

## Conclusion: Democratization and Political Integration

Democratization subjects states to an unusual degree of uncertainty and potential instability. Democracy—an order in which elections are regularly lost by incumbents—has itself been called a system of “organized uncertainty” (Przeworski 1991). Attempts to introduce it are no less unpredictable. Whatever sources of social and geographical cohesion held the state together under authoritarian rule may weaken or disappear completely.

In multiethnic or regionally divided states, such uncertainty is particularly destabilizing. It can lead rapidly to cycles of group insecurity, competitive mobilization, and the reactive formation of exclusive laagers (Fearon 1993; Posen 1993). In decentralized states and federations, leaders of local administrative units often have resources to mobilize their populations in pursuit of parochial interests. Democratic elections, if introduced at the regional level, catalyze the expression of divisive demands (Linz and Stepan 1992). If, in addition, the state has a tradition of central redistribution of resources, local democratization may exacerbate interregional and interethnic competition for central spoils.<sup>1</sup> Finally, if electoral institutions are introduced in the midst of economic crisis, short-term economic problems can complicate the task for incumbent regimes of consolidating their support. When economic conditions—or the costs of reform—are spread unevenly across regions, geographical patterns of protest may threaten the state’s cohesion.

So it is not surprising that the multiethnic federations of the postcommunist world experienced particular difficulties of democratic consolidation. Yugoslavia, the Soviet Union, and Czechoslovakia all disintegrated within three years of holding their first competitive elections. By 1993, the only former communist, democratizing state with a formally federal structure still in existence was Russia. To the surprise of certain observers and participants, it has managed to contain the processes of fragmentation—political, economic, and geographical—that seemed at first to be undermining its integrity, even while continuing and extending the scope of electoral choice. Despite a politics of intermittent conflict, center-region relations in the Russian Federation seemed by the late 1990s to be stabilizing.

Russia’s experience is particularly puzzling when contrasted to that of the Soviet Union. Almost all explanations suggested for the USSR’s rapid demise

seem to predict a similar fate for Russia. Some writers have argued that the Soviet order succumbed to an ideological crisis. "In Yugoslavia and the Soviet Union, communist ideology provided the ideological legitimacy for multinational states. If the ideology were rejected, the basis for the state would disappear and each nationality could legitimately claim its own state" (Huntington 1991, quoted in Milanovic 1994, 61). Yet, if the ideological glue that held the communist USSR together came unstuck, there was little ideological legitimacy—in an age of postimperialism—upon which the Russian multinational state could fall back.

Others saw Soviet disintegration as the result of a weakening of central repression or a loss of nerve at the center to use force (Laqueur 1994).<sup>2</sup> If the USSR's ability and resolve to use repression against separatist regions had weakened, so too had that of Russia. Between 1989 and 1991, Soviet forces did attempt militarily to intimidate separatist populations in Georgia and Lithuania. Yet in 1992–93, the height of anti-Moscow mobilization in Russia, the center made no attempt to use force against regional challengers. It was only *after* the wave of separatist demands had already been brought under control, and major concessions made to various republics in a series of formal agreements, that Moscow embarked on the campaign to overthrow the Dudaev regime in Chechnya. As Nationalities Minister Nikolai Yegorov acknowledged in March 1995, Moscow recognized that it could not have used force against the Chechens earlier without sparking a broader rebellion (see chap. 2).

Still other scholars have related Soviet disintegration to the failure of central monitoring and enforcement capacity as economic power was devolved from principals in Moscow to agents in enterprises and regional governments (Solnick 1996). Such an argument could apply equally well to Russia, which underwent an equal or greater devolution of power to enterprises and regional governments. Milanovic suggests that the instability of communist federations was caused by the combination of economic failure and a state structure into which nationality had been institutionally incorporated as a means of coopting local elites (Milanovic 1994). Such factors existed also in the Russian Federation.

The country's recent experience indicates that existing theories are incomplete. This book has suggested an additional piece of the puzzle, which helps to account for Russia's survival as a multiethnic, decentralized, democratizing state. Beneath the surface of apparently chaotic and confrontational center-region politics, a poorly understood mechanism of integration was evolving in the early 1990s—and it was evolving precisely *out of* the threats, brinkmanship, and bargaining that appeared so often to endanger the state's survival. Paradoxically, many, though not all, of the sharp confrontations so often interpreted as symptoms of a rapid decline of political cohesion were themselves vital elements of this integrating mechanism. Dramatic regional protests

provided information to the center that could not be credibly transmitted in any other way. This information made it possible for the central regime to use its limited powers of fiscal redistribution strategically, buying off most of the most determined regional malcontents with larger fiscal transfers and tax exemptions, and thus preventing them from undermining its much weakened deterrent. Bandwagons of protest were kept from gathering speed. This crude feedback of protest, targeted fiscal transfers, and voting made up at least temporarily for the absence of vertical integrating institutions such as national parties and disciplined hierarchical bureaucracies, and helped to keep Russia intact.

### **The Politics of Appeasement**

This argument is counterintuitive for several reasons. Appeasement has generally been considered not only ethically dubious but technically irrational. One dictionary of political terms and phrases defines it as “a policy of acceding to the demands of aggressors, which often leads to more demands and greater concessions” (Safire 1993, 22). Churchill memorably described appeasement as the strategy of “one who feeds a crocodile, hoping it will eat him last” (Comfort 1993, 20). Perhaps the most common view is that demonstrating a willingness to concede merely creates incentives for challengers to make additional claims.

