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Interest Representation in Sverdlovsk and the Ascendancy of Regional Corporatism

Executive Summary

The reforms that were initiated by Gorbachev, and extended with key modifications under Yeltsin, have facilitated the strengthening of regional corporate-administrative clans which now dominate economic relations in Sverdlovsk, as in many Russian regions. This development, which preserves critical features of Soviet-era institutional arrangements, gives strong advantage to well-positioned members of the former nomenklatura who are integrated into regional and "branch" clan structures, and also to shadow economy participants. Privatization in this context served to blend together shadow and mainstream economic activity more comprehensively than before and to make "rules of the game" that had long prevailed in the shadow economy more pervasive in the mainstream economy. This outcome, and the declining emphasis on a balance of powers in government during the 1990s, has ensured not only the corporatization of economic relations but also the strengthening of institutions that serve to block movement toward open market relations and broad democratization in Sverdlovsk, where recent economic and political developments illustrate critical defining features of the current Russian transition.

Three clusters of economic interests were in strong competition during the Gorbachev period. Interests that would have benefitted from the preservation of socialism were challenged on two fronts. Those who favored privatization in a strongly corporatized environment were opposed by interests advocating broad democratization and open market relations. In Sverdlovsk, conservative interests were prominently represented by the military-industrial complex which employed 45 percent of the region's population in the 1980s and produced 30 percent of its industrial output. The early perestroika strategy to accelerate scientific and technological development was welcomed by MIC executives, but Gorbachev's growing emphasis on divergent interests worked against the successful mounting of the kind of national campaign that would have been necessary to have pursued that goal effectively. Financial constraints were also barriers to massive state investments. Consequently, the MIC began slipping in the late 1980s from its previously exalted position in the Soviet system. This slide gained further momentum with the priorities that emerged in the Gaidar reforms, and today core entities of the military-industrial complex are struggling to survive. Their strategy in this situation has been to establish closer ties with regional authorities in an effort to increase, or at least maintain, their funding from the state. The fortunes of MIC enterprises are a major political issue in Sverdlovsk, and although officials attempt in various ways to revitalize the military-industrial complex, no regional-level solutions are available to effectively confront this problem.

Corporatist clan participants, who enjoy the benefits of private profit making and power brokering under conditions that preserve monopolism, in the case of owners, and that provide insulation against legislative oversight, in the case of officials, have been Sverdlovsk's principal
winners in the transition to this point. Although de jure rules of the game have changed markedly from the 1980s until now, key features of earlier arrangements have remained largely unchallenged, below the top levels. With the highest administrative and planning levels eliminated beginning in 1990, members of regional and departmental clan structures were able to command even greater power and to control more resources than before. The Gaidar program made possible the realization of objectives they had been pursuing for years. A new era had begun in Russia, but it did not signal the advent of an open market economy.

In Sverdlovsk, there was more early experimentation with alternative economic arrangements than in most other Russian regions, and Sverdlovsk’s rich resource endowment made "pocket structures" (entities which were made up of state enterprise-cooperative configurations) especially profitable. During this "advance privatization stage" of economic restructuring, which was carried out in production, distribution and financial institutions throughout the economic system, a substantial proportion of the most desirable Russian resources and assets was claimed—well ahead of the beginning of voucher privatization.

The Urals Republic idea, which was being promoted by Eduard Rossel in Sverdlovsk beginning in 1990, was intended to serve as a vehicle for regional elites to pursue their economic and political interests. It illustrates the continuation of administrative market mechanisms, which remain largely intact from the Soviet period—with coordination that is now more region-centered than it was previously. The Urals Republic did not survive, but the process of strengthening corporate-administrative clan structures in Sverdlovsk has continued.

Although the Communist Party was deeply implicated in shadow and criminal activity during the Soviet period, criminality in economic relations has intensified since the late 1980s. Many reform planners believed that privatization and liberalization would be effective weapons against corruption and economic crime, and that shadow capital could help to invigorate the economy. What resulted from the effort to sanitize shadow economy relations by bringing them into the official economy was that the shadow-criminal approach transformed the mainstream economy, rather than being effectively transformed by it.

The gathering momentum toward democratization that was evident in the early days of perestroika was supported by diverse interests. Many reform-oriented individuals saw democratization as a potentially effective weapon against CPSU power, and in this struggle ideologically-driven reformers were joined by a number of others who had more pragmatic concerns. Sverdlovsk became an early center of ferment for several grass roots organizations, but even at the height of democrats’ public visibility, Rossel was solidifying executive power. Strong democratic opposition in the city soviet failed to win broad public support for the democratic movement, and there was a pronounced decline in political participation among the Sverdlovsk population beginning in 1991. Many left the movement as they found it impossible to achieve their personal and political
objectives, and a number of deputies who had been elected as democrats began to use the
opportunities of their office to become business people themselves. Democratic blocs began to
dissolve because of personality conflicts and disagreements about strategies and priorities.

In sum, the reform initiatives of the 1980s and 1990s, while changing de jure rules, left intact
core de facto institutional arrangements. As a result, the extensive formal transfer of property into
private hands, and the prominence of contested elections and lively parliamentary discussion, do not
signify the strengthening of institutions that would support open market relations or broad democratic
institution building in Russia. Moscow’s influence in Sverdlovsk has declined markedly, however.
Few levers are available to the central government that could restrain the corporatist interests in
Sverdlovsk that benefit more from autonomy than from subordination to Moscow. Sverdlovsk is one
of several Russian regions in which Yeltsin’s struggle against Gorbachev and the Soviet center is
again being replayed, with regional leaders on the offensive, and so far successfully.
INTEREST REPRESENTATION IN SVERDLOVSK AND THE ASCENDANCY OF REGIONAL CORPORATISM

Lynn D. Nelson and Irina Kuzes

Introduction

Among the most significant features of Russia's current economic and political transition that gained increasing prominence during the Gorbachev years has been the crystallization of corporate-administrative "clan" interests which evolved out of the preexisting Soviet system. Pressure for fundamental change intensified under Gorbachev as those who supported the preservation of socialism were challenged by others favoring radical transformation. Moves away from central planning and state ownership in the economic sphere were accompanied, with growing urgency, by calls for democratization in the political sphere. Three distinct clusters of economic interests became clearly evident as this clash of perspectives intensified during the 1980s. Conservatives were opposed by active proponents of two contrasting visions for Russia. One interest grouping favored privatization of state property and assets in a strongly corporatized context. Another advocated broad democratization and the building of institutions that would support open market relations and provide a hospitable environment for new business ventures. This paper focuses on Sverdlovsk in examining the dimensions of that contest at the regional level, and in analyzing the basis for the ultimate success of corporate-administrative clan interests over their competitors.2

Early in the Gorbachev period, when a predominating focus was scientific and technological development and the improvement of Soviet production, Sverdlovsk oblast enterprises in the military-industrial complex seemed to be well suited to benefit from this emphasis. But with the policy shift that soon followed, it became clear that the prime beneficiaries of perestroika in Sverdlovsk would be those who controlled resources that could be competitive in the market. Gorbachev's democratization initiatives also seemed ready made for Sverdlovsk, where grass roots democratic activism gained early prominence relative to most other regions in the Soviet Union. But the democratization movement did not successfully penetrate entrenched relationships of policy

