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An Assessment of Recent Local State Activism in Russia

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EXECUTIVE SUMMARY

As the process of restructuring continues in Russia, local authorities increase their efforts to directly influence regional and urban development (as has been the case under capitalism). Local authorities actively pursue such avenues as declarations of special economic zone (SEZ) status, declarations of sovereignty, and the conclusion of economic contracts with other localities and individual economic entities. Their current entrepreneurial activities resemble those defined by Clarke and Gaile (1989) involving risk, with the local government assuming a public role of identifying market opportunities and mobilizing the resources to accomplish their goals. What are the underlying social and economic forces which have mobilized the Russian local state? Why have some local authorities actively pursued economic development policies while others have not?

This paper investigates two types of local state activity: declarations of special economic zone status, and of sovereignty. The administrative units declaring themselves sovereign (SOV) and special economic zones (SEZ) prior to 1991 are combined into one group (SOVSEZ) and are compared to the remaining units in Russia (REST). In addition, a conceptual framework for explaining underlying causes is proposed. The framework is then tested using simple descriptive statistics. The local state response is viewed here as part of a

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dual process of restructuring and of regional economic separatism that accelerated the disintegration of the Soviet economy.

The purpose of the paper is to identify economic aspects of inter-governmental relations and place-specific economic conditions that form the underlying set of factors that help explain local variation in response to restructuring. Since the former Soviet Union was a multi-ethnic society, we too easily attribute the underlying cause of disintegration and center-local conflict to rising ethnic tensions. Both ethnic Russian and non-Russian regions within Russia are affected by restructuring and have been in conflict with the central government. Although rising ethnic awareness certainly contributes to the process of change and declarations of sovereignty, this paper is based on the simple premise that common economic issues for local governments help explain the pattern of local policy response. The empirical results support this premise.

CONCEPTUAL FRAMEWORK

The following framework adapts previous conceptions of local response in market economies (e.g. Leitner 1990) to explaining the non-market, transition case. The desire and the ability of the local state to initiate regional development strategies relates to: A) locality-specific factors; B) external factors; and C) the interaction between those two.

Locality-specific factors include the demographic composition of the local labor force, the industrial structure of employment, the changing size of the labor force, and the local input into management of the regional economy. In addition, the history of a specific locality may also strongly influence the decision to act in the new environment. For example, in Russia cities along the Volga River have long histories of foreign economic and social ties that predate the Soviet Union. These cities could base activism on the desire to recapture economic and cultural dominance in Russia. A locality-specific catalyst could be a real or perceived decline in standard of living, or a change in the local state leadership.

External factors reflect extra-territorial decisions as they influence the local level. Central authorities determine the allocation of investment resources that find their way to specific locations. The central budget also makes budgetary expenditures that influence local development. An external catalyst could be new legal rights due to decentralization legislation, or a central policy to convert from a military to a civilian economy. The
interaction between dependence on higher levels of the state, local conditions, and specific catalysts produce local state activism.

The ethnic component of Russian administrative units provides an additional consideration. Ethnicity plays an important role in creating motivation for territoriality and political mobilization. All ethnic groups, dominant or minority, can act out of concerns derived from ties to territory and perceptions of equity/inequity under governance by the central authorities. It is simplistic to hypothesize that the local state in a non-Russian dominated administrative unit seeks autonomy because of ethnic awareness while the local state in a Russian dominated administrative unit seeks autonomy solely because of economic conditions. The more interesting hypothesis states that underlying social and economic relations and economic institutions interact with social and cultural context to produce varying responses.

RESULTS

The empirical results largely support the hypothesis that both locality-specific and external factors influence local state policy initiatives for the declarations of sovereignty and of special economic zone status. Locality-specific factors of demographic potential and local burden of quality of life expenditures, and the external factor representing the locus of political and economic power operating on the territory, differentiate the SOVSEZ group from other units in Russia. The SOVSEZ group members have either a high demographic potential or a slight decrease in the growth of labor resources, have high local budgetary expenditures, and generally have a median or above median proportion of locally-produced revenues flowing into the central budget. These aspects lead to the characterization of administrative units belonging to the SOVSEZ group as ones feeling the inequity of the economic relations between the central and local levels, and as needing to improve local economic conditions to provide employment for the regional labor resources. As restructuring began in the former soviet Union, these local governments mobilized to secure the economic futures of their jurisdictions.

That the potentially most powerful and high priority regions would opt for public policy seeking separatism as a special status resolution to problems associated with restructuring may seem counter-intuitive at first. Why would regions that have benefitted
from the centralized system mobilize for separate development? There are several possible explanations. First, studies on the regional pattern of demand articulation in the political arena during the pre-perestroika period have found a positive association between level of demandingness by regional Communist Party officials and the pattern of economic growth rates and investment priorities. Breslauer (1984 and 1986) found a regional pattern of demandingness strikingly similar to that of the SEZ group. He suggests several reasons for the apparent anomaly: political pressure to maintain economic performance, emboldened by success and additional needs.

As the reform process unfolded in the 1980s, the local governments found that political power may not be strongly associated with their economic power and that their industrial bases were threatened with entrance into the world market. Until the 1980s, regions within Russia were relatively sheltered from world economic trends and the restructuring of the capitalist economies. Natural resources and manufactured goods were not sold on the world market for competitive prices. However, a major goal of perestroika consisted of entering the world market and the twenty-first century with a competitive edge. Local officials clearly understood that the unreformed, centrally-planned system could not provide the means for such an entrance into the world economy. But by initiating economic and political separatism, the local authorities could hope to translate economic power into the previously lacking political power and thus place their jurisdictions in advantageous positions for the coming period of restructuring, Soviet style. The local governments gained authority to direct their own affairs through central policy change, but did not have concomitant power at the national or international levels.

Studies of market economies have also found that this mismatch between authority and power can influence the trend toward regional separatism and protectionism. Markusen (1987) finds that the history of the movement toward regional separatism in the United States shows that the most prosperous regions tend toward separatism if the economic base sector (or dominant industry) experiences unfavorable market conditions or if the industry operates with substantial extra-territorial ownership. Both of these conditions are evident within the
SOVSEZ group in Russia during the late 1980s. Gourevitch (1977) suggests that regions in Canada and Europe tend toward economic separatism when the region has economic power, but not political power. This too is evident in Russia.

The conceptual framework calls for a catalyst to motivate the local state to initiate a public policy toward separatism. The issue of ethnic conflict between the predominantly Russian central state and the non-Russian local elites in the SOV group presents a catalyst for separatism. Political change from traditional local actors to reformers also could provide that catalyst. Local elections occurred during both 1989 and 1990, the period of time when the local governments in this study began to declare sovereignty and special economic zone status. According to an accounting of elections for oblast Communist party committee first secretary (Embree 1991), nearly half of the oblasts in the SOVSEZ group had a change in leadership to reformers as opposed to about one-third for all of Russia. An additional third of the SOVSEZ units had mixed results with only a small portion clearly remaining in the hands of non-reformers. While this evidence does not firmly establish the role of political leadership change in initiating public policy toward separatism, it does suggest that political change, along with perceived economic inequity and pending upheaval, could have mobilized the local state in the SOVSEZ group.

The partial success of the conceptual framework in differentiating those regions choosing a particular public policy from those that did not, indicates its usefulness for explaining the rise of local activism, and for analyzing the effects of economic relations between different state levels. Finally, the study suggests that the role of local budget composition and inter-governmental fiscal relations deserves more attention as a factor for local variation of public policy in Russia.

