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Assessing the Structural Prerequisites for an Efficient Russian Political Market

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**Assessing the Structural Prerequisites
for an Efficient Russian Political Market**

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Abstract

Applying the market metaphor the first part of the article outlines a conceptual model for assessing the efficiency of the Russian political system. In the Russian transitional context the development of democracy also has to be included in such an assessment. Using Robert Dahl's classic criteria of democracy and Douglass C. North's factors determining transaction costs a scheme is suggested for assessing the efficiency of the Russian political market, looking at the *structure* of this market as well as actors' behaviour (*agency*). In the second part of the article, essential structural developments of the Russian political market are analysed and the implications of these developments are discussed. The conclusion is that a number of recent reforms affecting the structure of the Russian political market will improve the prerequisites for efficiency of citizens' participation in political life. Finally, the usefulness of applying the market metaphor in analyses of the political system is discussed.

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Assessing the Structural Prerequisites for an Efficient Russian Political Market

Mats-Olov Olsson

Democracy is a device that ensures we shall be
governed no better than we deserve.
(George Bernard Shaw)

1 Introduction

Arguably, the disintegration of the Soviet Union, which actually started long before 1991, and the subsequent transition period in Russia aiming at transforming the crumbling command economy into a modern market system, was the most important geo-political event of the 20th century and its repercussions are still very much influencing world developments today.

Through a series of far-reaching reforms, changes were introduced not only in the institutions governing business behaviour in Russia, but also in the structure and functioning of the political system, a process that has become known as the *dual transition*. The ambitious and utterly complex goal of simultaneously converting the Soviet economic and political system into a democratic market economy based on private ownership was fraught with a high risk of failure, which caused deep concern among reformers and observers early on in the transition process (Sukhotin & Dement'ev, 1991; Kuz'minov *et al.*, 1993; Elster, 1993; Ordeshook, 1995; Frye, 2003). Severe problems have constantly been encountered along the road forcing the political leadership to change policies during implementation and to devise new policies to remedy the problems created by previous reforms, thus increasing the uncertainty that actors in society have had to cope with, ultimately reducing people's expectations of a positive future and jeopardizing the legitimacy of the entire reform program.

The fundamental problem that has to be solved in the dual economic and political transition in Russia is how to change the institutional framework that evolved in the Soviet period to make it conducive to the emergence and efficient functioning of a market economy and a democratic political system. Douglass North (1997:2) briefly defines institutions as "the rules of the game in a society; more formally, they are the humanly devised constraints that shape human interaction. In consequence they structure incentives in exchange, whether political, social, or economic." Institutions should be distinguished from organizations, the former being the rules of the game, the latter "groups of individuals bound together by a common objective function (economic organizations are firms, trade unions, cooperatives; political organizations are political parties, legislative bodies, etc.)" (p. 1).

North (1997) further argues that institutions are essential for the creation and operation of efficient markets underlying economic growth. Good institutions should provide “low-cost transacting” in economic as well as political markets. Four “major variables” determine these so-called *transaction costs*. *First*, there are costs incurred in measuring the “valuable attributes of the goods and services or the performance of agents in exchange.” *Secondly*, transaction costs depend upon the size of the market and whether exchange is personal or impersonal. In personal exchange, where the need for detailed specification of what is being exchanged and enforcement of contracts have to be detailed, transaction costs are higher than in impersonal exchange, where competition guarantees more efficient transactions. *Thirdly*, transaction costs increase with the need for enforcement of contracts in situations where parties come to dispute the conditions of exchange. In well-established market economies an elaborate legal system has allowed the development of “a complex system of contracting that can extend over time and space, an essential requirement for a world of specialization” (p. 3). In North’s conception, the *fourth* variable determining transaction costs has to do with ideology (North, 1997:3):

Ideology, consisting of the subjective ‘models’ individuals possess to explain and evaluate the world around them, not only plays an essential role in political choices, but also is a key to individual choices that affect economic performance. Individual perceptions about the fairness and justice of the rules of the game obviously affect performance; otherwise we would be at a loss to explain a good deal of schooling, as well as the immense investment made by politicians, employers, labour leaders, and others in trying to convince participants of the fairness or unfairness of contractual arrangements. The importance of ideology is a direct function of the degree to which the measurement and enforcement of contracts are costly. If the measurement and enforcement of contract performance can be done at low cost, then it makes very little difference whether people believe the rules of the game are fair or unfair. But because measurement and enforcement are costly, ideology matters.

Thus, to summarize, efficient markets are impersonal and exchange is characterized by low transaction costs, that is, parties to an exchange incur minimal costs for quality measurements and contract enforcement, and they trust the fairness (and enforceability) of the rules governing the exchange. In this conception, institutional change aims at installing new or modified rules that contribute to transaction cost decrease. The problem of how to achieve such change is still largely unresolved. Previous research on the transformation of the Russian forest sector (see, for instance, Carlsson, Lundgren & Olsson, 2001; Olsson, 2006) identified a number of institutional deficiencies hampering the efficiency of actors’ behaviour on the “timber procurement arena”.¹ It was also found that the further development of a market efficient Russian forest sector would be facilitated by — in fact, would even require — an improved functioning of the Russian political system.

¹ This research was conducted by a small group of researchers (of which the present author was a member) at the International Institute for Applied Systems Analysis (IIASA) in the period 1997–2001. Work was subsequently continued by the present author in his home institute, the Centre for Regional Science of Umeå University, Sweden. A complete listing of reports published by the IIASA project can be found at <http://www.didaktekon.se/mats/ii-publ.htm>. Information about IIASA can be obtained from the institute’s website at <http://www.iiasa.ac.at>.

1.1 Purpose and Structure of the Article

In this article I seek to structure the complex problem area relating to the functioning of the Russian political system and to outline a framework for assessing the efficiency of actors' political interaction, focusing on the rules (institutions) governing behaviour in the Russian political market. In so doing, I take the departure in Douglass North's writings on what drives institutional change and what makes the functioning of the political market so important.

In the first part of the article I set out by summarizing some recent thoughts developed by North and colleagues on what drives institutional change. In a following section I discuss the meaning of the political market concept and what might be understood by efficiency in the context of such a market. Next, a set of criteria is distinguished, by which the efficiency of actors' behaviour in the political market can be assessed. It is argued that both the way Russian political life is structured and the way the actors of the system behave must be taken into account when assessing the efficiency of the country's political market.

In the second part of the article, I use recent research findings to exemplify some of the changes in the structure of the Russian political market that seem most important with respect to its potential efficiency. In the concluding section it is discussed to what extent the Russian political market has become more or less democratic and efficient since the beginning of the 1990s. It will also be possible to draw some conclusions about what features of this development are insufficiently understood and thus in need of further study. Finally, the usefulness of applying the market metaphor for assessing political processes is ascertained.

2 Theoretical Approach

2.1 What Is Driving Institutional Change?

Improving the efficiency in actors' market behaviour — be it in the economic or in the political market — requires changes in the institutional framework. Thus, the crucial question is: how do institutions change? And, much more specifically and relevant for this article, in what way must institutions change in order to contribute to decreased transaction costs? In recent writings North has emphasized the importance of the cognitive processes behind individual and collective learning and how such learning manifests itself in the emergence of institutions (cf., Mantzavinos, North & Shariq, 2004; North, 2005).

When theorizing about institutions, it is useful to distinguish between two aspects: external and internal.

From an external point of view, institutions are shared behavioral regularities or shared routines within a population. From an internal point of view, they are nothing more than shared mental models of shared solutions to recurrent problems of social interaction. Only because institutions are anchored in people's minds do they ever become behaviorally relevant. The elucidation of the internal aspect is the crucial step in adequately explaining the emergence, evolution, and effects of institutions; it is this that makes for the qualitative difference between a cognitive approach to institutions and other approaches (Mantzavinos, North & Shariq, 2004:77).

For the further discussion, it is important to note that institutions consist of “formal rules (constitutions, statute and common law, and regulations), informal rules (conventions, moral rules, and social norms), and the enforcement characteristics of each” (Mantzavinos, North & Shariq, 2004:77). Informal rules emerge spontaneously in the interaction among members of a social group in a process of collective learning. The emergence of formal rules has to do with the necessity of coming to grips with individuals (or groups) who do not abide by the established informal rules. Such behaviour is more likely to appear in large groups where impersonal relationships between members dominate, rather than in small groups (tribes and the like). Mantzavinos, North & Shariq (2004:78) present an argument explaining the emergence of states as an evolutionary response to the need for protection that appears in large impersonal groups:

Thus, in an evolutionary process characterized by *collective learning*, division of labor, and competition or cooperation among entrepreneurs, one or more protective agencies remain in the society. Since their primary function is to offer protection in exchange for goods or money, they constitute the *protective state* or *states* taxing constituents for the supplied protection. But isn't there any difference between protective agencies and protective states? The only analytically important one seems to be that protective agencies appear at the first stages of the evolutionary process, whereas protective states are, in a way, the outcome of that process. Greater stability is characteristic of the protective state, since both rulers and citizens have already gone through a learning process. Citizens have realized that the costs of exiting a protective state are quite high [...]; and rulers have learned how other rulers react and which technologies of oppression are most successful. The difference is therefore one of degree rather than of kind.

The authors further maintain (p. 79) that, despite recent progress in political science, there does not yet exist any “general theory of how political markets work and how protective states come to assume more and more functions, offering a bundle of public goods rather than merely protection”. In their opinion such a general theory would “explore the transaction-cost characteristics of political markets and the role of ideology in shaping political outcomes”. The development of a theory of ideology, the authors suggest, “could have as a starting point the evolution of the shared mental models of the political actors that give rise to and legitimize new political rules.”

Finally, one more notion of central importance for North's conception of institutional change should be mentioned. This is the notion of *path dependence*, a concept denoting rigidities preventing fast or drastic changes in established behaviour. Mantzavinos, North & Shariq (2004) speak of cognitive, institutional and economic path dependence, where cognitive path dependence (that appears when “shared learning” repeatedly comes to the same result thus stabilizing mental models) leads to a path-dependent formation of institutions used to solve a variety of social problems in a particular way. This results in “increasing returns” of the institutional framework, creating disincentives for institutional change (institutional path dependence). A constant institutional framework (entailing a stable incentive structure) will favour a certain type of technological development, which ultimately results in economic path dependence. The authors (p. 81) end their article by calling for further research “in order to develop theories of how political markets function, of the emergence and effects of ideology, and of the relation between formal and informal institutions”. This article hopes to make a contribution to this research agenda.

2.2 The Political Market

Drawing upon North (1990; 1997) this article sets out to study the efficiency of the political system in much the same way as one would do to assess the efficiency of the economic system, through changes in the costs of transaction. The criterion for improved efficiency is that interactions in the market can take place at reduced transaction costs, i.e., all costs relating to a market transaction, apart from the direct production costs of the commodities or services that are exchanged. This is understandable when we think of transactions in the market for goods and services. But what about transactions in the political market? First of all, what do we mean by a political market?

The concept of *market*, as used in economic and political discourse, traditionally refers to an abstract (metaphorical) “place” where suppliers of a certain commodity or service meet potential customers to establish the minimal price at which the supplier is willing to cede the property rights of the commodity or service in his possession to the customer. Multiple suppliers and customers are assumed to compete in this idealization of a market. Prices thus established reflect scarcity relations between the commodities and services that are offered in the market. In a perfectly functioning market (another abstraction/idealization) such prices (and the profits they generate) will guide the producers in their efforts to make maximally profitable decisions concerning production and investments.

Customers who want to buy a specific commodity or service has to monitor the supply of the product offered in the marketplaces in order to find an acceptable price relative to the desired quality and quantity. There are also a number of other issues that have to be resolved, issues that can broadly be labelled the *terms of trade* (time of delivery, forms of payment, enforcement of contracts, insurance, etc.). Expenditures (in time and money) related to such monitoring activities constitute transaction costs. Efficient markets are characterized by minimal transaction costs. In general, transactions conducted in large impersonal markets guided by well-functioning rule systems (institutions) incur lower transaction costs (i.e., are more efficient) than transactions in small, personalized markets.

How can the economic market metaphor be applied to the field of politics?² First, it is necessary to distinguish what it is that is being exchanged in political markets and who the parties to such transactions are. In general, the “products” exchanged in political markets are one way or another related to institutions (rules-in-use) that govern various aspects of people’s behaviour, often to the formation of such institutions (ideas and views suggesting new or modified rules-in-use), including the procedural rules governing how collectively decided institutions should be established. The “products” exchanged in political markets may be of a very general character, such as ideas and proposals for policies intended to impose restrictions applicable to *all* actors and spheres

² Attempts at conceptualizing political activity as actors’ interaction in a marketplace has a fairly long history in economics, business studies, and political science. Downs (1957) is an often cited precursor of this line of research. In Monroe (1991) Downs’ legacy is reviewed and commented upon by a number of his followers and critics. For a recent overview of the theorizing on why, how, and with what consequences politics, conceived as interaction in a marketplace, can be influenced by various actors, see Getz (2002). The principal characteristics of political markets and their function has been outlined, e.g., by North (1990); Bonardi, Hillman & Keim (2005).

in society, but they may also be ideas or proposals for rules of more limited scope, rules intended to govern the behaviour of *some* actors (individual citizens and organizations) with regard to very specific issues. The “products” offered in the political market are paid for by “support” of the actor supplying the product. This payment may consist of electoral support (votes), information, or sometimes financial support for political campaigns, etc.

In principle, we could expect to find the same actors in political markets as in economic markets. The ultimate actors in the political as well as in the economic system are individual citizens. But, depending upon the framing of the analysis, actors might be distinguished on various levels of aggregation, from individuals, to informal and more formal groups of individuals, such as households, enterprises, and other kinds of organizations (political parties, business associations, labour organizations, NGOs of various inclination, etc.).³

Table 1 summarizes the principal differences between economic and political markets.

Table 1. Comparison of Economic and Political Markets

Characteristics	Economic	Political
Definition/boundary	Substitute goods/services	Political issue
Demanders	Customers	Citizens, firms, interest groups, voters, other governments (foreign or subgovernments)
Suppliers	Firms, individuals	Elected and nonelected politicians, bureaucrats, legislators, members of the judiciary
Product	Good, service	Public policy, regulation, deregulation
Nature of exchange	Money, other goods (barter)	Votes, information, financial support

Source: Bonardi, Hillman & Keim (2005:400).

A good starting point for comparing economic and political markets is to look at the character of the principal-agent relations that exist in the two kinds of market. In economic markets, the principal’s problem of making the agent behave in the desired way normally is viewed hierarchically and as an employer-employee relation, where enterprise owners recruit a CEO obliging him by contract to make the enterprise perform in the best interest of the owners (for simplicity let us assume that this means seeking to maximize profits). The CEO, in turn, is responsible for the recruitment of other enterprise employees under such conditions that profit maximization can be reached. This behaviour is institutionally embedded in provisions made in various legislative acts (e.g., constitutional stipulations on property rights and legislation

³ A substantial share of the literature on political markets deals with enterprises’ political activity under labels like “corporate political agency,” “issue management,” “Corporate Political Action Committees” (so-called PACs), etc.

regulating the labour market) with details relevant for individual instances laid down in contracts between the parties. This way principals know how to sanction irregular behaviour on the part of his agents and there are organizations (public and private) to settle disputes that might arise. The principal-agent relations in economic markets seen from the opposite perspective of a consumer — the principal being the buyer of a product or service supplied by the agent, an enterprise — is likewise embedded in a fairly clear and operational institutional framework.