The dangers of appeasement appear particularly grave for a central government with limited resources whose survival depends on deterring challenges from a large number of regional officials, allied states, or colonies. Giving in to the claims of one can demonstrate weakness to others, inducing a rapid, multi-lateral spiral of rebellion.<sup>3</sup> The argument is as old as the Athenians’ ultimatum to the councillors of Melos, which demanded nothing less than total Melian submission out of fear that any hint of leniency might encourage revolt in other vulnerable spots within the Athenian empire (Thucydides 1972, 400–408).

Such a calculus has often justified a strategy of deterrence through horrific example: the fewer are the center’s resources to fight simultaneous rebellions, the more terrible must be the costs it imposes against even minor challenges.<sup>4</sup> According to Robert Axelrod, “the key to maintaining compliant behavior from the citizenry is that the government remains able and willing to devote resources far out of proportion to the stakes of the current issue in order to maintain its reputation for toughness” (1984, 155).<sup>5</sup> In the terms of expected utility theory, the smaller are the chances of actual punishment, the greater must be the pain inflicted if it does occur to create the same deterrent effect. Concessions to challengers will reduce the credibility of the center’s deterrent. As one analyst warned, considering the situation in Russia: “It is likely that some regional actors would interpret any concessions by Moscow on issues of federalist distribution of power as an invitation to mount additional pressures against central authority in order to wrest further concessions” (Shoumikhin 1996, 5).

The argument of this book is not that central governments can safely fail to carry out their past threats of punishment—on the contrary, they must invest in the credibility of their deterrent. It is that they should sometimes *both* punish and then appease in future rounds. By rebelling even in the face of a credible deterrent, the leader of the challenging region signals that he has more to gain from a challenge than from obedience, even if the punishment is carried out. This might seem paradoxical, but sometimes conflict can mobilize support for a local leader far better than peaceful relations—even if the conflict imposes heavy costs on the region. Support for Dzhokhar Dudaev in Chechnya appeared to increase markedly after the Russian military invasion began.

While carrying out a threatened punishment is essential to keep the center's threats credible to other regions, it will not necessarily be enough to demobilize a revolt in progress. Yet lowering central demands or increasing central benefits to the region can undermine the local base of support for rebellion by reducing the discontent of regional constituents and giving them more to lose from an interruption of center-region relations. Furthermore, publicizing such appeasement may be rational for the center—even though this might seem likely to encourage other regions to press demands. The reason is that such appeasement—if it succeeds in demobilizing the first rebel—will free up central enforcement resources in future periods, thus increasing the center's capacity to punish other challengers. The center can thus unhitch a bandwagon before it gains speed. Strategies of appeasement can sometimes actually *enhance* the power of the center's deterrent.<sup>6</sup>

There may be some separatists so devoted to the cause that appeasement will never work. If the leadership and population of a region are completely and irrevocably committed to pursuing nothing less than complete independence no matter what the cost, then such attempts will obviously fail. (Presumably, so will attempts to deter them, though perhaps containment might succeed.) There is little point trying to conciliate a "romantic nationalist" who "thinks in terms of the spirit and culture of his people, not in terms of bargains and calculations" and who "will fight for his cause despite any number of rational arguments showing it to be unjustified" (Birch 1989, 67).

Yet, situations in which "romantic nationalists" have complete control over a region's policy are rare.

Romantic nationalists may not be impressed by the arguments, but romantic nationalists are few in number. They can create minority nationalist movements and keep them alive, but they cannot win widespread support in their community unless they can point to broken promises, material disadvantages suffered, or the prospect of tangible gain. Poetry may inspire the few, but the masses need to be persuaded of actual losses and potential benefits. To explain why minority nationalist movements wax and

wane, we need to examine the material factors that lead to their growth and decline. (Birch 1989, 67)

While all individuals feel some loyalty to local (or ethnic) communities when their interests conflict with those of the center, it is unusual for individuals to give unlimited support to maximalist demands regardless of what the center may offer or threaten in response. Even if a given community contains some unconditional supporters of independence, even if the community's political leader is himself a "romantic nationalist," others will temper such goals with consideration of other values and objectives. To the extent that regional leaders need to take into account the preferences of members of their community, mass or elite, this will open a channel by which central policies of appeasement may constrain the leaders' separatist actions.

In practice, it is extremely difficult to tell whether a particular regional leader is a "romantic" or a "pragmatic" nationalist; most surely have features of both and the potential to change from one to the other. After the fact, it is easy to think of reasons why one leader, region, or ethnic group turned out to be especially separatist (e.g., why the Chechens rebelled, not the Tyvans). But our frequent mistakes in predicting which national groups will prove most assertive before the fact based on existing knowledge of their culture and history suggest reason to be cautious in evaluating how precisely we understand how these factors work. I am not arguing that the prevalence and intensity of "romantic nationalism" do not vary between ethnic groups and regions, but rather that this variation is not the only explanation for different outcomes. What is crucial is not just the characteristics that predispose members of one community to be more "romantic" in their approach to national or ethnic loyalty but also how these factors interact with, among other things, central policy.

If one accepts that irreconcilable, self-sacrificing separatist individuals are rare and that irreconcilable, self-sacrificing separatist communities are even rarer, then there may often be a role for appeasement. And, in cases like the one examined in this book, it may make sense for the center to appease not the most moderate, status-quo-respecting challengers, but precisely those that are most subject to romantic nationalism. In a region predisposed to romantic nationalism, military threats or force may fail to stanch the challenge, instead *increasing* the incentive for local leaders to exploit local fear and resentment of the center as a strategy for personal political advancement. On the other hand, conciliatory financial strategies may give more moderate members of the community a greater stake in avoiding conflict and tip the local political balance against confrontation. Because even a few overt acts of regional defiance have such a large external effect, lowering the risk for other regions of pressing their own grievances against the center, it may be worthwhile to the center to invest a large amount of fiscal resources in appeasing the more trigger-happy region,

even if this requires extracting somewhat higher revenues from more docile parts of the country or investing less in enforcement capacity. Since the center will in practice have no way to distinguish the (many) challengers that are appeasable at some non-infinite cost from the (extremely rare or nonexistent) challengers that are unshakably dedicated to their cause, it will often be optimal as a matter of policy to appease the most assertive challengers.

