Journal of Eurasian Studies 4 (2013) 136–145

Contents lists available at SciVerse ScienceDirect

Journal of Eurasian Studies

journal homepage: www.elsevier.com/locate/euras

Economic and political hybridity: Patrimonial capitalism in the post-Soviet sphere

Neil Robinson[a, b, *]

[a] Department of Politics and Public Administration, University of Limerick, Limerick, Ireland
[b] Institute for the Study of Knowledge in Society, University of Limerick, Limerick, Ireland

ARTICLE INFO

Article history:
Received 21 November 2012
Accepted 2 February 2013

Keywords:
Hybridity
Political stability
Patrimonial capitalism
Russia
Former Soviet Union

ABSTRACT

Hybridity in non-democratic states can be economic as well as political. Economic hybridity is produced by the same kind of pressures that create political hybridity, but the relationship between economic and political hybridity has not been as much studied by political scientists. This article uses the concept of patrimonial capitalism to look at economic hybridity, its stability and relationship to political hybridity. Using examples from Russia and other former Soviet states it argues that economic hybridity is unstable and that it has a potentially negative affect on political stability generally.

1. Introduction

The origin and fate of hybrid regimes have been explained predominantly and widely as functions of politics. Hybrid regimes are the result of a global political event – the end of the Cold War. Their primary characteristic is political and institutional; the adoption of the formal architecture of liberal democracy, particularly elections, by elites who are not prepared to accept the prospect of losing power that free and fair elections necessarily create (Levitsky & Way, 2010: 17–19). This latter characteristic also determines their fate: hybrids seem to end – or are succeeded by new iterations of hybridity – through transition by election since elections throw into sharp relief the gap between their constitutional and political natures. However, hybridity often extends beyond politics. The end of the Cold War did more than expose a raft of new states to democratizing pressures, enable policy makers to make democracy promotion a foreign policy priority, and make democracy 'the only game in town' (Przeworski, 1991: 26). Rulers who were forced to modify their closed political systems were also forced by the same global forces and agencies to modify their closed economic systems; the market was 'other game in town' and 'capitalism promotion' changed economic practice and development as much as 'democracy promotion' changed politics.

The results of capitalism promotion have been no better than those of democracy promotion: economic hybridity is almost as common as political hybridity. The two often overlap, although political hybridity and authoritarianism do not always require economic hybridity as the existence of open market economies in authoritarian polities shows. Economic hybridity does seem to require political hybridity or actual authoritarianism to develop and endure. Where they develop at the same time – as has been the case in the

* Department of Politics and Public Administration, University of Limerick, Limerick, Ireland. Tel.: +353 61 202320; fax: +353 61 202572.
E-mail address: neil.robinson@ul.ie.

Peer-review under responsibility of Asia-Pacific Research Center, Hanyang University

ELSEVIER Production and hosting by Elsevier

1879-3665/$ – see front matter Copyright © 2013, Asia-Pacific Research Center, Hanyang University. Production and hosting by Elsevier Ltd. All rights reserved.
http://dx.doi.org/10.1016/j.euras.2013.03.003

former USSR – they become intertwined and co-dependent. The relationship between economic hybridity and politics means that economic hybridity is both a form of economic order and a part of the political order since it is both structured by and structures political relationships. Co-dependency of politics and economics means that a crisis of one may become a crisis of the other.

Economic hybridity and its political effects have been less studied than political hybridity by political scientists. One of the few attempts made to conceptualize it on a par with political hybridity is Oliver Schlumberger's (2008) analysis of 'patrimonial capitalism'. This article seeks to expand on Schlumberger's paper by looking at cases of patrimonial capitalism from the former USSR to argue that the development of patrimonial capitalism has been important for political stability, which here is taken as equivalent to the degree that leaders are able to easily reproduce their rule by ensuring the co-option of elites and social passivity. It will be argued that patrimonial capitalism is inherently unstable because of its difficulty securing growth and due to the tensions within it. It is only stable under certain conditions, which will be outlined below. Where it is stable it has provided – at least so far – for elite co-option as well as for some degree of performance legitimacy in post-Soviet hybrids, and has been able to balance the demands of rapacious elite groups and resource demands from officials trying to discharge state functions.[1] The latter is a main source of tension where economic and political hybridity mix. Political hybridity creates rapacious elite interests and at the same time enables social forces, albeit weakly, to put demands on the state. Dealing with this tension to create stability and political co-option of elite and social groups is partly exogenous to patrimonial capitalism, at least in post-Soviet cases. It is a product of rent-generation from privatization, hydrocarbon revenues, and foreign borrowing. Post-Soviet patrimonial capitalism does not appear to be capable of generating stability from economic growth itself without further reform, and this reform is blocked by its own nature as a form of rapacious political capitalism, very different to the 'varieties of capitalism' that exist in capitalist democracies (Ganev, 2009).[2]

This article concentrates on Russia, although reference will be made to other post-Soviet cases where appropriate to illustrate aspects of the in/stability of patrimonial capitalism in the region. There are two reasons for this approach. First, emphasis is put on the Russian experience because its experience is varied politically and economically so that it is possible to relate other post-Soviet cases to its experience to illustrate points about their development. Second, Russia is the central economic and political power in the region and this creates pressures on it that demonstrate most fully the tension that can exist within patrimonial capitalism between resource distribution aimed at elite co-option and resource accumulation for the purposes of fulfilling state functions of social management and security provision.

2. Patrimonial capitalism and its development in the former USSR

Patrimonial capitalism is a form of neo-patrimonialism. Neo-patrimonial systems are combinations of legitimating practices and norms, combinations of forms of economic practice and of political practice. In neo-patrimonial systems personal ties and relations are complemented, complicated and sometimes conflicted by impersonal institutions that have some independent existence of individual actors. These impersonal institutions are most notably, but not exclusively, a bureaucratic state machinery, the development of which pushes a part of the state away from personal relations towards more enduring hierarchies based on impersonalism; and market economic exchange, which adds additional channels to wealth to the traditional personalised access to resources through the machinery of a state constructed around its leader(s). Neo-patrimonialism is thus a non-democratic social and political order that is made up of conflicting modes of organization and their legitimation rather than a particular institutional, social or economic order (Erdmann & Engel, 2006; Médard, 1982).

