

## CHAPTER 1

### Introduction

In Russia, writes the literary critic Vyacheslav Ivanov, “we are consumed with geography, and we have no real history” (quoted in Layard and Parker 1996). Perhaps more precisely, for Russians the two long ago became indistinguishable. Centuries in Russia divide not into years but into miles, the miles of the expanding frontier. Unlike European powers, which went abroad to colonize, Muscovy began at home and progressed outward, gradually “colonizing itself,” transforming disparate Eurasian peoples into “Russians” (Klyuchevsky 1995). Just where the country lies remains a question for philosophers as much as for surveyors. Not only do its borders move, even its center will not hold still: to redirect their country’s destiny, both tsars and commissars began by moving the capital.

More recently, Russia’s geography has fused with its politics. The flood unleashed by Gorbachev’s reforms left Russians of all descriptions by the early 1990s poking around in the political debris. As they tried to piece together a new order—one that was democratic, market-oriented, and modern—the main divisions that emerged between them were often less ideological or socioeconomic than geographical. Where economics or ideology did shape debate, there usually was a territorial subtext. This, more than anything else, complicated Russia’s efforts at self-reinvention and distinguished its experience from that of most other postcommunist states.

Most postcommunist transitions—whether in Eastern Europe or the former Soviet Union—started out more or less alike. First came a brief and apparently universal moment of euphoria. Those who took to the streets of Budapest or Prague to demonstrate against tottering Soviet-style governments seemed, in the words of one observer, to be simultaneously healing “divisions in their society” and “divisions in themselves,” nurturing “solidarity both within and between nations” (Ash 1990a, 138, 145). The same could be said of the crowds in Moscow after the 1991 August coup collapsed.

However, civic enthusiasm soon gave way to a more complicated disenchantment. Everywhere unity was replaced by a consciousness of difference. Abstract commitments dissolved into concrete interests, as anticommunist coalitions splintered into scores of tiny parties. In the article from which this book borrows its title, Timothy Garton Ash described how the former dissidents

of Poland, Hungary, and Czechoslovakia made this jump from moral absolutes to presidential suites, quarreling among themselves along the way (Ash 1990b). But similar divisions emerged at all levels of state and society. A superficial cohesion was replaced by what Václav Havel labeled a “wild and shameless squabbling over purely particular interests” (quoted in Jacques Rupnik 1995, 61).

The return to particularity occurred everywhere, usually within months. But in different countries it focused on different divisions. In Russia—a country the size of 54 Polands or 133 Czechoslovakias—it crystallized around geography. As elites fumbled for a new set of political arrangements, the interactions of regions and center came to occupy an ever larger place in constitutional debates. Results of early elections showed a country with a political spectrum that ran not so much from left to right as from North to South. The ultimate—though still unlikely—political danger feared by observers turned out to be not social revolution or civil war but territorial disintegration.

One by one, different ethnic republics within the Russian Federation declared themselves sovereign states, adopted constitutions, flags, and even national anthems, announced that their laws took precedence over federal law, asserted rights over resources in their territory, and refused to remit the taxes Moscow demanded (see Treisman 1997). To wring concessions out of the center, republic leaders threatened general strikes and regional tariffs, the confiscation of federal property, local states of emergency, and even terrorist attacks. Chechnya, after a coup in which the nationalist leader Dzhokhar Dudaev came to power, announced its complete independence. In Tatarstan, 61 percent voted in favor of republic sovereignty in a referendum held by the republic’s leadership in March 1992, and Russia reportedly moved troops up to the region’s border.<sup>1</sup>

If at first this looked like a specifically ethnic uprising, it soon turned out to be something more general. By 1993, demands for greater autonomy had spread to numerous ethnically Russian regions.<sup>2</sup> Oblasts from Sverdlovsk in the Urals to Vologda, a backwoods region in Russia’s North, had declared themselves republics and asserted new rights. Most alarming was a growing regional tax revolt, disconcertingly reminiscent of the one that had finished off the USSR in late 1991, at the height of which about one-third of the country’s regions were withholding some or all of their assessed taxes. The finance minister, Boris Fyodorov, accused the country’s regions of trying to destroy the central government by means of “financial asphyxiation.”<sup>3</sup>

Such tax revolts are known to create a particularly dangerous dynamic of “contagion.”<sup>4</sup> As more regions revolt, it becomes increasingly illogical for others to continue to pay an ever larger share of the cost of public goods. The logic is that of a bank run, in which the depositors’ fear of finding themselves last in line leads even those eager to help the bank survive to join the stampede to withdraw funds after panic reaches a critical point. A few refusals can thus prompt spirals of defection. Such situations often exhibit the structure of a “tipping”

game, with two equilibria—one at a very high rate of compliance, the other at complete fiscal collapse.<sup>5</sup>

Newspaper articles around this time echoed Fyodorov's concern. As early as October 1991, the Russian political scientist Aleksandr Tsipko warned that if the Soviet Union disintegrated Russia would itself dissolve into "many new sovereign Russian states" (Tsipko 1991a, 1–4). Headlines ranged from the inquisitive—"Can Yeltsin's Russia Survive?"—to the openly alarmist—"The Country Will Collapse," or "Russia's Disintegration is Inevitable" (Yemelyanenko 1993; Antonov 1993; Migranyan 1991). Various Western observers also took this possibility seriously. According to one scholar writing in 1994, "the process that led to the breakup of the Soviet Union is continuing within the Russian Federation itself." The same author wrote of a "cohesiveness vacuum" and warned that "little is left to hold the country together" (Stern 1994, 40, 54). Another outlined both "explosion" and "implosion" scenarios for disintegration (Gouré 1994; see also Rupnik 1994).

Yet, for all the conflicts and crises, Russia did remain intact. From the centrifugal political jockeying a precarious but surprisingly enduring stability emerged. By 1997 the country had not disintegrated and actually appeared to most observers to be more geopolitically stable than in previous years.<sup>6</sup> With the exception of Chechnya, each of the most severe conflicts between the center and individual regions of the early 1990s had been contained and apparently alleviated. As I argue later, that the center could *conceive* of a military intervention in Chechnya in 1994 and did not back down as it had in late 1991 owed much to the knowledge that the threat of defiance spreading to other regions had been greatly reduced.

The aim of this book is to explain this experience. What underlay the dynamic of escalating and then subsiding regional protest in the early 1990s? What can account for the Russian Federation's fragile cohesion? How did the introduction of democratic institutions and elections interact with territorial divisions of interest? What does this experience reveal about the evolving logic of power in the Russian political system? And does Russia's recent history cast light upon the logic of conflict and accommodation within other ethnically or regionally divided states?

While many factors contributed to restoring Russia's territorial equilibrium, the argument I make in this book places particular emphasis on a certain fiscal policy that central officials stumbled into as they struggled to deal with looming regional crises. This policy was one of selective fiscal appeasement. Central authorities directed budget transfers and tax breaks disproportionately toward regions where disenchantment with Moscow threatened to escalate into strikes, separatist gestures, or other acts of protest. These fiscal benefits—when they financed higher rates of regional government spending—tended to buy electoral support for central incumbents and pro-reform forces. The decrease in public hos-

tility toward Yeltsin and his central allies in those regions reduced the incentive for their political leaders to exploit tensions with Moscow for personal political gain. Central authorities thus prevented bandwagons of opportunistic protest and tax-withholding from escalating and preserved the power of their weak enforcement resources to keep less obstreperous regions in line.

To be clear: I do not claim that the center's fiscal policy was the only factor that explains Russia's survival. Many factors contributed to this outcome. I do argue, however, that Moscow's policy of selective fiscal appeasement played a crucial and hitherto poorly understood role in preserving the state's integrity. And, paradoxically, many of the features of this policy that I claim helped to alleviate political crises were themselves viewed by many at the time as dangerously destabilizing.

