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## Dynamics of Regional Inequality in the Russian Federation: Circular and Cumulative Causality

David Lane, Cambridge

### Abstract

Growing spatial differentiation is a major feature of competitive capitalism: rich metropolitan areas which maintain finance, research, and headquarter the service industries and government grow at the expense of agricultural, rural and traditional 'rust-belt' industrial localities. The empirical part of the paper shows that, with marketisation, these developments have occurred with increasing intensity in the Russian Federation; areas with material and human assets grow, whereas poor areas become even more deprived. The solution proposed by politicians predicated on orthodox economics is that the capitalist system has its own self-adjusting laws of reciprocal causality. Movements in one direction precipitate counter-forces which correct movements away from equilibrium. The paper demonstrates, on the contrary, that foreign direct investment goes to the more developed areas, that outmigration and unemployment are not reversed: a form of circular and cumulative causality characterises capitalist markets. Changes in one direction lead to processes which amplify such trends: rich and poor areas develop at an exponential rate and the differences between them increase. In the conclusion it is argued that market mechanisms are unable to reverse these developments. Only comprehensive state regulation can lead to greater equality between regions.

### National and Regional Inequalities

In the Soviet Union differentials within and between regions were subject to administrative regulation, which sought to reduce divergences. Such policies, pursued by administrative means, could be implemented without economic costs being a serious impediment. Though the goal of policy in the Soviet Union was administratively to minimise unequal physical, social and cultural conditions, significant differences continued. Income was distributed unequally between geographical areas. Whereas the average for the Russian Federation in 1985 was 142 rubles, in Magadan it was over 300 roubles, followed by Sakhalin with 228; in Moscow average income was 195 rubles; at the other end of the scale were Volgograd, (126), Bashkortostan (119), and Dagestan (81)<sup>1</sup>. Income policy was guided by other considerations, which cannot be detailed here, differentials favoured arduous and dangerous work as well as areas with severe climatic conditions. Data on poverty are not available, but differences in infant mortality rates indicate the unequal conditions between areas: in 1985, the Russian Federation had an average infant mortality rate of 20.7; higher rates pertained in Tyva, 44.4; Dagestan, 31.8; Buryatiya, 26.8; at the other end of the scale were: Kostroma, 18.6; Sakhalin, 17.9; Magadan, 17.3; and Tatarstan, 15.4<sup>2</sup>. The unequal physical, social and cultural conditions in different localities were not overcome by administrative means, though certainly regional inequalities were much less than in com-

parable capitalist market economies.

The consequences of marketisation and competitive capitalism not only changed the form of inequalities but greatly amplified them both between and within regions. Here we consider income distribution and unemployment. The distribution of income became much more unequal. The legacy of the Soviet Union gave a Gini coefficient of income distribution of 0.26 in 1991, which was comparable to Western social democratic countries such as Denmark. By 2012 it had risen to 0.420—comparable to the most unequal capitalist societies<sup>3</sup>. As illustrated in Figure 1 overleaf, the major changes took place in the early 1990s; from 2000, inequality kept rising, though more slowly and very slightly tapered off between 2010 and 2012.

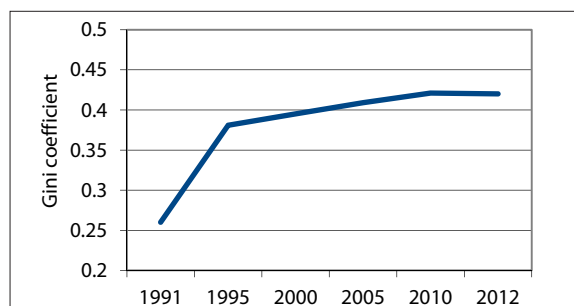
The grossly uneven distribution can be illustrated by comparing the proportion of income received by the top 20% of recipients to the bottom 20%. Whereas, in 1991, the top 20% of income recipients received 30.7% of the income, their share had risen to 47.7% in 2010, with a slight fall to 47.6% in 2012; at the other end of the scale, in 1991, the bottom twenty percent received 11.9% of the income, whereas by 2012 it had fallen to only 5.2%. The increasing wealth was appropriated by

1 *Regiony Rossii 1997g.* Moscow: Goskomstat, 1997, vol 1, pp. 454–456

2 *Regiony Rossii 1997g.* Moscow: Goskomstat 1997, vol. 1, pp. 402–404

3 *Regiony Rossii 2012g.* available at <www.gks.ru>, Table 5.8 supplemented by other years and *Rossiyski statisticheski ezhegodnik 1998.* Goskomstat Rossii. Moscow 1998, table 8.18, p.223. Data for 2012 from: *Sotsial'no-ekonomicheskoe polozhenie Rossii 2012g.* Moscow: Rosstat. p.242. The Gini coefficient is an index measuring income distribution: an index of 0 indicates a completely equal distribution and 1 a distribution in which the top group takes all the income. Hence the lower the index, the greater the equality, the higher the more severe the inequality.

Figure 1: Gini Coefficients 1991–2011, Russian Federation. 2012

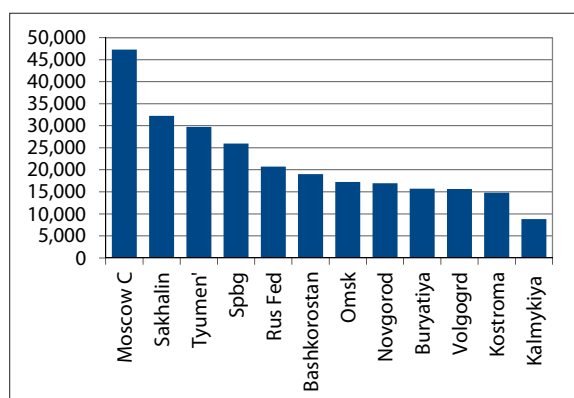


Source: Rossiyski statisticheski ezhegodnik, Goskomstat Rossii: Moscow. (Various dates) and Sotsial'no-ekonomicheskoe polozhenie Rossii 2012g. Moscow: Rosstat. p. 242.

the rich: between 1991 and 2011, money incomes doubled for the top income group (the 20%) whereas the bottom group received only 56% of the 1991 income<sup>4</sup>. Over time, differentials did not decrease, but continued on an upward trajectory. When we disaggregate these trends by region we see parallels as well as regional disparities which amplify these differences.

Figure 2 shows the differences in monthly income in 2011 for a number of regions: Moscow was by far the highest with an average of 47,319 rubles, and Kalmykiya at the other end had an average of only 8,829 rubles—a significant increase in the income range since 1985. The average for the Russian Federation was just over 20,000 rubles. These data clearly indicate severe regional inequalities.

Figure 2: Average Monthly Income Selected Regions (2011)

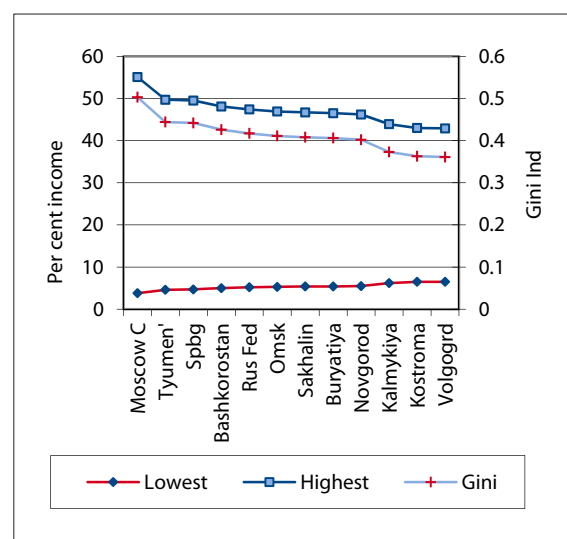


Source: *Regiony Rossii 2012g*, Federal'naya sluzhba gosudarstvoy statistiki, available at <www.gks.ru>, Table 5.2. Rubles per month, 30 rubles = 1 US dollar (in 2012).

<sup>4</sup> L. Ovcharova and D. Popova, Dokhody i raskhody Rossiyskoy domashnikh khozyayst. Mir Rossii, Vol.22, no 3, 2013. (pp. 3–34), see p. 16.

These average incomes were also accompanied by severe social inequality within the regions: all regions have their share of rich and poor. In 2011, for the Russian Federation as a whole, the highest 20% received 47.4% of the income and the bottom 20% 5.2%. As noted in Figure 3, Moscow is not only the richest but also the most unequal area: the top 20% received 55.1% of the income of the whole city. Though data are not given in this source, it seems likely that the top 2% would receive a considerable proportion of the total income. The bottom 20% received only a miserly 3.8%. While Moscow was by far the richest region, the poorest strata received proportionately even less than the average. The differentials in the poorer regions are not quite so marked, though the pattern is similar and the Gini coefficient is universally high. Volgograd and Kostroma, which had the most equitable distribution of income, each had comparable differentials of 43% and 6.3%.

Figure 3: Income Earned by Top 20% and Bottom 20%, Gini Coefficient: Russian Federation and Selected Regions 2011.



