

Value of political resource in the Russian economy: Past and present

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The study relies on the institutional economic history framework. We focus on the value of exclusive political resource leading to the building of hierarchically organized conglomerate of enclaves of wealth in the Russian economy. Various milestones of Russian history are emphasized. The functioning and evolution of enclaves of wealth are characterized through a complicated interweaving of added value chains and chains of value redistribution. The enclave nature of the Russian economy means that there is sustainable fragmentation of domestic economic markets. Integration of economy and society is ensured by the centralized market of power. Historically caused process of the building and functioning of enclaves of wealth in the modern Russian economy is the subject of special analysis. Their types are highlighted, and their impact on the development of the rest of the economy is characterized. The modern Russian economy is based on the export-resource enclaves of wealth. Industrial enclaves of wealth, which have been built in a number of Russian regions (for instance, Kaluga region), are the «inner maquiladoras» serving high-margin markets in the megalopolises and large cities. Innovation and scientific-educational enclaves of wealth have emerged as the result of projects of innovation development of the Russian economy and the transformation of the scientific-educational sector. These are positioned as the most important directions for building the innovation economy in Russia. However, the authors suggest that they are «pure recipients» receiving economic resources from the rest of the economy.

Keywords: *political resource; enclaves of wealth; political-administrative market; added value chains; chains of value redistribution*

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Роль политического ресурса в экономике России: история и современность

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Представленное исследование выполнено в русле институциональной экономической истории. Роль эксклюзивного политического ресурса, ведущего к формированию иерархически организованного конгломерата анклавов богатства в отечественной экономике, рассматривается на различных этапах исторического развития страны. Функционирование и развитие анклавов богатства характеризуется сложным переплетением цепочек создания и перераспределения стоимости. Анклавный характер экономики России означает, что во все рассмотренные исторические эпохи сохраняется ситуация фрагментации внутренних экономических рынков. В этих условиях интеграция экономики и социума обеспечивается рынками власти централизованного типа. Предметом специального исследования является исторически обусловленный процесс формирования и функционирования анклавов богатства в современной экономике России. Выделяются их типы, дается характеристика их влияния на развитие остальной экономики. Основой современной экономики России являются экспортно-ресурсные анклавы богатства. Сформировавшиеся в ряде регионов России, например, в Калужской области, индустриальные анклавы богатства представляют «внутренние макиладорас», обслуживающие высокомаржинальные рынки в мегаполисах и крупных городах. Проекты инновационного развития российской экономики и трансформации научно-образовательного сектора на практике привели к формированию новых инновационных и научно-образовательных анклавов богатства. Они позиционируются как важнейшее направление развития в России экономики инновационного типа. Оценка условий создания и результатов функционирования показывает, что они пока выступают «чистым реципиентом», получающим экономические ресурсы от остальной экономики.

Ключевые слова: политический ресурс; анклавы богатства; политико-административный рынок; цепочки создания стоимости; цепочки перераспределения стоимости

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Introduction

The problem of the «enclaves of wealth» building in the countries with emerging markets is highlighted and analyzed in the international and Russian economic literature (Brich, 2003; Kryukov, 2002; Levin et al., 2017; Sokoloff, Engerman, 2000; Gallagher, Zarsky, 2007; Conning, Robinson, 2009; Hansen, 2014). The model of dual enclave economy of Joseph Stiglitz (Stiglitz, 2002) is of particular importance in the framework of the study. He noted that the enclaves of wealth have emerged in the export-oriented industries controlled by the foreign capital and privileged local business entities, and these enclaves of wealth were competitive on the global markets. The problem was that the functioning of these enclaves did not create incentives for the modernization of other sectors of the national economy. Still, they were a source of financial resources for public programs that focused on the implementation of projects to develop the rest of the economy and to invest in human capital and social infrastructure. In this case, there is a question about the specifics of the enclaves of wealth building in contemporary Russia and their impact on the development of the domestic economy.

The specifics of the economy of contemporary Russia are highlighted in the following features:

1. Russia is a member of a group of countries with emerging markets in which export-oriented enclaves of wealth are mainly represented with resource sector (we are referring to natural and mineral resources).

2. These enclaves of wealth are controlled not by foreign multinational corporations (MNCs), but by national state-owned companies and state-affiliated private companies and business groups (Pappe, Galukhina, 2009). Despite these companies IPO. are on the international financial markets, and foreign MNCs are among them, their controlling stakes remain in the ownership of either the Russian state (e.g. Gazprom, Rosneft, Slavneft) or private integrated business groups in the core of which there are the «scattered holdings» (Pappe, 2002). This fact means that there is a group of individuals («oligarchs») at the end of the chains of legal entities often located in «offshores» (e.g. V. Alekperov and L. Fedun for «Lukoil», A. Mordashov for «Severstal», V. Lisin for NLMK Group). This phenomenon impacts directly the ways of attracting and using the resources of these companies/business groups for the implementation of the public projects/programs initiated by the state.

