

Institutional Variation Among Russian Regional Regimes: Implications for Social Policy and the Development of Non-governmental Organizations

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Abstract Russian regions exhibit wide diversity in institutional arrangements, not only due to varying natural conditions and economic development, but also due to the different political strategies pursued by their governors. Governors have wide discretion over the kinds of relationships they establish with local economic and social elites in the pursuit of nationally established goals. Some regional regimes are more pluralistic, others more authoritarian. Strategies for social and economic development vary as well. Some governors cooperate with local business associations and firms to induce investment and to overcome collective dilemmas such as those associated with skill formation. Characteristically, it is state actors who usually take the initiative in shaping state–society relations.

Résumé Les régions russes présentent une grande diversité en termes de dispositifs institutionnels, non seulement en raison des conditions climatiques et du développement économique, mais aussi des différentes stratégies politiques menées par leurs gouverneurs. Les gouverneurs disposent d'une large marge d'appréciation concernant les types de relations qu'ils développent avec les élites économiques et sociales locales pour atteindre les objectifs établis à l'échelle nationale. Certains

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régimes régionaux sont plus pluralistes, d'autres plus autoritaires. Les stratégies pour le développement social et économique varient également. Certains gouverneurs coopèrent avec les associations professionnelles locales et les entreprises pour inciter les investissements et surmonter les dilemmes collectifs tels que ceux liés à la formation professionnelle. Typiquement, ce sont les acteurs étatiques qui prennent généralement l'initiative d'orienter les relations entre l'État et la société.

Zusammenfassung Russlands Regionen zeichnen sich durch eine große Diversität in ihren institutionellen Strukturen aus, was nicht nur auf die unterschiedlichen natürlichen Bedingungen und die wirtschaftliche Entwicklung zurückzuführen ist, sondern auch auf die verschiedenen politischen Strategien, die von ihren Gouverneuren verfolgt werden. Es liegt größtenteils im Ermessen der Gouverneure, welche Art von Beziehungen sie mit der lokalen wirtschaftlichen und sozialen Elite zur Verfolgung national etablierter Ziele unterhalten. Einige regionale Regime sind eher pluralistisch, andere sind eher autoritär. Zudem unterscheiden sich die Strategien zur sozialen und wirtschaftlichen Entwicklung voneinander. Einige Gouverneure arbeiten mit lokalen Unternehmensvereinigungen und Firmen zusammen, um Investitionen anzuregen und kollektive Dilemma, wie Probleme im Zusammenhang mit der Entwicklung von Qualifikationen, zu überkommen. Typischerweise sind es staatliche Akteure, die in der Regel die Initiative ergreifen, um die Beziehungen zwischen Staat und Gesellschaft zu formen.

Resumen Las regiones rusas exhiben una amplia diversidad de acuerdos institucionales, no sólo debido a las variables condiciones naturales y desarrollo económico, sino también debido a las diferentes estrategias políticas utilizadas por sus gobernadores. Los gobernadores tienen una amplia libertad sobre los tipos de relaciones que establecen con las élites sociales y económicas locales en la persecución de las metas establecidas a nivel nacional. Algunos regímenes regionales son más plurales, otros más autoritarios. Las estrategias para el desarrollo económico y social varían también. Algunos gobernadores cooperan con las asociaciones y firmas empresariales locales para inducir la inversión y para superar dilemas colectivos tales como aquellos asociados a la formación de habilidades. De manera característica, son los actores estatales los que normalmente toman la iniciativa en la determinación de las relaciones estado-sociedad.

Keywords Russia · Regions · Governors · State–society relations · Pluralism

Introduction: Cross-Regional Institutional Variation in Russia

In 1932, Justice Louis Brandeis observed that American states served as “laboratories” where citizens could “try novel social and economic experiments without risk to the rest of the country.” In large and heterogeneous states such as the US, China, and Russia, subnational regions can vary not only in policies, but in political institutions as well. Regional regimes may be more or less open and pluralistic than the national political system. Autocratic local political machines in a

democratic polity may remain in power for long periods, as long as they keep political conflict localized and deliver electoral support to their national-level allies (Gibson 2005; Hale 2003; Key 1950; Stone 1989; Scott 1969). Suppressing opposition through varying combinations of patronage, social control, and fraud, the national authorities may well find it less costly to tolerate them than to challenge them. Alternatively, a subnational regime may be more open and competitive than the national political regime if its citizens demand democratic institutions. From the national government's viewpoint, the nature of the political arrangements in a particular region may be less important than whether the region satisfies the center's needs for political support, social stability, and a positive revenue flow.

Cross-regional institutional variation in Russia is pronounced. Russian governors inherit, then shape, local institutional environments according to their political and policy goals. Although there is little direct competition among governors for promotion to higher office—in contrast to China, for example (Rochlitz et al. 2014)—they are conscious of the performance of other governors, and sometimes emulate successful initiatives of other regions. The federal government often gives governors opportunities to report on their policy successes at meetings of the State Council—the advisory body comprising governors created by Putin after he removed governors from the Federation Council in 2000. Some federal ministries and agencies hold grants competitions under which regions submit proposals for federal matching funds for local projects, or encourage regions to try out new policy models. Although regions are often reluctant to experiment with an untested policy, they may adopt a successful initiative that has been proven to work elsewhere. Thus, notwithstanding the marked swing toward centralization that has been characteristic of Russia since 2000, regional leaders in Russia do pursue different institutional strategies.

Needless to say, Russian regions also vary enormously in non-institutional characteristics such as climate and geography, ethnic and demographic composition, and resource endowments. However, in this paper, I concentrate on the diversity in trajectories of political development that followed the substantial decentralization of administrative control that occurred after the Soviet regime's collapse. Putin has only partly restored the center's capacity to impose common institutions throughout the country. Regional governments continue to have wide discretion to implement federal policies in ways that suit their interests and capacities.

Rising Interregional Inequality

Although federal fiscal policy does bring about some equalization of resources, interregional inequality is growing. It widened sharply in the 1990s, narrowed again in the early 2000s, and then resumed growing after the mid-2000s. The trends are consistent across multiple measures. The following graphs depict the differentiation among regions and over time in inflation-adjusted figures for gross regional output per capita, mean income, and mean wages.¹

¹ The deflator used is the regional subsistence minimum for the given year. Although there are occasional adjustments to the method for constructing this figure over time, in any given year, the deflator is consistent across regions. The figures should therefore be interpreted as a multiple of the minimum subsistence level for the given region in the given year.

