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IRIS-APR-95-007

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REEXAMINING RUSSIA INSTITUTIONS AND INCENTIVES

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IRIS Reprint No. 61

This publication was made possible through support provided by the U.S. Agency for International Development, under Cooperative Agreement No. DHR-0015-A-00-0031-00.

The views and analyses in the paper do not necessarily reflect the official position of the IRIS Center or the U.S.A.I.D.

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Reprinted from the *Journal of Democracy* Volume 6, Number 2 April 1995, pp. 46-60.

Reexamining Russia

INSTITUTIONS AND INCENTIVES

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Can Russia become a stable liberal democracy? Are there ways to end the conflicts that seem a permanent feature of Russian politics? Will the new constitution adopted in December 1993 bring order to relations between the executive and legislative branches and to the making and enforcement of law? Does the bloody strife in Chechnya, where Soviet flags once again fly from tanks and armored personnel carriers, presage a repeat of Russia's historical experience with political reform, with democrats once again driven into authoritarianism's iron embrace?

At present, pessimistic answers to these questions seem better grounded than optimistic ones. Democratic reformers, stunned by their poor showing in the December 1993 parliamentary elections, seem unable to coalesce, while nationalists and fascists marshal their forces to seize power through Russia's infant democratic institutions. Political maneuvering proceeds in a manner barely contained by law; even some of those once counted among democracy's staunchest defenders have resorted to undemocratic tactics when it suited their purpose. No longer are people concerned with lofty democratic ideals; instead they focus on mere survival, with those able to do so grabbing all the wealth they can. The anarchy of day-to-day business dealings is tempered only by the *mafya*, whose contract-enforcement capability, though based on criminal violence, goes unchallenged by the state. With plummeting production fueling demands for subsidies to inefficient industry, comparisons with Weimar Germany are not entirely far-fetched.

Indeed, the marvel of the December 1993 elections is not that democratic reformers did so badly while Vladimir Zhirinovskiy did so well, but that the fascists, ultranationalists, and hard-core antireformists somehow failed to secure outright control of the new legislature.¹ Is Russia trapped in some terrible equilibrium that can only be escaped by a passage through more dangerous turmoil or a retreat from liberal democracy? Even the possibility should be enough to impel democrats in Russia and abroad to start looking for another way out.

Although most of those concerned with ex-Soviet states pay lip service to the proposition that economic reform and political reform are tightly interdependent and must proceed together or not at all, the two are in fact often dealt with as though different principles guide each. This is a grave mistake, for the same basic principle must guide both.

The economic reformer formulates strategy in terms of laws regarding private property, banking, and contracts, as well as government policies regarding tariffs, taxes, privatization, borrowing, and subsidies. Economic reformers of every stripe understand that changes in law and policy must be guided by a common principle—namely, that socially desirable outcomes cannot be wished into existence, but depend on the ways in which governmental actions and the structure of economic institutions channel individual self-interest. Decrees and exhortations cannot make people work, save, invest, or invent. Instead, they need incentives (Adam Smith's "invisible hand") to do these things in natural and self-sustaining ways. Intelligently designed public policies and economic institutions are needed if reform is to give people an immediate self-interest in working, saving, investing, and inventing.

The Significance of Self-Interest

Although the methods for best applying the principle of self-interest in economics may be imperfectly understood, they seem pellucidly clear when compared to knowledge of political reform. Like the transition to markets, the transition to democracy depends on the design and handling of institutions—in this instance, rules of legislative representation, electoral laws, and constitutional allocations of power—that give people an immediate self-interest in pursuing certain types of actions and outcomes. For a democracy to be stable, moreover, its institutions must be crafted to give those who might destroy them an incentive not to do so.

The Framers of the United States Constitution had a keen sense of the political (to say nothing of the economic) significance of self-interest that contemporary Russian leaders would do well to emulate. James Madison displayed this famously in *Federalist 51* when he wrote that "the great security against a gradual concentration of the several powers in the same department, consists in giving to those who administer each

department, the necessary constitutional means, and *personal motives* to resist encroachments of the others. . . . Ambition must be made to counteract ambition. The interest of the man must be connected with the constitutional rights of the place."²

This principle of prudently deployed self-interest has so far been the great missing ingredient in Russian political reform. Instead of building a sensible incentive structure to support stable democratic institutions, Russia's democrats have opted for a naive, populist version of democracy featuring crude demarcations of power between Moscow and federal subjects, a simplistic view of presidential leadership, and parliamentary-election procedures that try to be all things to all people.