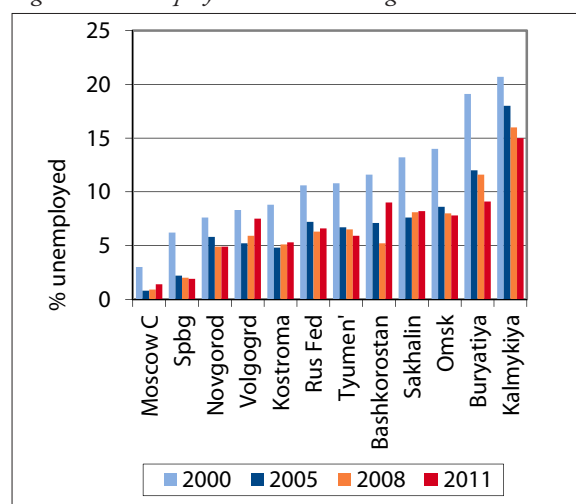
Source: *Regiony Rossii 2012g*, available at <www.gks.ru>, Table 5.8. Gini index right hand scale (shadow line).

The conclusion here is that there is a polarisation between the rich and the poor in the richest areas which is paralleled, though to a slightly less unequal extent, in the poorer regions. The same economic principles work in all regions, despite some being more poorly endowed than others. Hence differences within regions are as important socially as variations between regions. Though some regions are poorer, they all distribute income in a similar and extremely unequal manner.

## National and Regional Unemployment

These effects of transformation policies were mirrored in the social sphere which can be illustrated by the incidence of unemployment. As noted in Figure 4, recorded unemployment was extremely high in the early years of transformation; it fell consistently after 2000, with the average for the Russian Federation of 6.6%. These figures underestimate the real unemployment level, but are useful for comparative purposes, as similar data collection methods are used throughout the RF. As we may note from study of Figure 4, there are significant regional variations.

Figure 4: Unemployment: Various Regions 2000–2011



Source: Goskomstat Rossii, *Regiony Rossii 2012g*, Table 4.15. <www.kgs.ru> accessed 9 July 2013 and *Rossiyski statisticheski ezhegodnik 2011g*, Moscow 2012, Tables 8.2. Data based on surveys and other indexes and includes an estimate for *skrytaya* (not registered) employment. Data on people officially registered as unemployed (and seeking benefit) show even lower levels.

In 2010, areas with 10% or over unemployed included the Republic of Komi (10.3%), Kaliningrad (10.6%), Kalmykiya (15%), Dagestan (12.8%), Ingushetia (49.7%), Kabardino-Balkaria (12.7%), Karachaevo-Cherkassia (10.3%), Chechnya (43.1%), Mari El (10.5%), Kurgan (12.2%), Altay (12.3%), Buryatiya (10.4%), Tyva (22%), Zabaykalski kray (11.4%), Irkutsk (10.2%).<sup>5</sup>

These figures lead one to suppose that the social costs of transformation were carried disproportionately by the non-European republics and areas of the Russian Federation and many of these had high concentrations of non-Russian ethnic groups. By 2010, there were no regions with an unemployment rate of 10% or over in the cen-

5 Source, surveys carried out by Federal'naya statisticheskaya sluzhba, See *Rossiyski statisticheski ezhegodnik 2011g*, Moscow 2011, Tables 8.2.

tral federal okrug, but there were two in the southern federal okrug, five in the North Caucasus, one in the Privolzhsky federal okrug, one in the Urals; Siberia had five, and the Far East region, none.

In the neo-liberal economic framework, the logic of these social and regional inequalities is two-fold. First, the freedom of movement should stimulate labour to move from areas of low-employment and low income to more prosperous ones. Second, capital should flow to areas of cheap labour. An important implication here is that dislocations are temporary; the market induces countervailing forces which lead to a new and higher level equilibrium. In theory, the greater the freedom of movement of labour and capital, the higher the tendency for equalization. There is a self-adjusting market mechanism which maintains equilibrium. If it is unprofitable for capital to move, then there is a migration of labour.

## Migration

The imposition of a market system led to significant population movement within the borders of the Russian Federation, as well as significant immigration from displaced *Rossiyan* in the new independent states. The latter as a proportion of immigrants for the Russian Federation averaged 13.5% in 2000, 8.5% in 2005 and 10.4% in 2011<sup>6</sup>. Figures 5a–5g overleaf and on p. 6 show the aggregate level of migration in 1990 and each year from 2000 to 2011. The data are aggregated to give an index of net immigration: calculations are based on immigration of over 500 per 100,000 of the population and all movements with a negative figure (i.e. regions experiencing population loss). The first entry in each graph is the average for the district as a whole; positive migration (indicated by a plus) lists those regions which have a total net immigration of 500 or more for the whole period; all the areas with a net emigration are included; those with a net migration of less than 500 are ignored. These six figures capture the balance of migration for all the regions of the Russian Federation, up to 2011 (+ is a balance of net immigration to the area, - denotes a net outflow).

There is a clear regional differentiation and some major differences within regions. The Russian Federation as a whole recorded a net immigration, for the whole period, of 272 (per 100,000). This is explained by the movement of former citizens of the USSR returning from the new independent states to the Russian Federation: for example, in 2000, 13.6% of arrivals and in 2011, 10.4%, were from the former Soviet Union outside Russia, in the same years there were 6.8 and 1.2% of total immigrants from abroad.

6 See: Table 3.18 *Raspredelenie chisla migrantov po napravleniyam peredvizheniya*, *Regiony Rossii 2012g*, For Moscow the comparative figures were: 21.5, 12.8 and 14.4%.

Figure 5a: Net Regional Migration by Geographical District: Central Federal Migration Coefficient 1990, 2000–2011

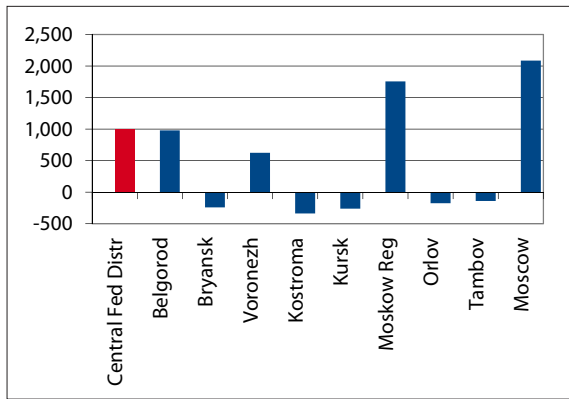


Figure 5b: Net Regional Migration by Geographical District: North West Federal Distr Migration Coefficient

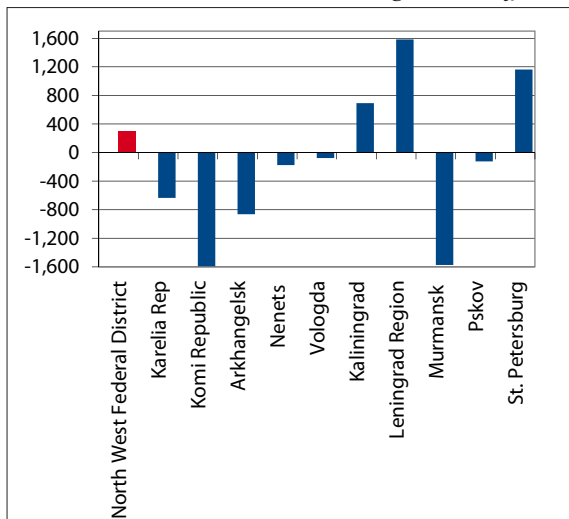


Figure 5c: Net Regional Migration by Geographical District: South Fed Distr and North Caucasus Fed Distr

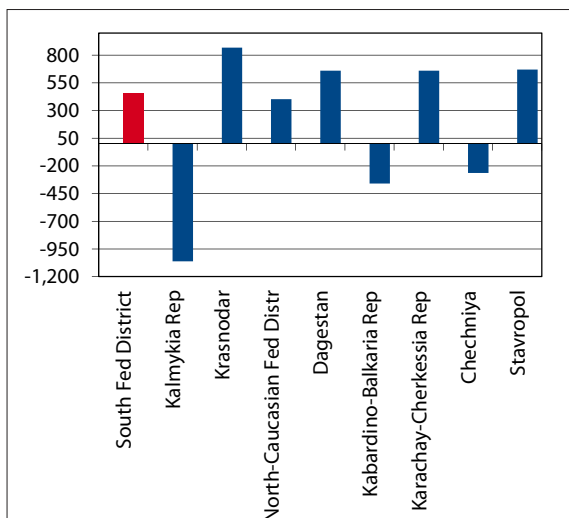


Figure 5d: Net Regional Migration by Geographical District: Privolzhsky Federal District

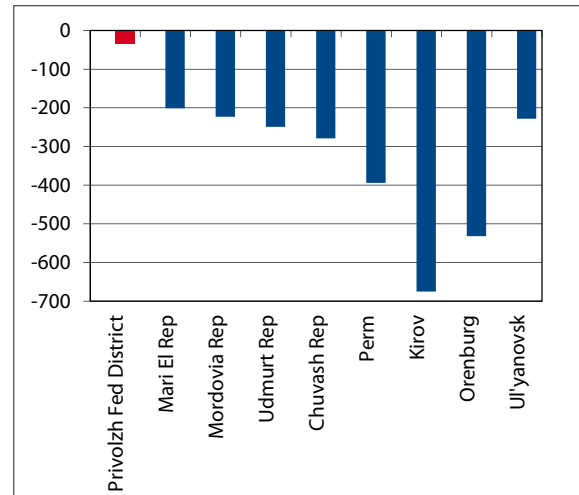


Figure 5e: Net Regional Migration by Geographical District: Urals Federal District

