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Incumbents' Incentives and Party Building in a Federal System: New
Evidence from Russia

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Abstract:

This paper examines the relationship between federalism and the institutionalization of political parties. Institutionalized political parties maintain a professional bureaucracy, regulate their internal affairs by elaborate rules and procedures, and have a policy agenda that is consistent over time. Party leaders can avoid investing in a party organization by delegating voter mobilization, campaigning, and the production of other traditional party services to non-party actors. Parties can choose to outsource for a number of reasons. In countries with a centralized structure of political finance, outsourcing can reduce expenses associated with maintaining regional party organizations. In clientelist regimes, outsourcing can mitigate the commitment problem by facilitating monitoring of voter behavior and punishing defectors. Thus, from the standpoint of candidates and parties, outsourcing is an attractive campaign strategy. Yet, there is a dearth of literature that examines when, how, and why parties outsource voter mobilization services to non-party actors. This study fills in this lacuna by first demonstrating that both clientelistic and programmatic parties do in fact outsource voter mobilization to non-party actors and then developing and testing a formal model that provides insights into how federalism affects party building. The model predicts that decentralization increases party leaders' willingness to invest in party organization. This hypothesis is tested using a unique dataset on intra-party transfers and outsourcing in Russian legislative elections in 2003 and 2007.

Introduction

The office-seeking assumption is fundamental to research on the U.S. Congress. However, a growing literature on legislative behavior in other countries reveals that incumbents there do not always behave as “single-minded seekers of reelection.”¹ In Russia, for instance, violations of office-seeking assumption have been flagrant, especially during the past two legislative elections when one-third of candidates nominated on national party lists competed for seats in the national assembly, duly won them, but then instead of becoming national deputies, gave up their seats in favor of their party mates ranked lower on the party ballot.² Russia is the most dramatic but not the only example. Less flagrant violations can be also found in Brazil and Colombia, where about 15 and 25 percent of legislators, respectively, leave the national assembly before the expiration of their terms and let substitute candidates (*suplentes*) take over their seats.³ In Argentina, although most members of Congress finish their terms, about 75 percent of them do not compete for another term and, instead, pursue party careers.⁴ Why and when do incumbents behave in a manner inconsistent with the office-seeking assumption? This paper provides the answer to this question by drawing on a formal model that explains such seemingly irrational behavior by the peculiarities of the structure of party organization and uses an original dataset on intra-party finances in Russia during 2003-2007 to test the model prediction.

The previous studies on this subject focus on Latin America and explain such apparently paradoxical behavior by the relative distribution of power between the center and the periphery. Samuels argues that fiscal decentralization in Brazil, coupled with the candidate-centered electoral system, increases the attractiveness of subnational versus national offices and prompts earlier resignations. Political survival in candidate-centered electoral systems requires candidates to have electioneering resources independent from their party to differentiate themselves from their party mates. Fiscal decentralization in Brazil concentrates most of these resources at the subnational level and, therefore, enables city mayors, provincial governors and

¹ David Mayhew, *Congress: The Electoral Connection* (New Haven: Yale University Press, 1974), p.17.

² Compiled by the author using official election results and government documents. See ft. note 25 for details.

³ David Samuels, *Ambitions, Federalism, and Legislative Politics in Brazil* (New York: Cambridge University Press, 2003) pp.50-51; James L. Payne, *Patterns of Conflict in Colombia* (New Haven and London: Yale University Press, 1968), p.244.

⁴ Mark P. Jones, Sebastian Saiegh, Pablo T. Spiller and Mariano Tommasi, “Amateur Legislators -- Professional Politicians: The Consequences of Party-Centered Electoral Rules in a Federal System,” *American Journal of Political Science*, Vol. 46, No. 3 (Jul., 2002), pp. 656-669.

ministers to access “targetable, manipulable, and salient” public goods and, thereby, to prolong their stay in office. Jones et al., who focus on Argentina, explain low reentry rates into national politics among Argentina’s legislators by examining its electoral system. They conclude that the electoral system in Argentina concentrates control over the nomination and selection of candidates in the hands of regional party bosses, who seek to advance regional interests. Therefore, legislators’ failure to cater to regional demands prevents them from obtaining party nominations and deprives them of slots on the party ballot.⁵

