

Institutional Trap in Russian Politics

STILL NO WAY OUT?

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In the 2000s, Russia's political structure demonstrated a trajectory of decay across major institutions of state, politics, and governance. Despite the fact that numerous negative assessments of Russia's institutional development have highlighted tendencies of authoritarianism, poor quality of governance, and lack of rule of law, an analysis of the continued downward trajectories of Russian governing institutions remains a neglected part of the research agenda. This memo reconsiders the politics of institutional decay in contemporary Russia. It applies the notion that the self-interest of ruling elites revolves around eliminating domestic challenges to their political dominance through the pursuit and maintenance of inefficient institutional equilibriums. This type of stasis is known as an "institutional trap." As long as the costs to Russia's political elite of institutional decay do not exceed its benefits, this equilibrium could survive over time, at least for the medium-term.¹

Russia and the Politics of "Institutional Trap"

Nobel Prize winner Douglass North once argued: "Institutions are not necessarily or even usually created to be socially efficient; rather they, or at least the formal rules, are created to serve the interests of those with the bargaining power to create new rules." The deliberate creation and maintenance of inefficient institutions in post-Communist societies can thus be perceived as lying within a norm of institution building rather than as an exception. Yet most scholars analyzing the politics of institution building are inclined to focus on a limited number of success stories – stable and efficient institutions – rather than look at institutional failures or mixed and unstable patterns of institutional transformation. The case of Russia (as well as some other countries of post-Soviet Eurasia) serves as a sort of "laboratory" for the study of the deliberate creation of

¹ For more on the notion of "institutional trap" applied to Russian political development, see papers by Viktor Polterovich, including: ["Institutional Traps: Is There a Way Out?"](#)

stable yet inefficient institutions – a system designed to maximize the advantage of the ruling elite and help them keep a monopoly on rents and political benefits.

One of the major outcomes of institution building in Russia over the last two decades has been the establishment and subsequent consolidation of three important formal institutions – what may be considered the institutional core – of the Russian political regime:

- 1) A political decision-making monopoly by the de facto federal chief executive and narrow circle of cronies.
- 2) A taboo on open electoral competition among elites.
- 3) The hierarchical subordination of sub-national authorities by the ruling elite (the “power vertical”).

If one examines Russia’s political institutions in terms of how well they fit the “interests of those with the bargaining power to devise new rules,” the results of institution building are imperfect. The main apparent defects include the following. At the federal level of authority, a dual power system has begun to emerge (president and prime minister). In some cases, minor parties at the regional and local level have emerged as genuine opponents to the dominant party (United Russia). Furthermore, the “power vertical” is not all encompassing because it does not include local governments in a fully-fledged way. The three core institutions, moreover, face an inherent and inevitable problem of inefficiency, reflected in extremely high levels of corruption, which also creates incentives for loyalty among all segments of the elite. There are also hidden but nonetheless very fierce battles between various interest groups (the so-called “Kremlin towers”) for access to rents and resources. Finally, the ruling group chooses not to, or is unable to, carry out major policy reforms that could break the current institutional equilibrium, which explains why recent efforts of economic modernization have been inefficient.

Indeed, given the fact that inefficient institutions shorten rather than extend time horizons for all major players, none of them are really interested to launch major institutional changes that could bring about positive effects in the medium- or long-term. It is true that a large part of the Russian elite is deeply dissatisfied with the current state of affairs and seeks possibilities to change the status quo. The prospects for this, however, are unrealistic, not just because actors interested in major changes are weak and deeply fragmented but also because of the existence of major institutional barriers. The existing institutional equilibrium has created a situation in which preserving the status quo at any cost (so-called “regime stability”) has become a goal in and of itself across the ruling elite.

One major problem is that even those who might voluntarily pursue policy change aimed at making governance more efficient would risk worsening their own position by undermining the status quo. This risk outweighs the possible benefits of policy reform. The result is that Russia finds itself in a situation where even if the elite and mass public were to agree on the urgency of key institutional changes, not only are

there no real incentives for political actors to undertake these changes, they would face the impossibility of implementing them “here and now” without considerable loss to themselves. Reminiscent in many ways of the Soviet political scene in the 1970s and early 1980s, this has led to a highly stable but inefficient equilibrium that no significant actors are interested to break. The longer today’s stability patterns continue, the more Russia will find itself trapped in a vicious circle that will be difficult to escape.

The Agenda for Tomorrow

Is there a way for Russia to extricate itself from this institutional trap? If so, how? Can it alter or abandon its current inefficient and authoritarian institutional structure and develop efficient and stable democratic institutions?

The medium- and long-term answers to these questions are unclear. In the short-term, however, the answer is “no.” The problem is not just that the conditions for institutional change are nonexistent in Russia today, with none of the significant actors being able or willing to promote such change, but that the possible pathways out of this trap typically involve a major exogenous shock. Predicting how such an event would influence the behavior of key actors is a fruitless task. Leaving aside such speculation about exogenous shocks, the likelihood of major institutional change looks slim. Accepting this reality, what trajectories of institutional evolution in Russia can we expect?

