

RUSSIA'S POST-SOVIET ELITE¹

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“In the past century, there wasn't a single generation of Russian elites that left power voluntarily, that wasn't killed, supplanted, exiled, or—at best—marginalized with contempt. The elite basically resets to zero every 20-25 years.” (Gudkov, 2015)

Vladimir Putin established himself as one of the most widely respected – and despised – leaders in the contemporary world. In the 15 years after he became president in 2000, living standards tripled, and Russia again became a force to be reckoned with on the world stage, deploying military force from Ukraine to Syria. Observers were divided over how to explain Putin's success in rebuilding Russia after the chaos of the 1990s, and over whether Russia would slip back into disorder when Putin vacates the Kremlin.

Putin's personal authority was clear, but it was less obvious to what extent he had managed to forge a stable, unified elite, capable of implanting his ambitious program to modernize Russia. For some observers, Putin headed a kleptocratic regime which ruthlessly suppressed opposition while looting the country of its natural resources. (Dawisha, 2014) For others, Putin has restored Russia's sovereignty and international standing, earning the adulation of ordinary Russians. (Sakwa, 2007)

Russia has had a unique political trajectory over its 1,000 year history. Its vast size and vulnerability to foreign attack led to the emergence of a highly centralized state, focused on the extraction of resources in order to maintain a powerful military, which forged the world's largest contiguous empire. This is what Yuri Pivovarov called “the Russian system.” (Pivovarov and Fursov, 2002) Periods of stagnation were interrupted by energetic bursts of top-down reform by autocratic modernizers, under pressure to compete with the outside world. Richard Hellie (2005) argued that innovative Russian rulers, from Ivan the Terrible through Peter the Great to Joseph Stalin, each forged a new “service class” to carry out their goals of social transformation. The Tsarist model succeeded in fending off enemies and expanding Russia's territory, but the system was unstable due to rebellions from below or factionalism within the service class. In contrast, Edward Keenan argues for the persistence of a distinctive Russia political culture rooted in traditional village society: risk-averse and oriented towards consensus. In his view, Russia's ruling elite is more of an oligarchy than a service class, and the tsar was constrained by this elite. Such arguments resonated with conservative Russian historians, such as Akheizer and Ilin (1997), who stress the collectivism (*sobornost'*) of Russian society.

From Soviet to post-soviet rule

The collapse of the Soviet Union in 1991 seemed to mark a new beginning, a radical break with Russia's authoritarian past. The 1990s saw the appearance of a nascent market economy and some fragile democratic institutions that together signaled a decisive departure from Communist Party rule. US political scientists assumed that Russia and the other post-soviet states were in “transition” to Western-style capitalism and liberal democracy. The collapse of communism spawned a host of democracies in Eastern Europe, from Poland to Bulgaria, most of which went on to join the European Union (EU) within 20 years. The emergence of a personal autocratic regime under

¹ Forthcoming in *The Palgrave Handbook of Political Elites*, edited by John Higley.

² Thanks for comments from Archie Brown, Graeme Gill, Eugene Huskey, Valerie Sperling and Igor Zevelev.

Vladimir Putin caught most Western observers by surprise, and confounded the expectation that Russia would join the ranks of liberal democracies. Some blamed the failed transition in Russia on errors of leadership by President Boris Yeltsin, others on the West's unwillingness to offer Russia more economic aid and political partnership. Fish (2005) points to structural factors, such as dependence on oil and gas, corruption, and the weakness of civil society.

Of the 15 states that emerged from the USSR, only the small Baltic nations of Estonia, Latvia and Lithuania became stable democracies and joined the EU. Georgia, Moldova and Ukraine became unstable democracies, and all the rest slipped into autocratic rule, with power in the hands of a small oligarchic elite or a single autocrat. This chapter deals with Russia alone, which accounts for half the population of the former Soviet Union.

During the Cold War, "Sovietologists" treated the USSR as a *sui generis* system, which had cloned itself in East Asia and East Europe. It was an obvious candidate for the application of elite theory, given the highly structured and centralized character of Soviet political institutions, based on an elitist theory of rule – Lenin's concept of the revolutionary vanguard. The Communist Party had lists of strategic positions throughout society (the *nomenklatura*) and a reserve of cadres to fill them. It would be hard to imagine a more explicit instantiation of elite theory in practice.

After Stalin's death in 1953 the mass terror apparatus was dismantled, and under Nikita Khrushchev and Leonid Brezhnev the state turned to improving living standards – while also maintaining its military rivalry with the West. Some scholars continued to look at the post-Stalin USSR through the lens of totalitarianism, grouping it with Nazi Germany and fascist Italy. Others searched for signs of institutional pluralism and convergence with Western industrial society. But the collapse of the USSR as a result of Mikhail Gorbachev's abortive reforms suggests that the system was incapable of serious structural reform. (Kotkin 2008)