Perhaps this is not surprising, for while the known economic laws of supply and demand, market efficiency, and market failure compel a daily appreciation of their relevance, fewer such laws have revealed themselves so forcefully in politics. Economic errors allow for continuous refinement and adaptation of both theories and practices, whereas political mistakes often become manifest too late or under circumstances too complex and exigent to allow for learning and correction. This fact, coupled with the burden of an antidemocratic past, has meant that political reform in Russia is all too often viewed through the old lens of command and control, and that political power is all too often exercised crudely. Rather than study the complex and subtle ways in which democratic institutions shape incentives and sustain themselves over the long haul, Russian leaders have preferred to indulge in superficial manipulations aimed at securing immediate advantages for themselves and their factions.

Thus national party-list proportional representation (PR) is used to fill half of the seats in the 450-member State Duma not because of any view of how election laws influence the size, character, and behavior of political groupings, but because members of President Boris Yeltsin's entourage want the opportunity to sit in parliament at the head of some "party" or other. "Federal treaties" are negotiated between Moscow and the provinces not because they are a solution to the fragmentation of the Federation, but because they allow the negotiators to make bold claims about how much they are doing to aid the cause of stability. And the president predominates constitutionally over parliament not because of some coherent idea of the proper role of a chief executive, but because it was the Supreme Soviet (the State Duma's predecessor) and not the presidency that lost the great institutional power struggle of 1993.

If politics in Russia has sunk to the level of a mere war of personalities, as many lament, this debasement is but a symptom of the failure to realize that democratic political reform and market-based economic reform share the same underlying dependence on well-structured incentives. Hence the futility of any hope that new, more enlightened leaders or political parties can by themselves rescue the

situation. The actions of any new elites will respond to the same incentives that guide the actions of current elites: if the incentives remain defective, so will the actions. Comprehensive market failure cannot be corrected by replacing one set of CEOs with another set, and the case of failed (or missing) political institutions is no different.

Meaningful political reform, then, requires an appropriate ordering of incentives: it is preeminently the lack of such an ordering that now bedevils Russia's transition to democracy. Three problems in particular call for an adept touch:

1) the way in which the Russian constitution shapes presidential-legislative relations;

2) the general approach to federalism and the way that Moscow tries to meet demands for regional autonomy; and

3) the failure to understand either the determinants of party systems or the role of parties in facilitating the resolution of political conflict.

Although some might hold that each of these problems can be treated separately by a particular reform or constitutional amendment, the truth is that piecemeal reform will not solve the grave problems besetting Russian democracy. What is needed first of all is a careful look at the *institutional determinants* of incentives—especially the methods and timing of elections and the basis of representation in parliament—before we can see how other reforms might promote stability and a coherent democratic process. Unless these decisive institutional issues are properly settled, we can expect that:

- Both the president and various factions within parliament will claim national mandates, and although the absence of a coherent party system may preclude effective action in the Duma, all points of constitutional conflict between the president and parliament will be active ones;

- Political parties will not do much to protect regional autonomy, so power struggles between national and regional leaders will continue unabated; and

- Even though presidential candidates may emerge who are currently unassociated with any particular party in the Duma, parliamentary elections will serve largely as primaries in the quest for the main prize, the presidency. Parties will remain highly fragmented; the most successful will be those that are best able to frame emotional appeals to nationalism.

