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Capture or Exchange? Business Lobbying in Russia

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CENTRAL TO THE POST-COMMUNIST TRANSFORMATION is a redefinition of relations between business and the state. This redefinition has been particularly difficult in Russia, where policy makers and scholars alike have cited an incestuous relationship between business and the state as a key impediment to an orderly market economy.[1] However, we have few empirical studies of business lobbying in Russia.[2] Views about lobbying are extensively coloured by writings about the oligarchs—a small group of powerful industrialists and financiers that is by definition atypical.[3] In addition, analyses of lobbying tend to focus on sectors or regions rather than firms.[4] Most important, discussions of business–state relations in the region tend to concentrate on successful lobbyists and ignore firms that are not influential. By examining only cases where firms influence policy, observers risk distorting perceptions of the extent and significance of lobbying.

Many questions remain about lobbying in Russia. What types of firms are successful lobbyists and at what levels of government can they exercise influence? What means do they employ? Are business–state relations closer to a form of capture in which powerful firms have great sway over the state and bear little cost for their influence? Or are they better seen as a form of elite exchange in which firms receive favourable treatment in return for providing benefits to state agents?

These questions are hardly unique to Russia. Observers have expressed concern over the tight links between business and the state in other post-communist countries as well.[5] Privatisation in the Czech Republic often led to opaque ownership structures that allowed state-owned banks, their related voucher funds and industrial holding companies to serve as powerful lobbies.[6] In Bulgaria the parastatal association of firms known as Multi-Group used its privileged access to state officials to gain control over state assets, which were then largely used for personal consumption.[7] The close relations between business and the state that mark many post-communist countries smack of the crony capitalism that contributed to the collapse of the Asian economies in 1998.[8] Indeed, good governance has become a mantra of international financial organisations.[9]

This article examines business lobbying in Russia using an original survey of 500 firms conducted between October and December 2000 in eight cities and presents three findings. First, the sources of lobbying power vary by level of government and by type of firm. While large firms claim to be able to influence legislation at all levels of government, the impact of property type—whether a firm is state-owned, privatised

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or *de novo* private—varies by level of government. Property type matters little for lobbying the federal or municipal governments, but at the regional level state-owned firms are more successful and *de novo* private firms are less successful lobbyists than privatised firms.[10] This suggests that efforts to tailor policies to level the economic playing field in Russia should focus on the regional level of government.[11]

Second, successful lobbyists use a variety of means to influence legislation. As expected, personal consultations with state agents are a valuable tool for firms. More surprising, half of the successful lobbyists in the sample relied on a business organisation to obtain favourable legislation for their firm, suggesting that business lobbying in Russia may be somewhat more institutionalised than is commonly recognised.

Third, relations between influential firms and the state are better characterised by elite exchange than by pure capture. Successful lobbyists are more likely to get direct benefits, such as subsidies or tax breaks, from the state. However, they are also more likely to be subject to price controls and are inspected more frequently than other firms in the sample. As price controls and inspections provide benefits for politicians and bureaucrats, state officials also gain from granting individual firms influence over legislation and other normative acts.[12] These results also indicate that business–state relations in Russia are less one-sided in favour of business than is commonly argued.

Lobbying power in Russia: who has it and is it fungible?

Standard treatments of business lobbying in Russia tend to emphasise three points: the continuing importance of the Soviet legacy; a reliance on personal ties rather than organisations; and the capture of state decision-making bodies by powerful economic interests. This section introduces these three points in succession.

The sources of lobbying power

Observers of Russia have pointed to a range of factors that may influence the lobbying power of firms, many of which are common to more general theories of lobbying. In particular, these scholars tend to emphasise that state ownership, monopoly status and large firm size all have roots in the command economy and have been valuable tools for influencing policy.[13]

Property type. State-owned firms may have better access to public officials and therefore be better able to influence legislation. State officials, who generally have some control over state-owned firms, have strong incentives to use the firm for narrow political ends, such as giving jobs to supporters, rather than for broader economic goals, such as increasing efficiency.[14] Indeed, weakening the ties between politicians and firms was a primary justification for privatising state-owned enterprises in the post-communist world.[15]

Market power. Other scholars emphasise that factors specific to the market in which firms operate determine lobbying power. Olson argues that firms that dominate their market find it far easier to overcome collective action problems that are

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inherent in lobbying. Monopolists, often with roots in the command economy, are likely to be especially powerful lobbyists.[16] Despite debates about the extent of monopoly in post-Soviet Russia, few doubt the political might of firms with great market power.[17]

Size. Firms with many employees may have more bargaining power because they allow politicians to trade favourable legislation for support at the ballot box or industrial peace. By threatening to lay off workers, managers can pressure state officials who fear that the unemployed will oppose their efforts to retain office. By doing so, managers can extract benefits from the state.[18] Large firms were a hallmark of the command economy and many observers have commented on the continuing influence of large firms.[19]

Sector. Lobbying power may come from the nature of the assets held by firms. For example, the holders of mobile assets—as in the financial sector—can use the threat of exit to exert pressure on state officials to adopt policies that suit their interests.[20] This argument will hit home with observers of Russia who have seen the rise of a powerful banking lobby.[21]

Organisation. Firms that are members of business or professional associations that have already overcome the collective action problem inherent in lobbying may be better positioned to gain favourable legislation from the state. The power of business lobbies, such as the Russian Union of Industrialists and Entrepreneurs, has been well recognised by Russia watchers. Similarly, many have argued that members of financial–industrial groups or other types of cross-ownership arrangements are well placed to lobby the state.[22]

Discussions of lobbying in Russia rarely distinguish among levels of government. Underpinning this view is the assumption that economic power is fungible and can be exercised at any level of government. Yet, given differences in institutional structure and power across levels of government in Russia, it is an open question whether some types of firms may be more influential at one level of government than another.[23] Having briefly identified the potential sources of lobbying power in Russia, the next section explores the means by which economic interests influence the state.

Personal ties and organisational power

Successful lobbyists may use a variety of means to influence policy—from relying on personal ties between managers and state officials to broad-based media campaigns.[24] There is a fairly strong view among observers of Russia that the majority of successful lobbyists rely extensively on personal ties rather than business organisations to influence policy. For example, Rutland notes that the 'Russian pattern [of lobbying] is closer to that found in Southeast Asia where informal personal ties are important'.[25] Similarly, Graham has argued that 'clans' based on personalistic ties to the El'tsin government dominated policy making at the federal level in Russia.[26] Jensen maintains that, while many business associations appeared in the early 1990s,

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'most of these groups were not very influential, although some met with limited success'.[27] Jensen and others note that members of financial–industrial groups have been much more successful at influencing policy.

