

# Authoritarianism and the Market: the ‘Neoliberal’ Reforms in Russia’s Higher Education<sup>1</sup>

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When in 2000 Vladimir Putin came to power in Russia, he started his term with a number of contradictory economic reforms. On the one hand, he brought to the government a team of liberal ministers<sup>1</sup> who started deregulation of the economy, reduced tax rates, and introduced market mechanisms into the delivery of social services among other things. On the other hand, he declared right away that the state was going to restore an active role in the economy, initiated criminal cases against a number of powerful businessmen, and has been increasing the share of state equity in large industrial enterprises at least since 2004 (Nureev 2010, 18–34). During the same time, Putin consolidated his political power and undoubtedly led the country away from the democratic route. With the Russian economy now being dramatically different from the command economy of the USSR, the relationship between the political regime and the market in Russia is intriguingly unclear. Similar questions can be asked about countries in East Asia or Latin America, where we have observed the emergence of “authoritarian capitalism” in the second half of the 20<sup>th</sup> century (Lingle 1996; Bremmer 2010; Van Beek and Wnuk-Lipinski 2011; Witt and Redding 2012). Why would authoritarian governments give people more economic freedom and autonomy? And how do they mitigate the political risks that economic freedom may bring?

The economic logic of authoritarian governments is likely to be different at least in some circumstances from the logic of their democratic counterparts since autocrats have a different set of political challenges and constraints. An account of how authoritarian leaders make economic decisions, how they use the state intervention and the free market is necessary to understand the development of

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<sup>1</sup> A note for the reviewer: This paper is my attempt to find a theoretical framing for the issue of marketization of the public sector in Russia. So far, I only have the data about higher education, but I will collect data on other areas during my dissertation fieldwork. Two types of feedback, therefore, are particularly appreciated: (1) the appropriateness of the theoretical framing; its potential to connect my empirical data to larger theoretical debates; and other theories that may help develop my ideas; and (2) other types of data, which I can collect during fieldwork, that would be helpful to support the general argument. Thanks!

the global economy. This account is also crucial for thinking about the pathways of contemporary authoritarian regimes and the challenges that democracy is facing worldwide.

## **Authoritarianism and the market in the political economy debates**

The question of relationship between authoritarianism and the market is connected to two important debates in political economy. The first one is concerned with the role of the state in the economy and economic growth. The second one is about the relationship between capitalism and democracy. Neither of them addresses the relationship between authoritarianism and the market directly, but both provide some insights about the possible connection between them.

### ***Developmental state and authoritarianism***

Since the end of the World War II, the debate about the role of the state in the market economy has centered around the opposition of (neo)classical liberalism and Keynesianism. The proponents of the first paradigm believe that the market is a self-stabilizing and efficiency-maximizing system and advocate for a residual state, while Keynesians point at the propensity of the market economy to cyclical crises and argue that the state should intervene to restore the equilibrium. Both liberals and Keynesians, though, shared the assumption that the market is the primary driver of the economic growth, and the only question is how much the state should intervene to keep the market functioning.

In the last two decades of the 20<sup>th</sup> century these paradigms were challenged by the economic rise of Asian countries – the rise that was primarily the result of highly interventionist economic policies of the state. Scholars who studied these countries have coined the concept of the developmental state to explain their economic advancement (Johnson 1982; Kohli 2004; Wade 2004). They departed from the earlier work of Gerschenkron (1962), who described the crucial role of the state in the economic development of late industrializers in Europe – Germany and Russia. The rise of “Asian Tigers” provided an empirical ground to apply this idea in the context of post-WWII developing world.

According to Rapley (2002, 119), the developmental state is the one that:

- makes development its top priority;
- commits to private property and markets, but guides the market extensively through control over investment flows, import restrictions, and incentive structure of the economy;
- insulates a highly skilled, technocratic bureaucracy from the societal interests and uses repression, if necessary, to discipline the private sector, maximize investment, and keep wages low;

- neutralizes the opposition of landed oligarchies to industrialization, promotes technological change and invests heavily in human-capital formation, particularly the one related to technology;
- protects selected infant industries and opens the rest of the economy to foreign competition.

A number of these features (bureaucracy isolated from the society, possible use of repression, and active state intervention to the economy) bring in associations with authoritarianism, and the question whether the developmental state has to be authoritarian has been discussed in the literature. The general answer is that it does not have to be, but it may be easier for an authoritarian state than for a democratic one to be developmental. Cumings (1999, 69) writes that “(h)istorically speaking there unquestionably is” “a relationship between ‘the developmental state’ and authoritarianism.” “Theoretically speaking, however, there is no reason why this had to be.”

The possible advantages of authoritarianism come down to two: the stronger autonomy from societal interests and the easiness of mobilizing resources necessary for investment. Wade (2004, 337) points out that East Asian governments rarely fail to carry through government policies because “East Asian states are relatively hard” – “able not only to resist private demands but actively to shape the economy and society.” A somewhat similar argument was made about the advantages of authoritarian governments in liberalizing the economy in Latin America and Eastern Europe. The economic pain of “shock therapy” at the initial stages of market reforms makes them unpopular and, therefore, unfeasible for democratic governments (O’Donnell, Schmitter, and Whitehead 1988, 10–11). Authoritarian regimes, meanwhile, have a comparative advantage in initiating market reforms because they can bypass the popular resentment.

Mobilization of resources may also be easier for authoritarian states. Johnson (1999, 52) says that “authoritarianism can sometimes inadvertently solve the main political problem of economic development using market forces – namely, how to mobilize the overwhelming majority of the population to work and sacrifice for developmental projects.” Mobilization may be necessary not only for economic investment, but also in the situation of economic crisis. During the recent financial breakdown, the Chinese government quickly launched the largest stimulus package for the economy, spurring questions about whether the authoritarian response to crisis was more efficient than the democratic one (Van Beek and Wnuk-Lipinski 2011).

