

## 8 The representation of business elites in regional politics

### Étatism, elitism, and clientelism

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Business and politics are closely connected. Many members of the business elite are members of influential interest groups. In democratic polyarchies, western students of political science have noted the disproportionate influence of large economic corporations in the political process.<sup>1</sup> The role of economic corporations with their resources and political interests is one of the reasons for a deformation of polyarchies, in which the dispersion of power is far from even.

Russia is clearly not a western-type polyarchy. The concentration of power in the hands of certain influence groups is much higher than in the West, and politically active business structures usually compete with high-ranking state officials for influence or enter into clientelistic relations with them. The Russian situation should be analysed from the standpoint of elitism, rather than competitive polyarchy because of this massive concentration of power in the hands of power and business elites. Members of these economic and political elites are closely intertwined and at the same time split into rivalling groups.

Unequal access to power has been characteristic of Russia at every stage of its history. The post-Soviet period is no exception, epitomized as it is by a sharp increase in socio-economic inequalities and new and deeper forms of social inequality brought about in the transition from communism to capitalism. When public interest in politics is low, personal involvement is insignificant and party politics and interest group activity is badly organized, politics becomes a playground for small groups well endowed with financial resources and roots in the business environment, or those enjoying patrimonial-clientelistic relations with the business environment.

The universal rationality model, or 'rational choice theory', seems to be the most obvious analytic paradigm to employ when studying the political activity of business structures and individual entrepreneurs. This stems from another principle widely regarded as self-evident, namely that an entrepreneur is by definition a rational actor in the economic realm and that such rational behaviour will be transferred to the political realm. In our case gain means not only a growth of political influence, but also an expansion of the firms of those entrepreneurs who engage in politics. The political market, as

referred to by Schumpeter,<sup>2</sup> can be viewed as analogous to the economic market, even as its extension, if groups with specific economic interests enter the political market.

The application of rational choice theory to the study of business elites entering politics has serious limitations. First of all, business interests connected with certain branches of the economy, types of ownership and enterprise, etc., must be considered in view of the authority of specific political institutions. Seeking a measure of control over political administrations may be considered optimal and rational behaviour on the part of businesses. Such control can be exercised indirectly through lobbying or through the direct infiltration of business representatives in legislative or executive bodies of state power.

Whilst studying the above-mentioned links, it is important to consider the specific economic model and political regime. The Russian model is often referred to as a form of state-bureaucratic capitalism, in which the bureaucracy performs a number of regulatory functions and possesses massive capabilities for influencing or pressurizing businesses. At the same time the existence of a widespread shadow economy, and a tolerant attitude towards it on the part of the bureaucracy, creates infinite possibilities for manipulating legislation in order to put pressure on some businesses whilst stimulating the growth of others. The following areas can be identified in which the interests of both businesses and political structures intersect:

- Regulating functions of state and municipal administrations, in particular licensing various economic activities, including the exploitation of mineral resources.
  - Aspects of economic reforms such as the privatization of state and municipal property or the leasing of state and municipal assets (including land, forests, real estate, etc.).
- The activity of the state as an economic actor, including public and municipal procurement. Partnerships between private business and the state, such as the co-financing of joint projects, are now widespread.
- Threats of state sanctions which constitute a permanent threat to business. The imposition of such sanctions is used by the state, often in an underhand way, to secure the loyalty of businesses.
  - Lobbying for state support for economic projects, both direct (through representatives of business structures in the authorities) and indirect (through professional lobbyists working with various clients).

In this study we analyse the relationships between business elites and regional authorities in Russia. The rationale governing the political behaviour of business elites can be described as a 'rule of conformity'. This rule defines the correlation between the interests of businesses in power, and the delimitation of competencies between various levels of power. In other words, a business is interested in extending control over that level of power, which is responsible for taking decisions vital for that business.

At the same time one must take into account the important changes in the nature of business interests when economic elites successfully gain access to political power. They immediately stop being purely business interests. From the perspective of rational choice theory, new incentives emerge, namely the retention of power, which, in turn, leads to demands to integrate into the existing political system on the most beneficial terms. In the long run, such political behaviour provides an opportunity for successfully solving economic issues. In Russia, where competition on the political – as well as any other – market is suppressed and heavily regulated, it is in the interests of businessmen to become loyal actors. Political opposition would bring unacceptable economic risks. Loyalty to the relevant powers – to the president, regional governors or city mayors – a majority of whom operate within monocentric regimes where there is no viable opposition – is the most rational and common pattern of business–state relations. Moreover, one must not forget the ‘rule of conformity’, since political loyalty is rational and necessary in relations with those bodies of power that are meaningful for that given business. Amongst the most common types of entrepreneurial political behaviour is membership of United Russia, and participation in elections to regional legislatures on the United Russia party list. Entrepreneurs may also act as party sponsors.

On the other hand, rational choice theory is incapable of providing an explanation for all aspects of business–power relations in modern Russia. Business in Russia is socially active and interested in gaining access to administrative resources, and in cooperation with bureaucracies, taking power under its control. Representatives of business, however, are an insignificant minority among governors and mayors. A more nuanced theory is required, and neo-institutionalism, which in particular ‘brings the state back in’,<sup>3</sup> is the most relevant. While applying the neo-institutionalist paradigm we proceed from the belief that the relationship between rationality and political behaviour is empirical in character.<sup>4</sup> Some Russian businessmen go into politics; others (they are an overwhelming majority) do not. It would be inaccurate to consider the former as winners and the latter as losers. The rationality of the political behaviour of businessmen is conditioned by the dominant political culture, institutional context and current political situation (alignment of forces). The non-interference of businessmen in politics often turns out to be a more rational model of behaviour. This does not allow businesses to reap super-profits, but at the same time it is a safeguard against political risks that could destroy a business if the political situation changed. In Russia the need for adapting business structures’ political behaviour to bureaucratic interests and the institutional context is extremely high because of the strong bureaucratic tradition that dates back to the times of the Russian Empire, and which even after the disintegration of the Soviet Union still remains largely intact.

Let us consider the influence of political culture on the behaviour of business elites in politics. Business people are by definition representative of a

assume that in Russia entrepreneurs will have high levels of political participation, a high personal interest in politics and a low level of trust in the authorities. If this assumption is accurate, then political culture has to provide incentives for their political participation and determine its nature and intensity. Though from an empirical point of view it is impossible to speak about universal participation of the business elite in politics, each individual political decision is the result of a choice conditioned by personal preference. The political culture of Russian business could become a separate subject for research, as at present it is scarce and fragmented (especially when it comes to regional businesses). One must note that social activity does not automatically transform into political activity, which is a vivid characteristic of socially mobile strata of Russian society. This is also evident from the seemingly paradoxically high level of participation in elections among the older voters and much lower figures for the younger people and business elites.

