Change, Continuity and Power in the Russian Political Economy in Comparative BRICs Perspective
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Summary of the PhD thesis by Alexandra Vasileva

This PhD dissertation explores the development of the Russian political economy over the past 25 years in comparative BRICs (Brazil, Russia, India and China) perspective. It focuses on the central feature of Russian capitalism dubbed 'patrimonialism', examining the relationship between the state and (primarily small) companies, in particular its informal aspects. The dissertation is article-based and aims at:

- describing the distinct variety of Russian capitalism (chapter 1);
- comparing the evolution of Russia's variety of capitalism to that of other BRIC countries (chapter 2);
- understanding how Russia's capitalist variety functions and is sustained (chapter 3);
- exploring why Russia's capitalism developed this particular way (chapter 4).

In short, the chapters focus on the description, comparison, functioning and origins of Russia's type of capitalism. Thereby they address four fundamental questions of social science: 'what?'; 'and compared to others?'; 'how?'; and 'why?'.

Conceptually, the dissertation moves from a macro perspective on a political economy as a whole (chapters 1 and 2) to a micro study of its functioning on the level of small and medium-sized enterprises (SMEs) (chapter 3) and then back to the macro level, focusing on broader implications of companies' activity for the origins of the system (chapter 4). This three-step analysis requires a conceptual 'gear shift'. Theoretical tools of the 'Varieties of Capitalism' (VoC) scholarship are used in the first half of the dissertation to discern the specificity of Russia's politico-economic form and describe how it developed over time in a comparative BRICs perspective. The remaining half of the dissertation looks a Russia's highly patrimonial capitalism on its own terms, focusing on the behaviour of SMEs and their interaction with local state officials based on insights obtained through in-depth interviews.

In terms of the method, the dissertation combines a historical study with statistical assessment; a case study with a comparative study; a macro analysis of major institutions of a political economy with a micro treatment of behaviour of business actors; descriptive and explanatory approaches, as well as desk research and data obtained from personal fieldwork. The timeframe of the analysis commences with the collapse of communism at the end of 1991 and ends in 2014 - the year of the latest available data.
Qualitative data obtained from in-depth interviews build the empirical centrepiece and offer a methodological contribution of this dissertation. The interviews were conducted during fieldwork in Russia in the spring of 2014. The total of 34 respondents included entrepreneurs, business association executives, corporate lawyers, academics and journalists. In addition, cross-sectoral and cross-national quantitative data were used in this study, as well as secondary literature, newspaper articles and historical analyses by other scholars.

Here is the overview of the main findings of the four articles (chapters) of the dissertation:

**Chapter 1**, entitled 'Continuity and Change in Russian Capitalism' (published as a chapter in an edited volume), is a historical study of the evolution of Russian state-business relations and capital-labour relations since the collapse of the Soviet Union along three dimensions. The political dimension comprises state capacity and the composition of the dominant political elites; the legal dimension deals with the rule of law and the security of property rights; the economic dimension includes the economic policy of the state towards business. Viewed against the backdrop of the statist, liberal and patrimonial ideal types of capitalism, the chapter finds that the main direction of change in the Russian political economy is expressed in the shift in the proportion of the liberal and statist elements. While between 1992 and 2002 the Russian capitalism can be characterised as largely liberal, after 2003 the trend towards increased statism became clearly pronounced. Etatisation of the Russian capitalism is expressed in the partial increase of the state capacity, in the shift from the liberal to conservative political elites and in the partial nationalisation of the strategic economic assets, coupled with an overall increase in the state's involvement in the economy and labour relations.

The major continuity of the Russian capitalist development was found in the persistence of patrimonialism, expressed in the pervasive weakness of the rule of law; in the endurance of corruption, partial fusion of the state and business and in the spread of the informal state-business and capital-labour relations, which were at odds with the formal regulations governing these relations. Another notable feature of Russia's patrimonialism is found in the informal bureaucratic control of property (dubbed 'power-ownership') and the extraction of administrative rents from it, examined in the following chapters of the dissertation. The chapter leaves open the questions of the scope of the Russian patrimonialism, eventual differences between the 1990s and the 2000s and mechanisms of its working as it is taken up in the later chapters of the dissertation.
Chapter 2, entitled 'Russia's political economy re-conceptualised: a changing hybrid of liberalism, statism and patrimonialism' (published in co-authorship with Uwe Becker in Journal of Eurasian Studies), is a study of the evolution of Russia's capitalism in a comparative BRICs context. It is based on the analysis of both historical and statistical data and takes up some of the questions left open in chapter one. In particular, it gives an approximation of the scope of Russian patrimonialism and how it developed between the 1990s and the 2000s.