Fig. 1 maps out the space that neo-patrimonialism occupies between personal and impersonal modes of social, political and economic legitimation. Neo-patrimonial systems take different forms within this space according to their combination of different legitimating principles. In each corner of this space are four types towards which, and according to material and other pressures, a neo-patrimonial system may veer. A neo-patrimonial system where bureaucratic impersonalism merges with high levels of political control of the economy will tend towards a developmental state model where bureaucracy endeavours to direct development (the top left of Fig. 1); where bureaucratic impersonalism combined with market economic regulation the tendency will be towards a less directed developmental state with the bureaucracy acting not as the director of investment decisions but facilitating market relations through legal guarantees of property etc (the top right of Fig. 1). Where both market and bureaucracy are weak the tendency will be to the traditional patrimonialism that Max Weber (1947: 622–649) originally described (bottom left of Fig. 1), in which neo-patrimonial, impersonal elements are very weak. Where personal patronage is a key form of legitimation but mixes with the market the tendency will be towards patrimonial capitalism (bottom right of Fig. 1). It is this latter type that interests us here.

[1] On the importance of performance legitimacy for hybrid regimes in general, and for post-communist regimes in particular, see Burnell (2006) and Feklyunina and White (2011: 387).

[2] See Lane and Myant (2007) and Myant and Drahokoupil (2011: 299–302), for descriptions of how the 'varieties of capitalism' literature is not relevant to the case of most post-Soviet cases. Lane and Myant bracket the post-Soviet economies together as 'hybrid economies', but do not analyze them as a class. Myant and Drahokoupil briefly (311–312) describe post-Soviet economies as being either 'oligarchic or clientelistic capitalism', 'order states' or 'remittance- and aid-based economies'. All of these are far from the 'varieties of capitalism' literature. The first has some similarities to what is called patrimonial capitalism here, but the idea is underdeveloped and there are no clear dividing lines between what Myant and Drahokoupil call 'oligarchic capitalism' and the other two forms of economy: an oligarchic capitalism or an 'order state' can rely on remittances (as some definitions of rentier states would allow for).

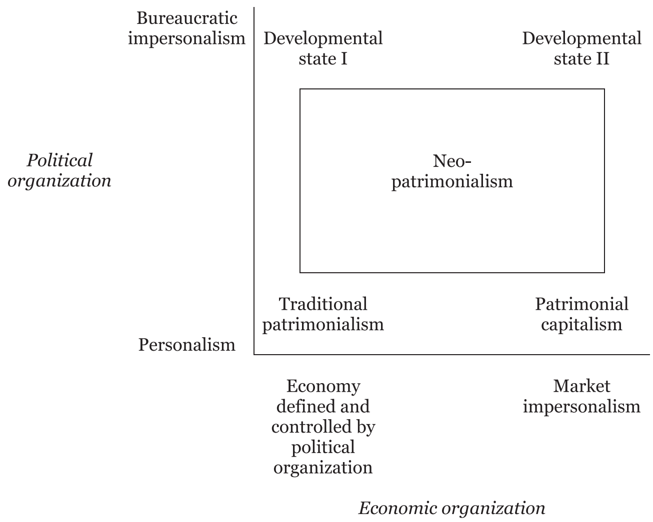

Fig. 1. The neo-patrimonial space.

Patrimonial capitalism has seven main features:

1. Formal and informal rules (laws on the one had and values and behavioural patterns on the other) are not mutually supportive but work against one another, with informal rules generally trumping formal ones;
2. The rule of law is weak so that property and contract rights are secured best through personal connections, the development of which is highly costly to 'outsiders';
3. There tend to be no, or weak, competition and trust laws;
4. Transaction costs are high due to the costs of securing rights within a formal framework that sets out rights but probably does not protect them;
5. Highly profitable economic sectors are controlled by elite members, foreign intervention in such sectors is constrained by weak property rights and high transaction costs;
6. The pace and nature of any reform serves elite interests and these interests explain what reform can happen;
7. Political leadership is not subject to democratic constraint. Personalistic relations dominate and where this is the case a non-democratic polity may develop a patrimonial capitalist system because of the peculiar tension that can arise between formal and informal rules (Schlumberger, 2008).

Patrimonial capitalism is thus illiberal both economically since it constrains competition by deforming the market and undermining formal economic rights (such as those to property), and politically, in that it requires the erosion (at the least) of democratic governance to enable informal rules to triumph over formal ones.

The combination of these features makes it very difficult for a patrimonial capitalist system to either transition to a liberal capitalist system or to achieve development. Moving to liberal capitalism requires either a political break to destroy patrimonial elite control over the economy or an economic change to introduce new actors powerful enough to supplant elites and rewrite political and economic rules. Such systems also have a tendency to resist change. Pressure to reform is filtered through domestic structures so that when reform happens it takes forms and happens at a speed that protects the power of domestic elites as Schlumberger's analysis of Arab states shows. This helps to dull development, as reform cannot be successful. Development is also further stymied because of obvious problems with trust, which limit willingness of domestic and foreign investors to invest because of the high costs of insuring property rights and contracts. Endemic corruption also leads to loss of human and investment capital through migration and capital flight. An economy can still grow in such circumstances if, for example, prices for its exports rise, or if it imports capital, but development as economic diversification and the growth of new high value-added sectors outside of elite control is very difficult.

Patrimonial capitalism formed in the crucible of sociopolitical change that developed from greater international economic integration and the collapse of communism (Schlumberger, 2008: 233–236). Greater international economic integration, based, among other things, on the spread of aid conditionality and neo-liberal economic agendas and structural adjustment, changed the terms of authoritarian political economy. Semi-autarkic economic development in which authoritarian systems could gatekeep and profit from foreign economic relations became harder to sustain as policies of liberalization were pushed by international financial institutions. Changes brought about by economic liberalization did not always lead to economic democratization, but they did change the ground on which economic patronage and control were based. Liberalization created the formal legal basis for more market-based private enterprise as price controls were weakened through commodification and as direct state control over economic activity was diluted by privatization. The forced development of a formal basis of competitive market capitalism threatened elite economic control and hence political relations on which political stability rested. However, exogenously sourced reform was easy to subvert. It often lacked a strong domestic constituency, faced collective action problems, and was introduced piecemeal and left incomplete. Reform was therefore generally partial, begun, often with a 'big bang' of 'shock therapy', but then compromised.

The origins of patrimonial capitalism in the former USSR lay in its relative backwardness. The USSR did not manage to achieve a transition from basic development – achieved by the coerced diversion of resources from consumption to investment – to development based on greater economic efficiency and, high value-added good production. The reasons for this are well-known: central planning and the bureaucratic institutions that supported it, as well as party management of the economy that focussed on short-term goal fulfilment at the expense of economic restructuring, combined to lock in the economic underperformance and decline by making the economy inimical to change.[3] The Soviet developmental model began to fail as a result. Efforts to revitalize it – Gorbachev's *perestroika reforms* – were unsuccessful, but did destroy central political institutions. This opened up the possibility of importing reform from abroad and connecting to the global economy. There was no alternative popular economic platform to that proffered by international financial institutions; the collapse of communism was a rejection of central planning rather than a positive commitment to an alternative socio-economic model clearly defined in policy-terms (Holmes, 1997; Offe, 1996: 30–31; Urban, 1994). Moreover, communism's collapse did not alter either local elite structures or the social relations that had grown up around daily economic life. Political change in the centre of the Soviet polity outpaced change in the economy generally (Rozman, 1992). Russia and other post-Soviet states were thus politically, but not socially, discontinuous in that they had to create new polities albeit with old elites.