The dominant political culture in Russia is characterized by a medium level of political interest; loyalty to the authorities in the 2000s has been growing in intensity (in the 1990s, according to our estimates, Russian political culture could have been characterized as ‘autonomous’, but at present it may have been transformed into ‘subject’<sup>5</sup>). Even although some entrepreneurs in Russia are politically active, they cannot fail to take into account the dominance of the wider national political culture and play by its rules. These rules, in particular, presuppose that displaying high levels of political participation, independence and initiative may be punished (as illustrated by the YUKOS case).

From the viewpoint of business, political activity can alleviate some political risks by giving entrepreneurs greater access to the political decision-making process and providing greater opportunities to forecast the development of the business environment (the process of decision-making in Russia has never been – and still is not – transparent or public). This is one optimal path involving maximum political participation without becoming oppositional. There is another approach epitomized by the phrase ‘more haste, less speed’. Political participation under the conditions of non-free competition creates other risks related to the struggle for positions of power – the rise of enemies, the need to enter into clientelistic relations with some officials and sharp competition with others.

It is hardly surprising that in such a situation each entrepreneur faces the problem of personal choice. The passive (or adaptational) model of political behaviour presupposes a constant adaptation to the changing model of the relations between business and power. In this case business in politics only exists at the level of non-associated interest groups. The active model of political behaviour has various forms:

- Membership in business associations: ‘The Russian Union of Industrialists and Entrepreneurs’, regional unions of industrialists and

entrepreneurs, Business Russia, OZORA of Russia (an association of small and medium enterprises), and a network of chambers of trade and commerce. In practice, in such associations the political interests of business are aggregated rather poorly. This can be partially explained by the individualism and competitiveness of the business environment, where actors pursue their personal gains. As most recent Russian experience shows, the pressure from a stronger state has led not to consolidation of business, but to a search for individual expansion and survival strategies while maintaining political loyalty. Under Putin we have witnessed a growing dependency of large business on the state. This stems from the corrupt nature of big business, which often conducts illegal or semi-legal commercial operations. We have also witnessed the government's use of the power ministries and the judiciary for political purposes. As a result, the aggregation of political interests does not always take place within the framework of business associations, but rather is conducted through non-institutionalized forums based upon family and friendship ties, common economic interests and joint projects. The following relations are common:

- Lobbying business interests in bodies of authority. The sphere of government relations is becoming increasingly popular in Russian companies, though one has to admit that there are few of them whose work in this area is very effective. Russian lobbyism is still at its early stages of development where it operates in corrupt forms. Its development (in any form) is conditioned by a number of factors, among which are the officials' competency and their understanding of business interests, as well as their actual capabilities (which are often overestimated by business people because they have no clear understanding of decision-making mechanisms, scope of authority, budgetary limitations and conflicts within power structures). Another important factor is that bureaucrats' own strategies that vary and are not always *a priori* obvious. They could have an interest either in cooperation with business or in administrative control over business, i.e. readiness to play the role of client of a business group, or a desire to become an influential patron. It is possible that some bureaucratic groups may become amalgamated with certain business groups to the detriment of others, or that they perform a careful balancing act and try to maintain relations with several business groups.
- Direct entry of representatives of business in power structures. This results from the weakness of business associations and the low effectiveness of indirect lobbying. The most widespread form is entrepreneurs running for elected regional and municipal offices. This form is particularly convenient because the majority of the deputies in the regions work on a part-time basis, combining public service with their main occupation. As regards full-time work in executive bodies of power, this would require a complete transition from business to politics. This is one of the reasons why taking up a position in executive bodies is hardly a rational model of

political behaviour for business executives. Amongst them, however, there are far more former managers of small businesses than there are representatives of larger companies. Industrialists from big business prefer to create networks of their 'people' in the regional and local administrations.

One can often come across the chain reaction principle in politics. It comes into play when competition springs up between different business groups not only over economic niches, but also over the struggle for political influence. The economic interests of business groups may not collide, but their competition on the political field is determined by their struggle over gaining priority in the decision-making process and the distribution of state resources. In this case the activity of one business group may automatically cause the others to come out of 'hibernation', thus starting a chain reaction. In other words, one can speak about 'a vortex of political participation', sucking in more and more business actors.

The influence of the institutional context is also very important for political activity in business. The level of such political activity depends on the transformation of the political regime and institutions, as well as on the focus of this activity on the various bodies of authority or other political institutions. In the more competitive and polycentric political and economic environment of the 1990s business played a more active and independent role. It took more independent decisions, including promoting its own candidates in elections at various levels, often achieving impressive results. Under monocentrism, characteristic of the Putin political regime, authoritarianism and bureaucratic regulation have intensified, forcing business structures to demonstrate political loyalty and informally consult the authorities about their interests and political actions.<sup>6</sup> Business has returned to the tactics of forming alliances with the bureaucracy, which has once again started to feel that it is a powerful force. As a result of this, the bureaucracy's interest in appointing business leaders to decision-making positions has diminished. The bureaucracy now strives to patronize business from its position of power. Thus, for example, one of the consequences of Putin's abolition of gubernatorial elections was the strengthening of business interest in winning seats in municipal and regional legislatures.

The organization of interaction between business and power in Russia can be described in the terms of corporatism, étatism and political management networks. Russian corporatism has been the subject of many studies.<sup>7</sup> However, some specific features of its development should be clarified. Russian corporatism is characterized by a high degree of étatism, i.e. étatism displaces classic corporatism observed in some western countries. The state in Russia plays an active role instead of the 'simple' and 'democratic' representation of public interests, and the bureaucracy is indeed a corporation with its own interests which are strictly adhered to.<sup>8</sup>

At the same time, the Russian government is not involved in classic corporatist tripartite negotiations. There is interaction between power and

superiority. Russian corporatism does presuppose the creation of consultative forums for business leaders within political administrations, including the offices of regional governors. However, the influence of such forums has proved to be insignificant, their decisions are the result not of open debates but behind-the-scenes deals. The role of the third party, the trade unions, in the power-business dialogue is virtually non-existent. It is more accurate, therefore, to speak about an statist-clientelistic model of interaction between the authorities and business in Russia.

The political-management networks model is more relevant than the classic corporatist model. A network includes actors, interests, power interaction and collective actions.<sup>9</sup> Informal network structures, uniting power and business, are typical of Russia. Their influence is much stronger than the consultative bodies discussed above. It is in the framework of such networks that a significant, if not overwhelming number of decisions are made.