The Soviet collapse opened the door to a more plural and open political regime in Russia. The fall of the Berlin Wall triggered a surge in democratization in East Europe and beyond: across Africa, Latin America and South-East Asia. A paradigm of "transitology" emerged (Gans Morse, 2004), building on the study of the transition to democracy in Latin America in the 1980s. However, much of the work on the post-soviet transition was predicated on liberal assumptions about the possibility and indeed inevitability of progress. Change is inevitable; change is accelerating (now driven by the information revolution); and change is headed in the direction of a better tomorrow. In contrast, elite theory is built on contrary premises: that political life is cyclical and not linear; that important changes are likely to be gradual and hard to discern; and that change, especially violent and disruptive change, entails unintended consequences that are just as likely to set back the course of human progress as to advance it. (Field and Higley 1980)

Faith in a global democratic transition ebbed over time. In Russia, disillusion with democracy was symbolized by the replacement of Boris Yeltsin by Vladimir Putin, a 17-year KGB veteran, in 2000, with Freedom House downgrading Russia from "partly free" to "not free" in 2005. Democratic hopes were revived by the "color revolutions" that began in Yugoslavia (2000), spreading to Georgia (2003), Ukraine (2004) and Kyrgyzstan (2005). In those countries mass protests forced the regime to run fair elections which saw incumbent rulers driven from office. Putin feared a similar protest movement could engulf Russia, and responded by clamping down on political opposition. In 2004, using the excuse of the Chechen terrorist attack on a school in Beslan, he abolished the direct election of regional governors. The closest Moscow came to a color revolutions was December 2011, when tens of thousands took to the streets to protest the rigged State Duma elections. However, Putin won election as president in March 2012 and subsequently crushed the opposition through selective repression and a nationalist propaganda campaign.

Apart from its teleological character, another difference between transitology and elite theory is the former's stress on the importance of formal rules and constitutions to bind future rulers. Transitology saw politicians as self-interested, not altruistic, but they did view politics as a positive sum game in which all participants can benefit from cooperation. In contrast, in the tradition of Thomas Hobbes, elite theory assumes that the interests of elites and society diverge, and that it is difficult for elites to overcome their internal differences and create institutions to sustain that consensus and reproduce the elite over time. (Field and Higley, 1980) This does not happen spontaneously, it has to be engineered by far-sighted leaders. Elite theory is skeptical about the robustness of democracy and of formal institutions in general, stressing the protean capacity of elites to pursue their interests through informal networks.

Arguably, Putin has *not* succeeded in creating a consensual, unified elite – a viable successor to the Soviet and Tsarist service class. Rather, he presides over a fractious and disjointed ruling class, keeping individuals in their place through a mixture of carrots and sticks, patronage and coercion. The elite realized that they lack legitimacy in the eyes of the public, so Putin used his own popular appeal to keep them in their place. This system required constant “hands on management” (*ruchnoe upravlenie*) from the Boss. As a result, “Putinism” staggered from crisis to crisis. Indeed, Putin was at his best when responding to a crisis – such as the worker unrest in Pikalevo in June 2009, or the annexation of Crimea in March 2014. When it came to routine public policy, however, the business of state slowed to a crawl, as battling factions within the elite neutralized each other's proposals. Take for example the decrees Putin issued in May 2012, on his return to the presidency, calling for resolute action to improve health, education, innovation and business regulation. A year later, only two thirds of the decrees had been implemented, and the scheme's chief architect, Vladislav Surkov, was forced to resign. (Koshcheev 2013)

Continuity and change in political institutions

Field and Higley (1980, 20) defined elites as “persons occupying strategic positions in public and private bureaucratic organizations.” Thus before analyzing the individuals who make up the elite, one has to identify the “strategic positions” and critical organizations from which the elite exercise their power.

This is no easy task in contemporary Russia, since the institutional landscape underwent a dramatic inversion in 1989-91, followed by a decade of confusion and confrontation. The contours of Russia's new political system became clearer over the course of Putin's rule (president 2000-08, prime minister 2008-12, and president again since 2012). But there is much about the system that remains opaque and open to debate.

The Soviet Union was a heavily regulated society with a plethora of strong political and social institutions. After taking over as General Secretary in 1985, Mikhail Gorbachev launched a series of top-down reforms – glasnost (media openness), perestroika (bureaucratic reforms); and democratization (partly-free elections). These reforms undermined the operation of central planning and Communist Party rule, leading to economic chaos and social unrest. Some of the national republics made a bid for independence, triggering an abortive coup in August 1991 by hardliners intent on preserving the Soviet Union. In December 1991 the leaders of the republics of Russia, Ukraine and Belarus agreed to dissolve the Soviet Union.

This tumultuous history left Russia with a complex institutional mosaic, a hybrid of the old and the new, combining Soviet and post-soviet elements. For the sake of brevity, the following

section summarizes the institutions that survived the post-1991 transition more or less intact; those that collapsed; and new institutions that emerged.

Institutions that collapsed

- 1) State ownership of all economic assets gave way to market economy dominated by oligarchs, often with close ties to the state. The state did retain control over defense industries, gas, electricity and railways, and regained most of the oil sector in the early 2000s.
- 2) Central planning agencies were closed, replaced (if at all) by weak regulatory bodies such as the State Anti-Monopoly Committee.
- 3) The Communist Party of the Soviet Union was banned, and no new ruling party appeared to take its place. The new Communist Party of the Russian Federation was a rump left-wing opposition commanding a minority of seats in the State Duma and a few governorships.
- 4) The Communist *nomenklatura*, the Soviet version of Richard Hellie's "service class," dissolved and was replaced by much looser elite networks.

