russian State Duma on the LDPR party list in 1993 and 1995.7

Rather than draw on local supporters from Pskov oblast, Mikhailov assembled a core of young LDPR functionaries who were inexperienced in administration and drawn from outside the region. Two of the Mikhailov's inner circle came from Belarus and Ukraine and were not even Russian citizens at the time they were appointed. It is clear that Zhirinovsky and the national LDPR leadership played a key role in forming the Pskov leadership; in Mikhailov's words, "they [the LDPR leadership] helped me form my team for work in the post of governor." 4 The only local figure appointed to a top post was A. Tul'kin, administrative head of a rural raion, who was placed in charge of agriculture. The fact that none of the leading figures in Mikhailov's administration came from the ranks of the local LDPR organization caused some dissension in the ranks. Local party organs took credit for Mikhailov's victory and clearly expected to reap the rewards.9

The local communist party also expected to share in the spoils of victory in return for its support of Mikhailov in the runoff elections in October 1996. The negotiations that produced this alliance resulted in a promise by Mikhailov that he would appoint communists to several top administrative posts, including one to the post of first deputy governor and the deputy governor overseeing law enforcement organs.10 In fact, the terms of the agreement were not fulfilled completely. Formally, Mikhailov kept his word and appointed a communist, Anatolii Koposov as first deputy governor. It soon became clear, however, that Koposov's role in the province was peripheral, limited to the sphere of heavy industry. Mikhailov added several first deputy governors, thus diluting the significance of his pre-election pledge. Another deputy
Moscow, and cities and raions are financed out of the oblast budget. Thus, local officials had to appeal to the oblast center to get budgetary allocations -- a pattern that is similar to the relationship between most provinces and the federal government. Under Tumanov local governments in Pskov oblast were given their own sources of financing. Raions and cities were allowed to retain a significant percentage of locally collected receipts from two of the chief sources of oblast revenues: the value-added tax and excise taxes. These funds were used by local governments for infrastructure improvements and for such welfare expenditures as purchasing medicine for local hospitals.

By contrast, the LDPR model as exemplified in Pskov sought to establish a strict hierarchy of executive power, with the governor on top. Mikhailov set out to dismantle as many of the reforms that Tumanov had implemented as possible. In January 1997 it was announced that the governor had assigned experts to study the experience of alternative approaches to local government in such regions as the city of Moscow and Leningrad oblast, "where the vertical of executive authority works precisely and effectively."

One of Mikhailov's first steps was an attempt to wrest finances away from the cities and raions and restore them to oblast-level control. The 1997 draft budget he submitted to the oblast legislature in January 1997 eliminated these sources of local finance. Mikhailov argued that the differences between the raions led to inequities in financial capabilities which could be resolved only at the oblast level. A bitter struggle was waged in the oblast assembly over the question of how revenues should be divided. Mikhailov objected procedurally to the fact that the oblast assembly had invited the association of heads of local administrations to participate on an equal footing with the administration and the assembly in the commission set up to forge a budget compromise. Ultimately, Mikhailov backed down and agreed to a compromise on the budget which allowed the local governments to continue to receive a share of value-added taxes, while excise taxes (such as on vodka) would go to the oblast.

One of the purposes behind recentralizing finances, of course, is to establish greater leverage over local policies. In a discussion of raion compliance with oblast policy on timber exports, for example, deputy governor Ivchenko made a thinly veiled threat that "we have, besides administrative measures, economic methods with which to influence the raions. These should be sufficient to interest local administrations to cooperate with the oblast. If they don't understand this, the people will help them at the next elections. Perhaps even ahead of schedule..."