Étatism assigns the state a leading role while 'not allowing' business to 'privatize' the state, holding it at a certain distance and interacting with it by means of clientelistic and networking relations. The more recent penetration of business elites in power structures following the abolition of gubernatorial elections in 2005 is a break with past practice and should be viewed as exception rather than as a rule. These processes, however, are also connected with the specificity of elite formation, hence more attention needs to be devoted to analysing the specificity of Russian elites.

Elitism offers a different set of coordinates from which to study the infiltration of business elites into political bodies. For representatives of the business elite, infiltrating the state in conditions of Russian étatism is important for maintaining and reinforcing their elite status. They often count on expanding their political status whilst preserving their business positions. Sometimes business people make up for a loss in business status by going into politics, thereby retaining their membership in the elite.

Russian elitism in the present historical period has its own peculiarities. As regards the relationship between democracy and elitism there is an obvious shift towards the latter. At the same time one cannot speak about competitive elitism in Schumpeter's understanding of the term,<sup>10</sup> or pluralism of elites, as defined by Dahl.<sup>11</sup> In Russia one can witness the development (or preservation) of authoritarian elitism.

Moreover, in Russia we have elitism, but the incomplete formation of elites. It is not the first time in Russian history that the elite, the ruling class, has undergone major changes in its formation. After the 2000 presidential election, when a new president was sworn in, this process entered a new stage: new influence groups, earlier connected with Putin or having secured his support, started to exert pressure on the old ones. Among the new, post-Soviet elites there is a fierce struggle for a 'place under the sun'. It is, however, inaccurate to talk about a conflict of political generations, about a struggle between the old Soviet nomenklatura and the new post-communist

up sporadically in the process of privatization bringing together members of the top business and bureaucratic elites.

The formation of the post-Soviet elite has been directly linked to economic reform and particularly privatization and liberalization of the economy. The desire of the politically active part of the business elites to shape the power elite, or at least influence its activity, is rather natural. From the point of view of the business elite, the key task of political authorities is to represent the social interests of the business circles: namely, the accumulation of capital from privatization programmes, and the establishment of strategic positions at all levels of the economy which will ensure the stability and the prosperity of the businesses.

Finally, there are some aspects in the relations between business and power that are connected with neither rational behaviour nor the institutionalized context. Lasswell's behaviourist model which focuses on decision making at the micro-level and the importance of psychological factors is particularly useful.<sup>12</sup> In this approach it is argued that the behaviour of the business elite can be explained using psychological concepts. For instance the active involvement of entrepreneurs in politics can be explained by the increasing popularity of political activity as a model of behaviour for entrepreneurs. Such behaviour patterns are emulated by other entrepreneurs and simultaneously become the means of reaffirming their elite status (for example, through election to regional legislatures, even though the institutional influence of such assemblies is weak).

### **Businessmen-governors in Russia**

Our research focused on fifteen federal subjects where power is in the hands of former businessmen of various origins, including those coming from state-owned companies. The number of regions where businessmen or CEOs from large companies have come to power is modest and hardly exceeds 20 per cent of all federal subjects. This is a clear indication of the fact that Russian elitism does not facilitate the infiltration of representatives of business into power, and furthermore that regional bureaucracies, formed in the 1990s or even in the Soviet period, have been renewed very slowly and mostly from within their own ranks, rather than recruiting from business. Before their abolition, gubernatorial elections were an important means of renewing the elites, but in practice it was not often that business managers were able to secure a victory over candidates with a more 'traditional' background in politics.

It is interesting to note that very few of the regions headed by a members of the business elite are economically developed. One would expect people with business connections to come to power in rich regions where the political environment is more competitive, but in our case studies this is not the case. Among such regions are Krasnoyarsk Krai, where Khloponin, a

including Izhmorskiy (Izhma), won the gubernatorial seat in 2002, and Perm Krai (formerly Perm Oblast), where in 2004 local businessman Chirkunov replaced his business partner, Trutnev, who won the 2000 election. But usually in wealthy and polycentric regions the elites need a governor with no direct links to any particular business who can play the role of arbiter. Regional authorities headed by arbiters often turn out to be more robust; by establishing links with various groups they are more successful in resisting attempts by powerful groups to take power under their control. In Krasnoyarsk Krai and Perm Oblast the diminishing credibility and/or instability of the previous administration paved the way for a more radical change of elites to the advantage of some business groups. But such examples are rare.

Paradoxical, businessmen are more liable to come to power in poor and underdeveloped regions which depend for their survival on financial aid. In Kalmykiya the transfer of power into the hands of the young businessman Ilyumzhinov happened as early as 1993, which was the first case ever in Russian history.<sup>13</sup> Among regions in the central part of Russia, the least developed are Pskov and Bryansk oblasts. In these regions in 2004 representatives of business elites (Kuznetsov and Denin) came to power. The economic situation in Tver' Oblast was hardly any better, but nonetheless Zelenin, a well-known Moscow entrepreneur, was elected as Governor in 2004.

Special attention should be given to the northern autonomous okrugs where the number of governors coming from business groups is especially high. The remote Koryak, Chukotka, Evenkia and Taimyr autonomous okrugs lie in extremely inhospitable natural and climatic zones, and lack such a strong resource base as Khanty-Mansiysk and Yamalo-Nenets autonomous okrugs, the leading producers of oil and natural gas in Russia. Each of the above-mentioned districts has promising deposits of natural resources, but their exploitation requires huge investments. In such regions the population is scarce and the territory is vast. In other words, they are hardly an asset for a businessman. Nonetheless, businessmen have been winning elected offices in these regions as well. One of the most powerful Russian oligarchs, Abramovich, won the 2000 gubernatorial election in Chukotka; in 2001 Khloponin became governor of Taimyr (he was later elected governor of Krasnoyarsk Krai, whereas in Taimyr a representative of the same business group, Budargin, took over as Governor); later the YUKOS manager Zolotarev won in Evenkia. Finally, in 2005 Kozhemyako, a prominent fishing tycoon from Primorskiy Krai, became Governor of the Koryak Autonomous Okrug.

The remaining examples are taken from relatively large but averagely developed regions. In Primorskiy Krai the 2001 gubernatorial election brought to power Dar'kin, who had business interests in fishing and agriculture. Primorskiy Krai, Russia's gateway to the Asia-Pacific area, has

rather weak, and the region is one of the country's largest recipients of federal aid. Following the 2005 presidential initiatives, former directors of state-owned enterprises came to power by presidential nomination in three regions: Tishanin in Irkutsk Oblast (from Russian Railways), Ipatov in Saratov Oblast (from Rosenergoatom) and Dudka in Tula Oblast (from a large military-industrial complex enterprise).