Executive-Legislative Relations

The provisions of Russia's new constitution, which was ratified by popular vote during the same 1993 balloting that produced the new bicameral parliament, promise to extend the executive-legislative conflict that precipitated Yeltsin's coup against the old Supreme Soviet. Parliament legislates, but the president can rule by decree in areas where

the law is silent. The president can veto acts of parliament; parliament can stymie presidential decrees by passing contrary laws, and if the president vetoes such a law, a two-thirds majority of both legislative chambers can override his veto. The president can hire and fire ministers, but parliament can pass a vote of no confidence in the government, in which case the president must either replace the cabinet or call new parliamentary elections. And although the 178-member Federation Council (parliament's upper house) expressly represents regional interests, the president can unilaterally overturn regional acts and laws in his role as "protector of the constitution."

These provisions reflect an extremely shallow understanding of the separation of powers, and place the president and parliament in direct opposition. (The former has the upper hand by virtue of his powers to dismiss parliament, call referenda, and act as constitutional guardian.) In a state with a smoothly functioning judicial system, the courts can sometimes resolve disputes between the other branches of government; in states with a well-developed civic culture, voters can do so as well. Russia enjoys neither of these advantages, and lacks the built-in incentives for compromise that characterize stable democracies. Thus the relative prospects of compromise and conflict depend largely on whether political leaders at a given moment believe that their individual purposes are best served by the one or the other.

To trace briefly the incentives affecting these leaders, it is reasonable to assume that, whatever their other aims, they all want to gain power and control government policy. Insofar as they abide by the rules outlined in the Russian constitution, they can achieve these goals only by securing the support of the electorate. Unfortunately for Russia, the details of the formal relationship between these aspiring or actual leaders and the voters militate against compromise and democratic stability.

The problem is not direct election of the president (with a runoff provision in case no candidate wins over 50 percent), but the electoral system used to fill the Duma. It is likely that the next elections to the Duma, scheduled for December 1995, will use the same procedures employed in 1993, with half (or two-thirds) of the deputies chosen in single-member constituencies and the rest by national party-list PR. Implemented ostensibly to facilitate the formation of national parties, to disadvantage opponents of reform with strong local support, and to help individual "democratic" candidates, this system evinces a poor appreciation of the incentives that national party-list PR sets up for deputies, and of how those incentives might engender conflict with any president. With one-third or half of all candidates for the Duma competing through national party-list PR, and with parliamentary elections slated to take place in December 1995, six months before the presidential contest, successful parties in the Duma can assert the same mandate claimed by the president—a mandate that Vladimir Zhirinovskiy

sought to appropriate with 23 percent of the December 1993 list-PR vote, and which anyone who heads a party with any larger percentage is certain to assert as his own. Thus the stage will be set for more conflicts and crises.

Stable democracies avoid conflict in one of two ways. In presidential systems like that of the United States, legislators are elected from geographically defined constituencies, a structure of representation that dilutes the legislature's claim to a national mandate and gives individual legislators a primary interest in satisfying the voters back home. Even if the legislature is controlled by a party other than the president's, a president who claims a national mandate need not find himself locked in irreconcilable conflict with the legislature. Compromises can be reached via side bargains that link the president's national policy objectives to the specific interests of local constituencies.

Parliamentary systems represent a different approach to fostering compromise. Regardless of the way in which parliament is elected, and regardless of what mandate parties may or may not claim, the powers of the chief of state (whether a president or a constitutional monarch) are weak and the executive branch is, by definition, a creature of parliament. Real executive power rests with a government headed by a prime minister and cabinet sanctioned by parliament. Typically, a parliamentary vote of no confidence can bring the government down and necessitate the formation of a new cabinet or the holding of new elections. Although a directly elected chief of state may also claim a mandate if, say, an emergency arises, conflict is normally avoided by the chief of state's extremely limited involvement in general executive and legislative functions.

Whichever of these two forms of government may in principle be best for Russia—and respectable cases have been made for each—the sad truth is that the country has made the severe mistake of trying, in effect, to have both at the same time. The powers of the Russian presidency are indeed exceptional, but that presidency coexists uneasily with a parliament that, in addition to its normal lawmaking function, can decide whether the existing constitution is to be permanent or merely transitional, can lay down the rules that govern the president's emergency powers, can limit his authority to call referenda, and has some nominal control over the government itself (via the threat of a no-confidence vote).³ This is a political structure that closely parallels the one employed in Weimar Germany, with all the dangers that portends.