The institutional embedding of the principal-agent relations in operation in political markets is quite different. A fundamental difference compared to economic markets is that the political market is coercive in that the state extracts money for its operation from all taxpayers in the country. Citizens/taxpayers are thereby actors in this market whether they wish to be so or not. But as actors they have a right (and they ought to consider it important) to know that their tax payments come to best use. Furthermore, political markets are highly competitive and much of the interaction (exchange) in this market aims at forming coalitions to promote certain political goals, often entailing a temporally extended, recurring negotiation process, quite unlike the separable one-time deals that are concluded in economic markets. In the political market constitutional stipulations play a much greater role for the way these relations are enacted. A country's constitution identifies political bodies in charge of the legislative, the executive and the controlling powers in society and it stipulates how these bodies are allowed to exercise the powers given them and through whom (i.e., requirements on officials and how these officials should be selected). The character of these constitutional rules also determines in what kind of governance (variants of democracy or dictatorship) these bodies are to function. In a democracy, which is what we will be dealing with here, the constitutional rules supplemented by other legislation define the form and character of the principal-agent relations that are to apply between the central and regional authorities (rules defining federal relations), between citizens and their representatives to the parliament (rules governing political parties, electoral rules, procedural rules, etc.), between various officials of government and employees in governmental bodies (rules governing bureaucracy) (cf., Shepsle & Bonchek, 1997; Mitnick, 1993; Keim & Baysinger, 1993). Compared to the rules governing principal-agent relations in economic markets the rules governing these relations in political markets are more ambiguous and difficult to enforce. Obviously, there are instances of rule violations that are immediately recognized and for which there are clear and implementable sanctions. Political agents (such as elected members of parliament — legislators) often behave in a way that their principals (citizens — voters) would not approve of without the latter being able to enforce any sanctions at all against the former, at least no immediate sanctions.

The reasons for such “market failures” are partly to be found in inadequacies in the system of rules guiding the behaviour of principals and agents, but partly also in the fact that transactions in the political market and the “products” exchanged are of a very different nature compared to those of economic markets. For instance, information necessary to reach decisions on transactions are harder to come by in political markets than what is normally the situation in economic markets. Typically, different actors in the political market have access to information of varying scope and quality (asymmetrical information). Add to this the fact that the “products” exchanged in political markets are of an entirely different character than products exchanged in economic markets. The ideas and promises of new or modified institutions that are the

“goods” traded in the political market often are of a public-good type, i.e., the benefits of the transaction (if they are eventually realized) in principle accrue to everybody in society, while the “cost” paid is often carried by a few. This makes political markets much more volatile than economic markets and developments in political markets are therefore also rather more difficult to predict. Actors in political markets are thus faced with greater uncertainty compared to actors in economic markets. Thus, the incentive structure of actors in political markets is quite different compared with that of actors in economic markets.

All of the mentioned features characteristic of political markets tend to raise transaction costs. Clearly these costs will be high in political markets that are “immature” in the sense that well-functioning institutions (formal as well as informal rules) have not (yet) been established. However, it is reasonable to assume that in such markets (like in all markets) actors’ behaviour will change through a learning process that will ultimately affect actors’ “mental models” leading to (formal or informal) collective decisions on changes in the institutional framework that will make costs of transactions decrease, thus improving the efficiency of operations in political markets.

2.3 Conceptualizing the Efficiency of the Russian Political Market

Assessing the performance of the Russian political market necessarily entails a comparison of observed behaviour and its structural constraints with some kind of norm. The behaviour observed in another society could in principle serve as such a norm. However, that would not reveal anything about the position of the Russian political market in the total set of existing political markets.⁴ Another approach would be to construct a kind of “ideal-type” for comparison by defining from “first principles” a (theoretically) ideal political market. To enable an assessment we then need to identify, on the basis of this definition, a set of criteria that together normatively define a democratic political system, criteria against which the structure and functioning of the Russian political market can be assessed. This is the avenue chosen here.

Robert Dahl (1971) has suggested several requirements that together might be used to define a kind of ideal-type democracy. Dahl (1971:2) argues that a democratic government must be responsive to the preferences of its citizens and allow them “unimpaired opportunities” to formulate and signify preferences and have their preferences “weighted equally in conduct of government.” To allow these opportunities Dahl lists a number of guarantees that citizens must be given:

1. Freedom to form and join organizations;
2. Freedom of expression;
3. Right to vote;
4. Eligibility for public office
5. Right of political leaders to compete for support;
6. Alternative sources of information;
7. Free and fair elections;
8. Institutions for making government policies depend on votes and other expressions of preferences.

⁴ Unless, of course, it had already been established what relative position in the total set of existing political markets that specific society occupied with which Russia was to be compared.

Dahl notes that two different “theoretical dimensions” emerge from this listing. Actually, the guarantees specify how *public contestation* should be achieved and they also indicate that the degree of participation (*inclusiveness*) in democracy may vary. By combining the two dimensions Dahl deducts four types of regimes that he uses to illustrate the process of *democratization*. One of these types he calls “polyarchy” characterized by high public contestation (liberalization) and high participation (inclusiveness). Systems characterized by low public contestation and low participation he calls “closed hegemonies”. Democratization consists in a movement from closed hegemony towards polyarchy, i.e., from low to high “values” on both the contestation and the participation axes.

By observing how the Russian regime that emerged after the disintegration of the Soviet Union — Dahl notes that the Soviet regime was highly inclusive, but not allowing public contestation — opens up to public contestation, the degree of democratization in Russia can be assessed. However, as Dahl also points out, a more complete characterization of democracy would require more dimensions than the two he explicitly discusses. Dahl’s characterization of democracy and democratization nevertheless indicates a number of criteria for assessing the development of Russian democracy, distinguishing whether or not the system is becoming more democratic with time, approaching what Dahl labels polyarchy.

But the characterization also draws attention to the fact that in practice many different ways of implementing Dahl’s eight guarantees may exist, ways that could in principle produce a large number of unique variants of democracy. The functioning of these different democracy variants may be more or less efficient in terms of the transaction costs that are incurred in the operation of the system. Thus, in principle, an assessment of the efficiency of the Russian political market would need to establish the specific type of democracy (of all possible and acceptable variants) that would potentially incur the lowest transaction costs. The assessment would then consist in measuring the deviation between the actually existing variant of Russian democracy and the “optimal” variant that might potentially have been selected. (This issue could be seen as a parallel to the issue of *allocative efficiency* in economic markets.)

However, in the present context, noting that democratization in Russia is increasing public contestation, the choice of democratic system (i.e., the selected variant of democracy) will not be questioned, it will rather be taken as a given, assuming that it represents people’s preferences. Nevertheless it must be noticed that the variant of “democracy” existing in Russia today has undergone structural changes since it was originally installed at the beginning of the 1990s and that these changes have presumably affected the transaction costs that actors incur in their operations in the Russian political market.

Changes in actors’ behaviour in the political market might also be due to other (non-structural) factors influencing transaction costs, such as changes in perceptions, incentives, ability to access and interpret information, etc., most of which might be said to be consequences of individual and/or collective learning. Thus, behavioural changes could take place independently of changes affecting the structure of the observed variant of democracy. And as a result of changed perceptions, the actors in a given political market might rearrange their capacities and efforts in a way that increases the efficiency of their operations (reduces their transaction costs). This issue could be seen as a

parallel to so-called *X-efficiency* in economic markets (Leibenstein, 1966), i.e., the issue of how best to use given resources in a given production structure.

To sum up:

Democracy is a system of governance allowing all citizens real influence over collective decisions about public affairs.

A democratic political market is defined by the existence and enforcement of sets of rules, or *institutional systems*, that (a) establish a *structure* within which citizens can exercise their right to influence collective decisions, and (b) guide citizens' *actual behaviour* when exercising that right. These institutional systems are themselves established (and can be changed) through citizens' exercise of their rights to influence collective decisions.

An efficient market is one in which actors' behaviour incurs minimal transaction costs. With reference to political markets — and based upon the four factors that North claims determine transaction costs (cf., Section 1 above) — this would entail the following:

1. Formal rules (institutions) exist that facilitate citizens' assessment of the character and political programs of various market actors (politicians, bureaucrats), i.e., rules that facilitate citizens' decisions whether or not to support an actor or group of actors (e.g., a political party).
2. Measures are taken to increase the size of the political market, making the political market more impersonal (or public), which tends to increase efficiency (by decreasing transaction costs).
3. People have rights and capacities to assign responsibility for failures or mal-performance of individual politicians or political parties.
4. Collective learning exists that may result in changed (shared) mental models (ideology), with the help of which actors interpret their situation and decide on future actions.

2.4 Assessing the Efficiency of Russia's Political Market

Assessing efficiency changes in the Russian political market in principle entails an attempt at answering two separate questions: (a) How have the structural prerequisites for the efficient operation of the Russian political market developed during transition? and (b) How have other prerequisites (such as those related to learning) affected actors' behaviour in the Russian political market? The first question aims at establishing how the structure of the political market limits the potential efficiency of actors' behaviour, the second question aims at estimating to what extent actors realize the efficiency gains (reduced transaction costs) that are feasible within the existing structural constraints.⁵

⁵ It should be noted that the discussion in this paper does not concern "politicized" economic markets. Such markets often seem to be the focus of interest when economists claim to be discussing the efficiency of political markets. Their discussions may, for instance, deal with the efficient collection and spending of tax revenues for the provision of "welfare" (health services, education, defence, etc.). It may also deal with the production of goods and services in markets where government regulation is making a significant impact on supply and demand relations, such as may be the case in certain production activities in the private sphere affected, for instance, by government's environmental regulations (cf., for instance, Breton, 1999).

Thus, in principle, when assessing the efficiency of the Russian political market, both its structure and agency characteristics should be taken into account.⁶

Dahl's (1971) criteria, discussed in a previous section, mainly specify certain rights and freedoms that citizens should be guaranteed for the system of governance to be characterized as a democracy. They indicate principal ways through which citizens should be allowed to exercise their political power.

By stating that there should be free and fair elections, Dahl indicates that citizens could exercise their power indirectly, through elected representatives. Implicitly he thereby also acknowledges that there must exist in a democracy a hierarchical organizational structure within which these representatives should operate. The final guarantee listed by Dahl speaks of the necessity of institutions to ensure that voters' preferences be duly taken into consideration in government policies.

Table 2. Institutional Criteria for an Efficient Political Market

I. The (formal) institutional set-up of an efficient democratic political market should:	
C1	establish citizens' freedoms and rights to take certain actions, such as the freedom to form and join organizations, freedom of expression, right to vote, eligibility for public office, and right of political leaders to compete for support.
C2	sanction the existence of certain resources and procedures in society, such as alternative sources of information, and free and fair elections.
C3	impose certain restrictions on the conduct of government, such as institutions for making government policies depend on votes and other expressions of preference.
C4	be internally consistent, i.e., rules must not be contradictory and give rise to incoherent behaviour.
II. In an efficient democratic political market the behaviour of a majority of actors should:	
C5	(a) conform to the behaviour sanctioned by established institutions, and/or (b) not be overly influenced by, or contributing to, corruption.

By reformulating Dahl's criteria in institutional terms we arrive at three kinds of rules that establish the structure of a democratic political market (cf., C1–C3 in Table 2). Dahl's criteria also imply a hierarchical grouping of the institutions (rules-in-use) existing in a society. Typically, certain institutions limit the scope of others at lower levels in the hierarchy. Therefore, as suggested by Kiser & Ostrom (1982), it is useful to distinguish institutions operating at the *constitutional choice* level from institutions operating at the *collective choice* level, and from those that govern behaviour at the *operational* level. As explained by Kiser and Ostrom (1982:209): "Constitutional decisions establish institutional arrangements and their enforcement for collective choice. Collective decisions, in turn, establish institutional arrangements and their enforcement for individual action." This observation leads us to a fourth "consistency" criterion (C4) with important implications for the efficiency of political markets.

⁶ Integrating the analysis of structure and agency has been suggested by, for instance, Sewell (1992); Mahoney & Snyder (1999); and, in the context of the post-soviet transition, by Jones Luong (2002).

Finally, the required character of actors' behaviour in a democracy is specified in a fifth criterion (C5).

Under category I four criteria specify the structural characteristics of an efficient democratic political market and under category II the behavioural characteristics of an efficient democratic political market are specified.

Two questions will be explicitly addressed in the remainder of this article: (1) To what extent are the criteria listed in Table 2 met in contemporary Russia? and (2) To what extent do the criteria work as a general tool for assessing political markets?

To answer the first of these two questions the criteria listed in Table 2 will be applied to ascertain (a) whether formal rules (officially expressed in legislation) exist through which a clear structure of the Russian political market is specified; (b) how these rules compare with rules derived from an "ideal-type" definition of democracy; and (c) to what extent the behaviour of various actors in the Russian political market complies with the rules of the sanctioned institutional set-up and to what extent it is affected by corruption. The second question will be addressed in the concluding section.

Citizens exercising the freedoms and rights that, according to Dahl (1971), democracy should guarantee all members of society might, in principle, establish a political system characterized by a highly arbitrary conduct of government. By adding the requirement that good democracy should sanction the rule of law (which is actually implied by C5 in Table 2), the risk for arbitrariness in the conduct of democratic governance is reduced.⁷ The adoption of this normative requirement on good democracy puts constitutionalism at the centre of interest. "Constitutionalism is the theory that seeks to devise institutions which will implement the Rule of Law in the public sector" (Lane & Ersson, 2000:287).

In the sequel, the suggested approach to the assessment of the efficiency of the Russian political market is illustrated by focusing on the constitutionalization process and its effects on the *structure* of the Russian political market. The issue of *agency* — various actors' behaviour in the political market — is not further pursued in this article, despite its importance for a comprehensive assessment of the efficiency of the Russian political market.

3 The Constitutional Embedding of the Russian Political Market: Specifying the Structure and Empowering the Actors

In this section the formal aspects of the structure of the Russian political market will be focused. Four issues are discussed. First, we have a look at how the division of power has been implemented in Russia after the disintegration of the Soviet Union. To do so we look at the constitutionalization process and identify the most pertinent problems with the adopted constitutional provisions. Second, the structure of the electoral system

⁷ Archie Brown (2001b) bases an assessment of Russian democracy on Dahl's democracy criteria to which he adds two criteria of his own; political accountability and the rule of law. It seems that the latter is necessary to limit the potential arbitrariness of democratic governance, while the former can be subsumed under the other criteria Dahl suggests (such as the right to vote, eligibility for public office, the right of political leaders to compete for support, and free and fair elections). See, for instance, Morlino (2004) for a discussion of the quality of democracy.

is analysed as it emerges in the institutions regulating popular representation in the country's governance. Third, the territorial structure of governance is discussed as it is reflected in the development of Russian federalism, and finally, we review the development of some constitutionally sanctioned citizen rights, social resources and public procedures that together structure the principal-agent relations between those who govern (occupy political office) and those who are governed (citizens, voters) in Russia.

3.1 Constitutionalism and Semi-Presidentialism

Arguably the most important issue to take into account in an assessment of the efficiency of Russia's political market is the introduction of Rule of Law. It is therefore important to establish to what extent the constitutionalization process has gained ground in the Russian society. In this context it is also interesting to look at how the mode of governance established in the constitution affects policymaking and the development of democracy.