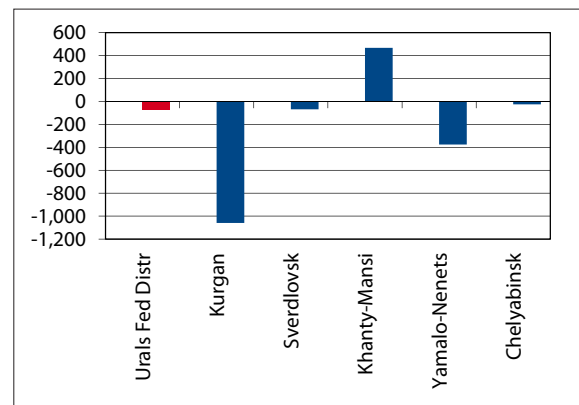


Figure 5f: Net Regional Migration by Geographical District: Siberian Federal District

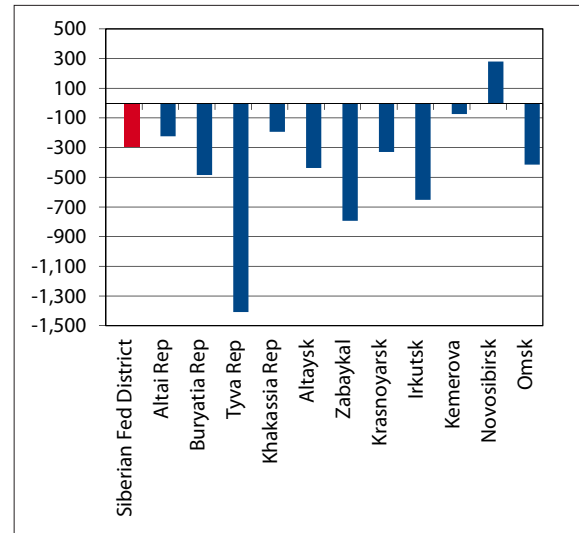
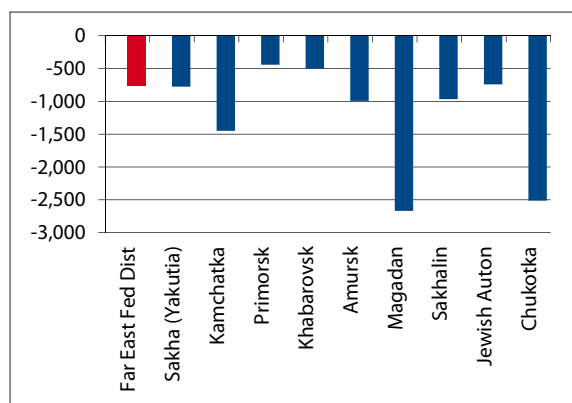


Figure 5g: Net Regional Migration by Geographical District: Far East Federal District



Figures show the balance of migration (immigration less emigration).

The Central Federal region had the highest number of net immigrants (my index measured 999), with Moscow City, with an index of over 2000, (closely followed by Moscow oblast') outstripping by far any other region (Leningrad oblast' and St Petersburg came next with indexes of 1584 and 1163 respectively); the southern areas also had a net increase (453).

The regions of greatest population outflow were the Far East District with an index of -768 (Magadan -2669, Chukotka -2513), Siberia had a net outflow of -291 (Tyva -1808); the Urals had an outflow of -73 (Kurgan -1080). Privolzhje had a net emigration of -35 which included many national republics. National ethnic minorities figured disproportionately in population movement. These areas were ones which had a continuous export of people.

Orthodox economic theorists contend that capital will move to areas of low pay, thus leading to development and a higher level of economic equilibrium than previously. Table 1 lists areas which had 1% or more of the share of foreign investment in any of the years 2005, 2009 and 2010 and these shares are aggregated to give an index of foreign investment for three years.

With some notable exceptions (Sakhalin, Tyumen, Tatarstan, Sakha, Yamalo-Nenets and Komi Republic), foreign investment was attracted to the European districts of the Russian Federation, especially Moscow which most years attracts around half of the total foreign investment. These areas attracted investment in natural resources. The remaining 13 regions defined above account for approximately 30%.

In order to test whether foreign investment is attracted to areas with high unemployment and low wages, we need to consider the relationship between foreign investment and unemployment levels. Table 2 shows the level of unemployment of each area in the second column and the

difference from the Russian average in the third column for the year 2000. A plus sign indicates that the level of unemployment in a region was less than the average for the Russian Federation, a minus sign indicates the opposite—unemployment was more than the national average. Columns 4 and 5 repeat the exercise for the year 2011.

Table 1: Sum of Shares of Foreign Investment 2005, 2009, 2010 (Index)

Moscow City	155.1
Sakhalin	19.5
Moscow Obl	16.0
St. Petersburg	13.8
Tyumen	10.7
Chelyabinsk	7.6
Tatarstan	7.1
Sverdlovsk	5.0
Samara	4.0
Sakha	3.8
Leningr Obl	2.8
Krasnoyarsk	2.2
Yamalo-Nenetsk	2.0
Komi rep	1.9

Foreign investment. From Federalnaya Sluzhba gosudarstvennoi statistiki, Rossiyski Statisticheski Ezhegodnik 2011. Moscow, 2011 Table 23.21

Table 2: Changes in Unemployment Levels in Areas of High Foreign Investment 2000, 2011

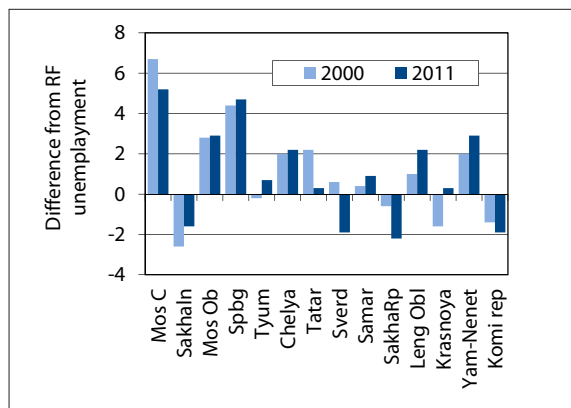
	Level of unemployment 2000	Difference from average RF	Level of unemployment 2011	Difference from average RF
Rus Fed	10.6		6.6	
Moscow City	3.9	6.7	1.4	5.2
Sakhalin	13.2	-2.6	8.2	-1.6
Moscow Obl	7.8	2.8	3.7	2.9
St. Petersburg	6.2	4.4	1.9	4.7
Tyumen'	10.8	-0.2	5.9	0.7
Chelyabinsk	8.6	2.0	4.4	2.2
Tatarstan	8.4	2.2	6.3	0.3
Sverdlovsk	10.0	0.6	8.5	-1.9
Samara	10.2	0.4	5.7	0.9
Sakha	11.2	-0.6	8.8	-2.2
Leningr Obl	9.6	1.0	4.4	2.2
Krasnoyarsk	12.2	-1.6	6.3	0.3
Yamalo-Nenetsk	8.6	2.0	3.7	2.9
Komi rep	12	-1.4	8.5	-1.9

Minus = more than average unemployment

Plus = less than average unemployment

In 2000, foreign investment went predominantly to areas with *below average* unemployment. Only 4 had above average (Tyumen, Sakhalin, Sakha, Krasnoyarsk and Komi Republic) and these were all areas with natural resources. Very little had changed by 2011; again only Sakhalin, Sverdlovsk, Sakha and Komi had more than average unemployment. These figures are summarised on Figure 6.

Figure 6: Unemployment in Areas of High Foreign Investment and Unemployment 2000, 2011



Minus = more than average unemployment in Russian Federation  
 Plus = less than average unemployment in Russian Federation

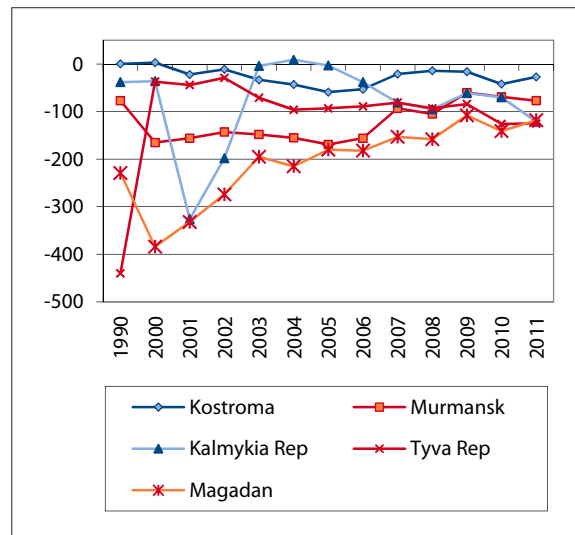
### A Critique of Market Policies

The conventional wisdom is that capital will flow to those areas where costs of production (particularly labour) are lower and thus there will be an equalisation of capital. The analysis above illustrates that this does not happen. Rather than ‘countervailing forces’, the unequalising tendencies reinforce each other. Essentially, initial inequalities are amplified in a pattern of circular and cumulative causation<sup>7</sup>. In equilibrium economics, a negative change in the economic system will lead to a countervailing tendency to reverse the induced change. Hence, if a factory closes workers are made redundant, the conventional economist’s response is that they will seek other work, if none is available, they will either start their own businesses or accept lower wages and hence attract investment which will provide new employment. In this way a new equilibrium is attained.

