



RUSSIA IN TRANSITION

Politics, privatisation and inequality



Editor
David Lane

RUSSIA IN TRANSITION:

Politics, Privatisation and Inequality

by

David Lane

(Editor)



Longman
London and New York

Longman Group UK Limited,
Longman House, Burnt Mill,
Harlow, Essex CM20 2JE, England
and Associated Companies throughout the world.

*Published in the United States of America
by Longman Publishing, New York*

© Longman Group UK Limited 1995

All rights reserved; no part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without either the prior written permission of the Publishers or a licence permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency Ltd., 90 Tottenham Court Road, London W1P 9HE.

First published 1995

ISBN 0 582 275660 PPR

British Library Cataloguing-in-Publication Data

A catalogue record for this book is
available from the British Library

Library of Congress Cataloging-in-Publication Data

Russia in transition / by David Lane (editor).

p. cm.

Includes bibliographical references (p.) and index.

ISBN 0-582-27566-0 (U.K.)

1. Russia (Federation)—Social conditions—1991— —Congresses.
2. Russia (Federation)—Economic conditions—1991— —Congresses.
3. Russia (Federation)—Politics and government—1991— —Congresses.

I. Lane, David Stuart.

HN530.2.A8R865 1995

95-18239

306'.0947—dc20

CIP

set in 9pt Times by 5

Produced through Longman Malaysia, GPS

Russia in Transition:
Politics, Privatisation and Inequality

PREFACE

The book is the outcome of a conference held in Cambridge in December 1994. In addition to the authors of the following chapters, the conference was enlivened by the presence of Professor Andrei Zdravomyslov, Professor John Scott, Ms Nirwal Pawar, Professor Peter Frank, Dr Ian Gough, Dr Peter McMylor, Professor Herman van der Wusten, Dr Geoffrey Ingham, Ms Sarah Caro, Mr Mark Knackstedt, Ms Liz Gray, Dr Tatiana Dudina and Ms Carolina Zincone. I am indebted to the Economic and Social Research Council who, through the East–West initiative, provided finance and to Emmanuel College for their support.

LIST OF CONTRIBUTORS

Simon Clarke is Professor of Sociology and a member of the Centre for Comparative Labour Studies, University of Warwick. With Peter Fairbrother and his Russian collaborators he has been researching the restructuring of industrial enterprises, labour organisation and the worker's movement in Russia since 1990. The current focuses of this research are the restructuring of the Russian coal-mining industry and the restructuring of employment and the development of labour markets.

Veronika Kabalina is Senior Researcher at the Centre for Comparative Social, Economic and Political Studies, IMEMO, Moscow. Her main research activity is in the areas of industrial relations and management strategy in privatised enterprises.

Irina Y. Kuzes pursued graduate study at the Institute of Urban Planning in Moscow and is a lecturer at the Institute of Architecture (Moscow) and a correspondent with the journal *Znanie – Sila*. She is co-author (with Lynn Nelson) of *Property to the People: The Struggle for Radical Economic Reform in Russia* (1994) and *Radical Reform in Yeltsin's Russia: Political, Economic and Social Dimensions* (forthcoming 1995). She held an appointment as a visiting researcher at Virginia Commonwealth University from 1992 to 1994.

David Lane studied at the Universities of Birmingham and Oxford and is currently Reader in Sociology and Fellow of Emmanuel College, Cambridge University. He has written extensively on socialism, social stratification and political power. His recent books include *Soviet Society Under Perestroika* (2nd edition 1992), *Russia in Flux* (editor, 1993). Supported by the British Economic and Social Research Council, he is currently researching into the structure and composition of elites in the former USSR and contemporary Russia.

Nick Manning studied at the Universities of Cambridge, York, and Kent. He is Reader in Social Policy at the University of Kent. His publications include, with Vic George, *Socialism, Social Welfare and the Soviet Union* (1980), with Bob Deacon and others, *The New Eastern Europe: social policy, past, present, and future* (1992). He is currently writing up an ESRC-funded study of social movements in Russia and Eastern Europe, and starting a new project to examine Russian employment and social policy up to 1998.