Figures 1, 2, 3, 4, and 7 below are presented in the form of box plots. A box plot is a visual way of grasping the spread of a distribution. Box plots represent the distribution of values of a set of observations by quartiles (quartiles are the points dividing a set of observations into four equally sized groups). The central box represents the middle 50 % of observations by value, called the “inter-quartile range.” The band intersecting the central box represents the median point of the distribution—i.e., the point at which the number of observations with higher values is equal to the number of those with lower values. The portion of the central box just above the median represents the next highest 25 % of observations above the median, while the portion immediately below the median consists of the next lowest 25 % of observations. Observations above and below the central box represent the highest and lowest quarters of all observations. The “whiskers” extending above and below the central box mark the ranges of adjacent values above and below the middle 50 % of the distribution, while the small circles above and below the whiskers represent the extreme high and low ends of the observations. If the central box is narrow, it means that the range of values around the median point is small. If the central box is tall, the range is wide. In the first case, the observation at the 75th percentile is not very different in value from the observation at the 25th percentile. If the box is elongated, the 75th percentile is a long distance from the 25th.

For all three series, there has been some widening of the spread among those regions in the 50 % of regions around the median (i.e., the inter-quartile range) since the mid-2000s. Figure 1 shows that the number of extreme outliers—those whose inflation-adjusted Gross Regional Product (GRP) per capita exceeds the median by several times—has increased as well (see Fig. 1).

Figure 2 presents the analogous figures for mean regional income, adjusted for inflation.

Finally, Fig. 3 presents the data for inflation-adjusted wages.

Figure 4 indicates that the spread across regions in their levels of income inequality—measured here as the ratio of the 90th to the 10th income decile—has

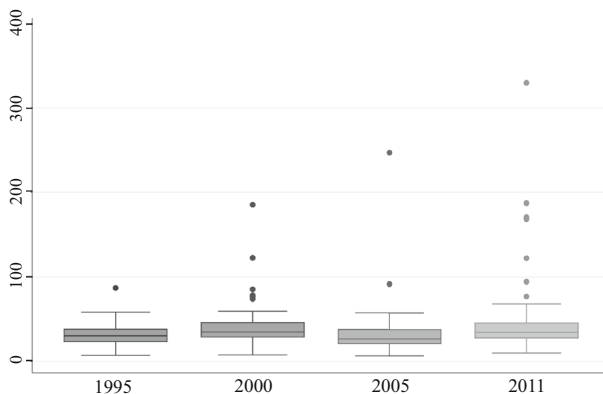


Fig. 1 The rich have grown richer: interregional spread in gross regional product per capita, inflation adjusted

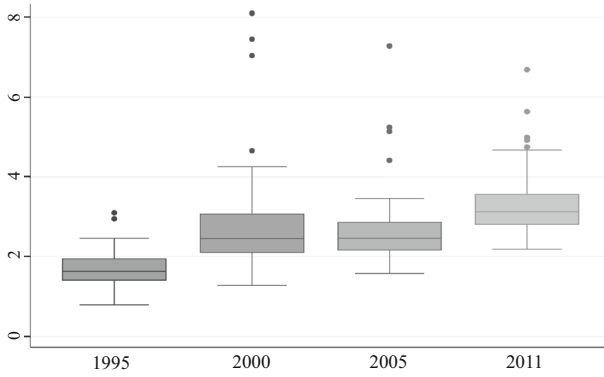


Fig. 2 Interregional spread in mean incomes has risen steadily since 2005

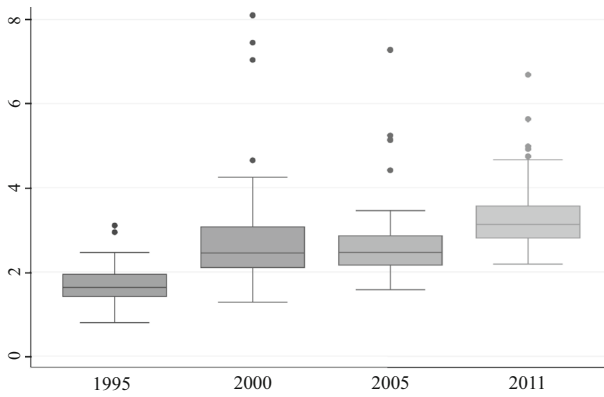


Fig. 3 The interregional spread in real wages has also risen since 2005

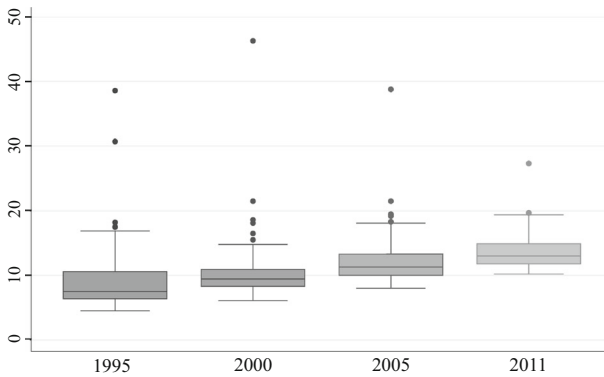


Fig. 4 Regions have become more similar in their levels of inequality, but inequality has risen steadily

decreased over time. But more significant is the fact that inequality in incomes *within* regions has grown. The median region's decile ratio almost doubled from 1995 to 2011, from 7.5 to 13, while the national decile ratio exceeded 16.

Poorer regions—those with lower mean wages and incomes—have higher poverty rates and higher rates of social dependency (measured as the share of regional income composed of cash transfers such as pensions, poverty assistance, and cash subsidies). Over time, the differences across regions in poverty and social dependence have widened and then diminished, while the differences in wages and incomes widened in the 1990s, fell in the early 2000s, and widened again in since the mid-2000s (measured by the inter-quartile range). The share of social transfers in total regional income was in the 10–25 % range in the mid-1990s, but rose to the 15–30 % range by 2011. Not surprisingly, regions where inflation-adjusted wages are higher tend to have lower shares of social transfers. This relationship grew stronger over time, however. Real wages rose faster in many regions than did the share of the socially dependent population.

Since the distribution of incomes is closely related to the distribution of wages, this means that regions benefitting from higher wages are able to increase incomes at both the lower and higher ends of the income distribution through increased earnings in the labor market. As regions see rising average real wages and incomes, they see *higher* rates of inequality and *lower* rates of poverty. These correlations, in fact, have grown stronger over time (see Figs. 5 and 6).