Despite these potential advantages, scholars generally do not think that the relationship between authoritarian developmental state and the market is sustainable. “An authoritarian government can achieve ... mobilization artificially and temporarily, but it is also likely to misuse such

mobilization, thereby making it harder to achieve in the future” (Johnson 1999, 52). Significant body of literature has also questioned the necessity of the isolation from societal interests and whether popular opposition to market reforms is politically consequential. A number of researchers have shown that democracies have achieved better results in liberalizing their economies (Geddes 1994; Przeworski and Group on East-South Systems Transformations. 1995; Hellman 1998; Przeworski 2000).

Two points in the debate about the developmental state and authoritarianism are important for my analysis. First, the developmental state is committed to the market and uses state intervention to stimulate market development. Second, even though the developmental state does not have to be authoritarian, there is no reason why it cannot be authoritarian. Empirically, most developmental states that served as research cases had authoritarian governments when they launched these policies, being vivid examples of authoritarian states actively promoting the market.

At the same time, the theory of the developmental state leaves aside the question of why an authoritarian government would favor the market – the one that I posed at the beginning of the paper. The researchers of the developmental state are in conversation with both liberal economists and Keynesians, and their primary goal is to prove that the state can be the driving force of economic development, not only the compensation for market deficiencies. Even when they discuss authoritarianism, they do it to show that it is not the political regime, but a certain kind of governmental economic policies that matter for the development, implying that even democratic governments can take up such a role. Economic development serves here as a universal motivation that is equally important for autocratic and democratic rulers.

### ***Capitalism and authoritarianism***

The second debate that may shed some light on the relationship between authoritarianism and the market is related to the nexus of capitalism and democracy. The main question here is: does capitalism strengthen or undermine democracy in the long run? Modernization theory and the Marxist tradition provide opposite answers to this question.

In the Western experience “a market economy is wholly compatible with democracy and even its prerequisite. ... To the extent that liberal economies encourage the emergence of groups that do not depend on the state, and to the extent that they have the broadly equalizing effect of spawning middle classes, they contribute to the creation of an autonomous civil society that is the social foundation of a liberal democratic polity” (Haggard and Kaufman 1992, 341; see also Moore 1993 [1966]; Olson 1993). Few scholars would say today that this modernization scenario is directly applicable to all countries, but

many would agree that in the long run capitalism and economic development create conditions for stable democracies (Przeworski and Limongi 1997). The recent works in institutional economics have also established a reverse causal path, arguing that democracy is conducive to economic development (Acemoglu and Robinson 2012).

Even though, according to modernization theory, capitalism and democracy go hand in hand in the long run, historical contingencies may create situations when capitalism coexists with authoritarianism. “(I)t has been argued that economic liberalism and political democracy may be in conflict for countries at certain stages of growth. This is due ... to the social dislocations and increasing inequality characteristic of the early stages of development ... (that) ... are only exacerbated by market-oriented reforms” (Haggard and Kaufman 1992, 341). This is a “non-democratic interlude” that the Western pattern of development obtains in the third world countries.

Another historical contingency may occur in transitional economies because of asynchronous development of market and democracy. When market reforms stay unfinished, they include economic transformations, but not the political ones like breaking the rule of the old elite (Aslund 2007, 215) and building the mechanisms of accountability to the population (Manzetti 2009). Without such transformations, market reforms “are likely to be manipulated in a way that creates opportunity for corruption, crony capitalism, and political patronage – all factors that are conducive to large fiscal deficits and costly rent-seeking behavior” (Manzetti 2009, 6). In the long run this arrangement will be outcompeted by real democracies both because such compromised market is prone to economic crisis and because social institutions that emerged during the unfinished transition are not very durable (Stark and Bruszt 1998; Manzetti 2009; Bremmer 2010).

Scholars working in the Marxist tradition provide the opposite answer to the question of the long-term relationship between capitalism and democracy. For them, rather than providing economic freedom, capitalism cultivates economic dependencies, both domestically and globally. Regardless of the political regime, the state acts in the interests of capitalists either because capitalists influence state officials directly, or because the state is dependent on the overall economic performance of the country (Barrow 1993). Harvey (2007) views the neoliberal state as inherently anti-democratic, since it is used by the capitalists to suppress popular opposition (Harvey 2007, 69–70). Moreover, the more authoritarian the state, the better it can potentially serve the capitalists’ interests in the ongoing class struggle. The fact that neoliberal policies are spreading even into the former command economies is yet another evidence of the power of capital. Global capitalist class manages to use in its interests even the regimes that were originally supposed to battle it, like China (Harvey 2007, 151).

Latin American countries provide several examples of neoliberal policies implemented by authoritarian states, and researchers analyze these cases primarily using class struggle framework (O'Donnell 1988; Posner 2008; Grugel and Riggirozzi 2009; Silva 2009). Neoliberal economic agenda was imposed by the United States on many indebted developing countries in the 1980s through "structural adjustment programs". Implementation of these policies was a condition of loan guarantees from the IMF and the World Bank (Steger and Roy 2010). Authoritarian governments, sometimes purposefully installed, were handy to enact the unpopular reforms. Investigating the case of Argentina, Guillermo O'Donnell (1988) introduced the concept of bureaucratic-authoritarian state. Its social base was "a highly oligopolized and transnationalized bourgeoisie" and its main task was "the restoration of "order" by means of the political deactivation of the popular sector, on the one hand, and the "normalization" of the economy, on the other" (p. 31-32). Authoritarian states in Latin America, therefore, were used by the global capitalist class and the United States to implement the economic policies favorable to the transnational capital, but detrimental for the population of those countries.

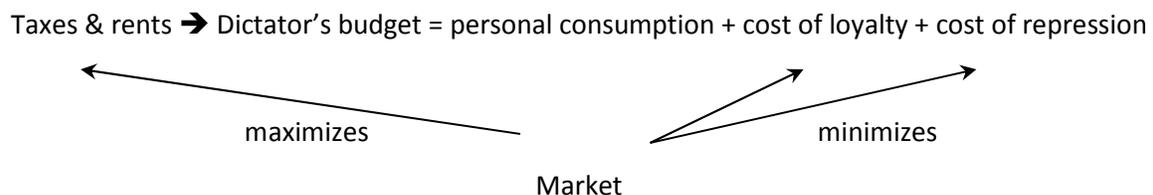
Marxists provide a quite straightforward answer to the question of why authoritarian governments would promote the market: because they act in the interests of the capital for one or another reason. Scholars working within the modernization paradigm do not discuss this question a lot since they view the instances of coexistence of authoritarianism and the market as temporary distortions of modernization process. Neither of these traditions treats the distinction between democracy and authoritarianism as a particularly important one. For modernization theory it is not important because authoritarianism is just an "interlude"; for Marxists it is not important because democracy is just a window-dressing for the power of the capital.