This argument about internal political dynamics in Russia suggests new perspectives on some other parts of the world and historical periods. For other weak central states in territorially divided societies, similar methods of economic appeasement aimed at the most credible protesters may at times greatly enhance the effectiveness of existing enforcement powers. What generally appear to be policies of weakness may at times be rational attempts to husband strength. To prove this more generally, or to define in precisely which circumstances such appeasement strategies will be sufficient to prevent territorial disintegration, would go far beyond the evidence I can muster in this book. I therefore offer only speculative hypotheses about how the logic might apply to a number of past and contemporary cases. The most natural comparison is with the three other ethnically divided and nominally federal communist states that *did* disintegrate—Yugoslavia, the USSR, and Czechoslovakia. While a policy of fiscal appeasement sufficient to contain centrifugal strains may or may not have been available to central authorities in these three countries, I do show in chapter 6 that in none of the three was such a policy attempted. For a variety of reasons, the leaders of Yugoslavia, the USSR and Czechoslovakia chose quite different responses to separatist challenges.

The rest of this chapter reviews what political science and economics suggest about why states sometimes disintegrate territorially and sometimes remain intact. It examines alternative possible explanations for Russia's experience in the 1990s. I argue that while various factors emphasized by previous accounts did play a part in shaping this experience, they do not convincingly explain Russia's survival unless one incorporates the dynamic of fiscal appeasement previously mentioned.

### **Integration and Disintegration**

Why do states sometimes disintegrate along territorial lines and sometimes remain intact? Understanding the forces that underlie cohesion or disintegration

in regionally divided states has rarely been more relevant than at the turn of the twenty-first century.<sup>7</sup> In countries across the globe tensions have erupted recently between center and periphery. More than once, the integrity of long-established states has fallen into doubt. In China and India in the 1990s, relations with the regions were a crucial but volatile term in the central leadership's political equation (see Shue 1988; Shirk 1993; Huang 1995; Mitra 1992). In Mexico, a peasant rebellion in Chiapas forced the PRI leadership to confront its disgruntled hinterlands. Regional identities and political movements also emerged with unexpected force in some of the advanced democracies of Western Europe—Spain, France, and Britain, among others (see Hueglin 1986; Judt 1994; Woods 1995). In the Po Valley of northern Italy, advocates of an independent Padania gathered surprising support in the mid-1990s. Meanwhile, a referendum on secession in Quebec in 1995 failed to pass only by the slimmest of margins.

Political scientists have struggled to keep pace. As the tectonic plates beneath states shifted, debates broke out over the causes of minority nationalisms, the stability of federations, and the political economy of secession. At the same time, new studies of the rise and decline of historical empires suggested original perspectives on the causes of cohesion or disintegration. From these and earlier strands of inquiry, a variety of theories emerged about what holds divided states together. These theories can be classified by the approach they take toward differences of interest between central and regional actors.

A first school of thought, developed in the 1950s and 1960s, viewed integration as essentially a *technological* problem. Differences of interest between central and regional actors were, for the most part, ignored. Territorial cohesion was described as a result of “social communication”—an image that implicitly assumed a harmony of interests between “speaker” and “listener.” In Karl Deutsch’s well-known formulation, integration was equated with a high volume of transactions between members of different political subunits (Deutsch 1964). In his words, the degree of “cohesiveness among individuals and among communities of individuals can be measured by—and is probably promoted by—the extent of mutual relationships or interaction among them” (Deutsch, quoted in Muir and Paddison 1981, 159). Preventing splits depended on the quantity—not the content—of communications sent and received. States disintegrated under the pressure of regionalist or nationalist revolts when the state’s size exceeded the scope of its currently available “equipment and technology” of communications (Deutsch 1966, 149). “Messages” linking the units were drowned out by “noise” (Deutsch 1964, 49).

This view of states as telephone lines seemed counterintuitive to various students of political development who saw far more conflict in the process by which states emerged. For these scholars, state building was an exercise of central power: integrative institutions were constructed out of intrusions by central

elites and defensive reactions by peripheral actors. Such institutions cemented the dominance of central interests over those of actors in the regions.

Three modes of central penetration were often singled out (see Rokkan and Urwin 1983; Tarrow 1977, chap. 1). First, central elites imposed values and symbols on regional populations, introducing cultural standardization by means of a written script. Integration occurred as values diffusing from the center overcame the local “tenacity of prior attachments” and “reluctance to accept strange gods” (Shils 1975, 11). Second, central armies, police forces, and other administrative bureaucracies incorporated regions into a centralized system of legal order and enforcement.<sup>8</sup> And third, the center could integrate regions through economic relations. Two possible methods were promotion of interregional markets and central extraction and redistribution of resources—both of which typically involved the imposition of centrally controlled money.<sup>9</sup> Each of these penetrations changed the periphery and created kinds of dependence that made separation harder.

These three channels imply several pathways by which state disintegration might come about. It might result from a breakdown in the cultural authority of the center and a movement by local populations to reclaim their “old gods.” It might follow a crisis of central political authority, or a reduction in the ability of bureaucratic principals to monitor, reward, and punish their agents in the field. Similarly, it might reflect a growing failure of the center to defend the national currency and infrastructure of interregional markets, or an erosion of the center’s capacity to extract and redistribute local resources.

Where center-periphery theorists saw the causes of state integration in the domination of central actors over regional ones, a third view with roots in both the economics of public finance and the political theory of federalism drew a path of causation from the bottom up. Integration was the result of a voluntary contract between regional actors to pursue a collective goal jointly. Free regions chose to confederate or federate, and central actors were faithful and tightly controlled agents of the regional actors. What held large states together, in this view, was the recognition by regional actors that public goods such as military defense could be provided more efficiently at larger scale. The benefits of economies of scale in public good provision were balanced against the likelihood of receiving a bundle of public goods further from the particular preferences of the region.<sup>10</sup> The relative size of these two effects determined the optimal level of centralization.<sup>11</sup> The implicit explanation for state disintegration would be a sudden increase in divergence of regional preferences over public goods, an increase that was sufficient to outweigh any economies of scale.

Stated so baldly, each of these perspectives sounds incomplete. States are neither telephone lines, nor prisons, nor clubs, but something that contains elements of each of these. The interests of central and regional actors are clearly relevant, yet it is an oversimplification to assume that either central or regional

interests always dominate. Most states are neither the European Union nor empires of slave dependencies. The important analytical question is how these interests interact. Almost always, *both* economies of scale in public good provision *and* the potential for exploitation by the center exist. Some scholars have argued that particular institutional arrangements can secure the former while restraining the latter.

Two sets of institutional arrangements have been suggested. First, institutions of consociational democracy are argued to preserve integration even in deeply divided societies. Such institutions represent a set of bargains between elites of ethnically, regionally, religiously, or linguistically defined segments of the population that protect the autonomy of minority segments more reliably than majority rule does. While issues of common concern are decided by a grand coalition of the leaders of the subcommunities, questions of internal governance are left to each segment to decide for itself. Proportionality is formally guaranteed in public appointments and spending, and each group retains a minority veto (Lijphart 1993). The great devolution of powers to the subcommunities limits the ability of the center to impose unpopular policies. Still, it is not clear what would prevent a central actor from abusing the subcommunities, or one subcommunity from capturing the central institutions and upsetting the previous bargain. As advocates of consociational democracy acknowledge, such arrangements sometimes work but sometimes break down into civil war or secession. While consociational institutions have helped preserve stability in Belgium, Switzerland, the Netherlands, and Malaysia during various periods, such systems fell apart dramatically in Cyprus in 1963 and Lebanon in 1975 (Lijphart 1993).

Second, some scholars have emphasized the utility of federalism for accommodating territorially diverse populations within a single state.<sup>12</sup> In Weingast's model of federalism, subnational actors can coordinate in repeated play to punish a central attempt to exploit one of them (1995). The potential for central abuse is restricted by this institutionally rooted logic. Yet, as in the case of consociationalism, it is easier to identify possible cases of "market-preserving federalism" than to predict how long the useful balance of power between center and regions will last. In practice, central actors sometimes strike deals with some regional or ethnic subgroups at the expense of others—federal institutions have not, for this reason, prevented ethnic conflicts in postcolonial Africa. And the ability of regional actors to coordinate—useful for preventing central incursions—may also be used to prevent the center from preserving economic integration or enforcing contracts. One condition likely to limit this danger, though not to limit central abuse, is the existence of a large number of small subunits (Riker and Lemco 1987). But a large number of subunits, while increasing the costs of "bad" regional coordination, would also increase the costs of the "good" variety. How effectively particular institutions integrate a coun-

try depends in part on what actors do to preserve or undermine those institutions and on the relative power of the actors.