3. Export-resource enclaves of wealth are embedded in a specific system, which is characterized by the complicated interweaving of added value chains and chains of value redistribution. The specificity of these relations is due to the fact that formal institutions are modified by informal norms. As a result, a white zone of interaction is complemented with a black zone and gray zone with the latter playing a crucial role. It is the norms of the gray zone that defines the set of quasi-fiscal obligations of the business to the authorities in the form of quasi-tax payments and organized sponsorship that determine the real financial burden of these companies/business groups (Levin, Kurbatova, 2011). At the same time, during the bargaining within the gray zone business gets access to the various benefits and other forms of «protectionist» support, which have an individual character. The centralized redistribution of financial resources leads to the emergence of additional enclaves of wealth. These enclaves do not have any competitive advantages on the economic markets. Still, they emerge as an *unintended consequence* when authorities implement public projects/programs aimed at reducing resource dependence and transferring the economy to innovation development path.

Implementation of these projects/programs is carried out within the framework of a specific institutional system, which ensures the integration of economy and society in the context of fragmentation of domestic economic markets and the lack of integrated national market economy. The key element of this system is the centralized political-administrative market.

This study examines the institutional foundations of the system built in the context of economic fragmentation and political-administrative centralization. As a result, the Russian economy is not an integrated economy of market type, but rather a fragmented economic space. The central element of this economic space is the pyramid of export-resource, industrial and innovation/scientific and educational enclaves of wealth. At the same time, the rest of the economy operates in a survival mode. This fact means that it does not have any sufficient economic and/or political resources that would ensure its competitiveness and ability for sustainable development. From our point of view, the building and development of such institutional system is a manifestation of the path dependence effect. This effect is because the economy and society in Russia were characterized as sustainably existed, with an interweaving economic fragmentation and political-administrative centralization processes in «imperial», Soviet and post-Soviet periods.

The research problem is the relationship between historically caused processes of building and functioning of the various enclaves of wealth in the Russian economy and the competitiveness of the participants of these enclaves on economic and political-administrative markets.

Theoretical framework

The study relies on the institutional economic history perspective, based on the conceptual approaches of Paul David and Brian Arthur (David, 1985; Arthur, 1989). They highlighted the path dependency effect and lock-in effect, and these approaches are integrated with new economic history (North, Thomas, 1973; North, 1981). Historical processes of political and economic interaction in the economy and society of Russia are in the core of the study, that is why the authors use the model of dual enclave economy of Joseph Stiglitz. This model is integrated with the approaches based on the new political economy. The institutional and historical nature of the study determines the fact that political markets are considered in the broad sense opposing to the basic models of public choice theory (Buchanan, 1986; Buchanan, Brennan, 2008; Tollison, 2012). Authors of the study point out various discrete structural alternatives of political market organization competing on the different territories and in different historical periods (Williamson, 1991; Levin, 2014).

This means that we proceed from the fact of historically caused coalescence of economy and politics, limited political and economic competition, and the key role of state-controlled and state-affiliated business structures in the economy when characterizing the institutional system of Russia. The current institutional system of Russia is considered as the next step in the country's historical development. This system is based on a historically caused relations between the resource-sectoral structure of the economy and the institutional organization of the society. Therefore, the existing institutional system of Russia suggests a specific type of relationship between economy and politics, and their coalescence as well as limited real autonomy of these subsystems. Path dependence effect is highlighted in the interaction between the resource-sectoral and political-economic structures of Russian society. This interaction defines the main parameters of the institutional organization, and it creates a system of restrictions in the implementation of modernization projects. These restrictions are quite rigorous. This means that lock-in effect (North, 1990; Cowan, Gunby, 1996; Pierson, 2000; Stack, Gartland, 2003; Khalil, 2013) is manifested in the process of institutional projects implementation when objective restrictions are not taken into account, and the institutional system returns to a historically caused path dependence.

This fact was clearly manifested during the post-Soviet development of the economy and society. The institutional project, which had been implemented since the early 1990-s, was focused on the separation of economy and politics, the development of economic and political competition, the building of market-type institutional system, and political de-

mocracy. However, the result was highlighted in the transformation of the Soviet system of administrative markets (Kordonsky, 2006) into a system built on the predominance of hybrid political-administrative market. The coalescence of economy and politics was reproduced in the new forms. Instead of separating the regimes of private and public property (Olson, 1995), a mixed and blurred system of real residual property rights established.