### Historical Parallels

This view of the inner logic of Russian politics suggests new perspectives on—and questions that might be raised about—other historical periods and political systems.<sup>7</sup> On various occasions, leaders have combined deterrence with appeasement in the attempt to stabilize or slow the decline of their states or empires. The Athenians' strategy against the Melians was not unique in the ancient world. During the last centuries of the Roman Empire in the West, Rome enlisted the support of barbarian tribes on the periphery by paying their leaders subsidies, settling them in territory within the empire, and giving them tax rights over the local populations (Goffart 1980; Jones 1966, 215; see also Barnwell 1992, esp. 170–75). Such barbarian associates, which could be used as military auxiliaries, were known as *foederati*—the first “federates.” “In the latter period of the Roman Empire the barbarians could extract huge sums of gold from the Romans simply by threatening invasion” (North 1981, 114). While such arrangements certainly did not reverse the gradual ebbing of Roman power, they may have prolonged and smoothed it out. One scholar credits this administrative innovation with turning the empire's decline into a process of creative transformation and notes that “there does not appear to have been a sense of the imminent disintegration of the Roman world amongst contemporaries” (Barnwell 1992, 174). According to Goffart, “the fifth century is less memorable for invasions than for the incorporation of barbarian protectors into the fabric of the West” (Goffart 1980, 230).<sup>8</sup>

Much later, the rulers of the Ottoman Empire bought the acquiescence of bandit leaders in their provinces rather than attempting simply to repress them. “The Ottoman sultans saw such innovative challenges . . . as opportunities for bargaining, initially reaching into the state's revenues, distributing patronage to buy off or channel newly emerging opposition. Only later did the sultans resort to force” (Barkey 1994, 2). The Ottoman regime became “the state as bargainer par excellence—bargaining to coopt and to incorporate, embodying within itself potential forces of contention. This strategy whereby inclusion into the state became the singly desirable reward worked to enhance the state's control over its vast territory” (241).

A similar process of negotiating with local powerholders characterized the method of state building through which some of the great European empires

were created. The rise of absolutism in France was one of the foremost successes of such a strategy (Root 1987, 1994). Central monarchs struck individual bargains with regional communities, taxing each specifically and trading local monopoly rights to the guilds in return for revenue (North 1981, 149). “As the state expanded it was confronted by a highly developed and intractable regionalism institutionalized in the form of local law and regional assemblies and sustained by powerful local notables. It could only *superimpose* its control on a number of entrenched and thriving institutions” (Brewer 1989, 6). Paris negotiated taxes with the regional estates in the *pays d'états*—Burgundy, Dauphiné, Provence, Languedoc, Guyenne, and Normandy—while they were collected directly by royal officers in the *pays d'élections* (7). “After the Fronde (1652), the provincial estates, the most vigorous upholders of local autonomy in France, were mostly paid off or subdued” (Root 1994, 19). The central state even encouraged the development of peasant assemblies and integrated them into national politics (Root 1987).

The findings of this book also suggest new questions that might be raised about the Habsburg Empire's late years. At that time, “Vienna's classic answer to . . . particularist grievances was to smother them with committees, with new jobs, tax concessions, additional railway branch lines, and so on” (Kennedy 1987, 217). Nationality considerations informed economic policy. “If, for instance, certain German communities in Bohemia stood to benefit primarily from road construction in a particular district, the government would at the same time propose similar road construction, whether necessary or not in a chiefly Czech section of that district” (217)<sup>9</sup> Such policies are often viewed as having added to the bureaucratic complexity and shortage of finance that contributed to the empire's demise. “Taxes took three volumes, each of six hundred closely printed pages, to explain. There were, in 1914, well over 3,000,000 civil servants, running things as diverse as schools, hospitals, welfare, taxation, railways, posts etc.” (Stone 1984, 316). Yet, appeasing separatist and nationalist claims may actually have slowed the process of disintegration. Some historians have seen things in this light. Alan Sked has pointed to a surprising revival after the 1848 uprisings were defeated. “What happened was that in 1848 the Monarchy almost fell apart but thereafter recovered and in many ways *rose* rather than *declined* before 1914. It can even be argued that there was no domestic or even foreign threat to its integrity until 1918” (Sked 1989, 6).

Such parallels, however, also expose interesting differences. The type of central appeasement in both the Roman and Ottoman empires contrasts with that in the Russian Federation in one crucial way. The Russian strategy demobilized regional leaders by buying off their constituencies. The Roman and Ottoman strategies, by contrast, incorporated leaders of potentially aggressive bands directly into the system of incentives of the centralized administrative hi-

erarchy. The Ottomans and Romans bought off bandit or barbarian leaders in order to demobilize their constituencies.

Both methods sometimes fail. Coopting the leaders of potentially troublesome groups risks merely creating incentives for new uncoopted leaders to emerge. The rank-and-file mercenaries under a bandit chief would not always follow their leader into state service. Such bandit troops “were less susceptible to the temptations afforded by legitimate roles and often returned to a life of deprivation after one infraction; looting rather than collecting taxes proved to be a difficult habit to break” (Barkey 1994, 200). Conversely, buying off regional leaders through their constituents depends upon the nature of the relationship between leaders and their support base. If this changes—if local leaders consolidate their power—they may be less responsive to central bribes sent via their constituents.