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2 As cited in Markusen (1987).
An Assessment of Recent Local State Activism in Russia
Beth Mitchneck

INTRODUCTION

As the world applauded the crumbling of the Berlin Wall and the movement toward
democracy in East Europe and the former Soviet Union, few realized that we were seeing the
regional dis-integration of the Soviet bloc and the entrance of numerous new countries into
the world economy. At the same time, most of the Soviet bloc had been relatively shielded
from the process of restructuring that had already begun in the capitalist world economy.
Economic restructuring in capitalist economies created a growth industry for local economic
development programs as individual cities began to compete in a world market. This global
competition led to a change in the international division of labor, fiscal crises in capitalist
cities, and variable local state responses. While the Thatcher government in Great Britain
centralized local administration in the 1980s, the Reagan government in the United States
decentralized state activity and financial responsibility. Clearly, within the capitalist world,
the state response to restructuring varied (Savitch 1990); yet, we have little information about
restructuring in the non-capitalist, centrally-planned world. We accept that the international
division of labor changed dramatically, yet we have not included the centrally-planned
countries in that analysis. We have not considered whether or not the effects of restructuring
and the local state responses are common to places regardless of mode of production, nor
have we sufficiently reconsidered whether or not capitalist relations are the primary cause of
restructuring.

The role of the capitalist local state and its particular form of activism has been
widely researched. A large literature has developed on the local state during capitalist
restructuring. Wide gaps in the literature could be filled by testing findings in a new
economic and political context - the former Soviet Union. As the process of restructuring
occurs in the former Soviet Union, local authorities do increase their efforts to directly
influence regional and urban development as has been the case under capitalism (Clarke and
In Russia, the local state now actively seeks to establish its territorial jurisdiction as the arena for resolving conflict issues, such as declining state revenues and the changing division of labor, inherent in economic restructuring. Governments in cities and oblasts, as in the former republics, attempt to control the flow of capital and labor across their borders in order to address perceived social and economic problems. Local authorities actively pursue entrepreneurial activities, such as declarations of special economic zone (SEZ) status, declarations of sovereignty, and the conclusion of economic contracts with other localities and individual economic entities. The actions endow the Russian local state with a new function - that of initiator. Current entrepreneurial activities in Russia resemble the definition by Clarke and Gaile (1989) -- involving risk with the local government assuming a public role of identifying market opportunities and mobilizing the resources to accomplish their goals. However, the goals of the Russian local government lean more towards protection and stabilization of the previous economic structure rather than the introduction of new industry as in capitalist restructuring (Clarke and Gaile 1989). What are the underlying social and economic forces which have mobilized the Russian local state? Why have some local authorities actively pursued economic development policies while others have not?

This paper investigates these questions by analyzing the geographical variation of two types of local state activity in a centrally-planned economy: local declarations of special economic zone status and declarations of sovereignty. In addition, a conceptual framework for explaining underlying causes is proposed and tested empirically for the two kinds of local state policy initiation. The framework is then tested using simple descriptive statistics. The local state response is viewed here as part of a dual process of restructuring and of regional economic separatism that accelerated the disintegration of the Soviet economy. The conceptual framework suggests that the local state response depends on: first, level and nature of external control over the local economy, and second, locality-specific factors such as per capita local budgetary expenditures, standard of living, and growth of the local labor force.

The purpose of the paper is to identify economic aspects of inter-governmental relations and other place-specific economic conditions that form the underlying set of factors to explain local variation in response to restructuring and the formation of local, regional
development policies in Russia. Since the former Soviet Union was a multi-ethnic society, we too easily attribute the underlying cause of disintegration and central-local conflict to rising ethnic tensions. Both ethnic Russian and non-Russian regions within the Russian Federation (Russia) are affected by restructuring and have been in conflict with the central government. Although rising ethnic awareness certainly contributes to the process of change and declarations of sovereignty, this paper is based on the simple premise that common economic issues for local governments help explain the pattern of local policy response to restructuring in the late 1980s prior to the formal dis-integration of the USSR. If we attribute local policies only to ethnic awareness, then we ignore potentially powerful explanatory factors for societal change. The responses of Russian and non-Russian local governments show that these governments can take action to define meaningful jurisdictional boundaries. The actions contribute to a new meaning of territory in Russia since the local state expands its function from that of implementation of central directives to active initiation. Many local states within Russia have initiated this process of change by seeking control over regional development.

How and why does the local state in Russia seek to establish regional development strategies? Preliminary research suggests that local states declaring sovereignty (by Fall 1990) and those declaring SEZ status share a regional economic structure and that both declarations constitute regional development strategies (Mitchneck 1991). Neither increased ethnic awareness nor localism fully explains either strategy. The city under socialist, non-market and transitional conditions provides an excellent laboratory in which we can apply concepts of local state activity found under capitalism. Questions such as what social and economic relationships exist between political and economic actors and whether a political or economic system alters local state response to societal change should be addressed outside of the capitalist system. This study is designed to address these issues within the context of a centrally-planned, non-market and transition case - Russia in the late 1980s.

The first section reviews some relevant literature on the local state, local state activism, and policy initiatives under capitalism and outside of the former USSR. The next section defines the Russian local state and the role of the Russian local state in the formal system. The third discusses the conceptual framework and hypotheses used to analyze
underlying reasons for the adoption of certain public policies. The following sections review the regional context of the study group, data, methods, and results of the application of the conceptual framework.

LITERATURE REVIEW

Structural changes in social and economic relations, such as those due to political and economic decentralization, engender local responses by state actors. The local response is part of a macro-level process of changing social and economic relations, but it is affected by local context. Since social relations vary by place and are, in part, localized in nature, we can expect the response also to vary according to place (Cox and Mair 1991). The response, conceptually, can be viewed as local territoriality. Territoriality is defined here as: "The attempt by an individual or group to affect, influence, or control people, phenomena, and relationships, by delimiting and asserting control over a geographic area," (Sack 1986). The concept of territoriality, as it is used here, provides a short-hand method for describing human actions meant to extend influence over place. The local state acts as a collective agent to assert control territory. The definition of the local state used here stems from Fincher (1989):

The local state is the set of governmental institutions acting in a locality: the combination of government departments and agencies...that take action with respect to a locality.

As a result of fiscal crises and fundamental changes in the economic relationship between administrative levels in market economies during restructuring, the local state has become more involved in administering and seeking resources for local economic development. Recent studies have analyzed this in a variety of contexts to explain regional variations (see Clark and Gaile 1989; Fincher 1989; Leitner 1990; Levy 1992; Reese 1992). Leitner (1990) suggests that the local state responds to constraints imposed by the external political economy within the context of locality-specific social and economic structures. She uses case studies of several North American cities to examine the variable local state response and place-specific conditions. Other studies on North American cities compare the local economic development strategies (Clarke and Gaile 1989; Levy 1992; Reese 1992). Local level competition for economic development appears to lead to the growth of federal
subsidies and an increasingly uneven playing field for localities in the United States (Levy 1992). Reese (1992) finds that explanatory factors for local economic development policy choice in the United States, such as inter-city competition, tax rate, median income, manufacturing employment, have little influence over policy choice in Canadian cities.

