The Politics of Bad Governance in Contemporary Russia

Gel'man, Vladimir

Published by University of Michigan Press


For additional information about this book
https://muse.jhu.edu/book/101126
Success Stories amid Bad Governance

While this book describes present-day Russia as a case of bad governance, the main objection to this description is related to the fact that Russia (both now and in the past) has demonstrated certain major achievements of state policies in various fields, and some state-directed projects and programs may be labeled success stories in international comparisons. Recent achievements of this kind have been analyzed at the level of several of Russia’s regions, of certain sectors of the economy (such as agriculture), and of some state agencies (such as the Central Bank). Their impact is important and visible enough that one should not dismiss these cases merely as minor and negligible exceptions, the specifics of which only confirm the overall rules of bad governance. At minimum, one must pose a question about the causes and mechanisms that allow major successes amid the grim picture of notorious inefficiency, ubiquitous corruption, and widespread rent-seeking involved in governing the Russian state. Moreover, the in-depth deviant case analyses of these outliers will aid in a better understanding of the general trends of bad governance through identification of its limits. In other words, when and under which conditions can the state happily turn from bad governance to good governance, at least for a while, and why may such a wondrous conversion occur in certain cases when in others it does not?

The literature on developmental policies beyond the global West has paid attention to “pockets of efficiency” or “pockets of effectiveness”—state-directed priority projects that are intentionally designed and implemented under special conditions under the patronage of political leaders. Some of these projects have brought not only short-term successes but also major long-term returns and outlived their initial conditions and intentions. However, the list of possible causes of such success stories is quite diverse and includes several organizational, institutional, and technological factors, and quality of management and personnel, which often tend to be considered country-specific and context-bounded. Similar tendencies might be relevant for research on Russia. For example, in
his comprehensive overview of innovation projects in pre-Soviet, Soviet, and post-Soviet Russia, Loren Graham focuses on the efforts of certain creative individuals and collective drivers of technological progress vis-à-vis the rigid system of state governance and the political and institutional environment, which was unfavorable for developmental projects. Although it is hard to object to these observations, his focus of analysis leaves unanswered the question of why state policies sometimes paved the way to major breakthroughs (such as the Soviet space project, briefly mentioned by Graham), while other times they resulted only in a waste of resources? The analysis of success stories faces not only the need for conceptual homogenization of a diverse empirical field even within the same country (let alone cross-national research) but also the framing of theoretical and disciplinary scholarly perspectives. For Barbara Geddes, the explanation of pockets of efficiency in Brazil and other Latin American states is driven entirely by institutional accounts; the comparative analysis of Michael Roll mostly focuses on the political leadership and organizational settings; and Graham, in turn, offers a path-dependent perspective on exceptional successes in Russia amid numerous failures. Thus, instead of generalization of analyses of success stories, the research agenda meets with increasing fragmentation.

This chapter does not aim to present universal and comprehensive explanations of success stories in Russia and beyond but proposes a slightly different view on the causes and mechanisms of these phenomena. I argue that effectively implementing priority projects and programs by the Russian state might be understood as the other side of the coin of bad governance. First, the political leadership under conditions of bad governance needs success stories of national development, not only in terms of policies but also as a tool of politics due to their effects on domestic and international legitimation of regimes and leaders. Second, the actual achievements of success stories may perform the functions of both material and symbolic conspicuous consumption in the eyes of elites and masses alike. Meanwhile, political demand for success stories provides certain incentives for policy entrepreneurs among mid-range and top-level bureaucrats who may pursue their upward career mobility and/or priority status and funding while also working toward achieving some broadly defined developmental goals. The problem, however, is that these incentives for policy entrepreneurs are often unsustainable because of their dependence upon patronage from political leaders, making institutionalization of success stories a difficult task. Moreover, given the fact that some success stories are often implemented under special deliberately designed conditions, their multiplicative effects, or trigger effects—that is, the extension of success stories to other projects, organizations,
sectors, or regions—are relatively rare. Due to these constraints, some success stories were short-lived, and their returns diminished over time: they not only failed to improve conditions of bad governance but in fact even reinforced the status quo. These tendencies are widespread in contemporary Russia and in its Soviet (if not pre-Soviet) past; they do not contradict the overall pattern of bad governance in the country and may even serve as inherent attributes of this politico-economic order.

The structure of the chapter is as follows. After presenting the case of one of the most well-known success stories in Russia, the Soviet space program, I discuss the role and impact of success stories under conditions of bad governance and emphasize their constraints, which are related to the priorities of the political leadership, the incentives of policy entrepreneurs, and the mechanisms for managing top priority projects against the background of a shortage of resources. Further, I focus on the dilemmas of state policies under bad governance in Russia and highlight the effects of diminishing returns of success stories due to these constraints. The prospects and implications of success stories for Russia’s development are considered in the conclusion.

“But We Are Making Rockets”

Before turning to an analysis of the story of success and the story of failure of the Soviet period, one important disclaimer is necessary. As argued in chapter 2, I consider bad governance in present-day Russia to be a product of interest-driven rent-seeking efforts of post-Soviet leaders and elites rather than an effect of various legacies of the past. At first glance, the focus on certain examples from the 1950s–1960s may seem to contradict this argument. However, the rationale of the case studies presented below is a little different. I refer to them in order to explore the issue of the causes of extraordinary achievements amid the overall mediocrity of the government’s performance, regardless of the nature of the poor quality of governance. Even though the political system and economic foundations of governing the Soviet Union after Stalin were quite different from those in Russia in the early twenty-first century, it would not be a wild exaggeration to claim that both the Soviet Union and present-day Russia have underperformed in terms of quality of their governance, albeit for different reasons and with different consequences for the respective countries. This is why looking at the relatively rare examples of outstanding overperformance of state-driven programs and projects in different political and institutional contexts may help
us to understand why good apples may grow on bad apple trees, even though the trees we are looking at may be of different sorts.