Institutions that persisted:

- 1) Centralization of authority in the Kremlin persisted from Gorbachev through Yeltsin to Putin.
- 2) Concentration of wealth and power in Moscow. There was some decentralization to Russia's 89 regions in the 1990s, but this was reversed after 1998.
- 3) The basic ministerial bureaucracies remained intact, from finance to foreign affairs, though now without their Communist Party overseers.
- 4) The Committee on State Security (KGB), renamed the Federal Security Service (FSB), lost some functions and personnel in the 1990s, but basically continued to function and gained more powers in the 2000s.
- 5) Soviet ethnic federalism. Putin reined in the autonomy of the 20 regions that were designated as ethnic homelands ("republics"), and merged a few of them, but did not dismantle the structure.
- 6) The procuracy and judicial systems were unreformed. The Soviet practice of "telephone law" (judges getting instructions from their political masters) persisted – though judges may now get more than one call over a single case, reflecting the absence of a single hierarchy of power.
- 7) Security policy was still based on Soviet-era military capacity, including nuclear deterrence. Russia spent 4.2 percent of GDP on the military in 2015 – double the European average.
- 8) After an attempt at partnership in the 1990s, foreign policy reoriented towards confrontation with the West.
- 9) The energy infrastructure laid down in Soviet times, including state monopoly of oil export pipelines and the gas monopoly Gazprom, was little changed.

New institutions that emerged post-1991:

- 1) A strong executive Presidency, ruling through a Presidential Administration, with unchecked powers and minimal mechanisms of horizontal or vertical accountability effectively took over the role of the former Central Committee of the Communist Party. This institution was forged under Yeltsin (Huskey 1999) and grew in strength under Putin.
- 2) An elected State Duma with a very weak party system and anemic "ruling party," United Russia. (Gelman 2014)

- 3) Privately-owned corporations accounted for 70 percent of economic activity by 2000, with a panoply of new market institutions such as a stock market, commercial code, land code, deposit insurance, etc. (Rutland 2013)
- 4) Organized crime emerged from the shadows (Soviet prisons) and became a prominent feature of Russian capitalism, providing contract enforcement and “protection” in the absence of reliable police and judiciary. (Varese, 2002)
- 5) Media were mostly privately owned and formally independent. In the 1990s media freely criticized the authorities, but Putin restored state control. By the late 2000s television resembled that of the Soviet era.
- 6) The arrival of the internet in the 2000s gave activists the ability to easily connect and communicate their critique of the state. However, 70 percent of Russians still relied on television for their news.

The persistence of social norms

In post-soviet Russia, formal state institutions were omnipresent and robust. Russia had the capacity to wage war, to mount the 2014 Sochi Winter Olympics, or to build export pipelines to China. But there were persisting norms of behavior which subverted the workings of the formal organizations. Russians mistrusted political institutions and relied on their network of friends and connections (*blat*) in dealings with bureaucrats. Mutual exchange of favors and loyalty to “your own” (*svoi*) were highly valued. Along with mistrust of institutions one found a lack of respect for the law and alienation from politics – combined, paradoxically, with a desire for a strong leader to compensate for the institutional anomie. This pattern was pervasive in the Soviet Union, in Yeltsin’s 1990s, and in Putin’s 2000s. (Ledeneva, 2013)

Even at the highest levels of state, decision-making in the Yeltsin presidency was confined to an informal circle of advisors centered on his daughter, Tatyana Dyachenko. Over time Yeltsin grew increasingly infirm and the influence of “the Family” grew. Like Yeltsin, Putin also relied on a closed inner circle (in Russian, “*blizhnyi krug*”) to make key decisions. Neither Yeltsin nor Putin ever joined a political party: not even when Putin was officially the leader of the United Russia party! Unlike Yeltsin, Putin skillfully used the media to build a personality cult – bare-chested horse-riding, biker rallies, girlie calendars, and so forth. (Sperling 2014) This exemplifies personalistic rule going around the formal institutions of government. It also fits the pattern of demagogic leaders around the world, who portray themselves as a man of the people, running against the establishment, and willing to break the rules to serve the nation’s needs.

Other social norms that survived the Soviet collapse included an expectation that the state would look after citizens in terms of jobs, housing and income. Gender roles also saw little change – women were financially independent but were the primary care-givers, and were mostly excluded from politics and leadership positions. Some social norms did change radically after 1991. Soviet egalitarianism was replaced by the ostentatious wealth of the “New Russians.” A public role for religion became accepted, with religion classes introduced to schools.

“Putinism” succeeded because it wove together these disparate elements, tapping into both old and new social norms, and bridging the gap between formal and informal institutions.