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1This study is part of a larger project that we have carried in four Russian regions since 1992: Moscow (city), Ekaterinburg and the surrounding Sverdlovsk oblast, Voronezh (city and oblast) and Smolensk (city and oblast). In 1995 we added Kazan and the Republic of Tatarstan to this grouping. We have utilized several types of data for this paper, including background contextual and statistical information regarding recent reform developments and primary and secondary documents from a variety of sources, as well as data from 2,529 personal interviews in the Sverdlovsk oblast between 1992 and 1995 with respondents of several types, from oblast and city officials and privatization decision makers to enterprise managers, workers, politicians, journalists, activists and analysts. (Details about our data collection procedures and our research methods in this project are available in Lynn D. Nelson and Irina Y. Kuzes, Property to the People: The Struggle for Radical Economic Reform in Russia [Armonk, N.Y.: M.E. Sharpe, 1994]; Lynn D. Nelson and Irina Y. Kuzes, Radical Reform in Yeltsin's Russia: Political, Economic and Social Dimensions [Armonk, N.Y.: M.E. Sharpe, 1995]; and Lynn D. Nelson and Irina Y. Kuzes, "Continuity and Change in Interest Representation from the Soviet Period to the Present," paper distributed by The National Council for Soviet and East European Research, November 22, 1996.)
making authority. Rather, the early 1990s saw decisive moves within Russia to reestablish a vertical executive structure in the wake of the CPSU's weakening position and ultimate demise. In key dimensions, then, the transition in Sverdlovsk mirrors the shifting fortunes of different economic and political interests in Russia, overall. Further, the evolution of relations between Sverdlovsk and Moscow highlights the basis for rising tensions between the center and powerful regional elites—a theme to which we will return in the concluding section of this paper.

Interests that Favored Preservation of the Soviet System: The Military-Industrial Complex

Background. When Gorbachev came to power, Sverdlovsk's strong position among Russia's regions was in substantial measure due to the prevalence of military-industrial complex (MIC) enterprises there. The industrialization of the Urals had begun under Peter the Great, following the discovery of resources in the region that were important for weapons production. This specialization was further developed over time, and during World War Two more than 400 additional enterprises, many of them strategic, were moved to the Urals because of its remote location. In the 1980s, forty-five percent of the Sverdlovsk working population were employed in the MIC, which produced 30 percent of the oblast's industrial output.

One of the main initial ideas of perestroika had been to use defense sector achievements in science and technology as the principal vehicle for accelerating development in civilian production. The plan required a coordinated "Soviet-type" nationwide campaign to build support and marshall resources for the massive investment that would be required to upgrade facilities, pursue new lines of scientific and technological research, and acquire new technology from the West. We have shown elsewhere that Gorbachev's emphasis on divergent interests within the USSR, in contrast to the "unity of interests" doctrine which had prevailed earlier, combined with the developing emphasis on enterprise self-management, worked against the successful realization of any national campaign.

Further, as perestroika unfolded, available options for financing the restructuring became increasingly limited. Falling prices for world oil in 1986 dealt a severe blow to the Soviet Union's strategy for obtaining hard currency. The USSR's economic strength was also reduced by growing opposition to arms exports, consistent with the "new thinking" that was becoming a keynote feature of Gorbachev's approach. The most competitive products on the world market that the Soviet Union offered for sale were military weapons, which were the country's second largest source of

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3The population of the Sverdlovsk oblast was 4.7 million in mid-1995, 4.1 million of whom lived in urban areas. See Goskomstat Rossii, Rossiiskii statisticheskii ezhegodnik (Moscow: Goskomstat Rossii, 1995), 524.
4See Nelson and Kuzes, "Continuity and Change in Interest Representation."
income from foreign trade, behind oil and gas. But in 1989 the USSR’s share of arms sales on the world market took a sharp downturn, falling from 38 percent in 1988 to five percent in 1992.

With low investments for conversion and diminished opportunities for export of military weapons and other products of heavy industry by the late 1980s, many MIC elites began to see a strengthening of central authority as their best hope. The overall thrust of Valentin Pavlov’s economic proposals, beginning in early 1991, was a sign of MIC influence, as was the coup attempt in August, which was organized with strong participation by MIC representatives. The director general of one of Sverdlovsk’s largest MIC enterprises, Aleksandr Tiziakov, was among the principal coup leaders.

Following the breakup of the Soviet Union, MIC executives, having lost much of their former preeminence and influence through this development, lobbied heavily against Gaidar’s program, which included further sharp reductions in funding for military production. Many of them participated in forcing his ouster in December 1992, but Chernomyrdin’s policies have favored them little better. From 1990 to 1994, defense production in the Sverdlovsk oblast fell 65 percent. Until 1994, some of the slack in military output had been taken up by an increase in civilian production within the MIC, but in 1994 civilian output in these enterprises also fell. The principal reasons seemed to be that demand was declining; competition from imports was becoming more fierce; MIC producers tended to have weak skills in marketing strategies; and investments in conversion were continuing to decline. Consequently, the MIC share of total industrial production in the oblast fell by about 50 percent in four years.

Whereas before the transition under Gorbachev began, MIC executives had been Sverdlovsk’s most influential and their enterprises had been the most important determinant of the region’s privileged position, today core entities of the military-industrial complex are struggling to survive. Their strategy in this situation has been to establish closer ties with Sverdlovsk regional authorities in

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8Pavlov was appointed prime minister in January 1991, replacing Nikolai Ryzhkov as head of the government.

9Institute of Economics, Russian Academy of Sciences (Urals Branch); and Sverdlovsk Oblast Statistics Committee.

their efforts to increase, or at least maintain, their funding from the state. In many cases, the importance of these enterprises and the influence of their directors now derives more from their significance for the regional infrastructure and their contribution to social stability among workers whose jobs are in jeopardy, than from their place in the scheme of national military priorities. A number of these enterprises, in smaller cities and towns of the oblast, are not only the principal employer but also the provider of housing, education, medical care and social services of various types. Even in Ekaterinburg their presence remains critical. Both of Sverdlovsk's heads of administration, Edward Rossel and Aleksei Strakhov, therefore, have made it an important priority of their administrations to promote the interests of MIC enterprises in Moscow. Because a high proportion of the region's population work in the military-industrial complex, the success of candidates for office at every level turns to a substantial degree on the extent to which MIC welfare is promoted with tangible results by regional officials.

The economic problems of Spetstekhnika, a weapons producer that relocated in Sverdlovsk during World War II, illustrate the political importance, and continuing volatility, of falling MIC fortunes. Spetstekhnika underwent privatization in 1993 and was soon confronted by a severe financial crisis. The firm's 1,500 workers were not paid for six months. Many joined a hunger strike, demanding that the enterprise be renationalized. The oblast property management committee began proceedings to liquidate the firm, but the oblast duma, then chaired by Rossel, intervened—pressuring the oblast administration, which was headed by Strakhov at that time, to take responsibility for keeping Spetstekhnika in operation, although the oblast budget was already overextended. Rossel supporters used the Spetstekhnika crisis effectively against Strakhov in the 1995 gubernatorial race—accusing Strakhov of being insensitive to the needs of local workers. Since the time that Rossel was elected governor, he has not been able to ease the difficulties of MIC industries in Sverdlovsk, however; because although the problem has major political implications, no regional-level solutions are available.