All four of these examples suggest the limitations of such policies, which did not ultimately prevent the collapse of each of these regimes. Still, they may have been superior to any available alternatives and slowed the progress of decline. Historians have sometimes argued that by the seventeenth century, the Ottoman Empire was “weak and vacillating” and had “lost control of the provinces and its different classes” (Barkey 1994, 233). Yet it lasted for another 300 years.<sup>10</sup> The Habsburg Empire’s nationality policies seemed at times to be the height of economic irrationality, but except for 1848 it managed to avoid social revolution in an ethnically diverse, modernizing state. According to Sked, between 1867 and 1914, the peak period of central accommodation, “almost nobody inside the Monarchy was working for a republic . . . and practically no one wanted to see the monarchy break up” (Sked 1989, 187). *Ancien régime* France’s attempt to gain temporary increases in revenue by selling offices was counterproductive in the long run—as officials undoubtedly recognized at the time. But the Crown may not have had a more rational revenue-raising option (Brewer 1989, 19–20). As Talleyrand wrote:

France seemed to be made up of a certain number of societies with which the government bargained. In this way, it kept each one under control using the credit that it had. Then the government turned to another, dealing with it in the same way. How could such a state of things continue?<sup>11</sup>

Nevertheless, continue it had for several hundred years.

More recent cases of fiscal appeasement are also easy to find. When Western Australia voted by a two-thirds majority to secede from the federation in 1933, the Commonwealth Grants Commission recommended increasing federal grants to Western Australia as well as to two other poorer states. This “led Western Australia to drop its attempt to secede, and since 1935 no more has been heard of this proposal” (Birch 1989, 188). Redistributive policies have been used to bolster central power in certain parts of Africa. In Zambia in the

late 1960s and early 1970s, President Kaunda strategically targeted development aid to regions where support for the ruling party, UNIP, was relatively low. According to one scholar writing in the early 1980s: “While Zambia is still prone to ethnic conflict, redistributive policies have no doubt significantly lessened the potential for intensely divisive conflict” (Keller 1983, 264).

Various scholars have sought to explain the survival of Indian federal democracy since 1947, despite an ethnically, linguistically, and religiously divided population. Some have noted there a comparable process of regional protest and central accommodation. Though he does not analyze flows of fiscal resources, Subrata Mitra has described the complex repertoires of protest actions that local elites use to press their demands on the government in Delhi. He argues that the federal state draws strength from responding to such protests, conceding to some of the demands, and recruiting protesters into the political arena (Mitra 1992). This “blend of institutional participation and collective protest,” he writes, is “an important explanation for the resilience of Indian democracy.” Robert Hardgrave concurs.

Historically, problems of ethnic and religious conflict in India have eased when political and group leaders have sought to deal with them through accommodation, bargaining, and the political process, and particularly when the center has sought accommodation with minority groups. Problems tend to get worse when the center intervenes directly to impose an outcome on a group or region asserting its independent interests and identity. Force alone has been unable to overcome separatist tendencies; if it is to be successfully applied, it must be accompanied by political dialogue and accommodation. (1993, 67)<sup>12</sup>

As long ago as the 1970s, Sidney Tarrow wondered at the surprising ability of the Italian government to defuse a violent separatist movement in the Alto Adige with financial concessions to the region, while France, with a more Jacobin and *dirigiste* approach, seemed far less successful at containing its regional autonomy movements in Brittany, the Basque country, the Midi, and Corsica. His tentative explanation:

Perhaps the reason for the Italian success in this area lies with its more general failures. The Italian state is so riddled with clientelism that it responds to the threat of regional separatism as it does to every other problem in its troubled postwar history—with financial credits and political payoffs. (Tarrow 1977, 2)

Tarrow did not explain why these “financial credits and political payoffs” would actually work to contain discontent, or why such an apparently feeble central

response might not encourage a destabilizing cycle of escalating demands. The logic of the argument made about Russia suggests one possible answer.

Within France, the separatist activism of Brittany and Corsica contrasts with the postwar moderation of Alsace. What accounts for the Alsatians' quiescence? According to Solange Gras, central policy played an important part. "Distrusted after 1918, Alsace has regained a privileged place in France. Presidents and ministers continually make conspicuous visits to the province, accompanied by subsidies and the tricolour: historic antagonisms are to be laid to rest" (Gras 1982, 310). President Giscard d'Estaing "contrasted subsidies for 'good Alsatians' with the criminal courts for 'bad' Corsicans and Bretons" (348). The former apparently succeeded better than the latter.<sup>13</sup>

### Protest and Stability

A second counterintuitive aspect of the argument concerns the relationship between protest and political stability. A distinguished tradition of theoretical and empirical scholarship has argued that protest, noncivic forms of engagement, and excessive mobilization are dangerous for political order. In Huntington's well-known analysis, instability results when newly mobilized groups, frustrated by the lack of opportunities for social and economic mobility, press their demands in the political sphere, overloading fragile, underdeveloped political institutions (Huntington 1968). According to Crozier, the crises of the 1970s in Western Europe and America stemmed from governments' vulnerability to domestic social pressures: "The modern European state's basic weakness is its liability to blackmailing tactics" (Crozier 1977, 6).