A country's constitution is a formal legislative document distinguishing what is to be meant by state organs and state competences (powers). The constitution divides various competencies, typically the executive, legislative and judicial powers, between various state organs, often the head of state, the parliament and the judiciary (Lane & Ersson, 2000). Existing constitutions are typically of two kinds, "thin" and "thick," the former requiring procedural accountability, representation and division of power, while the second, in addition, requires rigid rules for changing the constitution, a bill of rights, minority protection, as well as judicial review. Nations observing all rights stipulated in their constitution, so-called fully constitutional nations, are characterized by state stability and it seems that it is not primarily the constitutional format that matters for the longevity of states, but rather the fact that a constitution *exists* restraining the exercise of state power (Lane & Ersson, 2000).

Leaving aside the dramatic events leading to the disintegration of the Soviet Union in late 1991 and the subsequent constitutional turmoil ending with the attack on the Russian parliament in early October 1993,⁸ we merely note that, with the adoption in December the same year of the new constitution, Russia formally left its undemocratic Soviet past behind and seemed to enter a more orderly transition towards modern democracy.⁹

⁸ See, for instance, Ahdieh (1997) who has analysed the constitutionalization history 1985–1996; Sergeyev & Biryukov (1993) who give a contemporary account of early events and the prehistory of the constitutional change in Russia; Colton & Skach (2005) who concisely summarize the limited scope for action that the situation offered various actors in the turbulence preceding October 1993; and Ellison (2006) who recounts in detail the dramatic events of the Yeltsin years.

⁹ However, this interpretation of the events can be strongly contested. As many observers have argued there is much in the recent political developments in Russia indicating that liberal democracy is rather losing ground (cf., for instance, Hahn, 2004; Ross, 2005; Fish, 2005; Stoner-Weiss, 2006b; Holmes, 2006; and Hanson, 2007). Recent Freedom House ratings of political rights and civil liberties put Russia in the "non-free" category of countries (cf., <http://www.freedomhouse.org>). However, all observers are not entirely pessimistic. Sakwa (2005), for instance, analysing the 2003–2004 Russian elections and prospects for democracy, finds that recent electoral reforms initiated by President Putin might produce more favourable conditions for democracy — the character of developments will become more clear only after the next election cycle (2007/8); see also Moraski (2007).

With the disintegration of the Soviet Union, the primary task of constitutionalism in Russia could be seen as the establishment of basic institutions that should define, distribute and constrain state power while simultaneously being conducive to the reformation of the country's economic and political system.

The mode of governance sanctioned by the 1993 Russian constitution has been labelled *semi-presidentialist*. The system was actually established already in the years preceding the constitutional referendum (Huskey, 1996; Colton & Skach, 2005; Skach, 2007). Semi-presidentialism combines a popularly elected head of state (president) with a head of government (prime minister) responsible to the legislature. Many believed that this system combined the best of both presidentialism and parliamentarianism and that it would be an ideal constitutional arrangement for countries in transition. The system was also adopted by a majority of the transitional countries (Skach, 2007; Sedelius, 2006). Observers have noted that while semi-presidentialism might work well enough in countries with a consolidated majority government, where both the president and the prime minister have the same majority support in the parliament, there are considerable problems with this arrangement in countries, like Russia, with a so-called divided minority government, i.e., with a parliamentary situation in which neither the president nor the prime minister has a majority support (Colton & Skach, 2005). In a semi-presidential system there are inherent tensions between the president, the prime minister and the legislature. In the Russian case such tensions are likely to be especially severe due to the unusually strong powers that the 1993 constitution bestows upon the president. For instance, the president is empowered in many cases to bypass the legislature and rule by decree, he can dissolve the lower house of the parliament (the State Duma), he has unrestricted rights to appoint ministers (except prime minister), the presidency and his bureaucracy are immune from legislative oversight (Weigle, 2000; Willerton, 2005; Colton & Skach, 2005). Actually, formulations in the Russian constitution defining the president as the head of state can also be seen as "a norm granting the president the power to be head of the executive and to decide fundamental political issues" (Fogelklou, 2003:189). While Yeltsin refrained from making use of the full spectrum of his constitutional powers, president Putin, after his election to the post in March 2000, has taken a number of far-reaching measures that together have enhanced the powers of the presidential office even further.

The new constitution provided for subsequent additional federal constitutional legislation to enact more specific restrictions on the power invested in various state organs. Such legislation has since been introduced and it is still being introduced.¹⁰ Thus, it can be argued that the Russian constitutionalization process still is in a transitional phase (Fogelklou, 2003). Russia is not (yet) a fully constitutionalized country, even if some of the social benefits of constitutionalization has already been reached, such as a degree of state stability. The Russian constitution has also been characterized as *potentially* thick (Fogelklou, 2003), i.e., it includes a bill of rights, it is rigid in the sense that the stipulations for changing the constitution are fairly demanding, and it regulates the functions of a constitutional court (Art. 125). However, looking more to the actual functioning of the constitution, it has to be characterized as thin: "Constitutional values do not gain deep ground in society and the president's accountability is poorly

¹⁰ Several examples of this ongoing introduction of new legislation are discussed by various analysts in a volume edited by Sharlet & Feldbrugge (2005).

developed. The main functions of the constitution are to legitimize and legalize decisions but it will not affect the outcomes of the political process very much” (Fogelklou, 2003:194).

Constitutionalization embraces an institutional component, the establishment of constitutional structures. But the process also requires psychological underpinning in the form of development of a legal consciousness. Both aspects are of crucial importance for the success of the Russian transition. However, a serious problem with the Russian transitional reforms has been their emphasis on building constitutional structures while neglecting the development of legal consciousness (Ahdieh, 1997, Stoecker, 2003). The fact that court rulings in Russia are often not enforced in practice has led to a situation where legal norms are frequently disobeyed, with detrimental consequences for legal consciousness. This phenomenon is most likely related to the Russian political culture that has always allowed political decisions to be taken by members of the elite and the elite has basically used the law to further its own interests.¹¹ However, as Ahdieh (1997) argues, while constitutionalization initially was a “story of the elite,” arguably, there has been a “transformation of mass psychology” in Russia during transition, resulting in (or perhaps as a result of) a previously unknown public engagement in the political process. This is leading to a transformation of elite-mass relations, where, as Ahdieh (1997) claims, the absolute divide between the elite and ordinary citizens is beginning to be bridged. These developments implicate a certain learning process among Russian citizens, the elite as well as the masses, with potential consequences for changes in shared mental models and institutional change.

A prominent feature of the Russian constitution is the limited scope for action it reserves for the legislature. Compared with other post-socialist transition countries Russia has a weak parliament with negative consequences for the development of political parties and democracy (Fish, 2006). The parliament has hardly any say in the appointment of government. But then again, the power and influence of the government is also severely restricted by the current constitution, a fact that has made the government largely incapable of performing its normal tasks of economic and social policymaking (Sokolowski, 2003). The constitution formally specifies the powers of control (including, ultimately, the power of dismissal) of the parliament, the government and the president, but in practice no one of the three parties can safely exercise this power. This tends to lead to frequent stalemates or deadlocks in policymaking (Sokolowski, 2003). These are all due to structural features based in the Russian constitution, features that impede the efficiency of the Russian political market. During Putin’s presidency some of the structural causes of this inefficiency have been eliminated.

¹¹ The Soviet authoritarian political culture entailed a striking disregard for the rule of law (Alexander, 2000). Instead a whole range of informal institutions sidestepping, as it were, the formal legislation, guided the behaviour of most Russians. This “unrule of law” (Gel’man, 2004) survived the disintegration of the Soviet Union and still exercises a prominent influence on actors’ behaviour in Russia’s economic and political markets. The Russian elite, which is largely derived from the old Soviet *nomenklatura*, is content with the current state of affairs that does not interfere with the preservation of its favoured position in society. Ordinary citizens have learned to make things work in informal ways and they do not expect any sudden improvements in the rule of law. In neither group there is a particularly well-developed legal consciousness. In fact, since both groups are favoured by the status quo there seemed to be little “demand for law” in Russia in the early 21st century (cf., Hendley, 1999; Pistor, 2002).

Thus, in summary, the constitutionalization process in post-soviet Russia, entailing a number of constitutional choices (not least semi-presidentialism in its specific form) has undoubtedly made a profound but somewhat ambiguous impact on democracy and the efficient functioning of the country's political market (cf., for instance, Ahdieh, 1997; Schleiter & Morgan-Jones, 2005; Colton & Skach, 2005; Sedelius, 2006; Fish, 2006; Skach, 2007).

3.2 Popular Representation

The manner in which citizens are allowed (and able) to express their political opinion and to bring this expression to bear on actual policymaking is perhaps the most important feature of democracy and, in our conception, the efficient operation of the political market (cf., Fish, 2006). In this context electoral rules are of central importance, but also the structure and functioning of the assemblies and offices whose officials citizens elect. Thus, for the assessment of these aspects in their Russian context it is necessary to look at the rules for electing parliamentary deputies and the president as well as the division of power between the legislature and the executive. It is also essential to look at the formal rules guiding the establishment and functioning of political parties through which citizens' opinions can be channelled (cf., Lipset, 2000).

All of Dahl's (1971) democracy criteria relating to the freedoms and rights of all citizens to take part in political life and influence the country's government (*inclusiveness* and *public contestation*) were formally sanctioned by the 1993 Russian constitution.¹² While the Russian constitution stipulates that political diversity and a multi-party system shall be recognized (Article 13), the specific rules explaining how this multi-party system should be established and function are laid down in separate legislation.¹³

The Russian parliament, the *Federal Assembly*, consists of an upper house, the *Federal Council*, where the 89 Subjects of the Federation each has two representatives, and a lower house, the *State Duma*, consisting of 450 deputies elected in a two-tier system, with one half elected through a majoritarian system and the other half elected by proportional federal party lists, with a five percent entry threshold (Hutcheson, 2003).

¹² Dahl's freedoms and rights of citizens are specified in a "bill of rights" spelled out in Chapter 2 of the Russian Constitution (the "freedom to form and join organizations" is sanctioned in Articles 13, 30, and 31; the "freedom of expression" in Article 29; the "right to vote" and the "eligibility for public office" and the "right of political leaders to compete for support" in Article 32; "free and fair elections" in Article 3). The regulation of "institutions for making government policies depend on votes and other expressions of preferences" are expressed in Article 10 and 11 of the Constitution, establishing the division of state powers into a legislative, an executive, and a judicial power that should be exercised by, respectively, the Federal Assembly, the President and the Government, and the courts of the Russian Federation. Further regulation concerning this division of power is given in Chapter 3 on the federal structure, in Chapter 4 on the President, in Chapter 5 on the Federal Assembly, in Chapter 6 on the Government, and in Chapter 7 on the judicial system. In addition, the Constitution establishes citizens' right to private property (incl. land) and a free use of their abilities and property for lawful entrepreneurial and economic activities (Article 35, 36, and 34, respectively).

¹³ In 1995, the law "On Public Associations" (Law No. 82-F3) was adopted to govern the operation of political parties. After Putin was elected president, this law was replaced in July 2001 by the law "On Political Parties" (Law No. 95-F3) supplemented, in June 2002, by the law "On Fundamental Guarantees of Electoral Rights" (Law No. 67-F3) and some other minor changes to the State Duma and presidential election laws (Hutcheson, 2003). In December 2004, further amendments were made to the Law on Parties.

There was no connection between these two modes of election to the State Duma, which, in effect, resulted in two separate election campaigns (Huscheson, 2003). While this arrangement was originally created with a view to stimulate the emergence of a strong party system, in reality it turned out to hamper this goal, instead establishing a system beset with a number of principal problems (Ishiyama, 2000; Hutcheson, 2003; Thames, 2005). One of the most pervasive problems was that the system generated a plethora of parties, mostly small, short-lived, and with a limited territorial penetration, basically with presence only at the federal level (Stoner-Weiss, 2001; Golosov, 2003a, b; Riggs & Schraeder, 2004; Oversloot & Verheul, 2006). Another consequence was the fact that the system allowed ample scope for candidates running in single-member district races to win seats in the Duma without the support of a party. Instead the system favoured candidates running as so-called “independents,” whose success often hinged on the support of party substitutes, e.g., in the form of local elites (regional executives and/or business circles) — a practice that has been labelled “machine politics,” the operation of which has hampered the development of political parties in Russia (Moser, 1999; Hale, 2003; 2005; 2006; Golosov, 2002; Orttung, 2004; Riggs & Schraeder, 2004; McFaul, 2005; Gel'man, 2006; Oversloot & Verheul, 2006).

The party system was also dysfunctional in the sense that it could not usefully serve as a link between society/citizens and the state. Instead the system rather served the self-interested political elite (Riggs & Schraeder, 2004; Turovskii, 2006). The Russian party system is highly fluid and unstable. Political parties come and go or reshape/rename between electoral rounds, they are underinstitutionalized, and they have weak organizations and underdeveloped internal routines (Rose, 2000; Stoner-Weiss, 2001; 2006a; Riggs & Schraeder, 2004; Oversloot & Verheul, 2006). As a result accountability suffers.¹⁴ Parties are actually formed by members of the elite to serve as their basis for gaining access to the Duma in order to have a chance later to become candidates for the presidency. Rather than being an answer to citizens' demand for specific political agendas, parties in Russia are established to support the interests of their leaders and Duma candidates this way establishing what has been labelled a “supply-side democracy” (Rose, 2000; Riggs & Schraeder, 2004).

A characteristic feature of Russian party politics has been the special significance of certain parties, so-called “parties of power,” enjoying the support of the Kremlin (cf., for instance, Smyth, 2002; Oversloot & Verheul, 2006; Knox, Lentini & Williams,

¹⁴ It seems that public accountability has also come to suffer from the rules allowing elected deputies (those representing a political party as well as “independents”) to join so-called factions in the Duma. As Riggs & Schraeder (2004) observe: “Access to committee and other leadership assignments is granted to factions formed after elections, rather than to the electoral parties themselves, with no requirement that factions must be representative of electoral results in some fashion. It is only after the election that winning candidates show their true colors; independents reveal their political alignments, party candidates allied with one party simply for electoral advantage bolt to join a different faction; and others are seduced away by opportunities to satisfy their personal ambitions. After each election, the composition of the Duma's ‘party’ system has been strikingly different from what the voters chose and continues to change throughout the period between elections. In effect, this erects a barrier that prevents the electorate from judging who is accountable for the work of the legislature and thus insulates legislators from the demands of the electorate.” See also Weigle (2000) and Smith & Remington (2001) for a more in-depth discussion of the role of factions in the Duma and the possibility of factions having a positive influence on accountability.

2006; Gel'man, 2006; Hale, 2006).¹⁵ Being an emergent feature of “supply-side democracy,” parties of power represent the interest of the authorities, not the citizenry. Efforts to create parties of power can be traced through the entire Russian transition period, but success was limited and temporary until Putin was appointed president in 2001.¹⁶ At the regional level governors and regional elites tended to stay out of national politics, which might threaten their privileged power position should country-wide political parties become entrenched in the regions and in the process enforce increased accountability (cf., Stoner-Weiss, 2001; Knox, Lentini & Williams, 2006). However, in the campaigns before the 1999 Duma election, regional leaders started creating their own political parties. “Unity” was one of the parties established late in this campaign, but largely due to support by the prime minister at the time, Vladimir Putin, it gained popularity and emerged as one of the winners in the 1999 Duma election. By subsequently (in December 2001) merging with Fatherland-All Russia, Unity became the still successful United Russia, “a pro-Kremlin party designed to consolidate Putin’s control over the Duma” (Knox, Lentini & Williams, 2006:7).