The Problem of Value of Political Resource and Enclaves of Wealth in the Modernization of the Russian Economy

The current situation is socially embedded not only in the Soviet practices but also in the pre-Soviet practices of modernization of the Russian economy. In Russia, the initiator of the modernization process was represented with the social-political forces that were not directly oriented towards the building market-type economy and liberal political regime (nobility-bureaucratic autocracy in the pre-Soviet period and the communist party in the Soviet period). These forces focused primarily on the external factors, and they pursued the goal of preventing the country from losing economic and political independence and preserving its geopolitical and military-strategic positions. Thus, the Russian version of modernization had an «imperial» character that was built on the selective adaptation of the achievements of developed countries. Development of certain segments of society was due to the deterioration of the economic situation and the social status of others.

Economy and society were separated into two enclaves. Capitalist enclave relied on the vast support from the state, while traditional enclave stagnated and carried the main costs of modernization. This fact meant that the initial functioning of entrepreneurial structures in Russia was linked with the use of an exclusive political resource. As a result, the functioning and development of the capitalist sector were based on the complicated and intertwined processes of creating and redistributing the value. On the one hand, the availability of political resource was a crucial condition to get access to the economic resources necessary for doing business.

On the other hand, the political resource was a source of additional benefits linked with the redistribution of added value from the traditional enclave. At the same time, the traditional enclave was the main supplier of export goods, primarily grain. However, the added value was redistributed in the favor of capitalist enclave through tax and other mechanisms designed by the state. Capitalist enclave was competitive mainly on the domestic market with the political support of the state. The emerging participants of the market economy could not ensure their re-emergence without the assistance of the state. This fact meant that they turned into «politicized entrepreneurs» whose activities were based on the close interweaving of authorities and business. As a result, closed networks of authorities and business were built, and there was an interweaving of the processes of «state capture» and «business capture». In this case, Russian (pre-Soviet) capitalism could be viewed as an early form of «crony capitalism» (Brou, Ruta, 2013; Aligica, Tarko, 2014; Zywicki, 2015; Rubin, 2015).

The Soviet economic system, which replaced «early» Russian capitalism, was formed initially in extreme conditions. The matter was not limited to solve the problems of warfare and organizing the post-war reconstruction of the country. There were problems related to maintaining high-quality economic and technological gap between the domestic economy and the developed capitalist countries in the context of strong political and ideological confrontation with them. At the same time, there was a situation when modernization fulfillment was the primary condition for the legitimization of the new authorities. Despite the existence of the various approaches to solve these problems¹, there was a common thesis about the central role of the state, which had authoritarian power

¹ See, for example: Koritsky, E. B. (ed.) (1990). *Ways of Development: Discussions of the 1920-s: Articles and Contemporary Commentary*. Leningrad: Lenizdat Publ.; Koritsky, E. B. (ed.) (1989). *What Should a Plan Be: Discussions of the 1920-s*. Leningrad: Lenizdat Publ. (In Russian.)

and commanding heights in the economy. In the framework of a centralized system of economic administration, the state was guided not purely with economic motivation, but with a diverse set of attitudes when determining the goals of the administration and the indicators by which their implementation was assessed. These attitudes were set with the factors related to confrontation and interaction with the developed capitalist countries in the economic, geopolitical and military-strategic spheres. The tendency toward politicization and ideologization of the economic system as well as the subordinate role of the tasks of extracting economic benefits in relation to the goals of technological transformation of the country and strengthening its geopolitical and military-strategic position was the result. This fact led to the building and transformation of the military-industrial complex and heavy industry into the privileged enclave of wealth. Military-industrial complex concentrated the best resources of physical and human capital centrally. This fact ensured its technological competitiveness in the frame of the global competition during the Cold War, including significant status gains in space exploration and nuclear power. At the same time, the enclave nature of this sector was highlighted, because it did not create large-scale multiplier effects and it did not provide significant incentives for the modernization of the rest of the Soviet economy.

The Soviet state faced with the problem of information asymmetry and managerial opportunism when realized its centralized administration functions (Winiecki, 1990). Double agent chain was formed to solve the emerging problems within the framework of the centralized administration system. This double chain provided cross-control of the economy at all levels. The point is that two organizational trees branched off from the center of the Soviet state. The first one was the party apparatchiks, and the second one was the agents of multilevel economic nomenklatura (central economic bodies – departments – enterprises). Party bodies supervised the economic nomenklatura, including the selection of cadres at all levels. As a result, a formally unified top-down executive chain of command was divided into party-political nomenklatura and economic nomenklatura. Party-political nomenklatura realized political and administrative functions, while economic nomenklatura solved economic and administrative tasks.