Alastair McAuley is a Reader in Economics at the University of Essex. He is a leading specialist on the former Soviet economy and has recently acted as a consultant to the World Bank in both Russia and Uzbekistan. His work focuses upon two topics: income inequality and the labour market under central planning and during the transition; regional policy and regional development under socialism. His publications include *Economic Welfare in the Soviet Union* (1979), 'The economic transition in Eastern Europe: employment, income distribution and the social security net' *Oxford*

List of contributions

Review of Economic Policy 7 (4) (December 1991) and 'The Economic Consequences of Soviet disintegration' *Soviet Economy* 7 (3) (July–September 1991).

Ellen Mickiewicz is Director of the DeWitt Wallace Center for Communications and Journalism and is James R. Shepley Professor of Public Policy at Duke University. She is also a Fellow of the Carter Center and Director of the Commission on Radio and Television Policy, a multilateral non-governmental organisation, chaired by the former President Jimmy Carter and Eduard Sagalaev, President of the independent broadcast television channel TV6, in Moscow. She is currently writing a book on television and democratisation at the end of the Soviet period and in post-Soviet Russia. Recent work has included a study of television and elections in Russia and public opinion and political change. She is the author of *Split Signals: Television and Politics in the Soviet Union* (winner of the National Association of Broadcasters' Book of the Year award), and a number of other books and articles.

Lynn D. Nelson is a Professor of Sociology at Virginia Commonwealth University. He is co-author (with Irina Kuzes) of *Property to the People: The Struggle for Radical Economic Reform in Russia* (1994) and *Radical Reform in Yeltsin's Russia: Political, Economic and Social Dimensions* (forthcoming 1995). He has been a visiting fellow at Harvard University's Russian Research Centre and has held a Fulbright lectureship in the Soviet Union.

Cameron Ross is a Lecturer at Dundee University, and he collaborated on a research project on political elites in the Soviet Union and contemporary Russia. He has taught previously at the College of William and Mary in Virginia, and Oberlin College in Ohio. His publications include *Local Government in the Soviet Union* (St Martin's Press, 1987) and 'Party-state relations', in *Executive Power and Soviet Politics: The Rise and Decline of the Soviet State* (ed. Eugene Huskey, 1992).

Wendy Slater served as regional editor on the Soviet Union, CIS, and Eastern Europe at CIRCA, Cambridge, for *Keesing's Record of World Events*, and as a research analyst on Russian domestic politics for Radio Free Europe/Radio Liberty Research Institute in Munich. She has worked as a freelance writer and translator. She is currently researching into the Russian Right at the University of Cambridge.

Graham Smith is Director of the Post-Soviet States Research Programme and Fellow, Sidney Sussex College, and Lecturer in the Department of Geography, University of Cambridge. His main interests are in nationalism and the ethnic policies of the post-Soviet states. Recent books in the area include *Planned Development in the Socialist World* (1989), *The Nationalities Question in the Soviet Union* (1990), *The Baltic States. The National Self-Determination of Estonia, Latvia and Lithuania* (1994) and *Federalism. The Multi-ethnic Challenge* (1995).

Stephen White is Professor of Politics and a member of the Institute of Russian and East European Studies at the University of Glasgow. Currently President of the British Association for Slavonic and East European Studies, he also edits *Coexistence* and the *Journal of Communist Studies and Transition Politics*. His recent publications include *After Gorbachev* (1993, with others), *The Politics of Transition* (1993, with others), *Developments in Russian and Post-Soviet Politics*, and *Russia Goes Dry: Alcohol, Society and the Policy Process* (1995).

Stephen Whitefield is a Fellow in Politics at Pembroke College, Oxford. His publications include: *Industrial Power and the Soviet State* (1993) and, as editor and

List of contributions

contributor, *The New Institutional Architecture of Eastern Europe* (1993). The chapter in the current volume is part of a wider research project on the bases of political competition in post-communist Eastern Europe. Among his other publications on this subject are (with Geoffrey Evans) 'The Russian election of 1993: public opinion and the transition experience', *Post-Soviet Affairs*, 10 (1994), 38–40; 'Identifying the bases of party competition in Eastern Europe', *British Journal of Political Science*, 23 (1993), 521–48; 'The politics and economics of democratic commitment', *British Journal of Political Science*, forthcoming 1995.

