WHAT'S SO GREAT ABOUT NOVGOROD-THE-GREAT:
TRISECTORAL COOPERATION AND SYMBOLIC MANAGEMENT

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Executive summary

Based on a survey of, and interviews with, government officials, business people, and leaders of civic associations in Novgorod-the-Great and the neighboring city of Pskov, this paper assesses a common depiction of Novgorod as a “Russian success story” in terms of democracy, civic spirit, and market-style economy. Compared to Pskov’s “gloom and doom,” Novgorod indeed enjoys a favorable image of a relatively prosperous, stable and secure region that is attractive to foreign investors. In contrast to Pskov’s infighting, Novgorod exhibits consolidated leadership, cooperation between the state, business and civic groups, and effective symbolic management. The “Novgorod consensus” is, however, vested in an authoritarian political model in which rigidities are moderated by a charismatic and enlightened governor. Pre-tested in Novgorod, implementation of this model is being attempted on the federal level in Russia.
In August of 1998, at the moment of acute financial and economic crisis, a presidential decree restored the ancient name, Novgorod-the-Great, to the city located in the northwest of Russia. As registered in the annals of history, the greatness of Novgorod from the 11th to the 15th centuries stemmed from three factors: traditions of liberty and democracy, links to world markets, and successful business entrepreneurship.¹

Today, as in medieval times, Novgorod is again hailed as an island of effective political leadership, civic mobilization, and international investment – in stark contrast to the neighboring city, Pskov, which is allegedly lagging behind.² The two cities share a similar historical heritage and similar starting points for post-Soviet economic change, but are believed to have different experiences and outcomes of reforms.³

To test the validity of the popular claims of Novgorod's "greatness," in July-August 1999, we conducted a survey of, and in-depth interviews with, top government officials, business people, and leaders of civic associations in both Novgorod and Pskov. The quota sample of interviewees included six people in each of three groups in each city: 1) officials of city and regional (oblast) governments, as well as deputies of city and regional legislatures; 2) business leaders; and 3) heads of civic non-commercial organizations (NCOs)**⁴ The survey produced a "snapshot" of regional leaders' perceptions, while the interviews resulted in a "thick description" of their beliefs⁵ – allowing for a meaningful connection between their social profiles and cognitive outlook. In our analysis, we questioned the optimistic view of Novgorod as a "Russian success story" maintained by many researchers⁶ and sought to pinpoint the roots and factors of this city's favorable image.

** Russian NCOs are equivalent to U.S. non-governmental organizations, or NGOs. The revealing difference in terminology indicates a perception of civic organizations as an alternative to government in the U.S., but an alternative to commercial enterprises in Russia. A U.S.-born antithesis to the state gives way to the Russian-style antithesis to business.
"Greatness" is a matter of interpretation. Our views and values are negotiated reactions to the social process, realigned over time. Influenced by social context and guided by culture—"a 'tool kit' of symbols, stories, rituals and world-views"—we construct our own reality and attribute meaning to our expectations and lines of action. What is "great" and what is not is therefore a reflection of our social experiences and of our cultural background, containing a whole repertoire of images and signals.

Positions of status and prestige entail the power to define the terms and the rules of the game, the power to represent common sense and tradition, and the power to create an "official version" of the social world. Therefore, the elite play the principal role in the definition of "great" and "terrible," "good" or "bad."

Focused on a select few leaders in the two provincial cities, this project showed significant differences in their interpretation of reality. Novgorod respondents/interviewees were mostly enthusiastic about their city and region, while skepticism and gloom were predominant in Pskov. "Awful" was a straightforward evaluation of Pskov's condition by a prominent local businessman. In contrast, Novgorod's respondents painted a rather bright picture of their city and region. "It's great! Novgorod caught fortune by the neck and does not want to let it go," affirmed an NCO leader from Novgorod.

Sixteen Novgorod respondents in the survey indicated their "satisfaction" with the situation in their region by scoring either 3 or 4 on a 0-5 scale, where 0 stood for "complete dissatisfaction" and 5 indicated "complete satisfaction." In contrast, ten out of the 16 Pskov respondents expressed "dissatisfaction" by scoring less than 3. Notably, the evaluation of the region's well-being as much more satisfactory in Novgorod cut across all surveyed groups—government officials, business people, and leaders of NCOs. Likewise, notwithstanding one's income, education, age, or gender, the interviewees consistently believed that Novgorod fared much better than Pskov. Common statements were: "People see tangible results in Novgorod, but in Pskov we see terrible degradation"; "Novgorod has an image of a super-prosperous region, a paradise for investors. In contrast, Pskov is in many ways a disaster."
The thriving of Novgorod was now and then presented as a matter of federal, not only regional politics, implying the possibility of Novgorod’s preferential treatment by Moscow. As stated by a Pskov NCO leader, “a Moscow-inspired conspiracy to support Novgorod [served] to reveal an ugly face of Pskov.” Pskov’s “ugly” face is the current head of the Pskov oblast administration, Evgenii Mikhailov, initially elected as a candidate from LDPR, the misnamed Liberal Democratic Party of Russia, which espouses an extreme nationalistic agenda. In contrast, Novgorod’s “pretty” face is its governor Mikhail Prusak, a well-connected politician with a high profile in national politics, as well as the foreign affairs of Russia, known both as a patriot and a champion of foreign investment. The claim of Moscow’s favoritism toward Prusak was, however, rebuffed by his associates. A Novgorod city official indicated “fantastic rivalry” among Russia’s governors and numerous attempts to “nail Prusak down” by his opponents both in the regions and Moscow.

Besides the Novgorod-Pskov contrast, the interviewees also invoked other reference points in their estimates of regional well-being. Occasionally, they contrasted the current condition to the Soviet past, often citing the so-called “hungry trains” or “sausage trains” — humiliating trips to Moscow and Leningrad in the 1970s–1980s to purchase food staples not available in provincial cities. Once meat, butter, and cheese became available in both Novgorod and Pskov, residents of these cities recovered some of their dignity. But whereas Novgorod now enjoys an abundance of foodstuffs, Pskov is lagging behind in this respect. Both cities also favorably compare with Russia’s Far East, which has suffered most severely from the post-Soviet breakdown of industry and infrastructure.

However, an interviewee from Pskov questioned the legitimacy of such a comparison for the purpose of proving these cities’ progress:

Pskov’s leaders are trying to persuade us that we are living well: electricity is on, while in Kamchatka [a peninsula in the Far East] it is off; once in a while we have hot water. Thus, they say, better stay calm and don’t bother complaining.

Furthermore, a Novgorod interviewee indicated that interregional comparisons cultivated complacency and a false sense of satisfaction among city residents:
Novgorod people watch Moscow TV, which shows that pensions are not being paid and killings go on throughout the country. And they say, “Thank God! Compared to other regions, we are fine. We don't need anything else.

In an interesting twist, even if the interviewees were pessimistic about their region and the lives of their peers and neighbors, they evaluated their own lives in more favorable terms. Thus, a government official from Novgorod, who stated that “eighty percent of the people [in her circle] consciously consider themselves unhappy,” at the same time confided awakening in the morning thinking, “God, I am so lucky!” More frequently in Pskov than in Novgorod, dissatisfaction in the professional sense and helplessness in improving well-being went together with acknowledgements of happiness in private lives. Compared to government officials and NCO leaders, business people expressed a somewhat greater “joy of living,” which was probably due to their relatively higher average incomes, more opportunities for self-actualization, and greater fulfillment at work. Characteristically, a Pskov businessman defined his happiness as “racing to work in the morning, racing home in the night – after working 12-14 hours – and being satisfied in both places.”

Did these subjective assessments of one’s personal and regional well-being reflect objective reality? Were the buoyant judgments of the Novgorod respondents/interviewees well-founded? Official statistics basically confirm the perception of Novgorod as a relatively advanced region. Compared to Pskov, Novgorod generates a higher economic output and its population enjoys a higher standard of living. In 1997 – the latest year for which Russia’s State Statistical Committee (Goskomstat) published complete data – per capita gross regional product amounted to 10,461 thousands rubles ($1,755) in Novgorod oblast, but only to 8,445 thousands rubles ($1,417) in Pskov oblast. In 1998, per capita monthly income in Novgorod oblast was 895.6 rubles ($43) and 543.7 rubles ($26) in Pskov oblast. The gap between the two regions persisted through the following year. In February of 1999, the average monthly wage in Novgorod region was $54 – 28% higher than in the Pskov region. These tangible disparities could certainly contribute to divergent perceptions of Novgorod leaders’ relative “cheerfulness.” For clues to better
understand the origin of Novgorod's favorable image, we now turn to the specifics of two regional settings and first of all the relationships between the state, business, and NCOs.