An additional channel for attempting to influence local developments was the LDPR party structure. While the party did not have a substantial presence among local administrators and dumas, the
LDPR did have organizations in all cities and raions in the oblast by the time Mikhailov was elected. According to the local head of the oblast LDPR, party organizations were a source for information on local developments and helped to "guarantee influence on decisions adopted" by local administrators.20 Relations between Mikhailov and the mayor of Pskov, A.V. Prokof'ev, were ridden by a number of conflicts over budgetary and economic policy. However, both sides attempted to keep their disputes behind closed doors. When opponents, including local LDPR members, organized a campaign to petition for a referendum on recalling Prokof'ev, Mikhailov publicly disassociated himself and the LDPR from the effort.21

3. The Press22

Mikhailov created a press center within the oblast administration as well as a committee for mass media and public relations (sviazь s obshchestvennost'iu), headed by Yevgenii Elfimov. The purpose of these new units was to establish tight control over the oblast-level media. The only oblast-wide newspaper, Pskovskая pravда, previously had been relatively independent, though it tended to support Tumanov and the oblast administration. At the time of the October 1996 elections, for example, the paper's coverage was strongly pro-Tumanov.23 When Mikhailov took over, it turned out that the ownership status of Pskovskая pravда had never been properly registered in the name of the editorial staff. On this basis, in January 1997, the oblast assembly officially renationalized the newspaper as a state enterprise.24 The newspaper changed its stance and became an advocate for the new LDPR administration. It was reported that Elfimov personally reviewed each issue prior to publication and issued instructions on what to report and how to report it. Elfimov also reportedly took a "hands-on" approach to local television, showing up frequently at the broadcast facility and overseeing the preparation of news reports and other programming.25

The only major semi-opposition publication became the newspaper of the Pskov city government, Novosti Pskova, whose stance reflected the tension between the governor and the mayor of the capital. The paper frequently reprinted articles from the Moscow-based independent press and carried declarations and press materials prepared by the local branches of Democratic Russia, Our Home is Russia, and Grigory Yavlinskii's Yabloko party.

4. Law Enforcement

Mikhailov's administration appeared to be frustrated in its efforts to use the existing state machinery to enforce its new approach to administering the oblast, particularly in its efforts to control and regulate alcohol sales and production (see below). Since appointments to the top posts in the local Ministry of Internal Affairs and the Federal Security Service (the FSB, or successor organization to the KGB) were
made from Moscow, there were limits to Mikhailov's ability to direct their activities.

To overcome this obstacle, the oblast government created a new law enforcement/investigative agency with the innocuous-sounding designation "Control-Organizational Directorate [kontrol'no-organizatsionnoe upravlenie] of the Apparatus of the Oblast Administration." This new force, directly subordinate to the governor, was given wide-ranging responsibilities for checking on the implementation of federal and oblast-level laws and decrees. Subject to oversight were not only departments of the oblast administration but also territorial organs of federal authority and local administrations in the cities and raions. The new directorate was responsible for checking on compliance with federal and oblast laws; it was also tasked with overseeing the expenditure of funds by oblast and local administrative entities. To carry out this mandate, the directorate was empowered to request and receive information from oblast departments and local authorities. If an official refused to provide the requested documentation, the directorate could levy administrative fines and recommend that the official be dismissed. Finally, the directorate was given the right to enter the premises of any government organ or organization "regardless of form of ownership -- in other words, including privately-owned enterprises--to demand documents, materials, or other evidence for their investigations.

The oblast administration also established a tight security regime around the governor’s office, posting heavily armed guards and putting in a metal detector at the entrance to the government building. Mikhailov justified this by referring to the enemies he had created as a result of the new oblast economic policies, arguing that "there are people to whom the administration has blocked the road [perestupaet dorogu]."

Economic Policy in Pskov

The strategy announced by the Mikhailov government once in power was to designate priority sectors for economic development and to expand greatly the role of government in managing these sectors. In the words of the oblast’s chief economic administrator, the goal was “strict [zhestkaia] regulation of the market. We have confused the concepts of market and anarchy. We forgot even about defending the interests of our producers.” A substantial populist component is contained in these policies as well, which plays to popular hostility toward middlemen and private entrepreneurs generally.