The prevalence of different forms of lobbying can illuminate relations between business managers and state officials. For example, lobbying strategies that rely primarily on personal ties tend to indicate strong patron–client relations between business and the state. These types of relations often impede economic performance because they provide narrow benefits to particular well-connected firms at the expense of the provision of public goods to society at large.[28] In contrast, a reliance on business and professional organisations to lobby the state may indicate that the competition for favourable treatment by state officials has become more institutionalised. This type of lobbying may be less distortionary for the economy because it rewards a broader set of economic interests.

Firm capture or elite exchange?

Finally, observers often emphasise the ability of interest groups to influence state officials and argue that Russian business elites have largely captured the state.[29] In this argument, powerful firms have hijacked the state for their own narrow purposes at the expense of broader interests within society. Having captured the state, these influential firms extract benefits while paying little in return for their influence.

Scholars point to a range of evidence to support this argument. In the early 1990s observers noted the power of the 'Red Directors' to extract generous benefits for enterprise insiders in the voucher privatisation programme.[30] In the mid-1990s others cited how the 'Bankers' Lobby' used the state to protect their market from foreign competition, block the appointment of Tatyana Paramonova as Chairman of the Central Bank, and receive favourable treatment on the state bond market.[31] Throughout the decade, others have recognised the lobbying power of the oil and gas sector.[32] These observers emphasise that large industrial firms, banks and natural resource companies exert disproportionate control over the Russian state.[33] Moreover, many believe that firms have developed cosy relations with incumbents at the regional level of government as well.[34]

Yet others have deemed the relationship between state officials and firms to be less one-sided in favour of business. According to this view, firm managers receive influence in exchange for providing benefits to particular officials. Influence is not costless; it comes in return for services that benefit state agents. Rather than depicting a state captured by economic interests, they note that both business and state officials may benefit by granting some firms influence over legislation.[35] Rutland argues that 'lobbying in Russia is a two-way process—and more top-down than bottom-up since the state creates and sustains most business groups'.[36] He notes that the interpenetration of state and firm may be a more appropriate metaphor than interest group capture to characterise relations between business and the state in Russia.

Shleifer & Treisman depict a range of deals made between state officials and economic interests over the last decade.[37] They describe how economic agents agreed to support the El'tsin government against his political opponents in exchange for less

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distortionary economic policies. For example, Russian factory managers supported President El'tsin in his political struggle with parliament in exchange for generous treatment during privatisation.

Frye found that brokers on the Russian equity market and regulators in the Federal Commission on the Securities Market created a political coalition that was based on mutual interest rather than capture.[38] In exchange for granting privileges to the brokers' association, known as NAUFOR, the bureaucrats from the Federal Commission received support from the brokers' association in their struggle within the Russian state against the Central Bank. Again, this alliance points to mutual gains between state officials and economic interests rather than to capture.

Analyses of the extent of state capture are hindered by a lack of consensus on the meaning of the term. Some treatments of capture, typically in a pluralist or Marxist tradition, emphasise the size of the benefits that accrue to particular interest groups that exercise influence over the state.[39] Firms that extract great benefits from the state are thought to have captured the state. Hellman *et al.* use the term capture to refer to the means by which firms obtain benefits from the state.[40] They identify 'captor' firms as those that bribe state officials to gain favourable treatment.

The treatment of state capture in this article differs slightly from that in extant literature. Capture occurs where firms exercise influence over state policy while bearing little cost for their efforts. In contrast, elite exchange occurs where successful lobbyists gain influence by providing benefits to state officials. Elite exchange suggests the existence of a *quid pro quo* between state officials and firm managers, while capture does not. Capture in this article focuses on the costs and benefits that accrue to firms through their influence on the state, rather than on the means by which they exercise this influence, as in Hellman *et al.*, or by the size of benefits, as in traditional capture theory.[41]

In sum, if standard treatments of business lobbying in Russia are correct, we should find that large state-owned firms with monopoly power exercise great influence at all levels of government using personal ties without bearing significant costs for their efforts.

A brief description of the survey

To assess these aspects of business–state relations in Russia, I conducted a survey of 500 firms in November 2000.[42] The survey was prepared in English, translated into Russian before being translated back into English to minimise discrepancies. Some of the questions had been used in previous surveys in Russia and all the questions were included in a pilot survey of eight firms.[43] Between 10 October and 25 November 2000 VTsIOM, the All-Russian Centre for the Study of Public Opinion, surveyed firms in eight cities: Moscow, Nizhny Novgorod, Novgorod, Smolensk, Tula, Voronezh, Ufa and Ekaterinburg. The survey included fairly prosperous and fairly poor cities and a mix of communist and non-communist led city and regional governments.

Firms were chosen using a stratified random sampling technique. After obtaining data on the number of employees and the types of firms in each region from the state

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statistical agency (Goskomstat), we stratified the sample by size and type of firm. We then chose firms at random from within these two strata using regional business directories and other lists of firms. We included only firms located in the capital city in each region due to cost considerations. This shortcoming is offset in part because these cities contain the lion's share of economic activity in the region. In each city we conducted at least 60 interviews. Although the number of firms chosen in each region is small, we took pains to ensure that the sample mirrors the larger population of firms in the region.

We interviewed the manager, the chief executive officer or the chief financial officer in each of these firms. These are typically the top three positions in the firm. We believed that these individuals had the authority to speak on behalf of the firm and the knowledge to comment on a broad range of issues. The response rate was 56%. The average interview lasted just under an hour and was conducted face-to-face in Russian.

Some 55% of the firms were in heavy or light industry, 20% were in retail trade and 25% were in construction/transport/communications. The firms ranged from heavy industry giants in the energy and machine tool-building sectors to light industry firms that produced textiles and food, to retail trading firms and banks. The average firm in our sample employed 840 workers. The smallest firm had four workers and the largest had over 53,000. Half of the firms had more than 150 employees. More than 60% of the firms owned the building in which their firm operated and the rest did not.

Firm managers were primarily male (74%). Most had a college level education and had worked as a director in the firm for 6–10 years. The average age of a manager was 46. The oldest manager was 84 and the youngest was 23. We found that 65% of the firms in our sample had undergone privatisation, 20% were created after 1989 as *de novo* private firms without ever having had any state ownership, and 15% were state-owned.