This work suggests, on the contrary, that protests of different kinds can at times play an informational role that not only is not destabilizing but in fact is vital to the integration of a state with its society. And this role is crucial *precisely* in countries where other integrating institutions are underdeveloped. Protests do not just *overload* official institutions—they can create informal ones. In Russia, out of the mutual challenges, threats, and pacts of central and regional politicians, institutions have been taking shape.

Theorists of social movements have, in a similar vein, suggested the normality of "abnormal" political tactics. In Britain, protests "far from being the occasional outbursts of a hopelessly alienated minority" constitute "a legitimate pathway of political redress by widely differing sections of the community" (A. Marsh, quoted in Mitra 1991, 9). In France, Charles Tilly has noted that "instead of constituting a sharp break from 'normal' political life, violent protests tend to accompany, complement, and extend organized peaceful attempts by the same people to accomplish their objectives" (Tilly 1969, 10, quoted in Tarrow 1991, 9). Such conflicts, while seeming to indicate political instability, may in fact stabilize the regime by expressing social demands that can then be met and

by indicating the location of rebellious groups that can then be incorporated into politics. Russia's success in outlasting the other postcommunist federations suggests that such cycles of protest and response can yield an albeit fragile equilibrium. While it may not serve purposes of social justice or economic efficiency, the politics of protest and fiscal redistribution may at times constitute a solution to—not a cause of—political instability.

This view of Russia's recent experience recalls a tradition of political thought that, in contrast to the more frequent emphasis on consensus, shared interests, and community spirit, views social conflict and the responses it prompts as the source of social integration.<sup>14</sup> According to Bernard Crick, writing in 1962:

It is often thought that for [politics] to function, there must be already in existence some shared idea of a 'common good,' some 'consensus' or *consensus juris*. But this common good is itself the process of practical reconciliation of the interests of the various . . . aggregates, or groups which compose a state; it is not some external and intangible spiritual adhesive. . . . Diverse groups hold together because they practice politics—not because they agree about the 'fundamentals,' or some such concept too vague, too personal, or too divine ever to do the job of politics for it. The moral consensus of a free state is not something mysteriously prior to or above politics: it is the activity (the civilizing activity) of politics itself. (Crick 1962, quoted in Hirschman 1995, 238–39)

The kind of institutions that stabilize divided societies are neither given from on high nor chosen from below. They evolve out of the often conflictual interaction of social forces. As Dankwart Rustow argued in 1970, the institutions of stable democracy are built up out of compromise pacts in the midst of intense and long-lived social conflicts (Rustow 1970).

### **Decentralization, Regional Elections, and Stability**

A third counterintuitive, and somewhat unsettling, implication of the book's argument is that democratization at the regional level—when it replaces a centrally appointed official with a regionally elected politician—can create particular problems for state integration and for efficiency-enhancing economic reforms. Regional democratization increases the incentive for regional leaders to seek confrontation with the center. The reasons are threefold.

First, subnational leaders who are elected may be under greater pressure to maximize the flow of resources to their region than appointees, who depend more directly on central power-holders. While central politicians must extract and redistribute resources in such a way as to win the support of a sufficiently

powerful *national* coalition of political resource holders, regional politicians need only to construct a *locally* dominant supporting coalition. Each elected regional leader will therefore have a greater interest than her central counterparts in steering resources to her locality.

Second, high levels of redistribution will often reduce growth rates because of inefficient allocation of resources and the incentives created for rent-seeking. Since voters judge politicians on the basis of both public spending and economic performance, to maximize their support the politicians will need to find the optimal balance of growth and redistribution. But only the center has an *encompassing* interest in economic growth. Each regional leader would rationally prefer an increase in spending in his region, even at high cost in nationwide inflation and inefficiency. So the regional and central leaders will seek different points on the trade-off between redistribution and growth.<sup>15</sup>

Third, besides seeking local support through material appeals, regional politicians may seek to create artificial confrontations with the center as a means of mobilizing the population behind them. Elections at the local level create incentives for political entrepreneurs to politicize formerly repressed or dormant ethnic and regional cleavages and to exploit the politics of grievance (Linz and Stepan 1992; Horowitz 1993). By contrast, in a system with electoral institutions at the center but appointees in the regions, the regional officials will usually have greater incentives to place priority on loyalty to the center. In Russia this logic was demonstrated empirically: in regions where the head of administration had been elected he was much less likely to support Yeltsin than in regions where he had been appointed.

This argument runs counter to the tradition of thought that casts local self-governing institutions as a critical element of civil society, conducive to democratic stability and economic incentives (Diamond 1994, 8–9; Putnam 1993). Tocqueville saw provincial institutions as a particularly important check against tyranny of the national majority (1969, 96). Hayek argued that federalism could restrain state interventions and protect economic freedom (1948), and a tradition of political economy has argued that competition between self-governing subnational jurisdictions can also enhance economic efficiency and growth (Tiebout 1956; Weingast 1995).

Regional representative institutions “tie the King’s hands” in much the way that a national parliament does, enhancing his ability to commit himself to respect property rights and market freedoms (Root 1994). Weingast has argued for the advantages of federal structure in preserving markets and constraining the center from imposing protectionist regulations or enforcing monopolies (Weingast 1995). Regions may cooperate to deter the central state from violating local liberties. This may help account for the economic successes of England in the eighteenth century (North and Weingast 1989).

More recently, various scholars have argued the benefits of regional de-

mocratization in states in transition from communist or authoritarian rule (Coulson 1995). According to one recent study, “decentralization of government and renewal of local democracy are vital elements of transformation in East-Central Europe” (Baldersheim and Illner 1996, 7). In Mexico, some have argued that decentralization of economic resources and powers to regional bosses should be combined with regional democratization to increase accountability.