Studies on the local state in Western market economies have suggested several reasons for local state activism as a spatially varying political expression. One explanation stems from the collective desire to preserve the community’s quality of life as a response to external control of the local economy as evidenced by the distribution of government expenditures (Urry 1981). Another explanation suggests that within the context of class conflict, the erosion of local control by the presence of multinational corporations provides the catalyst for local state mobilization, (Harvey 1985). Reese (1992) suggests that economic development activism occurs when the local situation is highly politicized, (i.e., in the absence of professional planners in local government). While these concepts have been applied empirically to capitalist economies and the developing third world, they have not been applied to the Soviet case. This study fills that gap by analyzing local state activism in Russia.

The concept of the dependence of the local state on external forces figures prominently in the literature on the local state under capitalism. The priorities and goals of the local state undoubtedly reflect higher levels of administration and a dependence on them for financial and material resources (Boddy 1983; Clark and Dear 1984). The local state also maintains some measure of complicity with, in addition to dependence on, local and external economic interests, (Logan and Molotch 1987; Logan and Swanstrom 1990). Yet the local state in any context will have some measure of flexibility to determine its own development priorities. We know from case studies of localities in market economies that policy choice and implementation vary by local state (Fincher 1989; Molotch 1990; Clarke and Gaile 1989). Variation in policy choice should also occur in the Russian case, especially given the extreme social and economic differentials across Russia.

Studies on market economies focus on mechanisms within the market economy that vary across places, such as tax incentives and disincentives for influencing regional development. Local states use tax and land use policies to influence regional development.
They manipulate fiscal relationships with higher levels of the state to receive grants, subsidies, and loans in order to fund their own initiatives and projects. The Soviet and Russian cases differ in that the local level could not levy taxes or set its own land use policies. However, like the capitalist local state, the Soviet local state could receive grants, subsidies and loans. Clark and Dear (1984) state that despite this availability of tools to influence regional development, the local state under capitalism has little influence or authority over the local economy, particularly as it becomes more dependent on other levels of the state for financial resources. They continue that:

This mismatch between political authority and the power to regulate the private market generates structural tensions between tiers of the state, the most significant being the recurrent call for reallocation of functions among various geographical levels of the state," (1984, p. 135).

Previous work such as Hough (1969) and Ruble (1990) have established the mismatch between power of initiation and power to implement in the non-market, Soviet and Russian cases, yet the relationship between inter-governmental fiscal relations and local government action has not been studied in Russia. The present study explicitly explores the potential impact of inter-governmental fiscal relations on public policy adoption in Russia.

Local Policy Initiatives

This study considers locally-initiated sovereignty and special economic zone status declarations in Russia as one category of local state initiative, referred to here as the SOVSEZ group, since both strategies have an ultimate goal of limiting central political and economic control over the region. Sovereignty declarations state the primacy of local control over all political and economic activity occurring in a region. Special economic zone declarations establish an economic boundary between the region and the rest of the Soviet Union. Economic interaction with other regions theoretically would occur on the terms set by the initiating region. The regional consequences of economic sovereignty (as stated in sovereignty declarations) and economic autonomy (as set forth by special economic zones) meet at the point of control over decision making concerning allocation of resources and industrial location. These two types of local activism (sovereignty and special economic zone declarations) are not linked together in the literature on capitalist and developing countries.
Sovereignty movements as a form of regional activism are usually treated as a political or social movement related to territorial conflict and national territorial identities. As such, theoretical work and many case studies focus on ethno-territorial issues such as the formation of territorial identities and the spatial structure of the state given competing nationalist groups, (Anderson 1988; Brym 1986; Chisholm and Smith 1990; Flowerdew 1982; Gottman 1973; Johnston, Knight, and Kofman 1988; Williams and Kofman 1989). While attention to subnational sovereignty movements has increased (Brym 1986; Chisholm and Smith 1990; Williams and Kofman 1989), still relatively few studies place emphasis on relevant spatial economic relations (e.g. Anderson 1988; Cooke 1989; Hadjimichalis 1987). The above works analyze economic issues and sovereignty movements in the capitalist case. Few works incorporate the centrally-planned or socialist case into the discussion. While Smith (1990) does attribute the lack of open ethno-territorial conflict in the former Soviet Union to the centralized system of resource allocation and political and economic decision making, that study excludes an analysis of economic relations between subnational regions in favor of emphasizing political relations. In so doing, the issue of economic realities inherent in the centrally-planned economic system remain unexplored.

One area of local state involvement in regional development in centrally planned and developing economies that has been explored is the use of the special economic zone. Special economic zones are territorial enclaves in which foreign or domestic firms benefit from incentives and privileges given to them for producing goods either for export or for distribution within the host country (United Nations 1990). Central governments created SEZs with the goals of improving the economies of lagging regions and/or providing linkages between regional and international markets. The strategy is favored in both advanced capitalist countries and developing countries as part of export-led industrialization. The phrase special economic zone does not refer to any one development strategy, but to a set of strategies that use market-type incentives limited to geographical location. The Chinese government uses SEZs to attract foreign capital and provide intra-national links to foreign capital (Xie and Costa 1991; Harding 1987). State governments in the United States also use enterprise zones to foster regional economic development. Most state programs target economically distressed areas in order to attract investment and employment opportunities.
The British government also sought to curb urban blight by establishing enterprise zones. In contrast to the Soviet and Russian case, such status in Britain has been linked to an attempt by the central government to limit local authority (Pickvance 1990). An analysis of the Soviet and Russian case, where the movement to establish special economic zones has originated on both the local and central levels, provides an opportunity to distinguish specific economic issues that may bring about this particular activism.

THE RUSSIAN LOCAL STATE AND LOCAL POLICY INITIATIVES

The development of political and economic separatism in Russia is viewed here as an outgrowth of local territoriality and as a local adjustment to restructuring. The adjustment requires both local initiative and implementation of central policies. Bolstering city and oblast budgets is at the core of many of the local initiatives. Although local state initiatives existed before perestroyka, they have grown increasingly important due to changing power and fiscal relationships between geographical levels of the state. The Soviet central government instituted policies beginning in 1989 that gave the local state increased responsibility and authority over their territorial jurisdictions. The Russian government supported these policies. The policy of samofinansirovanie (self-financing) puts pressure on local governments (soviets) to finance expenditures with their own tax revenues rather than with grants from higher levels of government. The policy of samoupravlenie (decentralized administration) and democratic, local elections put pressure on the local soviet to make expenditures in the interests of the local economy. This redistribution of fiscal powers has the potential to allow the local governments to stake out their own spheres of influence and their own agendas due to increased powers to tax and to determine budgetary expenditure policy. The Soviet central policies of samofinansirovanie and samoupravlenie directly encourage local state activism in both the political and economic spheres and are implemented to varying degrees across Russia. These actions vary from the bold political declarations of sovereignty to specific measures aimed at influencing the use of labor, commodities, and resources on their territories.
Role of the Local State in Russia

The role of initiator is relatively new to the Russian local state. In the Soviet case, the local state includes the local Communist Party, central government institutions like the central economic bureaucracy and the executive and legislative branches of local government. This study focuses on actions taken by local governing bodies - the oblast or city executive committee (the executive branch) and oblast or city Council of People’s Deputies (the soviet or the legislative branch). In the formal political system of the Soviet Union, the local state apparatus was structurally part of the central apparatus. Personnel and wage policies, in addition to functional divisions, were directed by the central state. Studies focusing on the informal system, however, have noted local influence over development decisions through the intervention of local party and government organizations (see Hough 1969; Bahry 1987; Ruble 1990).