Ideally, one would like to get accurate information on profit, turnover and expenditure—data that managers do not willingly provide. To make the best of the situation, we asked firms whether in the last year they made a profit, neither made a profit nor lost money, or lost money. We then repeated the question for the year 2000. Roughly 68% of the firms in the sample claimed to have made a profit in 1999, 20% neither made nor lost money, while 12% were in the red. Given the devaluation of the rouble in August 1998 and steep rise in oil prices in 1999 and 2000, these data are not surprising. Moreover, they mirror data from a recent Goskomstat survey which reported that 60% of industrial firms were profitable in 1999. Again, the data on financial performance are fairly crude and are used primarily as controls. Relatively few (9.5%) of the firms were monopolists and only 13% of firms named foreign firms as a primary competitor. Only 2% of firms were members of financial–industrial groups, but 28% were members of production associations of some kind, e.g. a trust, holding company, association, concern or financial group. Some 30% of firms were members of business associations, such as the Russian Union of Industrialists and Entrepreneurs or the Association of Small Businesses (see Table 1).

Firms in the sample faced a range of obstacles to their business. Most important for

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TABLE 1

DESCRIPTIVE STATISTICS OF FIRMS IN THE SAMPLE

Firm characteristic	*Responses*
Average number of employees	840
Industrial firms (%)	55
Retail and wholesale trading firms (%)	20
Construction/transport/communications firms (%)	25
Own their building (%)	61
Members of business organisation (%)	31
Average age of the manager (years)	46
Average years as director of the firm	6–10
Privatised firm (%)	65
State-owned firm (%)	15
De novo private firm (%)	20
Monopoly status (%)	10
Competition from foreign firms (%)	14
Member of financial–industrial group (%)	2
Member of production association (%)	28

this article, firms found competition to be a fairly significant problem. On a scale of 1–5 (1 being no problem and 5 being a significant problem), firm managers rated it 2.9. Corruption and bureaucratic intervention in firms' decision making were seen as less important problems (2.4 and 2.0 respectively) (see Table 2).

TABLE 2

MAIN OBSTACLES TO THE DEVELOPMENT OF YOUR BUSINESS

Type of obstacle	*Response (1 = small, 5 = large problem)*
High tax rates	4.29 (1.36)
Legal instability	3.46 (1.39)
Strong competition	2.90 (1.36)
Difficulty finding credit	2.74 (1.63)
Lack of qualified managers	2.51 (1.47)
Corruption in the state bureaucracy	2.43 (1.49)
Weak public infrastructure (roads, telecommunications, mail)	2.17 (1.24)
Governmental intervention in firm decision making	1.98 (1.30)
The 'racket'	1.43 (1.00)

Note: Mean responses with standard errors in parentheses.

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TABLE 3
INFLUENCING LEGISLATION (%)

Can influence legislation	*Federal government*	*Regional government*	*Municipal government*
Almost never	88	83	76
Sometimes	11	15	19
Almost always	1	2	5

Measuring influence over legislation

Measuring the extent of influence is difficult.[44] When addressing critics, politicians and favoured economic interests are often reluctant to advertise their influence. When addressing supporters they may exaggerate it. To gain a measure of a firm's ability to lobby the state, we asked: 'During the preparation of new laws or normative acts by the federal government that are important for your business, how often is your firm able to have influence on the final version of the document?'[45] Managers had a choice of four responses:

(1) almost never,
(2) sometimes,
(3) almost always,
(4) it is hard to say.

We then repeated the question asking about influence at the regional and local levels of government. This question has several useful features. While it aims to measure direct benefits received by the firms, such as tax breaks or subsidies, it also seeks to include more subtle indicators of influence.[46] For example, it includes cases where firms are able to block policies that harm their interests. In addition, because this question refers to both legislation and other normative acts, such as bureaucratic directives, it employs a fairly encompassing measure of influence.

At the federal level, only 12% of firms responded that they could ever influence legislation.[47] This number rose to 15% at the regional level and 19% at the municipal level. In total, 30% of firms claimed to influence policy occasionally at some level of government (see Table 3).[48]

Quantitative analysis: the roots of influence

To assess the determinants of successful lobbying at various levels of government, I turn to quantitative analysis. I begin by examining the probability that firms claim to exercise some influence on the federal government and estimate the following equation:

$$SuccessfulLobbyist_i = \beta_0 + \beta_1 Age_i + \beta_2 Education_i + \beta_3 Gender_i + \beta_4 State_i + \beta_5 DenovoPrivate_i + \beta_6 Monopoly_i + \beta_7 Business\ Organisation_i + \beta_8 FIG_i + \beta_9 Employee_i + \beta_{10} City\ Controls_i + \beta_{11} SectorControls_i + e_i \quad (1)$$

The dependent variable, $SuccessfulLobbyist_i$, is dichotomous and measures whether

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or not a firm claims to be able to influence legislation or normative acts issued at the level of the federal government. Firms that claim to exercise such influence receive a score of 1, otherwise 0.

Older and better-educated managers may be more successful at lobbying for favourable legislation. Thus the model includes variables for Age_i and $Education_i$. The gender of the respondent may also influence the ability of the manager to shape legislation and $Gender_i$ takes a value of 0 for men and 1 for women.

Firm level variables may also have an impact on lobbying power. Firms with more employees may be better able to influence legislation. Thus, I include $Employee_i$ in the model. I add dummy variables for state-owned firms, $State_i$ and new private firms, $DenovoPrivate_i$.[49] In addition, because members of business organisations and financial industrial groups (*FIG*s) may be well placed to shape legislation, I include dummy variables for membership in a business association, $BusinessOrganisation_i$, and in any type of cross-ownership arrangement, FIG_i, respectively.[50] Firms that face little market competition may have few difficulties overcoming collective action problems. As such I include $Monopoly_i$, which equals 1 if firms report that they face no significant competitors and 0 otherwise.

I include dummy variables for the city to capture any effects that are specific to the city in which the business is located. I control for the economic sector using dummy variables for 10 different sectors.[51] Food and food-processing firms are the excluded category. I use logistic analysis because the dependent variable is dichotomous and robust standard errors with clustering on cities to control for heteroscedasticity within the data (see Table 4).[52]

Results

Federal government. Model 1 in Table 4 reports the results of a logit analysis that predicts the probability that a firm having a particular characteristic will claim to exercise influence over legislation at the federal level of government. State-owned and *de novo* private firms do not claim to influence legislation at rates any different from privatised firms. Thus property type seems to have little impact on lobbying power at the federal level.[53] Large firms are particularly successful at influencing legislation, as indicated by the positive and significant coefficient on $Employee_i$. Members of business organisations exercise more influence over legislation than do other firms, but members of various sorts of financial–industrial groups (FIGs) do not. Financial sector firms are likely to exert some influence over legislation, as are fuel and telecommunication firms. Other sectoral variables provide little leverage.[54] Somewhat surprisingly, monopolists are no more successful at influencing legislation than other firms.