Thus, the change of power elites in regions in favour of the business elite has, to a large extent, been going along the line of least resistance from the state. It has occurred in regions where there were no stable ruling bureaucratic groups or where the latter has become delegitimized in the eyes of the electorate. A difficult and volatile socio-economic situation could have become one of the delegitimizing factors for the previous elites. However, the case of a businessman coming to power in a poorer region is only valid because power is easier to get in such a region. At the same time, another question arises – how rational is it for a businessman to secure power in such an unattractive region?

Most of the governors' biographies show that they are outsiders, and that they made their careers outside the regions which they head. There are far fewer cases of top regional officials coming from within the same region. For example, Dudka, who was born and lived all his life in Tula, made his career at his factory and was nominated for governor. The Primorskiy Krai Governor Dar'kin is also a local resident who made his career in his native region. The Governor of Perm Krai, Chirkunov is also of local origin (born in Murmansk Oblast but moved to Perm in his childhood), as is the governor of Bryansk Oblast, Denin (born in Bryansk Oblast). The Governor of Saratov Oblast, Ipatov, was born in Sverdlovsk Oblast, but made his career in Saratov Oblast, where he became director of the Balakovskaya Nuclear Power Station back in 1989 and remained in this position almost until his nomination for governor.

There are also cases of someone from a region making a career in Moscow and then coming back to their native region as governor, using their superiority in terms of resources and influence (the come-back model). This was the first example of electing a businessman, Ilyumzhinov, for the office of president of Kalmykia in 1993. Ilyumzhinov graduated from university and then went into business in Moscow and returned to Kalmykia only because of the election. There is a similar example in another economically underdeveloped southern republic, Kabardino-Balkaria, where Putin appointed Kanokov as president in 2005. The latter had for many years been a successful businessman in Moscow. He also became a State Duma deputy on the LDPR party's list (later he joined United Russia).

Examples of entrepreneurs or company CEOs with no connection with a region being elected or appointed as governors are of particular interest. One example is Zolotarev, a native of Krasnodar Krai, who made his career in the Moscow business groups Menatep and YUKOS led by Khodorkovsky

and was sent by his company to run for governor in 2000. An example is Tver's Governor Zelenin, who had made his career in Moscow and had no interest in Tver Oblast prior to his election.

In other cases outsider entrepreneurs gradually integrate into the local environment (the gradual integration model). For example, Abramovich at the end of 1990 had business interests in Chukotka, and he became a leading figure in the region after his election to the State Duma in 1999 from a single-member constituency in the region, and subsequently as governor in 2000. The nominations of Khloponin and Budargin as governors of Krasnoyarsk Krai and Taimyr are the result of the expansion of the Moscow-based group Interros and its purchase of Norilsk Nickel, a company vital for both regions. Khloponin started his career in Moscow and came to Norilsk as director of Norilsk Nickel, from where he moved to become governor.<sup>14</sup> Primorskiy Krai is the native region of not only the Governor Dar'kin, but also of Kozhemyako. The latter, having control over one of the largest fishing companies in Russia, expanded his business into Kamchatka Oblast and Koryak Autonomous Okrug where he managed to secure a place in the fishing business. Kozhemyako was appointed governor of Koryak Autonomous Okrug.

Examples of gradual integration of outsider entrepreneurs into a regional economy and their subsequent nomination for governor can be found in other regions as well. The Pskov Governor, Kuznetsov, for many years had been a businessman in Moscow and a Duma deputy elected on the Liberal Democratic Party of Russia (LDPR) party list. He became interested in Pskov Oblast only after another LDPR member, Mikhailov, was elected governor in 1996 and opened up the region for affiliated businesses. This allowed Kuznetsov to acquire assets in the region and then, after a conflict with the serving governor, to take part in a number of election campaigns and, finally, win the office of governor in 2004.

The model of gradual integration in a region can be illustrated by the example of Irkutsk Oblast. Tishanin was born in the Urals, in Chelyabinsk Oblast, where he worked until 2001 (when he gained the position of deputy director of Southern Urals Railways). In 2001 he was transferred to Chita Oblast, in Siberia, where he worked at the Transbaikalia Railways. Tishanin moved to Irkutsk only in 2004 to become head of the Eastern Siberian Railways. In 2005 Putin appointed him governor of Irkutsk Oblast.

Thus, while in most cases it is representatives of the business elite from Moscow or other regions who are nominated for gubernatorial positions, in a 'softer' version it is a region's natives who have made it in the capital. The superiority of such business elites over local elites creates a wide spectrum of attitudes to the new governor – from overly elevated hopes and expectations to blunt aversion to the outsider. Fostering local entrepreneurs directly in a region so that they can capture the office of governor, on the other hand, is a rare phenomenon. Regional-level businessmen are too weak to secure power in rich regions, and in poor regions it is the 'outsiders' who are more successful.

appeared in Russia. Among large industrialists, the so-called 'oligarchs', the only example is Abramovich in Chukotka, which is an exception rather than a rule. Moreover, Abramovich's career as governor is close to the end as he tries to get Putin's approval and resign. The majority of businessmen-governors are representatives of medium-sized businesses, both from the capital and from the regions. For them the position of governor approximates with their status in the Russian elite. Former CEOs of large companies are another type of governor. Finally, chief executives of large state-owned companies form a separate category. The appearance of such managers is a consequence of the strengthening in the early 2000s of the political influence of state-owned companies, which have direct access to the head of state.

### Changes in regional elites

The election/appointment of businessmen to governorships usually leads to a circulation and rejuvenation of the regional elites. Thus, for example, when Ilyumzhinov, Khloponin, Abramovich, Dar'kin, Kuznetsov and Tishanin came to power, they were barely 40 years of age (Ilyumzhinov just turned 31). At that time only Ipatov was over 50, but he represented a different type – an experienced manager who had made his career during the communist era. Just over half the businessmen-governors were age 40–50 by the time they came to power, which for Russian regional leaders is considered to be young. Such a renewal of the regional elite often stimulates radical changes in the political life of the region.

A detailed analysis of how governors have come to power shows that their initial level of electoral support was rather low. Of the fifteen governors in our study, nine were elected and six were appointed by the president. The only case when a businessman received an absolute endorsement by the electorate was Abramovich who won 90.6 per cent of the votes. Abramovich, however, was considered to be the only serious candidate in that election. The former Governor, Nazarov, a representative of the local elite, withdrew from the race and gave his support to Abramovich.