Research on the role of the local state in the USSR also suggests that the local state did not act only as the simple administrative apparatus of higher levels of government, but could act in its own interest or in its community. Structural changes have occurred since the late 1980s which set the legal framework for a substantial redistribution of fiscal powers, public policy formation, and thus regional variation. The central government passed new legislation governing these relations. Russian laws from 1991 and 1992 give broader fiscal rights to administrative units below the republic level. (See Sovetskaya Rossiya, December 30, 1990, FBIS-SOV-91-003, 7 January 1991, and Ekonomicheskaya Gazeta No. 11 March 1992.) These laws, however, were not in effect during the study period: thus the legal authority of the local state was still severely limited. Despite the new legislation, the formal economic responsibilities of the local state remain firmly in the area of social and economic infrastructure. The economic responsibility of city and oblast governments in the 1980s was limited to public utilities, housing, passenger transportation, education, culture, and the retail system. In addition, the local state apparatus was responsible for the daunting job of overseeing all economic activity on its territory with little regulatory authority. Several studies have looked at the central and local level political influence over the allocation of resources in the Soviet Union, (Hough 1969; Moses 1985; Bahry 1987), but not one has explicitly addressed the changing economic role of the local state vis-a-vis higher levels of
government. The Soviet and Russian local state rely heavily upon higher levels for funding and providing material allocations for regional development initiatives. This sets up a scenario, much like in the capitalist state, where there is a mismatch between the ability to regulate the local market and the power to initiate. Funding for items of local economic responsibility come from both central budgetary and local budgetary sources. The local state has limited sources of its own budgetary revenue and relies instead on bargaining with higher levels to further its own agenda with respect to regional development. The local state needs to rely on off-budgetary expenditures from enterprises and ministries functioning on the territory but not necessarily under its jurisdiction. Thus, the budgetary and off-budgetary expenditures of higher levels and non-locally subordinate enterprises and ministries become an integral part of regional development for which the local state is responsible. The central ministries have a local impact by the very nature of the spatial variation of employment and production by ministry. Therefore, the existence of enterprises belonging to ministries subordinated to higher governmental levels and their financial and material support to local states strongly influence the social and economic welfare of the local population and thus, local state activity.

The argument for decentralizing economic decision making within the central planning apparatus to the republic level often gathered strength from a discussion of the sins of central ministries and their inability to handle regional issues, (Lapidus 1989). But even a republic level ministry in Russia could not adequately manage activity occurring in such a diverse geographical landscape. The local state pushed for the reallocation of functions and authority between state levels as a result of the mismatch between power, authority, and information. SEZ and sovereignty declarations prior to the breakup sought the reallocation of decision making. Only in 1992 did the local state receive authority to levy taxes and generate independent sources of income.

**The Local State and Budgets**

Local budgets reflect both the limited nature of financial resources and the limited budgetary powers of city and oblast governments. Local budgets finance expenditures on health, education, culture, propaganda, housing and the communal economy (e.g., public utilities and transportation), but do not finance industry, agriculture, and construction (Lushin
Local budgetary expenditures on the former group comprised 98% of total expenditures of the Moscow city budget in the 1970s and early 1980s (Shapovalov 1984). Local budgetary expenditures influence quality of life in a city, while higher level budgets finance expenditures in the "productive" sectors. Local budgetary revenues come from intergovernmental transfers, grants, taxes on the population, taxes on profits of locally-subordinated enterprises, and from other fees levied on the population. Enterprises contributed to the budgets of geographical-administrative levels in accordance with their level of ministerial subordination (e.g. all-Union, republic or local) (Lushin 1989). This, however, changed in 1992 so that all enterprises regardless of subordination must contribute to local budgets. Data on budgetary revenues and expenditures occurring on a territory by administrative level (all-Union, republic, or local) should indicate the government level of economic and political power functioning on the local level. The magnitude and direction of budgetary revenue flows show the scale of activity by a government level on a specific territory. For example, if 80% of all budgetary revenues from oblast "x" flow into the all-Union budget, 15% to the republic, and only 5% remains in the oblast, then we can see the potential for a perception that the all-Union government holds the vast majority of power in that oblast. We also can tell that the regional economic structure leans toward heavy industry or natural resource extraction rather than light industry or agriculture (activities that would lead toward the direction of revenues to the republic level).

In a market economy, budgetary relations provide an indicator of the redistribution of resources between geographical levels of government. This is not always the case in the non-market, Soviet economy since budgetary information reflected only accounting procedures and the local state had relatively little influence over the composition of its budget. The rigidity of the system is changing, however, with a concomitant change in the importance of fiscal relations. While the subject of the redistribution of budgetary revenue and material resources among republics has received recent attention (Belkindas and Sagers 1990), the issue has received little attention below the central level. This study conceives of intergovernmental budgetary relations as a primary motivating factor for local initiative. The budgetary system can serve as a fundamental source of conflict that produces the local activism. Intergovernmental economic relations and the subsequent standard of living of a
territory are viewed here as underlying forces that motivate the local state to press for the reallocation of function between government levels. The greater the perceived imbalance between government levels, the greater will be the level of mobilization of the local government.

**CONCEPTUAL FRAMEWORK**

The conceptual framework posits that the non-capitalist, local state in Russia pursues growth strategies and initiatives as a result of locality-specific and external social and economic factors. This activity, on the part of Russian local governments, is similar to, but not identical with, the concept of the city as a growth machine (Logan and Molotch 1987). Russian local governments began to view their jurisdictions as places where wealth and power could be accumulated. As Soviet society began to introduce market-type reforms, the local jurisdictions took on the characteristics of market commodities (Logan and Molotch 1987), to be traded or used in negotiations. In particular, natural resources and productive assets, such as nascent high technology industries or port facilities, are important locational factors for developing economies and, therefore, become important "commodities" over which the local government seeks control. These locational "benefits" rapidly gained importance for negotiating between government levels and for use as bargaining chips between local governments and foreign entrepreneurs.

The following framework adapts previous conceptions of local response in market economies (e.g. Leitner 1990) to explaining the non-market, transition case. The desire and the ability of the local state to initiate regional development strategies (i.e., the local state as a collective agent) relates to: A) *locality-specific factors* -- social and economic structures present in the locality, including structure of the regional labor force, changing economic conditions, local fiscal responsibility, culture (e.g. ethnic composition and political culture), and history; B) *external factors* -- policy decisions made at higher administrative levels (all-Union and republic) influencing economic priorities, structure of economic institutions (ministries and state committees), and laws governing the political and economic ties between the administrative levels in all regions, macro-level political environment, and macro-level economic environment; and C) the *interaction* between the locality-specific and external factors.
The locality-specific factors and external factors are not independent: they interact to produce collective behavior. For example, external factors like decisions by central economic planners influence the structure of the regional economy thus affecting the local economic context. Similarly, macro-level economic performance necessarily reflects locality-specific economic conditions. The distinction made here is one of local conditions and external decisions that influence local conditions. Locality-specific factors relate to local social and economic conditions while external factors stem from non-local, allocation decisions.

Locality-specific factors describe the demographic composition of the local labor force, the industrial structure of employment, the changing size of the labor force, and the local input into management of the regional economy. In addition, the history of a specific locality may also strongly influence the decision to act in the new environment. For example, in Russia certain cities along the Volga River have long histories of foreign economic and social ties that pre-date the Soviet Union. These cities could base activism on the desire to recapture economic and culture dominance in Russia. A locality-specific catalyst could be declining (real or perceived) standard of living or a change in the local state leadership.