Matthew Wyman is Lecturer in Russian Politics at Keele University. Previously, he has worked as a research associate on Glasgow University's ESRC-funded project on 'Public Opinion and Democratic Consolidation in Russia and Eastern Europe'. He has published articles on Russian elections and political culture and is currently working on a monograph on *Public Opinion in Post-communist Russia*.

Olga Zdravomyslova is a Senior Research Fellow of the Institute of Socio-Economic Population Studies of the Russian Academy of Sciences, Moscow. She is one of the co-ordinators (with Marina Arutiunian) of the *Family: East–West* project. She is currently working on gender socialisation in the period of transition in Russia.

INTRODUCTION

David Lane

By 1991, the Soviet Union was in terminal disintegration. Its republics had declared their own sovereignty. In June 1990, Yeltsin had become leader of the Parliament of the Russian Republic and declared its laws to have precedence over those of the USSR. In August 1991, in an attempt to halt the disintegration of the Soviet system, a state of emergency was declared by the State Committee for the State of Emergency. This was a bid to replace Mikhail Gorbachev as President of the USSR. Ironically, Gorbachev's rival, Boris Nikolaevich Yeltsin, rallied around the Parliament of the Russian Federation and declared the state of emergency illegal. The attempted coup failed but it effectively ended Gorbachev's rule and with it any hope of reviving the USSR.

Between August and December 1991, when the hammer and sickle was finally hauled down from the Kremlin, when Gorbachev resigned as President and when the USSR was disbanded as a state, the institutions of the USSR were brought under the control of the government of the Russian Federation and its President, Yeltsin. In the first chapter of this book we have defined this as a successful counter-coup. In August, the Council of Ministers of the Russian Republic declared its right to take over the ministries and departments of the USSR, and the Russian Prime Minister, Ivan Silaev, appointed his own ministers to take control of the USSR government. In September the USSR Congress of People's Deputies dissolved itself. Effectively the Parliament of the Russian Republic assumed control over the institutions of the USSR in its territory. In December, the Supreme Soviet of the Russian Federation took over the property previously subordinate to the USSR and Russia's President replaced the Soviet President. One by one the other republics of the USSR declared their independence.

On 1 January 1992, the Russian Federation was recognised by the United Nations as the legal successor state to the USSR. The symbols of the Soviet state, its flag, anthem, ideology and institutions were all repudiated by the new Russian government and its President. The policy of the Russian leadership under Yeltsin was to shift conclusively away from the organic type of polity, economy and society characteristic of Soviet communism. The major thrust of the reform leadership was to create a pluralist polity and society. This involved the creation of boundaries between polity, economy and society: a multi-party competitive political system, a market economy based on privatised enterprises and autonomous social groups in 'civil society'. These internal changes entailed a major reorientation in the position of Russia in the world economy and political order. The international network of communist states, and its military alliance, the Warsaw Pact, was terminated and replaced with an open political and economic frontier to the West. In this pluralistic and polymorphic setting the new leadership had to shape a new nation.

Introduction

Russia entered an era of transition: by this we mean a period of change, a passage from one set of circumstances, institutions, values and ways of doing things. We do not imply that 'transition' involves a predetermined route from state socialism to capitalism. The objectives of the political leadership of Russia have been defined above; such ambitions contain ambiguities and contradictions, they are opposed by many people, they have to be implemented in the context of established values, traditions and institutions. We do not imply that the leadership will succeed, we do not presume that the 'transition' has only one outcome, we do not assume that forces within the leadership or in society will not deflect policy to achieve different ends or different combinations of ends.

Discarding the Soviet system was easier done than finding a viable model to replace it. Indeed, the major theme of this book are the difficulties faced by the reform leadership in its attempt to move to a liberal market society. In the first and fourth chapters David Lane and Cameron Ross remind us that the reform leadership of President Yeltsin was under challenge by an opposition; he came to power only on the barest majority of votes. His support, both in the country and in the Parliament has come disproportionately from the professional classes (the intelligentsia). The major obstacle to reform has been the legacies of the past: not only the institutions of state socialism but also the values of Russia which have been mediated by the communist political and economic order. Lane and Ross demonstrate in their chapter on elites that the reform leadership has been successful in cutting off the head of the old administration, but here and in other chapters we are reminded that it is much more difficult to replace the administrative system and those who have benefited from it.