Although these two pioneering works provide interesting insights into how federal institutions can change incumbents’ incentives and hence undermine the working of national policy-making institutions, they fail to examine how the lack of office-seeking ambition among politicians in a federal system impacts party institutionalization. Political parties are to democracy as blood vessels are to a human body. By transmitting information from voters to incumbents, they promote responsible and accountable government. Delays in the institutionalization of political parties cripple democratic consolidation because transient parties with poorly developed and articulated policy agendas, low party discipline, and weak ties to the electorate limit voters’ opportunities to use elections as policy mandates.⁶

According to Scott Mainwaring, a party system becomes institutionalized when four conditions are met. First, there must be a substantial degree of regularity in party competition that enables voters to form expectations about party policy positions. Second, there must exist strong voter-party linkages that discourage parties from floating above the society. Third, parties must be perceived as legitimate actors in the policy-making arena. Fourth, there must exist an organization independent from the party leader that is capable of generating revenues and mobilizing voters.⁷ Using Russia as an example, the paper focuses on the fourth of the above dimensions of party institutionalization and examines how federal institutions and the lack of “progressive ambition” among regional politicians affect the structure of a party organization. It

⁵ Ibid.

⁶ Scott Mainwaring, “Rethinking Party Systems Theory in the Third Wave of Democratization: The Importance of Party System Institutionalization,” *Journal of Democracy* 9 (3): 67-81, Scott Mainwaring, ed., *Rethinking Party Systems in the Third Wave of Democratization: The Case of Brazil* (Stanford, CA: Stanford University Press, 1999); Andreas Ufen, “Political Party and Party System Institutionalization in Southeast Asia: Lessons for Democratic Consolidation in Indonesia, the Philippines and Thailand,” *The Pacific Review* 21 (3):327-350; Michelle Kuenzi and Gina Lambright, “Party Systems and Democratic Consolidation in Africa’s Electoral Regimes,” *Party Politics* 11 (4): 423-446.

⁷ Scott Mainwaring, “Party Systems in the Third Wave,” *Journal of Democracy* 9 (3): 67-81.

shows how federalism affects 1) party leaders' choices between investing in building party organization versus delegating voter mobilization to regional politicians who do not seek national-level careers and 2) regional incumbents' career objectives. Although in the short run, outsourcing helps parties to reduce operating expenses and increase the efficiency with which targeted benefits are converted into votes, in the long run, such "outsourcing" harms the institutional foundations of party organizations because it makes parties short on staff who can run campaigns and short on members from whom to select candidates. Outsourcing also increases the importance of informal agreements between party leaders and regional actors and, hence, undermines the importance of formal party bylaws and procedures.

The paper begins by showing that the nomination of regional incumbents who did not seek national-level careers is a novel form of outsourcing. Then, it goes on to develop a formal model to identify under what conditions outsourcing is more likely. The model is based on the moral hazard framework and is concerned with the problem of "shirking," which is ubiquitous to any situation that requires delegation. In the model, the national party leaders (principals) choose between delegating voter mobilization to regional politicians (agents) and or creating an independent party organization. Regional politicians choose between shirking and working hard for the party during elections. Party leaders use side payments to reward regional politicians and to induce the optimum level of effort, by making payments contingent on electoral outcomes. From the agent's standpoint, the value of these side payments depends on the size of agent's own resources. The model predicts that outsourcing is more likely in centralized countries.

This hypothesis is tested using an original dataset from the Russian legislative elections of 2003 and 2007. It was compiled from a dozen of different sources and contains measures of intra-party fiscal transfers that capture the institutional resources of regional party branches, data on regional fiscal autonomy from Moscow, and other regional-level indicators.⁸ The empirical findings indicate that party leaders in Moscow outsourced voter mobilization to regional politicians in regions where regional party branches lacked organizational resources. Furthermore, regional elites were more likely to engage in voter mobilization in the regions with inferior resources.

⁸ Annual financial reports of political parties; Goskomstat, *Reginy Rossii*; Goskomstat, *Finansy Rossii*; Goskomstat, *Trud i Zanatost v Rossii*; Institute of Public Expertise, *Democratic Audit of Russia*; official election results, official party lists, official publications of the Central Election Commission, historical database.