**Corporate-Administrative Clan Interests Involving Privatized Property and Assets**

An "administrative market" developed in the USSR after the Stalin era—a system for ordering both vertical and horizontal relations and allocating resources that was based more on bargaining and interest representation than on command, in most matters concerning production and resource distribution. Under these institutional conditions, "administrative currency" was vital to transactions, and "anything could be bought and sold." Exchange relations in the Soviet administrative market

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tended to follow the two divergent but overlapping organizing principles around which chains of authority were crystallized in the official hierarchy: departmental (branch) and regional.12 Analysts in the West often describe what ensued as reflecting top-to-bottom corruption. Leitzel, Gaddy and Alexeev argue, for example, that "The old system was one of near-total corruption" where the economy "was controlled by what was in essence an organized criminal syndicate: the Communist party."13

Indeed, the institutional basis for an extensive range of transactions in the Soviet Union involved a form of "private ordering," to use Oliver Williamson's terminology, rather than ordering according to statute law or formal rules of any kind.14 These transactions were the core of shadow economy activities. Officially approved transactions in this system, on the other hand, operated according to de jure rules governing nomenklatura and civilian (non-nomenklatura) activity. The "unity of interests" doctrine was a key constraining influence on visible manifestations of self-aggrandizement in the official economy, and it did keep nomenklatura gains in the Soviet system at typically lower levels than might have been expected in its absence. Thus, although Robert Putnam's characterization of Mafia organization in Italy as "fundamentally hierarchic" and "exploitive" in nature15 applies to the Soviet system as well, the "unity of interests" idea was more than a slogan to a large number of administrative market participants, especially before the Gorbachev period, and it did affect both values and behavior among many nomenklatura members and those who monitored their activities.

Although transactions in the shadow economy followed a somewhat different set of de facto rules from those of the official economy, these exchanges were essential for the functioning of the official economy as well. They enlivened and gave direction to a decision-making process that would have otherwise been moribund, and they helped to make up for omissions and lapses in official procedures for planning and allocation. In the Soviet system, both the official economy and the shadow economy not only accommodated each other, but they also developed complex and resilient institutional arrangements16 that ordered relations both within and between official and shadow activities. The CPSU was the principal integrating structure in this system. The avowedly criminal

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12See Vladimir A. Lepekhin, Lobbizm (Moscow: Fond "IQ," 1995); and Ekspertnyi institut RSPP, Lobbizm v Rossi: Etapy bol'shogo puti (Moscow: Ekspertnyi institut, 1995).
16Institutions, in Douglass North's words, "are the humanly devised constraints that structure human interaction." They "are the rules of the game" (Douglass C. North, "Economic Performance Through Time," The American Economic Review 84 (June 1994): 360, 361.
underworld operated partially on the outside through most of the Soviet period—with its own distinct culture and loyalties, if not with methods that differed greatly from those of officialdom in a number of dimensions.17

Key features of these institutions were not challenged through the reforms that were initiated either by Gorbachev or Gaidar. A principal casualty of perestroika and of the Gaidar reforms that followed was the "unity of interests" doctrine. The institutional arrangements that had created Soviet departmental and regional clans were left largely intact below the top levels. Dissatisfaction with the "unity of interests" doctrine, which was important to perestroika’s appeal among many members of the nomenklatura in the 1980s, found even fuller expression in the reform proposals of the late 1980s that were intended to replace the socialist economy with a market economy.18 And with the highest administrative and planning levels eliminated beginning in 1990, regional and departmental clan structures were able to command even greater power and to control more resources than before—structures comprised of representatives from the decapitated but hardy bureaucracy, executives in highly profitable areas such as raw materials export and banking, and criminal elements.

Ironically, the Gaidar team and their Western advisers believed that through their reform initiatives they were "co-opting" Russian administrative and enterprise personnel, as Anders Åslund described the reformers’ strategy in testimony before a Congressional committee in 1994.19 It is clear, however, that what actually happened in the early 1990s was very different. Powerful individuals in regional and departmental positions finally achieved, with Yeltsin’s ascendancy and the Gaidar economic program, objectives they had been seeking since the Gorbachev period—and in many cases for an even longer period. They got freedom from CPSU control. They got ownership of vast amounts of property and resources. And they got these things in a context that would permit the maintenance of barriers against competition in an open market environment. A new era had begun in Russia, but it did not signal the advent of an open market economy.

The Initiation Phase. Experimentation with alternative economic arrangements began early in Sverdlovsk, relative to most other Russian regions. In 1984, enterprises in two Union ministries adopted new management practices that were intended to reduce the role of central planning agencies in the USSR economy. The plan was developed under the leadership of Nikolai Ryzhkov, who was brought to Moscow from his position as director general of Uralmash, one of the largest machine building enterprises in the USSR.20 The ministries involved were the Ministry of Heavy and Transport Machine Building and the Ministry of Electrical Equipment Industry—both of which were

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17See, for example, Stephen Handelman, Comrade Criminal: Russia’s New Mafiya (New Haven: Yale University Press, 1995).
18Nelson and Kuzes, "Continuity and Change in Interest Representation."
19Anders Åslund, "Political Ideas and Considerations behind the Russian Privatization Program." Statement to the House Committee on Small Business (103rd Congress), April 14, 1994: 15 (mimeo).
20Ryzhkov later became the chair of the Council of Ministers under Gorbachev.
well represented in the Urals and particularly in Sverdlovsk. In the experiment, these operations were given an increased role in planning and in production and investment decisions. Uralmash, which then employed more than 40,000 people, was one of the participating facilities. This initiative was significant in bringing economic reform issues to the forefront of public discussions in Sverdlovsk.

Beginning in 1986, a series of liberalization initiatives broadly expanded the permissible boundaries for income-generating activity. When these innovations were first introduced, they sought to retain a socialist grounding for new cooperative enterprises and joint ventures—requiring that cooperatives be organized as collectivities rather than being sole proprietorships, for example, and that majority ownership of joint ventures be Soviet rather than foreign. Soon, however, the distinctively socialistic features of these new economic arrangements became blurred. What happened as officials and enterprise executives began openly moving into entrepreneurial activities has been described by several analysts. Ol'ga Kryshtanovskaia, for example, discusses "a new system of privileges" that was created during this period, which included the privatization of state structures and property before "people's privatization" officially began. These developments were carried out in the economic management system, the distribution system and the banking system, and they involved privatization of assets and privileges of enterprise operations that were especially profitable.21

Russian analysts have termed the state enterprise-cooperative configurations that were created during this time "pocket structures," because they became a way for enterprise directors to gain a measure of freedom from state control. Cooperatives thus provided a legal opening for the transfer of state resources and production facilities into the private sector. They represented a significant step toward privatization of state property through the creation of a "second economy" (as distinct from the non-legal "shadow economy" which already existed).

From its inception, Sverdlovsk’s second economy was in ferment. At the end of 1989 there were 332 production cooperatives in the oblast that employed about 6,900 workers, but a year later the number of production firms had been nearly halved. The number of workers had increased by 50 percent, however. These changes meant that entrepreneurs were exploring unfamiliar terrain, with the newly legitimated profit motive pointing the way. Many of these ventures failed, but among those that succeeded, business people had learned how to effectively use state assets and employees in the pursuit of personal profits. At this point, about 80 percent of all production cooperatives in the USSR were operating through some kind of affiliation with state enterprises for their production

requirements (personnel, equipment or supplies). About 70 percent of cooperative production was sold to state enterprises, and of the remaining 30 percent that went to the market most was purchased by the state sector.22 Sverdlovsk cooperatives generally reflected this pattern.

There was a marked shift from production to retail trade in the cooperative sector during this period. The growth in building cooperatives was explosive, and service cooperatives of many types sprang up to meet unsatisfied demand.23 In 1989 there were more than 2,159 registered and operating cooperative enterprises in Sverdlovsk employing more than 46,000 people. In 1990 the total number of cooperatives jumped by 72 percent (to 3,742) and the number of workers by 137 percent.24

Gorbachev's economic initiatives also had an international focus. The move to decentralize foreign economic relations, which began in 1986 and gained rapid momentum thereafter, was actually a step toward dismantling the longstanding monopoly of foreign trade that the Soviet government enjoyed. With the reduction in power of the Ministry of Foreign Trade which accompanied this reorganization, direct foreign trading rights were handed over to selected Soviet enterprises and ministries.