Though this was not specified during the election campaign, it is clear that the first priority for implementing the LDPR strategy was control over the production and distribution of alcohol in the oblast. A number of private wholesalers had been importing inexpensive vodka from other Russian regions as well as from Belarus and Ukraine, and other regions such as Nizhni Novgorod had set up retail shops to sell
their vodka in the region. In the eyes of the new administration, this was costing the oblast an important
source of revenue. Oblast officials argued that this sector had been neglected under Tumanov, with excise
taxes contributing only 0.2% of the 1996 budget.29

The administration's goal was to increase revenues by increasing local output of alcohol, reducing
competition from other sources, and preventing the sale of "illegal" alcohol -- meaning products lacking the
required documentation about quality, source, licensing, tax payment, etc.

In pursuit of this strategy, Pskov oblast instituted perhaps the most rigorous methods of any
Russian region to restrict the sale of alcohol produced in other countries or in other Russian provinces.
Mikhailov issued a decree in January 1997 which required that each lot of vodka (i.e., having the same
producer and date of production) be tested in an accredited laboratory in the oblast. Certification or quality
control documentation from other regions would not be accepted. If sellers could not present the
appropriate documentation, the alcohol would be confiscated.30 Other measures were later added making
the conditions for sale of "foreign" spirits even more stringent. Supplemental regulations in June 1997
gave exclusive control over testing to just two laboratories in the oblast. Instructions on taking the samples
to be tested added a requirement that all six members of a special commission (representing the testing
laboratory, Ministry of Internal Affairs, tax inspectorate, trade and quality inspectorate, the oblast
standards and measurement center, and the administration's own operational-analytical department) must
be present and sign a form attesting to the integrity of the sampling process.31 State enterprises were later
exempted from this procedure.12 The oblast assembly passed a law encompassing most of the elements of
Mikhailov's earlier decrees on alcohol trade and production, including the laboratory testing requirement.
Penalties for violations were set at up to 100 times the minimum wage index plus a fine equal to ten times
the illegal earnings. The law also included a provision that allowed the government to set quotas on the
volume of alcohol brought into the oblast from other regions.13 Protests by the local office of the procuracy
that the law violated Russian laws on the rights of free enterprise in the area of wholesale trade were to no
avail, and the assembly fully backed the administration in its policies in this sphere.14

Meanwhile, the oblast government began to get involved directly in the production and sale of
alcohol. In the 1997 draft budget submitted to the legislature, the administration planned to invest 31
billion rubles for expanding the oblast's production and sale of spirits.35 Officials invested budgetary funds
into opening production lines for vodka at several enterprises that had virtually ceased operation. A state
enterprise, "Pskovalko," was formed to control wholesale trade by local producers.36 It was reported that
Pskovalko contributed around 3 billion rubles to the oblast budget in taxes and profits over the first five
months of its operations. After alcohol, oblast officials designated cigarettes and tobacco as the next priority sector for state investment likely to yield the largest and quickest return.

The oblast administration attempted to set up protectionist barriers to goods from other regions (or from the "near abroad") and to control and restrict the flow of raw materials out of the oblast. Mikhailov issued a degree in late January 1997 which forbid budget organizations (including schools and hospitals) from purchasing equipment or goods from outside the oblast if they were available from Pskov enterprises. Any purchases of equipment outside the oblast would have the specific approval of the oblast administration's committee on industry and production infrastructure. This decision was protested by the oblast office of the procuracy, which argued that the administration has no right to limit the economic independence of budgetary organizations which are registered as separate legal entities.

Another aspect of the Pskov model is the attempt to stop the export of raw materials from the oblast. The region's major resources include peat, fish, and timber. As deputy governor Ivchenko put it, these should be exported only in processed form, otherwise, the region will become "a banana republic with eternal dependence on federal transfer payments." The uncontrolled export of the region's assets, often described as "theft" by Pskov officials, is blamed largely on privatization. Thus, part of the Pskov model is selective deprivatization of key enterprises that had recently been turned into stock-holder owned companies (aktionernye obshchestva) in order to restore government control over the region's resources and the income produced from them. The oblast administration soon began purchasing controlling shares of key enterprises or enterprises experiencing financial difficulties. In some cases, the difficulties were the result of harassment by the oblast administration.