Although the argument is developed and tested in the context of Russia only, its implications travel beyond Russia's borders. The paper bridges "bottom up" and "top down" approaches to party building, and, in so doing, contributes to the rapidly growing literature on party politics in multi-tier systems.⁹ The bottom-up approach views the coordination problem as the key challenge to the formation of a national party system. Office-seeking candidates can form multiple regional parties that have strong popular bases in a handful of electoral districts or instead can build parties with wide geographic coverage. Decentralization affects their choice by reducing the relative value of national versus regional office and hence discouraging candidates from coordinating on the party label across electoral districts.¹⁰ The top-down approach stems from the cartel theory of political parties and explicitly recognizes the conflict of interests between regional and national party branches, with the national party leaders seeking to place the party closer to the national median voter's ideal point, while regional parties cater to the regional median voter. This divergence of interests, coupled with asymmetries of information, gives rise to the principal-agent problem. Party leaders, therefore, seek to devise institutions to mitigate it. Among such institutions are procedures for appointing heads of regional party branches, regional autonomy over writing party programs for regional elections, co-decision requirements for setting government policies, and other institutions that affect the degree of internal decentralization of political parties.¹¹

The theoretical approach advanced here bridges bottom-up and top-down approaches. Similar to the top-down approach, this study assumes that the principal-agent problem is ubiquitous to the party building process, yet, similar to the bottom-up approach, emphasizes the importance of the candidates' incentives and the institutional context in which party building takes place and shows that federal institutions have divergent effect on two different dimension of party systems. Consistent with the previous bottom up explanations, this paper shows that decentralization will increase the strength of regional parties because regional elites are less

⁹ Dan Hough and Charlie Jeffery, eds., *Devolution and Electoral Politics* (Manchester and New York: Manchester University Press, 2006), *Party Politics: A Special Issue on State-Wide Parties*, Vol. 15, no. 2 (March 2009).

¹⁰ Pradeep Chhibber and Ken Kollman, *The Formation of National Party Systems: Federalism and Party Competition in Canada, Great Britain, India, and the United States* (Princeton, NJ: Princeton University Press, 2004); Olga Shvetsova, "Resolving the Problem of Pre-Election Coordination: The 1999 Parliamentary Election as Elite Presidential 'Primary,'" in Vicki L. Hesli and William M. Reisinger, eds., *Elections, Parties and the Future of Russia* (Cambridge: Cambridge University Press, 2003).

¹¹ Pieter van Houten, "Multi-Level Relations in Political Parties: A Delegation Approach," *Party Politics*, Vol. 15, no. 2 (March 2009): 137-155.

likely to mobilize votes on behalf of the national incumbents. Yet, this paper also presents three new findings. First, fiscal, political, and administrative decentralization impact the strength of regional parties unevenly, with administrative decentralization posing the greatest challenge to the formation of national (or/and vertically integrated) party system. Second, this study also implies that in decentralized countries, parties in the national office will have greater organizational presence in the regions. Third, the results presented in this paper show that theorizing on party behavior in multi-tier systems, more careful attention must be paid to the choice of construct for the dependant variable because decentralization has opposite effect on electoral strength of regional parties and institutionalization of national parties.

Part I: Outsourcing of Party Services in Comparative Perspective

Both clientelist and programmatic parties frequently delegate vote mobilization to non-party actors. The electoral success of programmatic parties hinges critically on their ability to identify voter preferences and articulate party policy positions on salient issues. Therefore, programmatic parties outsource to those actors who can facilitate the upward and downward transfer of information between candidates and voters. These actors are professional pollsters, canvassers, and advertisers. In the United States and Western Europe, in the 1970s, increasing professionalization of political campaigns, proliferation of political consultants, and wide-spread use of TV gave the impetus for outsourcing vote mobilization. By the 1990s, U.S. candidates had become increasingly dependent on organizations such as Acorn, People's Project, Grassroots Campaigning, Inc., America Coming Together, and other non-party organizations that specialize in voter registration, canvassing, and fundraising. Although these organizations emerged to carry out membership drives for interest groups, they gradually expanded the list of their clients to include state and national political parties and candidates.¹²

Professional canvassing organizations differ from traditional grassroots campaigns in several respects. First, unlike grassroots campaigns, which are carried out by volunteers and party activists, these organizations are highly centralized, maintain professional staff, and employ a vast army of paid part-time and/or seasonal field workers. Second, professional

¹² Jennifer K. Smith, "Campaign Professionalization and Transformation of Party Organization in Britain and Germany," Ph.D. Thesis, Department of Political Science, Yale University, 2006; Dana R. Fisher, *Activism, Inc.: How the Outsourcing of Grassroots Campaigns Is Strangling Progressive Politics in America* (Stanford, CA: Stanford University Press, 2006).

canvassing organizations frequently rotate their managerial personnel across states and bus their field workers thousands of miles away to perform canvassing, whereas, grassroots campaigns, are carried out by local residents familiar with their community. Third, for-profit canvassers leave no viable political infrastructure that endures after the election.¹³