### Explaining Russia's Experience

From these various theoretical perspectives, a number of possible explanations for Russia's cohesion in the 1990s emerge. The center's ability to contain centrifugal pressures might be due to cultural and ethnic ties between center and regions, effective vertical administrative hierarchies, the threat of force, economic integration, economies of scale in public good provision, political institutions, or the large number and relatively small size of regional units. As I shall argue, however, existing explanations that incorporate these features leave puzzling questions unanswered. Understanding the ways in which these factors interacted with a particular central fiscal policy is essential to explaining the outcome.

#### Culture and Ethnicity

Just as cultural, linguistic, and ethnic divisions provide fault lines along which states can fracture, cultural, linguistic, and ethnic homogeneity are often thought to enhance a state's cohesion. In Kedourie's rendition of the argument: "Those who speak the same language are joined to each other by a multitude of invisible bonds by nature herself, long before any human art begins. . . . From this internal boundary . . . the making of the external boundary by dwelling place results as a consequence" (1961, 5; quoted in Woolf 1996). Ties of "blood, speech, custom, and so on" have an "ineffable, and at times overpowering, coerciveness in and of themselves" (Geertz 1963, 109). And this sentiment of loyalty to members of one's kinship, language, and cultural groups strengthens the political fabric of administrative units that have borders more or less congruent with these divisions.

Even though Russia is home to more than 120 nationalities, 81.5 percent of the population as of 1989 was nevertheless ethnically Russian. Some have seen in this relative homogeneity and the long history of assimilation it represents a reason for the country's resilience (Lapidus and Walker 1995, 87). Peter Rutland, for instance, notes: "Russians share a strong sense of cultural homogeneity, and have four centuries' experience of life in a common state" (1994).

This undoubtedly *did* simplify the task for those seeking to ensure that the Russian center "held" in the early 1990s. However, there are many reasons to doubt claims that cultural or ethnic factors are by themselves enough to explain why Russia has survived. Such arguments consist of several steps. They assume that: (1) those who share ethnic, cultural, or linguistic attributes feel a power-

ful and relatively constant sense of loyalty to each other that overrides other possible economic or territorial conflicts of interest, (2) this loyalty translates into a preference for a shared political unit, and (3) individuals will be able to establish or preserve a political unit on the basis of their shared identity. Each of these is at times problematic—and particularly so in 1990s Russia.

First, are ethnic, national, or cultural identities clearly bounded, coherent, relatively permanent packages of attributes and values that unite individuals into stably defined groups and override other divisions of interest? An emerging consensus among political scientists, sociologists, and anthropologists suggests not.<sup>13</sup> In fact, cultural and ethnic identities are multiple, overlaid, and elastic; their boundaries are hard to define and often change; and individuals switch between definitions of their identity, at times rapidly.<sup>14</sup> All cultures contain various, often contradictory, sets of values and definitions, which facilitate a re-drawing of boundaries and loyalties should occasion arise. Furthermore, cultural identities have been “engineered” and traditions “invented,” often in relatively short periods of time.<sup>15</sup>

Where economic interests or mutual suspicions divide the populations of adjacent territories, a sense of distinctive identity is often “rediscovered.” There are always alternative historical narratives that could be told about any adjacent territories, either emphasizing commonalities or emphasizing differences. If a history of Padania could be constructed, so could a history of Siberia’s distinct development. The intensity of cultural attachments is hard to measure, rendering cultural explanations of cohesion somewhat post hoc. It is not always clear whether cultural factors were the cause or merely a tool of other disintegrative or integrative projects.

All of these features of the plasticity of cultural and ethnic identity are evident in republics of the former Soviet Union, including Russia. Opinion polls in the last years of Soviet rule found that Russians were actually more likely to define themselves as Soviet people than as Russians.<sup>16</sup> It was certainly possible by this time for them to view their homeland as “Russia.” Yet from 63 to 81 percent of ethnic Russians said instead that their homeland was “the USSR.” “Neither language, nor the past, nor culture, nor traditions had a significance comparable to their perception of themselves as citizens of the Soviet state” (Gudkov 1994; quoted in Dunlop 1997, 55). Within a few years, the majority had changed their definition of identity: according to one survey, the proportion of Russian residents identifying their homeland as the “Soviet Union” had dropped to about 29 percent by 1993, while 50 percent now chose “Russia” (55 percent among ethnic Russians; Hough, Davidheiser, and Lehmann 1996, 45). That Russians could move so rapidly from one basis of self-identification to another suggests that perhaps they could have adopted yet another definition of their identity had circumstances developed differently. In fact, many did. By 1995, only 39 percent of Russian residents (41 percent of ethnic Russians) said

that “Russia” was their homeland, while those “rediscovering” their Soviet nationality rose from 29 to 39 percent. In addition, between 1993 and 1995 the percentage answering that their “homeland” was the particular subnational region in which they lived doubled, from 12 to 23 percent (Hough, Davidheiser, and Lehmann 1996, 45). Given that as of 1995 three out of five ethnic Russians did *not* consider their homeland to be Russia, it seems hard to argue that ethnic and cultural loyalty were reliable guarantors of the country’s cohesion.

More than most peoples, Russians have been plagued by the question who they, as a nation, are. All nationalities define themselves in part in opposition to an “other.” But it has been argued that to an unusual degree Russians’ sense of nationhood emerged as a reaction to preexisting Western models, fueled by a kind of Nietzschean *ressentiment*—“a psychological state resulting from suppressed feelings of envy and hatred . . . and the impossibility of satisfying these feelings” (Greenfeld 1992, 15). As late as the turn of the twentieth century, Russian identity was linked to being a subject of the tsar, and usually to a religious commitment, rather than to any particular ethnic heritage: it remained a nationality of politics rather than of blood. “Thus, the formation of the Russian nation by the time of the revolution was not yet accomplished . . . it remained unclear who was a Russian even in ethnic terms” (Khazanov 1995, 237). Continual and extensive ethnic intermingling and intermigration across the Eurasian plains meant that most claims of simple ethnic identity were spurious.<sup>17</sup>

The reconstruction of historical narratives to fit particular objectives remains a major industry in Russia, a country that, in the historian Yuri Afanasiev’s phrase, has been blessed with an “unpredictable past” (Matlock 1995, 3). One Western scholar visiting Russia in late 1994 found “no small amount of more or less deliberate myth-making going on” (Urban 1996, 147). Another analyst, extrapolating from the experience of the mid-1990s, predicted that “across Russia’s political landscape we can expect to see a kaleidoscope, spatially varied at any moment, and fluid in time, of asserted identities, aboriginal and otherwise. Communities ‘imagined’ to pursue a goal of greater local power will likely dissolve once that power is achieved. . . . Identities incapable of effectively contesting power relations will be abandoned, and new communities constructed to pursue alternative paths to power will emerge” (Fondahl 1996, 14). In Russia, communities were not just “imagined,” they were continually *re-imagined*.

At the same time, some observers did see the first traces of a redefinition of identity in terms of *regional* loyalties and attachments. Associations of regions of the Far East and Siberia had formed and seemed at times to pose a potential separatist threat. Among Russian inhabitants of Siberia concerned about Moscow’s extraction of natural resources, a “Sibiriak” cultural identity was “rediscovered” (Rupnik 1994, 101). New “histories” of the independent Far East

Republic of the early 1920s became a staple of conversation in the eastern provinces.