In other regions electoral competition was much fiercer. Only Ilyumzhinov and Zolotarev managed to secure 50 per cent of the vote in the first round. They were competing in poor and disadvantaged regions where the former elites had lost influence and popularity. In Evenkiya the former governor Bokovikov, following the 'Chukotka model', did not stand for office and supported Zolotarev. However, there appeared competition of a different type – between oil companies, because his competitor Vasilyev (from Krasnoyarsk, i.e. an outsider for Evenkia) was supported by the oil company Slavneft (Zolotarev secured 51.1 per cent of the vote, whereas Vasilyev got 35.3 per cent). Ilyumzhinov came to power amidst a sharp conflict between warring nomenklatura clans in Kalmykia, which led to a disruption of the 1991 presidential elections (neither of the two main candidates won over 50

election to be called). The main competitors were influential kalmyks who had established themselves in Moscow: entrepreneur Ilyumzhinov (who won 63 per cent of the votes) and the army general Ochirov (21 per cent). Later on, the support for Ilyumzhinov was 'artificially' raised to an even higher level (in the 1995 single-candidate election, when he secured 85.1 per cent of the vote), and then started to decline (in 2002 Ilyumzhinov failed to win the first round, winning only 47.3 per cent, but he won the second round with 57.2 per cent).

Khloponin's victory in Taimyr became possible in the first round of elections, although his competitor was Governor Nedelin, who had been the region's leader since Soviet times. The influence of Norilsk Nickel in Taimyr, where this company is the largest in the regional economy, and Khloponin's appealing image played a positive role in his victory. The director general of Norilsk Nickel won 62.8 per cent in the 2001 election, whereas Nedelin received only 32.4 per cent. At the same time, much more effort was required for Khloponin's success in Krasnoyarsk Krai. In the northern part of the region, where Khloponin's popularity was at its highest, the population is low. Also in Krasnoyarsk Krai regional patriotic sentiment, characteristic of Siberia, is widespread. In the first round of the 2002 elections Khloponin came second with 25.2 per cent of the vote, and it was only in the second round that he was able to gain victory with 48 per cent, against the 42 per cent received by his opponent, Uss, who was the speaker of the regional legislature. A lack of unity among the elite in Krasnoyarsk, which had never had stable gubernatorial power, was an important factor in Khloponin's success. Veprev, an agricultural manager who was appointed governor in 1991, was replaced after his retirement in 1993 by economist Zubov. In 1998 he lost to the influential Moscow politician, General Lebed, who was third in the 1996 presidential election. This was the first time that a politician with no local roots had been elected governor of a Russian region. Under Lebed, Krasnoyarsk Krai was torn apart by conflicts, and after his death in a helicopter crash in 2002, there were no local leaders with enough popularity to win power. Since the Krasnoyarsk elite was in a state of disintegration, Khloponin with his financial resources and attractive image was able to win the election. After that, the election in Taimyr was easily won by Budargin who also had links with Norilsk Nickel, and who prior to the gubernatorial elections had served as mayor of Norilsk.

The disintegration of the local elite and the discrediting of a corrupt governor created favourable conditions for Zelenin's victory in Tver Oblast. Governor Platov could not even scrape through the first round, and the election turned into a struggle between two Moscow candidates. Zelenin's main rival, Zubov, was a police general who had connections with the large business group, 'AFK Sistema'. Zelenin won by securing 43 per cent of the vote in the first round and 57.4 per cent in the second. He was supported by Putin's 'party of power', United Russia.

much harder time. Their initial level of support was very low because of a lack of popularity among the electorate and the much more modest resources available to them. Kuznetsov was initially connected with a large business group; he was a founder of MDM-Bank, currently one of the biggest in Russia. Later, however, he split with his partners and went his own way in Pskov Oblast. When the regional elites were in a state of disintegration, Kuznetsov became one of many opponents of the failing governor Mikhailov. In 2000 Kuznetsov was third in the election for governor. In 2004 in the first round he did not win many votes, only 18.4 per cent, but this result allowed him to enter the second round and, playing on widespread popular discontent was able to beat the incumbent Mikhailov, who was supported by United Russia. It is hardly surprising that he has very difficult relations with the Kremlin.

In the 2001 gubernatorial elections in Primorskiy Krai, Dar'kin did not enjoy much support either. In this region the circulation of elites was precipitated by the absence of a strong regional leader, but whereas in Tver and Pskov Oblasts the situation could be explained by the low credibility and poor managerial competence of the serving governors, in Primorskiy Krai the turmoil was created by the removal to the federal government of a strong governor, Nazdratenko. This led to several candidates being put forward, one of whom was the entrepreneur Dar'kin. The Kremlin supported another candidate, Apanasenko, who, however, had no support from the local elites, and who worked in neighbouring Khabarovsk (i.e. was not perceived as a 'native'). As a result, only two candidates entered the second round, Dar'kin (receiving only 23.9 per cent of the vote) and the well-known local populist politician and former Vladivostok mayor Cherepkov, who, however, was barred from participating in the second round. This allowed Apanasenko to continue the race in the second round, but he lost to Dar'kin nonetheless. The latter secured 40.2 per cent in the second round, but after an intense struggle managed to win the gubernatorial seat.

The Governor of Bryansk Oblast Denin was no popular figure. Earlier, he was unsuccessful in the 1999 State Duma elections, when he was the runner-up in a single-member constituency, and in 2000 he came second in the election for governor with a poor 21.15 per cent of the votes. Only in 2003, when Denin joined United Russia and enlisted its support, did he win a Duma seat, after which he entered the 2004 gubernatorial race. His chances for success were largely boosted by the fact that the serving communist governor Lodkin was barred from running for the office, as the centre did not want to see him re-elected. In these circumstances Denin became the favourite. Failing to beat his opponents in the first round when he received 44.75 per cent of the votes, he was victorious in the second round winning an overwhelming majority of the votes (77.8 per cent).

In the remaining case studies governors never had to pass an electoral test, as they were appointed by the president in 2005. At the same time the results

them is low.

Overall, the analysis of elections and appointments shows that when businessmen or CEOs of large companies come to power in a region, it is primarily a consequence of the current alignment of forces within the elites (and subsequently the cause of a significant realignment of such forces). Representatives of business elites take up the empty niches formed after the break-up of local elites, or if a governor is discredited or moves on to work in another position elsewhere. This 'empty niche' rule applies to both gubernatorial elections and appointments. Kozhemyako was appointed after the president stripped the elected governor Loginov from his post (under Loginov the region had fallen into political and economic crisis). In an attempt to defuse conflicts within local elites in Irkutsk and Tula oblasts the centre decided to conduct an experiment and introduce a 'third party' which was not involved in those conflicts (in both cases, directors of large state-owned companies – a new recruitment reserve of the federal government in the 2000s). In Tula Oblast the centre was not happy with the then governor, Starodubtsev, who was a member of the Communist Party. In Irkutsk Oblast, the Governor Govorin had a solid power base but he had put himself in conflict with a number of opposing elite groups which were able to field their own candidates. The appointment of Kanokov in Kabardino-Balkaria took place after the incumbent President of the Republic, Kokov, had resigned on grounds of ill health (and died soon after) and under whom there had been a decline of the socio-economic situation in the region.<sup>15</sup> The reverse side of the 'empty niche' rule gives rise to a fairly random choice of regions, which are rarely among the economically developed and are, therefore, of little interest to business.