The Uralmash Production Association in Sverdlovsk was one of the firms that was empowered to conduct its own foreign trade negotiations. At about the same time, joint ventures were legalized for existing state enterprises. Although the overall contribution of joint ventures to economic restructuring was small, this development, along with related innovations in foreign trade, had profound significance in opening doors to a broad spectrum of Soviet officials for highly profitable export-import activity. Whereas cooperatives had offered a way for enterprise directors to begin openly privatizing state property and resources that were under their control, the liberalization of foreign trade regulations and the legalization of joint ventures, along with related developments in banking and finance, furnished mechanisms for Party and other administrative officials to begin decisively joining the trend away from an officially mandated collectivity emphasis in the economic sphere and toward the legalized pursuit of private profit.

Interural, a firm created in 1989, illustrates the rapid turn to the market that a number of favorably situated individuals were able to realize when Sverdlovsk's natural resources were made available for business ventures. Interural was organized as a Soviet-Swiss joint venture from Sreduralstroi, which was one of the largest construction associations in the Urals. Rossel was director general of Sreduralstroi—a vertically integrated consortium of construction operations and manufacturing plants for building materials. Interural was established to link Sreduralstroi to foreign

23For elaboration of these points see Anthony Jones and William Moskoff, Ko-ops: The Rebirth of Entrepreneurship in the Soviet Union (Bloomington: University of Indiana Press, 1991).
24Goskomstat RF, Sverdlovsk Oblast Statistics Bureau, "Sverdlovskaja oblast' v 1990-1993 g.g."
firms that could provide opportunities for capital investment and technology transfer. Aleksandr Tikhonov, who previously worked at the Ministry of Foreign Trade, was made director general. Soon, copper export had become a major focus of Interural's activity. By 1991, about 90 percent of all copper exports from the Sverdlovsk oblast were going through Interural, and the firm's principal work had shifted to export-import operations. (Natural resources were the primary export, and foodstuffs were the chief import product.)

Numerous non-state firms were created during this period out of state enterprises with the participation of managerial and administrative nomenklatura. Claiming for themselves the most lucrative niche that they could find, these businesses drew in relatives and influential officials who could promote the firms' interests ably. This "advance privatization stage" of economic restructuring, which was carried out in production, distribution and financial institutions throughout the economic system, effectively divided the "cream of the cream" among the business opportunities that were available in Russia during that period. By the time that most Russians were allowed to participate in the voucher privatization initiative that was called "people's privatization" under Yeltsin, the consolidation of new economic arrangements was already well underway.

The "Regional Interests" Theme. The Urals Republic idea, which was evolving by 1990, was intended from the outset to serve as a vehicle for pursuing the interests of regional economic elites. At that time Rossel, who was then both chair of the Sverdlovsk oblast soviet and of the oblast soviet executive committee, requested permission from Ryzhkov, then USSR Council of Ministers chair, to export large volumes of raw materials and weapons and to use the revenues for food imports, which would help make up for Moscow's failure to provide needed resources for the oblast. After being granted authority for these exports by warning Moscow that a civil war might begin in Sverdlovsk because of shortages, Rossel licensed Interural and several other non-state firms to carry out the export-import operations. Later, Rossel was criticized by democratically-aligned oblast deputies for misuse of revenues from the project, but when they attempted to launch an investigation the initiative was quickly stopped. Rossel's daughter had by then been appointed a representative of Interural in Germany, and the son of the oblast Party first secretary who had succeeded Yeltsin in Sverdlovsk had become manager of the Interural office in England. Yeltsin's son-in-law had joined Interural's Moscow headquarters. 25

Of course, most businesses are not as closely tied to first-tier regional administrative elites and top-ranking Party leaders as Interural has been. Yet, the pattern that is evident in Interural's evolution illustrates a process that has been repeated many times over throughout Russia--where

business interests depend heavily on the favor of officials for privileges and benefits that range from securing buildings and equipment to receiving necessary permits and licenses and being granted special tax consideration. These debts are sometimes repaid in lucrative jobs for relatives of officials, sometimes with payments in money or goods, and sometimes with "currency" of other types.

This continuation of administrative market mechanisms remains largely intact from the Soviet period, although coordination is now more region-centered than it was previously. Today, regional policies often diverge markedly, as elites within each region work to create conditions that will serve their own interests—with "regional benefit" as their public rationale. It has now become acceptable to elevate regional interest over the national interest emphasis that formerly prevailed in public justifications for policy making. These "regional benefit" themes characteristically mask policy directions whose advantages accrue to a small group of regional elites.

The short-lived Urals Republic was announced in July 1993. Rossel justified it at that time by arguing that more regional authority would prevent the center from enforcing decisions that ran "counter to the interests and plans" of local people. Rossel insisted that Russia would also benefit from this move, because the Urals Republic would still pay taxes. Moscow authorities did not agree to the new arrangement, and on November 9 Yeltsin issued a decree abolishing the Urals Republic and dismissing Rossel as head of the oblast administration. Two days later Rossel was elected president of a regional association for economic cooperation.\(^2^6\) This was clearly an anti-Moscow move by local elites, and from this power base Rossel immediately started creating a new association, "Transformation of the Urals." Most founding members of "Transformation" had close political and economic ties with Rossel. That December he was elected to the Federation Council as the "Transformation" nominee. (Rossel insists that the association he created is non-political, but it nominated him for the Federation Council in 1993 and for the governorship of Sverdlovsk in 1995.)

Rossel was elected speaker of the Sverdlovsk oblast duma in April 1994--a position from which he could prominently oppose Strakhov, who had been appointed by Yeltsin to succeed him as head of administration. Strakhov had the support of Chernomyrdin's "Our Home is Russia" movement in the 1995 gubernatorial election campaign. It was a contest of regional interests versus Moscow interests. At another level, Rossel represented region-based corporate interests and "Our Home is Russia" sectoral (branch) interests. At the time, a common appellation in Russia for Chernomyrdin's movement was "Nash dom Gazprom" ("Our Home is Gazprom"). Rossel's victory over Strakhov attested to the appeal of the corporatist strategy with a regional focus that he had consistently promoted since 1990.