Pluralism

How are these economic and social trends related to governance? Valid and reliable measures of the quality of governance or openness in Russian regional regimes are hard to come by. It is still more difficult to explain variation across regions or over time in these characteristics in any systematic way. Much of the best scholarship on regional regimes consists of in-depth case studies that describe a particular region at a particular point in time. Nonetheless, observers have made a number of efforts at

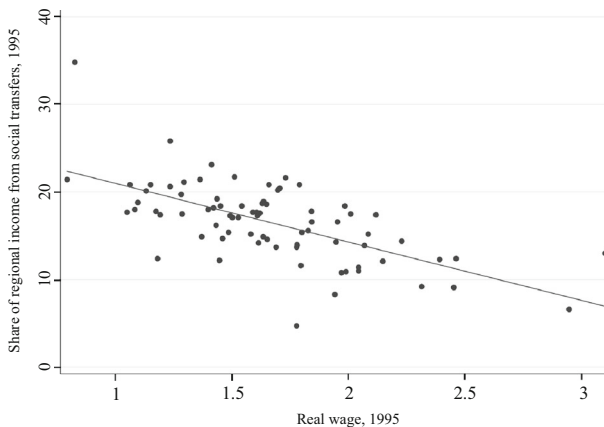


Fig. 5 In higher wage regions, the share of income from social transfers was lower in 1995

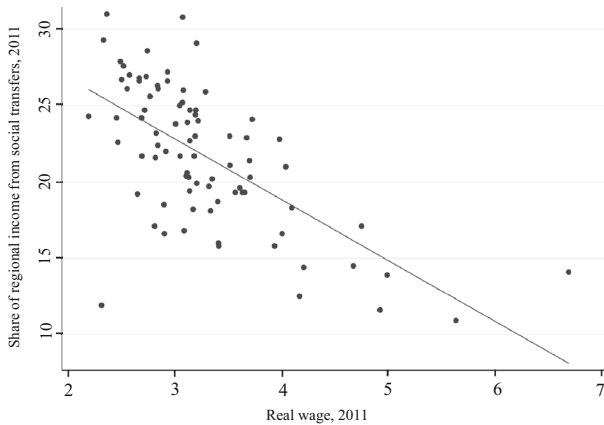


Fig. 6 ...and still lower in 2011

standardizing measures of regional regime characteristics over the years. For example, the think tank Ekspert publishes ratings of regions according to factors influencing their attractiveness for investment.² An organization called Medialogiia ranks governors according to the number of times they are mentioned in the media.³ Several organizations rank regions according to their quality of life.⁴ However, the most widely used expert rating system to compare political institutions across regions is that produced by a team led by Nikolai Petrov, currently at the Higher School of Economics, which score regions according to a criterion of democracy. These ratings are similar to the scales applied to compare regimes cross-nationally with respect to their democratic or authoritarian characteristics, such as those of Freedom House and Polity. The scale used in this paper was constructed as an additive index of ratings on ten particular aspects of the political regimes in the regions over a series of successive time periods (1991–2001, 2000–2004, 2001–2006, and 2010).⁵ I drop one of the ten items (the scope of economic liberalization) on the grounds that it may be endogenous to the political characteristics of the regime. Thus, for each period, the maximum score a region could receive was 45 (a maximum score of 5 for each of the 9 admissible items).

The index combines several dimensions of political life. Some measure openness and competitiveness (items 1, 2, and 3), others the dispersion of political resources (items 4 and 6) and adherence to the rule of law (items 1 and 9). Others assess the potential for collective action outside the state (items 7 and 8). Overall, I interpret the index as reflecting something like Dahl's concept of polyarchy: a measure of the degree to which the resources for exercising power are dispersed among multiple competing sources of potential influence, and the degree to which diverse interests have the opportunity to participate meaningfully in decision-making (Dahl 1961 and 1971).

² See: <http://raexpert.ru/ratings/>.

³ See: <http://www.mlg.ru/ratings/governors>.

⁴ See: <http://ratingregions.ru/?q=node/1> or <http://www.5-tv.ru/rating/method.html>.

⁵ The data underlying the figures are available at: http://atlas.socpol.ru/indexes/index_democr.shtml.

Each region was rated from 1 to 5 on each of the following items for each of three time periods:

1. Regional political structure—i.e., balance of power; electoral vs. appointment methods for filling offices; the independence of the judiciary and law-enforcement; limits or violations of civil rights.
2. Openness or closedness of political life—i.e., transparency; inclusion in national processes.
3. Degree to which elections are free and fair; how competitive and honest they are; how much the authorities resort to administrative pressures and political interference; limits on rights of participation in elections.
4. Political pluralism—i.e., the presence of stable parties, factions, and legislative assemblies; coalitions in elections.
5. The independence of the media.
6. Civil society—i.e., non-governmental organizations; referenda; forms of unsanctioned public activity (e.g., rallies, demonstrations, strikes).
7. Elites—i.e., quality, reproduction, turnover (e.g., via elections); stability of procedures; diversity of elites; effectiveness of methods of coordinating their interests.
8. Local self-government—i.e., presence of elected bodies of local self-government, their activeness, and influence.
9. The degree to which the regime was free of corruption.
10. The degree to which the regime had pursued economic liberalization.

In the analyses that follow, I drop the score for the last item—economic liberalization—from the aggregate democracy score. The reason is that, in measuring the effect of democratization on economic performance, it is undesirable for a measure of economic policy to be equated with the measure of democracy.

The Cronbach's alpha for the nine chosen indicators is .90 for the 1991–2001 period; .93 for the 2000–2004 time period; and .92 for the 2001–2006 period. Note that except for the 2010 scores, the data are not in the form of annual observations, but are averages for periods of time of varying length. Consequently, a cross-sectional time series design is not appropriate for the analyses presented here. Instead, cross-sectional models at particular points in the transition are estimated.

With respect to the democracy index, the regions continue to show wide variation, as shown in Fig. 7.