Second, even if the vast majority of Russians did feel strong cultural or ethnic bonds, did that necessarily translate into a reliable preference for united statehood? In some other parts of the world economic or political conflicts have prompted threats of secession even among relatively ethnically homogeneous populations. Such threats emerged, for instance, in the American colonies in the eighteenth century, in the southern United States in the nineteenth,<sup>18</sup> in western Canada and northern Italy in the late twentieth century. Despite relative cultural homogeneity, the West Indies Federation disintegrated in the 1960s. In 1933, Western Australia proposed to secede from the Australian federation, and a two-thirds majority of the state's voters voted for secession in a referendum.<sup>19</sup> The split was only prevented by an extremely accommodating response on tax issues from the other Australian states.

Third, even if a majority might prefer to preserve a united state—for ethnic or other reasons—history suggests that it will not always be able to do so. Some states have dissolved even though a majority would probably have preferred otherwise. The danger for Russia was not that numerous regions would declare independence and seek to separate because of non-Russian ethnicity. Rather, it was that a few adamant nationalist regional leaders might act as “detonators,” setting off a broader brushfire of insubordination that would undermine the center's capacity and credibility. In the absence of institutional firebreaks, the combination of minority nationalisms, economic divisions, local political ambitions, and general suspicion could prove a highly flammable mixture.

One need look no further for an example than the Soviet Union's own disintegration. In the late 1980s, many observers had been skeptical about threats to Soviet cohesion precisely because of the small number and size of republics whose population seemed positively to favor independence. As late as 1989, this probably included only the Baltic republics and Georgia, which together accounted for only 4.6 percent of the Soviet population. What observers then did not realize was how easily these relatively tiny detonator republics, by exposing the emperor's nakedness and trying to shift economic burdens to other republics, could create a spiral of defection that increasingly drew in far less separatist republics by appealing to the ambitions of the republic-level politicians and the suspicions of the populations.

To return to the financial metaphor, a bank run does not require a large number of depositors who positively *desire* to bring down the bank in order for the bank to fold. A few who spread panic can quickly change the logic of the situation, and the fear of ending up empty-handed can overwhelm depositors' sentiments of loyalty or mutual responsibility. Even if the central state could “invest” their contributions far more efficiently in production of public goods,

the fear of instability and the opportunity to score personal gains might override such considerations when regional leaders tried to decide how to respond to a mounting crisis. It is far easier in retrospect to find reasons why Chechnya did not become the Russian Lithuania than it was in 1992 to predict just where the cycle of regional mobilization would end.

The blow that ended the Soviet Union was delivered neither by the earliest, most dedicated nationalists nor by the most distinct and unassimilated ethnicities. Some had predicted that Moscow would face the greatest challenges from the Central Asian republics, based on precisely such a notion of their cultural remoteness from the Russian metropole.<sup>20</sup> In fact, it was the failure of the large *Slavic* republics—the most culturally similar—to join forces in late 1991 that made Soviet disintegration inevitable. Among the Central Asian republics, there seems to have been remarkably little enthusiasm for closing up the USSR. Even larger majorities had voted for preserving the Union there in a Union-wide referendum held in March 1991 than in Russia, Ukraine, or Belarus—more than 93 percent in each of the Central Asian republics.<sup>21</sup> Nursultan Nazarbayev, the Kazakh president, was reportedly stunned when he heard of the CIS's creation (Olcott 1997, 556). Had the Slavic republics not made this decision—itsself predetermined by the overwhelming vote for independence by Ukraine's voters—some version of the Soviet Union minus the Baltics and probably the Transcaucasus republics might well have survived.

If Yeltsin could so easily reach agreement with the leaders of Ukraine and Belarus to separate their states, it seems plausible that under different circumstances some of Russia's regional leaders might have done the same. Belarus had been part of the Russian empire for longer than some regions of the present Russian Federation—Tyva, Ingushetia, Dagestan, and Balkaria, for instance (Dmitrieva 1996, 9–11). In Belarus, a higher proportion had been in favor of preserving the Soviet Union in March 1991 than in many of Russia's autonomous republics. Such shared history and cultural affinity mattered surprisingly little, however, when the three leaders met in the woods near Minsk.

The argument of this book is not that cultural affinities are unimportant. Indeed, they make it natural that Belarus and Russia later took steps toward reintegration. However, such historical or cultural glue may come unstuck when economic, strategic, or political factors pull in the opposite direction. Major economic divisions or spirals of dissolution often seem to be stronger than ethnic or cultural ties.

### Administrative Structures

Even ethnically divided societies may be integrated by powerful administrative structures that stretch from center to periphery. Two kinds of vertical hierarchy are often thought to create incentives for cohesion that can counteract the dis-

ruptive impulses of regionalist politics. The first is the administrative bureaucracy. Appointed regional officials who hope to advance to higher posts may associate their advancement with resisting the demands of local politicians. And regional politicians may themselves hope later to receive appointments in administration, should they lose elective office. The second is the national party.<sup>22</sup> Regional politicians who hope later to seek national office must cultivate support of the current national leaders of their party. This will at times require subordinating immediate electoral concerns to acquiring goodwill in the central party organization.<sup>23</sup>

This argument is theoretically plausible and supported by the experience of other countries. However, it does not fit the evidence of this case. Both disciplined parties and bureaucracies were largely absent in post-Soviet Russia. Under the old order, the two had been fused in the party-state. The Communist Party's collapse left the political landscape bereft of nationwide integrating hierarchies. Newly formed national parties had minute followings, fluid and highly personalized identities, and little leverage over supporters in the regions or incumbent officials. They came and went with astonishing speed.

Vertical administrative control within branches of the state had been severely weakened by the decentralization, reform, and organizational decay of the previous ten years. While regional branches of federal agencies such as the state security service, police, procuracy, tax inspectorate, and antimonopoly committee remained formally subordinated to the center, their apparatus had become "intertwined with the regional elite at both personal and institutional levels" (Gelman and Senatova 1995, 218). Each region contained from 36 to 53 branches of federal agencies, ranging from the Ministry of the Interior to the sanitary inspectorate.<sup>24</sup> By 1995, according to two regional specialists, "all federal agencies in the provinces receive money, including salaries, from regional budgets (which are reimbursed from the federal budget) and therefore cannot be independent of the regional executives" (Gelman and Senatova 1995). Federal appointments or dismissals in the regions often required the governor's agreement. Perhaps most telling, a decree issued by Yeltsin in February 1993 created a "two-level system of police, federal and municipal" and subordinated special police troops (OMON) to regional chief executives (Gelman and Senatova 1995). Even *army* commanders in different regions could not always be relied on to follow the center's orders rather than their own wishes or those of regional leaders (Thomas 1995b; see the discussion in the following section).

Some have suggested that the enactment of the December 1993 "Yeltsin Constitution," with its expanded presidential powers, may explain the apparent increase in cohesion. Yet it is quite unclear why this would be the case, since the changes after December 1993—while weakening parliament—also increased the power of regional executives. Regional governors were encouraged to run for relatively safe seats in the upper house of the national parliament, the

Council of Federation, a body that came to represent the regional elites and give them a far more direct role in vetting legislation. The regional legislatures were weakened vis-à-vis the governors. More and more often, regional governors were elected, rendering it politically harder for Yeltsin to dismiss them for insubordination. Furthermore, the constitution left many of the most important issues of center-region relations unresolved, and a process of negotiation leading to individual bilateral power-sharing agreements began almost immediately after its enactment. In fact, most observers would probably agree that the main trend in center-region power relations in the 1990s was not a strengthening of the center because of the new constitution but a strengthening of the regions at the expense of the center.

### Fear of Central Use of Force

The fear of central military action to prevent secession, as used in Chechnya, might be what restrained separatist regional leaders within Russia. This was almost certainly a background consideration. Any isolated separatist region that tried to go much too far too fast risked a forcible response. Some have also suggested that President Yeltsin's storming of the parliament in October 1993 may have had a chilling effect on potential regional opponents, who might have inferred that the risk of military retaliation was substantial (e.g., Payin 1995, 198).