This does not happen: countervailing forces do not equalise conditions. On the contrary the system moves in the same direction. Areas suffering population loss

are illustrated in Figure 7. These areas had a continuous outflow of population which was not corrected by inward flows of investment. Social processes are cumulative: rich areas become more prosperous and poor ones become worse. This is illustrated above by the relationship between foreign investment and unemployment—investment is not attracted to areas of high unemployment. There is no stimulus for investment as the unemployed have low spending power and the lack of economic demand leads to decline in retail trade. There are important social consequences: the mental and physical health of the unemployed suffers, they incur debts, and their family life disintegrates. If there is free movement of labour, workers move elsewhere hence changing the age and sex structure of the areas of origin thus making the remaining labour force less viable.

Figure 7: Areas of Population Loss 1990–2011



The declining economy leads the tax income of government to fall concurrently with the rising social and economic needs of the depressed area. Governments then adopt ‘austerity’ measures thereby again lowering public welfare—educational levels fall, poverty increases. Social stress increases. The area becomes even less attractive for economic and social development. The market economic mechanism in poor areas leads to poverty, and unemployment stimulates emigration for those able to move. There were no countervailing movements of capital and consequent economic and social development to these regions.

To remedy the negative downward spiral, government intervention takes place with policy initiatives which seek to reverse the trend: public investment, support for private initiative, vocational training, and a modicum of income support—sometimes aided by charity. Invariably, such measures can only address limited aspects of

<sup>7</sup> Here I follow the reasoning of Knut Wicksell and Gunnar Myrdal, *Economic Theory and Underdeveloped Regions*. London: Duckworth, 1957. Wicksell correctly pointed to the self-sustaining and cumulative process of inflation, which was particularly applicable to the post-socialist economies in the early years of transformation.

the problem as unemployment and its consequences are structural in character and remain unresolved. From the point of view of economic doctrine, the private sector should drive the market, not the state. Government intervention is not an economic consequence of the market but an administratively induced programme to counter the downward spiral engendered by the market. The neo-liberal perspective regards such intervention as counter-productive and an obstruction to the market mechanism.

Poverty has no countervailing power: it gives rise to poor health and low productivity and thus poor areas have little attraction for investment. The dynamics of the free market give rise to greater inequality. Free movement of people, goods, services and capital does not lead to equalisation but continues trends in the same direction. The other side of the cumulative and circular paradigm is that rich areas become richer: they attract further investment which has a multiplier effect. Investment leads to employment and higher spending levels which attract workers and their families—immigration to prosperous areas rises. House building and retail trade are stimulated. Profits rise. The population structure is skewed towards the young and active, who require less state benefit. Such strata benefit and advocate more freedom. Political movements in rich areas, which transfer tax income to poor ones, experience opposition to redistribution. In this scenario, cities like Moscow become a centre of demonstrations for neo-liberal reforms—to reduce state spending and reduce taxes.

Labour moves from the undeveloped to the developed countries leaving the old and poor in the former. Labour pays the social cost for relocation. Rich areas are a magnet and draw qualified manpower. Capital moves to the rich areas because there is greater demand and they are economically and politically more secure. Hence free movement of labour, capital and services does not lead to an equalisation of conditions. On the contrary—the most favoured localities enjoy internal economies, are fortified by rising profits which attract bank loans and investment, and consequently enjoy continued growth and prosperity, while the least favoured localities stagnate.

From a developmental point of view, profitable investment is derived from exploitation of natural resources and the sale of consumer goods (expensive cars, kitchen appliances, mobile phones, coffee shops and top of the

market restaurants). The spending of economic rents by the rich leads to conspicuous consumption and the building of shopping malls which fuel, by example, the ethic of consumerism. A negative consequence is that social goods (public works, schools, health) are neglected. Moreover, privately owned profits, which could be used for internal investment, flow from the rich areas (Moscow, Sakhalin) to the economic havens outside where the same process is reproduced. The expatriate wealthy communities distort the housing market in their regions of settlement (e.g. London) and distort foreign markets—the lavish unbounded investment in the football industry by foreign oligarchs (e.g. Chelsea FC) creates unfair competition and an elite of super sports' companies. The circular causality, on a global scale, reinforces the vicious circle of power, wealth and success of the rich companies to the detriment of others.<sup>8</sup>

## Conclusions

The conclusions of this paper are that orthodox economic policies lead cumulatively to greater regional and social inequality. Cumulative circular causality, rather than reactive corrective causality is at the root of development and de-development. The post communist reformers have either rejected these arguments or were unaware of them and have advocated free market policies which are mediated to some extent by state involvement. Neo-liberal economic theory is an ideology which legitimates political power which, in turn, favours interests which gain from the operation of the market. State involvement can modify the outcomes of market policies. But it is powerless to reverse them as the economic instruments of private corporate property, working through the market, possess allocative economic power; the pervasive ideology of market consumer capitalism is also a form of political power delegitimising state coordination. An alternative ideology (involving greater state regulation through de-privatisation, the institution of a national plan which prioritises social and regional equality) is an essential requirement to advance different policies designed to stem the current trend to regional polarisation. Nothing less than a change in the ideological 'taken for granted assumptions' to embrace ideas of post-Keynesian socialism or some form of national organised capitalism is necessary to overturn the faulted neo-liberal models of free market competition.

### *About the Author*

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<sup>8</sup> See W. Arthur Lewis, 'Economic Development with Unlimited Supplies of Labor,' *Manchester School of Economic and Social Studies*, Vol. 22, May 1954. pp. 139–91.



## The Revival of Russia's Gubernatorial Elections: Liberalization or Potemkin Reform?

J. Paul Goode, Norman, Oklahoma

### Abstract

After an eight year pause, gubernatorial elections returned to Russia in 2012. Formerly appointed governors are now being put to the electoral test, and the Kremlin is discovering the extent to which it sacrificed effective regional leadership for loyalty to the federal center. It now finds itself on the horns of a dilemma: if it continues to heap blame on regional leaders for economic failures and declining trust in the country's political institutions, then the ranks of volunteers willing to serve as governor will dwindle. Yet if it seeks to attract capable candidates to stand for governor, it may be forced to decentralize power and to allow an opening of regional elections to more opposition candidates.

### Retreat and Retrenchment

Despite then-President Dmitrii Medvedev's notorious claim that it would be at least 100 years before gubernatorial elections would be restored in Russia, the mass protests following the State Duma election in 2011 prompted their return ahead of schedule. While this was an outwardly liberalizing move, the new legislation permitting gubernatorial elections (*Federal'nyi Zakon N 40-FZ*, May 2, 2012) made provision for a pair of so-called "filters" to prevent the appearance of "accidental" (*sluchainye*) candidates on the ballot. The "presidential filter" is exercised in the form of "consultations" conducted by the President with parties or with individual candidates. While these consultations are not required by law, the emerging practice is for Putin to meet with the heads of political parties to discuss their gubernatorial candidates. It is worth nothing that Putin meets only with the party leadership in Moscow rather than meeting with regional branches of political parties, and he sometimes meets with parties that have no presence in the region in question. In effect, this form of consultation continues the previous practice by which leaders of political parties in Moscow would nominate gubernatorial candidates—often overruling the preferences of regional party branches—and it gives the Kremlin an informal veto over any potential candidate.

The "municipal filter" has received a great deal more attention than the presidential filter. Potential candidates for regional governorships are required to obtain the support of 5–10% of local council deputies and elected municipal heads, spread across 75% of municipal bodies throughout the region, in the form of notarized signatures of support. The precise number of signatures is set by regional law, though most regions opt for the maximum of 10%. The total number of signatures a candidate may gather is capped at 5% above the required threshold, meaning in principle that no single candidate can soak up all the available signatures to squeeze out potential competitors. However, the dominance of governors over

local government means that opposition candidates still face an uphill battle in securing the minimum number of signatures to be registered. This point was made vividly clear in the September 2013 elections in Moscow and Moscow oblast', in which incumbents Sergei Sobianin and Andrei Vorob'ev (respectively) mobilized local deputies to ensure the registration of opposition candidates Aleksei Naval'nyi and Gennadyi Gudkov.