**Tri-Sectoral cooperation**

Influenced in part by Robert Putnam's famous comparison of Italy's economically successful North with its much less successful South, this project set out to explore tri-sectoral cooperation in Novgorod and Pskov. It was assumed that wherever a partnership between regional government, business, and civic organizations exists, it could promote sound policies by increasing the flow of information and knowledge within a society. Wherever the horizontal networks of civic engagement supplement the vertical networks of political and economic authority, they could make authorities more responsive and responsible to the public, thus improving the decision-making process and promoting public satisfaction. We also assumed that building relationships between various sectors and empowering citizens to affect the course of action could uplift the mood within a community and translate into real benefits for its members. At the same time, we refrained from postulating the advantages of cooperation, solidarity, and public-spiritedness, wishing instead to test them in this research.

Judging from the answers of the respondents in the survey, tri-sectoral cooperation was somewhat more advanced in Novgorod than in Pskov. More specifically, while a partnership between government and business has evolved in Novgorod, though not in Pskov, cooperation of both government and business with NCOs remained in the developing stages in Novgorod and in a dormant state in Pskov. The survey, however, could not possibly clarify all questions. Why does the government-business relationship prosper in Novgorod but not in Pskov? Why is cooperation between government and NCOs evaluated as more efficient in Novgorod, compared to Pskov? Why in both cities does collaboration between business and NCOs stumble? The interview data shed light on reasons for the success or failure of these partnerships.

At the time of these interviews, Pskov was a "war zone," where political battles between the city and regional administrations and between executive and legislative branches of power went together with
feuds for economic spoils. The rhetoric of nationalistic and democratic factions of the local government accompanied clashes among business interests, and personal animosities sharpened disagreements on formation and distribution of the regional budget. The opponents of the oblast administration castigated it as “a refuge for fascists, Nazis, and the politically handicapped.” They also accused the administration of being in “collusion with criminal businesses.” Regardless of the critics, the governing circle continued to operate behind a safe façade of state property (so-called “state unitary enterprises”), granting privileges to their cronies and terrorizing competitors.

In contrast to Pskov’s hostilities, Novgorod appeared to be the land of social accord, serenity, and stability. No contradictions between the city mayor and the region’s governor were noticed. No partisan brawls in the city or oblast legislatures were recorded, and no serious challenges to those who hold power were raised. While centrifugal forces prevailed in Pskov, centripetal forces came into full play in Novgorod. A deputy of the Novgorod oblast legislature (or Duma) with almost a thirty-year career as a government official, revealed the cozy atmosphere of political consolidation in Novgorod:

When I told my old friend [a leader of the Pskov oblast legislature] that the votes cast for both the chair and vice-chair of our Duma were 26 in favor, 0 against, and 0 abstained, he became tearful, saying “as in the good old days.”

Indeed, the contemporary political system in Novgorod strongly resembles the Soviet-period one-party vertical pyramid dominated by a chief executive. Moreover, it is recognized as neo-partkhozaktiv, a somewhat modernized version of the former consolidated leadership that blends together executive and legislative powers. The region’s governor is a figure of ultimate importance at the top of the pyramid. The mayor of Novgorod serves as the chair of the city legislature, he also has been appointed as deputy to the governor.

As a vestige of Soviet times, the meetings at the governor’s office are still called “apparatus meetings.” Their attendees include the vice-governor, the chair and vice-chair of the Oblast Duma, regional heads of federal agencies, representatives of trade unions, as well as veterans’, human rights, and other public organizations. Heads of the local (raion) administrations appointed by the governor were elected to the Oblast Duma, also with the governor office’s help. A narrow circle of the governor’s
associates makes all key decisions prior to "apparatus meetings," while the Duma is essentially weak and submissive to the governor. All deputies are formally "independents" because Novgorod's regional statute prohibits their party affiliation. They are unlikely to be involved in partisan disputes and for most of them loyalty to the governor is beyond doubt.15

The interviewees' assessments of such a system, which unified the Novgorod political beau monde, incorporated business and co-opted leaders of NCOs, ranged from hailing it as a "great achievement" to its damning it as a "dismal failure." A strong argument used in favor of Novgorod neo-partikhozaktiv was, "No one kills anyone." Recognizing that the "Novgorod consensus" was arranged from the top and did not comply with the checks and balances of a classic democracy, most of the interviewees nevertheless accepted it as either desirable or inevitable. They regarded this system as a preferred alternative to unproductive and time-consuming political struggles and a prerequisite for transition from Soviet totalitarianism to a more benign and tolerant system. In support of this consensus, they cited the importance of historical continuity and the dangers of radical breaks with the past, the current immaturity of Russia's democracy, and the lack of the Russian public's awareness of individual rights and responsibilities.

A few dissenting voices denounced the Novgorod model as "Asian-style," sanctioning the governor's absolute control over society by violating the principle of separation of powers. The critics also lamented the non-existence of a free press and the suppression of genuine discourse, predicting a "huge crisis ahead." But disapproval was occasionally mixed with appreciation. For example, a deputy of the Pskov oblast legislature stated:

Conflicts ended when Mikhail Mikhailovich [Prusak, Novgorod's governor] transformed the city administration into a department of the oblast administration. Once he overpowered the mayor by force, contradictions vanished. Theory teaches us that stability is in the balance of clashing interests. However, we can't help envying our neighbors that they don't waste time on unnecessary squabbles.

The "Novgorod consensus" is consistent with the pervasive Russian public longing for "strong leadership and [rule by] a strong hand." The interviewees mostly supported the idea of a strong state because of their concerns about criminality, a weakened military defense, the lack of citizens' legal
protection, and social and economic insecurity. A strong state was seen as a guarantee against
“bloodshed, chaos, rebellions, and anarchy.” A Pskov NCO leader expressed his amazement at the
“citizens’ faith in a bankrupt state,” but at the same time acknowledged deep historical roots of the statist
sentiment:

The state lies, it is unable to offer any cogent policies or enforce its decisions. But
citizens still believe in the state. Russia’s politics always determined economic
conditions. While in the West the power of the medieval princes hinged on development
of cities, in Russia, to the contrary, cities rose as a result of policies of the princes and
their warring gangs.

The Novgorod regional accord went beyond politics, incorporating business. In contrast to
Pskov’s permanent re-distribution of properties, Novgorod epitomizes the model of vse skhvačeno —
“everything is seized.” Territories and assets have been promptly divided, barter exchanges among
Novgorod elites have been routinized. NCOs have learned to appreciate the authorities for their non-
prohibitive policies, and ordinary people have come to know and respect their heroes, both ancient and
contemporary. In Novgorod, key business people, or local “oligarchs,”17 – including the directors of the
Meat Court (a meat packing plant), a large enterprise producing equipment for nuclear plants, a liquor
distillery, a large chemical enterprise, and a military aircraft maintenance factory – hold deputies’ seats in
the Oblast Duma. Moreover, the governor’s office pushed these individuals’ nominations and
orchestrated their electoral campaigns.

By contrast, Pskov’s oblast legislature comprises few business people, all of whom were elected
against the will of the oblast administration. One of those, a prominent Pskov businessman, explained
why he moved into politics: “We understood that there was no way to change things for the better if we
were not elected. The idiots in power would lead us God knows where – to our total failure – if we did not
get involved in politics.”

Evidently, deputies from the business sector serve as lobbyists for their enterprises and industries,
increasing their own competitiveness through political leverage. Often assigned to develop business
regulation, they act as children minding the candy store. But notwithstanding their conflict of interest, the
interviewees welcomed legislators from business because of their competence in “budget matters.”
finance and economics, as well as their aptitude to "ensure regional stability by rational means." While
an "Andrew Carnegie [type] has not yet emerged in Pskov," maintained a Pskov NCO leader, Novgorod
"oligarchs" occasionally supported social welfare programs and experimented with philanthropy.

"Novgorod babushki [grannies] love Vladimir Nekrasov [the director of the Meat Court]," claimed a
Novgorod city official, "because he often sells them cheaper sausage. He also helps large families with
children." Reflecting on the incentives for industrialists to become politicians and benefactors, an NC O
leader from Novgorod pointed to their craving for public respect and status: "They want to get high on a
power drug. Being a deputy increases their self-esteem. They feel better; now they not only have sacks
of money, but also sit in the Duma."

In essence, a vse skhvacheno model means collusion between politicians and leaders of business
to protect property ownership and enhance advantages for a select few. In a small city such as Novgorod,
this collusion includes a "homey relationship" with local criminals, whom one interviewee called a "part
of the household - they are our neighbors or our former schoolmates." It also entails the "legitimation of
a shadow economy," under which

... all key officials are involved in business. They participate in some firms, companies,
receive incomes, build mansions from who knows what money. Everything looks
official. No one checks on them, because everything is seized (vse skhvacheno). I know
for sure that some shadow leaders kick open the door of Prusak's office." (An NCO
leader from Novgorod)

Another aspect of the "Novgorod consensus" is the government's tight embrace of NCOs. As
emphasized by several NCO leaders, many civic organizations - including the Public Assembly and the
Women's Parliament, as well as the Business Club, the Business Park and the Novgorod Leasing
Company (NCOs established to support small and medium-sized businesses) - exist "under the auspices
of the governor." Prusak also dominates Novgorod University, a significant educational and research
institution where he established a new Department of Economic Sociology and received a doctorate from
this same department.