These elites were patrimonial in two ways. First, they were members of networks of affinity that had initially developed to protect officials from the vagaries of the planned economy (Urban, 1985), but which had subsequently developed into parasitic machines for the private accumulation of wealth and influence (Jowitt, 1983). Second, their relationship to society at large was patrimonial since Soviet communism had been a patrimonial system in which rapid modernization from a peasant economic base had served to create structures for co-option of new social groups (as a neo-patrimonial system the USSR tended towards the top left of the space defined in Fig. 1).[4] Unlike many of its east European clients, the Soviet party-state had never had to face strong independent social forces and negotiate with them (Kitschelt, Mansfeldova, Markowski, & Toka, 1999: 23–24). Soviet society had always been a supplicant to power, in the shape of local party-state satraps, unable to organize independently of the political system, and for the most part remained a supplicant even as the old order decayed and collapsed (Fish, 1995).

The necessary conditions for the creation of patrimonial capitalism were therefore present at the moment of the USSR's demise. The model of economic change and economic policy priorities came from outside and was not strongly supported by any organized social force. This made calculations about whether to reform and how far complex. Some level of market reform was inevitable. The market was to some extent already in existence when the USSR collapsed as some private economic exchange had filled the spaces created by the implosion of the Soviet planned economy between 1987 and 1991. The question before new leaders was did they need or want to close the gap between political and economic change, to develop new political and economic structures that could counterbalance social and elite structures left over from the USSR?

There were a variety of answers to this question; each post-Soviet country's answer was determined by a combination of push and pull factors, which between them determined whether patrimonial capitalism was created through conflict or accommodation. Circumstance – insecure tenure in particular – pushed some leaders to try to reform and these reforms, particularly those that occurred in Russia, then pulled other countries into reform to some extent so that reform was doubly exogenously sourced, from the 'West' and from Russia. But no matter what the origins of reform it was generally compromised when it impacted on the ability of elite members to use reform to their economic advantage (Hellman, 1998). The lack of broad social support for reform and/or institutional structures for such support to manifest itself meant that there was little to gainsay this compromise. Consequently, the benefits of competitive market capitalism did not accrue to populations as a whole but to small numbers of people who could use positions inherited from the antecedent system to their advantage. Securing advantage through compromising reform required political support. This was easy to secure where political influence could be secured through bargaining with a single peak institution such as a presidency (as was the case across the former USSR), or where there was non-democratic continuity through the course of reform (as was the case in much of post-Soviet Central Asia, for example) (Hellman, 1998; Schlumberger 2008). In these cases economic power became fungible and intertwined with political power and institutions to create patrimonial capitalism. Consequently, where there was both economic reform and some political change what we might call 'full-spectrum hybridity' developed as political and economic hybridity combined.

3. Stability and patrimonial capitalism

Patrimonial capitalism develops as a means of coping with exogenous pressure to change economic practice. Its form raises questions about longer-term stability because it constrains development, and because it creates patterns of intra-elite relations that constrain reform that might lead to development.

[3] On these problems, generally see Kornai (1992). For the intractability of the Soviet economy see, *inter alia*, Hewitt (1988), Åslund (1989). On the party and the economy see Rutland (1992).

[4] On the USSR as a patrimonial system see *inter alia* Kitschelt et al. (1999: 21–24), Gorlizki (2002), Hale (2007: 227–250), and Willerton (1992), especially 230–241.

Patrimonial capitalism obviously favours elite groups economically. Its legitimacy is based in the first instance on elite agreement and their acceptance of it as an economic order: legitimacy flows from other power-holders, not from the governed as Stinchcome (1987: 150) argued. This means that there are collective action problems in achieving development based on economic reform. A social majority may have a latent interest in development in that they might gain from it, but they have low incentives to organize and agitate for reform; they will incur costs if they do organize and agitate for reform, but will gain from the public good of economic reform if they free-ride. On the other hand, losers from change – elite members, those who enjoyed consumption before policies to create development were put in place, have incentives to oppose reform. Their losses (privileged access to goods and resources etc, undisturbed consumption) are born directly by them and outweigh the gains that they would derive from the public good of reform. Consequently not all states take action and some that do back down in the face of opposition.[5]

Obstacles to launching development-orientated reforms are therefore great (Chaudry, 1993). This enables patrimonial capitalism to achieve political embeddedness as Schlumberger (2008) puts it. As politics and economic power become intertwined the political system does not develop autonomously of the structure of social inequality in a society: instead the beneficiaries of patrimonial capitalism achieve a degree of state capture. The state cannot be a powerful vehicle for economic development as a result, and private, elite-dominated enterprise will not act as such a vehicle. At the same time state functions are put under pressure as resources are diverted from fulfilling state functions to rapacious elite groups. This can impact on performance legitimacy as the state, resource poor as it is, can struggle to provide welfare and security. The problems that state capture and the denial of resources to the state can cause might be escaped for a time due to circumstance. High commodity prices, for example, can facilitate growth. But unless such circumstances lead to a change in the state's capacity overall and specifically in its ability to create incentives that generate higher productivity and invest in high value production etc, these problems will likely resurface in the future. There is, in other words, a high degree of path dependency that fixes patrimonial capitalism in place.

How stable patrimonial capitalism is thus depends on two things. First, it depends on elites being tied to the patrimonial capitalist system. If there are not enough resources available to both fund the state's fulfilment of its functions and satisfy elite in place divisions over economic strategy will ensue and help to cause ruptures in the compromised polity upon which patrimonial capitalism rests. Second, there is a fine balance to be struck between managing society as a whole and distributing resources to elite groups. Managing society requires that there be enough resources available for the state to function at some minimal level of security and welfare provision. Channelling resources to elite members can have some welfare functions as they may pass on a portion of resources that they acquire. Elite members might also buttress internal security by using their resources to informally regulate society by, for example, controlling media. But these spillovers from the allocation of resources will not resolve all welfare needs and will not cover all the domestic and international security functions of the state. The danger here is that the patrimonial system reaches a fiscal crisis point: the amount needed to maintain patrimony plus the amount needed to maintain basic state functions may be greater than the amount that can be appropriated by domestically or borrowed internationally. Such a crisis need not be revolutionary, although it can be, of course. Crisis can be less dramatic than a revolution, some combination of governmental instability, fresh pressures for reform, invoke new conditionalities from lenders of last resort etc. Theoretically, the form of crisis and its outcomes are immaterial; the important point is that if such a situation arises then a country's patrimonial capitalism can be described as inherently unstable, rather than tending towards a stable political economy that recreates elite power over the economy. At this point political disturbance of some point may upset not just the hybrid economy but the hybrid political system as well, pushing it either towards democracy or to fuller authoritarianism.