It is hard to find a more salient example of a developmental success story in post-World War II Soviet history than the space program with its exceptional achievements such as the first Sputnik orbital launch (1957) and the first human mission in space, conducted by Yuri Gagarin (1961). This success story was greatly appreciated at the time and is still perceived positively by many Russians: according to a 2008 nationwide mass survey, it was rated as the second most important event in Russian history after victory in the Great Patriotic War of 1941–1945. Indeed, the advancements of the space program served as a profound demonstration of the technological progress of the Soviet Union and contributed to an attractive domestic and international image of the country and its political leadership within the context of the Cold War. However, the success of the Soviet space program was short-lived: the major breakthrough of the 1950s–1960s turned into a plateau in the 1970s–1980s, its material and symbolic returns diminished over time, and subsequent events after the Soviet collapse contributed to Russia’s recent shift toward the second echelon of the global space superpowers. What were the causes of this trajectory, and why is the experience of the Soviet space program important for understanding the strong and weak sides of success stories in Russia, both in the Soviet and in the post-Soviet period?

The success of the Soviet space program would have been impossible without the efforts of two key individuals. The chief designer Sergei Korolev (1907–1966) was not only an outstanding organizer of science and technology who effectively coordinated a huge number of individuals and organizations and brilliantly implemented quite a few technologically complex and innovative devices and solutions; he was also (if not above all) a successful policy entrepreneur who was able to persuade Nikita Khrushchev to make the space program as a whole and especially a human mission in space his personal top policy priority. Khrushchev, in turn, desperately needed success stories, especially in the early stages of his leadership when he was pursuing domestic and international legitimation and took major risks that proved to be justified in the case of the space program. Khrushchev was emotional, ill-tempered, and not a very competent leader: he often advanced certain policy innovations that brought only limited success (as in case of the Virgin Lands agricultural program), and even trusted charlatans such as the (in)famous academician Trofim Lysenko. The implementation of the Soviet space program, and especially of human space missions,
was an expensive extension of the rocket segment of the arms race, and a possible defeat on this front vis-à-vis the United States (driven by differences in the resource endowment and relative economic weights of the two countries) could have proved sensitive for the Soviets in many ways. However, Khrushchev accepted these risks and provided his personal patronage to the space program and top priority funding for human space missions, despite fierce resistance from the Soviet military.\textsuperscript{20}

The outcome of these efforts greatly exceeded the wildest dreams of both Korolev and his political patron Khrushchev. The Soviet Union won twice on the space front because of the successful launch of Sputnik and especially Gagarin’s orbital flight against the background of a belated start by their American rivals who had lagged at the beginning of the space program and had been faced with numerous technical problems. The outstanding success of the early stages of the Soviet space program opened new horizons for Korolev and his team: they received carte blanche to implement its new stages, of which the first and foremost was the human mission to the Moon, where the Soviet Union entered competition with the United States known as the “Moon race.” As for Khrushchev, the symbolic benefits that he (and the Soviet Union as a whole) received because of the successes of the space program and its demonstrative effects, multiplied by domestic and international propaganda,\textsuperscript{21} were highly visible, especially given the increasing scope of the numerous problems the Soviet leadership faced in the early 1960s. However, the symbolic benefits brought to the Soviets by Sputnik and Gagarin only partially compensated for the high political and economic costs of the Berlin Wall, the Cuban missile crisis, the shootings at workers’ protest rallies in Novocherkassk, and the need to buy grain from abroad.\textsuperscript{22} Even then, these benefits were short-term, and their positive effects were only temporary.

There are no “if” paths of alternative history, and we will never know how the Soviet-American Moon race might have gone had the Khrushchev-Korolev tandem’s drive behind the Soviet space program continued. However, the ousting of Khrushchev from the Soviet leadership in October 1964 became a turning point for his top priorities, including the Soviet space program. Soon after that, under pressure from military-industrial lobbyists, the plans for the space program were reviewed in favor of their military component, while costly human space missions lost their priority.\textsuperscript{23} In fact, the Soviet Union left the Moon race well before the Apollo program in the United States was implemented in a full-fledged way and before it reached its peak in July 1969 with man’s first step on the Moon. The events that followed this departure, such as Korolev’s premature
death in January 1966, the chain of casualties during human space missions in April 1967 and in June 1971, and Gagarin’s death in a plane crash in March 1968, contributed to the space program gradually losing the status of success story for the Soviet Union. On a symbolic level, the struggle for space leadership with the United States was framed as a kind of draw, with the symbolic gesture of the joint Apollo-Soyuz space mission in July 1975. Yet in military terms, the space rivalry with the United States continued, and it became more and more of a heavy burden for the Soviets. In technological terms the Soviet Union was not able to demonstrate new major breakthroughs and put them into mass production; while the United States successfully launched its new Space Shuttle program in 1981, the Soviet response, Buran, did not even reach the stage of human missions.