Thus, as Hutcheson (2003:30) concisely states, “the electoral system has had significant effects on the development of parties in Russia.” When taking up his new position, President Putin stated that one of his most important tasks would be to reform the party system (Hutcheson, 2003). With the new Law on Parties (adopted in July 2001) requirements on political parties in Russia became much more demanding. So, for example, parties now had to be all-Russian (interregional and regional parties were no longer allowed), parties also had to have larger membership numbers and a much greater territorial penetration (at least 10,000 members and branches of 100 or more members in at least half the 89 federation subjects). The law also bestowed large supervisory powers on the “registration body” (Hutcheson, 2003). In a subsequent amendment to the law (adopted in December 2004) several of these requirements were made even more demanding (Rabinovich, 2007). Hereafter parties are required to have at least 50,000 members or more than 500 members in at least 44 regions of Russia. Furthermore, with these amendments a strictly proportional electoral system has been introduced. Independents can no longer seek to win seats in the Duma by gaining a simple majority of the votes, all deputies must now be elected on the basis of party lists, and parties must receive a minimum of seven percent of the votes to gain any seats in the Duma.¹⁷ The same rules are to apply also in elections to regional legislatures.

As a consequence of these amendments of the law the number of registered parties in Russia has been significantly reduced. In April 2007, there were seventeen parties

¹⁵ Oversloot & Verheul (2006) distinguish seven different types of parties in Russia, but see the parties of power as “the most interesting, and quitessential, element of Russia’s party system — and political system as a whole...” (p. 393).

¹⁶ Concise overviews of the history of the Russian parties of power are given by, for instance, Knox, Lentini & Williams (2006) and Oversloot & Verheul (2006). Gel'man (2006) outlines a theory of the emergence of parties of power in the Russian political market.

¹⁷ The president also introduced other structural changes in the Russian political market, such as the decision to appoint regional leaders (governors) by presidential nomination rather than through popular elections and the establishment of the Public Chamber (*Obshchestvennaya palata*) as an instrument for improved dialogue between the civil society and political authorities — some have resembled it to a “third chamber” of the parliament with a supervisory function, a “chamber” to which deputies and bureaucrats are not eligible (cf., Oversloot & Verheul, 2006). The chamber and its work is presented on the official website at <http://www.oprf.ru/>.

officially registered (Stykov, 2007). Only a few of these parties are expected to actually compete for seats in the upcoming (December 2007) federal Duma elections and merely four or five parties are expected to reach the seven percent of the votes necessary for obtaining seats in the parliament.¹⁸

Observers of the Russian political scene are concerned that the system, as it has developed during Putin's second term in office with United Russia as its dominant party of power, relying on "imposed consensus" among the Russian elite, does not allow sufficient scope for other parties to channel a real opposition to the sitting government and president (Gel'man, 2005; 2007; Wilson, A., 2007). In what has been interpreted as a Kremlin orchestrated move, three Russian parties (Rodina, the Party of Life, and the Party of Pensioners) were merged in October 2006 forming a "leftist" loyal opposition under the name of "Just Russia" (*Spravedlivaia Rossiia*).

Besides voting in local, regional, and federal level legislature elections Russian citizens are likely to see it as equally, or even more, important to vote in the presidential elections. Moreover, being popularly elected to the post is probably the single most important factor bestowing legitimacy on the Russian presidency. The president is elected by direct majority vote, with a run-off election between two candidates should not the first election round give the winner an absolute majority of the votes. The presidential elections take place three months after the elections to the Federal Duma. These are the fundamental institutions guiding the election of the Russian president. Both institutions have been criticized for the restrictions they entail for democracy. Simultaneous presidential and parliamentary elections, it has been argued, would stimulate the establishment of an efficient party system, and the second-round run-off presidential elections tend to encourage uncompetitive parties and candidates to manipulative bargaining for favours — e.g., cabinet posts in exchange for support (cf., Ordeshook, 1995). The rules governing presidential elections may be clear enough, but combined with the currently dominating "supply-side democracy" they are open to profound manipulation (Rose, 2000; Willerton, 2005; Ellisson, 2006:138 ff.).

Hence, while citizens' rights to influence the workings of the Russian political market is formally secured through constitutional and legal stipulations concerning the electoral system, the significance of these institutions are partly offset by the constitutional rules regulating the division of power between the executive, legislative, and judicial state organs, rules that give the executive (especially the presidency) the greatest real power to influence policymaking (cf., Section 3.1).

3.3 Territorial Division of Power, Federalism

Many features of importance for the functioning of a democratic political market have to do with the basis of Russia's federal organization. Being a huge and incongruent country with large variations in climatic and economic conditions, Russia is typically

¹⁸ The results of the elections to regional legislatures held in March 2007 indicate that at most four (or possibly five) parties will gain seats in the Duma through the upcoming December elections. Apart from the current party of power United Russia (ER), the following parties are believed to stand the best chances of reaching the parliament: the Russian communist party (KPRF), Zhirinovskiy's nationalist party (LDPR), the newly formed Kremlin sanctioned loyal opposition party Just Russia (SR), and, possibly, the right-wing Union of Right Forces (SPS) (see, for instance, Itogi, 2007; Stanovaia, 2007).

suiting for a federal organisation (Kahn, 2002). In fact, the size and diversity of Russia (with its 170 million square kilometres, 145 million inhabitants, and 172 nationalities divided between 89 constituent units, so-called subjects of the federation) makes it, according to Ross (2005), “one of the largest and most ethnically diverse multinational federations in the world.” Such large differences — or asymmetries — contained in a single state formation constitute an inherently complex problem for democratic governance. The federalist institutional set-up is expected to structure citizens’ behaviour so that often highly diverse local, regional and federal interests are reconciled while simultaneously allowing an efficient, fair and sustainable exploitation of resources. In principle, this task requires highly developed and well-functioning democratic institutions. Thus, the prerequisites for successfully establishing federalism in Russia were far from favourable.

Russia “inherited” a federal order — in name if not in substance — from the Soviet Union.¹⁹ Gorbachev’s perestroika encouraged regional elites to act more on their own accord to solve regional problems. This *de facto* ended the Communist Party’s hegemonic role in Russian history (Brown, 2001c; Fish, 1995; Stoner-Weiss, 2006b). Regional party bosses started to build their power base at the regional level. In many cases these party functionaries were subsequently appointed governors in their regions and soon became sovereign rulers of their own fiefdoms (Blakkisrud, 2003; Nicholson, 2003).²⁰ In his power struggle with Gorbachev, Yeltsin appealed to Russia’s regions and encouraged their strive for self-government and independence.²¹ This was the start of a period ending not until 1998, during which regional governors had more or less unchecked powers, even including the power to influence federal employees working in their regions (Orttung, 2001), a development that resulted in a weak federal state power, with due problems for introducing and implementing reforms, economic as well as political. The development resulted despite the fact that Yeltsin, after being elected president, worked hard to restrain the power of the regions and to re-establish federal authority on the basis of the new constitution of 1993. Already through the 1992 Federation Treaty, Yeltsin managed to moderate the “centrifugal forces,” ending up with a system mostly resembling a confederation (Alexander, 2004). To keep the federation intact Yeltsin had to return some of the power that had been reined in through the constitution. This he did by signing bilateral agreements with more than half of the Russian regions. Sometimes clauses in these treaties even violated the constitution (Huskey, 1999; Alexander, 2004; Ross, 2005; Stoner-Weiss, 2006a).

The federal system that emerged in Russia during the 1990s could be characterized as a loose “asymmetrical federalism” that was weakly institutionalized and included various autonomy and consociational mechanisms (Hahn, 2005). When Yeltsin turned the presidency over to Putin, it soon was clear that Putin aimed at attacking a number of the causes he saw of the weakness characterizing the Russian state at the turn of the

¹⁹ Ross (2005) calls Soviet federalism “a sham” and notes that Gorbachev in 1989 admitted that Russians had not yet experienced living in a federation, that the Soviet Union was, in fact, a centralized and unitary state.

²⁰ White & McAllister (1996) report that “In the Russian presidential administration, by 1994, fully 75 per cent were former members of the communist ruling group; 74.3 per cent of the Russian government, and as many as 82.3 per cent of the local elite, were from the same origin”.

²¹ Yeltsin’s famous advice to Russia’s regions to grab as much sovereignty as they could swallow should be seen in this context (see, e.g., Huskey, 1999).

millennium, a weakness that threatened a further development towards an efficient market economy and democracy in the country. Some of the measures taken by Putin with the aim of establishing a “dictatorship of law” have made observers fear that the president’s ultimate goal is to de-federalize Russia and convert it into a unitary state (cf., Ross, 2005; Hahn, 2005; Konitzer & Wegren, 2006), while others have seen the federal reforms of the early 2000s as a shift in “federalist paradigms” due to an “ideational change” (Rodin, 2006) that could be seen as a result of a political discourse reflecting learning among the actors in the Russian political market.

A number of centrally initiated and interdependent reforms with impact on federal relations have been introduced during Putin’s presidency. Perhaps the most spectacular of the measures taken was the establishment (through presidential decrees issued in May 2000) of seven so-called *federal districts* headed by presidential envoys (Alexander, 2004; Ross, 2005; Chebankova, 2005).²² The envoys have strong formal powers. Apart from the duties to monitor regions’ compliance with the constitution, federal legislation and presidential decrees, and supervise the selection of personnel to regional offices of the federal bureaucracy, their task was also to restore the pre-eminence of federal law, something which made them central in a huge effort to bring regional legislation into conformity with federal law and the constitution (Ross, 2005; Chebankova, 2005; Petrov & Slider, 2007). They were also instrumental in overseeing the bilateral treaties between the federation and individual regions. Largely through their efforts, 28 of the existing 46 bilateral treaties had been annulled by April 2002, and by the summer of 2004 only eight such treaties were still operative (Ross, 2005). It should be noted that bilateral treaties are constitutionally sanctioned (Art. 11). However, according to a law, adopted in 2003, any future power-sharing treaties would have to be approved by both houses of parliament (Hahn, 2005).

Putin has also enforced several other reforms affecting federal-regional relations. For instance, changes in the election of deputies to the upper house of the parliament were introduced. Regional governors and heads of the regional legislative used to be members of the Federal Council, but after changes in the law (adopted in July 2000, and in effect as of January 1, 2002), these delegates should be appointed by the regional assemblies and chief executives (the appointment of the latter subject to approval by the regional assemblies). In September 2000, Putin decreed the establishment of a so-called State Council, an advisory body meeting once every three months. Members are all regional executives. Observers doubt that the council will have much real power; its main purpose seems to be to give regional leaders a direct channel to the president (Ross, 2005). However, while these reforms formally mean a sharp change compared with the previous order, observers tend to believe that their practical effects will not be all that dramatic (cf., Alexander, 2004; Ross, 2005).

In July 2000, Putin also enforced amendments to the law stipulating general organizational principles of regional legislative (representative) and executive state organs giving the president the right to dismiss popularly elected governors and to dissolve regional legislatures (subject to approval by the State Duma). However, the requirements for doing so were very demanding (violations of the constitution) and it seems that in practice this reform has not been used by the president to dismiss regional

²² A detailed review of the federal district reform and its implementation in the seven districts is given in Reddaway & Orttung (2004).

executives, much less dissolve any regional legislature (Ross, 2005). But since this law also demanded that regional legislation in violation of federal laws or the constitution must be brought into accord with federal norms it seems to have been of help for prosecutors in their work to challenge regional unconstitutional legislation (Hahn, 2005).

After the Beslan hostage tragedy (in September 2004), Putin started a second round of federal reforms. Actually, the reforms were planned well before September, but Putin used the momentum given him by the tragedy to move forward with the declared purpose of strengthening internal security (Ross, 2005). On October 29, the Duma adopted Putin's proposal to abolish direct elections of regional governors. According to the new law it is the task of the regional legislature to approve of the president's nominees for the post. Failing (twice) to do so gives the president the right to dissolve the legislative assembly and appoint an acting governor until a new assembly has been elected. As some observers have noted (cf., Fish, 2005; Stoner-Weiss, 2006b; Shevtsova, 2006; Carothers, 2007; Colton, 2007), these reforms seem to be moving Russia in an increasingly authoritarian direction. Others (see for instance Willerton, Beznosov & Carrier, 2005), have argued that Western analysts have exaggerated the negative effects of the reforms, contending that the reforms have only had "a moderate impact on centre-periphery relations."

Several other reforms with implications for federal-regional relations have also been discussed or enacted.²³

The previously noted changes in rules guiding party formation and electoral order also have an impact on federal politics. The requirement that all deputies to the State Duma be elected from party lists under proportional representation with an electoral threshold of seven percent and the raised party membership demands aims at reducing the number of parties in the parliament. These reforms, some observers fear (see, e.g., Ross, 2005; Chebankova, 2007), will strengthen the Kremlin's grip on parliamentary politics, at both regional and federal level.

Finally, Hahn (2005) notes that a consociational mechanism in operation during Yeltsin's presidency — a mechanism mandating a "conciliation procedure" in case a federal legislative bill met with protests from the legislative or executive branch in more than 30 of the 89 regions — has been *de facto* eliminated by Putin. Due to a ruling by

²³ For instance, in late 2001 and early 2003, rules were established concerning the merger of federation subjects (Ross, 2005; Hahn, 2005). The benefits of such mergers have long been discussed, goals of reducing the total number of subjects from the present 89 to 45 have been mentioned, even if such a dramatic reduction has been considered unrealistic. So far, the reforms have led to mergers of some autonomous oblasts with the regions in which territory they are located, thus contributing to eliminating what Hahn (2005) has called administrative-structural asymmetry. The development has been of great concern for Russia's twenty-one ethnic republics and eleven autonomous okrugs, where it is feared that eventually all ethnic regions will be swallowed up by the territorially defined regions (Cashaback, 2003; Ross, 2005). Inter-budgetary relations have also played a significant role for the practical implementation of Russian federalism (cf., for instance, Alexander, 2004; Hahn, 2005). Under Yeltsin, tax revenues were roughly divided 50–50 between the federation and the regions, but there were huge differences in agreed upon exemptions (stipulated in the bilateral treaties) leading to a situation where some regions could keep and others had to contribute much more than the established 50 percent share. The fiscal federal relations will be affected by a local self-administration reform approved in 2003 to be gradually implemented from 2006 (cf., Lankina, 2005). But the distribution of tax revenues between the federal, regional and local level is still very much the topic of ongoing debates (Hahn, 2005).

the Constitutional Court in connection with the adoption of the new Land Code in 2004 no conciliation with the regional authorities had to take place despite protests from both the legislative and the executive branch in 35 regions. Thus, it seems that “the federal parliament can now exclude regional legislatures from the federal law-making process and pass bills without taking into account opinion in the regions” (Hahn, 2005:164).