While the local council deputies or elected heads can only support one candidate, the law restoring gubernatorial elections does not stipulate how to manage situations in which local actors provide signatures in support of more than one candidate. Over the first two rounds of gubernatorial elections in October 2012 and September 2013, one finds multiple instances of candidates denied registration owing to the duplication of signatures from local deputies. In every case, the signatures have been counted in favor of the ruling party's candidate with the duplicate signatures subtracted from opposition candidates' petition for registration. There are no legal sanctions or repercussions for local actors who offer multiple signatures in support of candidates. Hence, the municipal filter creates at least two opportunities for incumbents to block opposition candidates: first, by pressuring local deputies not to provide signatures in support of a candidate (or to provide duplicate signatures) and, second, in the inspection of signatures by regional electoral commissions.

In addition to the presidential and municipal filters, the law restoring gubernatorial elections includes a few interesting wrinkles that may affect the Kremlin's ability to locate and secure effective gubernatorial candidates. First, governors are limited to two consecutive terms in office and the maximum term length is five years. However, term limits only apply from the law's adoption in May 2012, meaning that sitting governors' current terms will not count against them. Second, the law stipulates that any governor removed from office cannot run for governor in any region for at least two years. It further

specifies that a charge of corruption may serve as cause for dismissal under the foggy rubric of “loss of the President’s confidence.” Third, it creates a mechanism for converting appointed governors into elected governors if they leave office early, but only if they are appointed acting governor by Putin.

While the first round of gubernatorial elections in October 2012 went (mostly) according to plan, the Kremlin grew wary of the potential for gubernatorial elections in the North Caucasus to stimulate ethnic conflict. Putin singled out Dagestan as a region for which a non-electoral option might be beneficial, arguing that such an option would help to preserve indigenous power-sharing arrangements between Avars and Dargins. The non-electoral option was made into law in the spring of 2013, allowing regional parliaments to choose from a slate of gubernatorial candidates nominated by political parties. As with the nomination process for direct elections, any party—including those with no presence in regional parliaments—may nominate gubernatorial candidates. While the law does not specify that it is meant to apply solely to Russia’s ethnic republics, this meaning was made clear in Putin’s public comments. By contrast, Russian provinces were dissuaded from foregoing direct elections. In response to this disciplinary subtext, republican parliaments in Tatarstan and Bashkortostan refused to consider the legislation. Nor was the non-electoral option supported in Dagestan, as Magomedislam Magomedov openly supported holding direct elections as did the popular mayor of the republic’s capital, Said Amirov. Megomedov soon resigned and was replaced with the more pliant Ramazan Abdulatipov, who oversaw the adoption of the non-electoral option for the republic. Amirov was later arrested in June 2013. The non-electoral option further met with resistance in Ingushetia, as well, though both republics ultimately bowed to the Kremlin. In anticipation of the 2014 gubernatorial elections, North Ossetia moved in October 2013 to adopt the non-electoral option.

### The Naval’ny Effect?

When Boris Yeltsin’s appointed governors were put to the test in the first large round of gubernatorial elections in 1995–7, nearly two-thirds of his incumbents lost office. By contrast, it is particularly telling that none of Putin’s or Medvedev’s appointed governors have lost office in the 13 gubernatorial elections since October 2012. Moreover, each incumbent or acting governor has been elected on average with 70.6% of the vote, typically with fairly low levels of voter turnout (see Table 1).

The problem with this model is that it fails to improve on the previous system of gubernatorial appointments. The tendency towards appointing outsiders as governors in order to break up regional clans accelerated during

the Medvedev presidency, leading to nearly a wholesale replacement of Russia’s governors, including even powerful governors like Sverdlovsk’s Eduard Rossel’, Moscow’s Yuri Luzhkov and Tatarstan’s Mintimer Shaimiev. The rotation of regional outsiders into governors’ offices may have improved loyalty to the federal center, but one might easily mistake loyalty for dependence on the federal center. Indeed, the popularity of appointed governors declined at the same time that their performance was subject to increased scrutiny from the Kremlin. Little changed with the restoration of gubernatorial elections. Rather than leaving voters to judge a governor’s performance, the Kremlin places its favored candidate in the pole position and secures an uncompetitive field in advance of each election to guarantee the desired outcome.

As a result of the Kremlin’s attempts to manage gubernatorial elections, a genuinely competitive election actually appears as a failure for the regime. It is in this crucial sense that the Moscow mayoral election in September 2013 may serve as a watershed event. The election pitted Sobianin against opposition leader Naval’nyi in a bid to enhance the perceived legitimacy of the election. Naval’nyi ran an unexpectedly robust campaign and Sobianin’s lead dwindled to a bare majority—and possibly less, according to exit polls conducted by Naval’nyi’s supporters. While the Moscow election was hailed as a stirring confirmation of popular support for Sobianin (and, by extension, for Putin’s regime), it stirred memories of United Russia’s surprisingly poor showing in the 2011 State Duma elections. Moreover, it cast a shadow on every other gubernatorial election in which incumbents cruised to easy victories against token opposition. In future gubernatorial elections, incumbents now face a fundamental dilemma: seek to win a genuinely competitive election and thereby enhance one’s legitimacy, or conduct a perfunctory and unconvincing campaign with a guaranteed win but little in the way of job security.

From the center’s perspective, there is a rising crisis of legitimacy in the regions for which the most efficient solution—competitively elected governors—may also be the least acceptable. However, the Kremlin is finding that neither carrot nor stick may be a sufficient alternative to achieve its aims. In terms of oversight, Putin has turned up the heat on Russia’s governors. In spring 2013, he decreed that government ministers may propose that governors be fired from office—a measure that was framed as increasing regional accountability to the central government, though its practical effect may be to shift the procedural burden of removing governors from the Presidential Administration to Prime Minister Medvedev’s government. In addition to making corruption an explicit cause for dismissal, governors may also be held accountable for incidents of ethnic conflict

on their territory. Following the pogrom in Biriulevo on October 13, 2013, Putin directed governors to set up monitoring of inter-ethnic relations and to develop plans for managing inter-ethnic relations. Mayors may now be dismissed for failing to prevent ethnic clashes, and governors may not be far behind.

Given this degree of scrutiny, it is not surprising that the Kremlin is having a hard time persuading people to leave their federal jobs or State Duma seats to become governors. For the appointment to be attractive, prospective governors must have a real chance at improving regional economies. In this context, a revival of discussions about devolving power to regional governments is being pushed by Russia's government, led by Medvedev and First Deputy Prime Minister Igor' Shuvalov. In a meeting with Federation Council leaders on September 23, 2013, Medvedev suggested that the regions ought to determine which federal powers need to be transferred to the regions to facilitate investment and modernization, and even raised the possibility of returning to the practice of bilateral power-sharing treaties. Of course, combining real economic autonomy with genuine electoral mandates raises the prospect of a revival

of regionalism in Russian politics. There is little doubt that the Kremlin is deeply concerned about this possibility and incumbent campaigns since 2012 have carefully avoided any mention of regionalism that isn't commensurate with a broader patriotism.

Putin has publicly committed himself to continuing gubernatorial elections and any retreat from that position is likely to be interpreted as a public admission of failure. What remains unclear is whether the regime is genuinely willing to decentralize some power and risk some uncertainty in regional elections in exchange for enhancing its legitimacy on the national level. As former Finance Minister Aleksei Kudrin recently observed, the absence of clearly delineated powers for the regions allows governors to absolve themselves of responsibility for matters over which they have no authority while the president and parliament are "guilty of everything." In assessing this year's gubernatorial elections, the Kremlin claimed that the outcome of Moscow's election should demonstrate for the opposition the value of choosing systemic competition. The real issue is whether the same value can be demonstrated for Russia's governors?

#### *About the Author*

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*Table 1: Incumbent Votes in Gubernatorial Elections, 2012–2013*

Region	Incumbent/Acting Governor	Incumbent Vote	Turnout
Amur	Oleg Kozhemiako	77.28%	36.72%
Belgorod	Evgenii Savchenko	77.64%	59.49%
Briansk	Nikolai Denin	65.22%	47%
Novgorod	Sergei Mitin	75.95%	42.81%
Riazan'	Oleg Kovalev	64.43%	43.67%
AVERAGE 2012		72.1%	45.94%
Chukotka	Roman Kopin	79.84%	62.53%
Khabarovsk	Viacheslav Shport	63.84%	32.67%
Khakassia	Viktor Zimin	63.41%	36.3%
Magadan	Vladimir Pechennyi	73.11%	62.53%
Moscow	Sergei Sobianin	51.37%	31.54%
Moscow oblast'	Andrei Vorob'ev	79.05%	37.69%
Vladimir	Svetlana Orlova	74.73%	27.67%
Zabaikal	Konstantin Il'kovskii	71.67%	31.98%
AVERAGE 2013		69.63%	40.36%*

\*Turnout figures for 2013 do not include absentee ballots

## Russian Mayors Embattled

Joel Moses, Ames, Iowa

### Abstract

Russian mayors have become extremely vulnerable and embattled politicians throughout Russia over the past decade due to the pressure from appointed regional governors and the institution of a dual chief-executive city manager form of government in many jurisdictions. The governability of Russian cities as a whole has suffered with uncertainty about the long-term political effects.