The new leaders have struggled to define a political system with a strong presidential power, multiple competitive parties, and an independent legislature set in a federal framework. Instability has been endemic. In the struggle of the republics against the hegemony of the USSR under Gorbachev, the movements for radical reform legitimised the interests of the localities against the centre and this was proved to be a two-edged sword. Yeltsin supported the demands for autonomy of the ethno-republics to undermine Gorbachev. However, following the constitution of Russia as a sovereign state, the regions and republics have begun to assert their own autonomy against the centre. Graham Smith defines the problem of maintaining the integrity of the emergent Russian state against the self-interest of the federal units – graphically illustrated in 1995 by the civil war in Chechnia. Federation without federalism has resulted. Spatially Russia has been fragmented, the party system has failed to provide a political anchor. The pluralist system of political parties, which in the stable Western societies evolved over more than a hundred years, cannot be replicated overnight in Russia. Stephen White illustrates the lack of identification and confidence between voters and parties. Russian government is characterised as 'a party system without parties' and hence a conduit between government and society is lacking. At the apex of politics, leadership takes on an individualistic character and in the country it becomes segmented geographically and institutionally. Endemic political instability ensues.

The legacy of Soviet Communism prevails in values which are opposed to aspects of reform: this is particularly so with respect to the privatisation of property. Lane

Introduction

and Ross in their study of voting in the Russian Parliament illustrate this principled division. Division is not only in terms of personalities but ideological groupings with respect to the pace and scope of privatisation and to the role of Parliament and President. The social divisions in support for and opposition to the reform process are studied by Stephen Whitefield who, distinguishing between normative and evaluative attitudes to reform, emphasises the regional differences in perspective. He shows that in a normative sense, support for reform, particularly democracy, is positive. However, the reformers are not more 'democratic' than the opponents of reform, and anti-reformers are often more in favour of liberal values such as freedom of speech and association. The evaluation of reform has been mixed, depending on its success or failure: privatisation is universally perceived as having progressed badly. The confusion and incompatibilities of reform policies are mirrored in popular attitudes to reform.

The legacy of the past is also apparent in the position of women. Here, however, 'the past' refers not only to Soviet values but also to traditional Russian attitudes which predate the Soviet period. Indeed, Soviet culture was infused with the traditional culture of Russia. Wendy Slater and Olga Zdravomyslova both emphasise the ways in which patriarchy is being established. Women are not only excluded from participation in the political elites and executive positions, but increasingly a dominant ideology is being asserted stressing their traditional position as mothers and home-makers. Here Zdravomyslova points to a major difference with the West: Russian women have a cultural tradition which strongly values their family and home-centred role.

Privatisation of public assets is a major process of the period of transition. It is not merely concerned with the effective ownership and control of material assets but has important political and social ramifications. In contrast to 'transitions' from authoritarianism in the southern European states where, for example, private property and a bourgeoisie were already deeply embedded, in Russia a bourgeois class has had to be created. Privatisation then is multi-functional: its purpose is not only to change the legitimate ownership and control of assets, it seeks also to create a propertied class with a stake in the system and concurrently to support a new entrepreneurial class. These functions often conflict. Lynn Nelson and Irina Kuzes argue that independent entrepreneurial activity has not been supported by the government, rather the state bureaucracy has been reconstituted in a different form. They point out that the initial political process weakened state control to enable the 'hidden hand' of the market to work and it also had the effect of allowing the criminalisation of the process of privatisation. Regional and local interests are able to assert their hegemony in the shaping of economic reforms and control over property.

This argument is taken up by Simon Clarke who sees privatisation as an attempt by the state to restore control over the economy through a new juridical framework. However, interests at the micro level in the form of managers in the enterprise have asserted their own interests. He affirms that the first stage of a 'managerial revolution' is in progress. Privatisation of the ownership of assets, he argues, is a formal process which does not give control to the owner but allows the management to benefit from enhanced salaries and other forms of advantage. Rather than developing a

Introduction

competitive market economy, there is a tendency for the systemic relations of the previous state system to reestablish themselves in new forms. A major conflict is presented between the centre with the industrial ministries (discussed also from an elite position by Lane and Ross) seeking to reestablish their hegemony, and the regional authorities pursuing local monopolisation. Fraud, theft and deception are hallmarks of privatisation in the localities.