4. Patrimonial capitalism in the post-Soviet space

From the above we can see that patrimonial capitalism is stable where there is the possibility of appropriating or otherwise accumulating resources sufficient to keep patrimony and state going over a longer term. Stable and unstable patrimonial capitalisms have been observable in the former USSR. Patterns of stability have been created by pressure to modernize, by the construction and stability of coalitions that support patrimonial capitalism, and by the underlying economic structures of the post-Soviet states and the capacity of these structures to support patrimonialism whilst at the same time maintaining basic state functions. There is not space here to go through all of these factors and the forces created by and involved with them, certainly not for all of the countries in the region that might be called patrimonial capitalist. What we can do is assess the roots of patrimonial capitalism, the conditions that have enabled it to develop and its relationship to reform, and assess its stability through the prism of the Russian case in the first instance.

Reform in Russia was pressed forward early and in the face of elite interests because of the weakness of the Russian government under Boris Yeltsin. Yeltsin had been elected Russian President only in June 1991 and had no secure political basis for his power. Yeltsin's authority rested on his break with the communist establishment, making him one of only two post-Soviet presidents (outside the Baltic states) to have broken with Soviet era power structures. Presidential–parliamentary relations were poorly established in constitutional law. The writ of the central Russian government was not well established beyond

[5] On these problems generally see Geddes (1994). On collective action problems and post-communist economic reform see Przeworski (1991: 162–180) and Hellman (1998).

Moscow, and there was no presidential party in parliament (Morgan-Jones, 2010).

Radical economic reform via marketization and trade liberalization aimed to alter the balance of power between political authorities and the remnants of Soviet administrative elites that had not been ousted by the limited turnover of sub-national political and economic elites (Johnson & Kroll, 1991; McAuley, 1992). Economic reform was thus a substitute for political strategy and institution building in Russia (Robinson, 1999; Woodruff, 1999). The political gains that reform was supposed to bring were not, however, enough to lock reform in place and enable marketization to change Russian society and the balance of power therein. Although economic reform was adopted in outline relatively simply and easily at the end of 1991, it soon became highly politicised. Reform was opposed by a wide constituency of managerial, political and social interests – there was even a short-lived alliance of such forces, Civic Union, between the summer of 1992 and the spring of 1993 – as well as by a variety of nationalist and communist groupings. Reform was compromised and Yeltsin's attention shifted to political survival. Yeltsin stitched together shifting coalitions of regional, economic (including liberals who were necessary to access international funds), and political allies to maintain power and secure his re-election (Shevtsova, 1999). The breadth of Yeltsin's alliance building was wide and the loyalty of allies frequently shallow (Willerton, 1998). This pushed Yeltsin to 'overinsure' his power by incorporating as many interests within his coalition as possible (Breslauer, 2002).

Not surprisingly one effect of this coalition politics was that economic reform was further weakened. Some measure of this can be seen in Fig. 2, which shows reform progress in two key areas, competition policy, which we have linked to patrimonial capitalism above, and banking policy. Fig. 2 uses the European Bank for Reconstruction and Development's four-point scale of reform progress, where a score of four means that reform has been completed. The development of competition policy has obvious implications for elite control over economic activity in that higher rates of competition will impact elite incomes from the resources they control. The extent of banking policy reform correlates to the degree of openness of the financial system and its capacity to promote development through the provision of capital etc. Greater openness in the financial system will also mean there are financial services (such as foreign banks, banks that are not pocket banks) not tied to elite economic interests.

Fig. 2 shows that progress was made immediately after the collapse of communism in Russia (mostly) and other post-Soviet states (to some extent) in these key areas. The rate of change in both competition and banking policy then slowed: reform generally peaked around 1994–1995. Some progress was made after 2000, but often unevenly so that frequently one area developed but the other did not. Nor was progress constant: backsliding, for example in the Kazakh banking sector, was commonplace, as one would expect where reform touched too heavily on elite interests. The stalled and erratic progress of reform meant that across the post-Soviet space practices that allowed unprofitable enterprises to survive at the expense of development thrived; this was often through the demonetization of economic exchange through barter and the payment of wages and taxes in kind. Economic actors either used access to local institutions or extant networks of influence to maintain production and their power, constraining the

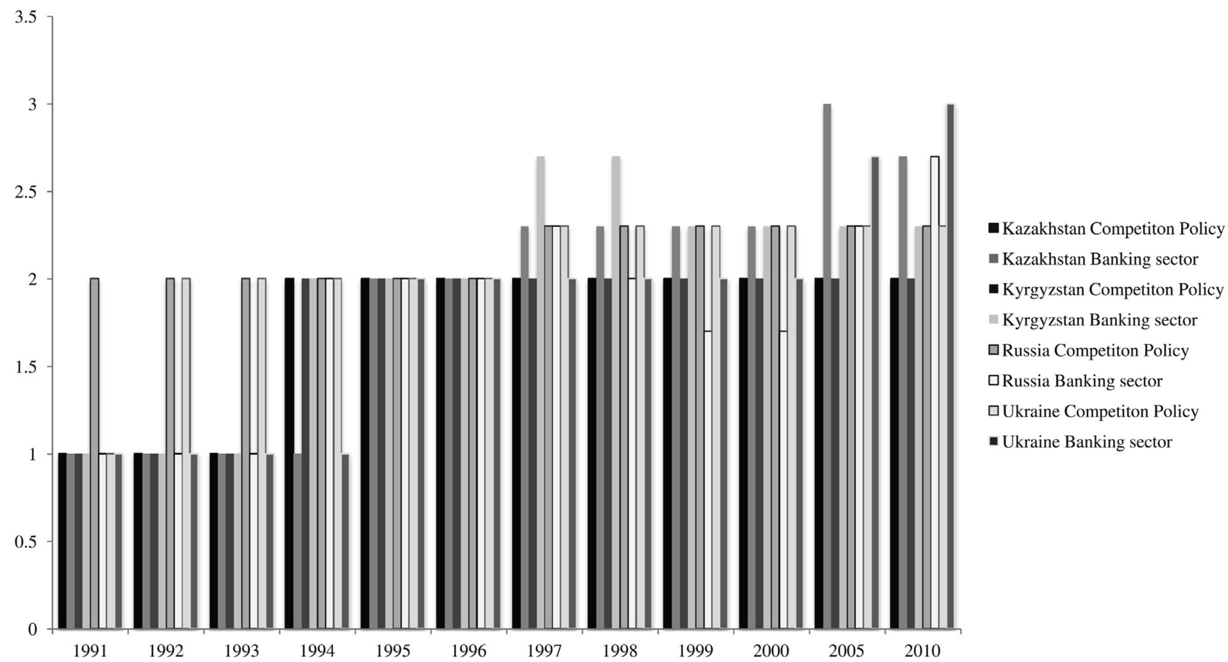

Fig. 2. Reform plateaus: banking and competition policy in selected post-Soviet states. Data from EBRD (2000: 176–224), EBRD (2001: 160–209), and EBRD (2011).