The chapter proposes a conceptual framework for assessing the impact of patrimonialism on the country's trajectory of change by systematically adding patrimonialism as a third dimension to the better-known liberalism and statism. The chapter conceptualises Russia's trajectory as changing with respect to ideal-typical liberalism, statism and patrimonialism. The main finding of the first, historical part of the chapter is that Russian patrimonialism hindered the rise of the economically facilitating state capacity and undermined both liberalisation in the 1990s and re-etatisation in the 2000s. The second part of the chapter provides a quantitative assessment of these developments based on statistical data and adds a comparative BRICs perspective that clarifies the peculiarity of Russia's development. The data confirm the de-liberalisation of Russia and show an increase of patrimonialism in the 2000s compared to the 1990s. Another finding is that Russia was the only BRIC country that de-liberalised and increased its level of patrimonialism in the period under consideration.

The remaining two chapters of the dissertation focus on the Russian case and its statist-patrimonial variety of capitalism, aiming to illuminate its working and understand its origins by focusing on the activity of small firms. Chapter 3, entitled 'Trapped in informality: The big role of small firms in Russia's statist-patrimonial capitalism' (published in the journal New Political Economy), is a study of the functioning of Russia's capitalism and the mechanisms of its stability. It takes up a question left open in chapter one, namely the mechanisms behind Russian patrimonialism and the factors and circumstances that give bureaucrats the power to extract administrative rent from property under their indirect control.

While predominant accounts focus on the lack of institutional constraints on state predation, the chapter explains the resilience and maintenance of Russia's statist-patrimonial capitalism by exploring the often-overlooked contribution of small- and medium-sized companies. Drawing on statistical data, the chapter finds a steady rise of SMEs in the 2000s despite increasing state predation, concluding that SMEs are not simply subjugated by the state. In-depth interviews with Russian entrepreneurs reveal that business contributes to the
maintenance and functioning of the statist-patrimonial system through the mechanism of the 'informality trap': companies that choose the informal strategy find it difficult to return to the legal sphere and become trapped in the informal economy.

The chapter finds that the drivers of informality comprise institutional constraints such as overregulation and bureaucratic extortion, which represent a power resource on the side of the state and compel companies to opt for informal behaviour. However, informality is also driven by some company-specific factors that offer a degree of choice and thus agency. Firstly, depending on the characteristics of a company (such as size and sector), a small enterprise may face incentives to choose informal behaviour. Secondly, socio-cultural factors dubbed 'normality of informality' matter in this regard too: viewing the formal costs of doing business and informal expenditures such as bribes as comparable expenses, for subjective reasons, some SMEs may prefer cutting corners to legal compliance. Though this power to subvert the system may sometimes help companies to get things done or protect their interests, it often has an unintended adverse long-term effect on the security of property rights as the companies may get locked into informality. In sum, the mechanism of the 'informality trap' highlights the agency of SMEs in Russia's political economy and their contribution to its functioning.

Finally, chapter 4 provides a historical analysis of the origins of Russia's variety of capitalism, entitled 'Digging their own graves: how small companies contributed to the emergence of Russia's statist-patrimonial capitalism' (in preparation for submission). The chapter traces in historical perspective how for a variety of reasons Russian companies embarked on informal practices back in the 1990s and, by falling into the informality trap in the following decade, co-created the foundation of insecure property rights and informal particularistic state-business relations that define patrimonial capitalism today.

The main finding of this chapter is that statist-patrimonial capitalism is not only the result of a top-down activity of the state sovereign, its corrupt agents or cronies in big business, as is commonly perceived, but that it is also a system that rests on the bottom-up activity of the bulk of economic actors - the SMEs. They are not simply passive victims of state threats to property rights, rather in many cases they also contributed to the emergence of these practices. This resulting contribution - often inadvertently made - was linked to some of the informal business practices undertaken by the SMEs that locked them in the long run in the informality trap. Back in the 1990s some of those informal practices were not the only choice available to companies, but were taken up by SMEs out of expediency. In the 2000s, when the state grew
more powerful, the informal behaviour of these companies backfired as the corrupt state took advantage of the informality of some companies and exploited it to violate the property rights of virtually any business actor at will. Thus the advent of statist-patrimonial capitalism in the 2000s, marked by state threats to property rights, was made possible and in fact facilitated, among other factors, by the informal choices and practices of business actors in the previous decade.

The main contribution of this dissertation is two-fold. Empirically, it allows us to better understand how Russia works, and where its political economy stands compared to the other members of BRICs. It also suggests why Russian statist-patrimonial capitalism functions the way it does, and how it came to be this way. Another empirical contribution is the suggestion of a tool for quantifying and comparatively mapping the trajectories of change in emerging economies, applicable beyond the BRICs to other emerging economies and time periods.

Conceptually, the dissertation refines the Varieties of Capitalism debate by a systematic incorporation and a detailed study of patrimonialism. The findings of the dissertation corroborate that patrimonialism is more significant than an incidental feature like corruption or a blemish on a particular type of capitalism. Instead, patrimonialism should be viewed as a competing logic of economic and social organisation, without which political economies beyond the OECD world cannot be adequately understood. By studying the reproduction of patrimonialism on the example of Russia the dissertation adds knowledge about reproduction of institutions more generally. By giving attention to bottom-up forces generating and sustaining patrimonialism, the findings of this dissertation also speak to a broader state-society debate in social sciences.