In a 2011 book, I examined the relationship between the regional regimes' level of democracy and inequality. I found that, controlling for income, output, and social development, more democratic regions tended to have higher inequality. Seeking to explain this finding, I conjectured that more democratic regions were those with more secure property rights and more extensive consultation between governors and employees. I reasoned that in a better institutional environment, employers were likelier to pay higher wages for employees with higher skill levels. They also paid higher wages at the lower end, I found, so that the higher inequality in such regions was a function of wider range of earnings at the upper end of the wage distribution rather than higher poverty. Wealthier and more democratic regions, in fact, tended to feature lower poverty, lower dependency on social transfer payments, and more

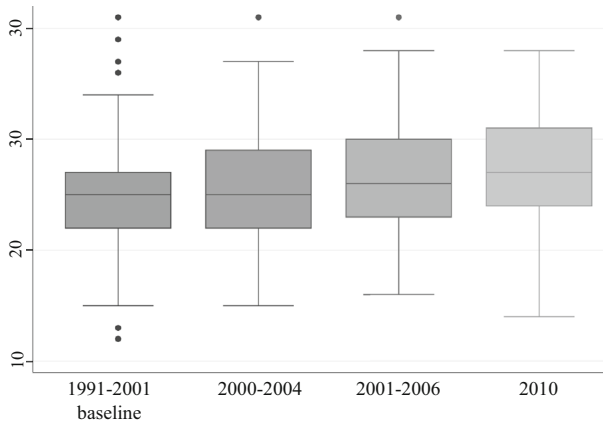


Fig. 7 Carnegie regional democracy scores: interregional spread

government spending on public goods. But at the same time, they encouraged employers to pay—and to report—higher wages at the upper end. It was the worse-governed regions that tended to have both higher poverty and higher inequality (Remington 2011a). To be sure, it is impossible using official data to know how much of the effect I found is a function of more reporting of wages or actual higher wages in the more democratic regions. In either case, inequality of wages in Russia, very much as in the United States and China, translates into inequality of post-tax and transfer incomes. Redistribution through fiscal or social policy is extremely modest. Indeed, many social policies in Russia have a mildly regressive effect.

I concluded that in a weak state—that is, one without the capacity to enforce firm rules regulating relations between economy and society—inequality is the price of pluralism. Pluralism increases the security of property and the willingness of firms to invest in productive capacity and to reward employees for skill and effort, but not the capacity of social partners to agree on measures (both redistributive policies and public goods provision) that would tend to reduce income inequality. This trilemma among pluralism, inequality, and growth helps account for the striking finding that, even accounting for the region's economic and social development in the 1990s (the pace of privatization and previous levels of inequality and poverty), regions with higher democracy scores are higher in inequality as shown in Table 1.

Graphically, the relationship is strongly linear, as seen in Fig. 8.

These patterns imply that governors who make economic growth a high priority can raise regional wages and incomes and reduce poverty, and benefit from higher tax revenues, but at the expense of higher inequality. Reducing inequality, on the other hand, tends to reduce growth but not poverty. Inequality, of course, may exacerbate redistributive conflict, undermining government's ability to force firms

Table 1 Inequality and democracy, OLS using robust standard errors, dependent variable: decile ratio, 2011

	Coefficient	SE	<i>t</i>	<i>P</i> > <i>t</i>
Democracy rating, 2011	.112 ^a	.05	2.18	.03
Mean inflation-adjusted income, 1995	4.97 ^b	.74	6.69	.000
Poverty rate, 1995	.105 ^c	.03	3.78	.000
Decile ratio, 1995	−.05	.06	−.84	.4
Privatization, 1993 ^d	−5.72	6.79	−.84	.4
Constant	−.33	2.09		

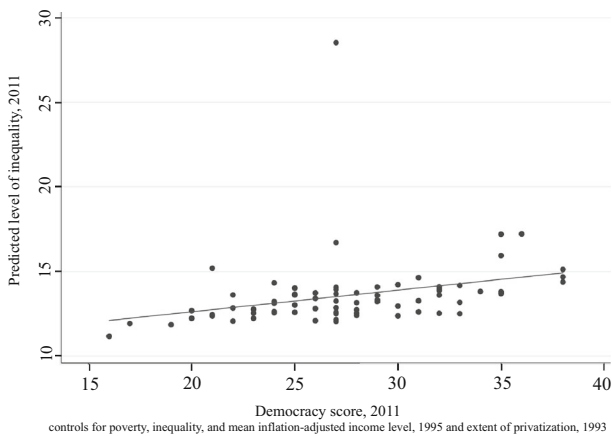
$r^2 = .5985$; $N = 73$

^a $p < .10$

^b $p < .01$

^c $p < .001$

^d Number of federally privatized enterprises per 1000 population in 1993

**Fig. 8** Levels of inequality by levels of democracy, 2011

to comply with payroll, profits, and income taxes.⁶ In an institutional environment where neither competitive partisan nor corporatist bargaining structures have acquired much capacity to organize and resolve redistributive conflict, policy-making is likely to be tilted toward the interests of the well-off. Nonetheless, a more pluralistic environment is conducive to business–government cooperation producing positive external benefits for the regional economy. Below, I will review examples of such cooperation in the sphere of vocational education and training.

⁶ Most income and profits tax revenue in Russia goes to the regional governments. In 2011, 37 % of regional budget revenues came from the tax on profits of enterprises; about 38 % came from individual income taxes; 13 % from property taxes; 7 % from excise taxes; 1 % from the minerals extraction tax; and 4 % from other sources. At present, most regional budgets are in deficit. They make up the deficit by borrowing from commercial banks or the federal government, and by federal budget transfers.

Qualitative studies of Russian regional regimes complement the cross-regional quantitative results. Regional regimes have been subjected to numerous in-depth case studies by Russian and outside scholars. A number of studies by Lapina and Chirikova (1999, 2000, 2002) have explored the relations among political and social elites in the regions, giving particular attention to the degree to which power is dispersed or concentrated (polycentric or monocentric, in their terms). They find that the dispersion of power in the regions is reflected in the composition of governors' administrations and the nature of interaction between the executive and members of the economic elite. In a polycentric regime, multiple sources of policy initiative and influence exist, and the governor serves as a coordinator. In a monocentric regime, by contrast, the governor monopolizes power and focuses on the redistribution of rents to maintain his own power base. They find that more institutionalized consultation between the governor's team and leading members of the region's economic and social elite contributes to better governance and better economic performance. This dimension of institutional variation should be understood as a crucial component of the quality of governance and is not the same as democracy, but it represents the difference between more cohesive, transparent, and cooperative elite relationships as opposed to more divisive, predatory, and dysfunctional relations (Mitchneck 2001a, b, 2005, 2007; Sharafutdinova 2007; Moses 2002; Ruble 1995). The polycentric type might be compared to the way Robert Dahl (1961) characterized New Haven's governance in the late 1950s, as an "executive-centered coalition," where the executive must be highly skilled at "discovering and formulating the grounds on which coalitions can be formed, the assiduous and unending dedication to the task of maintaining alliances over long periods, the unremitting search for measures that will unify rather than disrupt the alliance." Such a regime, in Dahl's classic formulation, is pluralistic, in the sense that relatively self-contained, self-regulating hierarchical organizations possess their own sources of power. Pluralism, for Dahl, was the "dispersion of inequalities." Such a characterization would fit the more democratically ruled Russian regions, where a balance between power-sharing and power-dispersion facilitates—but does not guarantee—cooperation in policy-making. In more monocentric regional regimes, the governor is the dominant source of initiative, ruling through patronage and the distribution of rents. Relations among elites in a monocentric regime may be relatively cohesive, but are unlikely to be conducive to productive investment.