reallocation of capital either by the market or through state institutions for investment (Gaddy & Ickes, 2002). Investment in the economy plummeted and output contracted. Overall, across the former Soviet space economic recovery was slow in the extreme. On average real GDP at the end of the 1990s was only 54% of what it had been in the last 'good' economic year the USSR had, 1989 (Robinson, 2004: 175; Shishkov, 2007).

Economic decline and the weakening of popular performance legitimacy that this caused was offset first, by the fact that some of the suffering could be explained as necessary readjustment caused by moving from one economic system to another. Second, political pressure was alleviated by the massive redistribution of property in favour of elites, and by the fact that the failure of reform left in place Soviet era structures and social dependencies, which constrained social protest (Ashwin, 1999). Property redistribution in the hands of elites often consolidated the latter. It also caused massive inequality so that even as the economic cake got smaller the elite slice grew: the losses of transition were passed on to transitional 'losers'. Economic power meanwhile was concentrated in the hands of old economic elite members, who gained from the transfer of property in mass privatization (Filototchev, Wright, & Bleaney, 1999). The distribution of property was often, as one commentator on Ukraine out it, 'feudal' in that it benefitted clan-like structures (Kindzersky, 2010: 124).[6] These networks then dominated their subject populations in a variety of ways. They tied their subjects to them sometimes by maintaining employment (although not necessarily paid employment), sometimes with violence, sometimes because the complexity of the networks made them difficult to reform, and sometimes because they portrayed themselves as bulwarks against more chaos (Gaddy & Ickes, 2002; Nazpary, 2002; van Zon, 2000: 44–47). The growth of economic inequality was far steeper in the 1990s in the former USSR than in Eastern Europe where democratic and economic reforms were mutually supportive (Frye, 2010; Hellman, 1998).

In Russia this pattern of patrimonial capitalist development was marked by instability from the start. In 1992–1993 concessions over privatization broke established business interests away from political opposition to Yeltsin to fragment the Civic Union oppositional coalition (Cook & Gimpelson, 1995). This enabled Yeltsin to isolate and destroy his political opponents in late 1993. Compromise and co-option did nothing for the economy, however, and the economic practices that established business interests engaged in created a currency crisis in 1994 as state finances were put under strain by the shrinking tax base and the gradual demonetization of the economy. To cope with this, and to build alliances in advance of the 1995–1996 electoral cycle, a second round of co-option took place. Ties were developed with banks that helped to forge links to business empires with major media interests (Pappe & Galukhina, 2009: 45–48). These then paid off in the 1996 presidential elections (Schröder, 1999: 967–970). Equally importantly these links had another important stabilizing function during 1994–1997. The banks brought government short-term debt, which enabled the state to function at a minimum level. This short-term debt market compensated for the state's inability to generate tax revenue and made the budget deficit manageable (Robinson, 1999: 549). Russian debt, as can be seen in Fig. 3, rose as a proportion of GDP from 1994 onwards to peak in 1999. This was not sustainable. In the first instance, Russian banks did not have the reserves to fund the state budget indefinitely. Shortly after the 1996 presidential election their money ran out, and the government short-term debt market had to be opened to foreign lenders. Domestic interests were compensated from this opening of the debt market since foreigners could only buy Russian government debt through Russian banks. Foreign holdings of government debt doubled in 1997 and allowed the Russian government to rollover the short-term debts due to domestic bondholders (Robinson, 2009).

The fact that Russia had to turn to foreign lenders in late 1996 to fund its budget deficit highlights that there are limits to the domestic sources of patrimonial capitalist stability. The transfer of resources to elite groups eventually becomes unsustainable and stops the state from maintaining a minimal level of functionality. This point was reached quite quickly in Russia due to the collapse of the Soviet economy and the financial demands on the Russian state, which were considerable given its size, military inheritance, and geopolitical position. The turn to foreign lenders was accompanied by efforts to reform the economy and improve the domestic tax take, to break away from patrimonial capitalism in other words. These efforts did not work and along with the contagion affect of the crisis in Asian financial markets in 1997 brought crisis to Russia in 1998. This was just a prelude, however, to a new stage in the consolidation of Russian patrimonial capitalism as in the 2000s Russia was able to replace foreign borrowing with raised profits and taxes from hydrocarbon sales. Again, as Fig. 3 shows, as the price of oil (and the price of gas) rose on global markets Russia's GDP (shown in an index of per capita GDP) rose. Control over these windfall profits was also more evenly split between elites and the government before as the political fallout of the 1998 crisis allowed Putin to assert greater political control over the economy by building up coercive control of economic agents (Taylor, 2011). As a result, Russia was able to both pay down its foreign borrowings and build up large reserves of foreign currency which were then used to protect elite-owned industries when the international economic crisis in late 2008 (Robinson, 2011, 2013). Politically the result of this was far greater stability. There were no elite divisions over Putin's succession in 2008 by Dmitry Medvedev, or at least none that came to the surface to disturb the electoral cycles of 2007–2008, and no such divisions appeared to significantly affect Putin's resumption of the presidency in 2011–2012.

[6] Ericson (2000: 15) went so far as to describe the emerging economic system as a form of 'industrial feudalism' in which 'property and contract rights are diffuse, circumscribed by Soviet tradition, and encumbered by conflicting claims of multiple stakeholders, rendering them unenforceable through regular legal channels. … there is … very little investment beyond that required to maintain current, reduced levels of activity. Finally, the sources of political and economic power are localized and relational, unencumbered by moral or overarching institutional constraint.'