The formally centralized system transformed gradually into a set of administrative markets (Aven, Shironin, 1989; Naishul, 1990) as the real autonomy of the various parts of the nomenklatura strengthened and transformed into organized interest groups (Olson, 1998: 403–413). The situation of a multilevel and segmented economic and social structure of society was reproduced gradually within the framework of this system. Soviet society turned into a set of corporate-clan structures of network type that permeated formally unified state hierarchy. Simon Kordonsky characterizes these emerging groups as a hierarchy of titular estates and non-titular estates (Kordonsky, 2016: 163–169). In this case, economic power spilt-over to various groups within the party-political hierarchy (apparatchiks) on the one hand, and the economic nomenklatura within the departments and enterprises on the other hand. This fact meant that representatives of special interest groups turned into principals controlling the largest amount of property rights for resources. At the same time, they remained formally as agents within the framework of management chains. There was gradual specialization into «politicized administrators» (bureaucrats), and specific entrepreneurs.

In our opinion, the term «politicized administrators» is preferable to «bureaucrats». The study is not about Weberian rational bureaucrats but about the members of an administrative hierarchy who actively used individual political resource to bargain and extract private benefits (Naishul, 1991). It is interesting to note that in this case a parallel exists between the behavior of Soviet party apparatchiks and the behavior of those persons whom Avner Greif called «powerful administrators» analyzing the motivation of behavior of dignitaries from the different historical epochs and geographical locations (Greif, 2006). On the other hand, the phenomenon of specific entrepreneurship within the framework of

administrative hierarchies is analyzed widely in the economic literature, and various terms are used, e.g. *entrepreneurchiks* (Tarkowski, 1990), *bureau-preneurs* (Lu, 2000), *entrepreneurchiki* (Stoner-Weiss, 2006), politicized entrepreneurs (Levin, Sablin, 2016).

It is essential to understand that «political administrators» performed economic functions, and they acted as carriers of a political resource. Representatives of economic nomenclatura performed administrative and political functions, and they used actively political resource to realize their economic interests. It seems that this moment was not taken into account explicitly by the Russian reformers during the privatization. Egor Gaidar wrote about the dilemma of «exchanging power for property», which led to the building of competitive market economy, and «property + power», which consolidated the non-market type of economy and the illiberal political system (Gaidar, 2009). However, in practice, mass privatization created an institutional framework for deepening functional specialization between the various interest groups that had emerged within the framework of Soviet administrative markets. As a result, Soviet-type politicized administrators turned into contemporary politicized administrators (bureaucrats), and the economic nomenclatura. The latter was replenished with the representatives of Komsomol business (*Kryshstanovskaya*, White, 1998: 87–89) and entrepreneurs from the so-called «new Russians» (Russian version of the *nouveau riche*), evolved into contemporary politicized entrepreneurs.

Soviet administrative markets transformed into a contemporary political-administrative market. There is a specific balance between specialization and interweaving of the functions of politicized administrators and politicized entrepreneurs in the framework of the political-administrative market. It is a fundamentally important fact that politicized entrepreneurs, on the one hand, act as organizers of production leading to the creation of added value, and, on the other hand, they are agents involved in the redistribution of added value within the framework of the power hierarchy. As a result, the situation was reproduced under current conditions as well as under «early» capitalism, which characterized the *dual role* of political resource. The political resource is the key factor that grants exclusive access to economic resources that are necessary for creating added value. At the same time, the political resource is the instrument for seeking and extracting rents. The economy is decomposed into the enclaves of wealth. Relationship between enclaves is based on the interweaving of added value chains and chains of value redistribution. Fundamental importance has the question about the enclaves of wealth, which are competitive in the global economy and provide value creation, and enclaves of wealth, which are based mainly on the value redistribution within the contemporary vertical of power.