Federalism

In the final analysis, the Duma is still in a fairly weak constitutional position vis-à-vis the president, which might serve to moderate conflict between them. Moreover, out of the 622 legislators in the two chambers,

397 have been elected from geographically distinct constituencies consistent with Russia's preexisting federal structure. Thus the motivations of a majority of deputies will derive ultimately from local constituency concerns. This raises the question of federalism, or more specifically, of whether federal institutions are consistent with representative structures.

With the possible exception of legislative-executive conflict, no issue in these early and uncertain days of Russian democracy has been more prominent than that of federalism, especially as it touches on the status of Russia's ethnic republics. Who is to control Russia's vast resources, and who is to oversee privatization of state property? Are the republics sovereign, able to conduct their own foreign policies or even secede from the Federation? What power does Moscow have over the existence of regional soviets? Whose laws are supreme, and in what domains? Should Russia's federalism be symmetric, or should the ethnic republics, which historically have enjoyed greater autonomy than the other parts of the Federation, be treated differently?

Without trying to specify the form of federalism that Russia should choose, three observations may be offered concerning the constitutional bargain that was ultimately struck and the negotiations that preceded it. The first is that formal talks with Russia's ethnic republics focused on a federal treaty that mainly just listed jurisdictions that belonged exclusively to Moscow and jurisdictions to be shared by Moscow and the republic governments (a residual-powers clause, now part of the constitution, is largely meaningless owing to the comprehensiveness of the other jurisdictional clauses). Second, all the republics demanded that they be identified as "sovereign states," with the presumption that this label, combined with the terms of the federal treaty, would protect their autonomy. Finally, all of the republics demanded that they retain the authority to renegotiate bilaterally the particulars of their relationship with Moscow, so that separate deals could be struck between regional and national governments over the disposition of joint jurisdictions.

These facts suggest several questions about what role, if any, an understanding of incentives played in negotiations over Russia's federal form. First, was any mechanism envisioned for enforcing the agreements set forth in the federal treaties? Second, was any process identified for resolving the ambiguities inherent in a treaty that encompassed virtually all activities and responsibilities of the state? Finally, what consequences were foreseen as likely to flow from the creation of an asymmetric federation that treated the heavily ethnic republics differently from the predominantly Russian jurisdictions?

Little attention was paid to any but the last of these questions. Instead, Yeltsin's first draft constitution, offered in April 1993 when the resolution of his conflict with the Supreme Soviet remained in doubt, bowed to political expediency. It called the republics sovereign, accorded

each the right to negotiate its relationship with Moscow bilaterally, and, in a provision that could hardly be taken seriously by anyone interested in a system of balanced powers (keep in mind that the republics together account for only 15 percent of the Russian Federation's population), required that the representation of the republics be increased to whatever extent necessary to ensure their control of the Federation Council. Not surprisingly, Yeltsin dropped all these provisions in the constitution's final version, when he no longer needed the republics' support in his battle with the Supreme Soviet.

Yeltsin's final version adhered to the idea of enumerated powers, and incorporated the long lists of exclusive and joint jurisdictions that were the core of the federal treaty (Articles 71 and 72). Whatever protection the constitution provides for federal subjects rests on the powers of the Federation Council, a body much like the United States Senate in both form and function. With two deputies from each of Russia's 89 constitutionally recognized territories (republics, oblasts, krais, and so on), the Council has the power to approve any changes in the Federation's internal borders, to regulate the president's emergency powers, to approve the use of troops abroad and declarations of war, to try the president in the event of impeachment by the Duma, and to approve presidential nominations to the Constitutional Court. There are, though, two exceptions to the parallels between the Council and the U.S. Senate: The Duma can by a two-thirds vote override the Council's refusal to pass an ordinary statute (Article 105). Second, there is the vaguely worded requirement, found in Articles 95 and 96, that the Federation Council be "formed" from the executive and legislative branches of the various jurisdictions represented. Although this provision is compatible with the idea that the chief executive and chief legislative officer of each region should be deputies to the Council, its exact meaning will remain murky until parliament specifies the method of selection. Until then, the president can create any method of selection he likes.