In January 1996 Rossel succeeded in finalizing a power-sharing treaty with the Russian government. Chernomyrdin, who had long opposed Rossel's moves toward regional autonomy,

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\(^2^6\) The Urals Region Association for Mutual Economic Assistance.
acknowledged at the time of the treaty signing, "We have agreed on the main thing. It is no longer possible to give orders from Moscow."\textsuperscript{27}

**Shadow Economy Activity.** The organization and institutions of the Communist party itself are deeply implicated in Russia's extreme problem with corruption and criminality at the heart of economic relations. This problem intensified with the conscious effort in Gorbachev's reforms to draw shadow economy initiatives into the mainstream economy. The original idea was to invigorate the socialist economy with the creation of a legal second economy that would operate as a supplement to the existing system. The "500 Days" proposal continued this theme, emphasizing the large size of the Soviet shadow economy and advocating "the utilization of shadow capital" in the transition to a market economy. Yavlinskii, et al., estimated at the time that shadow economy income totalled 20 percent of the national GNP. Their rationale for bringing this capital into the reforms was that since "the main cause of the existence of the shadow economy on this scale . . . is the absence of private property as a means of production," as well as "the predominance up to now of command and administrative methods," liberalization and privatization would themselves be effective in overcoming corruption and economic crime more generally.\textsuperscript{28}

Gaidar's economic program carried this strategy even further. As a result, corruption and criminality increased dramatically throughout Russia during the 1990s.\textsuperscript{29} Sverdlovsk is one of Russia's most troublesome regions in this regard, where highly profitable export operations now unite a number of entrepreneurs, officials and criminals in clan activity. Close examination of these developments is beyond the scope of this paper. In broad outline, what ensued with the government's economic strategy was that the shadow-criminal approach to economic relations transformed the mainstream economy, rather than being effectively transformed by it. Elsewhere, we identify key causes of this evolution.\textsuperscript{30}


Democratic Grass Roots Activism and Interests Favoring Open Market Relations

Gorbachev had wanted to employ democratization as a vehicle against party conservatives who were obstructing his reform initiatives. This theme was supported from the beginning by many reform-oriented individuals who saw democratization as potentially serving to effectively undermine existing political and economic arrangements. Ideologically-driven reformers who opposed CPSU power in principle were joined by a number of others who had more pragmatic concerns. Among those who would become active in the second economy, for example, there was widespread affinity for democratization initiatives that offered the hope of loosening the CPSU's hold over their economic activities.

The gathering momentum toward democratization that was evident in the early days of perestroika, as an alternative to the established "unity of interests" theme, became prominent in Sverdlovsk earlier than in many other regions of Russia. One reason was that the city of Sverdlovsk reflected several characteristic features of big-city life that were conducive to the formation of activist grass roots organizations. A second reason for Sverdlovsk's centrality to democratization initiatives can be accounted for by Boris Yeltsin's prominence as one of the USSR's leading symbols of opposition to CPSU domination. Having come from Sverdlovsk, and being widely viewed there as Sverdlovsk's "own," Yeltsin importantly colored the local political climate.

A large number of highly educated professionals live in Ekaterinburg (renamed in 1991), which is Russia's third largest city. Engineering and technical personnel are particularly well represented. In the 1980s, many of these individuals shared with a large number of Russian intelligentsia an emphasis on reforming the Soviet system. Sverdlovsk was unusually fertile ground for anti-establishment mobilization. Workers' clubs began to appear throughout Russia in response to perestroika initiatives, and in Sverdlovsk there was already a tradition of informal organization around non-political interests of several types, from discussion groups to housing cooperatives and independent youth organizations.

Gorbachev's call for "the profound democratization of society" in January 1987, and for restructuring through "reliance on the vital creativity of the masses," fit well, therefore, with currents that were already manifest at the time in Sverdlovsk. In early 1987 a group calling itself Discussion Tribune was formed with the support of the Sverdlovsk obkom (oblast CPSU committee) that was to have substantial impact on public life. Gennadii Burbulis, then a professor of Marxism-Leninism, was the first chair of Discussion Tribune--a position he retained until his departure for


32"O perestroike i kadrovoi politike partii," Pravda, no. 28 (28 January 1987): 2 (speech by M.S. Gorbachev). The speech was delivered at the Plenary Session of the CPSU Central Committee on January 27.
Moscow. According to participants we have interviewed, discussions during those years, before contested elections were permitted, often were "heated and ahead of their time." Out of this ferment came a circle of people who became the heart of the democratic movement in Sverdlovsk, and in retrospect, a number of leaders and analysts in Sverdlovsk credit the Tribune with having created the basis for the strong political interest that Sverdlovsk's population were to show in politics through the end of the decade. Into the 1990s, having belonged to the Discussion Tribune in its early days was proof of having been at the forefront of political transformation.

Yeltsin's dismissal as Moscow Party first secretary in November 1987, and his resignation from the Central Committee, sparked a succession of meetings throughout the city of Sverdlovsk. Participants were ready to fully support Yeltsin's emerging anti-establishment image. A wave of meetings and demonstrations in the oblast led to the formation of many associations that shared the objective of furthering democratization.\(^{33}\) Several nationalist and socialist parties also came into being which opposed the ruling regime.\(^{34}\) Although Yeltsin ran as a Moscow candidate for the Congress of People's Deputies in March 1989, the outcome of this contest was closely followed by Sverdlovsk voters. There too, at the time of elections for the Congress the "political temperature was red-hot," as one Sverdlovsk analyst described the prevailing mood. "The people were, for the first time, electing their own deputies."

The first massive wave of worker strikes in recent Soviet history were seen in 1989--clear products of perestroika and Gorbachev's continuing "diversity of interests" emphasis. It was at that time that the democratic movement in Sverdlovsk and throughout Russia began losing its spontaneous character. Leaders of the democratization movement were beginning to understand that mobilization of the masses around democratic themes could be a powerful weapon in their struggle to gain ascendancy over Party and administrative elites.

The Movement for Democratic Choice was organized in Sverdlovsk in October 1989.\(^{35}\) Created to unite democratic forces, it was a major player in the 1990 elections to the oblast and city soviets. Of 194 candidates elected to the Sverdlovsk city soviet, the Movement for Democratic Choice had endorsed 80.\(^{36}\) The Communist faction in the city soviet accounted for not more than


\(^{34}\)Among these were the Russian Union, the Russian National Union, the Social Democratic Party of Workers, and the People's Labor Front. Fatherland appeared in December 1986 as an historical and cultural union, and it became the basis for Russian Union—a nationalist party—in December 1991. Before the perestroika period, a club was formed among young workers, Young Marxists, for the theoretical study of Marxism. This group, and others that joined it, had evolved into the bloc "Worker" by August 1988. "Worker" distanced itself from democrats in the early 1990s and began to oppose Russia's presidential system.

\(^{35}\)The name was changed in the fall of 1990 to the Movement for Democratic Choice-Democratic Russia.

20 people, making the city soviet of Sverdlovsk the third most democratic in Russia, after the soviets in Moscow and Leningrad. (The oblast soviet of people’s deputies was more conservative, with only 15 elected deputies having the support of the Movement of Democratic Choice.)

The Democrats’ Declining Influence. The rapid upsurge of democratic activism in the late 1980s and early 1990s ultimately failed to achieve key political and economic goals of the movement. Leading democrats wanted to bring an end to the CPSU’s power monopoly, and in the process to strengthen the authority of legislative bodies. The Communist Party was brought down, but the trend that had been underway to balance executive power with increased legislative authority—a trend that Gorbachev had initiated—was soon reversed in Sverdlovsk, as it was in Russia more generally. The democrats had wanted a transition to an open market economy, with freedom of property for individuals and enterprises. The economic transition in Sverdlovsk, however, has facilitated the transfer of Soviet nomenklatura power into privatized nomenklatura property.

By early in 1990, the democratic movement throughout Russia was taking on fundamentally different coloration, as the movement developed a more cohesive organizational structure. This trend began at the regional level, where umbrella organizations such as the Movement for Democratic Choice in Sverdlovsk were formed to coordinate the work of several independent groups which saw enough commonality in their objectives to work together. The next step was vertical coordination at the republic level, and according to that principle Sverdlovsk’s Movement for Democratic Choice joined Democratic Russia in the fall of 1990. The idea for Democratic Russia had come from Moscow elites as they organized support for the March 1990 elections to soviets at all levels.