Ironically, if Zedillo carries out his promise to give state and local governments more powers and financial resources, allowing them to raise more revenues locally, he could also increase the resources and autonomy of the local bosses and *caciques*. Any moves toward decentralization must therefore be accompanied by democratization. There is a danger that decentralization will not help political reform if local governments cannot be held accountable. (Lustig 1996, 6)

The argument made in this book suggests, however, that while increasing electoral responsibility at the very local level may be unequivocally beneficial, more representative institutions at the *regional* level may increase pressure on the center to redistribute. Such institutions do not just tie the King’s hands, they may pull at him from all sides, in a way that may reduce the economic rationality of central policy. While regional elections may increase the accountability of regional leaders to their electorates, they may also increase the pressure of regional lobbying for central aid and shift the pattern of interregional redistribution in favor of the most credibly separatist or militant regions (which have the greatest blackmail potential). The beneficial economic consequences of a decentralized division of power depend on a precarious balance in which the center is strong enough (to resist regional pressures) but not too strong (able to violate regional rights)—a balance that cannot itself be guaranteed by the institutional configuration. As Weingast points out, it is not federal structure per se that leads to economically beneficial kinds of credible commitment, but a particular kind he terms “market-preserving federalism” (1995).

Introducing electoral accountability at the municipal rather than regional level may create fewer pressures for central redistribution, since when there is a large number of small claimants each has far less power to threaten central priorities and thus extract privileges. Poland’s pattern of elected municipalities but appointed provincial officials (at voivodship level) may offer a superior compromise between accountability and efficiency. An alternative interpretation of English history to that of North and Weingast attributes the relative economic liberalism of the eighteenth century not so much to the vibrancy of regional institutions as to their small territorial jurisdiction and limited role. “The local unit of the county, into which England was divided during the Anglo-

Saxon period, proved too small to sustain a local assembly or produce powerful regional loyalties” (Brewer 1989, 3). In England, unlike pre-Revolution France with its stronger regional estates, a “comparatively uniform and centralized administration of public monies through the Treasury and Exchequer was possible because of the existence of national institutions and the absence of institutionalized regionalism” (22). Root makes the point directly: “In the absence of independent regional governments that offered local leaders an alternative source of legitimacy, the local elites appointed to represent their communities did not have to be bought off by the English Crown” (1994, 16). Meanwhile, the central state was able to develop the most modern, efficient tax collection agency in Europe, with personnel appointed by the central government. “The lack of locally entrenched representative institutions made resistance to central government extremely difficult, while the presence of a centrally appointed administration made collection expeditious as well as discrete” (Brewer 1989, 132).

While in France the central state was forced to negotiate with village assemblies, guilds, and towns, and to collect taxes via private “farmers,” in England the central government could send its own tax collectors into the localities. The legal system was implemented and enforced in the regions by justices of the peace, who like the commercial and agricultural interests in parliament showed an interest in increasing economic efficiency at the expense of local communal rights and in helping the state to gather taxes from less privileged social groups. They were not interested in enforcing guild restrictions at the expense of local prosperity (Weingast 1995, 7). What made for English success may not have been limitation of the power of the executive by the legislature and of the center by the regions so much as domination of the state—at both central and local levels—by narrow elites with an interest in increasing economic efficiency, private profit, and state solvency at the expense of the mass of the population, and the lack of an institutional support for the opponents of liberalization—peasants losing access to common lands and consumers paying ever higher excises.

If this line of argument is correct, it suggests a rather different view of the dilemmas of reform in China, which experienced a very sharp increase in economic growth in the 1980s and 1990s without the introduction of credibility-enhancing representative institutions. What leads to such growth may not be the introduction of representative institutions—and, in particular, autonomous institutions at the regional level—but the ability of narrow economic elites interested in rapid growth to negotiate among themselves while excluding the vast majority of the population from politics. The electorate of eighteenth-century Britain was only a slightly larger proportion of the population than the Communist Party nomenklatura is in China today.<sup>16</sup> The forums of the top party leadership may provide space for the leaders of different elite interests to reach

compromises. *Nomenklatura* entrepreneurship in China and Russia is in some ways similar to the privatization of common lands by enclosure—officially sanctioned or otherwise—in seventeenth- and eighteenth-century England.

In brief, there may often be a trade-off between full representation of regional constituencies and the ability of a central government to introduce efficiency-enhancing reforms that shift the distribution of income. The more effectively regional constituencies are organized to bargain with the center—and the more able they are to threaten it with disruption—the more they will be able to secure a pattern of central redistribution that differs from the one that reform-oriented constituencies at the center might prefer. Increasing the representativeness of regional institutions, while desirable from the standpoint of democratization, may have costs in economic efficiency.<sup>17</sup>

### The Ethnic Revival

One of the most unexpected features of the fall of Soviet power has been the dramatic revival of ethnonationalisms across Eastern Europe and Eurasia. Scholars disagree about the fundamental causes of this. The sudden invigoration of ethnic claims might reflect a retreat to premodern forms of solidarity, caused ultimately by the communist order's very success in eradicating traces of civil society around which newer definitions of identity could have crystallized. Nationalist ideologies, "frozen" for decades, return to fill a "vacuum" (Kolakowski 1992, 51; see also Rupnik 1994, 95); ethnic identities resurface because they are all that is left (see, e.g., Schöpflin 1994, 137–38). In such a view, national identities tend to be historically determined, slowly changing, often irrational, and nonnegotiable. "While one may readily give away material interests in the expectation of gaining something else, identity is not open to compromise" (Schöpflin 1994, 137–38).