The oblast administration also began to apply administrative measures to stop exports from the region. Those exporting fish to processing plants outside the oblast were subjected to much more rigorous inspections by police and customs officials -- part of what then deputy governor Ivchenko termed "a system of strict rules and standards for everyone who is living at the expense of our resources." Those transporting live fish, for example, would be required to have specially equipped vehicles that maintain the water at a specified temperature. Extensive certification by veterinary and food quality inspectors would now be required. Export of timber would be permitted only if the transaction went through the oblast commodities market, thus ending what Ivchenko called "export under a 'black flag'."

Like many governors, Mikhailov sought to avoid implementing the national guidelines for reform in the provision and financing of communal services outlined by vice-premier Boris Nemtsov. Whereas the vice-premier encouraged regions to raise energy prices to the public across the board to cover a greater
portion of costs. Mikhailov planned a populist approach to increase prices differentially to take into account a family's ability to pay. As the oblast official in charge of this policy put it, "we will not go along the path proposed by Nemtsov...[which] would lead to the absolute majority of the oblast's residents to be turned out on the streets for nonpayment."44

The LDPR model as demonstrated in Pskov views the role of the state an important actor -- not simply as a regulator, but engaging in economic activity itself. The administration began to create "state unitary enterprises" similar to Pskovalko in other sectors. One scandal that broke in early 1997 concerned oblast efforts to enter the sphere of bread production. A new enterprise, "Pskovkhleb," was set up by the state under the direct supervision of the A.A. Tul'kin, deputy governor for agriculture and food processing. He reportedly gave verbal orders to a private flourmill to supply Pskovkhleb with top quality flour at a price below cost. Rather than risk retribution from the government, the mill acquiesced to the demand. Prices to private bakeries were around 30% higher. As a result, Pskovkhleb was able to sell its bread at lower prices, a fact used by the oblast administration to argue it was supporting "socially-oriented production" while other bread producers were engaged in monopolistic price gouging. An investigation by the local branch of the Russian Federation's Anti-Monopoly Commission concluded that the oblast administration had violated the federal law on competition.45

Overall, the climate for small business in Russian regions has been inhospitable, but the policies pursued by Mikhailov appeared to be particularly hostile to entrepreneurs not willing to subordinate their activities to the oblast administration and its economic structures. As a result, many shifted their activities outside of the oblast. One group of Pskov businessmen decided that their only option for affecting regional policies was to win seats in the oblast duma. (Elections were scheduled for late March 1998.) For this purpose, they sent a delegation to neighboring Novgorod oblast to study the successful campaigns of local entrepreneurs who won seats in the legislative body.46

Given the activist role of the oblast administration in so many different sectors of the local economy, it is not surprising that the local LDPR coordinator reported that there was soon a marked increase in the number of applications to join the party from "directors of enterprises who earlier were not even thinking of joining the LDPR."47

As in all Russian regions, in order to develop industry in Pskov substantial new investment is required. In his election platform, Mikhailov claimed that an unnamed, powerful "financial-industrial group" that supported the LDPR would channel significant funds into Pskov oblast if he was elected governor. In the period after Mikhailov entered office there was no evidence that any substantial new
investments were being made in the oblast. The nationalist orientation of the LDPR made it difficult for the oblast leadership to develop a serious program for attracting foreign capital. The attitude of the Pskov leadership to investment from abroad was captured in a statement by the then deputy governor Ivchenko. He stated that, while the oblast needed to attract outside investment, "the expansion of foreign capital should in no way be permitted; nor should foreign specialists be selected for managerial positions as is practiced in some regions." 48

Center-Oblast Relations

Relations with Moscow are of critical importance for Pskov oblast because of its status as a recipient region. In 1996, over 43% of the oblast's budget revenues came from federal assistance. Only in one other oblast was the share of federal payments greater. 49 The federal government had made clear its preference for the sitting governor, Vladislav Tumanov, in the 1996 elections. Many of Tumanov's supporters made the argument that electing a LDPR governor would be an act of political suicide, since Moscow would cut off funding to the oblast. This argument was even made by Pskov's controversial deputy to the State Duma, the ultranationalist television personality Aleksander Nevzorov. 50

Mikhailov countered that the new oblast leadership would be even more successful at gaining federal funds by using the influence of the LDPR in the Russian State Duma. During his election campaign, Mikhailov made much of the potential role of the LDPR in helping Pskov. He argued that the faction could shape the budget to the benefit of the oblast and put pressure on key government ministries, chiefly the Ministry of Finance, to fund the region's programs.