Many case studies of regional regimes in Russia stress the importance of elite cohesion for effective governance. In an early contribution to the comparative study of regional regimes in Russia, Gel'man et al. (2003) analyzed six cases to show the variety of institutional arrangements possible. In particular, they analyzed the outcome of power struggles among contending forces, some encouraged by the democratization of the late 1980s and early 1990s and others defending inherited claims to power resources. Some regimes reached agreement on the rules of competition; others agreed on a division of the spoils; still others continued to experience enervating power struggles; and in some a single political figure triumphed. Gel'man et al. did not offer a general theory explaining why one outcome was more likely than another, and emphasized that none of the regimes

could be characterized as truly democratic. A study of the Tatarstan regime by Matsuzato (2001) characterized governance in the republic as authoritarian and paternalistic, but relatively efficient at delivering public services. The key, Matsuzato found, was a combination of elite cohesion, effective mobilization of electoral support, and careful control over appointments of local officials. Kathryn Stoner-Weiss (1997) compared four regional regimes in the early 1990s, finding that in those regions where the concentration of economic production facilitated cooperation on the part of enterprise elites, cooperation between government and business enabled the government to cope with the chaos and uncertainty of the transition more effectively. Elite social capital was higher in such regions, enabling more cohesive and consensual governance. Under Russian conditions, where an absence of social trust and the weakness of civil society inhibit civic activity, elite social capital can help overcome the barriers to collective action that plague civil society.

Governors' Trade-Offs

Much attention has been paid to the recentralization of power under Vladimir Putin. In many respects, Putin has succeeded in reestablishing the “vertical of power,” i.e., the principle that the executive branch should form a single chain of command linking executive officials at every level to the government and the presidential administration in Moscow (Petrov and Titkov 2010; Goode 2011; Taylor 2011). One indicator of this trend is the shift in the relative balance of federal and sub-federal budget revenues from the late 1990s to the present, as shown in Fig. 9.

The shift in the balance of state revenues assigned to the central government has placed many regional governments in difficult straits. Regions face particular pressure in trying to fulfill the demands of the president’s May 2012 *ukazy*, which lays out an extremely ambitious set of specific policy targets. Many of these targets concern policy responsibilities belonging to the regions, such as the salaries of

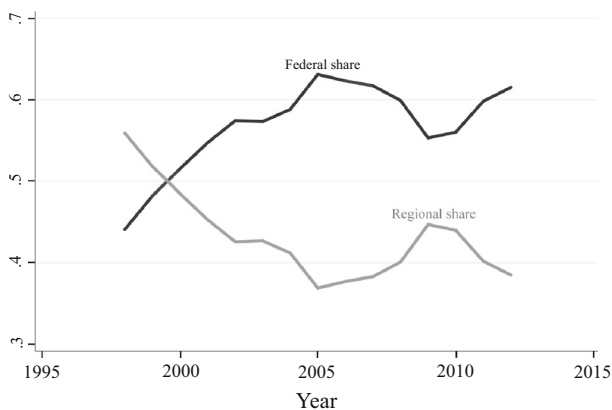


Fig. 9 Russia: federal and regional shares of total state revenue, 1998–2012. *Source* Financy Rossii

teachers and civil servants. For example, all teachers' pay was to be brought up to at least the average level of salaries in the region. The deficit in regional budgets was only about 1.5 % of total revenues, after accounting for transfers from the federal budget. By 2013, the total regional budget deficit had reached almost 8 % of total revenues, and was projected to exceed 10 % of revenues in 2014. Without federal subsidies, it would be around 12 % of revenues (Kuvshinova and Tovkailo 2014). As the economy sinks further into recession, the tax on corporate profits (a major source of regional budget revenue) decreases. Meantime, pay as a share of total regional budget spending continues to rise—it was 24 % in 2012, and 34 % in 2013. In some regions, it constitutes over half of budget spending. As regional budgets have struggled to meet these and other obligations, they have accumulated sizable obligations from commercial and state banks. Regional indebtedness has tripled over the last five years and is equal to about a third of regional revenues. By August 2014, total regional debt reached 1.7 trillion rubles (about US\$50 billion). About 40 % of this debt was owed to commercial banks. As regional governments pay off the more expensive commercial loans, they accumulate new debt. As a result, regional debt is rising rapidly—it rose 11 % from 2011 to 2012, and 35 % from 2012 to 2013 (Terekhova 2014).

Thus, despite the centralization of power under Putin, regional regimes differ widely across Russia. In part, this is due to the fact that governors must find local solutions to the specific and general policy tasks assigned by the center. Broadly speaking, governors face two top-priority tasks set by the central government: maintaining social stability and ensuring good results for the United Russia Party and for Putin in federal elections. Although economic growth helps regional governments meet both goals, policy measures to ensure growth pose difficult choices. Increasing redistributive social spending may help alleviate poverty and unemployment thereby averting social instability and building political support for the ruling party, but business investment will suffer if governors meet their social spending needs by raising the tax burden on individuals and businesses. These dilemmas are more acute in poor regions, where social spending takes a higher share of the regional budget.

The high and rising levels of income inequality in Russia imply that the size of the income strata around the median in the distribution is not rising, or is rising more slowly than the mean income. The same problem of course applies to the United States. As in the United States, income growth in Russia is concentrated in the highest income brackets. For example, the fastest growing income stratum in the mid-2000s—before the crash—was the group earning between US\$125,000 and US\$250,000 per year, at a time when fewer than 7 % of the population had incomes over US\$12,000 per year. This means, of course, that the size of the middle class is not growing, or is growing only very slowly. Moreover, the middle class in Russia includes a much larger share of public sector employees than in the United States—those who are termed “biudzhetniki” (i.e., people whose salaries are paid by the state budget, such as teachers and doctors) as well as state civil servants and members of the uniformed services (police, security forces, armed forces, and the like). Altogether, those paid by the state account for about a quarter of the workforce. By some estimates, they comprise half or so of the income strata that can

reasonably be termed the middle class (Remington 2011b). Therefore, although it is the case that members of Russia's middle class have a somewhat greater inclination to participate in civic activity than do lower income strata, their rates of participation are still extremely low. Many consider the existing array of available organizations to be fatally compromised and “nomenklaturist” (i.e., serving as sinecures for state officials) (Diligenskii 2002, p. 165). Surveys by Russian sociologists in the mid-2000s found that only 4 % of the urban middle class take part in public political life, while over half consider it futile to engage in collective action to defend their interests (Gorshkov and Tikhonova 2008, p. 105).