In this firmly controlled environment, the government's strategy of taming NCOs, neutralizing
opposition, and manipulating public opinion may serve to curb public expression of discontent. Most
importantly, mass media—financed and overseen by the governor—are always at his disposal to exaggerate the region’s virtues and play down its evils:

Ideological pressure prevents any challenge to the status quo. Local press and TV affect minds by repeating over and over again: “Everything is fine, everything is peaceful. Pensions are paid. Look, in other regions they are not paid. We don’t have a war, we don’t have any shooting. We are so good, we are so great.” (An NCO leader from Novgorod)

However, the public’s “cheerfulness” in Novgorod cannot be explained by mere manipulation by the government and the media. Under local populist policies, NCOs are embraced, but not choked to death. Public discourse, though framed by the governor, is neither meticulously censored nor silenced. Although “the ‘third sector’ [remains] unequal to the state and business,” as suggested by many interviewees, the Novgorod administration resists relating to NCOs as adversaries or a “pain in the neck.”

Rather, it sees civic organizations as “outlets for releasing public energy” – a means to prevent “spontaneous public protests” and provide authorities with valuable “feedback.” Most of the interviewees stated their satisfaction with the Novgorod’s policy of “open doors” manifested in the openness of the legislative sessions to the public, easy access for all citizens to government buildings without passes, accessibility of political leaders, and tolerance of divergent opinions. An NCO leader conveyed a typical view:

Novgorod officials know how to listen. They do not always follow our suggestions and we may have disagreements. But it would be sinful to complain. When I tell my NCO colleagues from other cities that I can just come to the mayor or the governor and say what I intend to say, they roll their eyes in amazement.

Compared to Pskov-style intrigues and fights—acute contradictions within and between various branches and levels of government; severe pressures on businesses that are beyond the administration’s sponsorship, and using NCOs as “vehicles in political bickering” and “buying electoral votes” – Novgorod’s accord appears attractive. While “us versus them” policies prevail in Pskov, Novgorod’s “peace and order” image suggests that a social contract has been implemented in the city and region.

This contract is not a spontaneous “consensus,” in which all parties are assumed equal. The government composed, negotiated and enforced it by its will and reputation. It agreed to share economic
power with business and consider the opinion of civic organizations. It also chose to live by the motto, 

"Who is not against us is with us." Simultaneously, the government succeeded in preventing strong 
opposition, either by co-opting potential challengers or "annihilating" anyone who was staunchly 
"against" the region's political leadership.

The yearning for a "civic contract," or an agreement on basic beliefs and social norms, was most 
eloquently voiced in battle-ridden Pskov. A deputy of the Pskov oblast legislature stated:

We must develop a civic contract as an informal set of guiding values. All branches of 
the state and mass media must work to instill these principles in our lives. Only then will 
we be able to move forward. We need a declaration of human rights, but we also need an 
understanding that other people and other groups - not only I - have their own interests 
and freedoms.

Another Pskov interviewee, an NCO leader, addressed the same theme recollecting his meeting 
with the liberal head of the Monmartre municipality in Paris:

When I asked him how he could coexist with the conservative mayor of Paris and the 
conservative central government of France, he said, "We all have common basic values. 
We believe in private property, the rule of law, representative democracy, and general 
principles of the operation of the state." This is what unites people - concepts and 
values. We do not have such unity in Russia.

Does Novgorod's vsesklyacheno model approximate a civic contract? Or does its autocratic 
strain better serve unity than civility? Should social tension be mitigated at any cost, even at the expense 
of democracy? Does tri-sectoral cooperation necessarily require equal rights of the partners to make the 
involved people happy and their place of residence "great"? Is a civic contract a matter of institutions or 
personalities? If personalities dominate, how can arbitrariness be prevented and continuity secured?
These questions will guide our exploration of the regional elites and the means of their legitimation.

Two elites and their principals

Gaetano Mosca identified the ruling elite by "three C's": consciousness, coherence, and 
conspiracy. To be continuously powerful, the elite - or "individuals and groups of individuals, who 
occupy positions of formal authority," - must consolidate on the basis of common views
(consciousness), consistency of their actions (coherence), and well-implemented strategies to achieve their objectives. Secretive scheming (conspiracy) is optional, but good planning is a requirement.

In Novgorod, as well as in Pskov, local elites consist of two major groups: state officials (both executives and legislators) and business leaders. The elites incorporate a few influential people from academia, mass media, or the cultural sphere, but representatives of NCOs are rarely included. Despite a similar composition of the local elites, their characteristics differ in the two cities. In contrast to the Pskov elite described as fractured and unsteady—"the elite group is not homogeneous," "there are different teams within the elite, although they may coalesce once in a while"—the interviewees portrayed the Novgorod elite as possessing all "three C's." A deputy of the city Duma maintained:

All "three C's" are present. In terms of priorities, "coherence" comes first, then goes "consciousness," and "conspiracy" occupies the third place. In a small city, we know each other. The number of players is small and anyone with brains can figure out what's happening. Hence, conspiracy mostly manifests as coherence and common consciousness.

An NCO leader from Novgorod reiterated that the Novgorod elite "have a common understanding of what to do and they act jointly. They have common business interests and protect each other. Any conspiracy is in their consciousness and a cover-up of their inner dealings." Even though a prominent Novgorod businessman denied "conspiring" in his circle, he nonetheless acknowledged that the local elite "maintain a corporate spirit." Asked about the foundations of the Novgorod elite's consciousness, the interviewees indicated concerns about "stability," "continuity," "security," and "long-term survival and development."

An NCO leader from Novgorod further explored the elite's interest in stability:

They reside permanently in Novgorod and they intend to stay here forever. If they would steal, grab, exploit, or neglect things today, they would not have much to do tomorrow. By now, they have earned enough money and acquired plenty of property. It's time to pursue other goals, such as recognition from peers and society.

Similarly, a Novgorod city official believed that the local elite—contrary to the Moscow "big shots"—neither desired nor could afford "buying islands in the Caribbean. They made up their minds to live in
Novgorod. Thus, they can’t just steal and run... There are well-defined rules of the game here. And they are enforced.

The Novgorod-style sense of constancy—an attachment to native land, mutual loyalty among leaders, and interest in orderly status quo—contrasted with short-term strategies of the Pskov elite poignantly labeled vremenshchiki, or "temporal (self-serving) rulers." As stated by a Novgorod interviewee:

Mikhailov [head of the Pskov oblast administration] was endorsed by LDPR and came to Pskov from Moscow. Now, he and his partners funnel whatever they can away from the region, not caring about its future. Anyway, who is going to elect them to a second term?

Many Pskov interviewees also perceived the Pskov region as an "LDPR realm" and portrayed the local holders of power as unscrupulous "grabbers" and "bandits." Calling the Pskov authorities a "powerful criminal group," an NCO leader claimed that a "great robbery takes place—a complete, open, arrogant, shameless robbery." Another NCO leader from Pskov specified some assets and operations of Pskov’s political rulers:

They seized control of the mass media. They have their own enterprises, such as "PskovAlko" [a liquor distillery], and maintain their own bank. They make and launder money. And they plan to hold out for four more years—a highly likely scenario.

Confirming the latter view and refuting broad expectations of the vremenshchiki’s defeat, Mikhailov was reelected in November 2000. Consequently, a very profitable liquor business—heavily supported by the oblast administration through low taxation and protectionist measures—continued to flourish as a means of capital accumulation and barter exchanges, with "vodka trading for anything, including gas and electricity." Mikhailov’s startling victory owed much to the divisions among his opponents who, driven by personal ambitions, never managed to develop the “three C’s”—common consciousness, coherence, and conspiracy:

Pskov reformers are united only in their belief that the incumbents in power must be removed. But when a question is raised, who should replace those currently in office, at least twenty-five people say “Me.” They all consider themselves strategists, knights in a tiger’s skin, great politicians. (A Pskov NCO leader)
Although opposition to the ruling elites is ineffective in both cities, it has been curtailed by very different means: co-optation of potential dissidents in Novgorod and their isolation and suppression in Pskov. Whereas Prusak and his associates readily mingle with the region's "mainstream" and pride themselves in "transparency, predictability and impartiality" of their decisions, the Pskov's regional heads blatantly promote their "cronies" and eliminate competitors, remaining distanced from the rest of the public. A respected Pskov industrialist mentioned that he "sees Mikhailov only on TV."

Exclusively in Novgorod, the government officials reported the existence of a centralized system of registering property and business as evidence of transparency enforced in the city. Novgorod's Committee on Management of Municipal Properties and the Department on Real Estate Registration take all responsibility for formalizing privatization and the exchange of real estate, as well as for granting business permits. These organizations obtain approvals from a myriad of other government structures, including environmental, occupational safety, and fire protection agencies. They also speed the process for an additional payment, if customers are reluctant to wait. Consequently, as stated by one interviewee from the Novgorod city administration:

People don't have to run all over the city, stand on line, or give numerous bribes to get a permit. Our system prevents at least 90 percent, if not 100 percent of corruption cases and deliberate delays. Customarily, to expedite decisions, one relies on friends and acquaintances, or presents gifts and gratuities to officials. But under our system, those who need to receive a permit quickly, just pay a higher rate for this service. This payment goes into the budget, and people are protected from arbitrariness.