## **Why would an authoritarian state promote the market?**

Even though the debates discussed above do not always say why an authoritarian state would promote the market, they provide a number of implicit explanations. First, a shared assumption is that economic growth in the contemporary world is impossible to achieve without developing the market economy. Authoritarian states as well as democratic ones depend on the economic resources available to them and are interested in multiplying them. The global economic competition stimulates the states to develop their economies, and authoritarian states simply follow this common logic. Second, the scholars studying developmental states also note that one of the reasons for authoritarian governments to undertake the developmental route is increasing the legitimacy of the regime among the population (Johnson 1999, 52).

I argue in this paper that the nexus between the authoritarian state and the market is distinctive from the nexus of any kind of state and the market. Even though the economic behavior of authoritarian and democratic states has a lot in common, the market brings a set of threats to the authoritarian regime, but can also satisfy its specific needs. To unpack the relationship between authoritarianism and the market we need to (1) look at what part of the economy the market mechanisms are introduced by authoritarian governments and in what form, and (2) take into account the political economy of dictatorship.

In the rest of the paper I will present a case of marketization reforms advanced by an authoritarian government and develop an explanation for this case based on the model of the political economy of dictatorship suggested by Ronald Wintrobe (1998). He develops a rational choice model of economic behavior of different types of dictators. All of them try to maximize their utility that consists of personal consumption and power. Power, in its turn, can be maximized through either repression or increasing the loyalty of the population. The dictator's budget, therefore, has to be distributed between personal consumption, spending on loyalty, and spending on repression. I will argue that the motivation of the dictator to introduce market reforms may include not only increasing his budget through the development of private businesses and taxation, but also decreasing the cost of loyalty and repression.



The case I will use to develop my approach to the relationship between authoritarianism and the market is higher education policy in Russia. This case is particularly well suited for adjudicating between the developmental state theory, the Marxist understanding of neoliberalism, and the model of the symbiosis of authoritarianism and the market that I suggest. Higher education would be important for the developmental state as an investment in human capital necessary for economic growth. The neoliberal state would see publicly financed higher education as the good that the capital is not interested to provide. I will argue that marketization of higher education was motivated by the desire of the authoritarian leader (1) to reduce the costs of loyalty by increasing the efficiency of the money spent, (2) to undermine the capacities for political mobilization through public sector institutions, and (3) to build the tools for emergency response of the state in case such mobilization occurs.

## **Russian higher education policy in the 2000s<sup>2</sup>**

In the USSR higher education institutions<sup>2</sup> were a part of a centralized system of the socialist economy. They were completely financed by the government, the number of students was determined by the predicted demand of national economy, and university students were assigned jobs after graduation.

In the 1990s the legislation of the new Russian state allowed the creation of private (“non-state”) higher education institutions and, most importantly, charging tuition fees in state institutions. The number of non-state<sup>3</sup> universities grew most rapidly in the 1990s (from 0 in 1992 to 358 in 2000 and 450 by 2010<sup>4</sup>). The biggest increase in the number of fee paying students happened in the 2000s (from 146 thousands in 1993 to 1940 thousands in 2000 to 4654 thousands in 2009<sup>5</sup>). The number of state-financed students stayed almost flat through the 1990s and the 2000s, and the growth of fee-paying students was the result of economic recovery and large population cohorts entering college age.

The state paid little attention to higher education policy in the 1990s overwhelmed with more urgent economic issues. By contrast, in the 2000s Putin’s government carried out a quite coherent policy, the design of which closely resembled the principles of the new public management<sup>6</sup>: competition in service delivery, greater flexibility of internal rules, the priority of outcomes over the procedures, creating financial stimuli for all parties, decentralization, and partnerships with communities and the private sector. Different areas of social policy have experienced similar transformations. Here I will describe the reforms primarily in higher education, but I will also occasionally use examples from other areas to show the systemic character of this policy agenda.

### ***Reducing the cost of loyalty: the new public management***

#### **Introducing competition into service delivery: EGE and GIFO**

Even though higher education market rapidly grew in the 1990s, state funds were still distributed between the universities according to the Soviet type planning procedure. The Ministry of Science and Education decided how many students with state funding would be admitted to certain programs, and then students competed for those already distributed spots. In the beginning of the 2000s, the government attempted to tie state funding to the student and make universities compete for state funds by attracting more and better qualified students. To do that, a group of policymakers from

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<sup>2</sup> The sources of data for the case include statistics, legal documents, media publications, and several interviews out of about 60 ones that I conducted in 2007, 2010, and 2012 with faculty members and administrators in the leading Russian universities.

State University – Higher School of Economics<sup>7</sup> proposed a combination of National Standardized Examination (EGE in Russian abbreviation) and Individual State Financial Obligations (i.e. educational vouchers; GIFO in Russian abbreviation) (Shishkin 2004; Maleva 2007).

EGE was aimed to supplant traditional examinations in high school and entrance examinations in the universities. The exam would have standardized format and questions for all subject areas (languages, history, literature, chemistry, physics, biology, etc.) and would be centrally administered in all high schools nationwide. Universities would be obligated to accept EGE results as the main criteria for admissions. EGE would allow prospective students to apply to multiple universities without the need to pass entrance examinations in person in each school, and, therefore, would increase student mobility and competition between the universities (Shishkin 2004, 50-54).

GIFO, or educational vouchers, were designed to link funding to the student rather than to the university. Every student would receive a funding certificate that could be used towards paying tuition in a higher education institution. The amount of funding for each student would depend on the results of EGE, so that better performing students would get more money and would have to pay nothing or a very small amount themselves for their higher education. When students choose a university, they would bring state funding with them (Shishkin 2004, 54-100).