Elite breakdown and recovery

Russia in the 1990s displayed the pathologies of an unstable society with a fragmented elite. Most of the institutions in which the Soviet elite were embedded abruptly collapsed, and the ideological glue which held the elite together came unstuck. The old Soviet “social contract” between state and society – mass loyalty in return for economic and political security – also dissolved. The economy shrank by half, bringing hardship and uncertainty to millions of ordinary Russians.

The Soviet collapse was a breakdown, not a managed transition. Gorbachev wanted to reform the Soviet system, not destroy it. Inside Russia, there was no counter-elite waiting in the wings with a plan for a new economic and political system. In the republics of the Baltics and the Caucasus, a counter-elite did quickly emerge, with the goal of national independence. In the Baltics they were able to forge a consensus around that program, but in the Caucasus (and Moldova) the new rulers were hamstrung by conflicts with ethnic minorities that resisted the new nationalist agenda.

Some observers dispute this analysis, arguing that there was a high degree of elite continuity in Russia post-1991. (Kotz and Weir, 1997; Reddaway and Glinski, 2001). They suggest that key officials amongst the Communist *nomenklatura* consciously decided to destroy the Soviet state in order to introduce a capitalist society where their own personal wealth (and freedom to enjoy it) would multiply. More narrowly, there are suggestions that factions within the KGB and Communist Party Central Committee used the Soviet foreign trade apparatus to create offshore companies with money from the Soviet budget. These firms made a fortune exporting Russia’s resources once trade barriers were lifted in 1992. (Dawisha 2014) There is some truth to these reports, but they account for only a small proportion of the new capitalist class. More broadly, it is clear that most of the Communist *nomenklatura* strove to preserve the USSR, and most of the rising capitalist class came from outside their ranks.

It is hard to quantify the degree of elite continuity before and after 1991, since much hinges on how to code low-level positions in the Communist apparatus. (Lane and Ross, 1998) Very few of the first-rank officials from Soviet times were able to navigate the waters of Russia’s nascent capitalism and scrappy democracy. Two examples would be Viktor Chernomyrdin, a former gas minister who was Yeltsin’s prime minister from 1995-98, and Yevgenii Primakov, a leading Soviet academic who served as prime minister in 1998-99. There are few examples of the *children* of former Soviet leaders becoming strategic office holders in post-Soviet Russia. Nearly all the children and grandchildren of former general secretaries moved abroad, and lead middle class lives.

The vast majority of the new economic and political leaders of Russia were a generation younger than their predecessors, and had occupied fairly marginal positions in the Soviet career hierarchy. (Rivera 2000) Some had been leaders of the Komsomol (Young Communist League) in their factory or town, such as Mikhail Khodorkovsky (who founded the Yukos oil company). Certainly their Soviet-era network of local connections helped them start up in the early years of the transition, but the bulk of their wealth and political influence accrued due to their entrepreneurial vigor from that point on.

By the 2000s a degree of order had emerged from the chaos. The revolutionary 1990s were followed by the counter-revolutionary 2000s, with Russians rallying behind a strong leader in the form of Vladimir Putin. Russia’s revival was helped by the fact that the global oil price went from \$13 a barrel in 1998 to \$148 in 2008. Clearly Putin played a central role in this recovery, though opinions differed over whether he should be seen as a political genius, or merely a front-man with limited political skills, a façade behind which powerful groups vie for power. The latter is represented by Shevtsova (2005) and Gessen (2012).

How would elite theory explain the emergence of stability in Putin's Russia? Field and Higley (1980) identify two forms of elite unity – consensual and ideological.

As far as **consensual unity** is concerned, there was no founding moment at which the various factions of Russia's elites came together and forged an agreement about how Russia was to be ruled. There was no equivalent of England's 1688 Glorious Revolution, the US Constitutional Convention of 1787, or France's Tennis Court Oath of 1789. The salient events were moments of rupture and defeat – the failed August 1991 coup, the dissolution of the USSR in December 1991, Yeltsin shelling the parliament in October 1993, the 1998 financial crash. These events left Russia's elites weakened and divided – over the feasibility of rapid market reform, over the reliability of the US as a partner, and over Yeltsin extraordinary executive powers. The moments of unity were fleeting and tactical – such as the State Duma agreeing to the appointment of former academic Yevgenii Primakov as prime minister in September 1998, in the wake of the financial crash.

The closest thing to a collective turning point was the election of Vladimir Putin as president in March 2000. Yeltsin's appointment of Putin as acting president in December 1999 caught everyone by surprise. It was not the product of an elite pact, but it was a development that allowed such a consensus to emerge over the following months and years. At the time of his nomination as prime minister in August 1999, Putin was an undistinguished individual plucked from the ranks of Kremlin officials by Yeltsin, reportedly at the prompting of oligarch Boris Berezovsky (who was close to Yeltsin's daughter). Putin was an enigma who positioned himself to appeal to all points of the political spectrum – liberals and conservatives, oligarchs and *siloviki* (representatives of the security establishment). He subsequently evolved into a political institution in his own right, the linchpin of Russia's political system.