Regional government. Model 2 examines the success of different types of firms in influencing legislative and normative acts at the regional level of government. In some respects the results are similar to Model 1.[55] Large firms and members of business associations are especially successful lobbyists. Monopolists and members of various forms of financial–industrial groups are no more successful at lobbying the regional government than are other firms in the sample.

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TABLE 4

ACCOUNTING FOR SUCCESSFUL LOBBYING

	Successful lobbying of federal government (I)	*Successful lobbying of regional government (II)*	*Successful lobbying of city government (III)*
State	− 0.23 (0.49)	0.65** (0.34)	0.06 (0.39)
De novo private	− 0.08 (0.32)	− 0.98*** (0.33)	0.27 (0.32)
Employees (log)	0.51*** (0.10)	0.43** (0.10)	0.48*** (0.08)
Business organisation	0.63* (0.38)	0.90*** (0.21)	0.73*** (0.31)
FIG	0.12 (0.36)	− 0.04 (0.25)	0.03 (0.11)
Monopoly	0.17 (0.60)	− 0.50 (0.42)	− 0.18 (0.22)
Financial sector	2.07** (1.07)	1.16*** (0.50)	1.50*** (0.66)
Constant	− 5.31*** (1.1)	− 3.93*** (0.80)	− 4.16*** (0.66)
Prob > chi^2	0.0000	0.0056	0.0039
Log likelihood	− 137.39	− 163.24	− 228.19
N	495	435	495

*,**,*** significant at 0.1, 0.05, and 0.01 level.
Note: Dependent variables = 1 if a firm claims to influence legislation at a particular level of government, otherwise 0. Logistic regression with robust standard errors. Controls for firm sector (save the financial sector), city, and the age, education and gender of the manager are not reported, but are available from the author.

In contrast to Model 1, property type has a significant impact on influence at the regional level of government. State-owned firms are significantly better lobbyists and new private firms are significantly worse lobbyists than privatised firms, as indicated by the coefficients on $State_i$ and $DenovoPrivate_i$. This underscores the importance of property type for influencing the regional level of government.

Municipal government. Model 3 assesses the determinants of influence on the municipal government and largely mirrors the results from Model 1. Property type again is not significantly associated with influence over policy, while large firms, members of business organisations and financial firms are especially successful lobbyists. Thus the impact of property type on lobbying success varies by level of government.

It is difficult to identify the substantive impact of the coefficients in these models simply by inspection owing to the nature of logistic regression. To determine the effect of various independent variables in Model 2 on the probability of being a successful lobbyist at the regional level of government, I calculate the predicted probabilities of a one-unit change in the independent variables of interest. I set

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continuous variables at their means and dummy variables at their modal category of 1 or 0 except where indicated. Doing so suggests that for a hypothetical privatised machine tool firm located in Nizhny Novgorod the probability of being a successful lobbyist is 0.11. Joining a business organisation increases the probability that the firm is a successful lobbyist from 0.11 to 0.31. If the firm is state-owned rather than privatised the probability of being an influential firm increases from 0.11 to 0.20, while if the firm is *de novo* private this probability falls to 0.05. If the firm is in the financial rather than the machine tool sector, the probability of being a successful lobbyist increases from 0.11 to 0.28. Thus these results are substantively important, as well as statistically significant.[56]

These results indicate that political influence emanating from property type is not fungible across all levels of government. Property type has a large impact on lobbying at the regional level, but not at the federal or municipal level of government. Regional governments are particularly likely to reward state-owned firms with favourable treatment and to punish new private firms. These results point to the considerable tilt in the economic playing field in favour of state firms and against new private firms at the regional level.

How do the winners win?

As noted previously, politically influential firms may use different means to lobby the state—ranging from personal ties with state officials to broad-based media campaigns. To assess the extent to which successful lobbyists used different tools to influence policy, we asked respondents: 'If your firm seeks to influence laws or other normative acts that are important for your firm, then how do you do it?' Respondents were then given a list of options. Table 5 reports only the responses of successful lobbyists.

Many firms relied on direct contacts with state officials, such as the governor, the mayor or representatives of the regional Duma or administration to press for advantages for their firms. These results confirm the widely held view that personal ties are an essential element of lobbying in Russia.[57]

However, successful lobbyists relied on other tools as well. One-third used the media to push for favourable treatment from state officials. Perhaps most interesting, half of successful lobbyists relied on business or professional organisations to influence legislation. Many observers have dismissed business associations or professional organisations as having little influence, but this seems to overstate the case. Moreover, the high number of successful lobbyists that use professional or business organisations to promote their interests suggests that lobbying may be more institutionalised in Russia than is commonly thought.[58] This finding, in conjunction with the success experienced by members of business organisations in lobbying the state at all levels of government, suggests the importance of business organisations in the Russian economy.

Firm capture or elite exchange?

Having identified the types of firms that are able to influence legislation, and presented evidence about how they gain favourable treatment, I now examine the

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TABLE 5

METHODS USED BY SUCCESSFUL LOBBYISTS

Method of lobbying	*Firms using this method (%)*
Direct consultations with city administrators	52 (0.50)
Organisation uniting interests of entrepreneurs	50 (0.50)
Direct consultations with the *oblast'* administrators	38 (0.49)
Direct consultations with the mayor	33 (0.47)
Mass media	33 (0.47)
Direct consultations with the *oblast'* Duma	27 (0.44)
Direct consultations with the city Duma	27 (0.45)
Rely on influential individual	23 (0.43)
Direct consultations with the governor	20 (0.40)
Union organisation	16 (0.36)
Other	5 (0.21)

Note: Mean responses, with standard errors in parentheses.

extent to which firms exert leverage over the state. As noted previously, most scholars have characterised the Russian state as captured by powerful economic interests, but others have recognised an element of exchange in relations between specific firms and state agents.

In this section I divide the sample into two groups: firms that claim to be able to lobby the state successfully at the federal, regional or municipal level of government, and other firms. I then compare the mean responses of managers in these two groups to determine the extent to which successful lobbyists differ systematically from other firms in their relations with the state. If successful lobbyists only receive benefits from the state and bear few costs for their influence, then this would support the capture hypothesis. If, however, successful lobbyists receive favourable treatment but also provide some benefits to state agents, this would support the elite exchange hypothesis.

Row 1 in Table 6 reports responses to the following question: 'In the last two years, has the federal government given your firm any aid (such as a tax break, a subsidy or credits on favourable terms)?' We then repeated the question substituting the local and regional governments for the federal government. Of the firms that claimed to be

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TABLE 6
FIRM CAPTURE OR ELITE EXCHANGE?