No wonder that the survey results revealed less corruption – as perceived by the respondents – in Novgorod than in Pskov. On a 0-5 scale, where 0 meant "no corruption" and 5 stood for "enormous corruption," most of the Novgorod respondents chose a moderate score of 2 when evaluating the spread of corruption in their region. In contrast, ten of 12 Pskov respondents, who directly answered this question, evaluated the spread of corruption at the 3 to 5 level.

Also, most of the Novgorod participants surveyed believed that fair and efficient state regulation of business, as well as effective enforcement of legislation, were practiced in their region. To the contrary, the majority of Pskov's respondents asserted that these means of fighting corruption were not
common in their region. Similarly, confirming the Novgorod officials' claims of transparency and efficiency, most of Novgorod's, but less of Pskov's respondents, recognized these characteristics as present in the operations of the regional government.

These divergent perceptions of the elites and their workings had, however, much less to do with institutions than with the personalities that remain at the core of Russia's state system. Differences in the interviewees' assessments of Novgorod and Pskov were largely due to their strikingly disparate images of these regions' chief executives – Prusak and Mikhailov. A Pskov NCO leader explained:

The Novgorod “miracle” hinges on Prusak's charisma. I see there no institution, no model to be emulated in other regions. Everything revolves around one person. If Prusak, a compromise figure for all political forces, quits, there will be an acute crisis. No one can replace him. He will leave a vacuum behind. Of course, he can choose an heir. But personal connections, contacts, informal agreements, charm – these intangible things cannot be transferred to someone else.

This and other statements described Novgorod's governor as an absolute sovereign, rather than a democratically elected official accountable to the public. The interviewees attributed Weberian "charismatic," as well as "traditional" authority to Prusak. Moreover, several interviewees emphasized "Russia's historical focus on the personality of a monarch." One democratically minded NCO leader from Pskov even went so far as to confide – with a sense of hopeless doom – his belief in "monarchy with a responsible tsar" as the "most acceptable political system for Russia." In an idealistic fashion, he conceived "responsibility" as the prospective tsar's readiness to "abdicate in case of political impotence," but failed to quote any precedents of such a commendable transition of power.

It is thus not surprising that at a gala concert commemorating the 55th anniversary of the Novgorod oblast, Prusak was playfully enthroned at a theatrical coronation ceremony. The audience included government apparatchiks, enterprise directors, veterans, and selected workers and peasants – the usual Soviet-period mix. Playing on the image of Novgorod's ancient emblem – a vacant throne, supported by bears on either side – comedians invited the seemingly timid governor onto the stage, seated him on the throne, and bestowed on him glitzy symbols of power, a crown and scepter. To enhance the impression, this performance was followed by an elegant reception with a chamber orchestra, at which
caviar, exquisite hors d'oeuvres, locally produced liqueurs and champagne were served. Even though the performance was presented as a flattering joke, this event reflected the fundamental fact that Novgorod's throne is far from empty, and that Prusak has no intention of leaving it to anyone else.

Monarchist imagery also persisted in the evaluations of Mikhailov. A Pskov businessman alleged that the Pskov residents still lived under "feudalism": "The governor is the tsar of the region. Everything depends on his politics, which is very different from the advanced countries driven by economic goals." Moreover, comparing Prusak with Mikhailov, the interviewees contrasted a "popular tsar" — tough, but fair, firmly holding the strings of power, but responsive to the public's concerns — to a "disliked tsar" — a weak decision-maker, easily manipulated by his circle, and indifferent to the region's misery.

Born in a remote village in Western Ukraine in 1960 and having gained national and even world recognition, Prusak displayed an "extraordinary capacity for learning and adaptation," as stated by several interviewees. A former Komsomol leader, director of a collective farm, and President Boris Yeltsin's appointee as head of the Novgorod oblast administration, Prusak was elected governor in 1995 with 56.5 percent of the vote and reelected in September 1999 with an astonishing 91.5 percent of the vote — returns comparable to those of Soviet-period endorsements, "elections without choice."29

Prusak's leadership extends, however, far beyond Novgorod. He sits on the Board of Directors of United Energy Systems, the nationwide power-grid monopoly. He also serves as the chairperson of the International Relations Committee of the Federation Council — an upper chamber of the Russian parliament — and as Russia's representative at the Parliamentary Assembly of the Council of Europe in Strasbourg. The eyes of most people I met in Novgorod sparkled with approval, even admiration, when they talked about their governor: among my eighteen Novgorod interviewees, only one gave an outright negative assessment of Prusak's personality and policies.

Even the Pskov interviewees who mentioned Prusak evaluated him in positive terms. Novgorod's governor was described as an "intuitive leader," easily sensing public mood and "feeling with the tips of his fingers what to do." He was called a "politician in velvet gloves" and praised for his "natural
diplomatic talent." Furthermore, he was applauded as a “genius of personal contacts” – able to strike a compromise and preserve excellent relations with everyone, even with the enemies of his friends:

Prusak curls up as a grass snake on a hot pan. He sits on ten chairs simultaneously without falling over. He is able to quickly turn his opponent into an ally. (A Novgorod city official)

The interviewees’ accounts suggest that Prusak is a leader who builds bridges, instead of burning them. To turn the region into an “oasis of capitalism,” he vigorously pursues foreign investment, but also makes concessions to the Communists, honoring their convictions by observing Soviet holidays. He effectively lobbies Novgorod’s interests by his consistent loyalty to Moscow officialdom. At the same time, he rebuffs suggestions of his slavishness to the federal center by a few disagreements. He is not a tyrant, but rather an enlightened tsar-batiushka (father-tsar), sensitive to public attitudes and receptive to intelligent advice. His personal qualities as a skillful and flexible administrator moderate rigidities of the authoritarian political model he has instituted in Novgorod. With the exception of one critical interviewee from Novgorod who asserted that “Prusak works for stagnation” and believed that “it’s time for him to go,” all other participants in the study perceived the governor’s “wise leadership” as “Novgorod’s luck.”

None of Prusak’s personal “three C’s” – charisma, compromise-mindedness, and cleverness – were indicated in relation to Mikhailov. Rather, it is the dubious charisma of the flamboyant head of LDPR, Vladimir Zhirinovskii, that helped orchestrate Mikhailov’s initial election as Pskov’s governor. According to an official of the Pskov city administration:

In 1996, Zhirinovskii visited the Pskov oblast frequently, always attracting crowds. He traveled through most of the region’s urban and rural areas. His campaign had a powerful appeal through the simplicity and unambiguity of his judgments, his simple answers and great promises.

Once this lively campaign, marked by Zhirinovskii’s clownish spectacles and extremist outbursts, came to a victorious close, the LDPR chief handed over the Pskov region to the winner, allegedly saying, “now it is yours, Zhenya [Mikhailov’s nickname], rule as you choose.” Indeed, the region became perceived as a realm of LDPR-led business and as a source of financing for the party in exchange for
political protection negotiated in Moscow. As a former deputy editor of the LDPR newspaper, “Truth of Zhirinovskii,” and a historian with nationalist and statist views, Mikhailov was not trained for conciliation. Regional political wars soon erupted.

However, when the governor’s first term nearly culminated in the region’s ruin, Mikhailov suddenly forged an alliance with his former foes. It was this alliance that delivered his reelection. His victory – with 28 percent of the vote and no run-off – was meager, compared to the returns in favor of Prusak, but Mikhailov’s change of heart was impressive. His newly surfaced “cleverness” rang “compromise.”

In an ingenious and expedient move, he resigned from LDPR to join the Unity movement of President Vladimir Putin and became a devoted supporter of Russia’s new head of state, calling himself a “man of the president.” He also joined ranks with leaders of the former democratic opposition, including both those in the oblast legislature and in business. Much less extravagant and more pragmatic than Zhirinovskii, Mikhailov actually attempted to replicate the “Novgorod consensus,” although the pre-election conjuncture of his accord with former opponents tells little about its conceptual foundations and possible endurance. Prusak’s “charm” could not be emulated, but Mikhailov must have learned from the Novgorod governor’s savvy and art of maneuvering.

Legitimation, or symbolic capital

For their legitimation and acceptance by the populace, the elite need to have symbolic consensus. Symbolic systems are not merely instruments of knowledge, but also tools of domination intended to impose the “correct” definition of the social world. Once the public internalizes the elite’s representation of reality, it also recognizes its symbolic capital, or “legitimate distinction.”