As far as **ideological unity** was concerned, that proved elusive. In the 1990s the Yeltsin administration tried to forge a new elite around the program of introducing Western values and institutions to Russia. This had some appeal to the young, but not to older generations, who saw their living standards plummet and yearned for the stability of the Soviet era. It also alienated the vast swathe of Soviet-era bureaucrats still at their posts: in the security services, in industry and agriculture. When he came to power in 2000 Putin also stressed the need to integrate with the West, while also appealing to patriotism on the back of the second Chechen war (1999-2003) and opposition to US actions in Kosovo (1999) and Iraq (2003). It was only in response to the 2011 protest movement that Putin came up with a more vigorous nationalist world view. He stepped up anti-Western propaganda, accusing Europe of promoting "gay" values, and gave more prominence to the Russian Orthodox Church (as in the punishment of Pussy Riot, a punk group that performed in the national cathedral). Putin launched a program to "nationalize the elite" by forcing government officials to divest themselves of foreign stocks and bank accounts.

The propaganda machinery went into overdrive during the 2013 Ukraine crisis. After the annexation of Crimea in March 2014, Putin's approval rating jumped from 69 percent to 81 percent, rising to 88 percent by October 2014.³ Subsequent Western sanctions on selected individuals and firms made the elite even more dependent on Putin. Oil companies and banks that could no longer borrow abroad turned to the Russian state for bail outs. Putin responded to the Western sanctions by imposing an embargo on all food imports from participating countries in August 2014. Putin's "Crimea is ours!" (*Krym nash!*) gambit came at the price of inflation and a steep recession.

³ Levada Center. <http://www.levada.ru/old/26-03-2014/martovskie-reitingi-odobreniya-i-doveriya>

Given the precariousness of the Russian economy, this does not look like a recipe for long-run elite stability. Putin's nationalist appeal is also riven by contradictions. He equivocates between appealing to Russians as co-ethnics (*russskie*) and as citizens (*rossiiskie*), cognizant of the fact that 20 percent of citizens are not ethnically Russian. His actions in Ukraine exposed these ideological contradictions: most Russian nationalists welcomed Putin's seizure of Crimea, but were dismayed by his failure to follow through with open military support for the separatists in East Ukraine.

An elite theory approach to Russia must inevitably focus on the personal trajectory and mind-set of Vladimir Putin. But in this regard elite theory does not differ from liberal democracy or any other paradigm of political analysis. The challenge is to identify the deeper structures which made it possible for Putin to emerge as a leader capable of articulating and enforcing the collective interests of the Russian elite.

In the 1990s, most of the elites who rose to dominate the post-soviet states quickly learned how to control the political space and steer electoral outcomes that preserved the façade of procedural democracy while gutting its substance. In a process that Andrew Wilson (2005) christened "virtual politics" they deployed a variety of "political technologies," including control of the mass media; the use of a compliant judicial system to keep opponents off the ballot; and the gathering of compromising material to blackmail potential rivals (Darden 2001). Yeltsin and Putin in Russia, Leonid Kuchma in Ukraine, and Aleksandr Lukashenko in Belarus, are prime examples. Second, even where semi-free elections were still being held (as in Russia through December 1999), corrupt elites were able to exploit public office for private gain, and the quality of governance deteriorated.

The New Russian elite

Western commentary on the national Russian elite focuses on three prominent groups: Putin's inner circle, the oligarchs and the *siloviki*. To these we add a fourth, less visible but equally important: the state bureaucrats. At the apex of the system, these groups overlap: some *siloviki* have become business heads, even some oligarchs have moved into positions in one of the security branches. The oligarchs, *siloviki* and bureaucrats all head hierarchical organizations that have hundreds of thousands of lower-level officials. The mass base of Putin's inner circle is less easily defined, and rests to a high degree on the managed charisma of Vladimir Putin. In 2013 Yevgenii Minchenko published an influential report entitled "Politburo 2.0" which tracked the interlocking networks which make up the Russian elite (Minchenko 2013; English version Minchenko 2014).

Putin's inner circle

As Putin consolidated his grip in the Kremlin, he brought with him a team of trusted associates from his days working in the St. Petersburg city administration in the early 1990s. Some of them were from the KGB (see section below), but others were liberal lawyers and economists. These included German Gref (former economics minister), Aleksei Kudrin (former finance minister) and Dmitrii Medvedev, who Putin tapped to be his replacement as president from 2008-12 (and who then became prime minister). These men introduced a second wave of market reforms in the early 2000s (such as the introduction of a flat income tax) and kept Russia's financial and monetary policy on a sound course. They clashed frequently with the *siloviki* over budgetary issues, and were unpopular with nationalists in the Duma who blamed them for capitulating to neoliberalism.