External factors reflect extra-territorial decisions as they influence the local level. Central authorities determine the allocation of investment resources that find their way to specific locations. The central budget also makes budgetary expenditures that influence development in regions outside Moscow. An external catalyst could be new legal rights due to decentralization legislation or a central policy to convert from a military to a civilian economy. The interaction between dependence on higher levels of the state, local conditions, and catalysts produces the move toward the collective agency of the local state.

The structure of the centrally-planned economy includes central ministries that created local dependence on external agents. External agents, the ministries, exercised control over the local economy. Not only did local control erode during the Soviet period, but also the central ministries became like multinational corporations in several ways. Ministerial activity was supra-territorial in that they functioned without regard to administrative boundaries; ministries freely dispersed capital between their enterprises irrespective of location.
Production and personnel decisions were made in headquarters (in Moscow) quite distant from the enterprises.

Central government ministries belonged to three different jurisdictional levels: all-Union, Union-Republic, and Republic. All-Union ministries controlled economic activity of national importance, such as heavy industry, and defense related industry. Union-Republic ministries controlled activity of national importance but located in only a few republics, such as coal mining. The latter two types of ministries have been abolished. Republic ministries controlled economic activity of lesser importance and of mainly regional significance or of less priority to the Soviet government like agriculture and light industry. Yet other economic activity of purely local significance, like passenger transportation, public utilities, and consumer services were under the jurisdiction of the oblast, city, or district. Ministries were notorious for not considering local conditions when making decisions that ultimately affected a local labor force. The tension between non-local control over resource allocation decision making and the advent of increased local authority and responsibility due to central policies of decentralization created an atmosphere in which local agents could potentially reverse the long-term trend of the lack of local control.

The ethnic component of Russian administrative units provides an additional consideration. Ethnicity plays an important role in creating motivation for territoriality and political mobilization. All ethnic groups, dominant (e.g. Russian) or minority (e.g. Tatar), can act out of concerns derived from ties to territory (e.g. Russians in Moscow) and perceptions of equity/inequity under governance by the central authorities. It is simplistic to hypothesize that the local state in a non-Russian dominated administrative unit seeks autonomy because of ethnic awareness while the local state in a Russian dominated administrative unit seeks autonomy solely because of economic conditions. The more interesting hypothesis states that underlying social and economic relations and economic institutions interact with social and cultural context to produce varying responses.

APPLICATION OF CONCEPTUAL FRAMEWORK

This section discusses the regional context of the SOVSEZ group, data, methods and results of testing the conceptual framework. The oblasts in Russia are divided into three groups: those who declared sovereignty before June 1991 (SOV), those who declared
themselves special economic zones before June 1991 (SEZ), and the rest of the tertiary level regions in Russia (REST). The study assumes a priori that the SOV and SEZ groups are qualitatively different than the REST group and therefore only performs statistical tests to justify the merging of the two groups. The regional context of the two groups supports this assumption. Appendix A lists the units included in the SOV and SEZ groups and Appendix B explains the classification scheme for the cities and oblasts in greater detail. In addition, Figure 1 shows the spatial distribution of administrative units included in the analysis.

The group of administrative units that declared sovereignty from higher level units is not homogenous in that units of varying administrative status are included. In addition, a reading of sovereignty declarations indicates that all units did not have a common definition of sovereignty. This statement by the Tatar Deputy Rustam Khafizov, however, is fairly representative:

... the right to the autonomous determination of the republic’s development priorities. And in all spheres, be it credit and finance or foreign policy activity, question of nature exploitation, the ecology, or the cultural sphere (Komsomolskaya Pravda 11 September 1990 and FBIS 17 September 1990).

This definition could encompass every activity possible in Tatarstan. However, the wording of the statement stresses the importance of economic management and the question of non-renewable resources, as well as political control.

In the Soviet Union and in Russia, many definitions of the SEZ are employed at the same time. However, all units viewed the entire administrative territory as part of the enclave, rather than a designated portion of a city or part of the unit. Theoretically, by declaring itself an SEZ, an entire city, oblast, or republic would be able to participate in the world market while maintaining weak linkages with the national economy (Ivanov 1990). A SEZ would be a "special territory of the state on which special economic conditions have been created in order to solve concrete economic problems through joint enterprise," (Pravitel’stvennyy Vestnik 28 January 1990). In Russia, SEZs could offer special tax incentives to promote foreign investment. In 1990, local government could neither offer tax incentives nor independently promote foreign investment. They also would operate under conditions less fettered by centralized economic planning. At present, SEZs function more on paper than in reality.
Regional Context of SOVSEZ Group

The local governments of units declaring sovereignty or special economic status did not have the same concept of implementation for the strategy. In addition, the regions clearly differed in ethnic composition. Despite this, aspects of the structure of the regional economies show commonalities between the non-Russian units seeking sovereignty and the other units seeking SEZ status. The regional economies of both groups are overwhelmingly based upon natural resources and heavy industry. These industrial sectors traditionally were under the jurisdiction of the central government. This section outlines relevant characteristics of the local economies of the SOVSEZ group that suggest shared motivation for mobilization.

Many of the local governments in the SOV and SEZ groups have made the exploitation of natural resources a focal point of their initiatives. The Tatars complained about the loss of oil income (Literaturnaya Gazeta, 15 August 1990) and the Yakuts singled out the issue of diamond trade from their territory. The declaration from Chukotka states that the local state wants more reasonable and efficient use of their natural resources (FBIS, 1 October 1990). Six of the units declaring sovereignty have important natural resources. For example, Buryatia has apatite, Karelia - timber resources, Komi - fuel, Tatarstan - fuel, Yakut-Sakha - diamonds, gold, coal, and Chukotka - gold, tin, tungsten. In addition, six also have strong ties to centrally subordinated industries such as machine building, metallurgy, and metal working. According to central policy changes during perestroika, these economic sectors could expect lower rates of centralized investment in the future. It is important to note, however, that these regions already received relatively large central investment allocations (see Table 1). While central investment has the potential to benefit the local population, in the centrally-planned case it also indicates low revenue return to the local budgets and low levels of local control over economic development. For example, in Tatarstan, eighty percent of the enterprises were subordinated to the USSR (the all-Union level), eighteen percent to the RSFSR (the republic level), and two percent to the autonomous republic or tertiary level (Pravda, 1 September 1990). This means that 98 percent of the firms did not contribute tax revenues directly to the local budget and were not under the jurisdiction of the local state. These economic conditions could mobilize the local
state to pursue activity to gain jurisdiction over the regional economy.

Although the emphasis here is on economic issues, the rise of nationalism certainly contributes to the trend of declarations of sovereignty. Indeed, in 1989 Russians outnumbered the titular group in all units under discussion except Tatarstan. The titular groups comprised very small portions of the total populations in their homelands in 1989. For example, in 1989 Buryats comprised only 24 percent of the total population in their titular unit and Karelians only 10 percent. In addition, anecdotal information indicates that the titular groups have not shared equally in the benefits of the development of their national regions, particularly when the regional economy is under all-Union subordination. Examples from Khanty-Mansi Autonomous Okrug and Yamal-Nenets Republic indicate that the titular groups have not been employed in the high income sectors associated with oil and gas development on their territories (Dienes 1985).