In select Russian regions the EGE experiment started in 2001, and the GIFO one – in 2002. Starting in 2009 EGE became mandatory nationwide: now all higher education institutions must accept its results. The GIFO experiment, however, was abandoned in 2005. Tatiana Klyachko, one of the experts who developed GIFO reform, points at the resistance of university rectors as one of the reasons for not continuing the development of this policy (Maleva 2007, 107). GIFO would lead to redistribution of state funding between the universities, and quite a few of them would experience financial losses.

### **Introducing competition into service delivery: university rankings**

University rankings are another instrument of increasing competition that burgeoned in the 2000s. The very first ranking of Russian universities was done by Kar'era magazine in 1999<sup>8</sup>. The Ministry of Education issued its first public ranking in 2001 and has produced them every year until 2009<sup>9</sup>. In 2009 the government contracted out the development of rankings for Russian universities to the independent media – Interfax Group and Radio "Ekho Moskvu"<sup>10</sup>. By 2010 a great variety of rankings developed by media, professional associations, student organizations, and the universities themselves were available for the public<sup>11</sup>.

### **Increasing the effectiveness of state funding:**

#### **quality management and funding the outcomes**

Another policy aimed at increasing the effectiveness of state funding was the introduction of quality management systems in the universities<sup>12</sup>. In 2000 the Ministry of Education organized the first competition for the best quality management systems between the universities. It also ordered the university rectors to implement “objective measurements of the work of faculty and students”<sup>13</sup>. In 2003, when Russia joined the Bologna declaration, the Ministry of Education formed a Coordination Council on Quality Provision where different models of quality management were discussed<sup>14</sup>. In 2005 the Ministry issued recommendations on creation and implementation of quality management systems in the universities<sup>15</sup> and made the effectiveness of a quality management system one of the accreditation indicators<sup>16</sup>.

Another group of policies designed to increase the effectiveness of the budget expenditures is related to funding outcomes rather than inputs. This agenda is most visible in secondary education: secondary schools in most regions are now financed according to the number of students, and the teachers’ salaries depend on the student achievement<sup>17</sup>. EGE is a convenient measure of output, although funding is not yet linked to EGE results. The Ministry officials also announced plans to develop EGE for higher education institutions in order to evaluate the quality of education of the university graduates<sup>18</sup>.

#### **Decentralization of funding and financial autonomy of organizations**

Although throughout the 2000s about 95% of public funding of higher education institutions in Russia came from the federal budget, the decentralization tendency is apparent when looking at the educational system in general. By the beginning of the 2000s preschool and secondary general education were almost completely financed by regional and local budgets. Primary vocational education was largely transferred to regional budgets in 2005 (Maleva 2007, 79) and the share of the federal budget in funding those institutions fell from 68% in 2004 to 13% in 2005. Secondary professional education experienced gradual decline in federal funding from 54% in 2003 to 37% in 2009<sup>19</sup>.

Not only does the Russian government decentralize the funding of education, but it also increases the financial autonomy of educational institutions. In 2010 the Russian parliament adopted a law that turns public sector organizations into autonomous providers of public services. Once the transition is complete, the government will no longer be responsible for the organization as a whole, but will only pay for the services delivered to the citizens. At the same time, the organizations are allowed to keep any additional revenues they may earn and spend them as they please<sup>20</sup>. The same group of

policymakers that developed EGE and GIFO reforms has issued recommendations on the transfer of higher education institutions into the autonomous status (Klyachko 2009). This law concerned not only education providers, but also organizations in the other areas of the public sector, for example, health care, where the government's intention to attract private funding has been in place for a long time (Maleva 2007, 63).

The government also supported the financial autonomy of universities through creation of endowment funds. The very first endowment fund for a Russian university was established by European University at St. Petersburg in 2004 and was registered in Ann Arbor, MI, USA<sup>21</sup>. In 2006 the business community, including the head of Interros Company Vladimir Potanin, suggested creating endowment funds in Russia, and in few months a federal law declaring tax exempt status of endowment funds was adopted<sup>22</sup>. Between 2007 and 2010 about 50 endowment funds were created<sup>23</sup>.

The policies I described above point at the intention of the Russian government to shed itself of the direct responsibility of funding higher education institutions. If the money were channeled through students and the universities were financially autonomous, it would have greatly reduced the expenses of the state budget on higher education by 2010 because smaller age cohorts would enter college age<sup>24</sup>. This reduction would have happened without formally reducing the expenditures per student allowing the state to claim that the benefits for the citizens stayed the same. And this reduction would have been impossible without the neoliberal policies initiated by the government in the beginning of the 2000. Before turning to the question why the educational expenditures did not in fact shrink in the 2000s, I will describe another set of policies that mitigate the political risks that could be potentially created by the financial autonomy of universities.

### ***Reducing the need for repression: gatekeeping and self-discipline***

While relieving the state budget, the economic autonomy of the universities could have led to the increased demand for political representation from the side of the most successful schools and consolidation of the university community – the consequences that create political threats to an authoritarian regime. In Russia it did not happen. Together with embedding the market principles into social policy, the Russian state has retained and strengthened its role as a regulator/gatekeeper in the market, which allowed successful mitigation of political risks.

## **Gatekeeping**

The state determines which institutions can operate in the higher education market through licensing and accreditation procedures. State officials in the Federal Control Service which is a part of the Ministry of Education<sup>25</sup> are the ones that both establish and implement accreditation rules. Professional associations in Russia are very weak and public oversight is almost non-existent. Academics participate in accreditation only as area experts during campus visits. In an interview that I conducted with a vice-rector of a major regional university in Russia in May 2007, he said that the ministry did not “want public bodies to shape educational policy and evaluate educational quality.” He brought up an example of the Association of Engineering Education in Russia, a public national organization, which the ministry formally supported, but in reality hindered. “They are afraid we are taking over their business. They want to monopolize it all,” he said.

The connection of accreditation with state funding is vague at best. An administrator dealing directly with licensing and accreditation at one of the top national schools told me that he did not know for sure how state funding was distributed. He only guessed that accreditation results were somehow taken into account when determining the number of state financed students in each institution. Private institutions have had to obtain state accreditation as well although they have not received any funding from the state until 2012.