Perhaps few within the democratic movement realized in 1990 that what was underway, with the drive to coordinate grass-roots initiatives, was that the CPSU monolith was being challenged by a foe whose mode of operation, even in this embryonic phase, gave clear evidence of developing along similarly authoritarian lines. Opposition to the CPSU was the central goal of democratic forces, and battles that would have to be won in pursuit of that goal were specified by their leaders. Russia should declare sovereignty. The CPSU’s constitutionally guaranteed supremacy should be overturned. Russia should have a popularly elected president. Democratic grass roots organizations gave strong support to these campaigns, and they succeeded. In Sverdlovsk, democrats enjoyed impressive success through the spring and summer of 1991 in building a broad constituency for

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See, for example, Geoffrey A. Hosking, Jonathan Aves and Peter J.S. Duncan, eds., The Road to Post-Communism: Independent Political Movements in the Soviet Union 1985-1991 (New York: Pinter, 1992); and Fish, Democracy from Scratch.

A Democratic Russia bloc was created in the new RSFSR Congress of People’s Deputies. Many of its organizers were also members of the Inter-Regional Group of Deputies (IRGD) which Yeltsin had helped to create in the USSR Congress during 1989. During the summer, RSFSR deputies from the Democratic Russia bloc and democratic activists throughout Russia worked out arrangements to create a republic-wide coordinating organization to carry the struggle against CPSU power. The Democratic Russia Movement (DDR) was formally established in October.
Yeltsin's presidential campaign, and their work was pivotal in mobilizing local popular resistance against the August coup attempt. These were their final victories. With Yeltsin's assumption of Russia's top leadership position, the process of attempting to reestablish a vertical executive structure, following the pattern of the Soviet system from which Yeltsin had come, quickly became evident in Sverdlovsk.

A critical factor in these developments was that the impressive superficial gains of democrats during perestroika did not take away the power of many traditional elites. In Sverdlovsk, even at the height of democrats' public visibility, when grass roots organizations were popular and candidates they endorsed were winning seats in the local soviets, power was being solidified in the oblast executive committee under Rossel's leadership. Elected chair of the Sverdlovsk oblast executive committee in April 1990, he was then also elected to chair the oblast soviet in July. Yeltsin had suggested this arrangement—having a single person head both branches of power in Sverdlovsk—shortly after being himself elected chair of the RSFSR Supreme Soviet. Yeltsin termed it an "experiment." Local elites supported Rossel to head the Sverdlovsk oblast administration following the August 1991 coup, and Yeltsin appointed him. Democrats in Sverdlovsk had overwhelmingly opposed Rossel for that position, insisting that he was too closely connected with shadow economy interests. The democrats' setback in the Rossel appointment was indicative of their declining influence in Sverdlovsk political life—a trend which was already evident at that time.

The achievement of strong democratic representation in the city soviet did not solidify support among the electorate for the democratic movement. Members of the democratic faction in the soviet were given low overall marks by their constituents. There was a pronounced decline in political activism and interest in political participation among the Sverdlovsk population over the course of 1991. Many did not believe that notable changes for the better were resulting from democratic activity, and democratic groups had proven unable to articulate compelling programs. A number of opinion polls during 1991 show a sharp drop in citizen involvement in politics. According to a survey by Viacheslav Zhitenev, by November 1991, substantially more people in the city preferred that their leaders come from the ranks of professional politicians than that they be democrats (43 percent and 28 percent, respectively). By November, in contrast with March, substantially more people were inclined to seek out economic opportunities on their own rather than pursue political solutions to economic problems.39

Among political leaders in Sverdlovsk, also, 1991 saw an end to the expansion of democratically-aligned forces among elected officials and a decline in the strength of democratically-oriented political groups. Democratic blocs began to dissolve because of personality conflicts and disagreements about strategies and priorities. Many people left the movement as they found it

39Viacheslav B. Zhitenev, Ekaterinburg na poroge rynochvykh reform (Ekaterinburg, 1992), 34.
impossible to achieve their personal and political objectives. A significant factor in this loss of democratic momentum was that a number of deputies who had been elected as democrats began to use the opportunities of their office to become business people themselves. At the same time that they had been active in organizing the democratic movement, business structures had begun to appear that provided tempting opportunities. We found that a substantial number of democrats, both elected officials and other movement leaders, shifted their emphasis from political to economic activities during the 1990s. 40

Summary and Conclusion

Sverdlovsk’s corporate-administrative clan interests found an opening under Gorbachev to effectively turn their positions, in the case of nomenklatura members, and their hidden capital and connections, in the case of many shadow economy participants, into legal property ownership and enhanced power through perestroika initiatives. These interests were further advanced with Gaidar’s voucher privatization program, as formal economic “rules of the game” directed the transfer of state property into the hands of enterprise personnel while allowing core institutional arrangements that had bestowed power and privilege in the Soviet system to remain largely intact. In sum, what happened was that the new de jure rules were "created to serve the interests of those with the bargaining power to create new rules," as Douglass North describes a characteristic development in which path dependence prevails.41 This is a central reason why the extensive formal change of ownership from the state into private hands, and evidence of such trappings of democratic governance as elections and lively parliamentary discussion, do not signify the strengthening of institutions that would support open market relations or broad democratic institution building in Russia.

Moscow’s influence in Sverdlovsk has declined markedly. Few levers are available to state officials that could restrain the economic ambitions of corporatist interests in Sverdlovsk, which can benefit more from autonomy than from subordination to Moscow. Although Yeltsin started building his vertical executive power structure shortly after the failed 1991 coup,42 it was soon apparent that he could not effectively stem the growing power of regional elites. Sverdlovsk is one of several Russian regions in which Yeltsin’s struggle against Gorbachev and the Soviet center is again being replayed, this time with regional leaders on the offensive, and so far successfully.

40Indicative of this growing trend was the creation of a joint stock company, People’s Concern, by the oblast Movement for Democratic Choice in September 1991. Organized for the stated purpose of helping to fund the democratic movement, People’s Concern went bankrupt amid charges that its founders, who were known throughout Ekaterinburg as pioneers in the democratic movement, had enriched themselves in the process.


42Yeltsin decreed on August 31 that regional presidential representatives would be appointed to facilitate the implementation of federal policies.
TECHNICAL APPENDIX

An Initial Theoretical Framework

Consistent with a substantial body of theoretical and empirical literature concerning the political economy of reform, we began our 1995-96 data gathering project with the assumption that the Yeltsin reforms could be fruitfully seen as having moved from an early "initiation" phase to a second, "consolidation," phase. Our previous research, and also the works of others, had detailed critical features of the period from late 1991 until the conclusion of the voucher privatization program in 1994. We had found evidence that political developments in the 1991-94 period in Russia bore the stamp of the "politics of initiation" during the first phase of a reform program—a period during which, as Stephan Haggard and Robert Kaufman describe it, "politicians and their technocratic allies" sometimes seem to be more insulated "from particular interest group constraints" than is usually the case either before or after the initiation phase.

As Haggard and Kaufman comparatively summarize findings from a number of studies, the "politics of consolidation" in the second phase of reforms demand "a somewhat different balance between state autonomy and the representation of interests"—one which requires studied constituency building and the crystallization of alliances among affected interest groups. Consistent with this position, Peter Evans suggests that the state autonomy which offers advantages in the initiation phase of structural transformation should give way in the consolidation phase to a broader organizational autonomy in which the state "is more embedded in society than insulated." In the consolidation phase, reformers try to "stabiliz[e] expectations around a new set of incentives and convinc[e]
economic agents that they cannot be reversed at the discretion of individual decision-makers." It is at this point that the fit of state initiatives with effectively voiced interest group concerns becomes critical to maintaining the direction and momentum of reforms, John Waterbury argues, because "top-down change without the support of organized constituencies probably cannot be sustained." Neocorporatism's embeddedness emphasis, however, may often overstate the capacity of officials to set policy agendas and orchestrate exchanges with private sector interests. Yet the clearest alternative to the corporatist perspective, pluralist theory, has the frequent disadvantage of attributing disproportionate influence to interest groups whose actions may be independent of the state. As representatives of the statist perspective have pointed out, the pluralist approach often exaggerates the degree to which state actions are constrained by societal interests.