	Successful lobbyists	*Other firms*	*T-statistic*
(1) Firms receiving tax breaks or subsidies (%)	43 (0.04)	21 (0.02)	5.19*
(2) Number of inspections per year	23.6 (1.30)	18.7 (0.78)	3.37*
(3) Number of visits by tax inspectors per year	2.9 (0.27)	2.0 (0.14)	3.12*
(4) Intensity of price controls (1–6)	2.1 (0.16)	1.7 (0.12)	1.96*
(5) Regulation as an obstacle to their business (1–5)	2.3 (0.12)	1.9 (0.07)	3.04*
(6) Corruption as an obstacle to their business (1–5)	2.4 (0.08)	2.5 (1.2)	0.66
(7) Competition as an obstacle to their business (1–5)	2.9 (0.07)	2.9 (0.11)	0.30

*$p < 0.05$
Note: Mean values with standard errors in parentheses.

successful lobbyists at any level of government, 43% received some form of direct tangible aid from the state, while only 21% of other firms did so. This difference is statistically significant at the 0.05 level and points to the benefits that powerful firms receive from the state. This is hardly a revelation as firms presumably lobby precisely to get such direct benefits from the state.

Other indicators, however, suggest that successful lobbyists provide benefits for state agents, perhaps in exchange for influence over policy. For example, results from Row 2 in Table 6 suggest that successful lobbyists bear a higher regulatory burden than do other firms in the sample. I measure regulatory burden by the number of times that firms are inspected each year. Inspections not only consume many hours of managers' time, they also offer excellent opportunities for corruption for politicians and bureaucrats. Thus the number of inspections is a good proxy for official and unofficial regulatory burden. We asked firms how frequently 11 different types of state inspectors visited their offices.[59] Firms were asked whether these different types of inspectors came monthly, quarterly, bi-annually, annually or not at all. Answers were then totaled. Successful lobbyists were inspected 24 times per year, while other firms in the sample were inspected 18 times annually, a difference that is statistically significant at the 0.05 level ($t = 3.37$).[60] Perhaps more revealing, successful lobbyists were visited far more frequently by tax inspectors than were other firms in the sample (2.9 versus 2.0 per year, $t = 3.12$) as indicated in Row 3.[61]

Row 4 examines whether successful lobbyists were also more likely than other firms to be subject to some form of price controls. Elected officials often favour price controls because they disperse benefits to the broad voting public, while inflicting costs on small groups of firms.[62] Bureaucrats often support price controls as they can

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gain bribes and other forms of private benefits by granting relief from them.[63] In contrast, firms tend to oppose price controls because they receive less than the market price for their product.

We asked firms whether the federal, regional or municipal governments exerted influence over their pricing policy. Available responses included: none at all, slight influence, and significant influence, and were scored 0, 1 and 2 respectively. Summing the scores at each level of government creates an index of intervention in pricing policy from 0 to 6. Most firms were not subject to any form of state influence over their prices. The responses reveal that only 21% of firms report that at least one level of government imposes some form of price control on their firm.[64] On a scale of 0–6, successful lobbyists, however, were subject to more intrusive price controls than were other firms in the sample. The successful lobbyists received a score of 2.1, while other firms scored 1.7 ($t = 1.96$). Again, this suggests that state officials maintain some leverage over successful lobbyists.

Row 5 finds that successful lobbyists viewed regulation as a more serious obstacle for their business than did other firms.[65] When asked to rate the intensity of regulation as a problem on a 1–5 scale, successful lobbyists rated it 2.3, while other firms rated it 1.9 ($t = 3.04$). Thus successful lobbyists recognise that the frequent inspections and intensive price controls that they face create a more significant regulatory burden on their firms.

Row 6 assesses whether firms that can influence legislation perceive corruption as less of a problem than do other firms in the sample on the same 5-point scale cited above. Successful lobbyists rated corruption as 2.5 and other firms rated it 2.4. The difference in means between the two groups is not statistically significant, indicating that successful lobbyists view corruption as just as significant a problem as do other managers in the sample.

Row 7 determines the extent to which successful lobbyists use their ties to the state to reduce competition. Scholars have often argued that powerful lobbyists rely on the state to protect their markets from competition.[66] I measure the severity of competition based on a similar 5-point scale. As noted previously, results from Table 2 indicate that, on average, strong competition is a fairly significant problem, 2.9 on a 1–5 scale.[67] However, competition affects both successful lobbyists and other firms in the sample in equal measure. Both types of firms rated competition at 2.9 ($t = 0.30$).[68] According to the capture hypothesis, successful lobbyists should experience less intense corruption and competition than other firms, but this is not the case.

Several caveats are in order. It is important to note that this form of elite exchange differs from the broader patterns of social exchange identified by early pluralist theorists.[69] In the former, political and economic elites are much less accountable to social interests and reap gains for themselves directly, while in the latter they represent organised interests within society and the gains from exchange are dispersed more broadly.

The analysis presented here has not focused directly on the 'oligarchs', a small group of businessmen that has often been cited as exerting considerable sway over policy in Russia. One should not draw conclusions about the influence of the oligarchs from this analysis. Instead, this study has surveyed a diverse array of firms

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to examine relations between more typical Russian firms and the state. This approach begins to correct for the common bias of focusing only on successful lobbyists at the expense of less influential firms.

In addition, the evidence of elite exchange between state and business interests is circumstantial, and perhaps this is the best that can be achieved. Neither side has incentives to admit to the existence of a *quid pro quo*. However, the successful lobbyists in this sample did receive favourable policies from the state and also provided some benefits for state officials, a result which is consistent with the elite exchange hypothesis.[70]

Conclusion

Using an original survey of 500 firms conducted in Russia in 2000, this study examined the sources, means and extent of business lobbying in Russia. It presents three findings, each of which points to areas for future research. First, having found that the determinants of lobbying success vary by type of firm and level of government, future research should examine the reasons why the economic playing field is especially tilted at the regional level in favour of state-owned firms and against new private firms. Is it due primarily to the structure of political institutions at the regional level, the lobbying strategies of firm managers, or the nature of ownership relations between governors and state-owned firms? Moreover, has the recent creation of seven 'super-regions' under President Putin fostered a level playing field or exacerbated political favouritism at the regional level?

Second, having found that a majority of successful lobbyists employed business associations to gain favourable treatment for their firm, future research should focus on the extent to which lobbying in Russia is institutionalised.[71] Do business associations serve as substitutes or complements for personal ties when lobbying state officials? How effectively do business associations represent the interests of their members? In general, more research into the role of business associations in the Russian economy is warranted.[72]

Third, because the evidence suggests that a form of elite exchange rather than capture may better characterise business–state relations for the majority of firms in Russia, future research should examine the terms of this exchange in greater detail. How are these exchanges enforced? What are the consequences for firms or politicians for reneging on these exchanges? How are the terms negotiated? These are just a few of the areas that could be gainfully examined in the future.