3.4 Guaranteed Citizens’ Rights, Social Resources and Public Procedures

Among the guarantees and freedoms that Dahl (1971) considers essential for a democratic regime (cf., section 2.3) are free and fair elections, freedom to form and join organizations, freedom of expression and alternative sources of information. All of these features are instituted and specified in various articles of the Russian 1993 constitution.²⁴

3.4.1 Free Elections

As Michael McFaul (2005:61) notes: “Competitive elections are the most dramatic institutional change that distinguishes the old Soviet dictatorship from the new Russian political system.” So far, in the period since the disintegration of the Soviet Union, popular elections to the Russian parliament have been held four times (1993, 1995, 1999, 2003) with a fifth election coming up in December 2007. There have also been four presidential elections (1991, 1996, 2000, 2004) with a fifth election scheduled for March 2008. The rules governing elections have been stable throughout the period since 1993. Elections have also been competitive in the sense that there was a choice to be made by the voters between different parties and candidates. But the conditions for candidates and parties standing for election have been highly varying, mostly depending upon the rules for financial support of election contestants and the fact that media freedom in Russia has decreased, especially during Putin’s presidency (cf., for instance, Gel’man, 2001; Hale, 2003; McFaul, 2005; Ledeneva, 2006).²⁵ Thus, the electoral playing field has become increasingly uneven.

Obviously, the manner in which political parties and individual politicians fund their operations is of importance for their ability to compete in the electoral arena. This is nothing specific for Russia. Rules for funding political parties are typically specified in the legislation of most democratic countries, transparency guaranteed through public audit. Such rules are also found in the Russian law on parties. Here requisites are

²⁴ In Article 3:3 of the Russian Constitution it is stated that the supreme direct expression of power of the people shall be referenda and free elections. Article 81:1 rules that the President shall be elected for four years by citizens of the RF on the basis of universal, equal, direct suffrage by secret ballot (more specific rules of presidential elections should, however — according to Section 4 of the same Article — be determined by federal law). Article 96 provides the corresponding rulings for elections to the State Duma. Article 13:4 states that public associations shall be equal before the law; Article 31 stipulates that citizens have the right to assemble peacefully, without weapons, hold rallies, meetings and demonstrations, marches and pickets. Article 29:1 ensures that everyone shall be guaranteed the freedom of ideas and speech, according to Section 4 of the same article everyone shall have the right to freely look for, receive, transmit, produce and distribute information by any legal way, and, according to Section 5, the freedom of mass communication shall be guaranteed and censorship shall be banned.

²⁵ The situation of the media in Russia is further discussed in the next section.

specified for parties to obtain state financial support (Oversloot & Verheul, 2006).²⁶ Parties can also muster financial support through membership dues or subsidies from individual citizens and enterprises. While the level of membership dues is not regulated by law, maximal levels are specified for donations (Ikstens, Smilov & Walecki, 2002:59 ff.; Wilson, K., 2007). As reported by Kenneth Wilson (2007), recently published data show that parties were very heavily dependent upon private donations for funding their activities, the overwhelming part of which coming from large corporations. Furthermore, as some observers claim (cf., for instance, Gel'man, 2001; Wilson, K., 2007), the greater part of the funds used for political campaigning are “unofficial” — the official (visible) part may be likened to the tip of an iceberg.²⁷ Large capital interests, in the form of financial-industrial groups (FIGs) typically controlled by oligarchs, contribute funds and can often provide parties access to media (Hadenius, 2002; Oversloot & Verheul, 2006). Thus, money transactions in this arena are far from transparent.²⁸ And, still, perhaps the most significant resource bias in the system does not primarily have to do with direct money payments. Observers have noted the immense advantage that incumbents have in the Russian political system (cf., for instance, McFaul, 2005; Hale, 2003) through their control over so-called “administrative resources.” The party in power, the sitting president or, at the regional level, republican presidents and oblast governors, can freely use the bureaucratic apparatus to serve their own interests and gain advantage in electoral campaigns. Such “machine politics” has been prominent, especially at the regional level (Hadenius, 2002; Hale, 2003; 2005; 2006; Ledeneva, 2006; Oversloot & Verheul, 2006; Wilson, A., 2005).

These are all structural factors that have allowed political parties to be captured by the state rather than *vice versa*, which is normal procedure in democracies, where representatives of political parties occupy positions in the state in relation to electoral success (Oversloot & Verheul, 2006).²⁹ Another consequence is that political parties have been supplied by the Russian elite, rather than being formed in response to citizens' demand (Rose, 2000). The same factors have also limited the reach of political parties — political parties on the federal level have had difficulties to become established in the regions (cf., Stoner-Weiss, 2001; 2006a) — and it has favoured candidates running in single member districts, whether they have been members of political parties or so-called independents. However, with the recently introduced modifications in the electoral rules (e.g., the requirement that all candidates be elected via party lists, cf.,

²⁶ According to the law, parties obtaining at least three percent of the list vote in Duma elections, or who get at least 12 single-member district candidates elected, or who collect at least three percent of the votes for their presidential nominee receive state funding.

²⁷ Gel'man (2001:179–180) illustrates his discussion with a story of how Yeltsin's reelection in 1996 was supported by “extra-legal (though not always illegal) payments of cash of, to put it mildly, either doubtful origin, or so-called ‘black cash’ (*chernyi nal*).”

²⁸ As Oversloot & Verheul (2006) point out, business support of political parties only rarely lead to lawsuits. The prosecution of oligarch Khodorkovsky should probably be seen as an exception. Khodorkovsky sponsored several different political parties (SPS and the CPFR) seemingly with political ambitions of his own.

²⁹ In fact, the emergence of “parties of power” in Russian politics (cf., for instance, Smyth, 2002; Knox *et al.*, 2006), and Putin's recently “invented opposition” (the Just Russia party) are indications of the state capturing party politics (Sestanovich, 2007). In his recent analysis of party funding, Wilson (2007:1098) maintains that parties are also to some extent captured by large corporations that actually “buy” (through donations) places on party lists “with a view to securing direct influence in the state legislature.”

above), the structural prerequisites for Russian political life have changed with potentially significant behavioural effects.

3.4.2 Mass Media

Freedom of speech and of expressing opinions is central for the development and functioning of democracy (Dahl, 1971; Sen, 1999; Morlino, 2004). As already noted, the 1993 Russian constitution guarantees these freedoms. However, to serve the development of democracy there must also exist public media of various forms, through which citizens can inform, and be informed, about important events in society and existing differences of opinion (political as well as non-political). This is absolutely essential for citizens' ability to assess their situation and arrive at well-founded opinions that can guide their political behaviour, their participation in democratic governance.

The media situation in Russia today is of course radically different from that of Soviet times, when media and journalists mainly served the interests of the state and, ultimately, the Communist Party of the Soviet Union (CPSU), the sole "party of power" in those times. Through media the authorities could efficiently distribute such information that they considered important for citizens to know. For example, in 1980, the two largest Soviet newspapers, *Pravda* and *Izvestia*, had a circulation of, respectively, close to 11 and 7 million, volumes that gave them a leading position in the world (Oates, 2005). In 1990, right before the disintegration of the Soviet Union, more than 8,400 newspapers, magazines and periodicals were published. Television also grew fast in the Soviet Union, from reaching merely five percent of the population in 1970 to about 99 percent in 1990 (Oates, 2005).³⁰

With Gorbachev and *glasnost*' the media situation started rapidly to change in the latter half of the 1980s (Lipman & McFaul, 2001). New topics were now covered by the media, topics that had not been allowed earlier. The authorities soon lost control over what was transmitted through the media. In connection with the August 1991 coup attempt against Gorbachev, media played a very active role in support of continued reforms defying a return to old Soviet authoritarian rule (Oates, 2005).

The legal underpinning of Russian media is still the *Law on the Mass Media* (N 2124-I) adopted already in December 1991. This law is, in the words of Richter (2005), "one of Russia's most liberal laws and one of the world's most advanced laws regulating the field." The opportunities given by this law and the dramatic political changes taking place in the period after the disintegration of the Soviet Union prompted a reformation and revitalization of the media in answer to citizens' demands for uncensored information and initiated discussion. However, the chaotic first years of transition, with its dramatic economic regression and lack of business rules adapted to the needs of media in an emerging market economy, had severe consequences for the media world in terms of reduced circulation, and close-down of many newspapers and magazines. While trying to attract funding from business through advertising, most newspapers and magazines were still dependent upon government subsidies in one form or another. As Sara Oates (2005:121) explains:

³⁰ As Oates (2005:117) points out: "This was a remarkable technological achievement in a country as vast as Russia, in which 13 per cent of homes still lacked running water and 60 per cent had no telephone lines by the 1990s (according to official statistics)."

Those [publications] that did survive had to deal with twin pressures from funding sources in the government and the demands of their advertisers. Even if advertisers have no direct interest in editorial content, they do demand popular content, a desire that can run counter to the government's need to inform or even propagandize the viewers and readers. In this sense, the Russian media have the worst of both worlds, beholden to both government and commercial sponsors.

In such a market structure, in which media enterprises faced a very demanding financial situation, but where at the same time a tremendous business potential existed, it is hardly surprising that the media sector soon was invaded by the emerging “oligarchial capital” (Belin, 2001). The primary goal of this invasion was television, which had successively taken the lead over both radio and printed media in the competition for Russian media consumers. For most of the seven year period after 1993, oligarchs Vladimir Gusinsky and Boris Berezovsky dominated the media scene in Russia through their ownership of national television networks and several national newspapers.³¹ According to observers of Russian media (e.g., Oates, 2005), the outlets owned by the two tycoons published a varied and often critical commentary of current events, such as the first Chechen war (1994–1996). This relative media freedom was possible mainly because President Yeltsin, even if he thought media reports and judgements incorrect or unfair, remained a supporter of a free press (Becker, 2004). But Yeltsin also allowed business tycoons to become closer engaged in government, and there are ample reports of how his re-election to the presidency in 1996 (when there was a real threat that he would lose the position to Communist Party leader Zyuganov) was helped by the business controlled media turning around an unfavourable public opinion (Coalson, 2000; Belin, 2001; Hoffman, 2002; Oates, 2005).³² A similar, and perhaps even more biased media coverage, now primarily staged by state television, in favour of incumbents, also influenced the outcomes of the 1999 parliamentary and the 2000 presidential elections (Belin, 2001; White, McAllister & Oates, 2002; White & Oates, 2003; Becker, 2004; Hale, 2004). Studies of the press and electoral behaviour has also shown that television indeed had a strong or even decisive influence on citizens' voting behaviour (cf., for instance, Colton, 2000; White, McAllister & Oates, 2002). All the more worrying then that unusually dirty methods were widely used in media coverage of opposition parties and candidates. Misinformation, or so-called *kompromat*, created by “election technologists” was a common (and seemingly popular!) feature in television (Belin, 2001; White & Oates, 2003; Oates, 2005).³³

In the period since 2000, during Putin's presidency and, according to several assessments, largely orchestrated by him, the ownership structure of the Russian media has changed significantly, mainly due to the “expulsion” of the media tycoons Gusinsky and Berezovsky on what seems to be administration managed charges of financial fraud

³¹ “Gusinsky, head of the banking concern Media-Most, founded the NTV television channel in 1993. [...] The Media-Most group also controlled the influential *Segodnya* (Today) newspaper, the weekly news magazine *Itoги* (Results) and the Echo of Moscow radio station. [...] Berezovsky, a former Soviet official turned Russian entrepreneur, owned a substantial share in the First Channel (then called Public Russian Television) as well as controlling interests in the commercial TV-6 station and three major newspapers” (Oates, 2005:122).

³² Hoffman (2002, Chapt. 13) gives an especially vivid account of how the oligarchs (Gusinsky and Berezovsky) helped Yeltsin win the 1996 presidential election.

³³ See Ledeneva (2006, Chapt. 3) for an analysis of the *kompromat* phenomenon and its effects on political life in Russia. See also Wilson (2005) for a detailed elaboration on the concept of “political technology.”

(Belin, 2001; Lipman & McFaul, 2001; Oates, 2005). Both oligarchs were subsequently forced to sell their shares in their television and print-media networks and both eventually left Russia in order to avoid legal prosecution (Orttung, 2006). While still at this time observers of the Russian media found some grounds for optimism concerning media's independence from state control (cf., for instance, Belin, 2001; Lipman & McFaul, 2001) the situation has since then continuously deteriorated. As a consequence, media coverage of the 2003 parliamentary and the 2004 presidential elections was basically under Kremlin's control (McFaul, 2005; Oates, 2005).

Developments in the Russian media market during the last few years have given several causes for concern. As one observer notes (Oates, 2005:128): "It is clear that the main aim of most of the media in Russia is not unbiased or even balanced reporting; rather they seek to maintain the current elites in power." Simultaneously, and perhaps unexpectedly, surveys indicate that Russian citizens appear to trust their state controlled media (White & Oates (2003:33):

... there is considerable support for the idea that television, as in the Soviet years, should support the state and its various objectives. [...]

One of our more unexpected findings was that Russians had a more positive view of their media under Putin than during *perestroika* or in the early postcommunist years. Even more strikingly, relatively few thought it was the job of the media in any case to provide a broad and objective diet of information. Many thought a free media would be 'dangerous', and that it was more important for the media to encourage the development of a stable and well ordered society. One reason for their confidence in Russian Public Television was that it was 'authoritative' and 'patriotic'.

Despite the prevailing "media climate," independent journalism still exists in Russia — the small newspaper *Novaya Gazeta* and various internet sites are often mentioned as examples — that seeks to report on current social, economic and political problems in society. However, journalists engaged in such critical scrutiny risk becoming banned from publishing, or losing their jobs, even their lives. According to a rating by the Committee to Protect Journalists (CPJ), Russia is the third most dangerous country in the world for journalists, after Iraq and Algeria.³⁴ Since 1992, CPJ has registered 44 unnatural deaths among journalists in Russia, 14 of them died after 2000 during Putin's presidency.³⁵ Other international ratings show how Russia's score for press freedom has successively decreased. The Freedom House score for Russia's media independence decreased from 3.75 in 1997 to 6.00 in 2006.³⁶ This could be compared with the average score for new EU member countries of 1.94 and 1.88 for the respective years.

³⁴ See statistics on the CPJ website at http://www.cpj.org/killed/killed_archives/stats.html.

³⁵ The organization "Reporters Without Borders" claims that 21 journalists have been killed since Putin became president in March 2000 (*Russia — Annual Report 2007*, retrieved on May 29, 2007, from http://www.rsf.org/article.php3?id_article=20823&Valider=OK).

³⁶ Ratings are based on a scale of 1 to 7, where 1 is the highest score. Among "Non-Baltic Former Soviet States" Russia's media freedom rating for 2006 placed it on a par with Azerbaijan, and before Belarus (6.75), Kazakhstan (6.75), Turkmenistan (7.00), and Uzbekistan (7.00). (Data from Table 4 Independent Media Ratings History and Regional Breakdown, in *Nations in Transit 2006* published by Freedom House (<http://www.freedomhouse.org/>), table retrieved on May 29, 2007, from <http://www.freedomhouse.org/uploads/Chart96 File115.pdf>).

In their Press Freedom Index for 2006, the organization Reporters Without Borders ranked Russia 147th, North Korea had the lowest rank (168) of all.³⁷

In such a situation it is hardly surprising that bad journalistic practices, such as self-censorship and a corrupt culture of “paid-for-journalism” (hidden advertisements), have become wide-spread among Russian journalists (Becker, 2004; Oates, 2005; O’Reilly, 2006). To make the situation for free media and independent journalism even more difficult, media owners and journalists are poorly protected by a weak judiciary (Becker, 2004).

Despite the concern evoked by the previous summary of developments in the Russian media landscape, it is still essential to remember that the situation today radically differs from the situation before *perestroika*. Although media’s election coverage has been biased Becker (2004) finds that the media situation nevertheless has improved “in terms of autonomy, control of content, pluralism and ideology/language”.