The postcommunist "ethnic revival" might, by contrast, be explained by an essentially instrumental logic, in which ethnic forms of mobilization hold particular advantages for actors within the distinctive set of institutions evolving out of reforming communist orders. Ethnic identities resurface because they are effective tools. In this view, ethnicity is a resource that can be used rationally by entrepreneurs in the competition for political power or state-allocated material benefits. Central state redistribution provides an incentive to organize nationalist and separatist movements to compete for material and other benefits (Zaslavsky 1992b, 114). As one philosopher interpreted Soviet developments in the late 1980s, "Nationalities have turned into political parties" (Grigorii Pomerants, quoted in Zaslavsky 1992b, 107).

This study provides some support for the instrumental view. At least within Russia, social identifications such as minority nationality that could facilitate anticenter protests were useful for extracting benefits from the center. Chapter 3

established that mobilization around a national issue—sovereignty—was extremely effective in extracting fiscal benefits from the central government. There is also some evidence that leaders of ethnic republics considered the potential costs and benefits when deciding how hard to press separatist demands (Treisman 1997).

An implication of this is that the nationalist conflicts simmering in different parts of Russia may be less intractable and revolutionary than in some other parts of the world or other historical eras. Often, they will be subject to strategic constraints, and they may be affected by the distribution of material benefits.

### **Economic Reform in Divided States**

Russia's experience suggests an important lesson about the way economic and political reforms can interact with stability in a transitional regime. During the 1980s and 1990s, not only the former communist states but many other developing and semideveloped countries faced a task of economic self-reinvention—from centrally planned or highly protected economies to free-market systems. Explaining the variation in results of different countries attempting such reforms became the focus of much of the political science profession.

Why did some countries achieve remarkable successes at the task of economic transformation, while others failed to implement needed reforms? If one can conclude anything with confidence from the analyses and intellectual debates of the 1990s, it is that there are no general and simple answers (Hirschman 1994, 343; Remmer 1995). An early suggestion that authoritarian regimes might be better able than democracies to implement temporarily painful economic reforms (O'Donnell 1988) ran into both theoretical and empirical problems (Remmer 1995, 105; Geddes 1995; Maravall 1995; Bates and Krueger 1993, 459; Nelson 1990). The failure to find consistent, general relationships between regime types and successful reform prompted a more detailed examination of the distinctive institutions of particular democratic and authoritarian orders.<sup>18</sup> Here too, the confusion continued. Some scholars argued that cohesive party systems, strong executives, and insulated economics ministries and central banks make economic reforms easier to implement (Haggard and Kaufman 1995). Others contended, based on the empirical experience of Eastern Europe, that, on the contrary, coalition governments, fragmented party systems, and responsive political institutions have been associated with greater success.<sup>19</sup>

The analysis of this book suggests the potential importance of another set of institutional and contextual variables. The way that attempts at economic reform interact with political factors in both democratic and authoritarian states is likely to depend in part on the degree of constitutional decentralization of the

state and on the depth and pattern of ethnic, cultural, religious, and linguistic cleavages. In a constitutionally decentralized state, regional political leaders will have a greater capacity to impede implementation of central reforms or to bargain for benefits. Ethnic or cultural divisions will affect the ability of central leaders to build coalitions for reform, and the best strategy to do so. When ethnic divisions coincide with constitutional decentralization, the threat of secession usually lurks in the background.

While various scholars have suggested the importance of sociocultural cleavages and constitutional decentralization for strategies and outcomes of reforms (Przeworski et al. 1995; Horowitz 1993), little is known about precisely what difference they make. Most formal models of the politics of reform tend to assume a unitary state, albeit containing different interest groups or classes (Alesina and Drazen 1991; Fernandez and Rodrik 1991; Dewatripont and Roland 1991). The analysis of Russia presented in this book suggests more specifically how these factors may constrain reforms. In multitiered states without other strong forms of national integration, politicized central redistribution may sometimes be essential to keep the country intact. Economic reforms that require sharp cuts in central subsidies and in tax breaks may be impossible to implement in regionally divided, fragile democracies without prompting a spiral of regional separatism and a collapse of central authority. Some degree of politicized central redistribution may actually be vital to preserve the power of the state to accomplish more modest economic and political reforms.

This is surprising, because it runs against the advice leaders of such regimes have typically been given by macroeconomists, for whom politicized state redistribution is definitely a *problem* not a *solution*.<sup>20</sup> The standard recommendation is that one should simultaneously liberalize the economy and reduce the role of state redistribution. What little redistribution remains should be thoroughly depoliticized, with transfers targeted only at those individuals and regions with demonstrated need.

Yeltsin, to his discomfort, seemed intellectually to have accepted this argument. He spoke with great embarrassment of his ad hoc handouts of aid. In an interview in August 1994, he admitted:

I have repeatedly heard rebukes along the lines that the president takes a bag of money with him on his trips and certain lucky enterprises receive support. I admit that I don't like that idea either. The president is not an ambulance. You can't salvage the situation or cure the country like that. You can't visit everyone who's in a bad way. (*Trud* 1994)

But, out of political instinct, guiltily, he did continue to respond to such pressures, signing special decrees to yield where he felt it most politically expedi-

ent. The analysis in this book suggests a political rationality behind his apparent intuition.

If implementing economic reforms is particularly hard in decentralized, ethnically divided states, implementing economic reform and regional democratization simultaneously in such states may be doubly difficult. The simultaneous introduction of elections at regional and central levels creates incentives for interlevel political conflict. Such conflict can easily escalate into spirals of confrontation—and ultimately state disintegration. To prevent this, a weakened central state must often conserve its capacity for repression by buying off regions that can be appeased with fiscal benefits. In such societies, rapid democratization at the regional level cannot be combined stably with too rapid a reduction in the economic role of the central state.