Building of Export-Resource Enclaves of Wealth during Market Transformation of the Russian Economy

The emergence of the *pyramid of enclaves of wealth* is due to the fact that the Russian economy and society are developing between the poles of *economic fragmentation* and *political-administrative centralization*. Combination of internal market transformation with the integration of the Russian economy into global markets led to the fact that a narrow group of companies and business groups became competitive in the export-resource sector mainly. In this sense, an integrated and self-regulatory system of competitive markets of resources, goods and services had not been formed in modern Russia. Economic markets are fragmented, and Russian companies and business groups compete on the separate global and domestic markets that are unconnected. For instance, Gazprom competes on the markets of Europe and Asia with other suppliers of natural gas, i.e. both with suppliers of pipeline gas (e.g. alternative route TANAP²), as well as with Middle Eastern suppliers (Qatar) and American suppliers of liquefied natural gas. Also, one may note that personal

² Trans Anatolian Natural Gas Pipeline Project (<https://www.tanap.com/tanap-project/why-tanap/> – accessed May 11, 2020).

sanctions against Oleg Deripaska³ are the vivid example of the Russian economy dependence on the global markets. These personal sanctions endangered the aluminum industry in the Russian economy.

In these conditions, the Russian economy and society are integrated with the political-administrative market. The political-administrative market of centralized type has developed in Russia. Ruling group (ruler) is the ultimate source of the political resource. A high degree of personification in the figure of the President of the Russian Federation and «fuzziness» and non-transparency of the personnel of other members are the features of the Russian ruling group. This group may include a narrow circle of influential administrators and «oligarchs» who are close to the President of the Russian Federation (Arkady and Boris Rotenberg, Yuri Kovalchuk, Gennady Timchenko, Igor Sechin, Vladimir Yakunin). Administrative, and to a lesser extent political, bargaining is carried out within the framework of the unified vertical of power. Russian business is embedded in this vertical of power at various levels. As a result, in Russia, fragmented economic markets are intertwined with a centralized and integrated political-administrative market. The relationship between the subjects of these markets goes in two directions.

Firstly, availability of individual political resource within the vertical of power is a crucial condition for exclusive access to economic resources that determine the competitiveness of Russian companies/business groups, both on domestic and global economic markets. Access to political resource for politicized administrators and «oligarchs» is determined by their position in the administrative bargaining system. Therefore, this resource is administrative for them as recipients.

Secondly, participants of the political-administrative market directly substitute the participants of economic markets in many cases. They act as the main «buyers» of goods and services of domestic companies. Furthermore, participants of the political-administrative market determine the range of solvent «buyers» through the mechanisms of redistribution and centralization of incomes in the favor of certain social groups and territories. In this case, there is a problem of the origin of the sources and development of enclaves of wealth. These sources fall into two groups.

The first source is competitive advantages on the global economic markets. Domestic companies, public and private ones, integrate into global value chains (Humphrey, Schmitz, 2001; Gereffi, Sturgeon, 2013). The role of a political resource is limited, and it is to create favorable conditions for access to economic resources. In Russia, political resource grants access to natural and mineral resources that form competitive advantages.

The second source is to get status benefits (advantages) in the framework of value redistribution chains. In these conditions, the political-administrative market not only provides access to economic factors of value creation but also it is a direct source of wealth.

The foundation of the Russian economy is the export-resource sector, which is a key source of incomes that scraped from the global economic markets. As a result, Russian business groups and companies in this sector form export-resource enclaves of wealth. In this case, access to the political-administrative market and individual political resource allows them to monopolize access to natural and mineral resources and form favorable modes of its usage. Russian business groups and companies sell their products on the global economic markets. These markets were the most important source of technologies and financial resources, especially until recent times.

Export-resource enclaves of wealth are the enterprises from extractive industries and industries that manufacture intermediate goods that are competitive on the global economic markets. These enterprises are under the control of state-owned companies and state-affiliated private companies that have significant political resource. These enclaves of wealth form the revenues flow, which is the main source of profits for large business and

³ U.S. Treasury Department agrees to declassify grounds for sanctions against Deripaska (<https://www.rbc.ru/business/27/12/2019/5e04a73f9a794773dfc4fee8> – accessed April 14, 2020).

fiscal and quasi-fiscal payments for the state. At the same time, the owners of these business groups take on quasi-public obligations to finance projects of economic development in exchange for the political resource. In the current period, this is a system of national projects. Companies controlled directly by the state are fulfilled quasi-public obligations to the greatest extent. For instance, in the year 2018, «Rosneft» Oil Company implemented an extensive set of social programs including housing and mortgage lending, private pension programs, as well as improvement of the working and leisure conditions⁴. Taking up additional quasi-public obligations, «Rosneft» enjoys additional benefits from the state for the development of new hydrocarbon deposits in the shelf of the Arctic, Far Eastern and Southern Seas of Russia⁵, therefore increasing the commercial efficiency of «Rosneft».