Merilee Grindle and John Thomas's interactive model of reform implementation suggests an analytical approach that confronts these limitations of neocorporatism and pluralism while also incorporating key features of these divergent approaches. We have found this perspective useful in developing the analytical framework for this study, and we will consider specific features of their interactive model in subsequent reports.

Grindle and Thomas view reform as a process "in which interested parties can exert pressure for change at many points" and from a variety of locations. Within this framework, inquiry into reform politics attends to both processes that further consolidation and those that promote modification or reversal of reform initiatives, and the degree of embedded autonomy that characterizes state-society relations during structural transformation becomes a central question for analysis.

Robert Bianchi points to a related research imperative in distinguishing between "the

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50See Robert A. Dahl, Who Governs? Democracy and Power in an American City (New Haven: Yale University Press, 1961); Robert A. Dahl, Pluralist Democracy in the United States: Conflict and Consent (Chicago: Rand McNally and Company, 1967); and Truman, The Governmental Process: Political Interests and Public Opinion. Pluralism directs attention to interest group influence which extends well beyond that which is found under conditions of embedded state autonomy, and as Graham Wilson observes, interest groups are intermediaries which link the state with society, thus touching on almost all aspects of the political system. See Wilson, Interest Groups, 35.
52Grindle and Thomas, Public Choices and Policy Change, 126.
54See Grindle and Thomas, Public Choices and Policy Change, 125-48.
pluralist network of private voluntary associations and the corporatist network of semiofficial compulsory associations" that may be simultaneously involved in policymaking and implementation issues. In both categories can be found interest group activity that has been directed toward economic and political issues in the Soviet Union and Russia. The uses to which we put these formulations are clarified by our research objectives and research questions, which will be discussed in broad outline below and elaborated in later papers.

**Approach, Data and Methods**

**Objectives.** The execution of our current project has been grounded in four objectives, which emerged from our initial theoretical framework. First, we wanted to describe the evolution of strategies, organizational arrangements and features of interest articulation that have been important to privatization and entrepreneurship from the late Soviet period until now. Second, we wanted to assess the relative effectiveness of official bodies and competing interest groups in achieving their aims during the current phase of Russia's transition. Third, we planned to identify features of the transition that seem to have been particularly noteworthy in both promoting and hindering achievement of the decision makers' goals at both regional and national levels. Finally, we considered it important to locate these economic and political developments in the larger structural and institutional context of Russian society.

**Dimensions of the Inquiry and Types of Data Collected.** Our previous research, combined with other related theoretical and empirical work, provided the foundation for a number of research questions that we articulated before the 1995-96 data collection phase began—questions which guided our construction of semi-structured interview guides and which also pointed us toward other primary and secondary data that we continue to collect from a variety of sources. Our preliminary set of questions was revised markedly as data gathering proceeded, consistent with our iterative research strategy (discussed below).

One set of questions that we posed concerns the overall pattern of political developments and organizational emphases which has evolved under Yeltsin. A second set structured our inquiry into specific privatization and entrepreneurship issues which we identified as significant and illustrative cases in each of our five research locations. A third group of questions highlight policy implications of the study.

**Research Locations and Data.** Our 1995-96 research was carried out in Moscow (city), Ekaterinburg and the surrounding Sverdlovsk oblast, Voronezh (city and oblast), Smolensk (city and oblast), and Kazan and the Republic of Tatarstan. This study is an extension of earlier projects that

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we carried out in 1992-93 and 1993-94 in all of these regions except Tatarstan. Our objectives in this research program are both descriptive and theoretical, as we seek to utilize earlier findings in clarifying the process of institution building under conditions of structural transformation.

We collected several types of both national- and regional-level data for the study, including background contextual and statistical information regarding recent reform developments and primary and secondary documents from a variety of sources. A key element of our 1995-96 data collection project included 1,508 investigative interviews (discussed below) with respondents who have been involved in economic reform issues: 537 in Moscow, 363 in the Voronezh oblast, 244 in the Smolensk oblast, 278 in Tatarstan, and 86 in the Sverdlovsk oblast. We interviewed elites, opinion leaders and other strategically placed individuals from business, government, politics, labor, the media, academia and other related spheres, utilizing a theoretical sampling procedure and network sampling for respondent selection—seeking to identify people in each region who were knowledgeable about the themes of our interviews and, in many cases, who were centrally located in networks that were critical to our research problem. Interviewing began in mid-February 1995 and continued until late August. Additional follow-up interviews were conducted in Moscow during May 1996 which addressed key points that were highlighted in our earlier interviews. We selected respondents who have been involved in economic reform issues and activities related to democratic institution-building, broadly conceived. We are continuing to collect additional data related to our research questions.

56We had originally planned to conduct 360 interviews in the Sverdlovsk oblast, but shortly after Lynn Nelson arrived in Moscow in late January, it became evident that we would have difficulty in Ekaterinburg and the Sverdlovsk oblast obtaining the volume of data there that had originally been anticipated. Local officials were making it known that they did not want to cooperate—a situation we have encountered before in that region. We studied our options in Ekaterinburg with the aid of Boris Berzin, who served as field work director there in 1993. A group of his colleagues also participated in these discussions, which continued through the end of February. Berzin’s view was that we should abandon our plan to work in the Sverdlovsk oblast this year, because of official resistance. We did not want to choose that path, both because the political and economic situation there was intriguing in light of our research problem, and because we wanted to update the longitudinal data we had gathered in that region during 1992 and 1993.

Ultimately, we assigned the responsibility of field work direction in Ekaterinburg to Elena Petrovna Markelova, a specialist who works with political parties and public unions in the office of the Presidential Representative in the Sverdlovsk oblast, and we scaled down the number of interviews to be conducted there. Markelova was ideally positioned to elicit as much cooperation from local officials as we could hope to receive, and we knew that she was well-regarded by key individuals from whom we wanted to secure interviews and other information for the study. We decided to seek around 100 interviews in Ekaterinburg/Sverdlovsk oblast rather than the 360 that we had originally planned, and to gather the other primary and secondary data there that were highlighted in the project proposal as planned.

This change in the Sverdlovsk region made it possible for us to add Tatarstan to the study. Our preliminary work in late January and February had convinced us that research in Tatarstan would provide valuable information for our inquiry into regional politics, because of Tatarstan’s initiatives which had led to a greater degree of regional autonomy than had been gained by other regions in our study. On the regional autonomy dimension, Tatarstan and Smolensk are in some ways at polar extremes from one another.
An Investigative Approach to Interviewing. We utilized interview data in this study for the purpose of adding detail and depth to our understanding of developments that were germane to our research questions, rather than counting responses in the customary survey research mode or illustrating positions or perspectives with quotations from specific individuals. Our interviewing was directed toward filling in details that would otherwise have been missing from our inquiry, had we been limited to the other primary and secondary data sources at our disposal, and also toward pointing us in directions that we might not have taken without the benefit of information that we obtained and connections that we were able to establish through person-to-person data collection that included focused discussion about narrowly framed subjects.