Clearly, the “Novgorod accord” has a symbolic underpinning. The “three C’s” of the Novgorod elite allowed it to articulate a coherent message and successfully implant this message in the public’s consciousness. In essence, the Novgorod credo says, “love the city” and “unite” (needless to say, consolidation is expected around Prusak and his team). The city’s newly restored name, Novgorod-the-
Great, reminds one of the glorious past: prior to its forced submission to Moscow in the 15th century, the city was a medieval republic and a powerful trade center within the Hanseatic League; its population in the 14th century exceeded that of London. 36

Today, history is enlisted to cultivate regional pride and avert anguish and despair. To endure the strains and challenges of present-day life, a positive interpretation of reality – seeing a glass as half-full, not half-empty – is encouraged:

Our major goal is to develop Novgorod’s identity. It is a unique city; it did not experience a Mongol-Tatar yoke; enemies seized Novgorod only twice during its long history. The city administration employs history to develop and maintain ideals. Now, during bad times for Russia, it is psychologically dangerous to feel at a dead-end. We are trying to overcome a gloomy mood. (A Novgorod city official)

Molding a city identity is seen as a path to a much-sought unity. Another Novgorod city official professed that many “things unite Novgorod residents: the city Kremlin, the monument commemorating Russia’s millennium,37 Lake Il’men’, the city’s early Orthodox churches, as well as the high regard for the city’s history, which is most ancient in Russia.” In turn, claims of common identity and unity serve to lure investors to the region – a goal enthusiastically pursued by the down-to-earth administration:

We have a strategy for creating a favorable image of the city and making it appealing to investors. We are trying to consolidate society and cultivate Novgorod self-consciousness as “We, Novgorod residents.” (A Novgorod city official)

Novgorod’s “peace and order” are an “advertisement for the city.” Local patriotism, promoting an image of a forward-looking region rooted in the past, helps it to compete for capital and improve well-being. Identity thus becomes an economic category, and a part of marketing. No expense is spared to elevate the public spirit, spur optimism, and build symbolic consensus. Although first dubbed as a “feast amid a famine” by some disenchanted pensioners, a celebration of Novgorod’s 1,140th anniversary, became the ultimate success in June of 1999. The public’s desire for “circuses” – not just “bread” – silenced protests against the extravaganza: three-days of parades, performances, fireworks, and receptions. Notably, the festivity attracted capital from federal and regional, as well as foreign coffers. As a result, buildings’ facades were painted, many historical monuments were resurrected, and 15,000 trees were planted. This occasion inspired philanthropy on the part of wealthy citizens and volunteer
efforts by the less prosperous city dwellers, generating an uplifted public mood during both the preparation and holding of the event.

Apparently, Novgorod's qualification as "the Great" promotes the residents' self-esteem. On a more pragmatic note, it also aims to distinguish this northern city from Nizhni Novgorod, similarly known for its democratic reforms and success in attracting investment. Novgorod-the-Great's upbeat definition and its cheerful determination earned it a good reputation in both Russia and abroad. But declarations of a glass as brimming, rather than one that is half-full, have dangers. For a Novgorod NCO leader, who participated in an USAID-sponsored conference, the fact that his native city was "favorably mentioned 230 times" was both flattering and disturbing. He was happy with Novgorod's portrayal as a dynamic and progressive city, but was concerned that an exaggeration of the city's success could yield a counterproductive self-conceit.

Whereas Novgorod's cheerleading could sometimes be overbearing, Pskov's dismal disposition was unequivocally daunting. "There is neither bread nor circuses" in this city, grimly admitted a Pskov NCO leader. "People do not see the light at the end of the tunnel," remarked another interviewee from business. Mud-slinging and image-smearing by Pskov's feuding camps went together with the leaders' reiterating complaints about the ignorance and irrationality of Pskov's masses. Suggesting a self-fulfilling prophecy, a Pskov businessman warned that if "people are regularly called pigs, they will begin to snort."

Like Novgorod, medieval Pskov -- also a self-standing ancient city and a glorious military outpost on Russia's Western border -- has a history replete with heroic images and inspiring ideas. But there is no similar effort to capitalize on Pskov's traditions. In the summer of 1999, a celebration of the 200th birthday of Alexander Pushkin -- the great Russian poet whose former estate in the Pskov region attracts hordes of his admirers -- could have "given impetus to cultivating a local Pskov idea" and dispelling the spirit of doom. But it was a "blank shot," as stated by a Pskov businessman. While Moscow staged the festivities and claimed tribute, Pskov gave little and received little from this event, its dark outlook unaffected.
Many Pskov interviewees believed that the absence of a national idea, which plagued Russia since the dismantling of the Soviet Union, reinforced Pskov's negative identity. A prominent Pskov businessman insisted that “Russia’s malaise cannot be treated unless it is diagnosed.” An NCO leader lamented the federal government’s uncertainty about the type of society it “intends to build — whether it is capitalism, socialism, or a combination.”

How is it possible to move ahead not knowing in which direction? Our national emblem — a double-headed eagle - and our tricolor flag, although commonly used, have not yet been officially approved. We are shifting from one thing to another, not knowing which way to go.

At the same time, as noticed by a liberal deputy of the Pskov oblast legislature, national consciousness cannot emerge in a deeply split society: “Some agreement is imperative for developing a constructive national idea.” When we conducted our field research, this link between identity and unity was missing in Pskov, whereas it was underscored and nurtured in Novgorod. It is not the lack of ideas that demoralized Pskov, but the lack of a civilized dialogue that prevented symbolic consensus there. Even the democratic opposition to the region’s governor was divided and thus impotent in Pskov. The motto of the Pskov Free University — an NCO established by a group of enthusiasts from academia — announced “producing masters with knowledge and experience, citizens with consciousness and aspiration, and leaders in perpetual motion.” However, this slogan failed to become a local credo because of an unsavory administration and bitter political infighting in the region. With a dearth of positives, Pskov youth flocked to ultra-nationalist radical organizations, such as Russia’s National Unity, satisfying their need for belonging by becoming skinheads.

Trust, respect, and money

The smooth functioning of any society requires trust among its members. The operation of a contractual market economy is impossible without “such social virtues as truth, trust, acceptance, restraint and obligation.” Trust serves as an “important lubricant” of a contract, mitigating the selfish rationalistic orientation of capitalism and allowing it to work efficiently. Social trust is particularly
important in a “backward country,” where in contrast to an “advanced country,” the scarcity of financial
capital is compensated by social capital – “the resources of social relations and networks of relations ... 
facilitating action.”\textsuperscript{41} In this respect, comparing the trustworthiness of key actors in the Russian regions
could reveal essential conditions of doing business and building a civil society.

When asked whether they trusted representatives of the local government and business,
significantly more respondents in Novgorod stated that “most people can be trusted.” Sixty-nine percent
of the respondents in Novgorod and 27 percent in Pskov expressed their trust of government officials. At
the same time, 60 percent of the Novgorod respondents and 13 percent of the Pskov respondents found
business people in their respective regions “trustworthy.” Predominantly leery Pskov respondents were,
however, joined by the Novgorod participants of the survey in their distrust of NCO members. Forty-
three percent of the Pskov respondents and 40 percent of the Novgorod respondents agreed that “mostly
one should be cautious when dealing with people” from NCOs. Moreover, NCO members from both
Novgorod and Pskov distrusted their peers as did many government officials and business people. This
rare similarity in the views of respondents from the two cities is particularly surprising since it goes
against theoretical expectations.

NCOs are usually perceived as voluntary associations that mediate social life between the
household and the state, contributing to a delicate balance of private interests and public concern,\textsuperscript{42} They
are also seen as structures enforcing civic culture – “a pluralistic culture based on communication and
persuasion, a culture of consensus and diversity.”\textsuperscript{43} Within this conceptual context, it is a disturbing
finding that NCOs – supposedly the heralds of fledgling civil society – thus far have failed to inspire trust
The survey participants in Novgorod, as well as in Pskov, were also doubtful of the existence of public
oversight of NCOs.

Do these views imply that social trust is primarily nurtured by the state, not civic organizations,
as some scholars suggest?\textsuperscript{44} Are the more favorable perceptions of Novgorod – compared to Pskov –
rooted in the relatively strong partnership between local government and business, while the role of NCOs
remains marginal? Our study provides sufficient evidence to answer both questions affirmatively. The
"Novgorod consensus" clearly hinges on the authority of the governor's office and its ties to business. In Pskov, where state power is split and weak, alienation among the three sectors – the state, business, and NCOs – is fertile soil for mutual distrust and dissatisfaction. At the same time, in both cities, the relevance of NCOs as power brokers is limited and their distrust by the public can be explained by the convergence of several factors.

First, at the dawn of Russia's market-style reforms, some public organizations – both in Moscow and in the provinces – effectively operated as tax dodges for legal and criminal businesses. Scandals involving a few NCOs blemished the reputation of the entire sector. An NCO leader from Novgorod admitted that "during the period of the primary accumulation of capital, public organizations became mired in dirt from head to toe."

Second, some other NCOs developed into outlets for making money by any means. Reflecting an entrepreneurial zeal, grant-acquisition became a profession in Russia, although integrity and professionalism were often lacking in implementation of funded projects. Organized to take advantage of international support for the nascent "third sector" in new democracies, some NCOs were more concerned about the inflow of money than consistency and usefulness of their work. A Novgorod city official criticized opportunistic drives of such pseudo-civic organizations:

Some people think that they can employ themselves by creating an organization, becoming its leader, and receiving a grant. In many cases, there is no devotion to the cause. Today they are prepared to grow flowers and tomorrow they will attempt to launch space shuttles. At the expense of declining professionalism, they shift from one field to another to get money [grants] at any cost.