Net inmigration often signifies regional economic growth. Conversely, net outmigration usually signifies declining economic opportunity on a regional level and/or the presence of disadvantageous social and economic conditions. Increasing ethnic awareness on the part of the titular group and increasing ethnic conflict would constitute disadvantageous social conditions. Kabardino-Balkar Republic, Karelia, Mari-El, and Tatarstan have experienced net outmigration over the past twenty years. Of the autonomous republics, only Yakut-Sakha in the Far East has experienced significant net inmigration. The central jurisdiction over the regional economies coupled with net outmigration signify the expectation of declining economic opportunity and welfare in the SOV group during restructuring.

The same argument stands for the locations in Russia which the parliament recognizes as SEZs and for the remaining locations which have sought SEZ status (see Appendix A). Machine building, metal working, and metallurgy comprise a significant portion of the regional economies of all but Zelenograd and Sakhalin. Unlike the autonomous regions, only the eastern units have claims to important natural resources (Primorskiy and Altay krays, Amur, Kemerovo, Magadan, and Chita oblasts). Many of the units have access to port facilities and construction materials; these are crucial locational characteristics that attract foreign capital. Unlike other places in Russia, the regional economies of the SOVSEZ group do not rely on agriculture or light industry as an economic base. Oblasts and cities in the
REST group do have important natural resources and produce important heavy industry products. But those regions, as part of the REST group, are mainly in the western portion of Russia and/or have economies less favorable to supporting a special economic zone.

Data and Methodology

The data measuring locality-specific and external factors come from the 1979 and 1989 censuses, Goskomstat RSFSR publications, and other published sources. Four variables represent locality-specific factors and four account for external factors (Table 2). The locality-specific variables focus on the description of the local economic environment, while the external factors represent financial relations between the center and the local level. Because of the centrally-planned nature of the Russian economy, external forces, namely the central planners, have a strong influence over the locality-specific factors. Since the locality-specific factors represent the environment in which the local state functions and makes their own decisions, they are considered here as local rather than external factors.

Locality-specific factors focus on regional labor force indicators. \( M_{79} \), the percentage of the employed population in a region working in all-Union branches in 1979, measures the variable degree to which external employers (i.e. non-local ministries) function in the region. It indicates the concentration of the labor force working for non-local ministries. While \( M_{79} \) reflects external dependence, it also describes the composition of the local labor force. It is this local labor force for whom the local government must continue to provide goods and services. In addition, this level of external dependence provides a local context to decision making. The greater the dependence, the greater should be the desire for independence. \( LARE_{80-89} \), the percentage change in the size of the working age population in 1980 relative to 1989, measures whether the demographic potential for the region has changed during the 1980s. A growing work force at the end of the decade indicates local economic potential for both economic growth and unemployment. The higher the relative potential, the greater the desire of the local state to ensure employment opportunity for the work force through public policy initiatives.

The third locality-specific factor measures the change in the standard of living (STATLIV). Because good measures of standard of living do not exist for Russia, I use net migration as a surrogate for standard of living. STATLIV is devised as the ratio of net
migration in 1990 to average annual net migration for 1981 through 1985. The ratio is meant to capture any change of standard of living from the first half of the 1980s to 1990. Theoretically, the change could mobilize the local government to respond to societal change. Studies have found a strong association between regional standards of living and migration patterns in the Soviet Union (Maksakova 1986; Mitchneck 1990; Rybakovskiy 1973). The net gains relative to the early 1980s would indicate a growing labor pool and net losses then would indicate a potential decline in standard of living. The final locality-specific variable, per capita local budgetary expenditures (PCLOCEXP), indicates the level of involvement, or the burden, of the local state for the provision of public goods and services to the population. High levels of local fiscal burden should indicate motivation for public policy initiative. The SOVSEZ group should have higher per capita local expenditures than the REST group.

External factors are represented by budgetary and investment variables that are determined outside of the region. These measures focus on the central involvement in the local economy independent from local agents. It is hypothesized that the higher the involvement, the greater the desire of the local state to attain autonomy and shed dependence on higher levels of the state. Per capita budgetary expenditures on the territory from the all-Union budget (PCAUEXP) also measures the central priority for a region. High priority regions are accustomed to reaping the advantages of the system; however, restructuring will not necessarily leave these regions in such a privileged position. Initiative can be viewed here as a strategy to maintain position in a situation where the rules of the game are changing.

The proportion of budgetary revenues from enterprises located on the territory that go to the all-Union budget (REVAUP) loosely measures the economic power of all-Union ministries on the territory. The higher the proportion of industry under central jurisdiction on the territory, the higher the probability that the local state will seek to overcome the constraints of non-local subordination. Central jurisdiction during the pre-perestroyka period could be viewed as a benefit since central ministries and enterprises were sources of extra-budgetary expenditures and the provision of goods and services. However, it also meant that local concerns did not factor into the decision making process.
As central ministries began to lose power during perestroika due to central reforms, regions that relied upon central ministries began to lose support, leaving local economies vulnerable. The percentage of all budgetary expenditures on a territory by the central budget (EXPAUP) should measure the national and even international significance of the region. High expenditures mean central priority, while low expenditures mean that the region does not hold high priority with the central government. Again, high priority regions will be more likely to take initiatives since they view their resources as supplying the country with political or economic power. Public policy initiatives like sovereignty and SEZ status are designed to circumvent central control. Those regions with high central control are likely candidates for such initiatives.

Lastly, a large portion of all capital investment comes through the all-Union budget. The late 1980s saw a vigorous discussion of declining central capital investment. If in fact this happened, then we should see a decline in the capital investment from 1980 to 1989 in the regions of the SOVSEZ group with large central capital investment. The ratio of capital investment in 1989 to capital investment in 1980 (RATINV) measures this change.

Simple parametric and non-parametric tests were conducted on these data to determine whether or not the groups differ significantly by locality-specific and external factors. The tests neither measure nor explain the relationship, but only indicate whether or not a statistical relationship exists between groups. For the normally distributed variables, t tests with the null hypothesis that the two samples come from the same population with the same sample mean and variance were used. The non-normally distributed variables were tested for the same null hypothesis using the non-parametric Mann-Whitney test. The SOV and SEZ groups were first tested against one another and then tested on the variables for the null hypothesis that the SOVSEZ group and the remaining units in Russia (REST) come from the same population.

Results

The measures of dispersion (Table 3) show that locality-specific and external factors do vary across the units in Russia. The coefficients of variation indicate that the locality-specific variables, LARE8089 and STATLIV, vary the most across Russia. The external factors related to central budgetary expenditures and revenues, PCAUEXP and EXPAUP,
also show great variation across the republic. Interestingly, RATINV, the variable measuring capital investment change, does not vary greatly across regions. We would expect greater variability since central policy promised changes in the structure of investment in the late 1980s. The changing investment policy should have had a strong regional impact due to the uneven distribution of centrally subordinated industry in the USSR. The lack of variability suggests that the stated policy had not yet been translated into practice.

A visual examination of the data (Table 3) indicates both support and lack of support for the null hypothesis of equal means and variances between the SOV and SEZ groups. According to these data, we would expect to accept the null hypothesis for the following locality-specific variables: PCLOCEXP, M79, and LARE8089. We would expect to reject the null hypothesis for only STATLIV. For the external variables, the data suggest the acceptance of the null hypothesis for only REVAUP and a rejection of the null hypothesis for PCAUEXP, EXPAUP, and RATINV.