Thus, the specifics of the position of the Russian companies and business groups that control export-resource enclaves of wealth is a combination of exclusive advantages, obtained domestically due to the high status within the vertical of power, and fairly firm competitive pressure within the global economy. In many cases, this fact creates quite strong incentives for the modernization of export-oriented industries within the resource sector. Serious success in the technological modernization of the metallurgical industry is an example (Gorbunov, 2013).

Summing up some results, one may conclude that export-resource sector determines Russia's competitive advantages on the global economic markets despite the comments about the danger of the «resource curse». Export-resource sector is the «*pure donor*» for the rest of the economy and society.

Industrial Enclaves of Wealth in the Economy of Russia as the «Inner Maquiladoras»

Industrial enclaves of wealth are the regional complexes of assembly enterprises of the manufacturing industry serving high-margin subjects of demand. Revenues of these subjects are connected with high status (direct or indirect) in the vertical of power, and this status grants access to the redistribution of value created in the framework of export-resource enclaves of wealth. The specifics of industrial enclaves of wealth allow characterizing them as «inner maquiladoras». A maquiladora is a factory that operates under preferential tariff programs established and administered by the United States and Mexico⁶. Materials, assembly components, and production equipment used in maquiladoras are allowed to enter Mexico duty-free. Products made can be exported into the U.S. at lower tariffs than those from other countries. The term «maquiladora» has been used for similar operations in Latin America and Asia, though its roots are deeply embedded in Mexico (Grunwald, 1990; Miramontes, 1992).

Russian industrial enclaves of wealth are «maquiladoras» because they host assembly plants of multinational corporations usually controlled by foreign capital. They are «inner», because they operate for high-margin markets of certain territories of Russia, but not for other countries. The impact of political resource on the building of industrial enclaves of wealth can be divided into direct and indirect one. Direct usage of the political resource is due to the fact that regional authorities were able to create favorable local environment for the formation of assembly plants. The indirect impact of the political resource is due to the fact that federal authorities and companies/business groups that control export-resource enclaves of wealth centralize revenues redistributing it in favor of central regions, primarily Moscow and St. Petersburg. As a result, high-margin consumer markets emerge, and they are the economic ground for the industrial enclaves of wealth.

⁴ Rosneft Annual Report 2018 «Technologies Shaping the Future» (https://www.rosneft.ru/upload/site1/document_file/a_report_2018.pdf – accessed April 28, 2020).

⁵ Shelf Projects of «Rosneft» Oil Company (<https://www.rosneft.ru/business/Upstream/offshore/> – accessed April 28, 2020).

⁶ What is a Maquiladora in Mexico? // *Manufacturing in Mexico* (<https://manufacturinginmexico.org/maquiladora-in-mexico/> – accessed June 27, 2020).

In this sense, there are two interwoven chains of vertical redistribution of value in favor of political-administrative participants and economic agents that hold higher status positions within the vertical of power. The most vivid example of the «inner maquiladoras» is the clusters of car assembly plants controlled mainly by foreign MNCs (e.g. Renault-AvtoVAZ, Volkswagen) and focused primarily on the high-income population of megalopolises and large cities (e.g. Moscow, St. Petersburg, Novosibirsk, etc.).

The most successful case among industrial enclaves of wealth is the experience of the economic development of Kaluga region. Kaluga became the benchmark for the region, whose authorities were able to build a balanced system of developmental institutions that guaranteed the implementation of large-scale investment projects in the manufacturing industry. At the initial stage, the most significant success was associated with attracting foreign investments in the car assembly plants («poorly diversified S.K.D.»). In the future, it became possible to significantly diversify the sectoral structure of investments and increase the role of domestic investors (Skorobogaty, 2016: 63–65). However, this enclave of wealth is still dependent on the injections of foreign technologies and investments. This makes it vulnerable in the face of the sanctions' pressure on the Russian economy.

The usage of political resource in the building of such enclaves of wealth is closest to the practices of other countries with emerging markets. One may note that the tools of new industrial policy were used in the case of Kaluga region. Regional authorities had agreements with MNCs (and, to a lesser extent, with domestic companies) to implement the project using the decisions of federal authorities level to develop car assembly plants. This project implied transfer of a global value chain segment to the automotive industry of the region. Enterprises included in this enclave of wealth operate mainly on the competitive domestic consumer markets.

Programs of Innovation Transformation of the Economy and the Emergence of Innovation/Scientific and Educational Enclaves of Wealth

Liberal projects of diversification and transformation of the Russian economy, beginning with the economic program of Dmitry Medvedev (Malle, 2013; Clark, 2018), implied building the institutional conditions for the innovation sector development. This fact was consistently highlighted in «Strategy 2020»⁷. Actually, Conception was based on the «catching-up post-industrialization» project (Mau, 2002). This Conception involved three main tasks.