At the same time, information leaked out about a more shadowy group of Putin's long-time associates who were suddenly becoming very wealthy. They included banker Yurii Kovalchuk and Vladimir Yakunin, the head of Russian Railways. Putin, Kovalchuk, Yakunin and five other friends formed the Ozero dacha cooperative in St. Petersburg in the early 1990s. (Dawisha 2014) As the 2000s unfolded, the corporations these men controlled ate up a widening circle of assets. Some people with a *silovik* background became wealthy business leaders – such as Igor Sechin, who became head of Rosneft oil company. (Treisman 2005) Putin's childhood friend and judo partner Arkady Rotenberg founded a bank, and in 2007 took over Gazprom's construction subsidiaries. By 2015 he had a net worth of \$1.4 billion. When Italy seized his assets as part of the Crimea sanctions, the Duma passed a law authorizing sanctioned businessmen to be compensated from the state budget. Several insiders have bolted abroad and have provided stunning revelations about how Putin acquired wealth through offshore companies and pay-offs by favored oligarchs (BBC Panorama 2016; Reuters 2015).

We see here the kernel of a cohesive elite, formed on the basis of close personal loyalty and self-interest, cloaked in the rhetoric of patriotism and Russian Orthodoxy. But a group of a few dozen men cannot by themselves rule a diverse country of 145 million people spread across 11 time zones. They need to form alliances with other elite groups.

The rise of the oligarchs

In the course of the 1990s, a few dozen astute and aggressive entrepreneurs created successful corporations that became prominent players in the global economy. Russia went from being a country where there were no capitalists and entrepreneurship was a crime, to one which was home to dozens of billionaires. According to *Forbes* magazine (2015), the number of billionaires in Russia went from zero in 2000 to 17 in 2003 and 95 in 2011 – the second highest number in the world after the US. They peaked at 117 in 2013 before falling to 89 in 2014 as a result of the sanctions and slump in world oil prices. (That put Russia in fourth place, behind the US, China and Germany.)

The oligarchs came from extremely varied backgrounds. Some were scientists in the military industry complex; others had spent time in prison for “speculation.” Some had relevant industrial experience, others had none. They included Jews, Moslems, Chechens and Tatars. When *Forbes* first published its list in 2002, 38 percent had made their fortunes in oil and manufacturing, and 12 percent in finance and technology. By 2006, 36 percent were from finance and technology (mainly telecom), and 17 percent from manufacturing and oil. The next wave saw new billionaires emerge from construction, retailing and online marketing.

In 2001, the 23 largest firms were controlled by a mere 37 individuals, and accounted for 30 percent of Russia's GDP. (World Bank, 2004) This is an astonishing concentration of ownership in such a large country. In part, this was a rough and ready solution to the problem of enforcing property rights in the absence of a strong rule of law. (Varese 2002) It was impossible, or unwise, to try to raise capital and share control with a broader circle of owners.

The first major political action by Russia's new capitalists was funding the campaign which ensured Yeltsin's re-election in 1996. It was then that they were dubbed “oligarchs.” In 1997 some businessmen joined the Yeltsin Administration – metals magnate Vladimir Potanin became deputy prime minister and Berezovsky deputy head of the Security Council. There followed a period of debilitating faction fighting. In 1998, Joel Hellman argued that insider elites had captured the state and frozen the transition half way. By preventing the emergence of a competitive market economy,

the oligarchs could maximize their rent-extraction capacity. In contrast to fate of the US robber barons of the late 19th century, Russian democracy was too weak to rein in the oligarchs.

The 1998 crash shifted the balance of power, forcing many oligarchs to turn to the state for a bailout. They had only limited input on Yeltsin's selection of Putin as his successor. Some oligarchs backed the Fatherland/All Russia Party, led by regional bosses such as Moscow Mayor Yurii Luzhkov and Tatarstan President Mintimier Shaimiev. But that party lost the December 1999 Duma election to the pro-Putin Unity Party. After taking office as president in May 2000, Putin quickly stripped the oligarchs of their TV stations (Vladimir Gusinsky's NTV and Berezovsky's ORT) and signaled that businessmen would be free to enrich themselves so long as they maintained their distance from politics.

Mikhail Khodorkovsky, the head of the Yukos oil company and Russia's richest man (with a net worth of \$16 billion) refused to back off from political machinations (such as buying the loyalty of Duma deputies). (Sakwa 2014) Also, Khodorkovsky was preparing to sell Yukos to a US oil major. Putin's allies in the state-owned energy sector – Igor Sechin at Rosneft and Aleksei Miller at Gazprom – coveted the private oil assets. Roman Abramovich agreed to sell Sibneft to Gazprom for \$13 billion, and moved to London. But Khodorkovsky refused to cash out. In 2003 he was arrested for tax evasion and sent to jail, where he would sit for ten years. (Putin amnestied him in 2013, on condition that he left Russia.) One could not ask for a more vivid illustration of the limits of business independence in Russia.

The siloviki

The rise of Putin to the presidency naturally drew attention to the role of the security apparatus in post-soviet Russia. There was a sense that Putin was relying heavily on a coterie of advisors who had backgrounds in the FSB, people like Sergei Ivanov (former deputy prime minister, defense minister and then presidential chief of staff), and Sergei Naryshkin (who became Chairman of the Duma in 2011).

In 2001 Putin launched a major reform of the "power vertical" to reassert the Kremlin's authority over regional leaders, who had won a high degree of autonomy in the 1990s. Putin created seven new federal districts to oversee the 89 regions, and planted a "presidential representative" in each province who would answer directly back to the Presidential Administration. Most of the men appointed to head the federal districts, and as presidential representatives, had some background in the security services.