We did not weigh heavily in our analysis the discrete opinions of individual respondents. Had that been our approach, we would have provided tables which tallied responses to questions that had been posed in a methodologically consistent manner. Rather, in this research when there were inconsistencies in responses to particular queries, we probed more deeply and broadly, both in a single interview and in subsequent interviews—often selecting additional respondents specifically for the purpose of clarifying such ambiguities. Our aim was quite different, then, from that of researchers who want to learn how opinions or behaviors are distributed in the population. In sum, we used the investigative interviewing strategy to facilitate the analysis of political and economic activity in reference to specific themes and issues.

Method. Our initial theoretical framework, which had emerged over the course of data collection and analysis in our earlier studies, enabled us to make selective use of the analytic induction and grounded theory approaches for broadening our inquiry in this round of data collection and building into the study procedures for revising and redirecting our research questions as data collection continued.37 Throughout the interview period, we followed an iterative process of

37In analytic induction, after researchers have identified central aspects of the problem to be studied, data collection is combined with analysis and reformulations in "an iterative interplay between data collection and revision of the hypothesis," as Alan Bryman and Robert Burgess identify the process (Alan Bryman and Robert G. Burgess, "Developments in Qualitative Data Analysis: An Introduction," in Bryman and Burgess, Analyzing Qualitative Data [New York: Routledge, 1994], 4.). This perspective on the interaction of data and theory during field work is related to the "grounded theory" approach, which also highlights procedures that are useful in systematizing comparison and coding. See, for example, Anselm Strauss and Juliet Corbin, "Grounded Theory Methodology," in Handbook of Qualitative Research, ed. Norman K. Denzin and Yvonna S. Lincoln (Thousand Oaks, CA: Sage, 1994); and Barney G. Glaser and Anselm L. Strauss, The Discovery of Grounded Theory: Strategies for Qualitative Research (Chicago: Aldine, 1967). We began the study with a more fully elaborated theoretical framework than the grounded theory approach typically assumes, however, and we built on the grounded theory literature by incorporating deductive testing and verification strategies and other methodological refinements that have been introduced by a number of researchers and tested, in some cases, in our previous Russian field work. See, for example, Matthew B. Miles and A. Michael Huberman, Qualitative Data Analysis: An Expanded Sourcebook (Newbury Park, CA: Sage, 1994); Oswald Werner and G. Mark Schoepfle, Systematic Fieldwork, vol. 1 (Newbury Park, CA: Sage Publications, 1987); Anselm L. Strauss and Juliet Corbin, Basics of Qualitative Research: Grounded Theory Procedures and Techniques (Newbury Park, CA: Sage, 1990); Anselm L. Strauss, Qualitative Analysis for Social Scientists (New York: Cambridge (continued...)}
interview guide construction, interpretation of collected data, revision of interview guides for additional field work, and identification of the need for other sources of additional primary and secondary data. The interview guides highlighted important directions that we wanted interviewers to take in the course of the interviews, but interviewers were not tied to a restrictive list of predetermined questions. Rather, themes and specific points that should be addressed during the course of interviews were specified, and interviewers were expected, and trained, to identify promising leads which emerged as interviews were conducted. Over the course of data collection we developed four interview guides, two of which went through major revisions.

We trained our interviewers, all residents of the regions where they collected data, in the use of interview guides. We worked with separate research teams in each region and held project review seminars with each interview team, except for those in Ekaterinburg, approximately every three weeks during the first three months of data collection.58

We utilized a theoretical sampling procedure in the study,59 and as part of our theoretical sampling strategy we employed the network sampling technique.60 Our theoretical sampling procedure was oriented toward selecting respondents in each region who were knowledgeable about

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58Because travel costs between Ekaterinburg and Moscow are quite high, and also because of the small size of the Ekaterinburg research team, the training and project review schedule was modified for that region. After three months, interviewing was completed in Voronezh, and most of it had been finished in the other regions outside Moscow, as well. We met with the field workers less frequently from that time onward (except in Moscow, where meetings were held often). Frequent telephone, fax and e-mail correspondence throughout the period also facilitated coordination.

59Glaser and Strauss describe theoretical sampling as a process "whereby the analyst jointly collects, codes and analyzes his data and decides what data to collect next and where to find them." (See Glaser and Strauss, The Discovery of Grounded Theory, 45. See also Janet Finch and Jennifer Mason, "Decision-Taking in the Fieldwork Process: Theoretical Sampling and Collaborative Writing," in Studies in Qualitative Methodology, vol. 2, Reflections on Field Experience [London: JAI Press, 1990], 134-61.) We did not, however, aim for "saturation," as the term is typically used in this context. (See Robert G. Burgess, In The Field [Boston: George Allen and Unwin, 1984], 56.) As Robert G. Burgess describes this approach, it "formalises various activities" that are important in field studies: "having enough evidence, having enough data in a particular area, and deciding when to move on to other related problems." (See Burgess, In the Field, 56.) Rather than seeking to produce representative samples of populations, theoretical sampling aims to facilitate sound explanatory, as well as descriptively detailed, analysis of data, by allowing researchers to overcome the restrictiveness of probability sampling in following leads and elaborating tentative findings in ways that would not be possible with probability sampling. (See Jennifer Mason, "Linking Qualitative and Quantitative Data Analysis," in Analyzing Qualitative Data, ed. Bryman and Burgess, 103.)

60This approach is defined by W.L. Neuman as "a method for identifying and "sampling" or selecting the cases in "an interconnected network of people or organizations" that are important to a research problem. (See W. Lawrence Neuman, Social Research Methods: Qualitative and Quantitative Approaches (Boston: Allyn and Bacon, 1994), 199.) Our list of potential respondents changed as our interview guides revised and as new directions for inquiry were identified during the course of data collection.

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the themes of our interviews and, in many cases, who were centrally located in networks that were
critical to our research problem.

Approximately 80 percent of the interviews were tape recorded. On a daily basis, interviewers
completed a report for each interview which included transcriptions of key points in the interview
and answers to questions that were posed by the project collaborators in addenda to some of the
interview guides. Our questions concerned specific dimensions of the research problem appropriate
to particular interview situations. They were intended to facilitate our review of progress toward
realizing the research objectives and identifying needed modifications in the interview guides.
Interviewers utilized recordings in preparing their interview reports, and the tapes were also
selectively reviewed by project collaborators to monitor the quality of interview reports from each
interviewer.

The duration of interviews was usually from about an hour to one-and-a-half hours, although a
number were longer. Interview reports averaged 3.5 pages in length—for a total of about 5,300
pages.

All interview reports were stored in machine-readable form.

We analyzed interview reports as they were generated and also following the conclusion of the
interview period. We utilized systematic coding and interpretation procedures in identifying and
elaborating trends and patterns from the interview data. Triangulation (particularly data and
investigator triangulation) and also respondent validation gave us checks on internal consistency
reliability and external consistency.61 We found Miles and Huberman's tactics for testing and
confirming conclusions to be useful and utilized a number of them in our analysis.62 Because of
both confidentiality considerations and the investigative nature of our interviewing strategy, we have
avoided citing interviewees by name in this report, except for cases in which we refer to their
published works.

61See Nigel G. Fielding and Jane L. Fielding, Linking Data (Beverly Hills, CA: Sage, 1986), 43; Uwe Flick,
62A. Michael Huberman and Matthew B. Miles, "Data Management and Analysis Methods," in Denzin and
Lincoln, Handbook of Qualitative Research, 438; and Miles and Huberman, Qualitative Data Analysis, 262-76.