3.4.3 Civil Society

Institutions governing civil society constitute another structural constraint that strongly affects actors’ behaviour in the Russian political market. As already noted, the 1993 Russian constitution guarantees freedom of speech and organization (Articles 29, 30 and 31). Russian civil society was subsequently regulated through a federal law “On Public Associations” adopted in 1995 (Squier, 2002). Until then it had been subject to the Law on Associations of 1990, which was inadequate to the task since “structures and processes that had regulated group activity were no longer in place” in the early post-communist Russia (Weigle, 2002).³⁸

The importance of civil society for the quality and efficient functioning of democratic governance has long been argued by political scientists (cf., Putnam, 1993; Diamond, 2001; Amnå, 2005).³⁹ The meaning of the concept *civil society* seems notoriously difficult to define in a precise way. It refers to organized collective activities at the intermediate level between the public and private spheres, between the state and its citizens/households — it is also sometimes called the “third sector” separating it from the state, with its execution of coercive power, and business, with its profit motivated activity (Evans, 2005; Henry & McIntosh Sundstrom, 2006). Here, we primarily think of civil society as civic organizations, engaging citizens in work aiming at producing certain goods or services that are not produced, or produced in insufficient quantities, by the state or the business sector. Civic organizations might also be engaged in work aiming at influencing public opinion with the purpose of prompting political actors (including state authorities) to change certain policies. Such civic organizations are also commonly known as NGOs — non-governmental organizations. This conception of civil society excludes business firms, media companies, groups employing violence to

³⁷ See current index at http://www.rsf.org/rubrique.php?id_rubrique=639. The only former Soviet republics with a lower ranking were Belarus (rank 151), Uzbekistan (rank 158), and Turkmenistan (rank 167).

³⁸ See Weigle (2000; 2002) for a detailed account of the emergence of Russian civil society and its legal foundations in Russia.

³⁹ Arguments indicating that, in general, the relationship between popular engagement in civil society does not automatically foster democratic values and help promote democracy have also been voiced; see, for instance, Theiss-Morse & Hibbing (2005).

achieve their goals (e.g., terrorist groups), criminal organizations and other organized corrupt activity in society, even if the activity of such social formations impose far-reaching restrictions on activities in all sectors of society and, thus, significantly shape the environment in which civic organizations function.

Specifying the meaning of civil society in this way has been wisely suggested by Henry E. Hale (2002), who thinks that the general object of discussion should *not* be civil society, but rather the issue of how to organise *state-society relations*. Hale also draws attention to an important distinction in our view of state-society relations with consequences for how these relations are assessed. He notes that there are (at least) two conceptions — or models — of state-society relations, the liberal and the statist models, the former emerging from the historical development of state-society relations in the US, the second closer related to the situation in many European countries. In the US, the manner in which state-society relations is organized has always been determined with a view to limiting the power of the state (avoid “tyranny”), while in the European tradition, the organization of state-society relations aims at preserving the state from too much (incoherent and damaging) influence by society (avoid “anarchy”). Arguably, analyses of the Russian civil society tend to be biased depending upon which view (model) of state-society relations the analyst adopts. Actual developments of state-society relations in Russia seem to mainly conform to the statist model, while much of the critical views about this development has been influenced by the liberal model of state-society relations.

Civic organizations emerged in Russia already during the last decades of the 19th century and continued to develop into the first decades of the 20th century (Bradley, 2002; Evans, 2005; Conroy, 2006). Religious organizations (in the Russian Orthodox Church) performed important charitable work (Evans, 2006a). While the Bolshevik revolution of 1917 initially stimulated popular activity and artistic creativity, the Soviet state (ultimately the CPSU, the Communist Party), as it was gradually entrenched, aimed at increasing its control over social organizations (Evans, 2006a). From the mid 1920s, voluntary, independent civic organizations were being closed down or converted into state controlled organizations, such as the communist youth organization *Komsomol* (Evans, 2005). While, in the 1960s, there appeared numerous “social groups” with a basis in scientific institutions, often with a nature preservation agenda, it was not until Gorbachev’s *perestroika* from the mid 1980s that civic initiatives were encouraged and many new citizen initiated informal groups independent from the state appeared in Russia (Evans, 2006a). At this time Gorbachev also changed the relation of the state to the Russian Orthodox Church. Through a new law adopted in September 1990 most restrictions on religious activities were removed (*ibid.*).

Legal social organizations in the Soviet Union were expected to assist the regime in achieving its goals, but they also often tried to help its members and to promote their interests. As Evans (2005:100) has observed, this “dualistic functioning of most Soviet social organizations is worth noting, because it has affected their activities and the prospects for their survival in the postcommunist period.” Evans (2006a) also notes the importance in the late Soviet era of the patron-client relations existing between the state and social organizations, or rather, between representatives of the state (or the CPSU) and representatives of the social organizations — personal relations that might allow social organizations some influence over policymaking, even if this ultimately took place on terms decided by the state representative. Similar patron-client relations have

long prevailed (and could be expected to still prevail) in post-soviet times, indicating that for civic organizations to gain some influence over policymaking it is still necessary to have access to the political power, through personal interaction with representatives of the executive, a practice that maintains the private nature — or patron-client relations — of public affairs (cf., Shevtsova, 2006).⁴⁰

Despite the lively development of civil society in the Gorbachev years, the 1990s witnessed a decline in civic activity. Many reasons for this decline might be envisaged. Both material and psychological incentives for joining and working with civic organizations dwindled. In the economic recession, especially during the first half of the 1990s, people had to focus on basic needs leaving little or no time for civic activities (Evans, 2002; Domrin, 2003). With the weakening rule of law and the state having been captured by business interests, allowing a handful of people, the so-called oligarchs, to enrich themselves in a legally dubious manner, the legitimacy of the state and people's trust in public authorities and institutions all but disappeared. In this situation civil society was not left with much scope for successful work and influence on policymaking (Howard, 2002). Psychologically, due to a general scepticism of politics inherited from the time of Soviet one-party rule, citizens were reluctant to engage in organized social or political activity, and, even more seriously, due to a kind of "postcommunist syndrome" most citizens had come to "share feelings of powerlessness, passivity, pessimism, fear of further changes, and nostalgia for a paternalistic state," feelings that discouraged them from engaging in civic activities (Evans, 2002).⁴¹

State control of NGOs working in Russia has increased since Putin took office as president in 2000 (cf., for instance, Evans, 2006b). At the same time it should be noted that Putin in his speeches has talked very positively about the importance of Russian civil society.⁴² Even if nice words are no evidence of real commitment, the stand taken by the president nevertheless is significant since, as Weigle (2002) puts it, "[t]he very public recognition of that fact [that civil society is essential for the consolidation of democracy] legitimates the goals of civil society in official discourse and offers a presidential commitment to steer federal resources toward the institutionalization of

⁴⁰ Henderson (2002) argues that foreign aid (NGO support) to building civil society in Russia has also contributed to the establishment of patron-client ties between donor organizations and the NGOs receiving the aid. Rather than building networks of civic engagement of lasting significance in Russia the NGOs pursue short term benefits.

⁴¹ Evans (2002), citing several Russian sources, explains that a "new Russian individualism" could be seen as an "unintended attitudinal legacy of the Soviet system, which implicitly fostered the growth of "privatism" in people's values in reaction to the often phony collectivism that was imposed by the party-state regime." This individualism is described as "a direct continuation of the opportunistic individualism of Soviet citizens, expressing the outlook of a person who feels free from the norms of the old socialist order and is highly skeptical about the genuineness of other guidelines to conduct, such as those consistent with liberal democracy and civil society." It is claimed that this "amoral individualism discourages most Russian citizens from participating voluntarily in the work of independent social organizations that attempt to change society from the bottom up."

⁴² See, for instance, Malgin *et al.* (2005;18–20) who note that Putin has emphasized the importance of Russian civil society for the continued development of democracy and economic prosperity in his yearly presidential addresses to the Federation Council. In the 2007 presidential address, Putin (2007) pointed to the work of the Public Chamber and underlined that "It is impossible to imagine the democratic political process without the participation of non-governmental organisations, without taking into account their views and opinions." In 2007, the government also increased its financial support of public organizations by 300 percent (Putin, 2007).

civil society activity.” Weigle (2002) also recounts how a “groundwork has slowly been established for a civil society in postcommunist Russia,” noting that independent groups have “woven a thin but durable web of interaction among themselves and between a bounded third sector and local and regional government.” But support has been inadequate from officials at the federal level, which has limited the influence of civil society on policymaking (Weigle, 2002).

However, despite the clear commitment in support of civil society and the rather positive conditions for third sector activities developed at the regional level, observers have pointed to several measures taken at the initiative of President Putin that have raised obstacles for a further development of NGO activities in the country. For instance, in June 2001, the president initiated the organizing of a Civic Forum to take place in November the same year. The original intention seems to have been to create some kind of a corporatist umbrella organization to facilitate communication between civil society representatives and the federal authorities (Squier, 2002; Nikitin & Buchanan, 2002). Due to massive protests from civic organizations the plans were changed and the NGOs acquired a stronger say in the design of the event. Through the joint efforts of several civil society organizations, the main goal set for the forum was to “develop links between civil society activists and the government, not for the representatives of NGOs and NCOs to supplant the State Duma as the legitimate representative of the citizens of Russia” (Weigle, 2002). This move “undercut any attempt on the part of the president to generate populist support or to co-opt third-sector groups into a loyal state apparatus” (Weigle, 2002). In the end, about four thousand representatives of Russia’s NGOs and NCOs participated in the two-day meeting. Most observers seem to agree that the specific outcome of the forum was less interesting compared to what it revealed about the strength of Russian civil society. The event showed that civil society was capable of resisting co-optation by the state, it displayed the ability of many organizations to join forces to reach specific goals, it made state officials more aware of the fact that many civic organizations possess competence that might be useful for solving pressing economic, social, and political issues and that cooperation between state and civil society could help solving such problems (Weigle, 2002; Squier, 2002; Nikitin & Buchanan, 2002).

Finally, two recent events affecting the structure within which Russian civil society operates should be mentioned: the establishment of the Public Chamber of the Russian Federation and the amendments to the Law on Public Associations. Both events reached their decisive phase in late 2005.

In September 2004, following the Beslan school hostage tragedy, President Putin proposed the establishment of a Public Chamber that was to be an advisory and supervisory body independent from traditional political institutions like the parliament. The proposal was subsequently implemented through a federal law “On the Russian Public Chamber,” adopted by the parliament in March and signed by the president in early April 2005. Members of the 126 seat Chamber were to be appointed in the year to come, one third of the members appointed by the president, and the remaining two thirds elected in a two-step procedure from among NGOs all over the country.⁴³ By December 2005 the selection procedure was finished and on 22 January 2006, the Public Chamber

⁴³ The rather elaborate procedure through which members of the Public Chamber are appointed/selected is further described on the Chamber’s website at <http://www.oprf.ru/>.

held its first plenary session. Members' term in office is two years from the Chamber's first session. Among the members (who cannot be parliamentary deputies) many well-known figures in Russia can be found, from religious leaders, pop stars and artists to lawyers, enterprise leaders, and nuclear scientists.

According to the law the function of the Public Chamber is to "facilitate coordination between the socially significant interests of citizens of Russia, NGOs, and national and local authorities, in order to resolve the most important problems of economic and social development, to ensure national security, and to defend the rights and freedoms of citizens of Russia, the Russian constitutional system, and the democratic principles of the development of civil society in Russia..."⁴⁴

The Chamber has established eighteen commissions and several working groups (in which non-members of the Chamber also participate) to discuss various issues under its mandate. One of these commissions deals with the "Development of Civil Society and Public Participation in the Implementation of National Projects." Public Chambers have also been established in several Russian regions.⁴⁵

The establishment of the Public Chamber was met with scepticism from many civic organizations, some fearing that this was only another way of the elite to increase its control over Russian citizens, actually as a way for the president to fit civic organizations into the state "vertical of power," while other critics saw it as a way for government friendly NGOs to obtain benefits for their members (Petrov, 2005; Shevtsova, 2006; Evans, 2006b).⁴⁶ Proponents of the Chamber would argue that this was a measure taken by the government with the purpose of facilitating communication with civil society and thus something that will contribute to remedying one of the long-standing problems in the Russian society, where citizens and civic organizations in general have been reluctant to directly engage with state authorities (Mekhanik, 2004; Gromov, 2005).⁴⁷

In the autumn of 2005, the State Duma passed a bill with amendments to the 1995 Law on Public Associations and three other laws with impact on NGO activity. During the parliamentary processing of the bill the proposals caused a lively debate in the media, where commentators feared that the amendments would bring NGOs under tight state control, requiring, among other things, that some NGOs must reregister with the authorities to be allowed continued activity. Speculations had it that these measures were proposed by the government in an effort to counter foreign influence on Russian politics in order to avoid a development in Russia like that which led to the Orange Revolution in the Ukraine (Medetsky, 2005; Rykovtseva, 2005; Yablokova, 2005). The bill was criticized by representatives of many civic organizations and some independent

⁴⁴ See the Chamber's website at <http://www.oprf.ru/eng/about/>, where the mission of the chamber is spelled out in more detail (link last verified on November 22, 2007).

⁴⁵ See <http://www.oprf.ru/structure/comissions/> for a listing of the chamber's commissions and http://www.oprf.ru/interaction/region_chambers/ for a listing of existing regional public chambers (links last verified on November 25, 2007).

⁴⁶ Evans (2006b:148 ff.) recounts how Putin in the period leading up to the establishment of the Public Chamber in 2005 strived to strengthen the Russian state and how various measures taken as part of his "managed democracy" infringed on the activities of civil society, especially NGOs (often with international funding) working with human rights monitoring and support.

⁴⁷ See also Doklad (2007), the report on the state of Russian civil society issued by the Public Chamber in the spring of 2007.

deputies in the Duma opposed the bill. Already before it had been fully manned the Public Chamber made a statement in December 2005 urging that the passing of the bill should be postponed until January to allow the Chamber to study the proposals.⁴⁸ During the Chamber's first plenary meeting on January 22, 2006, both President Putin and members of the Chamber mentioned the amendments to the NGO legislation, the president urging the Chamber to oversee the implementation of the new law (Medetsky, 2006). According to Interfax news agency, the UN High Commissioner for Human Rights, Louise Arbour, expressed concern about the implementation of the amended laws, especially regarding stipulations on NGO registration and tax accounting.⁴⁹ The amended law required reregistration of foreign non-profit organizations before October 18, 2006. The deadline was subsequently removed and the slow reregistration procedure seems still to be going on in mid November 2007, when, according to a list published on the Federal Registration Service website, 237 foreign NGOs had successfully registered.⁵⁰

4 Discussion and Assessment

The functioning of a market, be it an economic or a political market, rests upon the enactment of certain conditions, such as actors' free entry and exit, their equal opportunity to compete (i.e., not being discriminated against by public authorities, or other market actors), their having equal access to information, their adherence to rules guiding proper market behaviour, avoiding to cause market imperfections (e.g., through monopolizing certain behaviours), and their strive to minimize negative external effects. As was recounted above, the rules (institutions) contained in the 1993 constitution guarantee Russian citizens a number of rights and freedoms that together define the structure of Russian democracy, thus establishing a playing field for citizens' political behaviour. One question of concern here is whether or not this playing field has become increasingly even so that it offers equal opportunities for different players, an improved or more advanced democracy. Another question is whether the playing field has developed in a way that allows a better game, a more efficient interaction in the political market.