In the short term, two scenarios seem most likely: (1) **institutional decay**, i.e., a preservation of the status quo, or (2) a **wielding of the iron fist**—a resort to increased authoritarian means to overcome institutional inefficiency and/or eliminate the possibility of challenges to the ruling elite. It is hard to assess the prospects for either scenario at the moment. The outlook will become clearer most likely only after the election cycle of 2011-2012.

Institutional Decay Scenario

Under a scenario of institutional decay, Russia’s political institutions remain unchanged for at least the next decade, with only some minor and insignificant adjustments. This inertia-based scenario is the more likely outcome if the constellation of key actors and their rent-seeking opportunities remains roughly the same. In this case, we can expect institutional efficiency to continue declining as there arise principal-agent problems within the “power vertical,” increasing corruption at all levels, and regular clashes (if largely managed and settled) between different interest groups for access to rents.

At the same time, we could expect to see cosmetic changes designed to boost the importance of second-order institutions. These would be introduced to placate citizen demands at the lowest bureaucratic levels (and thus maintain base levels of public confidence), while maintaining and to some extent consolidating the political regime’s institutional core. Today, such political institutions, like Kremlin-managed satellite parties, are largely façades, but over time it is possible that they could attain a certain degree of autonomy and play a role in the political arena.

Additional rather far-fetched moves in this direction could include adjustments to the distribution of power by, for example, delivering to United Russia relative rather than absolute majorities of seats in regional parliaments, or, say, a majority rather than super-majority of seats in the national parliament. Another would be to expand the power of national and regional parliaments (for example, by requiring their approval of candidates to federal and regional ministerial posts). Cosmetic changes could even go so far as to introduce more or less open electoral competition in local elections (with participation limited to loyal parties and retention of centralized control over local governments through the power vertical).

Such changes would allow the ruling group to co-opt real and potential autonomous actors rather than to coerce them. But all these changes are likely to raise the costs of maintaining institutional equilibrium, by increasing side payments to subordinate actors claiming their share of political rents, rather than to actually make institutions more efficient. As long as these costs do not become prohibitively high, however, this policy could continue.

Iron Fist Scenario

The second possible scenario is that the ruling elite could attempt to make institutions more efficient and/or deal with real or potential challenges to their dominant position by wielding an “iron fist.” In other words, Russia’s rulers could fully or partially replace some of the existing quasi-democratic façade institutions with purely authoritarian mechanisms of government while keeping the institutional core in place. It is hard to predict what specific actions the Kremlin might take in this direction, but they could include:

- further restricting political activity (particularly of political parties, even loyalist ones);
- overhauling legislation to expand the power of law enforcement and security agencies;
- further restricting civil rights and liberties; and
- allowing second-tier institutions to become shell entities at best.

More radical approaches could include further narrowing parliament’s power by having it delegate to the executive branch the power to adopt laws, retaining for itself only the right of subsequent approval. Similarly, regional authorities might be encouraged to transfer many of their powers to the federal center. Finally, a logical consequence of a highly centralized authoritarian institution-building approach would be the adoption of a new constitution, which would eliminate most of the “Rights and Liberties of Man and Citizen” and other such liberal clauses that originated in the “wild” 1990s.

None of the above changes will make Russia’s political institutions more efficient. Corruption, battles between Kremlin towers for access to rents, and principal-agent problems will not go away. On the contrary, they will only take on new forms

and could dramatically raise the costs of maintaining institutional equilibrium, thanks to the increase of side payments to coercive apparatuses. At the same time, these kinds of institutional changes will not necessarily lead to challenges to the status quo even if the expansion of repressive practices threatens a large section of previously loyal actors or dissenting groups within the ruling elite, so long as leaving the country remains a more viable alternative.

A thorough implementation of either the “institutional decay” or “iron fist” scenario is not very likely. In reality, institutional change in Russia could be based on a combination of both approaches or an inconsistent alternation of their various elements.

But is there an alternative whereby Russia’s political institutions take on a genuinely improved quality and gradually move away from authoritarianism? The answer, again, is no, as judging by the experience of Russia’s political institutions through the 1990s and across the 2000s. Today these institutions are simply incompatible with democracy, good governance, and the rule of law.

Democratization, when and if it will emerge in Russia, will require not just some changes to the current political institutions but their major dismantling and replacement with new institutions suited to the task of political reform and improved governance mechanisms. At the same time, there is no guarantee that such a complete overhaul will be a success. In fact, during a major reform process, the quality of institutions could even worsen and costs could steeply rise.

Conclusion

After almost two decades, post-communist Russia has ended up in an “institutional trap” dominated by inefficient authoritarian political institutions. These self-perpetuating institutions became embedded in the Russian political system thanks to the efforts of the current political regime, which is now maintained, at least in part, by those same institutions. At the same time, these institutions seriously impede Russia’s development. They not only prevent open political competition between elites but also impose barriers to efficient, accountable, open, and transparent governance. Improving Russia’s political institutions in their current form is near impossible. It will become clearer over coming years whether the web of dysfunctional political institutions can be dismantled and replaced by peaceful means, or whether they will become incompatible with the continued existence of Russia as a country as such.