Again this argument is theoretically plausible and supported by other cases. Yet there are serious reasons in the case of Russia to doubt that the center's deterrent was sufficient by itself to explain the return to stability. Even if the center's resolve to use force was boosted by the events of 1993–94, its capacity to do so was visibly dwindling. Central leaders could no longer take for granted the cohesion of the army. Regional governors had for several years been forging close relationships with local military commanders, trying with some success “to establish contacts with the generals Soviet-style—at the bathhouse, on hunting or fishing trips, or simply over dinner” (Felgengauer 1994). As central defense allocations were being cut, military detachments were coming to depend materially on their regional political hosts. According to one analyst writing in 1993,

local authorities are ‘luring away’ the troop commanders and military district commanders. People in the military realize that it isn't from the center that they're getting their apartments, kindergartens and food. And therefore, if they have to make a choice, they will carry out the orders of the local authorities. (Antonov 1993)

According to another analyst in mid-1994, the “failure to pay servicemen's wages in three military districts—the Far East, Siberia, and Transbaikal—has

obliged regional leaders to assume full responsibility for the upkeep of the military on their territory” (Teague 1994b, 7). Rather closer to the Kremlin, Moscow mayor Yuri Luzhkov was said to have established particularly close relations with the capital’s military and security leaders through the distribution of patronage. On the eve of the October 1993 crushing of the parliamentary revolt, “Luzhkov offered 500 officers in the elite Taman and Kantemir divisions vouchers for housing in the capital” (Yasmann 1995). Yeltsin subsequently dismissed several leading Moscow security force leaders who had close personal ties to Luzhkov. As the interior minister, Anatoli Kulikov, put it in early 1996: “The army is being ruined just as in February 1917. But then it was done by the Bolsheviks; now it is broken up by nonpayments” (Gordon 1996a).

This general trend toward greater military dependence on regional leaders would erode Moscow’s ability to use the army to threaten or subdue such leaders (see also Thomas 1995b). The army’s effectiveness in putting down regional rebellions might be further hindered by the fact that, with falling discipline and only a small fraction of conscripts reporting for duty, draftees were serving much closer to home than in the past (Clark and Graham 1995, 346). Their willingness to fire on protesters might be correspondingly diminished.

Did Yeltsin’s use of force to crush the parliamentary rebels in the White House in October 1993 cause a subsequent retreat on the part of regional leaders? In the aftermath of the conflict, the president issued a number of decrees removing regional, republic, and local heads of administration who had sided with the parliament, and he dissolved the regional soviets, ordering new elections. Such actions might have intimidated the governors.

However, the evidence does not seem to fit this interpretation. In fact, the months right after Yeltsin’s military victory saw a *heightening* of separatist challenges from some quarters—and a rather confused set of responses on the president’s part. It was precisely in October 1993 that the leadership of Sverdlovsk Oblast, visibly uncowed by recent events, decided to push ahead with plans to create a “Urals Republic” in the region. That month, the oblast adopted a Urals Republic constitution, and the governor, Eduard Rossel, proudly announced the new state’s formation.<sup>25</sup>

Yeltsin eventually dismissed Rossel on November 11. But before that the president *himself* sounded like the intimidated party. At a meeting with regional leaders on November 2, Yeltsin reportedly “stressed that in spite of the desire by certain Moscow politicians to preserve full powers it [was] necessary to separate the powers of the federal government and the regions.” The president reportedly added that “the regions have to deal with their own problems on their own, by, among other things, raising their own status because the government has no coherent regional policy.”<sup>26</sup> This remarkably conciliatory stance so surprised the prime minister, Viktor Chernomyrdin,

that he was seen hastily scratching out part of the text of his own prepared speech.

Other regional leaders also seemed unabashed by Yeltsin's recent use of force. On November 3, the Tatar president, Mintimer Shaimiev, publicly reasserted his republic's sovereignty. And the population in the republics did not rally behind Yeltsin after his show of political muscle. In the December 12 referendum, voters in three-quarters of the republics either rejected the constitutional draft outright, boycotted, or failed to reach the 50 percent quorum (Solnick 1994, 5–6). Overall, no crisis of regional nerves is detectable.

Was Chechnya's unenviable fate what deterred subsequent regional challenges? In fact, the return to quiescence *preceded* the invasion. It seems more reasonable to conclude that the center dared to act forcefully against Chechnya because it had already managed to stabilize relations elsewhere so successfully. What was distinctive about the Chechnya operation was that, despite the explicit rationale, it came at a time when few republics were simultaneously pressing claims against the center and when several of the main "troublemakers" (Tatarstan, Bashkortostan) had actually negotiated agreements with Moscow. Some other factor already seemed to have slowed the sovereignty drive. There is little evidence that, at moments of intense, multilateral regional mobilization, the center's military threat was a credible deterrent. At such moments, Moscow seemed extremely reluctant to use or even threaten military force.

Indeed, the central hard-line advocate of force in Chechnya, Minister for Nationalities Nikolai Yegorov, admitted as much in an interview in March 1995. As reported by the agency Interfax, Yegorov said that

federal authorities could not have used force against Chechnya three years ago. After the collapse of the Soviet Union, many of the Russian republics and regions began declaring sovereignty . . . At that time, the use of force against the Chechen leadership could have caused an explosion throughout the Northern Caucasus as well as in other parts of the country. According to Yegorov, Chechen leader Dzhokhar Dudaev understood the state of affairs at the time, but did not take into account that the situation in Russia would eventually change, and one republic could not continue to test the strength of the entire country. (*OMRI Daily Digest*, March 29, 1995)

Had Yeltsin exerted force earlier, in Ramazan Abdulatipov's view, he would have faced "several Chechnyas."<sup>27</sup> The president's adviser on political geography, Leonid Smirnyagin, in explaining the decision, pointed out that "the situation is much better than two years ago" (quoted in Thomas 1995a, 6). Recent treaties signed with other Muslim regions had reduced the likelihood that they would take Chechnya's side. After its demoralizing experience in Chechnya,

the army's desire to get itself involved in another attempt to crush regional rebellions must have been minuscule—and its deterrent power highly weakened.

### Economic Integration or Public Goods

One source of cohesion in divided states may be a high level of economic integration between different regions. Regions that depend on each other for essential goods and resources are less likely to risk creating obstacles to trade flows. Reliance on the center to provide a common currency for such trade may also reduce the appeal of separatism. In fact, the pattern of industrial development in the Soviet Union from Stalin on was designed with precisely such considerations in mind. The economies of different territories were deliberately concentrated in a few sectors to increase their dependence on other parts of the country. The centralized economy, with planning from Moscow, was considered an important source of integration. This type of interregional economic dependence might explain why regions of Russia have generally not pushed separatist demands too far.

A major problem with this argument is that such interregional dependence did not prevent the Soviet Union from disintegrating. As of 1988, the average level of trade between Soviet republics came to about 21 percent of republican GDP—slightly higher than the level of trade between Canadian provinces in 1988 (19.7 percent).<sup>28</sup> This was not far from the degree of integration of Russia's 11 macroregions in the late 1980s. As of 1987, seven of the 11 regions imported 25 percent or less of goods domestically consumed from outside the region, and all imported less than 32 percent. In each case, more than two-thirds of the goods consumed were produced within the macroregion (Matsnev 1996, 37).

The economic and communications sinews that had linked Russia's regions under Soviet rule were themselves increasingly dislocated in the 1990s by the shock of economic reform and decay. Russian interregional trade fell sharply—in some cases to extremely low levels—and the monetary system weakened. With prices moving toward market levels, the traditional supply chains designed by the planners were no longer economically rational and financially sustainable for the enterprises involved. Rising energy and transport costs undermined long-established relationships between geographically distant producers and suppliers, and prompted enterprises to reorient their trading patterns, looking for suppliers and clients closer to home. Foreign trade liberalization encouraged them to shift where possible to export markets. In the words of one analyst, "the absence of efficient domestic transport and communications, along with high freight prices, pushes the outlying regions to seek economic contacts abroad rather than with remote parts of Russia" (Starovoitova 1993, 107). So to the extent that the inefficient structure of economic transactions established under the

Soviet order was what was integrating the country, the change to market principles eroded this.