The Mann-Whitney tests (Table 4) and the t tests (Table 5) provide the statistical basis for placing the SOV and SEZ groups into one group. The null hypothesis could not be rejected for any of the budgetary expenditure variables, PCAUEXP, PCLOCEXP, EXPAUP, and REVAUP. The results suggest common means and variances for these variables and thus common inter-governmental budgetary relations within the SOVSEZ group. Additional locality-specific variables, M79 and LARE8089, also were not rejected for Sov versus SEZ. The null hypothesis was rejected for two variables, STATLIV and RATINV. The SOV and SEZ groups do not appear to have a statistical relationship for variables representing the standard of living and central capital investment. One external variable, RATINV, and one locality-specific variable, STATLIV, were not included in the test between SOVSEZ and REST due to the rejection of the first null hypothesis.

The results from the t tests and Mann-Whitney tests for comparison of means and variances of the variables between the SOVSEZ and REST groups partly support the conceptual framework and the hypotheses. The same null hypothesis that the samples come from one population with equal means and variances was used to test the SOVSEZ group against the REST. In this set of tests, if we reject the null hypothesis, then we support the
thesis that some locality-specific and external factors differentiate those units declaring sovereignty and special economic zone status from the remainder of the units in Russia. The thesis was supported for one external factor, REVAUP, and for two locality-specific variables, PCLOCEXP and LARE8089. This means that the locality-specific factors of per capita local budgetary expenditures and the demographic potential and the external factor of revenues flowing to the central budget confirm the classification into one group.

The rejection of the null hypothesis for two locality-specific variables when testing SOVSEZ versus REST indicates that the nature of the demographic potential and the proportion of budgetary revenues going to the center differs between those localities choosing the strategy of reducing central influence from those that did not. In addition, the rejection of LARE8089 supports the hypothesis that a need to protect the local labor force mobilizes the local governments of the SOVSEZ group.

The rejection of the null hypothesis for PCLOCEXP indicates that local expenditures vary considerably between the groups. This suggests that the regions in the SOVSEZ group share some common burden of local expenditures that differentiates the group from other administrative units in Russia. Many of these units are located in the harsh Siberian environment which necessitates greater expenditures on local infrastructure.

The rejection of the null hypothesis for one external variable, REVAUP that roughly measures the local power of all-Union ministries, supports the hypothesis that the SOVSEZ group does have a different level of all-Union subordination (and thus all-Union economic and political power) functioning on the territory than in other Russian units.

The capital investment variable produced contradictory results that weaken the hypothesis that levels of capital investment would influence policy initiative. Because Tyumen' Oblast receives a large portion of total capital investment in Russia due to the oil and gas industries located there, the distribution of data may be skewed. For that reason, the tests were performed with and without Tyumen'. The tests repeated without Tyumen' Oblast had the same results. The stability of the results with the exclusion of an obvious outlier suggests that on the whole, the allocation of capital investment to particular regions did not change greatly from 1980 to 1989 in Russia, but may differ among subgroups.
SUMMARY AND CONCLUSION

The empirical results of the application of the conceptual framework largely support the hypothesis that both locality-specific and external factors influence local state policy initiatives for the case involving the declarations of sovereignty and special economic zone status. The locality-specific factors measuring demographic potential (LARE8089) and local burden of quality of life expenditures (PCLOCEXP) and the external factor representing the locus of political and economic power operating on the territory (REVAUP) differentiate the SOVSEZ group from other units in Russia. The SOVSEZ group members have either a high demographic potential or a slight decrease in the growth of labor resources, have high local expenditures, and generally have a median or above median proportion of local revenues going to the central budget.

These aspects lead to the characterization of administrative units belonging to the SOVSEZ group as ones feeling the inequity of the economic relations between the central and local levels and as having the need to improve local economic conditions to provide employment for the regional labor resources. As restructuring began in the former soviet Union, these local governments mobilized to secure the economic futures of their jurisdictions. Jurisdictions now had more meaning than in the pre-reform Soviet Union where local governments mainly implemented central directives. Local governments became responsible for maintaining and improving social and economic conditions on their territories, a responsibility that previously lay with central organizations.

That the potentially most powerful and high priority regions would opt for public policy seeking separatism as a resolution to problems associated with restructuring may seem counter-intuitive at first. Why would regions that have benefitted from the centralized system mobilize for separate development? There are several possible explanations. First, studies of the regional pattern of demand articulation in the political arena during the pre-
perestroynka period have found a positive association between level of demandingness by regional Communist Party officials and the pattern of economic growth rates and investment priorities. Breslauer (1984 and 1986) found a regional pattern of demandingness strikingly similar to that of the SEZ group. He suggests several reasons for the apparent anomaly: political pressure to maintain economic performance, emboldened by success and additional
needs. All of these suggestions merit greater attention.

As the reform process unfolded in the 1980s, the local governments find that political power may not be strongly associated with their economic power and that their industrial base is threatened with entrance into the world market. Until the 1980s, regions within Russia were relatively sheltered from world economic trends and the restructuring of the capitalist economies. Natural resources and manufactured goods were not sold on the world market for competitive prices. However, a major goal of perestroyka consisted of entering the world market and the twenty-first century with a competitive edge. Local officials clearly understood that the unreformed, centrally-planned system could not provide the means for such an entrance into the world economy. But by initiating economic and political separatism, the local states could hope to translate economic power into the previously lacking political power and thus place their jurisdictions in advantageous positions for the coming period of restructuring, Soviet style. The local governments gained authority to direct their own affairs through central policy change, but did not have concomitant power at the national or international levels.

Studies on market economies have also found that this mismatch between authority and power can influence the trend toward regional separatism and protectionism. Markusen (1987) finds that the history of the movement toward regional separatism in the United States shows that the most prosperous regions tend toward separatism if the economic base sector (or dominant industry) experiences unfavorable market conditions or if the industry operates with substantial extra-territorial ownership. Both of these conditions are evident within the SOVSEZ group in Russia during the late 1980s. Gourevitch (1977) suggests that regions in Canada and Europe tend toward economic separatism when the region has economic power, but not political power. This too is evident in Russia.

The conceptual framework calls for a catalyst to motivate the local state to initiate a public policy toward separatism. The issue of ethnic conflict between the predominantly Russian central state and the non-Russian local elites in the SOV group presents a catalyst for separatism. Even the dominant Russian elites in the SOV and SEZ groups feel ethnic conflict with the "Soviet" elite in the center. Political change from traditional local actors to reformers also could provide that catalyst. Local elections occurred during both 1989 and
1990, the period of time when the local governments in this study began to declare sovereignty and special economic zone status. According to an accounting of elections for oblast Communist party committee first secretary (Embree 1991), nearly half of the oblasts in the SOVSEZ group had a change in leadership to reformers as opposed to about one-third for all of Russia. An additional third of the SOVSEZ units had mixed results with only a small portion clearly remaining in the hands of non-reformers. While this evidence does not firmly establish the role of political leadership change for initiating public policy toward separatism, it does suggest that political change, along with perceived economic inequity and pending upheaval, could have mobilized the local state in the SOVSEZ group.