Here we first summarize the most important structural changes affecting the Russian political system that were introduced over the last few years and assess their impact on

⁴⁸ As reported by several news agencies, see e.g., Interfax "Russia's Public Chamber urges Duma to put off NGO bill," December 18, 2005; RIA Novosti "Public Chamber points out minuses in NGO bill," December 23, 2005.

⁴⁹ Interfax "UN Rights Commissioner Still Concerned at Russia's New NGO Law," February 24, 2006 (retrieved on June 5, 2007 from <http://www.cdi.org/russia/johnson/2006-50-10.cfm>). Wood (2006) gives an overview of the cumbersome registration procedure for some foreign NGOs administered by the Federal Registration Service as a consequence of the amended NGO legislation.

⁵⁰ List retrieved on November 22, 2007 from the website of the Federal Registration Service at <http://www.rosregistr.ru/docs/inko01.doc>. All in all, approximately 500 foreign non-profit organizations are active in Russia, the number mentioned in an Interfax note "Russian Official Says To Continue registering NGOs After 18 Oct" (retrieved on June 5, 2007 from <http://www.cdi.org/russia/johnson/2006-211-5.cfm>).

the development of democracy. In the subsequent section the most important (actual and potential) efficiency effects of these structural changes are assessed.⁵¹

4.1 On the Progress of Democracy in Russia

Constitutionalization is still an ongoing process in transitional Russia. It is a process that is open to manipulation by various actors in society. The process was early on captured by Boris Yeltsin, who put his stamp on the version of the constitution that eventually was adopted in 1993. The constitutionalization process should be seen as part of a strive to establish Rule of Law in Russia. A significant fact, which is of some importance in a country undergoing rapid transitional changes, is that the constitution has remained in force without amendments since its adoption in 1993. Thus, it has contributed some degree of stability in an otherwise highly turbulent institutional development [C4]. Opting for semi-presidentialism, despite its inherent risks for conflict between the president, government, and parliament, was a decisive choice made early on in the constitutionalization process, a choice with important consequences for the continued Russian transitional development [C3]. It can reasonably be assumed that this choice was favoured and enforced by Gorbachev and later Yeltsin because they believed that perestroika and, subsequently, the dual transition to democracy and a market economy required a strong leader endowed with vast decision powers enabling the adoption of far-reaching and otherwise unattainable economic and political reforms. It is, however, fair to say that the Russian constitutionalization process in slow progress since the disintegration of the Soviet Union has strengthened the rule of law in the country [C5]. Much still remains to be done, however. The process, which has been mainly driven from the top, has made progress despite the fact that legal consciousness among ordinary Russian citizens has remained weak.

Government. One of the set-backs of the Russian version of semi-presidentialism with vast powers bestowed upon the president,⁵² is that it tends to produce technical cabinets (in which ministerial appointments are not necessarily based on parliamentary majority) with limited ability to actually govern, to initiate and implement policies (Schleiter & Morgan-Jones, 2005; Sokolowski, 2003) [C3]. But this way of forming cabinets might nevertheless be efficient in situations where, as in Russia (before the December 1999 elections), clear parliamentary majorities did not exist. Here, forming a cabinet based upon a (volatile) parliamentary majority might lead to government crisis. Furthermore, as some observers have suggested, countries like Russia and the Ukraine might “leave their dominant mode of technical governance behind as and when parties become sufficiently well organised and electoral mandates sufficiently conducive to the formation of assembly-based governments” (Schleiter & Morgan-Jones, 2005).

Political parties. A pertinent problem with the Russian party system has been that it tended to produce many small, short-lived parties with geographically very limited penetration. Developments after 1999, largely determined by institutional changes enacted by the president, have profoundly affected conditions for party life in Russia [C1]. With the emergence of parties of power the president was given a parliamentary

⁵¹ Whenever appropriate references to the criteria listed in Table 2 are noted in brackets [C?].

⁵² In Sedelius' (2006) classification the Russian semi-presidentialist system is of a president-parliamentary type.

platform, which might be used to support new reform proposals.⁵³ Further changes in the electoral system, especially the recently raised threshold for parties' entry to the parliament and the fact that all candidates can now only be elected through party lists, will have a clear impact on the work of political parties. The changed institutions will mean that political parties will become the main actors in the Russian political system, something that is likely eventually to produce more ideationally based policy discussions creating a foundation for real political opposition to the party of power, in the end improving political accountability and hopefully stimulating popular participation in politics, thus changing the currently widespread passivity among the Russian electorate, what Evans (2002) has called the "postcommunist syndrome." While many commentators have been critical towards Putin's reforms of the electoral system, some have, however, expressed a guarded optimism concerning their effects on democracy (cf., for instance, Hale, 2005; Willerton, Beznosov & Carrier, 2005; Moraski, 2007).

Federalism. While Yeltsin might have saved the Russian Federation from disintegration by different concessions to the regions (e.g., through bilateral treaties differentiating various benefits between the regions), his policy failed to eliminate a number of asymmetries which were potentially threatening the survival of the federation.⁵⁴ Through a series of often harsh measures president Putin has eliminated many of these asymmetries thus strengthening federal state power and installing more orderly and transparent relations between the federal centre and the regions [C3, C4]. In the process, it has been objected, the regions have lost some of their independence. But this, as supporters of the reforms would argue, might still be a necessary sacrifice for the purpose of establishing a federal power structure allowing a more stable and efficient policymaking.

Elections. While the existence of regularly recurring free elections must be recognized as an important step in the establishment of Russia as a democratic nation, it must also be remembered that the conditions under which these elections take place are of even greater importance for the development of good governance [C2]. Elections in Russia are (still) subjected to various manipulations producing a system that has been labelled "supply-side democracy." In such a system parties and candidates for political office do not emerge in response to popular demand, but rather as a result of actions taken by members of Russian elite groupings. Incumbents' power and the administrative resources that incumbents command often seem to determine actual election outcomes (so-called machine politics). One avenue of manipulative action of special importance for influencing election outcomes operates via biased media output content [C2]. Parties in power and incumbent candidates are favoured by manipulations performed by "election technologists" influencing the media, often using *kompromat* to discredit political opponents.

Media. With perestroika, media in Russia were given freedom to discuss topics that had hitherto been forbidden leading to a critical scrutiny of the many new developments

⁵³ Smyth (2002) explains how the parliamentary situation under Putin, unlike that of his predecessor, could produce support from the party of power (Unity/United Russia) for presidential reform proposals.

⁵⁴ As Hahn (2005:153) notes: "Yeltsin's emerging federal state included at least three major forms of federative 'asymmetry', a complexity unprecedented in the annals of federalism, 'official asymmetry' or constitutionally based treaty federalism, 'unofficial asymmetry' between federal and regional laws and constitutions, and the 'administrative-structural' asymmetry of Russia's nested or *matryoshka* national territorial subdivisions."

appearing in Russian society [C2]. But media were soon “occupied” by the oligarchs who reintroduced a new set of restrictions hampering free journalism. This situation also changed when authorities (with sanction from the president) started harassing the media moguls until they eventually sold their media outlets, once again opening the media to administrative control. Political forces, not least the president, could again use media to influence how Russian citizens cast their votes in elections. Studies have indicated that media coverage of election campaigns have had a clear influence on election outcomes. In addition, media workers trying to do honest work today risk losing their jobs or are being physically threatened, even killed. Thus, the media situation in Russia seems to have deteriorated in comparison with what it was at the beginning of the transition. Letting this situation prevail is, as Fish (2006) has observed, a violation of the Russian constitution with its guarantees of freedom of speech and information. Biased media reporting affects actors’ political behaviour and results in different decisions from those that would have been taken had information about events and discussion on political issues been produced by media less affected by outside actors. President Putin has acknowledged the problems and vowed to take actions to improve the safety of media workers and enhance media’s independence from outside forces (CPJ, 2007). However, it remains to be seen if this commitment will also make any positive real impact on the precarious media situation.

Civil society. As has often been noted, especially by foreign observers of the Russian transition, the development of an efficiently functioning democratic political market would be greatly facilitated by a well-developed civil society [C1]. However, a number of assessments have concluded that Russian civil society is still notoriously weak, despite a rapid development at the beginning of the transition period. Many have blamed the problems of civil society development on presidential policies to rein in and control the activity of civic organizations. The Russian authorities claim that the activity of many civic organizations is not positive for society and is performed under the influence of foreign funders with those funders’ interests in mind. Like in many other areas of Russian society the authorities have tried to handle the situation by introducing various administrative restrictions. A recent example is the requirement that some NGOs and NCOs must be reregistered with the authorities in order to be able to lawfully continue their work — a requirement that these organizations have claimed might threaten their continued activity. In a statist perspective on Russian state-society relations, it is perhaps not very surprising that the authorities attempt to get a firmer grip on developments by making the rule system governing civil society activities more stringent and seeking to improve the transparency of NGO funding.

Another problem that has hampered the influence of civil society on Russian policymaking has to do with the opportunities for civil society organizations to communicate their views and influence actual policymaking. Henry (2006) has distinguished three types of civic organizations; those based on professionals’ skills, those based on grass-root engagement, and those emanating from, and with remaining close ties to, government circles. For the last category of organizations access to government officials (and funding) is not the main problem. For the other two categories, however, mechanisms for exchanging views and channelling ideas which could influence policymaking are still poorly developed. As Taylor (2006) has noted, the “possibility of a more positive relationship of mutual assistance and partnership between the state and civil society” is nowadays increasingly emphasized in the

literature (cf. for instance, Johnson, 2006; McIntosh Sundstrom & Henry, 2006). Civil society should not only serve as a watchdog of the government, but also as a resource. In fact, as Weigle (2002) has argued, Russian civil society organizations rather see a strong state as a prerequisite for a strong society and necessary for civil society development. In this conception, civil society is “vital to ensuring the state’s democratic orientation.”

Considering these problems and the attitude held by Russian civil society organizations towards state-society relations, many of the measures initiated in recent years by President Putin must be seen as an acknowledgement of the importance of civil society for the further social and political development in Russia. Despite the still limited evidence it seems that the work of the Public Chamber has a potential to positively stimulate state-society relations, and the significantly increased government financial support of civic organizations indicates recognition of their importance for a continued democratic development in Russia.

But even more importantly, it seems that despite the recent bureaucratic obstacles hampering their functioning, Russian civil society organizations are capable of creatively adapting to the situation by modifying their behaviour and finding new organizational forms for acting and collaborating with one another with a purpose of influencing developments in society. Henry (2006) notes that a new “green” political party was established in 2005 by members of various environmental organizations in an effort to gain access to policy formulation since nothing previously tried seemed to work.⁵⁵ Taylor (2006) offers another interesting example of new forms of state-civil society collaboration in Russia. He reports on the emerging “street-level” collaboration between NGOs and law enforcement authorities in a strategy that “targets lower levels of state agencies, and tries to work inside state bureaucracies or alongside state officials performing their normal functions.”

In summary, it could be noted that a number of reforms adopted since the beginning of the transition have made a clear impact on the structure of the Russian political market. Arguably, many of the institutional changes that have been introduced through these reforms have modified the structure of the political system, resulting in improved prerequisites for a further development of democracy in Russia.

4.2 On the Development of Efficiency in the Russian Political Market

While it seems that the reforms affecting the structure of the political system have improved the prerequisites for democracy in Russia by levelling the playing field in which political market interaction takes place, the question remains whether these improvements have made any impact on the way the game is played. Is it possible to say anything about the extent (if at all) to which the reforms discussed above have improved the prerequisites for increased efficiency by facilitating reduced transaction costs incurred in exchanges taking place in the Russian political market?

⁵⁵ With some 20 thousand members the new party decided (in April 2006) to enter “Yabloko” forming a green fraction, the purpose being to prevail on the political arena hoping to make an impact in the upcoming (December 2007) parliamentary elections.

According to North (as noted in Section 1), four features determine these transaction costs: (1) costs of measuring the attributes of the goods and services that are exchanged; (2) the size of the market and whether exchange is personal or impersonal; (3) the need for enforcement of contracts; and (4) ideology or the “mental models” with the help of which individuals explain and evaluate decision options.

After reformulating North’s four “determining features” to suit political markets we take a brief look at some reforms that could be expected to produce an impact on the transaction costs encountered in political market interaction. We indicate what we believe are positive effects of these reforms and note some remaining problems that the reforms did not solve.

(1) Structural reforms introducing formal rules that facilitate citizens’ assessment of the character and political programs of various market actors (politicians, bureaucrats), rules that facilitate citizens’ decisions whether or not to support an actor or group of actors (e.g., a political party), tend to decrease transaction costs in the political market.

The fact that in the last 6–7 years a certain stability has been introduced in the legal framework (the formal institutional set-up) has facilitated citizens’ understanding of the structure and functioning of the Russian political market and might have contributed to decreased transaction costs.

Easy access to comprehensive and accurate information about developments in all spheres of society is decisive for citizens’ ability to assess the character and political programs of various actors in the political market. This kind of information is typically provided by mass media. Formally, the freedom of expression and media are secured through stipulations in the Russian Constitution (Article 29) and through the Law on the Mass Media (N 2124-I) adopted in 1991 and subsequently amended several times, a law that Richter (2005) found to be “one of Russia’s most liberal laws and one of the world’s most advanced laws regulating the field.” In practice, however, media freedom has been increasingly circumscribed, especially during Putin’s reign. When media cannot be trusted to disseminate accurate information, the road is opened for manipulative and corrupt practices influencing public opinion and, eventually, actual political behaviour, contributing to decreased efficiency in transactions conducted in the Russian political market.

A stable party structure with political parties that are defined on the basis of ideological consensus and have organizational presence in most parts of the federation would also make it easier for citizens’ to make well-informed political choices. The recently introduced changes in electoral rules raising the threshold for admittance to the parliament and demanding that all candidates be elected via party lists may force the Russian party structure onto such a development path. But this still remains to be seen.

(2) Structural reforms aiming at increasing the size of the political market, making the political market more impersonal, will tend to increase efficiency (through a decrease in transaction costs).

The fact that legislative acts valid for various territorial levels (federal, regional, local) have been harmonized and made more consistent is likely to make interactions more impersonal and efficient not only in economic markets but also in the political market.

Election to the federal Duma entirely based on voting for candidates named on national party lists, as is to be held for the first time in December 2007, will increase the size of the Russian political market and make exchange more impersonal. The common practice in previous elections to have half of the parliamentary candidates elected from single member districts made personal relations important and elections were more open to manipulation by incumbents using administrative resources to their own benefit and large corporations providing financial support for candidates they preferred.⁵⁶

Through the new law “On political parties” adopted in 2001 several changes in the rules governing funding of political parties were introduced. Some of the changes, such as limits on donations and opening of parties’ accounts to public scrutiny, should contribute to making the political market more impersonal and transparent, thus contributing to increased efficiency. However, according to Kenneth Wilson (2007), there have hardly been any noticeable effects of the reform, it “has not appreciably reduced parties’ donor dependence, nor has it rendered party finance transparent; it has also clearly failed to solve the problems of corruption.”

(3) Structural reforms aiming at facilitating enforcement of contracts would mean, if translated into the realm of politics, reforms improving accountability, i.e., citizens’ right and capacity to assign responsibility for failures or malperformance of an individual politician or a political party.