The undifferentiated inclusion of republics with all other jurisdictions of the Federation suggests that Russia has opted for a symmetric federalism in which the autonomy and prerogatives of all federal subjects are safeguarded by their representation in an upper legislative chamber. But closer inspection reveals that this apparent guarantee is not really present. To see this, consider the indirect as well as the direct mechanisms whereby states in the United States ensure their autonomy against the national government.³ Although that autonomy has eroded considerably over the last two centuries because of increasingly broad interpretations of constitutional provisions involving the equal protection of laws and the regulation of interstate commerce, states continue to enjoy a good deal more autonomy than is possessed by federal subjects of most other federalisms. Indeed, the uses to which the commerce and

equal-protection clauses of the U.S. Constitution have been put demonstrate the ability of American officials (especially judges) to construe constitutional language in ways that justify nearly any allocation of jurisdictions and responsibilities.

Thus we must look beyond parchment enumerations of jurisdictions and guarantees of autonomy and consider the incentives of those who have the authority to change or reinterpret a constitution, or who can even override its provisions through force. In the United States, the key to the dynamic equilibrium of the federal system is the provision that the states control the election of the members of both branches of Congress that represent them and their residents (Article II, Section 4). This requirement does a simple thing: it ensures that political parties, although operating under only the two labels Democrat and Republican, are primarily state and local organizations. The U.S. does not have two parties: it has at least a hundred of them—fifty Democratic and fifty Republican ones. One can even argue that it has thousands, to the extent that state parties are merely collections of local ones that cooperate to compete in state or local elections, and that national parties emerge only every four years to nominate and support a presidential contender.

Thus while the competition for the U.S. presidency may call forth two national coalitions and party labels, a decentralized party system oversees the reelection prospects of individual members of the Senate and House of Representatives (if not presidents themselves). A president may influence events at the margin by influencing the public's apportionment of credit or blame for the state of the nation's economy or foreign relations, but as a veteran congressman once famously put it, in the United States at least, "all politics is local."

With their political fortunes tied to state or local constituencies and party organizations, U.S. senators and representatives have an incentive to resist the encroachments of national power if local interests so dictate. Moreover, with election to local and statewide office serving as the main route to national office, and with national legislators dependent on the same party structure for their survival as are local and state officials, the national government is seen less as a purely alien political force and more as a mere extension of local and regional governmental structures.

Two things keep this structure in balance. First, incumbent legislators have no incentive to change the rules except in ways that benefit themselves. Second, with competitive elections and, correspondingly, national political parties permeating all levels of government (or, to put it more correctly, with local parties permeating national ones), neither national nor regional elites want to change a system that supports their current positions and provides a path to future advancement.

No such equilibrium can be guaranteed for Russia. First, continuing uncertainty about key details of the rules under which the next president will be elected means that no one can know what role competition for

that office will play in determining party structures. What advantages will accrue to candidates of parliamentary parties versus those who might emerge on the basis of purely populist appeals to Russian nationalism? Second, although the delegates to the first session of the Federation Council were chosen by direct plurality voting, that procedure was a temporary measure made necessary by Yeltsin's dissolution of regional soviets. Will popular elections again be used, or will a Moscow-directed appointment process be substituted in the name of stability? Although the regional leaders in the Council may prefer to win their mandates through direct election and begin developing local political organizations, will this trend continue as those elections become more honest and competitive? Third, Yeltsin's election decree and his newly proposed election laws give the central government in Moscow broad authority to regulate election rules and procedures. There is no guarantee that Russia's regions will play any significant role (aside from opportunities to manipulate vote tabulations) in determining the structural details of regional and local elections. Will the ad hoc decentralization of economic relations taking place throughout Russia today compel Moscow to try to further its control over the administration of elections to national office? Finally, it is a safe bet that Russia will continue to fill a significant number of Duma seats through national party-list PR, thereby undermining the forces favoring party decentralization and leaving deputies elected by PR with no incentive to defend local and regional autonomy.