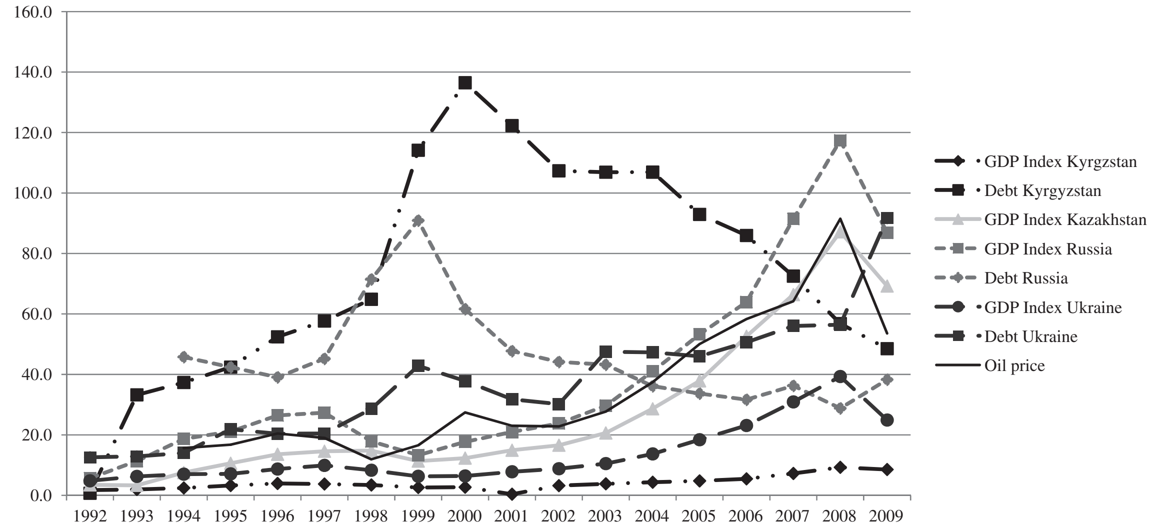

Fig. 3. Economic trends in selected post-Soviet states (indexes of GDP per capita, debt as a % of GDP, yearly average of monthly oil prices). Data calculated from EBRD (2010).

Russia's pattern of stabilizing patrimonial capitalism using externally sourced resources was common across the post-Soviet space, although outcomes varied. The country with the closest pattern to Russia is Kazakhstan. Pressure in Kazakhstan (and in some other post-Soviet Central Asian states) to reform was less than in Russia (Auty & de Soysa, 2006). Reform was compromised by its half-heartedness and the fact that it was frequently a by-product of Russian reform, which forced some marketization, the adoption of new currencies etc, in other post-Soviet states. Where there was some reform – as in the energy sector in Kazakhstan – it this was often brought about by the short-term needs of ruling elites and was not followed through with wider reforms (Jones Luong & Weinthal, 2001). Greater control over economic reform, direct benefit from short-term reform of the energy sector meant that there was time to put in place political strategies to control elite competition over resources. Kazakhstan achieved a relatively high degree of compromise over its post-Soviet political settlement (Jones Luong, 2002). This settlement then held so that by the time the economic decline and elite ambition began to impact on stability it was possible to bind elites to the system politically, through controlled party development, to head of political crisis in the late 1990s and early 2000s (Isaacs, 2011: 73–76). Thereafter, as in Russia and as Fig. 3 shows, Kazakhstan enjoyed an oil boom that raised its GDP, with this income being distributed through the political channels established to manage elite conflict in the 1990s.

Russian and Kazakhstan both, therefore, secured their regimes through patrimonial capitalism and accessing resources from the global economy: Russia used debt and then energy profits, Kazakhstan used reform of the energy sector and then energy profits. Russia's debt-based stabilization of the tension between patrimonial capitalism and the needs of the state to finance its functions was unstable and in the long run relieved by energy rents. Other post-Soviet states have not been as fortunate. Debt build-ups were either not as available or could not be relieved in these states so that economic problems pilled over into political instability.

In Ukraine, as we have already mentioned, the division of property was similar to Russia. Property was initially distributed to clan-like structures; subsequently a set of extremely powerful business groups emerged as gas traders and acquired control of strategic assets. These groups then developed political power out of their economic power. It has been estimated that before the Orange Revolution 300 out of the 450 deputies in the Supreme *Rada* were dollar millionaires and nine business factions dominated the Rada (Åslund, 2005: 7–8). The presence of a large number of factions in the Rada was a sign of higher degree of fragmentation of the Ukrainian elite in comparison to Russia (Way, 2005: 194–195). As in Russia, the level of social inequality that the combination of economic and political power produced was very high. Growth in the economy was repressed, as Fig. 2 shows. This was in part because a main source of rent transfers to Ukrainian elites was from locational rents accrued from energy transit from Russia to Europe. These rents funded the rise of Ukraine's oligarchs whilst the reduced prices charged by Russia for its energy helped to fund unprofitable industrial production and keep some Ukrainian exports saleable on world markets (van Zon, 2000: 113, 117).

From the late 1990s these sources of rent were supplemented by foreign borrowing as Fig. 2 shows. The major build-ups came after 2002 in the run-up to the 2004 elections. Competition over rents became fierce since accessing rent from both energy transit and foreign borrowing was dependent on accessing political power. Access to rent could not be maintained for all elite groups. Borrowing, and the distribution of rent, had to be controlled since there was a fiscal crisis as the state under pressure because of a persistent budget deficit (on average Ukraine ran a government deficit of −5.2% of GDP between 1992 an 2010). Rent struggles therefore spilled over into politics as politics and corruption governed access to rent (Way, 2005: 196–197). Divisions within the elite were a major contributory factor to the division that surfaced in the 2004 elections in Ukraine that led to, and underpinned the Orange Revolution (Åslund, 2006). As D'Anieri (2006) has argued, these divisions were crucial to the success of that revolution; in their absence previous street protests and electoral mobilization had failed. After the Orange Revolution the growth of foreign borrowing and debt continued, in large part since there was a perception that Ukraine under new political management should be supported and would reform. Reform was not, however, forthcoming thanks to political infighting and opposition. Ukraine was therefore unable to break out of its cycle of political instability and debt, instead of funding reconstruction, became a liability that plunged Ukraine deep into crisis after 2008. This then led to another change of government in 2010, when the electoral results of 2005 were reversed.