In essence, up until the collapse of the USSR, the Soviet space program followed a pathway of improving those technological solutions that had been proposed and/or implemented in Korolev’s times. More important, the multiplicative effects of the Soviet space program remained limited: the major success story of the Soviet Union on the space front did not contribute to new major success stories in other fields that would have a genuine strong impact on the country’s development. The Soviet space program remained a somewhat isolated “pocket of efficiency,” and beyond this narrow field, its influence was relatively weak: no major multiplicative effects were observed—quite the opposite, bureaucratic ineffectiveness became greater and greater over time against the background of the increasing crisis of the Soviet economy. The one-off high returns of the Soviet success story in space declined over time, and its previous achievements increasingly performed symbolic compensatory functions, something visible as early as 1964, the heyday of the Soviet space boom. At that time, the Soviet bard Yuri Vizbor in his song “The Story of Technologist Petukhov” (Rasskaz tekhnologa Petukhova) identified himself with Soviet technological and cultural achievements on behalf of the protagonist, who proudly stated: “But we are making rockets . . . and also at the top of the world in the field of ballet” (zato my delaem rakety . . . a takzhe v oblasti baleta my vperedi planety vsei). Yet the keyword in this claim is not “rockets”: it is “but” (zato). It is also worth noting that half a century after Vizbor, in 2014 the keyword “but” performed the same compensatory function after the Russian annexation of Crimea, in the form of the popular slogan “But Crimea Is Ours!” (Zato Krym nash!).

To summarize, one might argue that the Soviet space program followed a developmental trajectory that was typical for a number of other success stories in Russia and beyond: (1) top policy prioritization by political leaders who actively
supported new projects and programs and offered full-scale patronage to policy entrepreneurs; (2) quick achievement of visible results because of the high concentration of resources, with a number of symbolic returns; (3) limited multiplicative effects; (4) change in policy priorities (sometimes because of changes of leaders and/or top managers of these projects and programs); and (5) subsequent loss of the status of success story.

In many ways, the success story of the Soviet space program remains outstanding against the background of other technological advancements that were not converted into major achievements due to the lack of high-level patronage and/or other policy priorities of political leadership. Benjamin Peters in his in-depth analysis of the failure of Soviet Internet presents impressive evidence of what may happen to promising ideas if they do not receive strong enough political support. He focuses on the sad fate of Soviet mathematician Viktor Glushkov, the major promoter of building a “unified information network,” the potential predecessor of, if not alternative to, the present-day Internet. Glushkov, a director of the Kiev Institute of Cybernetics, proposed the development of an All-State Automated System of Management (OGAS) that could pave the way to making a nationwide computer network as the main tool of governing the Soviet Union. However, Glushkov’s patrons in the Soviet bureaucracy were second-order state officials at the level of ministries and the Central Statistical Agency, while the top leaders, Brezhnev and Kosygin, remained indifferent to his project at best. In addition, the powerful Soviet minister of finance, Vasily Garbuzov, openly opposed OGAS, and in the end Glushkov fell victim to interagency rivalry. The OGAS proposal was never implemented, so the Soviet Union, which in the 1960s was very much at the state-of-the-art global level in this field, gradually lagged behind the West over the subsequent decades, and this gap was never overcome. The Soviet model of governance, with its hierarchy of the power vertical, greatly contributed to such an outcome; unlike the space program, the Soviet Internet did not turn into a success story.

Yet this trajectory of success story is not limited to the context of the Soviet experience of the 1950s–1980s, as one may compare the Soviet space program with the more recent experience of the Skolkovo innovation center in the 2010s: Skolkovo went through the same stages but in a more rapid way and with much smaller effects. During the presidency of Dmitry Medvedev this project served as a major symbol of the widely advertised plan for Russia’s technological modernization, was at the center of the president’s attention and was given priority funding by the state and business actors despite the great skepticism of some key stakeholders. The project aimed to achieve a breakthrough for Russia in
the field of high technology, and was intended to build a new success story of international technological collaboration based on active involvement of global corporate and science leaders, ranging from Intel to MIT. However, the implementation of this project was limited in space (only a single suburban area near Moscow) and in time (only during Medvedev’s presidency) and oriented toward short-term public effects in the manner of a showcase, rather than toward long-term commercial benefits and technological advancements. It is no wonder that after 2012, when Medvedev lost his presidential position, the Skolkovo project stalled and lost its priority status, its funding declined as the Russian authorities no longer required major donations to Skolkovo from big business, and its initially planned role as a major driver of high technology and economic growth was all but forgotten. Subsequent developments, such as the deterioration of Russia’s relations with the West, the stagnation of the Russian economy and the devaluation of national currency, further weakened the already limited effects of the Skolkovo project. In 2013, the Russian law enforcement agencies launched a criminal investigation against the Skolkovo Foundation, accusing its top management of misuse of funds, while the Kremlin’s preferences in the field of high tech shifted to yet another pet project, namely the “Innovation Valley” of Moscow State University, which was conducted in collaboration with the Innopraktika Foundation, led by Katerina Tikhonova, who was labeled in the media as allegedly being the daughter of Vladimir Putin. This foundation has received major contracts from other large state companies and state agencies, but its activities remain highly nontransparent, with little by way of results visible yet. Some critics have observed that the replication of Skolkovo-type innovation projects in Moscow and other regions may be driven not by the goals of technological development but rather by intentions of diverting state funds into private pockets. Although the decline of Skolkovo was much more rapid and dramatic than that of the Soviet space program, they represent typologically similar phenomena of former success stories.

While analyses of pockets of efficiency as mechanisms of development conducted in Asia, Africa, and Latin America have underlined the key role of their institutionalization and long-term impact, Russia’s success stories are largely short-term ventures, ones that face major difficulties in their institutionalization and especially impersonalization. Over time, these “success stories” tend to lose their initially high-profile positions and undergo what has been labeled “bastardization” in the chapter 2 of this book—a systematic worsening in performance in the process of implementation and subsequent decay. One should note, however, that this chapter deals with real success stories, which are broadly understood
here as achievements of outstanding overperformance of state-directed development programs and projects, highly visible nationally and/or internationally for at least a certain period. It is not concerned with various substitutes for real successes, such as Potemkin village-like fake demonstrative projects, or numerous examples of fraud (such as the “cotton affair” in late Soviet Uzbekistan, doping scandals in sports, and the like). Real success stories are meant to promote Russia’s development in various fields, but they are often implemented partially and inconsistently. This is why we have to understand why Russia’s success stories have not always reached their goals and have resulted in short-term achievements and how the mechanisms of their implementation are related to the overall logic of the politico-economic order of bad governance in Russia.