That powerful firms are able to extract resources from the state will hardly come as a surprise to observers of the post-communist world. Scholars have identified cosy relations between business and the state as a central problem of the post-communist transformation from the Czech Republic to Kyrgyzstan and to most of the countries in-between.[73] That state officials are able to extract resources from business elites, however, has been less well recognised. Future research should focus on identifying the levers available to policy makers to extract resources from firms.

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[1] Thomas Graham, 'Novyi rossiiskii rezhim', *Nezavisimaya gazeta*, 23 November 1995, p. 1; Thomas Graham, 'From Oligarchy to Oligarchy: The Structure of Russia's Ruling Elite', *Demokratizatsiya*, 7, 3, June 1999, pp. 325–340; European Bank for Reconstruction and Development, *Transition Report 1999* (London, EBRD, 1999); Thane Gustafson, *Capitalism Russian Style* (New York, Cambridge University Press, 2000).

[2] Hellman *et al.* include Russia as one of 20 countries in a survey of several thousand company managers conducted in 1999. See Joel S. Hellman, Geraint Jones & Daniel Kaufmann, 'Seize the State, Seize the Day: An Empirical Analysis of State Capture and Corruption in Transition Economies', World Bank Policy Research Working Paper 2444, Washington, DC, World Bank, 2000, pp. 1–41.

[3] Chrystia Freeland, *The Sale of the Century: Russia's Wild Ride From Communism to Capitalism* (New York, Crown, 2000); Paul Khlebnikov, *Godfather of the Kremlin: Boris Berezovsky and the Looting of the Russian State* (New York, Harcourt Brace, 2000).

[4] Anders Aslund, *How Russia Became a Market Economy* (Washington, DC, Brookings Institution, 1995); Daniel Treisman, *After the Deluge: Regional Crises and Political Consolidation in Russia* (Ann Arbor, University of Michigan Press, 1999); Juliet Johnson, *A Fistful of Rubles: The Rise and Fall of the Russian Banking System* (Ithaca, Cornell University Press, 2000).

[5] See various articles in Roman Frydman & Andrzej Rapaczynski (eds), *Corporate Governance in Central Europe and Russia* (Budapest, Central European Press, 1996); Joel Hellman, 'Winners Take All: The Pitfalls of Partial Reform', *World Politics*, 50, 2, January 1998, pp. 203–234; EBRD, *Transition Report*; Hellman *et al.*, 'Seize the State …'; Peter Rutland, 'Introduction', in Peter Rutland (ed.), *Business and the State in Contemporary Russia* (Boulder, Westview Press, 2001), pp. 1–32.

[6] Katharina Pistor & Joel Turkewitz, 'Coping with Hydra-State Ownership After Privatization', in Roman Frydman & Andrzej Rapaczynski (eds), *Corporate Governance in Central Europe and Russia* (Budapest, Central European University Press, 1996), pp. 192–244; Raj Desai & Vladlena Plockova, *Between State and Market* (Washington, DC, World Bank, 1997).

[7] Venelin Ganev, 'The Dorian Gray Effect: Winners as Statebreakers in Postcommunism', *Communist and Post-Communist Studies*, 34, 1, January 2001, pp. 1–25.

[8] World Bank, *The State in a Changing World* (Washington, DC, World Bank, 1997).

[9] See World Bank Governance Website, www.worldbank.org/wbi.governance.

[10] *De novo* private firms have never had any state ownership, as opposed to privatised firms that were owned by the state at one time but have undergone privatisation.

[11] It is important to note that this article does not directly analyse the extent to which the small group of industrialists and financiers known in Russia as the 'oligarchs' exercise influence.

[12] Robert Bates, *Markets and States in Tropical Africa* (Berkeley, University of California Press, 1981); Andrei Shleifer & Robert Vishny, 'Politicians and Firms', *Quarterly Journal of Economics*, 109, 4, November 1994, pp. 995–1025. This analysis tells us little about how these apparent deals between firm managers and state officials are reached. The evidence for political exchange between firms and state officials is circumstantial, and perhaps this is the best that can be expected. Studies from politics in the US, where far more information about lobbying exists, often struggle to identify the impact of contributions on policy outcomes. See Nolan McCarty & Lawrence Rothenberg, 'Commitment and the Campaign Contribution Contract', *American Journal of Political Science*, 40, 3, August 1996, pp. 872–904.

[13] Of course, firm size, monopoly power and state ownership are cited as sources of bargaining power in all economies, but the extent of these features in Russia is largely due to the command economy.

[14] In large state-owned firms the Russian state was often a passive owner. See Alfred Kokh, *The Selling of the Russian Empire* (New York, Liberty Publishing, 1998), for an insider's description of how the state often failed to exercise its ownership rights. Yet even in these cases the threat of state intervention was probably greater than in private or privatised firms. See also Pistor & Turkewitz, 'Coping with the Hydra-State After Privatization'.

[15] Jeffrey Sachs & David Lipton, 'Creating a Market Economy in Eastern Europe: The Case of Poland', *Brookings Papers on Economic Activity*, 1, 1990, pp. 75–133; Maksim Boycko, Andrei Shleifer & Robert Vishny, *Privatizing Russia* (Cambridge, MA, MIT Press, 1995).

[16] Mancur Olson, *The Logic of Collective Action* (New Haven, Yale University Press, 1965); Donald D. Jensen, 'How Russia is Ruled', in Peter Rutland (ed.), *Business and the State in Contemporary Russia* (Boulder, Westview Press, 2001), pp. 33–64.

[17] Annette Brown, Barry Ickes & Randi Ryterman, 'The Myth of Monopoly: A New View of Industrial Structure in Russia', World Bank Research Policy Paper 1331, Washington, DC, World Bank, August 1994.

[18] George Stigler, 'The Theory of Economic Regulation', *Bell Journal of Economics and Management Science*, 2, Spring 1971, pp. 3–21; Andrei Shleifer & Robert Vishny, 'Corruption',

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Quarterly Journal of Economics, 108, 3, August 1993, pp. 599–617; Shleifer & Vishny, 'Politicians and Firms'.

[19] Aslund, *How Russia Became A Market Economy*; Hellman *et al.*, 'Seize the State …'.

[20] Albert Hirschman, *Exit Voice and Loyalty* (Cambridge, MA, Harvard University Press, 1970); Robert Bates & Da-Hsien Donald Lien, 'A Note on Taxation, Development and Representative Government', *Politics and Society*, 14, 1, 1985, pp. 53–70; Jeffry Frieden, *Debt, Development and Democracy: Modern Political Economy and Latin America, 1965–1985* (Princeton, Princeton University Press, 1989).