A similar story can be told of in Kyrgyzstan. At independence Kyrgyzstan had a president, Askar Akaev, from without Soviet era power structures. Akaev, like Yeltsin, had an incentive to reform to balance out the power of economic and political elite members. However, radical economic reform was inimical to regional leaders (Jones Luong, 2002: 115–117). Their opposition to reform and ability to block its implementation forced Akaev to compromise. This compromise was stabilized through the division of property between regional and central leaders, and also by the funding of the economy through the build-up of high levels of debt. As Fig. 3 shows, Kyrgyz GDP hardly grew at all but its debt levels rocketed across the 1990s. These borrowings, along with cheap energy from Russia, basically replaced the Soviet subsidies to the Kyrgyz budget so that at least the country did not suffer the fate of Tajikistan, where civil war broke out in 1992 as state finances collapsed. The build-up of debt was, however, unsustainable. In the absence of reform Kyrgyzstan was not able to restructure or develop its industry, and its relative geographic isolation meant that its agriculture could not develop as a strong exporting sector. Like Ukraine, intra-elite struggles, this time fuelled by North-South divisions and inequitable division of resources, began to organized around the electoral cycle and led to a change of government in the 2005 'Tulip Revolution' (Ó Beacháin, 2009). This change was not as stable as Ukraine's, however, since legal authorities did not mediate it to produce compromise. The revolution led to property redistribution in favour of Southern elites favoured by the new president, Kurmanbek Bakiyev, at the expense of Northern factions associated with Akaev (Sokolov & Sarygulov, 2010: 146). Although there was some economic recovery after 2005, a stable institutional structure and elite bargain did not emerge to consolidate power even temporarily. External resources flowed in through loans from Russia and from remittance payments, but these resources were not enough (or not lootable being held by too many people) to compensate for a lack of political agreement and Bakiyev was removed in 2010 in a second 'revolution'.

5. Conclusion

The experiences of Russia, Kazakhstan, Ukraine and Kyrgyzstan all show that the stability of economic hybrids is dependent on their ability to access income from abroad whether it be in the form of loans or energy rents. When such income was scarce economic hybrids face domestic political struggles as elite groups clashed with each other and with state officials over resource distribution. These clashes need not bring a regime down, but they may alter the balance of power. In Russia they led to a recapturing of government by state officials under Putin and to a more authoritarian variant of political hybridity. In Ukraine they led to government turnover but did not foster political or economic stability. In Kazakhstan the threat of struggle led to a deepening of institutional supports for Nazarbayev, which were then consolidated by oil rents. In Kyrgyzstan economic misfortune and political upheaval fed off one another throughout the period 2005–2010 and led to two violent changes in leader.

Obviously the conclusions that we can draw from this small set of cases are limited. However, they do show that there is a difficulty reconciling hybrid political arrangements with economic hybridity when that hybridity takes a form like patrimonial capitalism, where the form of capitalism is created as much by external pressure as by the organic development of a country's economy, and where there are constraints on economic development because of rapacious elite behaviours. Where this is the case and at best, stability might be preserved long enough through inflows of resources for state officials interested in development to gain the upper hand, or for processes of modernization to work through and tip the scale in favour of the democratic aspect of hybridity. Given the inherent instability of such systems, however, this best-case scenario will, unfortunately, probably only work out in very few countries.

References

Ashwin, S. (1999). *Russian workers: The anatomy of patience*. Manchester: Manchester University Press.

Åslund, A. (1989). *Gorbachev's struggle for economic reform*. London: Pinter.

Åslund, A. (2005). *Comparative oligarchy: Russia, Ukraine and the United States*. Warsaw: Center for Economic and Social Research, 296.

Åslund, A. (2006). The ancien regime: Kuchma and the oligarchs. In A. Åslund, & M. McFaul (Eds.), *Revolution in orange. The origins of Ukraine's democratic breakthrough*. Washington, DC: Carnegie Endowment for International Peace.

Auty, R. M., & de Soysa, I. (2006). Incentives to reform in the Caucasus and Central Asia. In R. M. Auty, & I. de Soysa (Eds.), *Energy, wealth and governance in the Caucasus and Central Asia. Lessons not learned*. London: Routledge.

Breslauer, G. (2002). *Gorbachev and Yeltsin as leaders*. Cambridge: Cambridge University Press.

Burnell, P. (2006). Autocratic opening to democracy: why legitimacy matters. *Third World Quarterly, 27*(4), 545–562.

Chaudry, K. A. (1993). The common history of late developers. *Politics and Society, 21*(3), 245–274.

Cook, L., & Gimpelson, V. (1995). Exit and voice in Russian managers' privatisation strategies. *Communist Economies and Economic Transformation, 7*(4), 465–484.

D'Anieri, P. (2006). Explaining the success and failure of post-communist revolutions. *Communist and Post-Communist Studies, 39*(3), 331–350.

EBRD. (2000). *Transition report 2000*. London: European Bank for Reconstruction and Development.