Study of the contemporary media illustrates the conflicting forces at work at the top of the system of political power. Ellen Mickiewicz analyses three sources of political influence over the control of the mass media: the central state, the local political elites and independently financed institutions. Here again the interaction of competing elites is expressed through struggle for control. The clash of commercial and political interests as well as new and old values are manifested through these different channels. These contradictions between Russian/Soviet values and those of commercialism, Western mass culture and commercial advertising indicate the immense problems involved in the creation of a national identity; the fragmentation of the television media and its linkages to political interests retard the development of a democratic political system. The reaction to cultural 'contamination' and to the indiscriminate adoption of Western, especially American, political values and cultural symbols takes the form of a nationalist backlash. The commercial and political emphasis on individualism undermines a collective sense of national self-determination and gives an ideological legitimacy to the local ethno-national interests discussed in the chapter by Graham Smith.

The social consequences of reform are detailed by Alastair McAuley and Nick Manning. Economically, the initial impact of the introduction of the market and the collapse of the Soviet command system have been a disaster for most of the population of Russia. While, politically, the population has gained in freedom of expression, organisation and movement, disorder has accompanied transition. Gross national income has declined significantly; it has been accompanied by hyperinflation and a large increase in income differentiation. McAuley documents the rise of a wealthy class and the growth of poverty and homelessness: one example – the 'ultra poor' rose from 2.9 per cent of the population in 1990 to 27.1 per cent in 1992. Children, women and the old bear the brunt of poverty. At the other end of the income scale, the number of rich and very rich have greatly increased.

The welfare state was one of the major achievements of Soviet power: it provided at least a basic minimum for the population and was comprehensive in delivery of services. The process of transition has intensified the need for social support. Inflation, unemployment, privatisation of housing, the growth of poverty and homelessness, on the one side, and the underfunding of the public sector in general and social services in particular, on the other, have led to a dramatic decline in the provision of social services, documented in Nick Manning's chapter. The privatisation of the health service and underfunding in the public sector has led to a significant increase in illness and to a rise in mortality rates. In education, privatisation and the introduction of fee-paying education after nine years favours the rich. Manning cogently argues that social policy is moving away from the social democratic tradition towards a 'corporatist' policy. A greater market-linked access to the delivery of services is taking place. The consequence is that not only will

Introduction

income and wealth become more unevenly distributed, but also such stratification will be paralleled in the welfare sector.

The effects of the movement to the market and the destruction of state planning have led to a reduction in the level of industrial production and to greater inequality. This is the economic side to reform; on the political side, some argue that all are winners in the sense that choice and freedom of expression and movement have immeasurably increased for all. However, the research in this book indicates that there is a realisation that some are net 'winners' as a consequence of the transition and others are 'losers'. The former are those who have been able to start or develop their own business, the young whose yearning for a Western culture has been fulfilled and who are able to compete more successfully in the market. Winners include those who had authority under state socialism and were astute enough to abandon their commitment to socialism under Gorbachev, others have been able to make private capital out of their previous public position. The losers are the old living on pensions or savings, those on low wages (particularly women employees), those dependent on social security and transfer payments – children have done particularly badly.

Freedom signifies choice and diversity and the market system also implies uncertainty. All are now subject to levels of uncertainty unknown under state socialism. It is the poor, those with lower levels of education, those with inferior qualifications, those living in the countryside, those whose vision of society emphasises public virtues rather than private gains, who have lost out in the present stage of transition. The movement for radical reform, however, has another aspect: it is a concern for democracy. The articulation of the interests of the losers not only through the institutions of politics but also by local political interests may yet frustrate and possibly reverse the move to marketisation. Unless the movement to privatisation and marketisation can be performed more effectively and efficiently than hitherto, democratisation may yet defeat it. Paradoxically, the movement for democratic reform – in its policy to marketise, to privatise assets and to create a propertied bourgeois class – may be forced to adopt some of the restrictive political features of state socialism in order to achieve it. The call for democracy may well legitimise those who seek a return to traditional Russian (and Soviet) values and to the dominant role of the state in providing employment, welfare state supports and limitation to radical reform.⁸ Democracy and marketisation may be incompatible objectives in Russian conditions.