Actors, Institutions, and Incentives

The key ingredients of successful developmental projects and programs in the public sector in Russia and beyond are top priority support from the political leadership, effective efforts by policy entrepreneurs (ministers, governors, city mayors, university rectors, company managers, and the like), and the competent provision of these projects with material, financial, and personnel resources. However, all of these components often bring contradictory results. The incentives for both the political leadership and policy entrepreneurs are mixed at best, and resources, even if their concentration is high enough to achieve some success stories, are insufficient for subsequent multiplicative effects and further dissemination of best practices.

The political leadership under conditions of bad governance is interested in success stories for two main reasons. First, as stated above, some policy achievements help to legitimize the political status quo: despite the well-known argument that bad policy is almost always good politics, many political leaders are interested in the economic growth and development of their countries, and Russia is not an exception. Second, even though rent-seeking is the main goal and substantive purpose of state governance in Russia, this fact does not prevent leaders and elites from pursuing developmental goals that may also contribute to rent-seeking. Several major state-led projects and programs accompanied by large-scale embezzlement of funds (such as the 2014 Sochi Olympics) may illustrate this combination of rent-seeking and developmental goals. These projects are not limited to rent-seeking and are also aimed at bringing some returns in terms of development, although these returns are often relatively small because of the high costs imposed by corruption. Similar to the political leaders’ demand
Success Stories amid Bad Governance

for successful technocratic managers, who have to provide effective policies in key sectors of the economy and finance (analyzed in chapter 5), these leaders also need policy entrepreneurs who are capable not only of routinely implementing top-down directives but also of successfully advancing their own initiatives. Pet projects and programs directly supported by political leaders become the main sources of several success stories, paving the way for investment of major resources (both public and private) into these ventures and opening possibilities for special state regulations of given projects and programs well beyond the general practices and routines of decision-making. Such rules of the game were typical both for the Soviet space program and for the Skolkovo project. The conditions of informal deals between patrons (political leaders) and their clients (policy entrepreneurs) imply top priority resource endowment and carte blanche for policy entrepreneurs on virtually all initiatives in their respective fields in exchange for promises of quick and highly visible policy successes. However, the list of such top priorities for any given political leader is limited practically by definition, and this is why policy entrepreneurs are often forced to compete with one another for scarce state resources and for meaningful attention from political leaders. Moreover, a change in the leaders’ policy priorities (let alone a change in leaders themselves) threatens to put an end to these projects and programs (as happened with the Skolkovo project) or at least put a large question mark over success stories (as happened with the Soviet space program).

One of the central problems of the politico-economic order of bad governance in Russia is the lack of incentives for long-term development among political leaders. As I noted in previous chapters of this book, their time horizon is limited by the terms and conditions of personalist rule and by the risk of losing power, while the chances for dynastic succession are low, and this is why political leaders tend to behave similarly to “roving” rather than “stationary” bandits. In doing so, they choose those policy priorities that may bring quick and visible returns accompanied by a number of demonstrative effects, even at the expense of achieving long-term strategic goals. This approach may contribute to policy successes in some fields but decreases the chances of successfully implementing policy changes in other areas. The experience of Russia’s policy reforms in the 2000s (analyzed in chapter 4) and subsequent implementation of strategic policy programs in the 2010s suggests that while the incentives of political leaders are oriented toward short-term successes, these incentives also affect policy entrepreneurs.

Top managers and major implementers of key state projects and programs, even if they are willing and able to improve performance in their respective
fields, are not sure that their intentions will be implemented given frequent personnel replacements, the ever-changing formal and informal rules of the game, and the shifting priorities of the political leadership. These circumstances also determine the incentives for would-be policy entrepreneurs. At best, they invest major efforts into short-term projects with limited reach at the expense of long-term outcomes and consequences, or in the worst case, they prefer personal enrichment over the developmental success of their sectors, organizations, or territories. The problem of creating an appropriate set of incentives to shape the behavior of state officials remains unresolved as the political-economic order of bad governance in Russia places a large question mark over the incentives. Unlike Russia, present-day China provides certain incentives for policy entrepreneurship among top-and mid-level bureaucrats. Such incentives are provided by the institutional systems for career advancement of the Communist Party’s regional leadership based on performance evaluation, including interregional mobility of personnel and such major prizes as chances of obtaining jobs in the Central Committee. Chinese provincial officials have to put effort into the successful socioeconomic development of their territories, while their fierce internal competition for career advancement diminishes the risks of systematic misreporting and fraud given the mutual policing among bureaucrats. For Russia’s regional leaders, however, the incentives are rather different—as Ora John Reuter and Graeme Robertson convincingly demonstrated, Russia’s governors more often lose their jobs for poor political performance and failure to deliver votes than for poor economic performance in terms of developing their areas.

To summarize, if a Chinese regional boss may achieve success by building new roads and hospitals and combatting air pollution, his Russian counterpart has to inflate voter turnout and crack down on regional protests. These different incentives aggravate rent-seeking behavior in Russia and are hardly conducive to development; in a sense, they also underline the inefficiency of electoral authoritarianism in Russia compared to its hegemonic version in China.