Instead of being tied to funding, the results of the accreditation are connected to legal sanctions. State accreditation gives an institution the right to issue “a state-standard diploma”, which means its graduates can take jobs in the government, the public sector, and state-owned enterprises, and its male students have the right of the military deferral. The absence of state accreditation effectively means that no students will be willing to study at such an institution.

When state accreditation was introduced in the second half of the 1990s<sup>26</sup>, a relatively small package of documents was required to get accredited. In the 2000s the number of formal requirements, with which the universities had to comply, significantly increased. At least two administrators in major regional universities with whom I spoke in 2007 and 2010 talked about kilograms of documents<sup>27</sup> they had to bring to the Ministry to obtain accreditation for their universities. Despite the idea that licensing and accreditation simply ensure the minimum quality threshold, they are burdensome even for the top national schools. I asked my interviewees if there was a realistic chance that educational programs in their institutions would not be accredited for the full term of 5 years. They did not hesitate to say that it was “absolutely realistic” and it might happen to any institution. The rectors of the top universities have argued for a long time that the state standard diploma should be abandoned<sup>28</sup> and the best schools

should be relieved from accreditation procedures<sup>29</sup>. In 2009 two schools finally received the right to issue their own diplomas with all the privileges of state standard ones – Moscow State and St. Petersburg State Universities<sup>30</sup>. Together with obtaining the right not to be accredited, however, they lost the right to elect their rectors by the faculty conference – now the rectors are directly appointed by the government.

The state maintains its role as a gatekeeper not only in accreditation, but also in other areas where it does not recognize or share the authority with any other entities. Two other examples include international degrees and quality management certificates. Credentials from foreign institutions are not automatically recognized in Russia<sup>31</sup> despite the fact that Russia joined the Bologna process in 2003. In April 2012, after repeated requests from universities, the government created a list of foreign institutions which degrees will be automatically recognized<sup>32</sup>. The criterion of inclusion was being in top 300 of one of the three world rankings: Academic Ranking of World Universities, QS World University Rankings, or The Times Higher Education World University Rankings. The text of the legal regulation, however, refers to the list, approved by the government rather than directly to the international rankings, and even a quick comparison reveals inconsistencies<sup>33</sup>.

Another example of a parallel and seemingly unnecessary evaluation system comes from the realm of quality management. The effectiveness of institutional quality management systems became one of the accreditation indicators in 2005. Although some institutions possess international quality management certificates (for example, issued by the International Standard Organization), these certificates do not count towards accreditation requirements. Instead, the government organizes a separate competition<sup>34</sup> of quality management systems and issues certificates which are not recognized by anyone except by the government itself

### **The self-discipline of universities**

Creating complicated regulations that effectively force everyone to break the law in one or another way and monopolizing the role of the gatekeeper by the state produces a perfect environment for selective law enforcement. Selective law enforcement is frequently used by non-democratic states to control business and civil society (Sidel 1997; Ledeneva 2006, 48): fire and tax inspections, as well as the threat of revoking licenses, are particularly helpful for autocrats.

An example of revoking a license from an educational institution for a political reason is the case of the European University in St. Petersburg – one of the very few internationally recognized graduate schools in social sciences in Russia. In 2008, just before the presidential election in Russia, this institution's license was suspended for six weeks, during which the university had to close, allegedly

because of fire safety concerns. There are at least two unofficial versions of the story. One connects this sudden attention of fire inspectors with the interests of the local raiders who tried to appropriate the university building. Another one links it to the international research project on electoral monitoring with which one of the faculty members was involved. The university was reopened after the project was discontinued.

Such incidents do not happen frequently, which can either be a sign that licensing is not really used for the purposes of political control or that the controlling mechanism is extremely effective. Knowing that the state can impose sanctions at any time, universities discipline themselves, and no state intervention is necessary on a regular basis. For example, in 2005 Tomsk State University did not allow Egor Gaidar, the famous in Russia liberal economist, to speak to the students about his new book. Two days before the talk the university administration announced that a fire training exercise was scheduled on that day. Unofficially, though, the university rector told the journalists that he was not going to mix education with politics<sup>35</sup>.

The recent developments in the licensing process have made selective law enforcement even easier. Before 2011, each institution had to renew the license on a fixed schedule – every 5 years. Starting in 2011, educational licenses for postsecondary institutions are unlimited, but the Ministry of Education can initiate an inspection at any time<sup>36</sup>. The university administrations, therefore, should always be ready to be checked by the state officials.

The role of a gatekeeper and regulator in the higher education market allows the state to both discourage self-organization of universities and have the tools of emergency response for any political threat that may come out of universities (be it student protests, “dangerous” research, or an emerging political leader). The state covers all the regulatory needs that might have become a basis of consolidation for professional associations. The universities also find themselves under a constant threat of legal sanctions from the side of the state. Misbehavior may quickly result in additional scrutiny and punishment.

### ***Authoritarianism and the market: testing alternative explanations***

My argument in this paper has been that an authoritarian regime can use the market not only to increase the revenue and resources available, but also to decrease the cost of loyalty and repression necessary to stay in power. The two alternative perspectives on the link between authoritarianism and the market outlined in the beginning of the paper included the Marxist-neoliberal vision of

marketization and the theory of the developmental state. The case of Russian higher education policy does not fit either of them, but provides evidence in favor of my argument.

The marketization of the public sector is a common topic in the scholarship on neoliberalism (see, for example, Torres and Schugurensky 2002; Janes et al. 2006). The general picture researchers draw looks somewhat similar to the case of higher education policy in Russia: the public sector becomes “entrepreneurial”, driven by the business principles and working for the private money, while the state expands its oversight and control functions. Beyond the general set up, however, many details do not match. The marketization of higher education in Russia was not a consequence of austerity and the budgetary pressures: in the 2000s the Russian economy as well as the oil prices, on which the Russian budget heavily depends, were growing. The critics of the neoliberal policies see the reduction of the public sector as a result of the political victory of the capital – either international or domestic one. According to this logic, capitalists want to keep the taxes low and are interested in a residual public sector because it is financed from taxes. Russia in the 2000s, however, was the country where neither domestic, nor international capital had significant political weight. After Putin came to power, he subjugated the big business through prosecution of several powerful businessmen, and the investment climate for the international capital has been deteriorating since then. The marketization of the public sector, therefore, could not be initiated by the capitalists’ interests.