Ironically, the opposite reaction – a suspicion toward voluntarism – was also voiced. When expressed, this suspicion was rooted in an apprehension of the Soviet-style "forced voluntarism" of subbotniks – Saturdays earmarked for unpaid activities that often carried little value or failed to deliver tangible results. Contrasting volunteers to pragmatists, a deputy of the Pskov city legislature, stated: "There is nothing free. Any voluntary activity is worthless. The romantic period is over, the time of pragmatism has arrived."
Consistent with the latter observation, the NCOs that proved competitive in tracking and receiving money gained respect, though not trust, signaling the advent of capitalism in the Russian provinces. Describing a battle between the Novgorod city administration and local NCOs for an Eurasia Foundation grant to establish a resource center, an NCO leader from Pskov summarized:

NCOs won, and this was a defeat for the authorities. As a result, NCOs gained respect. The authorities, who are quite clever in Novgorod, immediately recognized the strengths of the "third sector," and agreed to work together, thus preventing opposition.

Almost three million dollars in investments attracted by civic organizations to Novgorod in 1998 struck a chord of compromise between the Novgorod authorities and NCOs. Also, to qualify for Western funds, the state was in some cases required to collaborate with NCOs, which led to a "love and friendship" deal. As a result, Western injections of money produced the NCOs' liberation:

Western cash de-magnitized people. People became more aggressive in pursuing their goals and NCOs managed to rise to their feet. When they obtained computers and facilities, they could say to the authorities, "Take your money with you in your coffin". The authorities no longer bark at us; they receive us with politesse. (A Novgorod NCO leader)

U.S. foundations, and non-profit organizations such as the Eurasia Foundation and IREX, as well as Western aid programs – TACIS and the Partnership for Freedom – were widely credited for the leap of NCOs from obscurity into the front stage of Russian life. As noted by a Novgorod NCO leader, "the grants' rainfall kicked off a very important campaign, by which civil consciousness – though not yet civil society – was born." Despite reservations about the trustworthiness of NCO members, many interviewees cited important initiatives implemented within the "third sector" in Novgorod and Pskov: providing psychological services to vulnerable populations, teaching handicapped children previously labeled "inept" to learn, supporting journalists who lost their jobs because of their criticism of state authorities, and helping small businesses to survive. These initiatives produced public good and also allowed activists to both self-actualize and survive in tough post-Soviet conditions of a declining standard of living.

While the interviewees generally hailed Western support for the "third sector" as a "great success," they unanimously disapproved of large-scale programs of financial lending and technical
assistance to Russia administered by the IMF, the World Bank, and the USAID. Their criticism largely referred to the cycle of dependence and low self-esteem that these programs created. “Foreign aid relaxes us, on one hand, and robs us by increasing indebtedness, on the other hand,” remarked a Novgorod business manager.

Developing this theme, a Novgorod NCO leader expressed a belief that “Russia would stand on its feet much faster and much more firmly if foreigners would stop pouring money into the country; people will have no other choice but to work and live within their own means.” The interviewees also resented the fact that a large amount of aid funds were returned to donor countries as fees for consultants whose services were often worthless:

Consultants, who have never previously been in Russia, come here and want to teach us how to live. First, they cannot understand that the rules change every day. Second, they cannot understand that it’s impossible to get a loan from a bank. If they don’t understand our conditions, how can they give us intelligent advice? (A Pskov NCO leader)

Regarding foreign “handouts” as “insulting” and unjustifiable because of Russia’s riches (“The weak are to be assisted, but we are not weak. God flew over Russia and dropped a lot of wealth here” – observed a Novgorod city official), the interviewees advocated a self-help perspective. A deputy of the Novgorod oblast legislature quoted the Japanese saying: “Don’t give us fish, give us a fishing rod.” Other participants in the study welcomed funding programs for professional training and well-targeted support of selected NCOs and educational institutions (such as the Pskov Free University). Whenever the aid’s recipient was not clearly identified and the terms of funding were not well defined, pilfering of foreign money was deemed inevitable.

As an alternative to foreign aid, many interviewees preferred foreign investment. Investment commands respect and can restore trust because it requires mutual interest of all parties involved and implies thorough negotiation among business partners. In regard to foreign capital flows, Novgorod and Pskov are, however, worlds apart. Novgorod oblast has been continuously rated, along with Moscow, as the most attractive region for investment in Russia, although it is ranked as 37th by its investment potential.
because of its lack of natural resources. By the end of 1997, Novgorod had the second highest level of per capita foreign investment in Russia.

Although the region was hard hit, when the August 1998 financial crisis triggered a withdrawal of foreign capital from Russia, its appeal for investors has endured. Since January 1, 1994, the cumulative foreign investment in Novgorod region had quadrupled, reaching $600 million by June 1, 1999. The Pskov oblast lagged far behind Novgorod both before and after the crisis: in 1997, total foreign investment in Pskov constituted 1 percent of that in Novgorod, increasing to 9 percent in 1998 due to a general reduction of capital flows into Russia. During 1999, the Pskov oblast attracted only $2.8 million in investment, while the Novgorod oblast received $88.1 million.

This gap is not accidental. The two regions differ significantly in the commitment of state leadership to attracting foreign capital and improving investment climate and public attitudes toward foreigners. Explaining a shortfall of foreign capital despite Pskov’s legislative initiatives pertaining to investment, a deputy of the city’s legislature stated:

Any regional investment law is meaningless unless there are state guarantees. We don’t have any natural resources, so we don’t have collateral. Novgorod is different because Prusak is regarded as a national hero. He attracted investments providing his personal guarantees and freed investors from taxation until their enterprises become profitable. He also arranged security services and an energy supply.

Another Pskov deputy representing the oblast legislature concurred: “The investment law is not working in Pskov because there is no stability, no order. Since 1996 [when Mikhailov was first elected as governor], there were many attempts at re-dividing property by uncivilized means.” In drastic contrast, Novgorod offered extraordinary continuity; compromise among power-holders, property-owners, and the public; and far-reaching incentives for investors, including substantial tax breaks and experience sharing and advice from the Association of Joint Enterprises with Foreign Capital.

Furthermore, while Novgorod leadership was successful in promoting the public’s receptivity toward foreign investment, xenophobia remained strong in Pskov despite pro-investment views of some officials:
Pskov residents are cautious regarding foreign capital. I don’t share this sentiment. Foreign partners will pay taxes, create new jobs, and improve our well-being. They are not going to transport all these factories, lands, forests, and rivers abroad. (A Pskov city official)

In the end, different practices in Novgorod and Pskov boiled down to the appealing image of Novgorod as a haven for investing in democracy and a market economy, whereas Pskov lingered in the vicious cycle of a money deficit, distrust among insiders, and the lack of both insiders’ and outsiders’ respect for the region and its leaders.

Sources of, and lessons from, “Greatness”

Compared to Pskov’s “gloom and doom,” Novgorod-the-Great seemed to justify its lofty name. The Novgorod interviewees projected a sense of relative well-being, complained less of corruption, and mostly expressed trust of government officials and business people. Rather favorable evaluations of Novgorod stemmed from a combination of pragmatism and idealism.

First, Novgorod’s finer balance between public expectations and reality owed much to continuity and stability bolstered by the region’s administration. One may dispute the virtues of the “Novgorod consensus” hinging on loyalty toward its powerful governor. But in a dilemma of “war or peace,” those exhausted by conflicts and struggles of the post-Soviet era tend to choose peace over a war, even if it is a “bad peace” over a “good war.” One may as well question the merits of Soviet-style leadership branded as neo-parthkozaktiv. But this leadership is familiar and predictable; it imparts both discipline and paternalism and it turns hostilities and chaos into order. It also refutes the Darwinian “survival of the fittest,” which became a way of life and death in Pskov and many other Russian regions with severe conditions. Stability should not be equated with civility. However, rejection of Social Darwinism is a civil act and the prefix “neo” in neo-parthkozaktiv connotes a more civilized world of openness, accessibility to government officials, and dialogue between those in power and the public, which was inconceivable during the Soviet era. Stability also calls for limitations on liberty in order to uphold civility—ending an orgy of freedoms for the shadow-economy dealers, outright criminals and skinheads.
Second, the relationships between the elite and masses in the two cities reveal a huge difference between loyalty to Novgorod’s bright, charismatic and diplomatic leader, able to contribute to the region’s well-being, and reluctant submission to Pskov’s dull, accidental ruler, indifferent to the public’s concerns. Stability and unity can be grounded in firm principles, cogent policies, and vision for the future. In contrast, unity can also manifest itself as a temporal alliance with former rivals to win an election or prevail in a political fight, without mutual agreements on strategies and their implementation.

Gambling on Prusak’s perception of unity as cooperation of various forces to achieve common goals is promising: the governor can count on the consolidated elite, inspire the sympathetic public, and co-opt opponents, welcoming their feedback and learning from divergent positions. Mikhailov’s outlook does not offer the same promise; he possesses neither an appealing creed, a sufficient power base, nor trust of the people. Weaknesses of the governor can hardly translate into “greatness” of the region under his command.