The analysis of the renewal of regional elites prompted when businessmen and entrepreneurs enter their ranks can be extended by studying the composition of the new teams. Changes in the membership of executive bodies of power can be quite radical. Usually, only a small number of the deputy governors retain their offices, and only those who are experienced specialists able to work with the new team. For example, in the Evenk AO one of the two first deputy governors is Bokova, who was in charge of economy and finance under the previous administration. In Pskov Oblast, the Deputy Governor for Social Issues, Demyanenko previously worked under the governors Tumanov and Mikhailov. In the Khloponin administration one of the first deputy governors is Kuzubov, who held various positions under Zubov and Lebed. In the Koryak AO Kozhemyako appointed as one of his deputies the former Governor Bronevich.

Relying on professional bureaucrats for support is widespread in Russian practice because it helps to make the transition of power more evolutionary, avoid unnecessary conflicts and retain relative political stability. An incoming governor usually adopts coalition policies vis-à-vis influential local groups. Even Zelenin, who in Tver Oblast relies on the team he had brought

from Governor. Krasnov had previously been second in command under the previous Governor, Platov.

However, the majority of deputy governors have been brought in from the outside. Such appointments may offend local elites but there is general agreement that a governor should have *carte blanche* in forming his own team. In the long run, the most important assessment criterion is the competence of the new appointees. When Abramovich was elected governor of Chukotka, a new team was formed whose core consisted of Muscovites. Gorodilov, former vice-president of Sibneft, born in Noyabrsk, an oil producing town in Yamalo-Nenets AO, where Sibneft had most of its oil producing assets, became Abramovich's first deputy. He played a crucial role when the Governor was on one of his frequent trips outside the region.<sup>16</sup> A team comprised predominantly of Muscovites was formed by Tver Governor Zelenin, who, like Abramovich, has no local roots. Zelenin's first deputy Bershadskii used to work in the same business structures as Zelenin.<sup>17</sup>

When Khloponin came to power in Krasnoyarsk Krai, a large group of officials from Norilsk were given posts in the regional administration. The key positions are held by First Deputy Governor Kuznetsov, who used to be Khloponin's first deputy at Norilsk Nickel and in Taymyr Autonomous Okrug. Among those with a Norilsk origin are Sokol (chief of staff, former director of Norilskgazprom<sup>18</sup>), Gnezdilov (oversees natural resources and forestry; formerly employed by Norilskgazprom), Bobrov (industrial policy, former manager at Norilsk Nickel), Novak (in charge of finance; worked at Norilsk Nickel and in Norilsk city administration). Overall, Khloponin's administration consists of micro-groups of various origins, primarily from Norilsk and Krasnoyarsk City (those who used to work in Krasnoyarsk City Administration<sup>19</sup>), as well as those from various towns and rural areas of Krasnoyarsk Krai and officials working under the previous administration (for example, Kuzubov mentioned above). Such an administration is an example of a relatively balanced approach to team formation, when officials are recruited from various influential groups, whose members previously worked with the governor or were part of a newly formed alliance.

While analysing the composition of new regional administrations, one should take into account the vast differences in the previous status of new governors in the business elite. Arguably, only Khloponin and Abramovich represented really large financial-industrial groups (FIG) with their own recruitment reserve. In the rest of the cases, incoming governors formed their teams from their former subordinates and personal acquaintances who often had no experience of public service. Often a governor's own business became the recruitment ground; for example Roliz in Primorskiy Krai, and the Snezhka poultry factory in Bryansk Oblast. In Irkutsk Oblast many officials are originally from Chelyabinsk Oblast, i.e. the native region of Governor Tishanin. For example, Paranych (who had previously worked in Chelyabinsk City Administration), was appointed First Deputy Governor.



often integrate representatives of their own groups in new administrations. For instance, Yarin, who had worked in the office of Kozak, the Presidential Plenipotentiary Representative in the Southern Federal District (also in administrations in Vladimir and Ryazan oblasts and the Chechen Republic), became Prime-Minister in Kabardino-Balkariya.

Change of rule in regions makes the structure of the regional elite more complex and often sparks internal conflicts. In most cases, influential groups emerged that were hostile to the governor. For instance, in Irkutsk Oblast, Governor Tishanin, having defeated influential local politicians in his bid for the governorship, and having substituted the whole regional administration, soon found himself in conflict with the two largest centres of power – the regional legislature and the Irkutsk City Administration. Conflict between the regional governor and the mayor of the capital city is also evident in Pskov Oblast and relations between the governor of Primorskiy Krai and the mayor of the regional capital have been deteriorating. A common problem seems to be that 'businessmen-governors', as a rule, have limited political experience and poor connections with the regional elites. In the end, they fail to become consolidators of local elites, which in Russian conditions is one of the most important informal functions of a political leader. At best, thanks to the monocentrism of regional political regimes, observed nationwide, a governor often has to seek outward loyalty from other groups, which makes his power base very volatile.

As the analysis of businessmen-governors' political regimes shows, the regions are hardly moving towards democracy. Russian business is liberal only as far as the economy and the freedom of entrepreneurship are concerned. In politics, however, it often demonstrates strong authoritarian tendencies. Kalmykiya is a vivid example, where a young president, a businessman by origin, has established one of the harshest authoritarian regimes in Russia. The political regimes in Krasnoyarsk and Perm, however, look rather liberal, at least by Russian standards. At least in these two regions administrative resources are not concentrated in the hands of the governor and have not been employed to destroy the opposition. In these cases the governors' policies are more flexible and are based on compromise, and power is somewhat dispersed. These, however, are exceptions. Due to the particularities of the Russian period of the 'primitive accumulation of capital', entrepreneurs were matured in conditions of fierce and uncompromising competition, and such an experience could not but fail to leave a lasting imprint on their leadership styles. This is why it would be naïve to make a link between the current renewal of regional elites with a strengthening of democratic tendencies. Some new governors have illegal business dealings and maintain links with criminal cartels. The entry of businessmen into positions of political power has not led to a qualitative improvement in the openness and democratic credentials of the elites, and this is one of the key problems of political development in modern Russia.

The connection between the new governors' policies and the pursuit of their own personal and corporative gains in business following their accession to power in the region deserves special attention.