Regional governments responded to the crises of their local economies with policies of protection and deliberate autarky. By September 1992, 22 regions had “introduced restrictions on trade with other areas and set up export quotas and duties on imports and exports” (Gouré 1994, 405). In Tatarstan, Mordovia, Buryatia, Primore, Amur, Ryazan, Tula, Belgorod, Nizhny Novgorod, Bryansk, and Tver, regional officials restricted the import of vodka from other regions to protect local distilleries.<sup>29</sup> One region even set up a customs post on its border. Foreign trade liberalization meant those with internationally demanded products—oil, gas, diamonds, and so forth—could do far better by exporting than serving traditional customers in other parts of the country. And as rising transport costs drove up domestic prices, raw-materials-producing regions in the Urals, Siberia, and the Far East, in turn, cut their imports of food and consumer goods from other parts of Russia, replacing them with foreign imports. At the same time, complaints of excessive monetary austerity led to the creation of regional bills of exchange and other monetary surrogates, and, in Sverdlovsk Oblast, even to the introduction of a “Urals franc.”

The results of these trends were probably most dramatic in the Far East, where rising internal transportation costs helped stimulate a shift in trade toward the Pacific Rim. By 1996, the cost of a round-trip air ticket from Vladivostok to Moscow—about \$450, or more than twice the average monthly wage—was beyond the means of most local residents, and more than 40 percent of the Far East’s food requirements were now imported from the Pacific Rim countries (Moltz 1996, 182). According to one economist quoted in *Izvestia*, by 1996 it was “cheaper to deliver a shipment of fish from the Far East to Novorossiisk if you sen[t] it by ship through the Indian Ocean and the Atlantic to St Petersburg and then by rail than if you sen[t] it overland across Siberia” (Satter 1996). As two analysts put it, “the Far East is quickly dropping out of the Russian economic space” (Nobuo Arai and Tsuyoshi Hasegawa, quoted in Moltz 1996, 182). One survey found in 1996 that nearly 87 percent of Primore residents favored the creation of a new Far Eastern Republic (Satter 1996). Though the growth of the region’s foreign trade moderated in the mid-1990s, the trend of economic distancing from other parts of Russia continued. As of 1995, only 15 percent of all products produced in the territory of Primore went to other parts of Russia—compared to 29 percent exported to other *countries*. By September 1996, only 9 percent of regionally produced goods went to other parts of Russia, compared to 31 percent exported (Kirkow 1997a).

Similar problems could be observed in the Siberian region of Irkutsk. Transport to and from the oblast dropped sharply—river freight transport by 33 percent in 1992, and rail transport by 12 percent (Kirkow 1997a). Siberian residents apparently came to rely more and more on their own private plots for

agricultural produce (Kirkow 1997a). In short, available evidence suggests an at least temporary fall in interregional economic integration in Russia in the 1990s, prompting some to predict a “further weakening of the Russian economy’s integrity” (Matsnev 1996, 50).

Could the return to greater stability in Russia have reflected a change in regional tastes for public goods or in the technology of public good provision? Had the central Russian state become better able to satisfy local demands for public goods such as economic regulation or law and order, rendering regional attempts to provide such services inefficient by comparison? The more common view was just the opposite: the center was increasingly *failing* to provide basic public goods, forcing regional and local level governments to try to fill the gap even at the cost of considerable economies of scale. Observers complained of a fragmentation rather than a centralization of public good provision.

The example of money is most striking. Economies of scale in the use of a national currency as a means of exchange are universally recognized. Transaction costs for all economic actors are reduced if all use a single, centrally provided money. Yet, in Russia in the late 1990s, an increasing proportion of transactions were being financed by regional surrogate currencies—bill of exchange (*vekselya*), municipal bonds, other securities—or conducted as barter (see Woodruff 1995; Kirkow 1997a). The center’s ability to provide even such an essential public good as this was apparently in question. Similarly, many doubted the effectiveness of federal law enforcement—or even external defense. By April 1997, Siberian regions were banding together to guard the Russia-Mongolia border themselves, since the federal government was failing to protect them from horse thieves from across the frontier.<sup>30</sup> Moscow’s ability to attract its regions to stay within the federation thus did not seem to have much to do with an increasing capacity to provide public goods.

#### Political Institutions or Large Number of (Relatively Small) Units

Could distinctive features of Russia’s political institutions have enabled it to withstand the regionalist pressures of the early 1990s? Consociational power-sharing arrangements and federal institutions have helped to contain such divisions in other places. Russian politics in the 1990s certainly exhibited elements of center-region power sharing. But the nature of institutions did not match Lijphart’s definition of consociationalism. While subcommunities and regions had representation in central political decision making, they did not individually have a veto. Nor was there any sense in which the central government represented a grand coalition of all subcommunities or regional subgroups. Ethnic minorities had some rights—and considerable *de facto* power—over regional cultural policies, the language of education, and so on, but certainly not com-

plete autonomy on such matters. And there were no guarantees of ethnic or regional proportionality, either formal or informal, in central bureaucratic appointments or spending.

As for federalism, while nominally federal structures existed in Russia, the way they operated violated just about every precept of Weingast's "market-preserving federalism." Under market-preserving federalism, subnational governments "have primary regulatory responsibility over the economy," cannot use this regulatory authority to set up interregional trade barriers, and face a hard budget constraint—that is, are not bailed out by the central government when they face fiscal problems (Weingast 1995, 4). In Russia in the early 1990s, both levels had extensive authority to regulate and often exceeded it, interregional trade barriers were common, and the center both informally and formally (through subventions and payments from a special fund after 1994) bailed out regions facing fiscal problems. In fact, it is doubtful that Russia even met Weingast's requirements (based on Riker) to be classified as a *federal* political system. Few observers would have said that in Russia "the *autonomy* of each government is institutionalized in a manner that makes federalism's restrictions self-enforcing" (Weingast 1995, 4). These institutional arguments, therefore, seem unable to explain how Russia managed to contain its centrifugal pressures.<sup>31</sup>

Another possibility is that Russia's cohesion is explained by the large *number* of regions. Riker and Lemco have argued that the stability of federations increases with the number of their units: "the fewer the units, the more unstable is the federation" (Riker and Lemco 1987). In Riker's formulation, this reflected the calculation of states in a large federation that they would be much more militarily insecure outside than inside the federation. So the logic might not apply so well to regions that are not under military threat. As usual, counterexamples to the general rule can be found. Some federations with few units have survived (Australia), while some with a relatively large number of units have undergone civil wars of secession (the United States, which in 1860 had 32 states). While a large number of units may complicate the task of coordinating a protest against the center, such coordination problems can be overcome.

A second possibility is that the key factor is not the total number of units, but the size of the largest unit relative to the whole. One "oversized" unit might have an encompassing interest in organizing and enforcing collective action by the states against central authority. In the Soviet Union's disintegration, Russia clearly played a coordinating role toward the end.<sup>32</sup> By contrast, among the Russian regions, the largest, the city of Moscow, was tiny relative to the total, containing only about 6 percent of the country's population.

Yet, in other recent cases of state disintegration, it was clearly *not* the largest unit that fought the hardest to secede: indeed, the largest unit sometimes

vigorously opposed the state's disintegration. In Yugoslavia, the most ardent separatist was Slovenia, the fifth largest of the six republics, with only 8 percent of the total population, and the largest, Serbia, attempted to use force to *prevent* secession. In the USSR, while Russia's eventual pressure on Gorbachev in late 1991 catalyzed opposition by the other large republics, it was the tiny Baltic states that had blazed the way. Lithuania's share of the Soviet population (1.3 percent) was barely half Tatarstan's share of the Russian population (2.5 percent); even if all three Baltic republics are lumped together, their populations come to only 2.7 percent of the Soviet total.