After the Soviet collapse, the KGB was broken up into several agencies, notably the Federal Security Service (FSB) and Foreign Intelligence Service (SVR). (Taylor 2011) The FSB has about 300,000 staff (including 200,000 border guards, over which they regained control in 2003). Alongside them are a dozen other security agencies, including the Russian armed forces, the Ministry of the Interior (MVD), and the civil defense ministry.

In the early 2000s Russian journalists started to talk about the "*siloviki*," a word that is impossible to translate into English. It refers to people from the "force structures" (*silovye struktury*). (Soldatov and Borogan, 2010) In 2003 Olga Kryshantovskaya and Stephen White published a study of 800 top legislative and executive officials, amongst whom those with a military education rose from 6.7 percent in 1993 to 26.6 percent in 2002. The proportion with some military career experience went from 3.7 percent in 1988 to 25.1 percent in 2002. In a later update (2009) they reported the career group had risen to 32 percent by 2008, representing 67 percent of the inner

circle, 40 percent of government ministers; 21 percent of regional chief executives, 17 percent of Federation Council senators; and 14 percent of Duma deputies.

The idea that Russia was being run by a cabal of *siloviki* took off in the media and academic discussion. (Bremmer and Charap 2005) It fit with Putin's robust nationalism and his reintroduction of some of the symbols of the Soviet Union (the anthem, the cult of the Great Patriotic War). It seemed like we were headed "back to the USSR," but this time without the Communists, just the army and KGB.

However, the findings of Kryshstanovskaya and White were challenged by Rivera and Rivera (2014). In their database of 2,539 elite individuals, only 8.9 percent of the 2002 cohort had a military education and 10.7 percent any military career experience. They concluded that Putin's elite is "more bourgeois than militocratic." Part of the difference between the two studies stems from the sample and differences in coding (how much time in service counts as a military career). Also, Kryshstanovskaya and White use a weighted average across their five elite groups: the unweighted figures reveal only 13.9 percent with a military career in 2002. Eugene Huskey (2010) did his own study of government and presidential officials (including deputy ministers and department heads). He also concluded that people with a business background outnumbered the security personnel.

The data on the presence of *siloviki* amongst top officials is interesting, but not dispositive. The key question is not whether they make up 10 percent or 30 percent of a given body of officials, but what power do they exercise over strategic decision-making. This is far harder to measure, and can only really be answered through case studies of specific policy decisions. The *siloviki* seem to have a high degree of autonomy when it comes to military policy – but even there, the pervasive secrecy makes it hard to judge. (For example, did the generals support or oppose the intervention in East Ukraine in 2014?) Putin boosted the military budget from \$10 billion in 2005 to \$53 billion in 2015 – but in 2007 he appointed a civilian defense minister, Anatolii Serdyukov, a former furniture retailer and tax minister, who pushed through some painful restructuring reforms, firing one third of the central staff. Serdyukov was forced out by a corruption scandal in 2012, though he avoided jail time.

It should also be remembered that the *siloviki* are far from being a unitary actor. The interests and outlook of the military and the FSB, for example, are quite distinct. There is institutional rivalry between the FSB and military intelligence (GRU), and between the procuracy and the Investigative Committee (*Sledstvennyi komitet*), which was created in 2011. Occasionally these rivalries surface in the public eye, with incriminating materials leaked to newspapers. For example, in 2006 the procurator had the temerity to arrest some former FSB officials accused of money-laundering. (Yasmann, 2006)

The bureaucrats

Under Putin the state bureaucracy expanded, rising from 486,000 officials in 1999 to 828,000 in 2011, declining to 755,000 by 2014.⁴ Russian state officials are infused with patriotism: they are sometimes described as *gosudarstvenniki* ("stateniks"). They also display a reasonable level of professionalism, with some elements of technocracy (that is, faith in technical solutions).

⁴ Rosstat: http://www.gks.ru/free_doc/2011/gos-kadr/tab1.htm;
<http://gossuzhba.gov.ru/News/Details/a3627499-509a-4b37-adfb-47148aadde18>

Increased salaries (plus the possibility of bribes and other privileges) made it an attractive career choice for young people. A system of recruitment and promotion is in place that is partly meritocratic, at least on the surface. The more prestigious one's higher education, the better the chance of recruitment to a competitive state position. The former network of Communist Party training schools was not dismantled, but simply renamed Academies of National Economy and State Service. In practice, of course, selection at every stage is often driven by connections or bribes.

Huskey's (2010) study of the top cadres in the executive branch reminds us that the colossus of Russian bureaucracy grinds on. Familiar patterns from Soviet and even Tsarist times repeat themselves – a morass of red tape, a proliferation of agencies, overlapping authority, multiple veto points, inability to act independently of instructions from the center, and so forth. For example, in 2004 Putin tried to reduce the size of the government – the number of deputy prime ministers was cut to 3, and deputy ministers (on average) to 2-4. But by 2010 they were back to up to 9 deputy prime ministers and 7-9 deputy ministers. Rotation of cadres between different departments – an important way of fighting narrow departmental interests – virtually ceased in the 1990s, but has been revived since 2004.