If one links business interests with regional competencies, or in other words searches for an economic rationale driving businessmen to run for gubernatorial offices, it becomes clear that the largest businesses currently have no interest in bringing governors under their total control. Large business in Russia deals with raw materials, and for the last few years decisions regarding the exploitation of natural resources (oil, natural gas, metal ores) have been under the competency of the centre. Similarly, today a governor is unable to create a 'most-favoured company regime' for a certain business, helping them to get grants for exploiting oil deposits, as was the case in the 1990s. Formerly, if YUKOS' protégé Zolotarev had become Governor of Evenkiya, this would have allowed it to strengthen its position in the region. Under new conditions this would be impossible without the agreement of the federal centre.

Other regional competencies useful for businesses were connected with the possibility of creating tax havens. Here we mean the right to abolish the regional component of the profit tax. Kalmykiya became the first large example of such a tax haven, which led to the registration of numerous companies from outside the Republic. At the same time Ilyumzhinov established informal relations with the leading business groups. In particular, this tax haven was used by MDM-Bank, LUKOIL and others. The practice of tax breaks played an important role in Chukotka, where after Abramovich came to power, subsidiaries of his oil company, Sibneft-Chukotka, Sibneft-Trading and Slavneft-Trading were registered. According to some estimates, by registering in Chukotka, Abramovich's group saved around one billion US dollars each year.

However, the right of regions to administer taxation have been drastically curbed (now a region can only cut its profits tax rate by a mere 4 per cent, and is not permitted to abolish it completely). For businesses even this, of course, is quite important. It is interesting to note that the Governor of Perm Krai Chirkunov, who came to politics from the business community, cut the regional profits tax rate for all companies in the region by 4 per cent. His decision could be viewed as an example of liberal economic policy, but not as the full introduction of a tax haven regime. Up until very recently, big business in Russia was primarily interested in the latter. It is hardly surprising then, that after regional taxation power was reduced, Abramovich's interest in the position of governor dropped sharply.

Alongside direct commercial benefits, another incentive for large businesses to take part in the political process is as an insurance against political risks. Putting one's 'own man' in a governor's seat helps create a more favourable business environment, which can be useful, though not vital, for a

of Taymyr, which coincided with the restructuring of Norilsk Nickel's assets and the registration of the company in Taymyr. Moreover, because Krasnoyarsk Krai is the main region of Norilsk Nickel's operations and Taymyr is its integral part, it was later decided to move Khloponin to the office of governor of the Krasnoyarsk Krai.

The decisions of large businesses to promote their own candidates to gubernatorial posts were rooted in the political situation in the 1990s, which was partially retained at the beginning of the 2000s, immediately after Putin came to power. The cases under our consideration are the 'first wave' of promotion of entrepreneurs to governors' offices, which reached its peak in 2000–2. At that time the 'power vertical' was not as rigid as at present, and business retained some autonomy from the bureaucrats.<sup>20</sup> The fact that governors were elected allowed them to work with the electorate independently of the federal centre and even to present the centre with a *fait accompli* when representatives of a FIG gained power. The scope of their authority allowed such governors to bring real commercial benefit to their patron FIGs. This situation, however, changed very quickly due to the more active stance of the centre which was alarmed by FIGs' desire to create political footholds in the regions.

Yet at present, one can speak only of marginal benefits for those FIGs which have a representative in a governor's office. FIGs may enter into joint projects, be granted privileged negotiations over the budget process and regional socio-economic programmes, and gain access to valuable information held by the regional administration. Such companies can also use governors as their lobbyists at the federal level, for instance, through their membership of the State Council which is chaired by the President. Khloponin, for example, is known to be a successful lobbyist.

In this situation one can assume that it is small and medium businesses (which are affected by regional authorities to the greatest extent) that should be the ones most interested in gubernatorial positions. However, the influence of such business is usually too weak to promote its representatives into gubernatorial posts. At the same time there are serious institutional limitations prohibiting small businesses from reaping commercial profits.

The major restriction is federal policies. Putin's centralization reforms have made the governors more dependent on the Kremlin. Especially after abolishing gubernatorial elections and the introduction of the appointment system, a governor is primarily perceived as a conductor of federal interests, as an ordinary bureaucrat operating within the limits of a prescribed mandate. Abusing one's authority too blatantly by expanding one's own business can have negative repercussions on a governor's relations with the centre. The Kremlin tolerates it as long as it does not cause public scandals or conflicts with other power groups. However, understanding the changing rules of the game and new institutional constraints (the presidential appointment of governors, more rigid and better organized federal control

to act cautiously. Besides, as public servants, they are prohibited by law to be involved in commercial activity; otherwise they might risk ruining their career.

One result of these centralizing policies is a slow down in the growth of the new business groups which were created by the governors. Or if there is any expansion, it is being concealed, as are governors' connections with such expansion. A governor with business roots has been turned into an 'ordinary' governor, i.e. a political figure operating within the framework of Putin's system of centre-regional relations. First and foremost, there is 'loyalty to the biggest boss', i.e. to the President, upon whom all governors depend. This rule, in its turn, leads to another, the 'rule of caution', which discourages a governor from acting in support of his patron company.

A governor, striving to strengthen his political position, seeks to show his support of other business groups, even those which were previously treated as enemies. For example, Khloponin in Krasnoyarsk Krai tries to adopt policies which are beneficial for all business groups operating in the region, and not only for Norilsk Nickel. He has established relations with Deripaska's Basic Element Group, even though they were his opponents in the race for governor. One of the main lobbyist projects in Krasnoyarsk Krai is the Lower Angara Development Programme, which was approved by the federal government in 2006 and financed through the Investment fund. This programme is largely in the interests of Basic Element. Thus, Deripaska's group has not been negatively affected by the fact that a protégé of Interros came to power in the region.

The example of Krasnoyarsk Krai shows that the policies of Russian governors are too flexible to be analysed from the viewpoint of the interest of only one particular business group. Having obtained a political status, a businessman enters a completely new institutional environment. With the main task ahead of him – retaining power in the region, a governor takes orders from the federal centre, pledges political allegiance to the President. Operating within a highly centralized power structure where there are sharp resource inequalities between the centre and the regions, and widespread authoritarian practices, autonomy from the centre is impossible for most governors.

Previously, a governor could be guided by public opinion, since he was preparing grounds for his re-election. And often the centre had to reconcile itself with the popularity of some 'independent' governors. Now however, public opinion is less important. A governor is also interested in neutralizing his political rivals by improving relations with them and thereby minimizing their opposition. Since most governors in our sampling have not served long, it is even more vital for them to fit into the existing system of relations which they are unable to change.