### Cities at Risk

The most recent national unified day of regional and local elections in Russia this past September 8<sup>th</sup> held true to the outcome predicted beforehand with United Russia (UR) winning throughout the country in the contests for governor and regional-local assembly seats. The one noticeable upset to UR domination occurred in the Sverdlovsk regional capital of Yekaterinburg. Yevgenii Roizman, a charismatic community organizer of an anti-drug addiction NGO nominated by Mikhail Prokhorov's Civil Platform party, was elected mayor, defeating a UR candidate heavily backed by the governor. Given the political aspirations already associated with Roizman, his election as the chief executive of the 4<sup>th</sup> largest city in Russia with a population of 1.35 million particularly stands out, elevating Roizman to something of a national political icon.

Whatever Roizman's aspirations, however, his real challenge remains the office of Russian mayor as an unlikely pathway to any future national prominence. Over the past decade, mayors throughout Russia have been politically marginalized. First, winning the office in directly contested elections does not ensure many mayors even the ability to serve out their terms, particularly for those non-UR affiliated mayors like Roizman or UR mayors who buck the establishment and their governors while in office. Second, any authority which the office of mayor holds has been undermined by the imposition of a bifurcated chief executive at the local level. A second chief executive, the city manager, is vested with direct control over the budget and city personnel in a majority of Russian cities including Yekaterinburg. The effect of both these trends has been a high turnover of mayors throughout Russia and a crisis of divided leadership over the control of city governments, with their city councils stalemated and local economic-political elites polarized. At direct risk is erosion of city government legitimacy and the further deterioration of vital services upon which all Russians remain dependent.

### Political Marginalization

With the demise of the Soviet Union in 1991, mayors directly elected by the voters of Russian cities were a rel-

atively new phenomenon. The collapse of the Communist political system required an office to oversee city governments and maintain a vestige of stability and order in the transitional chaotic era of the 1990s. Several cities on their own in 1994 adopted charters authorizing the direct election of what in the United States would be termed "strong mayors" with the authority to make city policies, run city services, and implement the actions legislated by their councils. Under federalism in the 1993 Russian Constitution, local city governments at least nominally constitute a separate level of government from the federal and regional levels. In 2003, a federal law on local self-government systematized the powers allocated to cities and provided Russian locales a range of options in writing their charters. The federal law on local self-government has been periodically amended by the Russian national parliament since 2003 to provide a semblance of uniformity throughout Russia with additional limitations and requirements local governments are expected to adopt in revising their own charters.

The problem is that Russian locales and their elected mayors never have been independent from the federal center. Both have been especially victimized by the authoritarian vertical power which President Vladimir Putin has extended throughout Russia over the past decade. When Putin cancelled the elections of governors at the end of 2004, the governors effectively appointed by him and later President Dmitry Medvedev only aggravated the conflict between governors and the elected mayors of regional capitals. The conflict pitting governors against regional capital mayors already had developed as a principal fault-line of post-Soviet Russian politics in the preceding decade.

Appointed governors have been evaluated in the Kremlin by their ability to manage their regional economies and manufacture favorable electoral outcomes for United Russia and Putin in presidential, State Duma, mayoral, and regional-local council elections. Mayors directly elected every four years base their own support on long-nourished ties with local economic elites. They lead communities with the largest proportion of the entire regional voting population. And they oversee the largest sectors of the regional economy generating the

most tax revenue. As such, elected mayors in capitals and the largest regional cities have an inherent political and economic base threatening unelected governors. The threat has only been magnified by the resentment of the public and local economic-political elites against several “outsider” (*varyag*) governors appointed without any prior association or personal ties with their regions over the past decade.

Governors have countered mayors by encouraging conflict and polarization. The governors have mobilized anti-mayor deputy factions on the councils and in the UR regional leadership, promised deals to wealthy and influential local economic interests in exchange for their support, and induced local police and court officials to launch investigations of malfeasance and corruption in the city administrations. In applying pressure against mayors, governors have adopted a range of measures. The regional government can cancel financial support for city projects and cut or delay funding from the annual regional budget for city transportation and street repair. United Russia can expel mayors from the party, even if they were originally elected as the UR candidate. Regional public utilities, claiming overdue payments by the city government, can reduce or shut off heat, water, and electricity for their constituents. Votes to remove mayors from office for “unsatisfactory performance” after their annual reports can be sponsored by the pro-governor UR deputies on their city councils. This virtual “state of war” by governors against mayors has undermined any effectiveness of city governments already crippled by limited tax revenue and their own inherent incompetency and corruption. The public vitally dependent on services provided by those city governments have suffered as the collateral damage from this dysfunctional conflict and polarization.

### City Managers and Mayoral Turnover

Not least, governors since 2004 intent on removing mayors or otherwise politically neutralizing their threat have been aided by an option of a dual-executive form of government included in the 2003 federal law on local self-government, promoted by the Ministry of Regional Development, and adopted widely throughout Russia over the past decade. The office titled “mayor” (*mer*) in regional capitals has become in effect chair of the city or municipal district council, indirectly elected by a majority of the council deputies and vested with the general policymaking authority to represent the jurisdiction.<sup>1</sup> The second chief executive or head of the city (*glava*) is

the equivalent of the “city manager” (*siti-menedzher*) in Western parlance. The head-city manager is the effective economic mayor of the city budget and city administration, overseeing all municipal departments and personnel under deputy mayors, selected by a vote of the council deputies for mostly two-year renewable contracts, and chosen from nominees vetted by a commission with at least some of its members appointed by governors.

The actual policymaking authority for a council chair-mayor relative to the total direct control of city departments and the budget under the head-city manager may vary among cities. But it allows governors an indirect means to take over the city financial and electoral base by placing their political loyalists in the key positions of city manager and council chair-mayor, eliminating the threat posed by directly elected strong mayors. Over the last few years, strong mayors in regional capitals like Nizhny Novgorod, Yekaterinburg, and Volgograd who opposed city-manager government were pressured to resign, voted out by their councils, fired by their governors, or criminally charged and imprisoned, as in Smolensk and Petropavlovsk-Kamchatskii. By September 2011, 44 percent of all 83 regional capitals already had instituted a bifurcated chief executive. By June 2012, an estimated 85 percent (10,600) of mayors in all Russian municipalities were indirectly elected by their councils with economic chief executive responsibilities vested in city managers.

Despite its widespread application, there has not been complete uniformity among Russian cities adopting a bifurcated chief executive with a city manager. Siberia and the Far East, always renowned for their more populist democratic cultures, include many cities like the regional capitals Krasnoyarsk, Novosibirsk, and Vladivostok that resist any charter revisions to eliminate their directly elected mayors even though a majority of city council members represent UR. The European areas of Russia to the Urals have been the cities most likely to adopt city-manager reform in their city charters; the areas east of the Urals from Siberia to the Far East have been the cities most likely to retain directly elected strong mayors.

The cities with strong mayors in Siberia and the Far East have been the notable exception over the past decade. Governors motivated to assert their authority over city administrations have accomplished it by forcing city-manager government in their regions. The result has been a very high turnover of Russian mayors who have been forced out of office before the end of their elected terms, with a “mayor-less” (*bez mera*) political leadership void almost a norm in more cities.

Just from February 2010 through September 2013, 25 of all 81 regional capital mayors in Russia (31%)

1 Kaliningrad and Yekaterinburg to date are the only regional capitals directly electing their council chair-mayors. In some cities, the council chair-mayor is interchangeably and conventionally termed the city “head.”

failed to serve out their elected terms.<sup>2</sup> They resigned, were voted out by their councils, or were fired by their governors for violating their official legal responsibilities.<sup>3</sup> Over the same period, an additional 24 mayors, many of prominent large cities, suffered a similar fate of forced resignations and ousters in regions like Rostov (Novocherkassk) Irkutsk (Bratsk), Samara (Syzran), and Novosibirsk (Berdsk). Of all 49 mayors, 14 lost their offices after they were arrested for crimes ranging from bribery to murder. Nor have city managers, mostly former UR council deputies or regional officials, fared any better. As reported in the Russian media, an increasing number of city managers have been arrested for swindling and even murder, leaving their cities “head-less” (*obezglavennii*) and eroding any semblance of honesty and professionalism for an office modeled after United States and Western European city administrations.

At an extreme, the million people of the regional capital and national hero-city Volgograd have been “mayorless” and “head-less” over the past three years. A former governor, who fired their mayor in February 2011 and pressured the city council to adopt a dual-executive city administration despite widespread public and city council opposition, was himself fired by President Medvedev in January 2012. He was replaced by a governor who supports reinstating a directly elected mayor in the capital against a council distrustful of him as an outsider from Astrakhan and split by factions among its UR majority. Opposition political parties and even some UR deputies reject the legitimacy of a mayor indirectly chosen by its UR majority even after the entire Volgograd council was just re-elected on September 8<sup>th</sup>. In limbo remains the council choice of a city manager, still unfilled since 2011, and council sentiment to revise the city charter back to a pre-2011 single mayor directly elected by voters in the next citywide election of 2018.<sup>4</sup>

2 81 excluding the federal city districts of Moscow and St. Petersburg, although President Medvedev fired Moscow Mayor Luzhkov (2010) and St. Petersburg Governor Matviyenko (2011) resigned in the same time-period.