CONTENTS

<i>Preface</i>	vii
<i>List of Contributors</i>	ix
<i>Introduction David Lane</i>	xiii
 PART ONE: THE POLITICS OF TRANSITION	
1 From Soviet government to presidential rule <i>David Lane and Cameron Ross</i>	3
2 The ethno-politics of federation without federalism <i>Graham Smith</i>	21
3 Political parties and the public <i>Stephen White and Matthew Wyman</i>	36
4 The changing composition and structure of the political elites <i>David Lane and Cameron Ross</i>	52
5 'Women of Russia' and women's representation in Russian politics <i>Wendy Slater</i>	76
6 Social responses to reform in Russia <i>Stephen Whitefield</i>	91
 PART TWO: THE POLITICAL ECONOMY OF CHANGE	
7 Privatisation and the new business class <i>Lynn D. Nelson and Irina Y. Kuzes</i>	119
8 Privatisation and the struggle for control of the enterprise <i>Simon Clarke and Veronika Kabalina</i>	142
9 The political economy of media democratisation <i>Ellen Mickiewicz</i>	159
 PART THREE: CONSEQUENCES OF RADICAL REFORM	
10 Inequality and poverty <i>Alastair McAuley</i>	177
11 The position of women <i>Olga Zdravomyslova</i>	190
12 Social policy and the welfare state <i>Nick Manning</i>	199
Appendix: Biographies of major figures	223
<i>Index</i>	232

Part One

THE POLITICS OF TRANSITION

Chapter 1

FROM SOVIET GOVERNMENT TO PRESIDENTIAL RULE

David Lane and Cameron Ross

The government of the USSR differed significantly from that of Western parliamentary government. Unlike the latter, which was pluralistic in substance with competing parties and a division of powers, the former was based on an organic system of government. A key role was played by the Communist Party of the Soviet Union, which was a ruling party; under its general direction functioned a government bureaucracy (the Council of Ministers) and elected soviets of people's deputies. This was a federal system of government with a division of powers between the USSR and the republics. Under the leadership of Mikhail Gorbachev, major changes took place: the role of the Party was weakened, the soviets were endowed with greater authority and the office of the presidency (at both the USSR and republican levels) was instituted.¹ Popular competitive elections involving a choice of candidates were introduced giving legitimacy to the legislature (the Congresses of People's Deputies and Supreme Soviets). The President of the USSR (the position occupied by Gorbachev) was not directly elected by popular vote, but by the Congress of People's Deputies. In some of the republics, however, direct popular election did occur and in Russia, Gorbachev's rival, Boris Yeltsin, was so elected. Shifting authority to the soviets strengthened the position of the republican governments *vis-à-vis* that of the USSR and a struggle for power ensued between them.

The attempted coup of August 1991 led by the State Committee for the State of Emergency was a decisive turning point in the history of the Soviet Union. Its participants had all been appointed to positions of authority by Gorbachev, and many of the leading politicians in the USSR presidency, the Council of Ministers and the USSR Supreme Soviet supported the actions of the State Committee. In defusing the attempted coup, Yeltsin turned the tables on Gorbachev. He and his supporters, clustered around the institutions of the Russian Republic (then the Russian Federative Socialist Republic or RSFSR), conducted what was in effect a successful counter-coup. They not only dismissed the leadership of the government of the USSR and effectively deposed its President, Gorbachev, but assumed control over the activities of the government of the USSR. There followed an interim government largely appointed by Yeltsin, which ruled the USSR until 25 December 1991 when Gorbachev resigned as President and the USSR was disbanded. In this chapter we outline how this transformation took place, consider the major institutions which were set up to replace the Soviet ones and the conflict which ensued between them.

1. For a detailed account of the changes under Gorbachev see David Lane, *Soviet Society under Perestroika*, Routledge, London, 1992, chapter 3.