Third, in contrast to Pskov, Novgorod residents have a dream, rooted in their high esteem for the region’s past and positive interpretation of its present development. They no longer live by a Communist dream of a perfect society as a brotherhood of people sacrificing self-interest to enjoy equality of condition. Rather they share a dream of a decent life with material comforts and the freedom of individual choice in a society that is integrated into the international markets. Elevating the public mood through injections of “spirit” and germane symbols is crucial to success, particularly under conditions of social transformation.

In this respect, Novgorod managed to create an upbeat image of a progressive region with great potential, while Pskov failed at the important business of symbolic management. A measure of moderation and balance is necessary because exaggerations and illusions are as counterproductive as excessive whining, criticism and nihilism. But in a contemporary interconnected and relatively open world, the old-style Soviet refrain “zhit’ stalo luchshe, zhit’ stalo veseleï” (life became better, life became more joyful) is no longer accepted at face value — it is subject to test and scrutiny, whereas depressing accounts of reality invite neither challenge nor activity.
Fourth, the Novgorod region has succeeded in attracting money to make a dream come true. The administration’s commitment to a team approach, its partnership with business and engagement of the public, support of loyal NCOs and receptivity to foreigners created a favorable investment climate in Novgorod. Flush with money, the region inspired recognition and respect. Social trust, especially of NCOs, remains frail, but it is rising as active and productive NCOs are being distinguished from hangers-on. Contrastingly, the Pskov region experiences a sharp deficit of dreams, money, respect and trust.

The case of Novgorod-the-Great is particularly interesting because its model has paved the way for Pskov and even for all Russia itself. Mikhailov followed in the steps of Prusak in forging compromise with his foes and introducing unity, however fleeting it may be. If Mikhailov chooses to evaluate and reshuffle the circle of his associates, break the insulation of the authorities from the public and provide for their accountability, the environment may change in Pskov.

Even more importantly, President Putin now leads Russia in the path tested by Prusak. The Russian president’s agenda for rebuilding a national identity and consolidating society is fashioned after the “Novgorod consensus” template. It borrows and mixes symbols from both the tsarist and Soviet past; promotes a strong state, the “Great Russia” sentiment and patriotism; reaches compromise with the parliament; and achieves compliance from the governors; favors gradual over radical change to enforce stability and continuity; and limits liberties to install order. It offers both a stick and a carrot to secure concerted action by the power-holders and in an essentially eclectic style, it champions the market economy, foreign investment, negotiation, and a world free from Iron Curtains – along with the strengthening of government regulation and control. Similar to Prusak, Putin is a populist aspiring to be a virile national hero – a common man in a covenant with his people struggling with the monsters of chaos and the nation’s decline and lack of self-confidence.

While Novgorod University assumed the name of Yaroslav-the-Wise, Prusak celebrates the image of this 11th-century ruler of Novgorod and the Grand Prince of All Russia, who introduced the fundamentals of early Russian law known as “Russian Truth” and left a legacy of a relatively peaceful and enlightened reign. Putin’s ambition stretches even farther, as he has appropriated unusually large
funds and is giving much attention to commemorating the forthcoming 300th anniversary of his native city, St. Petersburg, the glorious creation of Peter-the-Great, Russia’s tsar-modernizer.54 The full effect of a Putin/Prusak’s version of a social contract upon the development of a civil society is not yet clear. Nevertheless, thus far, their scenario of the “escape from freedom”55 tackles uncertainty and insecurity, but does not welcome outright totalitarianism. It invites the gathering of stones, rather than their casting away, and seeks a respite after the post-Soviet battles to recover energy and sort out gains and losses.

The “Novgorod consensus,” as well as the emerging national state-sponsored accord, is consistent with “path dependence” theory asserting that the range of present-day choices is limited by choices made by historical actors from the past.56 This consensus employs both culture and social structure: the heritage of ancient history and Soviet-style workings of neo-partkhozaktiv. It benefits from the governor’s image as a “great” man and strongman, corroborating the “elite reproduction” thesis,57 but also develops a few institutional arrangements curbing abuses of power (including a centralized licensing of businesses and the legal framework for foreign investment). The maxim, “the more things change, the more they stay the same,” does not necessarily connote rigid historical determinism. Nevertheless, a path embedded in socio-economic legacies and cultural values is more likely to endure than any turns not grounded in historic memories. A self-reinforcing trajectory is a means of adjustment and accommodation; it is also a defense from excessive strains of social change.

Important questions, however, remain. How long will a respite from confusion and the pains of reform last and what will follow this convalescence? Will old legacies support or prevent economic and social progress? Will a path entrenched with vestiges of the past allow civil society to move forward? Can the longing for continuity destroy reformist impulses? Novgorod’s example indicates that the visible fist of state control, government-business collusion (a vse skhvacheno model), and co-optation of NCOs by the state do not contradict interests of investors and do not prohibit gradual change.

A foreign businessman managing a large Novgorod enterprise put it bluntly: “capital is less interested in democracy than in stability and state guarantees against risks.” Authoritarian states with prospering economies, such as South Korea under generals Park Chung-hee and Chun Doo-hwan or Chile
under the infamous Augusto Pinochet attest to this view. But as also evidenced by the eventual crumpling of these regimes and by studies on the relationship between economic growth and tyranny, lack of civility and liberty jeopardizes stability in the long term. Chances for steady and socially responsible development are greater whenever a voluntary contract of equal and free individuals prevails over a Machiavellian pact between a Prince and the subordinate masses.

President Putin, as well as Prusak, is steering away from social anomie in Emile Durkheim’s interpretation as non-existence of norms (de-regulation or relative normlessness). However, he risks being wrecked by anomie as ambiguity of norms if he lingers in limbo, failing to shape the eclectic elements of his agenda into a firm and appealing mold. In the end, he ought to pass cautiously between the Scylla of ambiguity and the Charybdis of excessive consistency: a translation of Prusak’s vertical political pyramid into a new version of a command economy may bury all achievements of the market-style reforms. Solomon’s decisions in pursuit of stability need outlining confines of the compromise, beyond which one is unwilling to stretch. Such decisions also should be guided by a sense of higher purpose. Note that the attraction of foreign capital achieved by Prusak has not been replicated nationwide and the Russian economy remains in a precarious state.

The attempts of Russia to emulate the Novgorod model on a national level have implications for policy-makers in the U.S. and other Western countries. First, given the current search for a balance between the old and the new in Russia, foreign observers would be advised to abstain from judging harshly this work in progress. They also would be advised to avoid the trappings of absolutes, while premature salutations are equally inappropriate. The consolidation of Russian society is an art of the possible and its outcome may not perfectly fit Western expectations. But improvements in Russia’s social contract in terms of greater flexibility of government policies, promotion of competitive business (including foreign business), receptivity toward NCOs, and responsiveness and accountability of public officials should qualify for a favorable change.

Second, the West should not abandon its efforts to encourage transparency and advance civil society in Russia. These efforts reflect the mutual interests of both Russia and the rest of the world and
find receptive audiences in the Russian regions, particularly when pressures toward an authoritarian model increase. Third, financial support of Russia’s reforms should not be directed through the state, which is becoming stronger by efforts of Russian government leaders. The experience of the 1990s demonstrated the pitfalls of centralized funding fraught with misappropriation and mismanagement of resources, if not deliberate corruption and theft. The interviewees in our study voiced their resentment toward large-scale foreign aid flowing into the state sinkhole. Instead, small-scale, well-targeted programs reaching their intended recipients are preferable. In this respect, support of regional, carefully selected NCOs – organizations with a clear purpose and recognized ability to implement useful initiatives – promises to foster self-expression and self-actualization of the Russian public, stimulate the Russian government to consider public interests, and promote trust in society.
Endnotes

The research leading to this report was supported in part by funds provided by the National Council for Eurasian and East European Research, under authority of a Title VIII grant from the U.S. Department of State. The analysis and interpretations contained herein are those of the author. I would like to thank the Novgorod and Pskov interviewees for their receptivity and Yulia Il'ina for transcription of tape-recorded interviews. I am also grateful to Nicolai Petro of the University of Rhode Island for sharing with me his materials and to Cate Cowan (Academy for Educational Development) and William Dinello (Marymount University) for their helpful comments and suggestions. The research leading to this report was supported in part by funds provided by the National Council for Eurasian and East European Research, under authority of a Title VIII grant from the U.S. Department of State. The analysis and interpretations contained herein are those of the author. I would like to thank the Novgorod and Pskov interviewees for their receptivity and Yulia Il'ina for transcription of tape-recorded interviews. I am also grateful to Nicolai Petro of the University of Rhode Island for sharing with me his materials and to Cate Cowan (Academy for Educational Development) and William Dinello (Marymount University) for their helpful comments and suggestions.