3 2010: Smolensk, Tula, Blagoveshchensk (Amur), Murmansk, Barnaul (Altai), Yekaterinburg (Sverdlovsk) and Nizhny Novgorod. 2011: Belgorod, Vladimir, Kostroma, Volgograd, Tula, Petropavlovsk-Kamchatskii (Kamchatka), Ulyanovsk, Krasnoyarsk, Bryansk, Yakutsk (Sakha). 2012: Orel, Ryazan, Stavropol, Kemerovo. 2013: Voronezh, Makhachkala (Dagestan), Yaroslavl, Tomsk.

4 With a Volgograd council split by factions since 2011, a series of deputy mayors have been reassigned by consent “acting” city manager to run the city administration. Only by November of this year has enough consensus even formed on the council to appoint members for an actual commission reviewing city manager candidates and presenting the finalists for a majority vote as the legally empowered city head under the charter.

## Political Uncertainty

The political blowback has been a wave of citizen-initiated spontaneous and uncoordinated protests and grassroots organizations throughout Russia. Unrelated to the national democratic opposition movement, these protests and organizations defy the stereotype of an apathetic Russia public, targeting specific failures of local governments in handling the most basic daily concerns which Russians face in utilities, pollution, street repair, traffic congestion, public transportation, snow removal, and garbage collection. There also has been an irrational new fear with racist overtones among citizens about street crime and gang violence associated with the influx into Russian cities of 11.2 million migrants, mostly from the former Soviet Central Asian republics along with those from Russia’s own North Caucasus. It is a fear only heightened by weak and divided local chief executives seemingly unwilling or unable to protect citizens and, by default, encouraging anti-migrant vigilante groups.<sup>5</sup>

These protests and grass-roots organizations are unlikely to subside. The national in a political sense has become local as a direct consequence of the crisis in city leadership. As never before, conditions have produced the incentives for a new younger generation of anti-establishment leaders in their 30s like Roizman, Aleksei Navalny in Moscow, Yaroslavl’ mayor Yevgenii Urlashov, and others yet unknown emerging in many areas of Russia and riding the crest of this localized popular discontent.

The Putin leadership has not been indifferent to the crisis of city government and leadership and to the threat posed by localized protests and a new generation of anti-establishment leaders even before Putin won his 3<sup>rd</sup> term as president in 2012. While campaigning, Putin promised a major priority of his presidency would be restoration or retention of directly elected mayors, particularly in all regional capitals, to enhance the greater political independence and budgetary solvency of Russian cities. Two months after his election, the Russian Ministry of Regional Development posted a draft model bill on its webpage for consideration by the Russian parliament. By June 2012, a presidential-sponsored draft bill was under consideration by the State Duma, offering a greater range of options for all cities and municipal districts to adopt reinstating some form of directly elected mayors.

Over the last few months of Medvedev’s presidency, newly appointed governors to regions like Volgograd

5 The federal response ironically makes mayors even more politically vulnerable with a law now signed by President Putin after the October anti-migrant riot in the Biryulyovo district of Moscow holding both mayors and governors directly accountable for inter-ethnic relations in their locales.

in early 2012 already echoed this new federal mandate restoring directly elected strong mayors as a fundamental difference from their predecessors. The new appointees conspicuously included Viktor Basargin, the most recent Russian Minister of Regional Development, now appointed Perm' governor. As governor, Basargin denounced city managers once trumpeted by his former ministry as a flawed reform and endorsed restoring the directly elected mayor of the Perm' capital. In effect, Basargin has aligned himself with local human-rights activists, who unsuccessfully opposed the dual-executive city manager government just instituted in late June 2010 for the capital.

Notwithstanding initiatives by other governors to restore directly elected mayors, Putin's draft bill has been effectively tabled with little likelihood of its imminent passage by the Russian parliament 18 months after it had been posted on the Ministry webpage. In Yekat-

erinburg, Mayor Roizman confronts a reality in which the UR dominant city council will appoint a city manager likely selected by his arch-rival Sverdlovsk governor to block his authority and to render his election somewhat meaningless. The city-manager reform had been imposed on Yekaterinburg by a former governor as recently as October 2010, ending the reign of the long-term popularly elected strong mayor Arkadii Chernetskii. In Yaroslavl', Mayor Urlashov, who won election in May 2012 as an anti-establishment candidate promising repair of city streets, already has been arrested and removed from office in July 2013 on what seems a contrived charge of soliciting a bribe from a road-repair company executive closely tied to the local UR leadership. Thus, all Russian mayors like Roizman remain vulnerable and embattled with the governability of Russian cities at stake.

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## ANALYSIS

### Corporate Power and Urban Policy in Norilsk

Colin Reisser, Washington, D.C.

#### **Abstract**

Norilsk is a typical monotown in that the predominant company Norilsk Nickel essentially holds all power. The local government merely implements corporate policy decisions. With the collapse of state subsidies for northern cities, Norilsk Nickel is trying to shrink the population of the city, relocating residents who are not essential to mining and production operations. The result is that the city will provide fewer services to its inhabitants and will not pursue efforts to diversify.

#### **Typical Monotown**

Norilsk is a unique urban center in the context of Russian resource cities. With 175,000 inhabitants, it is the second largest city north of the Arctic Circle (after Murmansk), and one of the largest cities in northern Siberia.

The city typifies the classic post-Soviet "monotown" in many respects, with the Mining and Metallurgical Company Norilsk Nickel being the only major economic presence in the city. The disappearance of crucial state subsidies in the 1990s has meant that Norilsk Nickel has had to provide many of the formerly state-run social services, adding to the company's financial burden.

While the shrinking population is commonly viewed as a negative consequence of economic decline and

deindustrialization in Russia, the budgetary policy of Norilsk's local legislature indicates that Norilsk Nickel is pursuing a smaller population and a fundamental shift in the nature of the city's work force. Interviews with representatives of the city's Chamber of Deputies reveal that plans outside of the company's long-term strategy are not particularly feasible, as the Chamber has little independent power. Given the company's dominance, both financially and institutionally, its concerns are almost certain to overshadow those of the local population in the city government policy-making process.

#### **Governance**

As in many Russian urban centers, Norilsk's governance

is opaque, increasingly centralized, and dominated by the interests of a few key stakeholders. The municipality has status as an independent city within Krasnoyarsk Krai, giving the municipal government a large degree of control in principle. However, due to the political importance of Norilsk's metal deposits and the dominance of Norilsk Nickel within the city, the structure of the city's budget and Chamber of Deputies makes it clear that the company is the primary power-holder.

After territorial restructuring in Krasnoyarsk Krai in 2006, the satellite settlements in the Norilsk Region were integrated into a larger agglomeration, which is now run centrally from Norilsk itself. This process of centralization has, in Norilsk's case, furthered the concentration of power in company hands, rather than allowing a more democratic delegation of decision-making to the local populations.

The Norilsk urban agglomeration includes the city of Norilsk proper (population 105,792), as well as the satellite settlements of Kaierkan (22,334), Talnakh (47,175), and Snezhnogorsk (888). Prior to the 2006 territorial reorganization, the satellite settlements were run more independently, though they were still part of the Norilsk Region, which is directly subordinated to Krasnoyarsk Krai. Structurally, the leadership of the agglomeration is comprised of a 35-member Chamber of Deputies, which includes the mayor. The towns comprising the agglomeration are proportionally represented in the Chamber, giving them a degree of control over policy. The current system contrasts with the previous system, in which each town had its own mayor; now, the chamber is run by one head (*glava*), with a vice-head for each of the satellite towns.

Deputies are appointed by the head for five year terms, and the head is selected by the Chamber. Chamber membership is comprised of the three major Kremlin-friendly parties, with 27 (78%) members of United Russia, 4 (12%) LDPR, 3 (8%) A Just Russia, and 1 (2%) independent. The lack of opposition party representatives in the chamber seems to be a consequence of the direct appointment system. Seats in the Norilsk Chamber of Deputies have not been specifically reserved for company representation (which stands to reason, given that Norilsk Nickel is a private company, so overt control would not be given to it, at least officially). Rather, the overwhelming preponderance of Norilsk Nickel-affiliated citizens and officials in the region has effectively ensured that almost all deputies are directly or indirectly affiliated with the company. With most economic activity and the majority of jobs coming from the company, it seems unlikely that anyone could be appointed without tacit approval from Norilsk Nickel. The degree to which the company influences local policy is not clear

from interviews, yet deputies indicated that the mayor's primary job is to interface with the company on matters of policy, and that the personal nature of connections ensures that Norilsk Nickel is a gatekeeper to the political process.

## Budget

For a monotown such as Norilsk, budgetary analysis is a helpful tool for determining the balance of power between stakeholders, such as the municipal Chamber of Deputies, the corporation, and regional and federal governments. Within Krasnoyarsk Krai, Norilsk holds a special status as the largest single economic engine, which, combined with its autonomy within the krai, gives it a degree of economic and political independence.

The economic situation of Norilsk, like most Arctic cities, as well as most monotowns, has changed drastically since the collapse of the Soviet Union (and thus the collapse of the system of monetary support for large-scale urbanism in the Arctic). The loss of much state support for the system of northern benefits (the state wage subsidies to encourage workers to move to and remain in the Arctic) and the northern shipment (the state subsidies for provisioning northern cities that lack permanent transport infrastructure) has transferred the economic burden to the now-private Norilsk Nickel corporation which, unlike the Soviet state, has little interest in maintaining the city of Norilsk as a large urban center.