It is no wonder that incentives for policy entrepreneurship in Russia are so heavily distorted, and not only due to insufficient positive incentives for improving policy performance and limited chances for upward career mobility in the public sector. The effects of negative incentives, driven by the set of formal and informal rules of the game and practices of their enforcement within the framework of the “overregulated state” in Russia, are even more important in this respect. The combination of high density and low quality of state regulations in various sectors and policy fields on the one hand, and of its arbitrary and selective enforcement by the state apparatus on the other, is inimical
to policy entrepreneurship. The Russian state reasonably expects that without top-down pressure the lower layers of the power vertical will not invest enough effort to effectively implement state policies. This is why the government delegates wide-ranging and sweeping powers to regulatory agencies responsible for monitoring and auditing any organization in various sectors. Furthermore, the government has established multiple indicators to report on and impose severe sanctions for noncompliance, at all levels of governance. In other words, instead of involving regulatory agencies in the activities of both state-led and private organizations only in cases of extraordinary misconduct (the “fire alarm” model), the Russian state has imposed comprehensive monitoring and tight control over all organizations (the “police patrol” model). To some extent, such an approach results from an overreaction by the political leadership to rent-seeking behavior of officials in the state apparatus and public sector. Its excessive conduct contributes to a major rise in agency costs, distorted practices of oversight and monitoring among various agencies, and the increasing dysfunctionality of courts, police, and other state organizations. These practices of the “overregulated state” provide incentives for overproduction of reports in many state and private organizations, and response to possible attacks from state agencies has even changed to be the primary function of their activities. The overregulated state stimulates top managers at all layers of the power vertical not to policy entrepreneurship and improvement of performance in their fields, but rather to risk aversion and avoiding possible punishment for any formal or informal violations of rules, which are highly likely in the case of development-oriented initiatives. This is why top managers do not aim to establish new pockets of efficiency without strong support and the patronage of the political leadership. The problem is that the number of beneficiaries of patronage is limited by its very nature, and the pool of potentially successful policy entrepreneurs is shrinking over time. Moreover, patronage is a necessary condition of success stories, but it is far from being sufficient. For example, the significant development of a major Russian bank, Sberbank, which greatly improved the quality of its service and performance, was a side effect of the appointment of German Gref, a close ally and trusted expert of Vladimir Putin, as its CEO. At the same time, chapter 2 presented the case of another close ally of Putin, Vladimir Yakunin, who upon being appointed as CEO of another major Russian company, Russian Railways, changed the company strategy and turned it into a major channel for rent extraction. The strengthening of the hierarchy of the power vertical has contributed to the fact that the investment of resources into the projects lobbied for by several top managers has brought insufficient returns and/or resulted in
a massive misuse of funds. As a result, these tendencies make the power vertical even more stable and rigid at the expense of developmental goals.

Finally, the shortage of material, financial, and personnel resources available to top managers of state-directed projects and programs remains a major barrier to achieving new success stories. Russia was and still is a second-order country in terms of its degree of socioeconomic development, and its stated intentions to become a global space leader (in the case of the Soviet space program) or a leading international center of high technology (in the case of Skolkovo) were hardly feasible in the long term. Top managers, in turn, respond to these constraints by using an overconcentration of resources. The costs of success stories are high, implementing top-priority projects requires mobilizing almost all available specialists, and meeting deadlines turns into a sequence of hasty activities, often at the expense of quality of implementation. Despite the high costs, overconcentrating resources may sometimes help achieve one-off successes, but the problems stated above can become aggravated over time. Successes, once achieved through overconcentrating resources, become more difficult to maintain, especially given the competition between projects within the country and in the international arena (as in fact happened with the Soviet space program). In essence, overconcentrating resources bleeds other projects and programs that lack priority status. This is why plans of secondary importance may be ignored or forgotten because of little interest from the top leadership (as the failure of OGAS tells us). Multiplicative effects become even less feasible, and negative incentives for outsiders, who now have no chance to produce success stories, become even stronger. As a result, the success of the few causes the failures of the many: overconcentrating resources leads to draining the pool of potential targets for disseminating best practices beyond pockets of efficiency.

To summarize, one might argue that success stories in Russia (and several other countries) face numerous barriers, both structural ones caused by a shortage of resources and institutional ones related to agency-driven incentives under conditions of bad governance. Nevertheless, in cases where there is a winning combination of the policy priorities and patronage of political leaders and strong and effective policy entrepreneurs who can achieve quick and visible performance in their projects and programs, even these institutions and incentives may contribute to certain success stories despite unfavorable conditions. Yet the same institutions and incentives may close the path to multiplicative effects of success stories and dissemination of their best practices beyond narrow fields prioritized by the authorities. Rather, as the experience of both the Soviet space program and the Skolkovo project suggests, success stories may lose their excellence over
time and no longer maintain their special status. The Russian state and its top officials create with their own hands the same syndrome of unfavorable conditions for implementing top priority projects and programs that were outlined by Loren Graham in his historical analysis of barriers to innovation in Russian businesses—excessive costs of projects, inefficient state regulations, and weak potential for multiplicative effects. This is why many success stories in Russia are not exceptions that still conform to the overall rules of bad governance, but rather an integral part of this politico-economic order. The high achievements of success stories do not only legitimate political leaders and their patronage. Their demonstrative effects and compensatory functions also legitimate the mechanisms of these achievements against the background of the numerous pathologies and ineffectiveness of the Russian state. However, one should not consider success stories to be only short-term initiatives by political leaders that have negligible impact on the development of the country and/or sectors of its economy and territories.

The Anatomy of Success: The Higher School of Economics

A number of factors that have contributed to the achievement of certain success stories in Russia are not particularly country-specific, whether within the context of post-Communist transformations or in other parts of the globe. Overall, effective policy entrepreneurs, thanks to the patronage of the political leadership, are able to maintain organizational autonomy of their projects, programs, organizations, or territories, and due to quickly achieving positive outcomes, attract more resources and effectively invest them into new successes. These actions lead to increasing returns and successful maintenance of organizational autonomy and further institutionalization and organizational continuity despite changes in top management and the political leadership. However, in Russia’s case, this recipe works imperfectly given the contradictory features of authoritarianism and bad governance; and this is why some success stories should be analyzed with a number of reservations.