The partial success of the conceptual framework for differentiating those regions choosing a particular public policy from those that did not, indicates its usefulness for explaining the rise of local activism and for analyzing the effects of economic relations between different state levels. Extensions to this research include the use of additional locality-specific and external factors and a multivariate test of the framework for the interaction among variables and catalysts. In addition, the research should analyze other types of public policy initiatives associated with the dis-integration of the former Soviet Union and Russia into separate economic entities ruled by local states. Finally, the study suggests that the role of local budget composition and inter-governmental fiscal relations deserves more attention as a factor for local variation of public policy in Russia.
Notes

1. Local here means the provincial (or oblast) and city levels. Oblasts were tertiary level administrative units under the Soviet government and were considered the local level. In current Russian parlance, however, local (mestniy) refers to city or lower level governments.

2. For a comprehensive list of sovereignty declarations through October 1990, see: Sheehy 1990.

3. Since 1991 many of the industries have been transferred to the jurisdiction of the republic.

4. The data for LARE8089 for the SOVSEZ group cluster mainly in the highest quantile or in the low-medium quantile.

<table>
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<tr>
<th>Region</th>
<th>Investment Indexed 1989 (RSFSR=100)</th>
<th>% Growth in Ruble Investment 1988/70</th>
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<td>Value 2</td>
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</tr>
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<td>---------</td>
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Source: Data compiled by Ronald D. Liebowitz from republic and all-Union Narkhoz volumes, various years; data from Goskomstat SSSR and RSFSR; and Pokazately sotsial'nogo razvitiya avtonomnykh respublik, kraev, i oblastey RSFSR, Moskva: Gosudarstvennyy Komitet RSFSR po Statistike, Goskomstat RSFSR, 1990: 77-80.
Table 2
Locality-Specific and External Factors

<table>
<thead>
<tr>
<th>Locality-Specific</th>
<th>Description</th>
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<tr>
<td>M79</td>
<td>Percentage of 1979 employed population in all-Union branches of economy</td>
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<tr>
<td>LARE8089</td>
<td>1989 to 1980 ratio of percentage change in the size of labor resources</td>
</tr>
<tr>
<td>STATLIV</td>
<td>Ratio of net migration in 1990 to average annual net migration for 1981 through 1985</td>
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<tr>
<td>PCLOCEXP</td>
<td>Per worker local budgetary expenditures</td>
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<tr>
<td>External</td>
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</tr>
<tr>
<td>PCAUEXP</td>
<td>1988 per worker all-Union budgetary expenditures</td>
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<tr>
<td>REVAUP</td>
<td>Proportion of 1988 budgetary revenues directed from the region to the center</td>
</tr>
<tr>
<td>EXPAUP</td>
<td>Proportion of total regional 1988 budgetary expenditures made by the all-union budget</td>
</tr>
<tr>
<td>RATINV</td>
<td>Ratio of capital investment in 1989 to capital investment in 1980</td>
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Table 3
Summary and Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable Group</th>
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<th>Standard Deviation</th>
<th>Coefficient of Variation</th>
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<td>Coefficient of Variation</td>
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### Table 4

**Results of Mann-Whitney U Tests**

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<th>Variable</th>
<th>SOV v SEZ</th>
<th>SOVSEZ v REST</th>
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<td>PCLOCEXP</td>
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<td>STATLIV</td>
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</tbody>
</table>

+ The $U$ statistic is used for samples where both $n_1$ and $n_2$ are below 20. The critical value at 0.05 significance level is 80 for a two-tailed test.

* The $z$ score is used with samples over 20. The critical level at 0.05 significance is +/-1.96 for a two-tailed test.
Table 5
Results of T Tests

<table>
<thead>
<tr>
<th>Variable</th>
<th>SOV v SEZ</th>
<th>SOVSEZ v REST</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td>$H_0$</td>
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<td>REVAUP</td>
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</table>

* The null hypothesis was rejected at the 0.05 significance level.
Figure 1
Map of Study Regions in Russia

CITIES
- A—Vyborg (Leningrad 0)
- B—Leningrad
- C—Zelenograd (Moscow 0)
- D—Cherepovets (Vologda 0)
- E—Nizhniy Novgorod (Nizhniy Novgorod 0)

NUMBERED ADMINISTRATIVE UNITS
1 North-Ossetian SSR
2 Kabardino-Balkar Republic
3 Chechen Republic
4 Republic of Khakassia
5 Republic of Tatarstan
6 Udmurt Republic
7 Tatarstan
8 Mordovian SSR
9 Kemerovo Oblast

Note: Magadan SEZ and Chukotka SOV overlap
APPENDIX A

The following is a list of the political-administrative units in Russia which comprise the SOVSEZ group. The list first gives regions included in the special economic zone group (SEZ) and then regions included in the sovereignty group (SOV).

**Administrative Units with Special Economic Zones**

- Vologda Oblast (Cherepovets City)
- Leningrad City
- Leningrad Oblast (Vyborg City)
- Novgorod Oblast
- Moscow Oblast (Zelenograd City)
- Altay Kray
- Kemerovo Oblast
- Krasnoyarsk Kray
- Chita Oblast
- Primorskiy Kray (Nakhodka)
- Khabarovsk Kray (Jewish Autonomous Republic)
- Amur Oblast
- Kamchatka Oblast
- Magadan Oblast
- Sakhalin Oblast
- Kaliningrad Oblast

**Administrative Units Declaring Sovereignty**

- Karelia
- Republic of Komi
- Republic of Mari-El
- Mordovian SSR
- Chuvash Republic
- Republic of Khal’mg Tangch-Kalmykia
- Tatarstan
- Kabardino-Balkar Republic
- North-Ossetian SSR
- Chechen Republic
- Republic of Bashkortostan
- Udmurt Republic
- Buryatiya
- Republic of Tuva
Yakut-Sakha Republic

Nizhniy Novgorod Oblast (Nizhniy Novgorod city, formerly Gorkiy city, declares sovereignty from oblast)

Chukotka Autonomous Soviet Republic (originally part of Magadan Oblast)

Khanty-Mansi Autonomous Okrug (part of Tyumen' Oblast)

Yamal-Nenets Republic (part of Tyumen' Oblast)
APPENDIX B

Sample Classification

The grouping mechanism here relies upon the Soviet administrative system's division into autonomous republics (ASSRs), other autonomous units, and oblasts. All ASSRs which declared sovereignty by June 1991 were placed into the SOV and then in the SOVSEZ groups. Oblasts and cities declaring special economic zone status fall into the SEZ group. Several units in the SOVSEZ group do not fall neatly into one subgroup or the other but were placed into the most reasonable group. The following units created problems: Cherepovets, Vyborg, Zelenograd, Nizhnenovgorod (formerly Gorkiy), Khanty-Mansi Autonomous Republic, Yamal-Nenets Autonomous Okrug, Nakhodka, the Jewish Autonomous Oblast, and Chukotka. First, each of these units were placed into their respective oblasts. The oblast represents the political and economic environment in which the decision occurred and the unit for which data are available.

Next, difficulties arose with the classification as either the sovereignty or special economic zone group. Nizhnenovgorod declared sovereignty from Gorkiy Oblast. Because of the Russian cultural background, it became a member of the SEZ group for initial testing. Khanty-Mansi and Yamal-Nenets autonomous units rightly belong in the sovereignty group because of the resource-based economy and the non-Russian cultural background, but they form a part of Tyumen' Oblast, (for which data are available). While Tyumen' Oblast has not declared SEZ status, it has actively pursued autonomy. T tests and Mann-Whitney tests were performed with Tyumen Oblast in both groups and then in neither group. The results are strikingly similar. All autonomous units within oblasts were placed in the SEZ group.
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