While Russia's constituent units are relatively small, they were by no means too small to be viable as independent states. Bashkortostan and Tatarstan—the two largest, after the cities of Moscow and St. Petersburg—each have populations greater than 70 existing countries, ranging from Ireland and New Zealand to Panama and Uruguay. More important, the potential for secession by the early 1990s focused not only on separate republics or oblasts but on broader associations of regions. By 1991, 11 regional organizations had been set up to coordinate local economic policy and lobby Moscow on issues of common concern. They were largely non-overlapping, covered most of the country, and corresponded closely to the economic region boundaries of the former RSFSR (Petrov, Mikheyev, and Smirnyagin 1993). Some of these at different times adopted separatist rhetoric, others denied that they wished to secede though sometimes seeming to protest a little too much (see Radvanyi 1992). The development was noted by Ruslan Khasbulatov, the speaker of the Russian parliament, who warned in mid-1992: "Separatism in Russia . . . has taken not only a national but also a regional character. Regional separatism is clearly behind the idea of creating a Siberian, Far Eastern, or Urals republic, and the difficulties which arose with a number of Russian regions at the time of the signing of the Federal Treaty" (Khasbulatov 1993, 250–51).

Perhaps the most likely secessionist was the large Siberian Agreement association formed in 1990, which came eventually to include all 19 of the West and East Siberian regions. At its height, the association's constituent members contained a population of 24.4 million, or about one-sixth of all Russian citizens. Some of its members talked of establishing an independent "Siberian Republic" (Petrov et al. 1993; Tolz 1993a). Siberian regionalism was taken particularly seriously by politicians at the center because of the apparent cohesion of the various leaders, the atmosphere of cooperation between Siberian legislative and executive branches, and the protogovernment structures the association began to set up (Hughes 1994, 1137).

At a conference of Siberian deputies held in Krasnoyarsk in March 1992 some overtly advocated separation. A deputy from the Tyumen Oblast soviet, B. Perov, argued that "the congress should adopt a manifesto on independence, declare itself the supreme authority in Siberia and at the same time dissolve on

the spot all the colonial organs of Russian power” (quoted in Sakwa 1993, 191). The meeting’s final resolution demanded that the Russian Supreme Soviet and the president “take urgent and comprehensive measures for the decolonisation of Siberia.” Had such regionalist claims hardened and multiplied, the danger of disintegration would have been more than hypothetical.

### **Selective Fiscal Appeasement: The Argument in Brief**

Some of the factors previously discussed may indeed have contributed to Russia’s survival. But, by themselves, they do not add up to a convincing explanation. Even those that do sound like part of the story raise additional puzzles. If cultural and ethnic identities are not primordially fixed determinants of political preferences but relatively fluid and rearrangeable sets of values and narratives, why did regional identities not crystallize more sharply as the economic and political interests of Russia’s regions diverged? Why does ethnic or cultural “glue” stick in some settings but not in others? If it is harder to coordinate rebellions when the number of units is large, what explains why interregional associations set up to overcome such coordination problems failed to make headway? And if fear of the application of central force helped deter regional defections, how did the center manage to keep this deterrent credible and effective even as its control over enforcement agencies in the regions and over governors was so evidently shrinking?

Besides these factors, some additional source of cohesion must have helped to contain the centrifugal forces that seemed to various observers to threaten the Russian state’s survival. I argue that the missing element—which conditioned how ethnic identity, central administrative resources, and federal institutions interacted—was a particular fiscal policy on the part of central authorities. By using subsidies and tax breaks to selectively accommodate those regions most prone to stage disruptive protest actions, the center managed to defuse crises in many potential hotspots before they could spread. Central fiscal policy was used to prevent bandwagons of protest from gathering speed.

Furthermore, the dramatic confrontations between center and regions that aroused such alarm were themselves an essential element in this integrating mechanism. Amid the uncertainty that accompanied democratization, regional protests became the only way to communicate credibly a certain type of information. Paradoxically, the signals that anticenter protests provided were of great value to the center itself. Such signals made it possible for the federal government to consolidate its power by targeting its limited fiscal resources in a politically prudent way. An interactive feedback of elections, regional protest, and fiscal redistribution compensated at least temporarily for the absence of vertical integrating institutions such as national parties and disciplined hierarchical bureaucracies, and helped to keep Russia intact.

Regional political leaders revolt against central authority for one of two reasons. They may do so strategically, judging that such revolts will increase the benefits that they can expect to receive from the center. Or they may do so because such revolts—regardless of whether they elicit central concessions—serve a political purpose within the regional leader’s own constituency. They may enhance the leader’s local support, encouraging constituents to rally behind him, or may help him to outmaneuver local rivals. I argue that regional leaders balance the expected benefits of revolt—both material and mobilizational—against the expected costs of central sanctions.

The ultimate central sanction, of course, is force. But few regimes have the resources to suppress rebellions in more than a few of the country’s regions at once. Therefore, the risk of—or expected “pain” from—such sanctions decreases as more regions simultaneously rebel. Because of the limited enforcement resources of the center, each region that openly defies Moscow reduces the risk for others to do the same. As more regions join a bandwagon of protest, the “pain” the center can inflict on an additional rebel rapidly falls to a very low level, and all who could benefit from defying the center will do so. Those that previously paid positive net taxes to the center will not be willing to continue. Even if the central state provides public goods valuable to the regions, the free-rider logic will tend to prevail, leading to rapid collapse of the central state’s fiscal powers. Even those that benefit from centrally provided public goods will prefer to shirk on contributions. When a central government cannot raise revenue, it ceases to exist.

Preventing federal disintegration, therefore, means preventing such a bandwagon from picking up momentum. And in order to keep its deterrent powerful and credible, the center must prevent the most determined rebels from opening the way for others. The most determined rebels will be those regional leaders with the greatest local *mobilizational* motive to defy the center, because they also have any strategic incentive to rebel that the others have: the same instrumental logic applies to all. If such leaders have sufficiently strong domestic political reasons to wish to turn themselves into anticenter local heroes, it may be impossible for the center to deter them with threats of sanctions. Even the certainty of being “punished” may not be enough—and punishment may itself even increase their mobilizational gains, reinforcing the tendency of local constituents to rally behind them.

Yet, while the threat of force is ineffective, increasing net transfers to such a regional leader will at times be enough to dissuade him from launching a public revolt. Why would appeasement work where deterrence alone fails? The answer suggested by empirical analysis of Russian politics is that material benefits to a potentially rebellious region can reduce the mobilizational gains a strategy of revolt offers to its political leaders. The degree of anticenter sentiment among the population is reduced by greater transfers to—and state spend-

ing in—the region. In Russia in the early 1990s, when regional leaders increased local spending in order to buy themselves support this also appears to have reduced local antipathy to the central government in Moscow. And when antipathy to the central government fell, the regional leaders became, in turn, less likely to protest against the center, presumably out of fear that their constituency would no longer support such a risky approach.

At the same time, the center's example of appeasing one rebellious region may give other regions a strategic incentive to rebel opportunistically in the hope of also being appeased. But these opportunistic rebels will be deterred by the knowledge that because the *non-opportunistic* rebels have already been demobilized they will be isolated and subjected to more severe punishment. By demobilizing the most determined protesters, the center increases the force of its deterrent against the less determined ones.

The logic of this argument—formalized in appendix A—suggests that the optimal central strategy for preserving a federation at moments of crisis will often be to extract relatively higher net taxes from those with a low mobilizational incentive to revolt—regions where the local population is unlikely to rally behind a rebellious leader—and use them to appease the regional leaders with a high mobilizational incentive to challenge the center. By doing this, the central regime can conserve the deterrent necessary to keep the state from disintegrating in a race for the exit.