Business–Government Relations in the Regions

Rising inequality and the state-centric pattern of economic and social development help explain two characteristic features of state–society relations in Russian regions. First, civic initiative tends to arise from above rather than from below, as state officials consciously seek to organize channels for cooperation with non-state actors. Second, to the extent that there are formalized relations of cooperation between civil society and government, these are predominantly channels linking government and big business. Labor and other sectors are far weaker. And even big business often finds it difficult to unite around common interests.

The young and liberal-minded governor of Kirov oblast, Nikita Belykh, provides some insight on these patterns in an interview he gave in 2011. As a member of the democratic opposition, he explained, he formerly used to despise the authorities (*vlast*). Now, as governor—and therefore part of *vlast*—he has come to recognize that civil society is “problematic” as well. In the mutual alienation between state and civil society, he declared both sides are to blame. In the long run, to be sure, only institutional changes would suffice to make the relationship more constructive. The problem is that a governor's term is usually too short to accomplish institutional change, so the governor is more likely to take on more immediate projects, such as building infrastructure (Malkina 2011). Like other governors, Belykh has tried to induce business in his region to coordinate around the common interests of business, and to participate in decision-making collectively rather than through lobbying efforts by individual firms. Belykh invites the regional trade-industrial chamber to participate regularly in meetings of the government. According to a member of the regional executive: “If an issue in some particular area concerns the interests of the chamber, the chamber's representative is automatically given the floor.” The government also invites the heads of the local “Council of Economic Managers” and the “League of Entrepreneurs” to its meetings. Another senior official in the government commented that normally, business did not take the initiative in generating policy ideas, but rather tended to issues placed on the agenda by the government.⁷ It is also common for business to press its collective and individual interests through representation in the regional legislatures. In the four regions

⁷ Much of this discussion, and some of the quotations, are derived from research done as part of a Higher School of Economics project to investigate the status of the “middle class” in Russian regions. The respondents were leading members of regional governments, business, and the expert community (Remington et al. 2011 and Remington et al. 2013).

where my colleagues and I conducted interviews (Remington et al. 2011 and 2013), businesspeople are well represented in the regional legislature. In Voronezh, deputies from business enterprises comprise 59 % of the total; in Kirov, 70 %; in Krasnoyarsk, 29 %; and in Perm', 64 %. Nearly all of these are top-ranking managers, often the firm directors.

Therefore, given the weakness of civic associations generally and the comparatively greater capacity of big business to coordinate around common interests, there is a pronounced tilt toward business in state–society relations. As S. S. Schattschneider (1960, p. 35) observed of interest group influence in the United States: “The flaw in the pluralist heaven is that the heavenly chorus sings with a strong upper-class accent.” In Russia, the asymmetry in social influence is evident, for example, in the weak representation of organized labor in deliberations over social and economic policy. The governor of one province told us:

“Business in principle is significantly better organized and effective in defending its interests [than labor]...The trade unions work with specific enterprises. Perhaps there are standing contacts or initiatives that I do not know about, but in general this is not noticeable. But our trade unions still are fairly weak. The kinds of truly strong trade unions that do take the initiative elsewhere in Russia are not represented here. The only one that is actually well-organized is the union of teachers...Nor do I notice any standing contacts between business associations and trade unions.”

On the other hand, regular, institutionalized consultation between government and business associations is a common strategy for governors interested in promoting regional development. In Voronezh oblast, for example, the regional Trade-Industrial Chamber takes part in regional government planning meetings and in drafting policy documents. In Krasnoyarsk, a vice-chair of the regional legislature told us about efforts to involve business associations into regional planning: “I would say that a significant share of the efforts of the regional authorities are directed at gathering them and organizing with them some sort of dialogue. But this is occurring with great difficulty. With great difficulty.” In Kirov oblast, as we have seen, Governor Belykh makes a point of discussing regional policy with business associations. A senior government official explained that business association representatives “are involved in the process of preparing policy decisions at all stages, at these preliminary stages they demonstrate their preliminary opinion, and we alter our drafts, and make some of our own proposals. Therefore, most often, there emerges onto the surface of the iceberg an opinion coordinated with our own.”

By including business associations in policy-making, government not only keeps business informed of government's intentions, it also spurs business to pay the full amount of payroll taxes due and to contribute to the region's social projects. At the same time, it gives businesses an opportunity to influence decisions. The head of a government-sponsored center for entrepreneurship in Perm' described the authorities' relations with business as mutually beneficial: “Of course we exploit [the business associations], because they come to us to solve their own problems, and we pluck from them things like what they want, how they see things, what their attitude

is, and so on. We exploit them for our purposes, but I think a mutual satisfaction is achieved.”

Still, a number of respondents from both government and business expressed frustration at the nature of interaction between government and business: government at the lack of initiative coming from organized interests; and business at the pro forma nature of the discussions. As a deputy of the Krasnoyarsk legislative assembly put it: “The political history of the last 20 years in the territory shows that our small and medium business is very diverse, it is not consolidated, so you can’t say that anyone here is aggregating and articulating the interests of small and medium business.” As a result, he added, even when the governor tries to conduct serious discussions with business, it is extremely difficult: “Even those opportunities that have been created for business by the regional authorities are far from always being used. And that is of course surprising.”

Government officials often expressed frustration that business tended to react to policy rather than to advance policy proposals of its own. A senior member of the regional administration in Kirov noted that: “they [i.e., businesspeople] articulate their opinions, and intend to [take a broader view of policy problems], but it is a long way from voicing their own deeply parochial interests to more general interests. They all come here for something—to react to events—but they don’t show initiative themselves. The way the agenda is set is that usually the government makes a particular decision, and business responds to it. But not the other way around.”

Cluster Development Strategies and Skill Upgrading

Another illustration of the discretion governors have to develop new structures to promote cooperation between government, business, and other regional organized actors to achieve particular objectives is the effort by several governors to pursue a “cluster” strategy for social-economic development. This usually means that the regional government designates a particular district of the region as a center for a particular type of economic activity in order to take advantage of complementarities among existing firms, infrastructure, and labor markets in order to attract new investment. A common feature of the cluster strategy is to reform the system of vocational education and training. Doing so requires cooperation among government, business, schools, and households. Following are four examples of regions where new institutional arrangements have been devised to address these problems.⁸

In Kaluga oblast, a successful automotive cluster has stimulated efforts to create other clusters in the region and become a model for other regions as well. Much of the success of Kaluga’s automotive cluster can be directly attributed to Anatolii Artamonov, who was elected governor of Kaluga in 2000. As governor, Artamonov has actively sought foreign investment to develop the regional economy. As he frequently observes, the region lacks major mineral resources but has an advantageous location on the highway and rail route between Moscow and Kiev.