The analysis suggests a set of hypotheses about the relationship between institutional structure and reform. Economic reforms that include sharp reductions in or reorientations of central redistribution should be easiest to carry out in a unitary state—whether democratic or authoritarian (Poland after 1990 or Chile after 1973); next in a decentralized authoritarian state (China); then in a federal democratic state with a sound initial fiscal balance and strong tax collection capacity (perhaps Canada before 1975); and hardest of all in a federal, democratic state with an unsound fiscal balance and weak tax collection capacity (Russia). This might help to explain why no generally valid relationship has been found empirically between the degree of democratization and economic reform.

Postcommunist democratizing governments have a particularly poor record of consolidating themselves in power. Subsequent elections have tended to see voters desert them for rehabilitated communists or populist nationalists. Various factors explain why the popularity of incumbent reformers might fall over time—the transitional economic costs of reform, for instance, or the arrogance and mistakes of the new officeholders. But in countries with strains between center and periphery, and where the leadership places a priority on preserving state integrity, the honeymoon of the new regime is virtually doomed to be short. The democratic leadership in power *has* to disappoint its previous supporters, to take from the loyal to give to the disloyal, and this will leave it scrambling to reestablish a support coalition when the second elections come around. This is the dilemma that Yeltsin and other central politicians faced in the early 1990s—and which, to the surprise of most observers, he managed in 1996 to surmount.

### **The New Russian Politics**

Russia's experience is rich in material to illuminate political and economic questions in other countries. But, as the Yeltsin era ends, its own future remains

opaque. What has emerged from the transitional blur is a clear picture of the contradictory challenges that central politicians face. Theirs is a double task—not so much to play on two chessboards simultaneously as to play two games simultaneously *on the same chessboard*. First, they must construct and sustain a national coalition of voters that can win elections. Second, they need to divide and cajole individual regional leaders and their constituencies, integrating them into the federal equilibrium with a combination of threats and inducements.

Yeltsin's distinctiveness—and the reason for his political longevity—lay in his ability to play both games skillfully, though not without blunders. He was the first Russian politician to master the techniques and strategy of electoral campaigns. For the most part, he combined this with an intuitive feel for the modulations of carrot and stick, the husbanding of resources, and the selective deal-making necessary to divide and integrate regional leaders and their constituencies. "Imagine," he explained in late 1990, as Gorbachev struggled with the rise of Baltic nationalism, "that if you resist the people, then the people will further intensify their counterpressure. . . . Those [ethno-national] events would have passed off more easily, significantly more easily, if there had been no resistance."<sup>21</sup> While Yeltsin was only one of the central Russian players groping for this strategy, from his preeminent position he set the tone.

His successors will face the same double challenge. Failure on one dimension could mean policy ineffectiveness, dwindling national support, and—potentially—a reemergence of institutional struggle between parliament and president. Failure on the other could lead to a re-inflaming of separatist threats and regionalist passions. Several developments could change the logic. The emergence of genuinely nationwide parties could integrate the interests of politicians at the different levels at which elections are held in a more formal and durable way than the mere common objective of winning votes through public spending. Bargains in the Russian political world of the 1990s—those between politicians and voters, governors and president—lacked credibility. Political parties, by acting as independent enforcers, can make possible a more complex and effective structure of political exchanges. Second, an invigoration of municipal and local government might balance the powers of regional governors and buy the center a little breathing space to rebuild the capacity of central enforcement bureaucracies. But in the meantime, integration relies to a considerable extent on politicians at the center finding the necessary balance of selective sanctions and accommodation.

"It should now be clear," wrote Yevgenii Yasin, a respected liberal economist and later economics minister, in December 1992. "Russia in the foreseeable future cannot be simultaneously united and democratic" (quoted in Sakwa 1993, 179). Despite the flaws in Russian democracy, and despite the practical independence of Chechnya, on balance it remained both in the late 1990s. As

of late 1998, the clamor for autonomy or even secession had quietened, and Russian leaders had repeatedly submitted themselves to the voters' choice. Against the backdrop of the broadly successful federal policy of Moscow in the 1990s, the war in Chechnya stands out as not just a tragedy but a mistake.

Though it may be a temporary compromise of convenience, even the extreme opposition Communist Party leadership seemed to have become reconciled to the game of electoral politics through the sufficiently realistic hope it offered them, especially in 1995–96, of actually winning. A more revolutionary, extraparliamentary and extraconstitutional path had been conceivable. The electoral successes of various “Red” regional leaders, from Ryabov and Mukha to Tuleev and Stroyev, suggested that a communist in power in Moscow might have some help learning the importance of the game of relations with the regions.

Yet, despite the successes of the center's fiscal strategy, the mechanism by mid-1997 seemed once again to be under strain. A growing shortfall in federal revenues collected was impeding the center's ability to redistribute in stabilizing ways. The tax problems of the late 1990s owed more to evasion by enterprises and less to direct fiscal challenges by the regions—though some of these did occur as well, as the center increasingly failed to make promised payments to finance federal programs and as elections of governors encouraged a surge of mobilizational confrontation.<sup>22</sup> In part, the leaders of regions with populations relatively *loyal* to Moscow were finding ways, through colonizing regional branches of the tax collection agencies, to conceal and divert revenues secretly rather than to demand them openly. The greatest challenge for the Russian government by 1998 had become to regain administrative control over lower branches of the State Tax Service and to prevent progressive bureaucratic decay from undermining the past achievements of political bargaining.