The increase in regulation and oversight, which is frequently a part of the neoliberal policy package, also does not follow a common path in Russia. While the rise of auditing and accreditation is a worldwide trend (Power 1997), state evaluations are usually developed to assess the quality of public services and allocate financial resources more efficiently, i.e. spend less money. In the UK, the motherland of the new public management, accountability measures are intrinsically connected to austerity policies and more efficient spending of public funds (Brennan and Williams 2004). In the US students are allowed to use federal financial aid only in the institutions accredited by the recognized agencies, and many changes in accreditation were spurred by the concerns of the efficient use of public dollars (Brennan, Vries, and Williams 1997). In Russia there is no clear connection between funding and accreditation, which is the only evaluation all universities go through. Accreditation is not used to redistribute state funding or justify its redistribution. Spending resources on regulatory procedures in the public sector that are not designed to cut public spending does not fit capitalist logic. It makes sense, however, if regulation is meant to be used at the discretion of state officials to help the regime mitigate the political risks.

The developmental state theory would predict that the state, while actively promoting the market, will invest into education and human capital. In fact, the state funding of education in Russia was growing during the 2000s even adjusted for inflation<sup>37</sup> despite the marketization policies. I believe, though, that the growth of funding was not indicative of the government intentions; instead, several other factors were in play. One of them was a very low base of the 1990s and the overall growth of the economy in the 2000s. International statistics show that in 2007 Russia was still spending less public money on tertiary education than OECD countries, while the number of people with tertiary degrees was double the OECD average<sup>38</sup>. Another factor was a new turn of policy towards the largest universities: the growing funding was concentrated in a small number of schools while the vast majority experienced reductions. As I argue in another paper, this redistribution of funding between universities was aimed at ensuring the loyalty of the rectors of the big schools and controlling the political mobilization of youth in the urban centers. Growing funding was also not a sign of investment into human capital. Even in the leading universities the faculty salaries stayed low, and on average faculty in Russia are only paid about 60% of GDP per capita (Altbach et al. 2012, 30).

Neither Marxist vision of neoliberalism, nor the theory of developmental state can fully explain the recent history and the structure of higher education policy in Russia. For Marxists the marketization of the public sector must be driven by the interests of the capital, while in the Russian case it is the authoritarian state that is willing to reduce the cost of citizens' loyalty. The developmental state theory admits that an authoritarian state may actively promote the market, but it only relates to the productive sectors of economy that pay taxes rather than depend on the state budget.

Developing a theoretical model of the relationship of the authoritarian state and the market requires (1) an account of the effects of marketization in different sectors of the economy and its impact on the costs and revenues of the autocrat; and (2) understanding of the capacities of the authoritarian state to mitigate the political risks that marketization and economic autonomy may bring. The case of higher education policy in Russia provides an example when marketization helped the authoritarian government cut (or, to be more precise, minimally raise) the cost of the public sector, while the role of the regulator helped to control political risks.

## **Conclusion: selective adoption of global norms and solutions by authoritarian rulers**

Understanding of how authoritarian governments use the market is important not only to account for the different logics within the global economy or for the development of contemporary authoritarian regimes. It is also necessary to question the normative practices of the public policy that spread around the world. The knowledge about the “best policy solutions” is transmitted through the technocratic elites, and following these models legitimizes the governments as progressive in the eyes of international donors, policy experts, and researchers. The discourse of the “best world practices” in social policy and references to the developed countries is also used by the Russian government domestically to legitimize the market logic in the public sector, without necessarily committing to the economic freedoms in other sectors of the economy. Just like elections adopted by authoritarian regimes under the normative pressure of the West (Levitsky and Way 2010) did not assume real democratization and served different purposes, the marketization practices in the public sector, even when resembling the worldwide trends, may not be geared towards quality and efficiency of the services. Instead, they may be an instance of selective adoption of globally legitimate policy solutions by an autocrat to fulfill the needs of the authoritarian state. The analysis of Russian higher education policy in the 2000s presented in this paper helps to start unpacking the strategic use of the market by authoritarian rulers not only for generating revenue, but also for reducing the costs of staying in power.