EBRD. (2001). *Transition report 2001.* London: European Bank for Reconstruction and Development.
EBRD. (2010). *Economic indicators 2010*. European Bank for Reconstruction and Development. http://www.ebrd.com/pages/research/economics/data/macro.shtml#macro.
EBRD. (2011). *Transition indicators by country*. European Bank for Reconstruction and Development. http://www.ebrd.com/pages/research/economics/data/macro.shtml#macro.
Erdmann, G., & Engel, U. (2006). *Neopatrimonialism revisited – beyond a catch-all concept*. GIGA working papers (16). Hamburg: German Institute of Global and Area Studies.
Ericson, R. E. (2000). *The post-Soviet Russian economic system: An industrial feudalism?* Helsinki: Bank of Finland Institute for Economies in Transition.
Feklyunina, V., & White, S. (2011). Discourses of "Krizis": economic crisis in Russia and regime legitimacy. *Journal of Communist Studies and Transition Politics, 27*(3–4), 385–406.
Filototchev, I., Wright, M., & Bleaney, M. (1999). Privatization, insider control and managerial entrenchment in Russia. *Economics of Transition, 7*(2), 481–504.
Fish, M. S. (1995). *Democracy from scratch. Opposition and regime in the new Russian revolution*. Princeton: Princeton University Press.
Frye, T. (2010). *Building states and markets after communism. The perils of polarized democracy*. Cambridge: Cambridge University Press.
Gaddy, C., & Ickes, B. (2002). *Russia's virtual economy*. Washington, DC: Brookings Institution Press.
Ganev, V. I. (2009). Postcommunist political capitalism: a Weberian interpretation. *Comparative Studies in Society and History, 51*(3), 648–674.
Geddes, B. (1994). *Politician's dilemma. Building state capacity in Latin America*. Berkeley: University of California Press.
Gorlizki, Y. (2002). Ordinary Stalinism: the Council of Ministers and the Soviet neopatrimonial state, 1946–1953. *The Journal of Modern History, 74*(4), 699–736.
Hale, H. E. (2007). Correlates of clientelism: political economy, politicized ethnicity, and post-communist transition. In H. Kitschelt, & S. I. Wilkinson (Eds.), *Patrons, clients, and policies. Patterns of democratic accountability and political competition*. Cambridge: Cambridge University Press.
Hellman, J. S. (1998). Winners take all: the politics of partial transition. *World Politics, 50*(2), 203–234.
Hewitt, E. (1988). *Reforming the Soviet economy. Equality versus efficiency*. Washington, DC: Brookings Institution.
Holmes, L. (1997). *Post-communism*. Cambridge: Polity.
Isaacs, R. (2011). *Party system formation in Kazakhstan. Between formal and informal politics*. London: Routledge.
Johnson, S., & Kroll, H. (1991). Managerial strategies for spontaneous privatization. *Soviet Economy, 7*(2), 281–316.
Jones Luong, P. (2002). *Institutional change and political continuity in post-Soviet Central Asia. Power, perceptions, and pacts*. Cambridge: Cambridge University Press.
Jones Luong, P., & Weinthal, E. (2001). Prelude to the resource curse: explaining energy development strategies in the Soviet successor states and beyond. *Comparative Political Studies, 34*(4), 367–399.
Jowitt, K. (1983). Soviet neo-traditionalism: the political corruption of a Leninist regime. *Soviet Studies, 35*(3), 275–297.
Kindzersky, Y. (2010). Deformatsiya instituta sobstvennosti v Ukraine i problemy formirovaniya effektivnogo sobstvennika v neeffektivnom gosudarstve. *Voprosy Ekonomiki, 5*, 123–134.
Kitschelt, H., Mansfeldova, Z., Markowski, R., & Toka, G. (1999). *Post-communist party systems: Competition, representation and inter-party co-operation*. Cambridge: Cambridge University Press.
Kornai, J. (1992). *The socialist system. The political economy of communism*. Oxford: Clarendon Press.
Lane, D., & Myant, M. (Eds.). (2007). *Varieties of capitalism in post-communist countries*. Bsingstoke: Palgrave Macmillan.
Levitsky, S., & Way, L. A. (2010). *Competitive authoritarianism. Hybrid regimes after the Cold War*. Cambridge: Cambridge University Press.
McAuley, M. (1992). Politics, economics and elite realignment in Russia: a regional perspective. *Soviet Economy, 8*(1), 46–89.
Médard, J.-F. (1982). The underdeveloped state in tropical Africa: political clientelism or neo-patrimonialism? In C. Clapham (Ed.), *Private patronage and public power.* London: Francis Pinter.
Morgan-Jones, E. (2010). *Constitutional bargaining in Russia 1990–1993: Institutions and uncertainty*. Routledge.
Myant, M., & Drahokoupil, J. (2011). *Transition economies: Political economy in Russia, Eastern Europe, and Central Asia*. London: Wiley.
Nazpary, J. (2002). *Post-Soviet chaos. Violence and dispossession in Kazakhstan*. London: Pluto.
Ó Beacháin, D. (2009). Roses and tulips: dynamics of regime change in Georgia and Kyrgyzstan. *Journal of Communist Studies and Transition Politics, 25*(2), 199–226.
Offe, C. (1996). *Varieties of transition. The East European and East German experience*. Cambridge: Polity.
Pappe, Y. S., & Galukhina, Y. S. (2009). *Rossiiskii krupnii biznes. Perviye 15 let*. Moscow: Izdatel'skii dom GU VShE.
Przeworski, A. (1991). *Democracy and the market: Political and economic reforms in Eastern Europe and Latin America*. New York: Cambridge University Press.
Robinson, N. (1999). The global economy, reform and crisis in Russia. *Review of International Political Economy, 6*(4), 531–564.
Robinson, N. (2004). The post-Soviet space. In A. Payne (Ed.), *The new regional politics of development*. Basingstoke: Palgrave.
Robinson, N. (2009). August 1998 and the development of Russia's post-communist political economy. *Review of International Political Economy, 16*(3), 433–455.
Robinson, N. (2011). Russian patrimonial capitalism and the international financial crisis. *Journal of Communist Studies and Transitional Politics, 27*(3–4), 434–455.
Robinson, N. (2013). Russia's response to crisis: the paradoxes of success. *Europe–Asia Studies, 65*(3), 450–472.
Rozman, G. (1992). Stages in the dismantling of communism in China and the Soviet Union. In G. Rozman (Ed.), *Dismantling communism. Common causes and regional variations*. Baltimore: The Johns Hopkins University Press.
Rutland, P. (1992). *The politics of economic stagnation in the Soviet Union: The role of local party organs in economic management*. Cambridge: Cambridge University Press.
Schlumberger, O. (2008). Structural reform, economic order, and development: patrimonial capitalism. *Review of International Political Economy, 15*(4), 622–649.
Schröder, H.-H. (1999). El'tsin and the oligarchs: the role of financial groups in Russian politics between 1993 and 1998. *Europe–Asia Studies, 51*(6), 957–988.
Shevtsova, L. (1999). *Yeltsin's Russia. Myths and reality*. Washington: Brookings Institution.
Shishkov, Y. (2007). SNG: poltora desiletiya tschetnikh usilii. *Voprosy Ekonomiki, 2*, 113–126.
Sokolov, V., & Sarygulov, A. (2010). Sovremennaya Kirgiziya. Monogovektornost' ili bezvektornost' razvitiya? [Contemporary Kyrgyzstan. Multivectored or directionless development?] *Voprosy Ekonomiki [Problems of Economics]*, 139–149.
Stinchcome, A. L. (1987). *Constructing social theories*. Chicago: University of Chicago Press.
Taylor, B. D. (2011). *State building in Putin's Russia. Policing and coercion after communism*. Cambridge: Cambridge University Press.
Urban, M. (1985). Conceptualizing political power in the USSR: patterns of binding and bonding. *Studies in Comparative Communism, 18*(4), 207–226.
Urban, M. (1994). State, property and political society in postcommunist Russia: in search of a political center. In C. R. Saivetz, & A. Jones (Eds.), *In search of pluralism. Soviet and post-Soviet politics*. Boulder: Westview.
Way, L. A. (2005). Rapacious individualism and political competition in Ukraine, 1992–2004. *Communist and Post-Communist Studies, 38*(2), 191–205.
Weber, M. (1947). *The theory of social and economic organization*. New York: The Free Press.
Willerton, J. P. (1992). *Patronage and politics in the USSR*. Cambridge: Cambridge University Press.
Willerton, J. P. (1998). Post-Soviet clientelist norms at the Russian Federal level. In G. Gill (Ed.), *Elites and leadership in Russian politics*. Basingstoke: Macmillan.
Woodruff, D. (1999). *Money unmade. Barter and the fate of Russian capitalism*. Ithaca, NY: Cornell University Press.
van Zon, H. (2000). *The political economy of independent Ukraine*. Basingstoke: Macmillan.

Neil Robinson is Professor of Comparative Politics in the Department of Politics and Public Administration, and director of the Institute for the Study of Knowledge in Society, University of Limerick, Ireland. He is the author or editor of several books about the USSR and Russia.