One case of systematic construction of a success story in post-Soviet Russia that may be considered exemplary in this respect is the Higher School of Economics (HSE; a National Research University since 2009). The university was established from zero in November 1992 when acting Prime Minister Yegor Gaidar signed a decree on the creation of a new economic training center for personnel working under the conditions of a market economy. The founding rector, Yaroslav Kuzminov, established the core of the HSE’s team in relatively
short order and attracted almost all the prominent market-oriented economic experts and many officials from the government. The figure of Yevgeny Yasin, an authoritative economist of the older generation who served as minister of economy in Russia and later took the post of academic director of the HSE, was representative of this recruitment pattern. In 1999–2000, Kuzminov and other representatives of the HSE were at the center of the development of the Strategy 2010 program of socioeconomic reforms adopted by the Russian government, and subsequently the informal status of the HSE was greatly elevated. It became the major brain trust of liberal reformers, and policy-oriented projects ordered by the government and other state agencies became a visible part of the HSE’s activities and an important source of its revenues. Under the influence of the HSE, a number of policy innovations were launched in various fields, such as implementing the Unified State Exam. Kuzminov became a prominent public figure, often considered a prospective candidate for various posts in the government, but kept his job at the HSE; however in 2014, he was elected to the Moscow City Duma (a legislative assembly), and in 2015 became a cochair of the Moscow branch of United People’s Front, a major pro-Putin organization. Kuzminov’s wife, Elvira Nabiullina, served as minister of economic development and then as a chair of the Central Bank of Russia; in other words, their personal union was intertwined with top-level political connections. Kuzminov was also at the center of a network of economic experts closely linked to the Russian government and often labeled “systemic liberals” in the media. He was the codirector of development of a new governmental program, Strategy 2020, and actively participated in preparing several of Putin’s decrees on issues of socioeconomic development. At the same time, top state officials served as the HSE’s trustees, regularly gave talks at its annual conferences, and supported this organization in various forms, ranging from state contracts to new office buildings. While the HSE initiated several state-directed projects and programs, it also became one of its major beneficiaries, both directly and indirectly.

In fact, Kuzminov turned out to be a successful policy entrepreneur: he invested resources effectively into the market advancement of the HSE and attracted various new sources for development of the organization, including tuition fees and contracts from businesses and from the state agencies. In the 2000s, the HSE grew extensively, taking over several educational establishments, expanding its regional campuses in Saint Petersburg, Perm, and Nizhny Novgorod, and incorporating several buildings in Moscow and later in Saint Petersburg. From its beginnings as a small, specialized training program in economics, it became one of Russia’s largest universities; its scholarly profile went
beyond social sciences and humanities and included math and computer science. These achievements contributed to a great increase in its international visibility, which attracted several international academic stars as heads of its projects and laboratories (who stated their HSE affiliation in their academic publications) and resulted in effective incentives for its lecturers and researchers. These incentives included juicy carrots such as HSE internal grants and individual bonuses for publication in leading international journals and other achievements, and hard sticks such as short-term contracts that allowed university managers to easily replace inefficient and/or undesired personnel. This combination enabled the HSE to attract both leading scholars and prospective young researchers who had previously worked in other institutions in Russia and abroad and to get rid of scholars with poor publication records. Even HSE’s academic critics recognized its achievements.

To summarize, a high degree of autonomy, effective organizational leadership, and skillful patronage became the major pillars of the HSE’s success.

Against the background of a worsening domestic and international political and economic climate, especially after 2014, the success of the university, which is based on the principles of international integration, academic freedom, and self-governance, has faced increasing challenges. HSE has followed a “too big to fail” strategy throughout its extensive growth as an organization, which has reduced some of the risks. However, the political risks for a “liberal” university under the auspices of top state officials, who formed the HSE Board of Trustees, have remained high. Major contradictions have become visible since the summer of 2019. At that time, the HSE Department of Political Science merged with the Department of Public Administration, with simultaneous termination of the job contracts of some professors of the former political science department, who had gained a strong reputation as liberal political analysts and vocal critics of Russia’s authorities. This process was initiated by HSE vice rector Valeria Kasamara (a political scientist herself), who argued that the university should stay beyond politics in terms of partisanship; her claim, however, was perceived as a call for self-censorship. Furthermore, Kasamara herself balloted as an independent candidate for the Moscow City Duma, endorsed by the city hall, while the denial of registration to opposition candidates caused mass protests. Among several protesters arrested, a young libertarian activist and Kasamara’s own undergraduate student at the HSE, political scientist Yegor Zhukov, soon became a symbol of these contradictions. In the end, Kasamara lost the election to an opposition-backed candidate, and Zhukov soon received a probation and was released from prison. In response, in early 2020, the HSE changed its internal...
regulations, cancelled support for several student initiatives, and requested that its scholars and staff avoid mentioning HSE affiliation in their public rhetoric and activities that go beyond their immediate professional duties. Soon after that, under the guise of ongoing reorganizations, HSE terminated job contracts for several of its publicly visible professors and lecturers who openly criticized Russia’s authorities and their policies, especially in the media. These political compromises, however, did not help the HSE preserve the previous status quo. In the end, in July 2021, Kuzminov resigned from the rector’s post and passed HSE leadership to his successor Nikita Anisimov, a former rector of the Far Eastern State University. To what extent this departure marked the end of the HSE as a success story remains to be seen.