## Notes

- <sup>1</sup> The most important were Aleksey Kudrin, German Gref, Mikhail Zurabov.
- <sup>2</sup> I will use “higher education institutions”, “higher education establishments” and “universities” interchangeably in this article, although not all higher education establishments in Russia are called “universities”. The distinction between the different types of them, however, is not important conceptually for this paper, so I will leave it out.
- <sup>3</sup> These new institutions were small in size: the average student body of a non-state educational establishment grew from about 900 in 1993 to about 2800 in 2009 (Goskomstat Rossii 2001; Rosstat 2005; Rosstat 2010a). They specialized in easily marketed disciplines that did not require large investments into research infrastructure (law, economics, marketing, management, psychology, etc.). Non-state universities heavily relied on part-time faculty from state institutions and frequently rented rooms or buildings necessary to hold classes (Suspitsin 2003).
- <sup>4</sup> Numbers are taken from official statistical publications: Goskomstat Rossii (State Committee of the Russian Federation on Statistics). 2001. *Russia in Figures: Concise Statistical Handbook*. Ed. V. L. Sokolin. Moscow: State Committee of the Russian Federation on Statistics; Rosstat (Federal Service of State Statistics of the Russian Federation). 2005. *Russia in Figures 2005: Statistical Handbook*. Ed. V. L. Sokolin. Moscow: Federal Service of State Statistics. Rosstat 2010. *Russia in Figures 2010: Statistical Handbook*. Ed. A. E. Surinov. Moscow: Federal State Statistics Service.
- <sup>5</sup> In addition to the sources mentioned in the previous note, the following publications were used: Goskomstat Rossii (State Committee of the Russian Federation on Statistics). 2003. *Rossiyskiy statisticheskiy ezhegodnic 2003. Statisticheskiy sbornik*. (Russian statistical annual publication 2003. Statistical book.) Moscow: Goskomstat Rossii. [http://www.gks.ru/doc\\_2003/year03.zip](http://www.gks.ru/doc_2003/year03.zip); Goskomstat Rossii (State Committee of the Russian Federation on Statistics). 2003. *Obrazovaniye v Rossii 2003. Statisticheskiy sbornik*. (Education in Russia 2003. Statistical book.) Ed. M. Sidorov. Moscow: Goskomstat Rossii.
- <sup>6</sup> The principles of a market-driven, entrepreneurial approach to public services were formulated by David Osborne and Ted Gaebler (1992) in their book “Reinventing Government”.
- <sup>7</sup> This institution is one of the major think tanks working for the Russian government and developing economic and social policies.
- <sup>8</sup> Trushin, Aleksandr, Svetlana Budanova, and Maya Chaplygina. “Sto sposobov prigotovleniya slivok obschestva, ili 100 luchshikh vuzov Rossii.” (100 best higher education institutions in Russia.) *Kar’era*. March, 1999. <http://www.kariera.orc.ru/03-99/Almam054.html>.
- <sup>9</sup> See Decree of the Ministry of Education of the Russian Federation N 631 “O reitinge vysshikh uchebnykh zavedeniy (vmeste s vremennoy metodikoy opredeleniya reitingov spetsial’nostey i vuzov)” (On the ranking of higher education institutions [together with the temporary methodology of programs’ and institutions’ rankings]). February 26, 2001. <http://infopravo.by.ru/fed2001/ch07/akt22446.shtm>; Minobrnauki RF. (Ministry of Education and Science of the Russian Federation) Reitingi vuzov Rossii 2001-2009. (Ranking of Russian higher education institutions.) Access date: May 30, 2011. <http://rating.edu.ru/Old.aspx>.
- <sup>10</sup> Natsional’nyi reiting rossiyskikh vuzov. (National ranking of Russian higher education institutions.) Interfax, and Radio “Echo Moskvu”. <http://www.univer-rating.ru/default.asp>. Access date: May 30, 2011.
- <sup>11</sup> See, for example, “Reiting kachestva priema v rossiyskie gosudarstvennyye vuzy – 2010.” (The ranking of Russian higher educational institutions based on the quality of admitted student body – 2010.) *RIA Novosti and NRU-HSE* (National Research University – Higher School of Economics). September 2, 2010. [http://rian.ru/ratings\\_multimedia/20100902/271380235.html](http://rian.ru/ratings_multimedia/20100902/271380235.html); “Reiting nauchnoy i publicatsionnoy aktivnosti rossiyskikh vuzov.” (The ranking of Russian higher educational institutions based on research and publication activity.) *RIA Novosti and NRU-HSE*. January 17, 2011. [http://rian.ru/ratings\\_multimedia/20110117/322629147.html](http://rian.ru/ratings_multimedia/20110117/322629147.html); Rossiyskiy opyt sostavleniya reitingov: Ssylki resursov. (The Russian experience of creating rankings: Links to resources.) *Interfax and Radio “Echo Moskvu”*. <http://www.univer-rating.ru/txt.asp?rbr=47>. Access date: May 30, 2011

- <sup>12</sup> These quality management systems are based on the widespread family of standards ISO 9000, which stems from the managerial philosophy of total quality management (Deming 1986).
- <sup>13</sup> Decree of the Ministry of Education of the Russian Federation N 3222 “O problemakh kachestva realizatsii gosudarstvennogo obrazovatel’nogo standarta v vuzakh Rossiyskoy Federatsii.” (On the problems of implementation quality of the state standard of curriculum in higher education institution of the Russian Federation.) November 9, 2000. [http://edc.pu.ru/doc\\_nor1/ind917.htm](http://edc.pu.ru/doc_nor1/ind917.htm).
- <sup>14</sup> Interview with an administrator in a major regional university, May 2007.
- <sup>15</sup> FEA (Federal Educational Agency), and LETI (St. Petersburg State Electrotechnical University “LETI”). 2005. *Metodicheskiye rekomendatsii dlya vuzov i ssuzov po proektirovaniyu i vnedreniyu sistem kachestva obrazovatel’nykh uchrezhdeniy.* (Recommendations on development and implementation of quality management systems in educational institutions.) St. Petersburg.
- <sup>16</sup> Decree of the Federal Control Service in Education and Science N 1938 “Ob utverzhdenii pokazately deyatelnosti i kriteriev gosudarstvennoy akkreditatsii vysshikh uchebnykh zavedeniy.” (On the activity indicators and the criteria of state accreditation of higher education institutions.) September 30, 2005. <http://www.rg.ru/2005/10/27/kriterii-obr-dok.html>
- <sup>17</sup> Minobrnauki RF. Materialy k vystupleniyu Ministra obrazovaniya i nauki Rossiyskoy Federatsii A. Fursenko na zasedanii itogovoy kollegii Minobrnauki Rossii 19 marta 2010 goda. (The presentation of the Minister A. Fursenko at the final session of the Ministry of Education and Science on March 19, 2010.) <http://mon.gov.ru/ruk/ministr/dok/6853/>.
- <sup>18</sup> “Rukovoditel’ Rosobrnadzora: na vvedeniye EGE dlya vuzov mozhet potrebovat’sya 2-3 goda.” (“The head of Rosobrnadzor: introduction of the Unified State Examination for higher education institutions may take 2-3 years.) *IA REGNUM*, February 11, 2011. <http://www.regnum.ru/news/1373852.html>.
- <sup>19</sup> All the figures in this paragraph are author’s calculations based on the official reports of the Federal Treasury of the Russian Federation: <http://www.roskazna.ru/konsolidirovannogo-byudzheta-rf/>.
- <sup>20</sup> See Federal law of the Russian Federation N 83-FZ “O vnesenii izmeneniy v otdel’nye zakonodate’lnye akty Rossiyskoy Federatsii v svyazi s sovershenstvovaniem pravovogo polozheniya gosudarstvennykh (munitsipal’nykh) uchrezhdeniy” (On the changes of some legal acts of the Russian Federation concerning the improvement of the legal status of governmental and municipal organizations.) (with changes and additions) May 8, 2010. <http://base.garant.ru/12175589/>; “Medvedev podpisal zakon o reforme byudzhetnykh uchrezhdeniy.” (Medvedev has signed a law about the reform of public sector organizations.), *RIA Novosti*. May 8, 2010. <http://www.rian.ru/politics/20100508/232057095.html>.
- <sup>21</sup> Information from the official web site of this institution: [www.eu.spb.ru](http://www.eu.spb.ru).
- <sup>22</sup> Dorosheva, Natalia. “MGIMO – dom s vidom na mir.” (MGIMO – a house with the view of the world.) *Interros*. No. 5, 2009. <http://www.interros.ru/051048056056124053057050049/>.
- <sup>23</sup> Burmistrova, Tatiana, Evgeniy Biryukov, Svetlana Lavrova, Olga Subanova, and Viktoriya Belotserkovskaya. *Perspektivy razvitiya endowment-fondov v Rossii* (The developmental perspectives of endowment funds in Russia.) Online conferences. *Finam.ru*. September 6, 2010. <http://www.finam.ru/analysis/conf0000100357/default.asp>.
- <sup>24</sup> The birth rate in Russia in the 1990s dropped more than twice: from about 2.5 million births in 1987 to 1.2 million in 1999.
- <sup>25</sup> NAA (National Accreditation Agency of the Russian Federation). *Tekhnologia gosudarstvennoy akkreditatsii.* (The technology of state accreditation.) Access date: July 18, 2010. <http://www.nica.ru/accred/technology/>; *NAA. Tekhnologia litsenzirovaniya.* (The technology of licensing.) Access date: July 18, 2010. <http://www.nica.ru/license/technology/>.
- <sup>26</sup> Decree of Goskomvuz N 6 “Ob utverzhdenii vremennogo polozheniya o gosudarstvennoy akkreditatsii uchrezhdeniy srednego i vysshego professional’nogo obrazovaniya v Rossiyskoy Federatsii.” (On the temporary regulations regarding accreditation of secondary vocational and higher professional education institutions in the Russian Federation.) November 30, 1994. [http://lawrussia.ru/texts/legal\\_836/doc83a777x560.htm](http://lawrussia.ru/texts/legal_836/doc83a777x560.htm).