⁸ The following discussion draws on research conducted with Israel Marques to study vocational education training institutions in Russian regions (Remington and Marques 2014).

One of its core skill formation assets is a famous nuclear physics research institute in the town of Obninsk.

As governor, Artamonov's initial plan for regional development sought to take advantage of the concentration of scientists and skilled workers in and around Obninsk to create high-technology industrial parks. However, at around the same time, the German firm Volkswagen (VW) began considering Kaluga as a possible site for a greenfield auto assembly plant. VW chose Kaluga over the alternative sites it examined for several reasons. Kaluga was reasonably close to Moscow, and regional officials were young, competent, Western-oriented, and willing to accommodate the company's needs (Bekasov 2006). VW officials noted a high educational level among the population, and there was no existing automotive industry with which VW would have to compete for attention.⁹ The governor promised full infra-structural support to the firm, designating a tract of land near the city for the greenfield operation, and committed the oblast government to build all communications, utilities, and transportation infrastructure to the plant, and to build housing for employees. Another had to do with insuring an adequate supply of skills for the firm. The regional government did so by converting an existing vocational school into a training center for employees. VW in turn committed itself to pay stipends for students and supplements for instructors, to set the curriculum, donate equipment, and issue certificates to the graduates. This model is akin to the "dual education system,"—the German system of training. Under the system, the firm signs a contract with an individual future employee to get them trained and into the workplace with minimal need for firm-specific training. As in Germany, about half of a trainee's instructional time is spent at the training center, learning on mock-ups of the equipment used at the plant, and the other half at the plant itself under the tutelage of trained master instructors. Meantime, the firm pays the trainee a stipend. Upon graduation, the trainee receives both a diploma and a certification of their skill, as well as a guaranteed job in his or her specialty.

Subsequently, other foreign auto firms followed Volkswagen's example and invested in manufacturing facilities in Kaluga. Encouraged by the success of the automotive cluster, Artamonov then began creating other industrial territorial clusters. The regional government also began pursuing a general policy of reforming vocational education by merging some vocational schools, tying others to local firms, and converting still others to serve as training centers for the agricultural, pharmaceuticals, and construction industries (Artyomov 2012; Kaluga24.TV 2014).

Kaluga was prepared to take advantage of Volkswagen's desire to establish a greenfield assembly plant within a reasonable distance of Moscow. It did so because the governor had already determined that the region needed to invest in a territorially based development plan. The region suffers from a declining population and weak economy. However, it has certain competitive advantages, including proximity to Moscow, good communications, and an economy based on manufacturing, not natural resources. The catalyst for the cooperative solution to the skills

⁹ VW prefers not to have to deal with already-established networks of ties between auto industry and local officials.

problem was the external investment by a German auto firm, which, complementing the governor's own goal of building on existing resources such as human capital and geographic location, permitted a territorial cluster model of development to take root. The fact that the initial cluster formed around German automotive firms led directly to the adoption of the German dual education system for vocational training.

In contrast to Kaluga, where the governor is clearly the lynchpin for the region's efforts at upgrading skill formation and tying it to a regional development strategy, in Perm' kraï, the role of catalyst for reform seems to have been played by the regional branch of the Trade-Industrial Chamber (TPP). In 2012, the association developed a plan for German-style dual education called "turnkey training" (*rabochie kadry 'pod kliuch'*). The TPP explicitly cites the success of the German model as the basis for this program. It began after a delegation from the Perm' TPP visited its German sister-city Duisberg and met with its regional chamber of commerce and industry. It noted that Germany's regional chamber devoted most of its efforts to this work, and decided to launch a similar effort in Perm'. There continue to be numerous contacts between Perm' and German business and government officials about vocational education and training across several different branches of industry. The Perm' TPP sees its role as coordinating the efforts of the regional government (not just the governor, but also the regional education ministry and branch ministries), firms, and schools. It publicizes and promotes the program. It develops project proposals for submission to federal contests. TPP's most direct role is in surveying the firms of the region to ascertain their anticipated needs for skilled labor, on the basis of which it draws up a region-wide "order" that is distributed to the vocational schools.

The TPP actively encourages a cluster approach to development by matching territorial concentrations of industry to schools, and transforming and extending old primary and secondary vocational schools into training and resource centers. It is also encouraging firms to fund and equip these centers. It appears that the TPP uses information and persuasion to encourage regional-level coordination, and to overcome the collective action problem inherent in skill formation and in attempts by individual firms to reform it. In all likelihood, the TPP's efforts build on existing ties among firms and between firms and government in Perm' to address problems of regional development.

Yet a different impetus for government-business cooperation in regional development is evident in the industrial region of Nizhnii Novgorod, which has benefited from the substantial rise in defense spending under President Putin. Between 2008 and 2013, Russia's defense procurement spending doubled, providing a substantial stimulus to a region with a substantial Soviet-era defense industry (Stanovov 2013).¹⁰ In order to keep up, the region needed to quickly provide skilled workers to fill positions in the rapidly expanding defense sector. As in the other case studies, reform of the vocational education system, as well as reform to bring skill production in line with demand, could not have occurred

¹⁰ About 14 % of regional output is from the defense industry; about 16 % comes from metallurgy; about 17 % from automotive.

without substantial assistance from the federal government. Indeed, much of the new federal spending on defense since 2011 has gone to new training resource centers to enable defense to manage increasing demand through the expansion of production lines and increased productivity. The federal funds were deployed to seed new centers that would be financed jointly by the regional government and firms. Although much of the impetus behind reforms came from the federal and regional government, the regional association of industrialists and entrepreneurs nonetheless also played a key role in convincing firms to cooperate with the government and invest in the new centers.

Prior to the creation of the regional resource centers, little had been done in the region. In Nizhnii, as elsewhere, firms, schools, and government all recognized that the misallocation of skill was becoming acute as the economy recovered in the 2000s. Firms complained about the quality of graduates of schools and the amount of effort they had to put into training. For their part, school officials complained that private sector firms did not want to invest in training and wanted to hire already-trained workers, and that enterprises were not doing enough to make manual labor attractive (for example, they abandoned social benefits such as worker dormitories). Schools also complained that firms were creating their own training centers rather than working with the existing schools to upgrade training facilities. Gradually, however, and especially since 2007, closer bilateral ties between firms and schools have been forming. In 2007, the oblast government won federal funding in a grant competition to upgrade vocational schools into resource centers. Since then, the region has been converting about two schools per year.