Given the general weakness of the national government, especially its barely functioning judicial system, and considering the ability of regional governments to withhold the federal tax revenues that they collect and ignore the notional supremacy of federal law, more conflicts between the center and the regions are in store. The signing of the Moscow-Tatar "treaty" in February 1994 may indicate a willingness to step back from the brink of wholesale instability, but ambiguously worded agreements that read much like Cold War-era accords between the United States and the USSR are no substitute for political structures that would give leaders at all levels and in all branches of government incentives to protect regional autonomy and to avoid approaching center-periphery relations as a game of all against one.

The Political Party System

A common lament about Russia's transition to democracy is summarized by Yegor Gaidar's political advisor, Vladimir Mau: "Economic interest groups are now the key players in Russian politics; political parties, by contrast, have been and remain weak and unstable. In the corridors of power, they wield much less influence than associations of managers and entrepreneurs."⁵ True enough, but hardly

surprising. There is nothing special about Russia that dictates political parties of a particular number or type. It is true that in an unsettled social and economic climate, the usual political divides—between left and right or between a preference for activist government versus *laissez-faire* policies—that underlie party systems elsewhere are complicated by other issues, such as imperial nostalgia or combative regionalisms fed by decades or centuries of living under the indifferent dominance of Moscow. On the other hand, if election laws encourage party fragmentation, then they will operate with added force in a society, like Russia's, that is already a riot of conflicting interests."

Three features of Russia's political institutions contribute to the fragmentation and incoherence that characterize its party system:

- 1) nonsimultaneous presidential and parliamentary elections;
- 2) the likely presence of a majority-runoff feature in the next presidential election; and
- 3) the election of a significant part of the Duma by national party-list PR.

The failure to hold simultaneous presidential and parliamentary elections stems, at least in part, from Yeltsin's apparent desire to occupy an office that is somehow "above politics" and that can avoid blame for administrative errors. But while this attitude may match the aspirations of a czar, staggered elections deny a president "coattails" on which to carry a workable legislative majority into office with him as a product of his personal appeal and campaign strategy. When accompanied by a presidential unwillingness to associate with any specific party, nonsimultaneous elections undermine the ability of presidential elections to become a focus for the formation of parties.

The majority runoff derives partly from precedent and partly from the arrogant belief, common in Moscow political circles, that alternative procedures such as preferential voting are beyond the comprehension of Russia's citizens. Yet a runoff will discourage uncompetitive parties and candidates from folding, especially if they believe that they can use their first-round support as a bargaining chip. Thus if the incentive is not to win outright, but rather to block others and cut a deal for, say, cabinet posts, then a runoff can only exacerbate the party weakness that Mau deplors. Parties must find a constituency, and this procedure merely encourages small parties to act like economic interest groups and economic interests to act like parties.

Finally, the provision for electing half of the Duma by party-list PR in 1993 was intended, as we noted earlier, to stimulate the formation of transregional, transethnic parties. Coupled with registration requirements that compelled parties to secure signatures beyond Moscow and its environs, the provision appears at first glance to have been a success. Yet the sharp regional differences apparent in the support of the 13 parties that competed in December 1993 raise doubts on this score.

Moreover, one must admit that the party loyalty of many of the list-PR deputies is questionable. The attachments of those elected from single-member constituencies also remain unclear; some estimates call as many as a fifth of all deputies "independents."

The basic problem here is that the desire to see parties consolidate into coherent and nonradical alternatives is stymied by the incentives that national party-list PR creates. To be sure, the 5 percent threshold is a disincentive to the formation of wholly uncompetitive parties. Yet in combination with the failure to use the election of the president as a way to encourage the coordination of factions and future aspirants to that office, national PR offers ample incentives for ambitious politicians to use parliamentary elections as a soapbox for furthering their careers and presidential aspirations.

The parliamentary elections scheduled for December 1995 will probably play a role roughly comparable to that filled by U.S. presidential primaries. Various aspirants to the presidency will use the legislative campaign as an arena for displaying and enhancing the attractiveness of their respective platforms prior to the presidential vote slated for June 1996. In addition to rewarding even relatively small parties with seats, the parliamentary voting will encourage fragmentation among parties not in control of the presidency—a phenomenon often seen in U.S. presidential primaries. Unlike the American process, however, there is no stage in Russia, except at the very last ballot, wherein presidential aspirants must coalesce and coordinate their ambitions. On the contrary, Russia's majority-runoff system merely encourages more of the party fragmentation that follows from national party-list PR.