- <sup>27</sup> 32 kilograms in an interview conducted in May 2007 and 72 kilograms in another one conducted in September 2010.
- <sup>28</sup> Filonovich, Sergei. "Chto budet, esli vuzy prevratit' v PTU. Dekan Vysshey shkoly menedzhmenta GU-VShE – o posledstviyakh voploscheniya v zhizn' udivitel'noy idei Dmitriya Medvedeva." (What is going to happen if universities are turned into vocational schools. The dean of Higher school of management at SU-HSE about the consequences of implementation of the striking idea of Dmitry Medvedev.) *Forbes.ru*, March 25, 2011. <http://www.forbes.ru/karera-column/obrazovanie/65443-chto-budet-esli-vuzy-prevratit-v-ptu>.
- <sup>29</sup> Kuzminov, Yaroslav. "Veduschiye vuzy Rossii operezhauly standarty obrazovaniya." (The leading Russian universities are going ahead of the curriculum standards.) Interview by *RIA Novosti*. April 6, 2010. <http://rian.ru/tveconomy/20100406/218756972.html>.
- <sup>30</sup> Agranovich, Maria. "Prezident podpisal zakon ob osobom statute MGU i SPbGU" (The President has signed a law about a special status of Moscow state university and St. Petersburg state university.) *Rossiyskaya Gazeta*. November 11, 2009. <http://www.rg.ru/2009/11/11/status-anons.html>.
- <sup>31</sup> Before a person with a foreign PhD can be hired as a faculty with a doctoral degree and enjoy the rights of advising students and being on dissertation committees, he or she has to go through a complicated procedure of "nostrification" (approval of the degree by the Russian Ministry of Education, which requires translating the dissertation into Russian).
- <sup>32</sup> The Government of the Russian Federation. 2012. *Rasporiazheniie "Ob utverzhdenii perechnia inostrannykh obrazovatelnykh organizatsii, kotorye vydaiut dokumenty inostrannykh gosudarstv ob urovne obrazovaniia I (ili) kvalificatsii, priznavaiemye na territorii Rossiiskoi Federatsii."* (Decree "On establishment of the list of foreign educational institutions, issuing foreign state documents on levels of education, recognized on the territory of the Russian Federation") <http://www.rg.ru/2012/05/25/obrazovanie-dok.html>; see also Nemtsova, Anna. "Russia Opens Its Arms to Foreign Professors—Just Not Too Wide." *The Chronicle of Higher Education*, April 11, 2011.
- <sup>33</sup> I compared the list approved by the Russian government with the list of US institutions included in top-100 of the Academic Ranking of World Universities. Even in this limited comparison the governmental list was missing three schools: the University of California, San Francisco (#16 in ARWU), Rockefeller University (#32), and Arizona State University (#79).
- <sup>34</sup> This competition is not exclusive for educational institutions; any organization can participate in it.
- <sup>35</sup> Perkovskaya, Yu. "Gaidaru otkazali v pozharhom poryadke." (Gaidar was denied hastily.) *Tomskaya nedelya*. March 31, 2005.
- <sup>36</sup> "Novye pravila litsenzirovaniya vuzov vstupili v silu." (The new rules of licensing higher education institutions took effect.) *Gazeta.ru*. March 28, 2011. [http://www.gazeta.ru/news/social/2011/03/28/n\\_1766657.shtml](http://www.gazeta.ru/news/social/2011/03/28/n_1766657.shtml).
- <sup>37</sup> Federal expenditures on education have doubled between 2003 and 2009 adjusted for inflation (my calculations based on (Federal Treasury of Russia 2011; Rosstat 2009).
- <sup>38</sup> In 2007 Russian public expenditures on tertiary education comprised 3.9% GDP, while OECD average was 4.9% GDP. At the same time 54% of Russian population between the ages of 25 and 64 had tertiary degrees; the average for OECD countries was 28% (OECD 2009, 221, 39).

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