The 'second wave' of former entrepreneurs who have made it into the Russian regional power is connected with gubernatorial appointments.

such as Tishanin, Dudka and Ipatov, has become a clearly defined tendency. These appointments, however, reveal another tendency. Back in the Soviet times the concept of 'nomenklatura' comprised not only party officials and high-ranking civil servants, but also the 'directorial corps'. Certain members of the elite could move from positions in the economy to state structures and vice versa. A similar circulation of elites is being applied today, when certain forms of social organization typical of the Soviet period are being restored. State-owned companies are influence groups (or coalitions of influence groups), which are headed by people with access to the presidential inner circle. The most vivid examples are Gazprom, Rosneft, Russian Railways and Rosoboronexport. These companies have turned into influential political actors capable, among other things, of promoting their protégés into gubernatorial positions.

The rationale of such nominations lies not in the desire to carry out economic expansion in the regions using the governor's support. Such companies command powerful federal administrative resources that would compel any governor to take their interests into account. It is more likely that the heads of such companies are creating their own clientelistic networks in the regions with the object of increasing their political influence in the run-up to the 2007–8 federal elections and the upcoming struggle for power.

For the first wave of governors the primary motivation of seeking regional power is gradually being lost. In 2000, when the country saw a transition of power from one president to another, Abramovich, who had played a key role in Yeltsin's inner circle, decided to go into politics to secure his position. The office of governor, even in such an underdeveloped and remote region as Chukotka, turned out rather convenient for Abramovich and was used for attaining business objectives. This was despite the fact that, according to some sources in Abramovich's administration, over 1.5 billion US dollars were spent by Abramovich on the region's development, which is 1.5 times more than he saved by tax breaks.<sup>21</sup> Clearly, for Abramovich being Chukotka's governor was much more important than economic gain. His integration into the new political elite and his image of a successful and caring regional leader was certainly worth the losses. However, gradually his interest in such work declined. Following the sale of his main asset, Sibneft, to Gazprom, there was even less sense for him to remain in the position. It was not so much because the tax haven system was no longer available, but because the largest tax payers brought by Abramovich had left the region. The company Gazprom Neft, created on the basis of Sibneft, was registered in St Petersburg and did not need to register its subsidiaries in Chukotka. This meant that Chukotka, whose economy under Abramovich used to be termed 'virtual', has again become impoverished and totally dependent on federal financial aid.<sup>22</sup>

At the same time, serving as a governor offers new incentives in the form of belonging to Russia's power elite. In starting a new career, a governor

becomes part of the presidential nomenklatura and gains points for the future continuation of his career at the federal level. The first example was Perm governor Trutnev, who was appointed Russian Minister of Natural Resources.<sup>23</sup> After Khloponin's re-election as Krasnoyarsk Krai Governor, his imminent relocation to Moscow to a high-ranking position was often discussed in the media and among the experts.

Nonetheless, the appointment of a businessman as governors has still been possible even after 2005, as was shown by the examples of Kanokov and Kozhemyako. At the moment, however, it is too early to speak about a new tendency. In present conditions it is quite obvious that the Kremlin is not interested in appointing protégés of large private nationwide companies as governors, as the federal centre is trying to weaken their political influence. Medium-level businessmen are no threat to the Kremlin, and so their occasional appointment has been witnessed. Finally, speaking about the genesis of Russian elites, one should note that the old Soviet elites are giving up their positions and are being replaced by a new generation of individuals often with experience of working in business, which in the post-Soviet period has become an important recruitment ground.

## Notes

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- 14 Budagin exemplifies a manager of his origin. He was educated in Norilsk where he began working at Norilsk Nickel even before moving to work for Interros. Being with Interros, he rose up in his career and became mayor and later governor.
- 15 Chirkunov's appointment was prompted by different circumstances. He succeeded another former entrepreneur, Trutnev, who won the gubernatorial elections in 2000 and in 2004 was invited to join the federal government.
- 16 Gorodilov's father was director of the oil producing company Noyabrskneftegaz, which was later taken over by Sibneft.
- 17 Some of Zelenin's team followed a path of gradual integration into the local elite. At first, they worked in Tver city administration, after the local politician Lebedev, supported by Zelenin's group, had lost the mayoral election. When Zelenin won the race for governor, those officials, and in particular Bershadskiy, were invited to work in the Oblast administration.
- 18 An independent company, not part of Gazprom.
- 19 Krasnoyarsk mayor Pimashkov stood for governor and supported Khloponin in the second round.
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- 21 Indeed, charity foundations and socially orientated target programmes were functioning in the region, even though it is not quite clear how their funds were spent and whether all the money was spent on charity.
- 22 It should be noted that the active exploitation of the region's own mineral resources was never started under Abramovich. Gold mining was Chukotka's main hope, but by 2005 it fell to its all-time low (less than 4 tons per year, as compared with 35 tons in the 1970s).
- 23 Prior to that, Trutnev was one of the largest businessmen (he worked in the trade sector) in Perm city, in 1996 he was elected mayor, and in 2000 governor.

## 9 The struggle for power in the Urals

*Elena Denezhkina and Adrian Campbell*

### Introduction

The aim of this chapter is to analyse the evolution of the conflict between the Governor of Sverdlovsk Oblast (region) and the Mayor of the regional capital, Ekaterinburg (formerly Sverdlovsk) over the period from the early 1990s up to 2007. The chapter draws on research which was conducted over a long period and through different means. Initial visits were made in 1993–5 to analyse the development of federal–regional and regional–local relations. There followed a period of intense participant observation in 2000–3 during which the authors were directly involved in the development and implementation of a strategic plan for the city of Ekaterinburg<sup>1</sup> (which for a brief period in the spring of 2003 was the main focus of political conflict), followed by documentary research of local media and a follow-up visit in 2007. Due to the nature of the subject matter and the fact that most of those involved are still in post in what remains a highly sensitive political environment, we have made relatively little use of direct quotation from interviews or conversations, but have rather let the insight from these inform our reading of printed sources.

### Sverdlovsk Region and Ekaterinburg

Strategically situated on the Europe–Asia boundary, and with a population of 4.6 million, Sverdlovsk is one of the most populous of Russia's subjects of the Federation. The pattern of industrial development has meant that, after Moscow, St Petersburg and Moscow Region, Sverdlovsk is the most urbanized of Russia's Regions (over 4m urban inhabitants), the majority of the population living either in Ekaterinburg (1.3m) or in the belt of industrial towns which surrounds Ekaterinburg in the south of the region.<sup>3</sup> The concentration of defence high technology research and development facilities meant that Ekaterinburg (a closed city until 1992) possesses a high concentration of what was in soviet times termed the 'scientific technical intelligentsia'. As a result the city became a centre of progressive politics, and closely associated with Boris Yeltsin who was Party First Secretary for the