The main vehicle for political accountability is the existence of regularly recurring free elections to various political assemblies. In the Russian transition free elections are guaranteed in the constitution, and regular free elections have indeed been held. But, since the elections have not been entirely fair, accountability has suffered to some extent with due consequences for efficiency.

The constitutionalization process, with the constitution prevailing without change for quite some time, is arguably very important for the continued growth of law and order in the Russian society and contributing to a gradual improvement in people’s legal consciousness. This development tends to increase social trust, a factor of great importance for the efficiency of actors’ behaviour in the political market.

Measures have also been introduced to strengthen state power and the judiciary with the intention to reduce arbitrariness in citizens’ interaction with representatives of the state bureaucracy and in various kinds of disputes that are referred to the judiciary. These are also reforms that potentially improve social trust and the efficiency of the Russian political market.

One way to increase the accountability of the Russian government (which is currently appointed by the president) and to make it better equipped to perform its policymaking duties would be to make the selection of its members reflect the majority situation in the Duma. This issue has long been a recurring theme in Russian political discourse and in his presidential addresses to the Federation Council the president has indicated that changes in the appointment of cabinet members along these lines might be made in the future (Mikhailovskaya, 2003). The recent move by president Putin to head United

⁵⁶ The use of administrative resources (machine politics) has also been further regulated through recent legislative changes (cf., Dimenko, 2007), a structural reform that, in principle, adds formal support to a more efficient political behaviour. Whether this reform will actually change behaviour and reduce transaction costs in the Russian political market remains to be seen.

Russia's list of parliamentary candidates in the upcoming (December 2007) Duma election might perhaps be a first step in an attempt to introduce a government based upon parliamentary majority — with United Russia as the party in absolute majority and Putin as prime minister.⁵⁷

A better state control over executive assemblies' financial management — for instance, in the form of improved budgetary control — would be an effective way of increasing accountability, thereby stimulating more efficient patron-client relations in the Russian political market.

Despite much talk about the detrimental effects of corruption not enough has been done to reduce its scope and limit its highly negative effects on the efficiency of the Russian political market (cf., for instance, Cheloukhine & King, 2007).

(4) Structural reforms aimed at improving individual and collective learning ultimately resulting in changed (shared) mental models (ideology), with the help of which actors interpret their situation and decide on future actions, may contribute to a more efficient political behaviour (reduced transaction costs). Such behaviour might lead to — and might even constitute — institutional change, in case the new behaviour is not compatible with existing institutions guiding a particular behaviour.

Individual perceptions about the fairness and justice of the rules of the game obviously affect actors' performance in the political market. If everyone agrees on current policies and the general political outlook is more or less embraced by all citizens, shared mental models (ideology) will remain stable and social trust will be high. If, however, many citizens do not agree on the political path followed by the governing bodies of the country then tensions will stimulate discourse and possibly result in new (individual and organizational) learning suggesting new ways of approaching and solving problems, something that might eventually lead to the establishment of new shared mental models (ideology) and institutional change.

Ideology so conceived cannot be said to have remained stable in Russia during transition. Admittedly, the constitution has not changed since its adoption in 1993, meaning that the basic formal rules establishing the country's mode of governance have not been seriously challenged, a fact that no doubt is important for the efficient workings of the political market. However, and this seems to be a more representative characteristic of the Russian transition especially in its first decade, a large portion of the total legislative body has been in a kind of constant turmoil with detrimental effects for market efficiency (in economic as well as political markets). And, moreover, informal institutions have been even more unstable, as witnessed by the way people work around many formal rules, such as the tax legislation, to take but one example.

⁵⁷ The announcement at United Russia's congress on October 1, 2007 that President Putin was to head the party's electoral list triggered a flood of often critical or apprehensive comments in the Russian press and in media reports all over the world. Both Russian and western commentators saw the move as a way for Putin to remain in power after his second term in office ends in March 2008. While Russian commentators often discussed pros and cons for the country and for Putin himself of the spectacular decision, western commentators mostly noted that Putin had decided to remain in power through means that in principle sidestepped democratic procedure and confirmed that Russia is once again ruled by one man; see, for instance, Stanovaia (2007); Mikheev (2007); Volkov & Rudakov (2007); Levy (2007); Ludwig (2007).

Taken together, the impression purveyed by the highly volatile institutions in Russia is that of a society in which there is a great deal of ideological confusion (mental models tend to be shared by a few) creating a situation where new patterns of behaviour, new approaches to solving common problems, are constantly elaborated and “tested.” Compared to older well-established market democracies Russia displays a rapid ideological development resulting in rapid institutional changes. While such fast and often erratic developments tend to increase transaction costs (reduce efficiency) in the short term, it is nevertheless indispensable for devising improved (more efficient) institutions.

What structural features in society can foster the emergence of broadly shared mental models that would make Russian society more ideologically coherent and ultimately contribute to increased efficiency in the Russian political market? What reforms affecting this structure have been introduced already, and with what success? Some reforms discussed above are likely to have an impact in this respect. For instance, the recently introduced changes in the electoral rules are expected to invigorate Russian political parties. Parties are likely to become more prominent players in politics, which eventually should make it more attractive for people to enrol as party members. With more people active in party politics the process of forging ideological consensus should be stimulated. Likewise, support of other civic organizations in Russia could be expected to stimulate political discourse, in the end establishing a structure conducive to a more active popular participation in public policymaking. If such a process is allowed to emerge in an orderly manner without being obstructed by the authorities it should lead to an improved efficiency in the workings of the Russian political market.⁵⁸ This would mean a modernization of Russian political culture that would increase trust in society and hopefully reduce the “postcommunist syndrome” preventing people from engaging in Russian public affairs.

Here it should also be noted that measures affecting the situation in other spheres of society than politics might also produce an impact on ideology and ultimately the efficiency of the political market. Reforms aiming at improving social welfare (reduction of poverty, improved health care, better education, etc.) are examples of such measures.

Naturally, this reasoning about possible effects on the efficiency of the Russian political market resulting from the structural reforms discussed above is only valid under the assumption that the reforms actually are, or will be, properly implemented with the purpose of achieving the effects stated. That this is, or will be, the case is, however, far from certain. Developments in Russia after the December 2007 Duma and the March 2008 presidential elections will begin to reveal whether the observed and planned structural reforms of the Russian political market will actually produce the intended effects.

⁵⁸ As noted above, the Russian authorities’ stance on the issue of civil society has been somewhat ambiguous. But, judging from recent statements by the president, for instance in his 2007 presidential address (cf., Putin, 2007), interactions with Russian civil society is considered very important for the development of democracy and NGOs are this year given significantly increased financial support.

5. Concluding Remarks

This article has outlined a way to assess efficiency changes in Russian politics. Conceptualizing the problem in an institutional framework, as suggested by Douglass North *et al.*, led to the application of the market metaphor to political life and to seeing changes in transaction costs as an indication of the efficiency of actors' political behaviour. As is the case with economic markets, the efficiency of actors' behaviour in political markets is determined not only by the quality of the existing set of rules (formal and informal institutions) that restrict actors' behaviour, but also by actors' perception and understanding of these rules and the behavioural decisions they take on that basis. Thus, it was argued, the efficiency of actors' behaviour in the political market is determined both by the structure established by the existing institutions and by actors' perception and understanding of the restrictions imposed on their actions by these institutions. While the structure of the rule system limits the potential efficiency of actors' behaviour in the political market, learning is the fundamental factor determining actors' ability to actually use the efficiency potential offered by the institutional structure. Consequently, in order to assess efficiency changes in actors' political behaviour it is essential to analyze the structural changes *as well as* changes in agency that take place in the political market. Based on Robert Dahl's (1971) reasoning on what characterizes democratic governance a set of criteria was specified for assessing the character of changes that are believed to affect the political market.

In the second part of the article, an analysis was made of the *structural changes* that have taken place in the Russian political market since the disintegration of the Soviet Union. Here we turn back to the original questions set out in the introduction above and summarize the answers found in our analysis.

5.1 Is the Russian Political Market Democratic and Efficient?

The first question we set ourselves (cf., Section 2.4) was: To what extent are the criteria listed in Table 2 met in contemporary Russia? The results of the analysis performed can be summarized in the following way:

1. Formal rules do exist as expressed in legislation (mainly the constitution) through which a clear structure of the Russian political market is specified. A division of power between various state agencies is laid down in the constitution; the adopted mode of government — semi-presidentialism — bestows major powers upon the president [C3]. Dahl's criteria concerning citizens' freedoms and rights [C1] and the sanction of certain procedures and resources in society [C2] all find their correspondence in the Russian constitution.
2. The existing Russian constitutional rules compare well with corresponding rules derived from an "ideal-type" definition of democracy [C1-C4], provided that such an "ideal-type" definition is seen as compatible with different forms of democratic governance, such as parliamentarism, presidentialism, and semi-presidentialism.
3. The structure of the Russian political market that was established through the formal rules laid down in the constitution (and in subsequent legislation) has remained stable since its adoption in 1993. However, since the formally adopted rules were often overridden or affected by the influence of informal rules, the formal structure of the Russian political market did not work entirely according to the letter of the law [C5].

For example, while elections are considered free in Russia, they are not considered fair, due to manipulations of information disseminated through the media.

Furthermore, in practice, the very powerful president has frequently interfered with and modified the set of formal rules that constitutes the structure of the Russian political market. While this interference in Yeltsin's term in office was achieved mostly through decrees, policies initiated by Putin and the government have increasingly been enacted through legislation passed through the parliament (Remington, 2006). For instance, in the last few years, changes have been introduced that have reduced many of the inconsistencies that were frequent in the existing legislation [C4]. The president has also initiated and sanctioned changes in electoral rules that can be expected to profoundly affect the existence and activity of Russian political parties. These institutional changes will presumably increase the importance of party politics in Russia, thereby promoting citizens' engagement in political life. Ideally, the reforms will increase political accountability and open opportunities for making government appointments better reflect parliamentary majorities [C3].

However, while many of these changes (on paper) seem to promote democracy (increase peoples' opportunities to influence policymaking), criticism has also been mounted against some features of the reforms and their expected effects. A common denominator of this criticism seems to be suspicions that the real purpose of the reforms introduced is not in fact to improve democracy in Russia, but rather to strengthen the existing elite's (or ruling clan's) grasp of economic and political power, i.e., actually to prevent a further development of democracy.

This clearly illustrates the problem of studying developments in today's Russia. While a study of the changing structure of the political market would give fairly clear indications of the actual functioning of the system in a country with a well-developed democratic market economic system, it is not obvious that similar conclusions can be made on the basis of a corresponding analysis of the political market in transitional Russia. Here informal institutions incompatible or at serious odds with formally adopted legislation influence actors' behaviour to an extent that might pervert the intended behavioural effects of the formal institutions. This fact only underlines the importance of analyzing agency and not only structure when trying to understand developments in transitional Russia.

5.2 Value of the Criteria as a Tool for Assessment

The second question set out in Section 2.4 was: To what extent do our criteria work as a general tool for assessing political markets?

Employing the market metaphor to conceptualize interactions in the political system automatically draws attention to the issue of which characteristics determine the quality of actors' political behaviour. The principal benefit of the economic "market mechanism" is that it — at least in theory — entails an incentive structure that tends to make actors engage in transactions through which scarce resources are allocated to their best use. But, as North (1990) has pointed out, traditional neoclassical theory needs to be supplemented by a theory of institutions and transaction costs. An efficiently functioning economic market operates at minimum transaction costs. The institutional

framework embedding market interactions can be more or less conducive to minimizing transaction costs.

One might ask what features determine the efficiency of transactions in the political market. Here we have suggested that the transaction costs that actors incur in their interactions in the political market to a significant extent depend upon the quality (structure) of the institutional framework in which this interaction is embedded and upon the degree to which the behaviour (agency) entailed by the existing institutions are enforced (regardless of whether enforcement is coercive or voluntary). As North (1990: 364) claims, “different institutional frameworks will result in different costs of political exchange.”

In the Russian transitional setting — where the undemocratic Soviet command economy is giving way to a democratic market system — the criteria to be used for assessing the efficiency of the political market had to prescribe both structural and behavioural characteristics of an efficiently functioning democracy. The criteria selected (cf., Table 2) were framed in institutional terms.

With reference to the question posed above, it can be concluded that, at least within the present problem context, the criteria specified have been useful both for selecting which structural political reforms to analyze and for assessing the quality of the institutional changes introduced through these reforms, for determining whether or not they have improved — or (if not yet implemented) have the potential to improve — the structural prerequisites for a more efficient interaction in the Russian political market.

However, to allow a more general conclusion about the merits of our approach, the criteria also need to be tested in a wider problem context, where not only the structural prerequisites for political market efficiency are investigated, but where actors’ real market behaviour is also assessed. Thus, both structural and agency changes should be addressed to finally ascertain the quality of this assessment tool.

5.3 Disentangling the Russian Political Jumble

Many features of the Russian political market are still insufficiently known. Based on the previous discussion, it would seem particularly fruitful to study the following issues in the nearest future, when several of the recent reforms affecting the political market may start to make an impact on real politics in Russia.

First of all, it is important to understand how political power is connected to economic power in Russia. An analysis of how relations between political and economic elite groupings change and what determines such changes would contribute to such an understanding.

As was observed above, the Russian constitutionalization process (the introduction of Rule of Law) is heavily dependent upon the development of legal consciousness among citizens. In a more general context, this is an issue that is closely related to political culture. In an action research perspective it would be interesting to study how policy reforms affecting the development of democracy in Russia are initiated and elaborated. How can citizen participation in democratic policy formulation processes be stimulated in a system where citizens’ legal consciousness is weak and where long political culture

traditions have assigned the policy formulation privilege to members of the elite? What is required to change this situation?

In a more immediate perspective research ought to focus on the effects of the recently introduced reforms. How will the reforms, especially reforms of the electoral system, affect the Russian party system? How will recent reforms affect civil society and possibilities for increased popular interest in and influence on politics? How will the reforms affect the relation between the federal, regional and local levels? How will the president's position and influence on Russian political life be affected by the reforms? And, more specifically, how (if at all) will the reforms change the relations between the presidency, the legislature and government? Is Russia in fact moving towards parliamentary rule?⁵⁹

In general, we still know far too little about the interdependence between structure and agency in the political market, how actors' behaviour depends upon changed structures and how changes in the structure depend upon actors' behaviour. The continued Russian transition offers a good arena for studying these and similar issues.

Finally, there is a very serious issue that deserves much more attention than it has hitherto been given. This is the issue of corruption, an issue that might impose a completely different perspective on the whole Russian transitional development. It is generally agreed that corruption is a major problem in Russian society, and officials, not least the president, constantly acknowledge the problem and state that serious measures will be taken to fight corruption. However, corruption might, as has been suggested by, for instance, Brovkin (1998) and more recently by Stefes (2006) and Cheloukhine and King (2007), be a much more fundamental feature affecting all levels of life in Russia than has been noted so far. If the authors' claims are corroborated, research about developments in Russia might have to be conducted on entirely different premises than has been the case until this day.

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Umeå, 30 November 2007

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⁵⁹ The issue of parliamentary rule has long been publicly discussed in Russia. As, e.g., Mikhailovskaya (2003) has noted, the issue of having the Russian government appointed by the parliament has been discussed at least since the late 1980s. The discussion of this issue again became more heated after the presidential address in 2003, where Putin said he considered the possibility of "forming a professional and efficient cabinet based on the parliamentary majority" (see also Malgin *et al.*, 2005).

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