[21] Johnson, *A Fistful of Rubles* …, Timothy Frye, *Brokers and Bureaucrats: Building Market Institutions in Russia* (Ann Arbor, University of Michigan Press, 2000).

[22] Stanislav Gelfer & Enrico Perotti, 'Investment Financing in Russian Financial Industrial Groups', manuscript, RECEP, Moscow, September 1998; P. Huber & A. Worgotter, 'Observations on Russian Business Networks', *Post-Soviet Affairs*, 14, 1, 1998, pp. 81–91; Johnson, *A Fistful of Rubles* …; Jensen, 'How Russia is Ruled'.

[23] Ariane Lambert-Mogiliansky, Constantin Sonin & Ekaterina Zhuravskaya, 'Capture of Bankruptcy: Theory and Evidence from Russia', CEPR/WDI Annual International Conference on Transition Economies, Moscow, RECEP, 2000, pp. 1–41.

[24] Given the sensitivity of the topic, we did not ask about campaign contributions.

[25] Rutland, 'Introduction', p. 24.

[26] Graham, 'From Oligarchy to Oligarchy'.

[27] Jensen, 'How Russia is Ruled', p. 50.

[28] World Bank, *The State in a Changing World.*

[29] See Stigler, 'The Theory of Economic Regulation'; Hellman, 'Winners Take All …'.

[30] Joseph Blasi, Maya Kroumova & Douglas Kruse, *Kremlin Capitalism: Privatizing the Russian Economy* (Ithaca, Cornell University Press, 1997); Bernard Black, Reinier Kraakman & Anna Tarasova, 'Russian Privatization and Corporate Governance: What Went Wrong?', manuscript, Stanford Law School, Palo Alto, CA, John M. Olin Program in Law and Economics, Working Paper 78, 1999; Andrei Shleifer & Daniel Treisman, *Without A Map: Political Tactics and Economic Reform in Russia* (Cambridge, MIT Press, 2000).

[31] Johnson, *A Fistful of Rubles* …; Kim Iskyan, *The Russian Banking Sector: Countdown to Crisis* (Moscow, Renaissance Capital, 2000).

[32] Gustafson, *Capitalism Russian-Style*; David Lane, 'The Political Economy of Russian Oil', in Peter Rutland (ed.), *Business and the State in Contemporary Russia* (Boulder, Westview Press, 2001), pp. 101–128.

[33] David Remnick, *Resurrection: The Struggle for Russia* (New York, Random House, 2000); Freeland, *The Sale of the Century.*

[34] Lambert-Mogiliansky, Sonin & Zhuravskaya, 'Capture of Bankruptcy'.

[35] As noted later in the article, this form of elite exchange differs from the social exchange advanced by pluralist theories of democracy. See Robert Dahl, *Who Governs: Democracy and Power in an American City* (New Haven, Yale University Press, 1961).

[36] See Rutland, 'Introduction', p. 24.

[37] See Shleifer & Treisman, *Without a Map: Political Tactics and Economic Reform in Russia.*

[38] Frye, *Brokers and Bureaucrats: Building Market Institutions in Russia*, chapter 7.

[39] To complicate matters, Stigler and Bates emphasise that individual politicians and bureaucrats may also benefit from being 'captured' by particular interest groups. See Stigler, 'The Theory of Economic Regulation', and Bates, *Markets and States in Tropical Africa.*

[40] Hellman *et al.*, 'Seize the State …', pp. 5–10.

[41] *Ibid.*, p. 5.

[42] Firm level surveys in the post-communist world have become increasingly common during the last five years. See Timothy Frye & Andrei Shleifer, 'The Invisible Hand and the Grabbing Hand', *American Economic Review, Papers and Proceedings*, 87, May 1997, pp. 554–559; Timothy Frye & Ekaterina Zhuravskaya, 'Rackets, Regulation, and the Rule of Law', *Journal of Law, Economics, and Organization*, 16, 2, 2000, pp. 478–502; Simon Johnson, John McMillan & Christopher Woodruff, 'Why Do Firms Hide: Bribes and Unofficial Activity', *Journal of Public Economics*, 76, 2000, pp. 495–520; Kathryn Hendley, Peter Murrell & Randi Ryterman, 'Law, Relationships, and Private Enforcement: Transactional Strategies of Russian Enterprises', *Europe-Asia Studies*, 52, 4, June 2000, pp. 627–656; Kathryn Hendley, Peter Murrell & Randi Ryterman, 'Law Works in Russia: The Role of Law in Inter-Enterprise Transactions', in Peter Murrell (ed.), *Assessing the Value of the Rule of Law in Transition Economies* (Ann Arbor, University of Michigan Press, 2002); Hellman *et al.*, 'Seize the State …'. Nonetheless, given the relative youth of survey research in the region and the lack of standardised questions, preparing a survey requires considerable care.

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[43] Frye & Shleifer, 'The Invisible Hand ...'; Frye & Zhuravskaya, 'Rackets, Regulation and the Rule of Law'; Hellman *et al.*, 'Seize the State ...'.

[44] See Robert Dahl, 'The Concept of Power', *Behavioral Science*, 2, 1957, pp. 201–215; Dahl, *Who Governs*; Peter Bacharach & Morton Baratz, 'The Two Faces of Power', *American Political Science Review*, 56, December 1962, pp. 947–952; Steven Lukes, *Power: A Radical Critique* (London, Macmillan, 1974).

[45] This question is taken from Hellman *et al.* but adapted for this work by asking whether firms have influence at various levels of government. The Hellman *et al.* version does not specify the level of government, but refers to different branches of the federal level of government. Some 7% of firms in Russia identified themselves as being influential in the Hellman *et al.* study, a figure comparable to the yes responses at the federal level in this study (11%). See Hellman *et al.*, 'Seize the State ...'.

[46] Other studies of lobbying focus on the material benefits granted by the state, such as subsidies and generous privatisation deals to individual firms. See Aslund, *How Russia Became a Market Economy*; Blasi, Kroumova & Kruse, *Kremlin Capitalism ...*; Treisman, *After the Deluge ...*; Freeland, *Sale of the Century....* These studies are very useful but often work best at the aggregate level, such as economic sector or geographical region. It is difficult to assess the power of firms using data aggregated at the level of economic sector or geographical region.

[47] The Hellman *et al.* survey asks this same question in 20 post-communist countries and finds that on average 7% of firms claim to exercise influence on legislation at the federal level. This ranges from 1% in Azerbaijan to 14% in Moldova and Latvia (Hellman *et al.*, 'Seize the State ...', p. 11). Thus the responses in this survey would place Russia in the upper quartile in the number of firms claiming to have influence at the federal level.