Consequently, the last two decades of budgetary changes are emblematic of the company's continuing goal to shrink the population of the city, remove unnecessary social services, and transition the city's economy to more closely approximate the shift work (fly in/fly out) model used so widely in the oil and gas centers of Western Siberia.

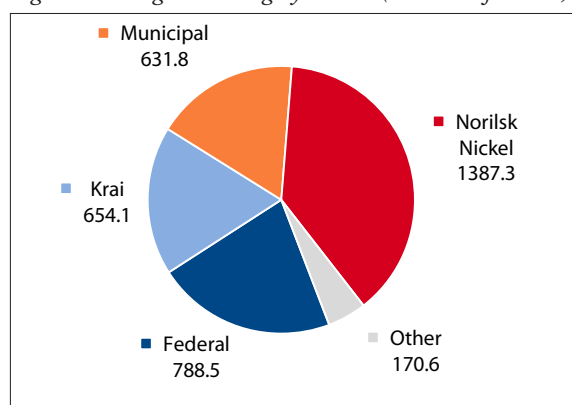
After the loss of most subsidies in the 1990s, Norilsk's municipal budget has shrunk, with much of the loss being made up for with direct funding from Norilsk Nickel. As the primary economic engine of the city, Norilsk Nickel has a vested interest in providing for its workers and business interests. Even within Krasnoyarsk Krai, Norilsk is the largest single economic earner, generating 45% of all tax revenue at the Krai level, according to representative Oleg Lobanovski. This massive economic leverage gives the company a large degree of control over local policy, as can be seen in the priorities of local policy funding.

According to the 2013 city budget, social spending in Norilsk is divided into 24 "Long Term Municipal Target Programs" (DMTzPs), which provide for infrastructure spending, healthcare, pensions, youth programs, and demographic initiatives. Funding for these programs is derived from the municipality, Krasnoyarsk



Krai, the federal government, and Norilsk Nickel. Figure 1 illustrates a detailed breakdown of these sources. Norilsk Nickel is the largest contributor to the city budget, with 38%, while the municipal government, Krasnoyarsk Krai, and the Federal government all provide around 20% each.

Figure 1: Budget Funding by Source (millions of Rubles)



The DMTzPs are divided into a further five subcategories: demographics, youth, “Care and Help,” “New Home,” and “Our City.” The differential funding of these categories sheds some light on the policy priorities of Norilsk leaders (see Table 1). Demographics programs, consisting of a continuing program to relocate non-working citizens to other regions of Russia and a business development program to attract qualified specialists, are the primary focus of corporate and federal funding, receiving just over 10 percent from the municipality and the Krai. In contrast, the youth programs, “Care and Help” (social support, pensions, disabled access), and “New Home” (housing relocation assistance, youth housing provision) categories receive no federal or corporate funding at all. Such funding levels are inadequate considering the current population; dilapidated housing is a consistent problem in particular. While the Russian national housing stock consists of 3 percent dilapidated buildings, that share nears 25 percent in Norilsk. The breakdown of funding in these

Table 1: DMTzP Program Funding by Source (millions of Rubles)

Program	Federal	Krai	Municipal	Norilsk Nickel	Other	Total
Demographics	728.47	102.48	64.61	682.67	-	1,578.24
Youth	-	28.68	218.97	-	-	247.66
Care and Help	-	-	179.02	-	5.95	184.97
New Home	-	5.94	5.79	-	-	11.73
“Our City”	60	517	163.42	704.57	164.68	1,609.68

categories reflects a number of realities and priorities that most monotowns, especially those in the Arctic regions, face within Russia.

## Analysis

In general, monotowns in Russia have faced a number of serious challenges in the post-Soviet period, making it difficult to strengthen local economies, provide sufficient social services, and maintain housing and infrastructure at a base level. Norilsk reflects many of the monotown trends described by the World Bank in 2010, yet its Arctic geography and particular economic niche give it a unique place as well. Where many monotowns have faced serious economic downturns due to dropping commodity prices and market fluctuations, Norilsk’s high value mining resources have kept Norilsk Nickel among the five largest Russian companies by market capitalization, with Norilsk’s own output comprising the largest corporate source of income.

While Norilsk Nickel has maintained profitability since its reorganization in 2003, the city of Norilsk itself retains many inefficiencies and economic misallocations. As the above budget breakdowns demonstrate, Norilsk Nickel, like many other companies in monotowns, has been forced to take over financial responsibility for much of the social spending that had previously been the domain of the Soviet state, and as a consequence, the company is not inclined to pay for services that it does not see as reinforcing its best interests. The municipality, according to independent representative Dmitry Dubrov, has a broader array of concerns, yet it lacks the financial independence to create meaningful policy.

Of the total agglomeration population of nearly 180,000, around 80,000 citizens work directly for Norilsk Nickel, demonstrating the firm’s overwhelming dominance in the local economy. Reflecting the idea that many monotowns have excessive population, Norilsk Nickel officials have indicated that technological progress and restructuring are continuing to reduce the labor demands of the company, meaning that the total necessary population (from the standpoint of the company) will continue to shrink. In 1996, for example, the firm employed 122,000 people, shrinking to 84,000 by 2001, to below 80,000 today. In line with the company’s labor demands, the city’s population has also shrunk prodigiously in the last two decades, from a high of over 250,000 in 1989 to the current level of just under 180,000, one of the largest declines in Russia for a city of its size.

Since many workers with a higher degree of economic mobility left the city in the first decade of the post-Soviet era, those who remain are generally older and less financially able to relocate. Consequently, the demographic relocation program funded largely by Norilsk Nickel and the federal government aims to provide assistance to further reduce the city's population (and thus the strain on infrastructure and social services).

According to city officials, the company strongly supports demographic relocation programs to reduce the city population with the aim of converting Norilsk into a non-permanent destination where skilled workers can live for short periods of time, rather than continuing to function like a larger city in which workers can retire.

Because of the harsh conditions and high costs of maintaining a large urban environment in such a remote location, this demographic model would have the city operate in a manner more closely approximating long-term shift work, meaning that the company would have to provide a minimum of social services and municipal assistance, while workers could minimize their living time in such a harsh location. As its budget priorities demonstrate, Norilsk Nickel primarily directs its funding to push the city further towards a smaller population of skilled workers, while it does not subsidize expanding other social services that might encourage non-company residents to remain permanently. According to city chamber members, Norilsk Nickel's control over the municipal government, while not official, is so great that there are no initiatives to diversify the economy or expand social services for the population as a whole.

Although shrinking the population and reallocating resources elsewhere fits the recommendations advocated by Clifford Gaddy and Fiona Hill, some local residents and representatives of the World Bank claim that monotowns and Russian Arctic cities should pursue economic diversification and social improvement. Although the development of Norilsk does not make sense from the perspective of market economics, economic redevelopment could help to alleviate local problems by harnessing market forces. Some communities in Murmansk Oblast, for example, have begun to encourage diversification and move their economies away from dependence on a single-industry.

This approach certainly appears to be less socially destructive, as it would attempt to preserve commu-

nities and societies as they are now. Despite this, there appear to be few benefits to companies like Norilsk Nickel, which would, until a sizeable tax base is built up, be effectively compelled to provide the infrastructure and social spending to continue support for a larger city.

According to the head of Talnakh, Oleg Lobanovski, no plans for economic diversification have been considered in Norilsk. Up to this point, small businesses are permitted to operate, but their success or failure is left entirely to local market conditions and entrepreneurial networks, with no governmental assistance.

Especially important in the scheme of economic diversification is the situation regarding "Northern Benefits." Norilsk Nickel employees receive a salary supplement for living in the Arctic, as do workers for the city (which is incidentally the largest single drain on municipal funds: 60 percent of the city's budget in total is spent on northern benefits for city workers). Because smaller businesses are unable to afford the cost of providing northern benefits, and the fact that there are no state or private subsidies available to pay them, the business climate for new entrepreneurs is quite limited.

In general, the budget priorities of the Norilsk government align well with statements from city officials that the city is attempting to shrink the population and establish an informal "company only" policy for development in the city. Norilsk Nickel's enormous economic power within the city is clear, and it seems rational that its institutional connections ensure a secure hold on the policy direction pursued by the Chamber. As long as Norilsk Nickel is interested in maintaining the city purely as a type of long-term shift work center, rather than encouraging a redevelopment of the Soviet ideal of an Arctic metropolis, these policy directions are likely to continue unabated. Fittingly, the Russian Arctic Strategy through 2020 describes the Arctic as a resource base for the country, without emphasizing any sort of urbanization or redevelopment merely for the sake of development (as had been the case in the Soviet period). While city officials in Norilsk were unaware of any implementation of the 2020 strategy for Norilsk in particular, it seems reasonable to conclude that as long as Norilsk Nickel remains a major resource producer and economic actor in Russia, its operations in Norilsk will be allowed to continue more or less as they have for the last decade.

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*See overleaf for related reading.*

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