Recommendations for Reform

Nothing that we have said points to a quick fix for Russia's political ailments. Indeed, there is scant historical evidence that democratic processes can be sustained in a society experiencing massive deindustrialization and declines in population, living standards, and life expectancy. Nevertheless, Russian politics has not been totally bereft of positive developments. Chechnya aside, most leaders appear willing, albeit for different reasons, to abide for a time by the restrictions in the new constitution. Separatist sentiment on the part of key federal subjects like Tatarstan has muted. Of course, none of this implies the inevitability of democratic stability. Opponents of reform, believing Yeltsin irreparably weakened in the wake of his power struggle with the old parliament and the Chechen debacle, are biding their time until the next round of elections, when they can mount fresh attacks. Authorities in the Kremlin are undermining regional democratic development by insisting on continued control over regional executive authorities. Yeltsin

himself, meanwhile, continues to try to fashion a stable order by signing hortatory "Civic Accords" that have no means of enforcement and that fail to address the institutional deficiencies of Russian democracy.

Despite all the bad news, the case for institutional reform still deserves to be pressed. To that end, here are three suggestions. Each pertains to Russia's electoral processes, and none requires any change in the constitution.

Despite all the bad news, the case for institutional reform still deserves to be pressed.

The first is to abandon the majority-runoff provision in presidential elections. Following the example of Costa Rica (a country whose stability makes it a Latin American standout), Russia should hold a presidential runoff only if no candidate tops 40 percent of the vote. Although some might object that a 40 percent threshold will make a mandate more elusive, the use of a 50 percent threshold in Russia today almost guarantees that no one will win on the first ballot, and that consequently the cobbled-together majority secured by the second-ballot winner will smack of "corrupt bargains." With the threshold down at 40 percent, however, weak candidates and parties have a stronger incentive to refrain from running or even forming, and the likelihood increases that one of the candidates will get the needed majority on the first ballot. By tracing out incentives, then, one sees that a mandate to lead is more likely to emerge if the system does not attempt to force it.

The second suggestion, concerning the method of electing deputies to the Duma, is twofold. First, one might allow each federal subject to determine and oversee the method of election of its own representatives. Such an abandonment of proscription and regulation by Moscow would strengthen the federal structure, decrease incentives for party factionalism, and reduce the ability of parliamentary parties to claim a mandate rivaling the president's. True, such a policy may initially boost opportunities for regional vote fraud—although such fraud is already so rampant that it may defy augmentation. At any rate, competition (with modest judicial oversight) should operate here as in markets to yield more efficient regional political competition. As we saw in the case of presidential majorities, the shortest road to free and fair elections and a party system that integrates rather than divides lies not in bureaucratic decrees from Moscow, but rather in intelligent use of the incentives that face would-be challengers for power in the regions and localities.

The drawback of this idea, at least in the minds of the power brokers in Moscow, is that it may give provincial "reactionary forces"—those opposed to meaningful market reforms and more susceptible to *mafija* influence—more strength in parliament. There is something of a risk here, to be sure, but it is a noble and necessary one. The will of the voters cannot be thwarted indefinitely by blatant manipulations, nor can

a state be federal without a meaningful decentralization of political authority. A critical problem with democratic reform thus far is that it has been mostly "top-down," with little opportunity or incentive for democratic processes to take root regionally and locally. Decentralization of representation and the election laws gives local political elites an incentive to learn the rules of democracy and should help quell any urge to maintain a "guerilla-war" relationship with Moscow.

An alternative suggestion would be to move closer to the German model by dividing Russia into, say, ten electoral districts, with a requirement that parties submit regional candidate lists. A party's seat allocation in the Duma would continue to depend on its share of the national vote, but it would be required to allocate its seats among its lists in accordance with how its vote is distributed across regions. This procedure encourages national parties (since it is a party's national vote that determines its overall seat allocation), as well as decentralization within those parties (since parties would seek to field locally strong candidates in each region). The drawbacks of this suggestion, aside from the disputes that might arise over the identities of regions, are that it leaves in place both incentives for party factionalization and the source of executive-versus-legislative "mandate" disputes. Moreover, this alternative will do little to enhance Russia's federal structure unless it is accompanied by decentralization in the administration of elections.