Similarly, Ogushi (2015) compiled a database of 618 deputy ministers 1999-2013. He found a mixture of insider and outsider recruitment. The foreign, security and railways ministries were relatively closed; energy and economy were open; and others such as finance were mixed. Only 13 percent of the cadres were promoted across ministries (and of these transferees, 35 percent were *siloviki*). Huskey also found that there was more recruitment of top cadres from outside the ministry than in Soviet times. There were of course some important differences from Soviet times. Soviet leaders tried to mobilize society, while the post-soviet state want to demobilize them. Not only does the contemporary Russian state lack a mobilizing ideology, it also faces the need to manage semi-free elections, during which mobilization could spin out of control. (Huskey 2010)

Neopatrimonialism and the new Russian elite

Corruption is clearly central to the cohesion of the new Russian elite. It is the glue which binds lower officials to their bosses, and through which the rival elite groups transact with each other. It has become common to conceptualize the Russian and other post-soviet systems as examples of “neo-patrimonial” (Fisun 2012) or “patronal” regimes (Hale 2014) Patrons sponsor the appointment of clients to government positions, or award their companies state contracts, and in return the clients offer political loyalty – and a share of the proceeds. Unlike traditional patrimonial systems, these networks are relatively open and transactional, and are not based on ties of kin or clan.

Transitology largely ignored the corruption problem – as did much of the Western social science canon. It was not until the late 1990s – after James Wolfensohn took over at the World Bank – that the international community came to recognize corruption as a major barrier to economic growth in the developing world. Corruption “works” in the short run – it can help businessmen overcome bureaucratic obstacles, and help politicians form viable coalitions. But it is corrosive of long-run economic growth, and of the trust in government necessary for democracy to thrive.

Putin himself frequently spoken out against corruption, but did not launched a systematic effort to combat it, not on the scale that was seen in China. Putin did not send many senior bureaucrats to jail. Rather, he served as a broker mediating disputes between rival factions. Putin played the role of Mancur Olson's “stationary bandit,” with the FSB establishing itself as a single

“roof” (*krysha*), the one-stop regulator of corrupt transactions. (Olson, 2000) There was a decrease in the number of contract killings, kidnappings and extortion in the 2000s; though bribery, corruption and corporate raiding were still pervasive.

Meanwhile, the expansion of state control over the corporate sector that took place during Putin’s second term expanded the scope for self-dealing behind closed doors. There were an increasing number of cases where the children of top government officials surfaced as leaders of businesses that benefited from their political connections.⁵ (Maternovsky, 2005) Corruption proved to be a protean phenomenon able to adapt to changing conditions more rapidly than the anti-corruption forces.

Corruption was a rallying cry of the opposition, with blogger Aleksei Navalny using the internet in 2009-11 to expose kick-backs in government contracting. In 2013 Navalny was allowed to run for mayor of Moscow, finishing a respectable second with 27 percent of the vote. He described the ruling United Russia party as “the party of crooks and thieves” (*partiya zhulikov i vorov*). In August 2013 a nationwide survey found 44 percent of respondents agreed (and 35percent disagreed) with the statement that United Russia is “the party of crooks and thieves.”⁶ Nevertheless, in regional elections that year and next, United Russia swept the board. Russian voters may not trust their elected leaders, but they do not see any realistic alternative.

Conclusion

In the 2000s Russia’s new capitalist class found an awkward *modus vivendi* with the revived state apparatus, which had deep historical roots and growing confidence. The statists needed the oligarchs to generate wealth – and the oligarchs needed the state to provide political stability and protection.

While the oligarchs respected Putin’s rules of the game, the situation remained highly unstable, since the various protagonists competed fiercely for key assets, subsidized loans and state contracts. “Corporate raiding” – abuse of the judicial system to seize control of rival companies – was endemic. In the meantime society at large, including the small business sector, was shut out of the decision making process.

The threats to the stability of Putinism are clear. First, the various elite groups are held together by their collective dependence on the distribution of rents from resource extraction. This seems perilous in an age of declining global commodity prices. But Putin’s centralized system seems inimical to the sort of competitive business climate which Russia needs to modernize and diversify its economy. Second, Putin turned to foreign policy adventurism in Ukraine and Syria, in part to bolster his legitimacy and divert attention away from the lack of democratic accountability at home. This came with a price-tag – Western sanctions, increased military spending, subsidies for Crimea – which will put further pressure on the economic foundations of Putinism.

⁵ For example, the defense minister’s son was vice president of Gazprombank; the prime minister’s son – deputy director of the Far East Shipping Co.; the son of the former Kremlin chief of staff Aleksandr Voloshin, vice president of Conversbank; and the son of the St. Petersburg governor – vice president of Vneshtorgbank.

⁶ Levada Center: <http://www.levada.ru/old/16-09-2013/schitayut-li-rossiyane-edinuyu-rossiyu-partiei-zhulikov-i-vorov>

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