The regional government has incorporated the training centers into its long-term plan for economic and social development, which it submitted to a federal competition. A key component of the plan is to develop industrial clusters to take advantage of complementarities among firms and between firms and vocational education institutions. The governor created a coordinating council on human resources management for the region, which meets twice a year. Its role is to forecast the demand for skill on the labor market to ensure that the training facilities will meet anticipated needs.

Business associations appear to play a modest role. The regional TPP holds an annual career fair. The NAPP (the regional branch of the RSPP), in cooperation with the regional ministry of education, drafted a plan for the development of vocational education, but it consists entirely of creating a monitoring service to assess the needs of the labor market for specific job specialties so that the regional government can draw up annual orders for training by vocational schools. The association seeks to convince firms to invest resources and effort into the training centers, and has also helped to convert two local primary vocational schools into training centers. Overall, however, it is the regional government that appears to take the lead in matching training to industrial development planning in Nzhnii.

A fourth example of institutional innovation to promote regional development by upgrading technology and training is Belgorod oblast, located in the black-earth zone. The region has an important agricultural sector, as well as a large mining industry; it also has one of Russia's longest-serving governors, Evgenii Savchenko,

who was first appointed governor in 1993, then elected governor in 1995, 1999, and 2003; then appointed in 2007, and elected again in 2012.

Reform of vocational education began when several agro-industrial firms merged into a regional holding company called Agro-Belgor'е. A few years later, responding to a federal initiative to encourage regions to form partnerships between business and vocational schools, the regional government signed an agreement with Agro-Belgor'е under which the firm assumed responsibility for a primary-level vocational school that would prepare skilled workers for the agricultural industry with the help of federal and regional funding.¹¹ The company agreed to invest in new equipment and curriculum for the school, and in turn to hire the graduates. The company also agreed to provide systematic in-house instruction to complement the training at the reformed school. The firm spent some 55 million rubles (nearly US\$2 million), on upgrading equipment and providing for the living conditions of the students (Soboleva 2011). Agro-Belgor'е also oversaw a reform of the curriculum. This allowed the school to be upgraded to the status of a *tekhnikum* (i.e., a specialized secondary school).

Starting in 2010, Savchenko began to promote this initiative as a model for other schools and firms as well, urging agricultural enterprises to assume sponsorship (*shefstvo*) over schools. He also urged firms in the energy and construction industries to adopt it. As he regularly points out to managers, to the extent that they take responsibility for vocational education, they will benefit by developing a stream of skilled labor for their own needs. He also urges vocational schools to find themselves “anchor” firms as sponsors. Under the governor’s persistent pressure, firms and schools have established extensive bilateral ties (Soboleva 2013). In many cases, the government signed three-way partnership agreements with schools and employers specifying how the schools will be funded, in what specialties they will provide vocational education, and how the dual education system will be implemented (Mediatron 2012). The template is that the government provides basic financing to the schools so long as they meet particular standards, while firms supply the equipment and take on administrative functions including evaluating the quality of the training.

Governor Savchenko has signaled in every way that the reform of vocational education throughout the region is a matter of the highest priority for his government. He is unsparing in his criticism of the old system. Characterizing the system of primary vocational education in his region as useless, the governor of Belgorod tells audiences: “The way they teach, it would be better if they didn’t teach at all!” (*Uchat tak, chto luchshe by ne uchili sovsem!*) (Soboleva 2011). The government developed a plan for putting the whole region onto the dual education system over the 2011–2015 period. The plan won a federal competition for additional funds (Mediatron 2011). The governor meets weekly with the senior government officials to discuss the implementation of the plan (Mediatron 2012). In addition, in 2012, Savchenko assigned responsibility for the reform to the head of the regional government’s department on personnel policy who is simultaneously first deputy governor—a sign of the very high status of the initiative. The deputy of

¹¹ See: http://www.agrobel.ru/presscenter/smi_o_nas/1945.

the personnel department has been indefatigable in promoting the model (Mediatron 2013).

Characteristics of these initiatives are new structures for consultation between government and business. For example, Belgorod's Savchenko created regional-territorial employer councils as mechanisms to assay firm forecasts for labor and generate aggregate orders for schools to train the desired number and assortment of specialists. In 2013, the regional personnel department created a non-commercial agency for developing a system of independent assessment and certification of skills, with a board that includes representatives of business (including the head of Agro-Belgor'ye).¹² At the beginning of 2014, this agency held a conference in January 2014 with the heads of the major firms, schools, training and personnel organizations, and employer associations to draw up a plan for evaluating and certifying skill.¹³

It is clear that the governor has made comprehensive reform of vocational education in Belgorod a signature priority of his leadership. The reforms he advocates combine traditional bilateral ties between firms and schools with more institutionally ambitious efforts requiring participation by sectoral and territorial business associations. The governor's attention to the need to overcome the collective action dilemma in skill formation has enabled the region to accomplish a good deal by reviving older Soviet practices (*nastavnichestvo* and *sheftstvo*) and updating them with closer coordination between firms and schools and with entirely new funding models.

Conclusion

This paper has argued that the wide institutional variation of Russian regions reflects the different strategies pursued by regional executives as they seek to achieve their policy and political goals. These goals are shaped by the central government's demands for stability, support, and economic development, and the governors' own capacities and ambitions. Governors face substantial trade-offs in choosing policies. The high and rising levels of inequality across regions and across social strata make policy choices with redistributive implications sensitive, both at the center and in individual regions. In order to maintain social stability, regional governments need to maintain a robust social safety net, but they are unwilling or unable to impose too heavy a fiscal burden on local enterprises that supply employment opportunities and, often, social services as well, to the region. Consequently, in many regions, governors work closely with the major local enterprises to promote regional economic development.

We have also considered several regions where new forms of collaboration between state and social actors have emerged. In each case, these are the product of regional government's desire to collaborate with private and civic sector actors in meeting common goals. As noted above, these arrangements exhibit two

¹² See: <http://rark31.ru/about>.

¹³ See: <http://rark31.ru/wp-content/uploads/2014/05/otchet-po-gozadaniyu-1-kvartal-2014.pdf>.

characteristic features: *first*, they tend to be state-initiated; *second*, they depend for the most part on cooperation between government and major firms. Government seeks to push firms to take collective responsibility for the region, such as in attracting new investment. Typically, government creates new mechanisms through which business actors overcome their own collective dilemmas and then in turn coordinate their actions with government. There is opportunity for collaboration between the state and civil society, but, under Russian conditions, the opportunities are usually created by the state.

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