Firstly, building an institutional environment that stimulates the investment and innovation activity of private businesses. This meant that the private entrepreneurs operating on the economic markets would be modernized.

Secondly, consolidation and expansion of global advantages in traditional sectors (energy, manufacturing of natural and mineral resources). It was assumed that Russian private businesses would strengthen its competitive advantages in the framework of global value chains linked with the resource sector when favorable institutional conditions are created.

Thirdly, formation and forced development of the innovation sector embedded in the global economy was assumed to be the main direction of the national economy diversification. It was assumed that the innovation sector would need state support at the early stage of its creation. Set of measures for such support was grounded in the Strategy of Innovation Development of the Russian Economy⁸. Special attention was paid to the creation of developmental institutions focused on supporting the innovation sector (Innovation Center «Skolkovo», RUSNANO, technological parks, special economic zones, technology transfer centers, etc.).

⁷ Conception of Long-Term Socio-Economic Development of the Russian Federation for the Period 2020 (http://www.consultant.ru/document/cons_doc_LAW_82134/28c7f9e359e8af09d7244d8033c66928fa27e527/ – accessed May 04, 2020).

⁸ Strategy of Innovation Development of the Russian Federation for the period 2020 (<http://government.ru/docs/9282/> – accessed April 28, 2020).

Innovation development Strategy of Russia was integrated with the public projects of transformation of the scientific and educational complex, which was focused on servicing the tasks of innovation transformation of the domestic economy. However, the assumption that the implementation of institutional and innovation transformation projects would be carried out in the framework of strengthening the autonomy of economic and political markets, as well as of the adoption of liberal type market rules of the game, turned out to be false. In practice, all these public projects were elaborated and implemented by the participants of the Russian integrated political-administrative market of centralized type. Moreover, the liberal expert community has acted as an institutional designer affiliated with the ruling group. As a result, public programs to stimulate innovations and to reform the scientific and educational complex of the Russian Federation (e.g. «Program 5-100»⁹) led to the emergence of *innovation/scientific-educational enclaves of wealth*. Skolkovo and the Higher School of Economics are the most vivid examples. In this regard, it is necessary to pay attention to the *paradox* of innovation policy in Russia. This policy was positioned as the main way to overcome resource dependency and to transit to «knowledge economy». However, our analysis shows that such entities as Skolkovo and Higher School of Economics are enclaves of wealth that are most dependent on the political-administrative market and least oriented towards gaining competitive advantages on the economic markets. Dependence of these enclaves of wealth from chains of value redistribution has dual nature.

Firstly, the establishment of such entities required large injections of public funds to give them access to the necessary resources, including human capital. For instance, in the years 2013–2015 Innovation Center Skolkovo spent on its activities 65.5 billion roubles from the state budget¹⁰. Higher School of Economics received an additional investment of 860 956 thousand roubles according to the Order of the Government of the Russian Federation in the year 2019 under the «Program 5-100»¹¹.

Secondly, it is the state that acts as the main «consumer» of the R&D, educational and expert services these structures create. They act mainly as suppliers of innovation, scientific and educational «semi-finished products» for the global innovation and scientific-educational sector (i.e., subcontractors of global innovation companies, undergraduates and doctoral students for universities in Europe and the U.S.A., junior partners in international scientific networks).

At the same time, the preservation of even such competitive positions on the global markets seems to be very problematic without constant injections of public funds. The senior managers of these structures are well aware of this fact. In this regard, the assessment of the situation given by Valeriya Kasamara, the Higher School of Economics Vice-Rector, is a vivid example. Commenting on the statements about the need to preserve the university's autonomy from the state, she clearly expressed the position of the Higher School of Economics leadership: «You know, to me, it seems to be somewhat childish to say that, keeping in mind that the Higher School of Economics is a university under the Government of the Russian Federation and the Government is the founder of the Higher School of Economics. We work with the Government and for the Government, and we are one of the consultants of the Government, but we are also the consultants for the other executive bodies and the Presidential Administration. It is very strange to oppose us»¹². These statements are true to life. Higher School of Economics is funded not by hypotheti-

⁹ Project to Increase the Competitiveness of Leading Russian Universities among the World's Leading Research and Educational Centers «5-100» (<https://www.5top100.ru/documents/regulations/97332/> – accessed April 29, 2020).