[48] See Appendix Table A1 for a breakdown of responses by region. We also asked firms whether or not they engaged in lobbying. There was a very high correlation (0.90) between firms that lobbied and firms that said that they were successful lobbyists. It may be that firms have a good idea in advance of their ability to lobby the state and do not employ resources if they are likely to fail. Alternatively, unsuccessful lobbyists may prefer to hide their failures from the interviewer.

[49] The excluded category here is privatised firms.

[50] FIG_i includes members of FIGs proper, but also members of other types of cross-ownership arrangements, such as *assosiatsii*, trusts, production associations etc. Restricting this variable only to members of FIGs proper does not materially change the results.

[51] These sectors include oil/gas, machine tools, light industry, construction, transport, metals and chemicals, retail and wholesale trade, telecommunications, and finance and insurance.

[52] See Scott Long, *Regression Models for Categorical and Limited Development Variables* (Thousand Oaks, Sage Press, 1997). The substantive results remain consistent if the fixed effects for city or the clustering on city are dropped. All quantitative analyses conducted using Stata 6.0.

[53] Female managers are at a particular disadvantage, as indicated by the negative and significant coefficient on $Gender_i$.

[54] Compared to firms in Voronezh, firms in Moscow, Ekaterinburg, Novgorod, Tula and Ufa are significantly more likely ($p < 0.001$) to be successful lobbyists, while firms in Smolensk are significantly less likely to be successful lobbyists ($p < 0.001$). Firms in Nizhny Novgorod are no more likely than firms in Voronezh to be successful lobbyists.

[55] The number of observations in Model 2 is smaller because Moscow lacks a regional government. Dropping Moscow-based firms from Models 1 and 3 does not change the results. Changes in the sample size are not driving the results.

[56] These predicted probabilities are meant to illustrate the relative importance of various variables rather than to provide point predictions about the features of successful lobbyists.

[57] Graham, 'From Oligarchy to Oligarchy'; Jensen, 'How Russia is Ruled'; Rutland, 'Introduction'.

[58] Russia's economic policy-making institutions remain, however, far from corporatist, particularly given the organisational weakness of labour. Moreover, lobbyists in Russia seek benefits at the firm rather than sectoral level, which is at odds with all of the varied forms of corporatist models. See Philippe Schmitter, 'Still A Century of Corporatism', *Review of Politics*, 36, 1, 1974, pp. 85–131.

[59] These included inspectors from authorities responsible for enforcing regulations in the following areas: tax, quality control (Kontrol'no-revizionnoe upravlenie), pension fund, social insurance fund, medical insurance fund, unemployment fund, fire, health, trade, financial audit and banking.

[60] Similar surveys conducted in other countries suggest that this number is fairly high. See Cristian Pop-Eleches, 'Transition in Romania: Three Essays on Private Sector Development', B.A. Thesis, Economics Department, Cambridge, MA, Harvard University Press, 1998; Frye & Zhuravskaya, 'Rackets, Regulations and the Rule of Law'.

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[61] In a multivariate analysis profitable firms are also inspected more frequently, suggesting that inspectors target their activity towards these types of firms.

[62] Bates, *Markets and States in Tropical Africa*; Shleifer & Vishny, 'Politicians and Firms'.

[63] Shleifer & Vishny, 'Corruption'.

[64] Firms subject to some form of price controls were not limited to the fuel and transport sector. There seem to be only minor differences across types of firms in their odds of being subject to price controls. See Appendix Table A2 for a breakdown of price controls by sector.

[65] The mean responses to questions asking the respondent to rate the intensity of these problems are presented in Table 2.

[66] See Stigler, 'The Theory of Economic Regulation'; Sam Peltzman, 'Toward a More General Theory of Regulation', *Journal of Law and Economics*, 19, 1976, pp. 211–240.

[67] These results also hold in a multivariate setting. I have run the analysis using the independent variables from the analysis in Table 4 and adding a dummy variable for whether or not the firm is a successful lobbyist. I then ran a series of regressions to determine whether successful lobbyists were more likely to receive benefits from the state, be inspected, have some form of price controls, view competition as an obstacle or view regulation as an obstacle than were other firms in the sample. With the same controls for city and type of firm, I found that the significance of the results was consistent with the results reported in Table 6. In other words, the difference of means test produced results consistent with the multivariate analysis.

[68] We would have liked to ask questions about political contributions, but thought that this might make respondents feel uncomfortable and prejudice the responses.

[69] Dahl, *Who Governs?*

[70] This article has examined relations between state agents and firms across issues, but many subjects have remained beyond the scope of this analysis and merit further investigation. Perhaps most important, this study does not examine benefits that are granted by politicians to managers individually at the expense of their firm. One prime example of these types of manager-specific pay-offs is collusion between governors and managers to declare firms bankrupt and establish a work-out regime that is favourable to the manager; see Lambert-Mogiliansky, Sonin & Zhuravskaya, 'Capture of Bankruptcy'.

[71] Of course, more detailed knowledge of how firms use personal consultations to gain benefits would also be helpful. This is likely to be a particularly labour-intensive enterprise.

[72] Francesca Recanatini & Randi Ryterman, 'Disorganization or Self-Organization', manuscript, Washington, DC, World Bank, 2000, pp. 1–31.

[73] Desai & Plockova, *From Plan to Market*; John Anderson, *Kyrgyzstan: Central Asia's Island of Democracy*? (Amsterdam, Harwood Academic Publishers, 2000).

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Appendix

TABLE A1
REGIONAL BREAKDOWN

	Firms subject to price controls by any level of government (%)	*Firms that can influence legislation sometimes or always (%)*
Moscow	35 (0.48)	38 (0.49)
Ekaterinburg	18 (0.39)	38 (0.49)
Novgorod	23 (0.43)	37 (0.49)
Nizhny Novgorod	24 (0.18)	29 (0.46)
Smolensk	18 (0.34)	13 (0.34)
Tula	20 (0.40)	33 (0.47)
Ufa	21 (0.41)	33 (0.48)
Voronezh	17 (0.38)	25 (0.37)

TABLE A2
DESCRIPTIVE STATISTICS ON PRICE CONTROLS BY SECTOR

	Firms with price controls (%)
Fuel	8 (0.29) $n = 12$
Machine tools	16 (0.36) $n = 90$
Metallurgy and chemicals	27 (0.45) $n = 48$
Light industry	15 (0.36) $n = 68$
Food processing	15 (0.36) $n = 52$
Construction	30 (0.46) $n = 83$
Transport	25 (0.44) $n = 28$
Communications	6 (0.23) $n = 18$
Financial sector	35 (0.49) $n = 17$
Trade	30 (0.46) $n = 72$

n = number of observations.
Note: Mean responses with standard errors in parentheses.

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