Overall, the HSE success story was to a great degree related to Kuzminov’s personal performance, and given the increasing challenges and declining time horizon for further planning, the chances of the institutionalization and impersonalization of this success story have diminished over time. Even though any conclusions about this success story would be premature, one must admit that the HSE’s success was exceptional and has contributed only to a limited multiplicative effect on other higher education establishments in Russia, and the state resources that the HSE has (deservedly) attracted for its development have not been received by other state universities. But does this mean that the handful of success stories under bad governance are always doomed to remain isolated islands of high-quality development amid a sea of mediocrity, while the managers of other state-directed projects and programs are forced to keep muddling through?

The “5–100” Project: Why Successes Are Rare

To some extent, the project of multiplying success stories and disseminating best practices in higher education, as attempted by the Russian authorities in the 2010s, helps understand why success stories are so rare in Russia and beyond. The “5–100” state project aimed to promote five Russian universities into the top 100 of the global rankings of higher education organizations by 2020. This project was approved by the president and government of Russia; it involved a number of Russian state universities, as selected by a special commission, receiving state subsidies for the purpose of their development, which could then help with their advancement in international rankings. The main driver of the project, launched in 2012 after Putin’s presidential decree and officially approved in 2013, was the Ministry of Education and Science, led by Dmitry Livanov, an active supporter of reforming science and education in Russia and especially of
internationalization of Russian scholarship. The “5–100” project also generated ideas that were included in the government’s Strategy 2020 program developed by Kuzminov and his team, and in turn, aimed to disseminate the best practices of the HSE. This direction was chosen as a top policy priority by Russia’s political leadership because of a winning combination of several factors. First, at that moment, Russia’s leaders were still pursuing a strategy of authoritarian modernization (outlined in chapter 3) that included successful growth and development as an objective of governing the country (at least, at the level of rhetoric), and advancing higher education perfectly fit these goals. Second, the “5–100” project was not invented out of the blue but served as a logical extension of the establishment of federal and national research universities in Russia in the 2000s, which were considered “growth poles” in the higher education sector.

Third, the elevation of Russian universities to the heights of global rankings could have visible demonstrative effects and could perform the function of conspicuous consumption of symbolic goods by the Russian leadership and elites. It could also perform compensatory functions, outweighing the major notorious defects of Russian higher education, which range from widespread corruption to poor quality of university governance, research, and teaching.

The start of the “5–100” project was promising. The Russian state assigned fifty-seven billion rubles for its implementation in 2013–2017 and added slightly more funds later. The Ministry of Education and Science, with the help of an international board, selected twenty-one state universities to participate in the project, including the HSE and the Moscow Institute of Steel and Alloys (Livanov had served as rector of this institution before taking his ministerial post). All these universities presented roadmaps to implement the “5–100” project, which involved a significant rise in the proportion of international students and scholars, a major increase in the quantity and quality of academic publications (particularly in international scholarly outlets), and several other steps. However, two leading institutions, the Moscow State and Saint Petersburg State Universities, were deliberately excluded from the project. The formal argument was related to the fact that these universities already occupied top positions in global rankings, but this move also made it possible to exclude their influential rectors from being involved in the venture (which was especially true in the case of Viktor Sadovnichiy, the notoriously isolationist rector of Moscow State University). Putin’s patronage of the project enabled it to maintain its budget (relatively high by Russia’s standards), despite cuts in some of the ministry’s expenditures at the end of 2014. However, the advancement of Russian universities in global rankings soon faced major challenges.
First and foremost, the “5–100” project was too short-term in terms of its time horizon: it was measured in years rather than in decades, like the Project 211 and Project 985 in China, which aimed to achieve similar goals of global advancement of Chinese universities. But such a long planning horizon was unrealistic for Russia, because the political leadership does not consider potential benefits in such a distant future. The fact that the achievement of the project’s goals by 2020 was perceived as impossible by top managers and participants in the project greatly affected all incentives—the community of leaders of Russian higher education was interested not in achieving the final results but in demonstrating partial and temporary advancements at the level of interim reporting. The scope of funding for the “5–100” project was also insufficient for its ambitious goals, especially because its resources were spread among more than twenty recipient universities. Finally, the mechanism for implementing the project and the requirements imposed on universities by the Russian state did not involve irreversible structural and institutional changes to university governance, let alone an increase in their organizational autonomy aimed at successful long-term development of these institutions after the end of the project. It is no wonder that some of the universities included in the “5–100” project perceived it as a one-off massive inflow of state funds, a kind of sizeable gift, which should be met with appropriate reporting on publications and internationalization and nothing more. Even when some university-level policy entrepreneurs initiated innovative ventures, they faced a shortage of resources, limited time horizons, and multiple tensions with scholars and administrators. This is why, for example, the ambitious School of Advanced Studies at Tyumen State University (one of the beneficiaries of the “5–100” project) has encountered major schisms and conflicts, and it is highly doubtful whether it can fulfill its great promises.

In addition to these problems, the project faced challenges of a different kind. After 2014, the policy priorities of Russia’s political leadership shifted from developmental goals to geopolitical adventures. The project, aimed at international integration of Russian higher education, poorly fit these new priorities. In 2016, Livanov, the major driver of the “5–100” project, was fired from his ministerial post, while his successors had limited bureaucratic influence and demonstrated little interest in their predecessor’s initiatives. Later, however, in the wake of re-organizing state agencies, the project came under the auspices of the Ministry of Science and Higher Education, and in early 2020, Valery Falkov, the former rector of Tyumen State University, was appointed as a minister. Overall, however, the success of the “5–100” project was mixed at best; although advancement of the Russian universities in global rankings was visible, it was insufficient
to achieve the project’s goals. However, the HSE and some other institutions greatly improved their positions in the rankings for several disciplines. In some cases, however, efforts to improve global rankings at any cost brought undesired effects, such as contracts between Russian universities and consulting firms that were themselves involved in making international university rankings: this was justly considered a conflict of interest.73

The prospects for further extension of the “5–100” project in somewhat different format (also known as Priority 2030)74 look rather questionable. While one should not deny the major progress made by some Russian institutions of higher education, especially regarding internationalization and publications, and the emergence of some university-driven initiatives beyond the HSE, these achievements have not resulted in qualitative changes to the landscape of Russian higher education (at least, as of yet) and have not given rise to a cumulative effect of successful development of the sector. None of the universities involved have demonstrated achievements comparable with those of the HSE, and its best practices have been disseminated only with significant difficulties.