¹⁰ About the Results of the Control Event «Verification of the Use of Federal Budget Funds aimed at Implementing Measures Related to the Creation and Maintenance of Skolkovo Innovation Center in 2013–2015» (jointly with the Federal Security Service) (<http://audit.gov.ru/upload/iblock/1e6/1e665e7c4e51f8357188a9508f7cc847.pdf> – accessed May 4, 2020).

¹¹ Order of the Government of the Russian Federation No. 179-r on the Distribution of Subsidies to Leading Universities in Order to Increase their International Competitiveness (<https://www.5top100.ru/> – accessed May 5, 2020).

¹² Kasamara about the Words of Yegor Zhukov about the Relationship of Higher School of Economics with the State: It's Childish (<https://russian.rt.com/russia/news/696719-kasamara-zhukov-vshe> – accessed April 28, 2020).

cal taxpayers acting in an ideal contract state (Buchanan, 1975), but by the ruling group. Thus, the competitiveness of innovation and scientific and educational enclaves of wealth is determined by its position at the very top of the chains of value redistribution. Therefore, these enclaves are «*pure recipient*» receiving necessary economic resources from the export-resource enclaves of wealth and the rest of the economy (e.g., one may note large-scale processes of «*pumping*» of human capital from provincial universities and academic institutions).

Our analysis shows that efforts to create innovation type economy in Russia to ensure «smart», sustainable and inclusive economic growth have not been successful. Innovation and scientific and educational enclaves of wealth have an exclusive nature. They are not solid «epicenter» of «smart» and «green» technologies dissemination into other sectors of the economy (the latter are necessary to ensure sustainable growth). Export-resource enclaves of wealth remain locked in the low added value sectors of the global economy, and they do not form knowledge-intensive clusters. Oil and gas complex that formed in Norway is a vivid example of such a cluster (Grønning et al., 2008; Engen, 2009). This country is not the only supplier of oil and natural gas, but it also accumulated serious competitive advantages in the production of technologies and equipment for extraction and processing natural and mineral resources (e.g., shelf natural gas extraction technologies, etc.).

On the other hand, it was not possible to achieve strategic breakthroughs in implementing an alternative strategy of diversification and increasing the competitiveness of the Russian economy focused on the reindustrialization. Development of manufacturing industry in some regions has not led to the formation of long added value chains. Modernize centers of the manufacturing industry are the industrial enclaves of wealth that functioning according to the model of «inner maquiladoras».

Conclusions

The study confirms the hypothesis that there is no integrated system of autonomous and self-regulating economic markets in Russia at present. Economic markets are fragmented, and the conditions for their functioning are due to the limitations of the integrated political-administrative market of centralized type. As a result, the functioning and development of the Russian economy are determined by the complex interweaving of added value chains and chains of value redistribution. Enclaves of wealth of various types have been formed within these chains. Competitiveness of the participants within these enclaves of wealth is based on the relationship between economic and political resources.

The political resource is a crucial condition for monopolizing access to natural and mineral resources, and added value is created within competition on the global economic markets. Despite the serious problems linked with the danger of resource dependence, export-resource sector determines Russia's competitive advantages on the global economic markets. Moreover, the export-resource industry maintains its position as a «*pure donor*» for the rest of the economy and society.

Industrial enclaves of wealth are primarily producers of added value. However, the boundaries of their development are strictly limited with an orientation towards high-margin consumer markets of megalopolises and large cities. The welfare of their population is dependent on the centralization of incomes linked with export-resource enclaves of wealth. This is the evidence of the limited results of reindustrialization projects implementation in the Russian economy.

Efforts to implement innovation transformation of the Russian economy are even less successful. Development of innovation and scientific-educational sectors was to ensure decreasing the level of export-resource dependence. In practice, new enclaves of wealth were built based not on the creation of added value, but its redistribution within the vertical of power. This fact means that the Russian innovation sector failed to create serious

competitive advantages on the global economic markets. This sector is a «*pure recipient*» in the chains of value redistribution due to the high-status position within the vertical of power.

Accordingly, neither export-resource, nor industrial, nor innovation and scientific-educational enclaves of wealth, formed within the framework of the state redistribution of value, have any significant positive impact on the development of the Russian economy and its transition to a new model of economic growth, i.e. smart, sustainable and inclusive. This fact means that the modern Russian economy performs within the framework of path dependence, and faces with lock-in effect. The current situation is the same as the situations took place in the different historical forms in «imperial» and Soviet periods of Russian history. In these epochs, an exclusive political resource played a special role leading to the transformation of the economy into a hierarchically organized conglomerate of enclaves of wealth. This conglomerate was built on the interweaving of processes of value creation and redistribution.

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