At first, Pskov received very little of the funds from the central budget that it was owed in 1997. In Mikhailov's first five months in office, instead of the promised 178 billion rubles, the region received only 15 billion. 51 This was not unusual, however, as virtually all regions received only a small fraction of promised federal funding in that time period. As a result of personal lobbying and apparent behind-the-scenes pressure of the LDPR leadership in Moscow, Pskov was able to get its share of funding. There is no evidence that the Russian government used its transfer payments to apply pressure on the oblast to adhere to national policies, and Mikhailov voiced no public complaints about pressure from Moscow.

A potential complication for Mikhailov's policies and the "Pskov model" was the fact that Tumanov, the former governor, was brought to Moscow as first deputy minister in the Ministry of Nationalities and Federal Relations. From this post he, of course, continued to monitor developments in Pskov. 52

However, federal institutions in the oblast appeared to be incapable of applying effective pressure
on the oblast administration. The local office of the procuracy protested several decrees issued by
Mikhailov, but the protests were not supported by the oblast assembly and apparently have not been
reviewed at a higher level. Other federal organs, such as the anti-monopoly committee have also protested
specific policies, but with little impact. Yeltsin's longtime representative in the oblast, D.K.
Khritonenkov, kept a very low profile and apparently attempted to avoid confrontations with Mikhailov and
the administration.

The experience of the director of the oblast office of the Federal Bureau for Cases of Insolvency
(Bankruptcy) shows the lengths to which the Mikhailov administration would go to prevent federal
"interference" in oblast policy. The oblast administration applied pressure on the bankruptcy agency to
begin proceedings that would allow a favored producer of alcohol to write off its federal tax arrears. When
the director of the bankruptcy office refused to cooperate, the administration began a series of audits,
searches and criminal investigations aimed at the office director that effectively paralyzed the activities of
the agency. The premises were sealed, and the director of the agency was forced to set up a "semi-
underground" office in another building.53

Practically the only federal organs that appear to have made a serious attempt to stand up to
Mikhailov were the arbitrazh courts and the local division of the Ministry of Internal Affairs (MVD),
headed by General-Major Sergei Shchadrin. In late 1997, a number of entrepreneurs successfully pursued
lawsuits against the oblast administration for illegal interference with their business activities. In response
to one criminal case brought by local entrepreneurs who had been deprived of their licenses, the local MVD
arrested the deputy chairman of the oblast committee for the consumer market. The oblast administration
responded aggressively to these attempts to call it to account. In December 1997, the police sought deputy
governor Gavunas for questioning about the criminal case. After several unsuccessful attempts to
interview him as a witness, MVD officials found Gavunas hiding in Mikhailov's office, which the
administration contended was off-limits to the MVD. After a confrontation, Mikhailov later accused the
local police of attempting to seize power in the oblast and suggested that "maybe they wanted to kill me" at
the behest of local criminal groups.54

CONCLUSIONS

Many of the individual elements of the Pskov model are found in other Russian provinces, where
local elites have taken advantage of lax controls from the center to enhance their power to determine
political and economic developments.55 What distinguishes the Mikhailov approach are several elements:
1. The large "outsider" component of leadership cadres.
2. Close links to a national party, the LDPR, that views Pskov as a proving ground for LDPR administrative and economic capabilities.
3. The creation of a special enforcement unit directly under the governor with extraordinary powers of search and seizure.
4. A strong state-oriented economic policy based on deprivatization, reinvigorated state regulation of much of the region's economic activity, and anti-competitive policies directed particularly against entrepreneurs who import from, or export to, other oblasts or neighboring countries.
5. The designation of alcohol as a priority sector, not just for revenue collection, but as a target for allocating the region's scarce funds for capital investment.