Lest one be tempted to weigh the specifics of various proposals in too fine a balance, it should be emphasized that nearly anything would be an improvement on the current arrangement, which is the world's largest experiment with national party-list PR. As long as the current system stays in place, Russia will remain doomed to a muddled party system, with all the incoherence of parliamentary process thereby implied. One or several parliamentary parties will continue to claim a mandate in opposition to the president, even as the Duma itself remains too divided to offset the president's dangerous constitutional powers.

The Duma's failure to offer any clear response to Yeltsin's actions in Chechnya reflects not only nationalist sentiment and the strategic calculations of various deputies, but also the Duma's internal incoherence. Nor should we forget that Zhirinovskiy would have remained a politically marginal buffoon had not national party-list PR afforded him the opportunity to translate his mastery of media manipulation into about 60 parliamentary seats.

The third suggestion is to reduce party factionalism by holding presidential and parliamentary elections simultaneously. Simultaneity affords the president a better opportunity to exert leadership, which is *not* the same as crude political control. Throughout Russian history, those directing the state have relied on the most obvious and extraordinary instruments of power rather than on persuasion, compromise, and the authority that comes from being seen as the

people's spokesman. The lament that Russia is at the mercy of powerful personalities contesting for the reins of power may be accurate—such contests are certainly in line with Russian tradition. But rather than perpetuate this tradition by making the election of the president a singular event, reformers should strive to engender a different set of incentives among leaders. Simultaneous elections will encourage presidential candidates to link their election organizations to parliamentary parties, will compel politicians to choose between exerting parliamentary and executive leadership, and will allow a president to bargain away some of his formal authority and to look instead to an even more secure basis of power—the people's mandate.

Of course, these reforms cannot cure the many and complex ills of Russian democracy—no simple corrective can. Nor is there any reform that provides short-term insurance against the rise to power of some extremist. But the changes suggested here would represent a step in the right direction—namely, away from the naive populist democracy that Russia's democrats, inattentive to the intricate webbing of incentives that undergirds stable democracy, have wittingly or unwittingly implemented. Whatever steps are ultimately taken, it is imperative that political reform proceed in full recognition of the principle of self-interest and with an acute awareness that reform's implications cannot be reckoned until one traces the incentives that it creates or fails to create.

NOTES

1. If we look only at those seats in the Duma filled by national party-list PR, Zhirinovskiy's party, in combination with the Communists and Agrarians, secured 43 percent of the vote while the ensemble of reformist parties (at least one of which failed to surpass the 5 percent threshold) received a total of 34 percent.

2. Jacob E. Cooke, ed., *The Federalist* (Middletown, Conn.: Wesleyan University Press, 1961), 349 (emphasis added).

3. The potential for treating the new constitution as a transitional document is provided for in Articles 135 and 136. Article 136 describes a difficult process for amending the main body of the document that parallels the American procedure (approval of two-thirds of the lower chamber, three-fourths of the upper one, and two-thirds of all federal subjects). Article 135, though, allows parliament, by a three-fifths vote in each chamber, to convene a new constituent assembly that can either approve its own creation with a two-thirds vote or secure approval in a direct referendum.

4. This account of the American case largely follows William H. Riker, *Federalism* (Boston: Little, Brown, 1964).

5. Vladimir Mau, "The Ascent of the Inflationists," *Journal of Democracy* 5 (April 1994): 32-35.

6. There is a large literature on this subject, much of which is summarized in Rein Taagepera and Matthew S. Shugart, *Seats and Votes* (New Haven: Yale University Press, 1989). An update, with particular attention paid to the interaction between election laws and social cleavages, is provided by Peter C. Ordeshook and Olga Shvetsova in "Ethnic Heterogeneity, District Magnitude, and the Number of Parties," *American Journal of Political Science* 38 (February 1994): 100-23.

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