The experience of “5–100” has demonstrated the problems with transferring success stories beyond their initial contexts. The dissemination of best practices is one of the instances of policy diffusion that are aimed at institutional isomorphism, “a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions.”75 Scholars have outlined three types of diffusions that lead to this outcome, namely coercive, mimetic, and normative. Coercive diffusion, promoted by the state, has the strongest effect on the behavior of individuals and organizations, especially in authoritarian settings. Yet coercion is hardly an effective means of achieving success stories, especially when negative incentives are weak (there are no repressions in Russia for inefficient top managers in the public sector even in cases of total failure), and its long-term positive incentives are questionable. Mimetic diffusion, when the top leadership chooses role models from a menu of possible options, is also problematic given the low organizational autonomy of state-led projects and programs. Finally, normative diffusion emanates from sources that are perceived to be “legitimate and reputable.”76 These sources of isomorphism are complementary, but under conditions of bad governance, none of them contribute appropriately to dissemination of best practices. The normative sources and role models for top managers are not successful policy entrepreneurs, but rather successful rent-seekers; in the public sector, they dream of behaving like Yakunin rather than like Gref. Without top-down pressure, the dissemination of best practices by top managers of companies and organizations may result in
their prosecution by the overregulated state, especially if they achieve success. Furthermore, coercive diffusion rarely coincides with resource endowment, which is necessary to achieve and maintain success stories, and this is why these pressures may lead to short-term campaigns or attenuate the best practices, which may result in less-than-best consequences. Moreover, state-led projects and programs that lose priority status and/or funding become vulnerable to the threat of normative and mimetic diffusion from role models of rent-seeking and passive adjustment to ever-changing state regulations and producing meaningless reporting. In such situations, coercive diffusion from the state toward former (or failed) success stories, alongside personnel reshuffling, may contribute to their bastardization and make it irreversible.

This skeptical account should be read with certain caveats: the cases analyzed in this chapter are based in certain policy fields and may be regarded as affected by their peculiarities, and this is why any generalization of conclusions from the achievements and the shortcomings of success stories will be only possible upon further research. This does not mean that sustainable success stories and/or dissemination of best practices in the public sector in Russia are impossible or doomed to be isolated islands that do not meaningfully affect the overall dismal picture. However, the overall role of success stories in Russia’s development should be reconsidered, not only here and now but in a longer-term perspective.

On the Use and Abuse of Success Stories

The (in)famous argument that Russia is a “normal country” has been objected to on various grounds. Among them, the claims widely used in public discussions concern Russia’s numerous global achievements in different fields ranging from arts to sports. Yet if one were to consider normality as a statistical rather than a substantive phenomenon, then the average scores would not take any outliers into account. Similar to a school class, where the only A-student will barely affect overall grades given a majority of C-students, the extraordinary achievements of certain success stories do not make the country great against the background of modest progress in other fields. Moreover, most of these great Russian successes were achieved in the distant past, and they cannot serve as a free pass once and forever. Still, constant references to success stories, especially in the public discourse on Russia, to a certain degree tend to smooth out overall discontent with the country’s mediocre performance and drive discussions on its causes and effects onto the periphery of the attention of elites and masses alike. This is why overemphasizing success stories at the expense of interest in
the political, economic, and social environment beyond them has contributed to the continuity of bad governance and even legitimized this politico-economic order. In reality, certain success stories were achieved not because of the overall conditions of bad governance but because these projects and programs were implemented under special conditions. In a sense, the compensatory functions of some success stories in Russia and beyond may be also considered as manifestations of mediocrity syndrome in the country.\footnote{fitted/eight.fitted}

In fact, Russia, an average country of the twenty-first century, has most probably exhausted the potential of its infrastructural and personnel resources for success stories on the global scale comparable with those of the Soviet space program. It is highly likely that Russia’s current and possibly future success stories are doomed to be limited to certain niches. But insofar as the institutions and incentives that emerged in the Soviet and in post-Soviet periods encouraged high demand for success stories among political leaders and society at large, we might expect a recurrent tendency of state-led programs and projects aimed at such achievements. At best, these success stories can bring only partial and temporary successes, and at worst, they may come to naught (as happened with Skolkovo) or even lead to the opposite result, as with the Sochi Olympics and their numerous doping scandals.\footnote{fitted/nine.fitted}

However, attempts to diminish the pernicious effects of bad governance, if and when they occur in Russia, may contribute to a decline in purposeful state sponsorship of success stories for several reasons, including a shortage of the infrastructural and personnel resources that are necessary for achievements of this kind. The question is to what extent this shift in using resources will enable the Russian authorities to change the very paradigm of development and switch from an orientation toward a small number of extraordinary and highly visible achievements to the improvement of quality of socioeconomic development? Such a move may lay foundations not for separate success stories with weak multiplicative effects at the expense of everything else, but for gradual advancement of the country toward better performance. The lack of change in the paradigm of development increases the risk that Russia’s success stories in the twenty-first century will remain matters of the past—in all likelihood, forever.