On the surface, at least, many of the policies of the Pskov and LDPR leadership appear to duplicate how a criminal mafia would use its "muscle" to take over a region or sector of economic activity: the use of force and intimidation to squeeze out competitors and then to establish and maintain a strict monopoly over the most profitable activities. Having administrative power that was achieved through democratic elections, however, provides a legitimacy that allows the leadership to rebuff challenges from below (local self-management organs) or above (federal organs of power). To date, the federal authorities have not made a serious attempt to curb local abuses; indeed, they appear to have paid little attention to what is happening in the oblast.

The ability of local elites to create their own policies and violate federal laws and presidential decrees is not new to Russia. It was, however, previously more typical of republics within the Russian federation, where the Russian leadership permitted wholesale deviations from federal laws and presidential decrees. The spread of this type of federalism to oblasts represents a further weakening of central authority that undermines Russia's transition in the direction of liberal democracy and free-market economy.
NOTES

1. In 1996-97 five LDPR State Duma staff members were reportedly killed over their business dealings. Segodnya, 10 February 1998.

2. The final results of the first round appeared in Pskovskaia pravda, 23 October 1996.

3. Pskovskaia pravda, 5 November 1996. Mikhailov won by a large majority in the two largest cities in the oblast, Pskov (56% to 34%) and his hometown of Velikie Luki (66% to 28%).


5. These measures were part of a decree of 11 October that incorporated Pskov's initiatives in the area of local government into the all-Russian experiment to test alternative models of administration. Pskovskaia pravda, 12 October 1996.


7. Mikhailov's biography was published in Pskovskaia pravda, 10 October 1996.


9. See the comments by the head of the oblast LDPR in Pskovskaia pravda, 20-21 June 1997.

10. The nature of the deal with the communist party was outlined by Mikhailov in an interview in Pskovskaia pravda, 16 November 1996.

11. The administrative hierarchy for the oblast was charted in Pskovskaia pravda, 31 July 1997.

12. Ivchenko was later removed by Mikhailov; he filed suit claiming the dismissal was illegal. Segodnya, 9 February 1998.


15. The decree making Pskov part of the national experiment appeared in Pskovskaia pravda, 12 October 1996.


21. Interview with Mikhailov in Novosti Pskova, 4 April 1997. The referendum petition was rejected by the Pskov City Duma on the grounds that many signatures were apparently forged. Novosti Pskova, 26 April 1997.


23. When Mikhailov's program was published, the paper printed a letter attacking him on the same page. Pskovskaia pravda, 10 October 1996. The paper presented a collage of photographs of the then governor in its issue for 18 October 1996.


30. Pskovskaia pravda, 14 January 1997

31. The regulations, established by decree by the governor, were published in Pskovskaia pravda, 11 June 1997.


35. Interview with the head of the oblast finance department in Novosti Pskova, 16 April 1997.


37. Interview with deputy governor M. Gavunas in Pliusskii krai (raion newspaper), 7 June 1997.


42. Rossiiskie vesti, 5 February 1998.
43. See the Mikhailov decree on fish in *Pskovskaia pravda*, 6 May 1997 and the interview with Ivchenko published 5 June 1997.

44. Interview with deputy governor V. N. Ivchenko in *Pskovskaia pravda*, 3 June 1997.

45. The scandal, which reflected a conflict between the oblast and Pskov city administrations, was detailed in *Novosti Pskova*, 30 April 1997; the administration's position was given by Tul'kin in *Pskovskaia pravda*, 27 May 1997.


47. *Pskovskaia pravda*, 4-5 July 1997


49. The other oblast was Kostroma. As a rule, republics and "autonomies" had much higher budget subsidy levels (often in the range of 60-70%) than oblasts. Data for 1996 are reported in A. Lavrov et al., *Predprinimatel'skii klimat regionov Rossii: Geografija Rossii dlia investorov i predprinimatelei* (Nachala-Press: Moscow, 1997), pp. 268-270.

50. *Pskovskaia pravda*, 29 October 1996

51. *Pskovskaia pravda*, 2 April 1997

52. According to Tumanov, he receives a constant stream of visitors from Pskov seeking redress for various grievances against the oblast administration. Interviewed by the author in Moscow, 29 September 1997.