But in periods of democratization, the center will not necessarily know which regions have the greatest mobilizational incentive to revolt—and which should therefore be appeased. Such incentives may change from period to period in response to changes in the region's internal political balance and other factors. All governors learn to arrive at the president's office with chilling tales and warnings of social explosions. Central policymakers have no way to be certain which are bluffing. Each period, they can only guess which are sincere on the basis of regions' past behavior and characteristics, set tax and transfer rates accordingly, and hope for the best. If a region nevertheless rebels, this will credibly signal that its net tax assessment was above the threshold at which rebellion becomes rational even given the risk of punishment, and the center should reduce its assessment before the next round if it wants to avoid another challenge. (It must also carry out whatever threats to punish it has made, in order to keep them credible.) By a process of *tâtonnement*, the center can move toward the set of tax and transfer assessments that maximizes the center's net tax surplus while inhibiting all rebellions—if there *is* such an equilibrium set of assessments that yields a positive central surplus.

In Russia in the early 1990s such a policy of central fiscal appeasement was carried out, and it does appear to have helped stabilize a federation under extreme stress. Larger net transfers were channeled to regions with a demonstrated ability and resolve to challenge central incumbents through separatist

gestures, strikes, or protest voting. Increases in net fiscal transfers led to subsequent increases in regional government spending. Such increases in spending were, in turn, associated with a more favorable local trend in voting for Yeltsin and associated central parties of reform. And where votes for Yeltsin increased more than average, regional leaders were more likely subsequently to take his side and less likely to oppose him publicly at moments of national crisis. In short, by shifting fiscal resources around, the center was able to prevent spirals of protest from escalating to a point at which they would have undermined the federation's cohesion.<sup>33</sup>

However, the center's ability to redistribute in a way that defuses regional crises does not mean it necessarily has the resources to buy a stable electoral majority. Economic reform itself sharply redistributed income between sectors, in ways that were exacerbated by the general drop in economic performance. Agriculture suffered, while raw-materials-producing and exporting regions were major gainers. While the center's strategy for redistributing between regions bought incumbents some votes in the more depressed regions, it blunted and disorganized protests rather than securing widespread positive support. And the additional votes were not sufficient to compensate for those lost to the discontent over the costs of economic reform and depression. The central government's ability to use fiscal transfers to soften the blow for politically important constituencies and preserve its national electorate was limited by the lack of central resources and erosion of the tax collection system.

The linked successes and failures of this policy suggest one explanation for the disastrous decision to launch a military operation against Chechnya in late 1994. In part, Chechnya had become increasingly isolated in the previous two years, as one by one the other separatist regions had been bought off with federal concessions and had signed separate agreements with Moscow.<sup>34</sup> At the same time, Yeltsin's eroding popularity among his own past supporters may have helped lure him into a tragically misguided attempt to reforge his charismatic appeal through decisive but risky action. The invasion of Chechnya was not necessary to prevent the state's collapse as was claimed at the time. The immediate threat of disintegration had been far greater in 1992 or 1993, yet military force had been rejected. Rather, it was the decline of this threat that made invasion more conceivable.

Yet, Chechnya was exactly the region where sanctions—even military force—were least likely to work. First, the leader, Dzhokhar Dudaev, was a “mobilizational” rather than a “strategic” separatist. Indeed, he was the only head of executive in an ethnic republic within Russia in the early 1990s who had come to power as leader of a nationalist movement.<sup>35</sup> And historical and cultural factors strongly predisposed the population to rally behind local leaders in conflicts with Moscow. War, while imposing horrendous costs on the population, served to boost Dudaev's popularity rather than Yeltsin's.

By the 1996 presidential election campaign, Yeltsin appeared to be desperately trying to win back the ground he had lost in the electoral popularity game. Central policy aimed at reorienting spending toward constituencies, both regional and social, where votes were needed and could presumably be bought most cheaply. By mid-February 1996, the president had promised increases in social spending amounting to an estimated 41 trillion rubles (or \$8.6 billion), designed to raise pensions, student stipends, benefits for miners, and defense spending and to rebuild Chechnya.<sup>36</sup> As the evidence in chapter 4 will suggest, he had some success in winning votes in regions by reducing wage arrears and signing special decrees conferring aid (see also Treisman 1996a).

Paradoxically, Yeltsin found himself supported during the 1996 campaign by the leaders of some of the most vigorous autonomy-seekers of the previous five years. Tatar President Mintimer Shaimiev endorsed him in February, saying that Yeltsin “adheres to democracy more than others, and guarantees the current relationship between Tatarstan and the center.”<sup>37</sup> He was joined a week later by the Bashkir president, Murtaza Rakhimov, who told the news agency Interfax that despite the Russian president’s “numerous blunders” he intended to stand by him. “It was with Yeltsin that Bashkortostan signed an historic power-sharing agreement. It was with Yeltsin that we embarked on the road to reform and it is with Yeltsin that we intend to walk the road of reform to its logical end.”<sup>38</sup> Perhaps the height of absurdity came when Alla Dudaeva, whose husband, the Chechen president, had been assassinated by a Russian missile, also announced that she planned to vote for Yeltsin.<sup>39</sup> And even Eduard Rossel—the politician who had made his career by demanding the creation of a “Urals Republic” in Sverdlovsk, had been fired by Yeltsin, but then had been popularly reelected first to the regional parliament, then as the region’s governor—had changed his tune since the center signed a special agreement with the oblast transferring to it various economic rights. “Our province’s new possibilities can be realized only if Russia’s top state leadership remains stable,” he told an interviewer as early as January 1996. “Therefore, if Russian President Boris Yeltsin decides to run in the forthcoming election for head of state, I, as governor of his native province, will do everything I can to promote Boris Nikolayevich’s victory.”<sup>40</sup>

### **Plan of the Book**

A formal model that demonstrates the logic of the argument sketched in this chapter can be found in appendix A. The following chapters establish different parts of the argument empirically. Chapter 2 reviews the main developments in the history of center-region relations in Russia during the early 1990s, providing historical background. Chapter 3 analyzes the pattern of fiscal redistribution between Russia’s 89 regions and the central state in the early 1990s. It ex-

amines why some regions received large net transfers from Moscow while others paid large net tax remittances into the central state's coffers. It demonstrates the first element of the argument outlined in the previous section: *fiscal redistribution in Russia in the early 1990s favored those regions with the capacity and resolve to make credible threats to disrupt economic or constitutional order*. The next chapter examines whether such net fiscal transfers—when they increased or decreased local state spending—affected the trend in public opinion and voting in the subsidized or taxed regions. It demonstrates the second key element of the book's argument: *increases in regional spending (themselves related to increases in central transfers) led to higher levels of voter support for central incumbents*. Chapter 5 analyzes whether regional trends in voting were, in turn, related to the strategies of regional political leaders in their interactions with Moscow. It finds, among other things, that *executives of regions where the vote of support for Yeltsin had been rising were more likely to support him at moments of crisis*. Putting together the results of the three empirical chapters suggests the interpretation already outlined: by extracting and redistributing fiscal resources from docile to rebellious regions, the center managed to demobilize bandwagons of local protest and preserve its political control. Though costly in terms of social equity and economic efficiency, this pattern of politicized redistribution helps to explain why Russia in the early 1990s survived the serious threats to its integrity.

The argument so far has been specific to Russia. But, if correct, it has implications for many other cases of territorially divided states. Can policies of selective fiscal appeasement explain survival of other troubled federations? Can the lack of such policies explain why some divided states have collapsed? I do not try to answer these questions in this book, though I sketch out some speculative hypotheses in the concluding chapter. In chapter 6, though, I address a different, narrower comparative question. If the argument helps to explain Russia's experience, is it at least consistent with what we know of similar cases? Besides Russia, three other communist or former communist states had nominally federal structures and ethnic minorities. Each of these—Yugoslavia, Czechoslovakia, and the Soviet Union—disintegrated. Chapter 6 examines the pre-dissolution fiscal history of each of these. It argues that in none of these was a comparable central attempt made to appease the most likely separatist regions. Whether or not such a policy might have delayed or prevented disintegration remains a matter for speculation. But experiences of territorial disintegration in these countries appear quite consistent with the explanation given for Russia's cohesion. Finally, the concluding chapter examines the book's implications for understanding of Russian politics in the 1990s as well as for theoretical debates over the causes of state disintegration, ethnonationalist activism, and the implications of ethnic divisions and federal structure for implementing economic reforms.<sup>41</sup>