1 V.O. Kluichevskii, Russkaiia istoriia, polnyi kurs lektsii v trekh knigakh, kniga pervaya (Moskva: Mysl', 1904-1911/1997), 352-385; D.S. Likhachev, Novgorod Velikii: Ocherki istorii kul'tury Novgoroda XI-XVII vv. (Moscow: Nauka, 1959); I.P. Senigov, O drevneishem istorionom svoide Velikogo Novgoroda (Sankt-Peterburg, Tipografiia brat'ev Panteleevykh, 1885).


4 While all 18 Novgorod interviewees completed the questionnaire, in Pskov only 16 of the 18 questionnaires were returned. Two business people from Pskov failed to submit their questionnaires. The study employed a semi-structured interview guide and a self-administered paper-and-pencil questionnaire consisting of 57 items. Combined, the two instruments addressed questions on the sense of well-being and satisfaction; cooperation among government, business and NCOs; local elites; social trust; corruption and public control of social institutions; understanding of a good society and a civil society; and attitudes toward foreign aid and foreign capital. Face-to-face interviews, held mostly at business offices, lasted from forty minutes to two hours. Except for one case, no third persons were present during the interviews. All audiotaped interviews were transcribed generating more than 500 pages of Russian text. Interview data were summarized in descriptive and explanatory matrices. The computer program QSR NUD\*IST 4 was employed for text coding, categorization, and highlighting conceptual patterns. The survey results were examined using STATA. The relationships among variables were studied based on tabulation and regression analysis.


11 The Russian federal government has provided generous subsidies to the Novgorod oblast budget, which have amounted to 30–40 percent of revenues and prevented wage and pension arrears in the region. Although the Novgorod administration has announced a goal of achieving fiscal independence from Moscow, by the end of 2000 it remained reluctant to accept the status of a donor to the federal budget, insisting on the prolongation of subsidies. For opposing opinions on this matter, see Dmitri Zimine and Michael Bradshaw, “Regional Adaptation to Economic Crisis in Russia: The Case of Novgorod Oblast,” Post-Soviet Geography and Economics 40, No.5 (1999): 340; “Ia smelyi, potomu chto boius’,” Ekspert, Severo-Zapad, no.20 (November 27, 2000), available at http://archive.expert.ru/sever/00/00-45-57/gubern6.htm; Petro, “Regional Democratization in Russia: Some Lessons from Novgorod,” in R. Cameron (ed.), Regional Politics in Russia (Manchester University Press, 2001), forthcoming.


15 For a similar assessment of political structure in Novgorod, see Zimine and Bradshaw, “Regional Adaptation to Economic Crisis in Russia,” 341. Kuznetsova, “Novgorodskai i Pskovskai oblasti,” 148.


17 In post-Communist Russia, a small group of politically connected financiers and industrialists, who obtained new wealth through privatization of lucrative state assets, were labeled “oligarchs.” Although Aristotle’s definition of oligarchy as “a rule by few in the interests of themselves” [The Politics of Aristotle, translated with introduction and notes by Ernest Barker (Oxford: Clarendon Press, 1946/1961), 110, 115-116] best fitted Moscow-based powerful tycoons, “oligarchy” also burgeoned in Russia’s regions, though on a smaller scale.

18 Challenging Novgorod’s rosy picture, one of our interviewees, a leading local businessman, was murdered in his office in January 2000. The cover-up of the vse skhvacheno model may have contributed to the thus far unsolved status of this case. See Sergei Topol’ and Petr Romanov, “Kabinetnoe ubiistvo,” Kommersant, January 25, 2000, 12.

19 Revealing the tough means of political struggle, the Pskov oblast administration, acting in collusion with a local power grid, used an extreme measure—turning off electricity and plunging the city of Pskov into total darkness—to prevent the reelection of its long-time opponent, Aleksandr Prokof’ev, the mayor of Pskov. He indeed suffered a debilitating defeat in March 2000. Along with the animosity of the governor’s circle, a 64-percent deficit of Pskov’s city budget contributed to this election outcome. See Kirill Kozhin, “V Pskove pobedila ‘tre‘ia sila’,” Ekspert, Severo-Zapad, no.5 (March 20, 2000), available at http://archive.expert.ru/sever/00/00-11-22/news.htm.


23 Sales tax on liquor produced in Pskov was much lower than taxation of other products. Moreover, I could not locate any of the higher-quality vodkas from Novgorod or Moscow in Pskov’s shops. The oblast administration official acknowledged Pskov’s practice of what he called “healthy protectionism,” which limited deliveries of liquor from other Russian regions. Expensive French wines and cognacs were, however, abundant in their supply, while public demand for them was negligible due to their high cost and the low purchasing power of the population.

24 An allusion to the main character from the medieval epic poem “The Knight in the Tiger’s Skin” by the Georgian poet, Shota Rustaveli.

25 This system is sometimes called a “one-window” system because applicants deal directly with only one government office. See “Nenuzhnyi progress,” *Ekspert, Severo-Zapad*, December 25, 2000, available at http://archive.expert.ru/sever/00/00-49-61/stoll.htm.

26 Several scandals reported by the TV station “Slavia” revealed the meanings of this “moderate corruption.” For example, a complete failure of a housing construction project in the Pskov borough of the city of Novgorod, prompted allegations of the diversion of funds. While a large loan from the World Bank earmarked for this construction had been supposedly spent on infrastructure, only one house was built before the project was abandoned. Eyebrows also rose when it was reported that the vice-governor, Mikhail Skibar’, evaded tax payments on his mansion. Sources of funds for the construction of this mansion were never disclosed.

27 The difference between the two cities in assessing these issues was statistically significant.


29 Following this overwhelming victory of Prusak, his close associate, the incumbent mayor of the city of Novgorod, Aleksandr Korsunov, was reelected in October 2000 with a similarly astounding 82 percent of the vote. Absenteeism of the electorate was, however, on the rise: while 50 percent of the constituents participated in the governor’s election, only 19 percent came to the polls in October 2000. See “Mertvyi shtil’.”

30 The Novgorod interviewees acknowledged Prusak’s “reluctance to criticize the central government.” An ally of Yeltsin, he eagerly embraced President Putin even before he was elected and supported his reforms to strengthen the state. Thus, Prusak was an early advocate of extending the Russian presidential term from four to seven years that would further expand presidential power. He raised this issue in February 2000. However, once some of Prusak’s own ideas became implemented on the national level, he turned uneasy. While he recognized the need for a presidential representative in federal districts with an unstable situation, such as the Far East, he questioned the reasons for sending an envoy to the Northwest district where Novgorod is located. He also disapproved of an impending redistribution of regional revenues in favor of the federal budget and the concentration of economic capital within the federal districts as endangering Novgorod’s autonomy. See “Russia: The Seven-Year Itch,” Transitions Online, March 23, 2000, available at http://archive.tol.cz/itowa/mar00nu2.html; “Russian Regional Leaders Put Forward State Reform Initiatives,” BBC Monitoring Service, February 10, 2001, available at http://globalarchive.ft.com/globalarchive/articles.html; “Nenuzhnyi progress”, “Ia smelyi, potomu chto boius’."


Support of Mikhailov by former opponents was due to their interest in stability of the region and predictability of the leader. Averse to facing the possibility of another round of re-distribution of properties, they opted for a weak, easily manipulated leader. See Agentstvo politicheskoi informatsii Navigator, “Vladmir bez golovy,” Pskovskai a guberniia, no.16 (November 24–30, 2001) 4-5; Agentstvo politicheskoi informatsii Navigator, “Nasledniki po krivoi,” Pskovskai a guberniia, no.3 (August 31–September 6, 2001); Kozhin, “Bez vserodnoroi podderzhki.”


Erected in 1862, this monument celebrates 1,000 years of the Russian monarchy believed to be founded by the viking, Rurick, the first Prince of Novgorod.


Robert Hefner, “Civil Society: Cultural Possibility of a Modern Ideal,” Society, 35, no.3 (March/April 98), 16.


36

45 TACIS is the European Union's program, which supports the development of stable and democratic societies in the New Independent States (NIS) of the former Soviet Union and Mongolia. Partnership for Freedom is the program of the U.S. State Department, which promotes economic growth and partnerships that sustain civil society and people-to-people linkages in the NIS.


48 Rossiiskii statisticheskiy ezhegodnik (Annual Russian Statistical Booklet) (Moskva: Gosudarstvennyi Komitet Rossiiskoi Federatsii po Statistike, 1999), 539.


50 Consistent with our findings on trust and respect of local government, the Novgorod oblast was rated as the ninth in the country by responsiveness of its political system to citizens. In contrast, the Pskov oblast was ranked as 33rd. See Kelly McMann and Nikolai Petrov, “A Survey of Democracy in Russia’s Regions,” *Post-Soviet Geography and Economics* 41, no.3 (2000): 160.


60. Robert Merton conceptualized anomie as ambiguity of norms and/or their unawareness by members of society. See Robert Merton, *Social Theory and Social Structure* (New York: The Free Press, 1965).

61. An ally of Putin and a proponent of “political monitoring,” Prusak, however, expressed his dissatisfaction with the attempts to re-centralize the Russian economy within the federal districts. Nationwide emulation of his own authoritarian approach inevitably imperils economic concentration in the region and his authority as governor. See “Ia smelyi, potomu chto bous.”