Outsourcing to professional canvassers reached its climax during the 2004 presidential campaign when the Democratic nominee, John Kerry, enlisted MoveOn.org and America Coming Together (ACT) to conduct a “Get Out to Vote” campaign. ACT raised about \$125 million and hired about 2,500 field workers to register and canvass voters in 17 battleground states.¹⁴ Instead of recruiting local party activists, however, ACT bused canvassers from one state to another. This strategy at times led to awkward situations because canvassers did not always fit the socio-demographic composition of communities in which they were brought to canvass and were perceived as outsiders.¹⁵ MoveOn.org adopted a different strategy. It designated potential precinct leaders in 17 swing states and then provided them with contact information for voters who were more likely to vote for Kerry. The precinct leaders then recruited local volunteers and paid canvassers who mobilized voters. This strategy increased the voter turnout by about 10 percentage points.¹⁶

The 2004 election witnessed the increasing importance of door-to-door canvassing and marked the drastic shift from phone and mail canvassing that constituted the primary campaign strategies throughout the 1990s. Overall, 8 million doors were knocked and 23.5 million calls were made by the Kerry/Edwards campaign.¹⁷ The same trend continued in the 2008 presidential election with both the Democratic and Republican presidential candidates emphasizing door-to-door canvassing and willing to hire an army of field workers and community organizations to reach out to the electorate.

¹³ Ibid.

¹⁴ Glen Justice, “The 2004 Election: Campaign Finance: Advocacy Groups Reflect on Their Role in the Election,” *New York Times* (November 5, 2004).

¹⁵ Alec MacGillis, “McCain Hiring Paid Canvassers in Florida,” *Washington Post* (October 13, 2008); Fisher, *Activism, Inc.*, p.98.

¹⁶ Joel A. Middleton and Donald P. Green, “Do Community-Based Voter Mobilization Campaigns Work Even in Battleground States? Evaluating the Effectiveness of MoveOn’s 2004 Outreach Campaign,” *Quarterly Journal of Political Science*, 3(1): 63–82.

¹⁷ Daniel E. Bergman, Alan S. Gerber, Donald P. Green, and Costas Panagopoulos, “Grassroots Mobilization and Voter Turnout in 2004,” *Public Opinion Quarterly* 69 (5): 760–777, p.764.

Outsourcing in Clientelistic Regimes

In clientelistic regimes, party electoral success depends on the efficiency with which it can convert hand-outs into votes. Voters receive material rewards before they cast ballots and can, subsequently, change their minds and vote for a different party. The secret ballot encourages such an opportunistic behavior by making it difficult for the party to detect and punish defectors. Therefore, clientelistic parties frequently outsource the distribution of particularistic benefits to actors who have a comparative advantage in monitoring voters and punishing defectors. These non-party actors can mitigate the commitment problem when have monopoly on the supply of services vital to clients (e.g., irrigation to framers, jobs to the unemployed, political protection to private enterprises, etc.). Voters frequently believe that their patrons can monitor how they cast their ballot and impose effective sanctions for non-compliance.

The Christian Democratic Party's (DC) alliance with the Catholic Church is a classic example of such outsourcing that facilitated the development of clientelistic linkages between the party and constituents in post-WWII Italy. The Church reached out to Catholics through such ancillary organizations as Catholic Action, a group of Catholic farmers workers, and priests who openly endorsed the DC and declared a pro-Communist vote a sin. After the elections, priests imposed sanctions on those Catholics who confessed of voting for the Communist party.¹⁸ This alliance with the Church provided the DC with sanctioning mechanisms because the Church was a monopolistic supplier of religious services and could grant forgiveness for an allegedly sinful pro-Communist vote and/or impose moral and material sanctions on voters who defected.

Examples of outsourcing can also be encountered in Japan and Mexico. The Liberal Democratic Party (LDP) of Japan distributed funds for public projects through land-improvement associations. These associations were linked to incumbents' political machines and distributed public work funds in exchange for votes and/or campaign contributions.¹⁹ Similarly, the Party of Institutional Revolution (PRI) in Mexico relied on neighborhood associations to channel public works projects and to mobilize rural constituents. These associations served as vital links between the party and local communities because they could solve both the free-rider

¹⁸ Carolyn M. Warner, *Confessions of an Interest Group: The Catholic Church and Political Parties in Europe* (Princeton: Princeton University Press, 2000), Chapter 7.

¹⁹ Ethan Scheiner, "Clientelism in Japan: The Importance and Limits of Institutional Explanations," in Herbert Kitschelt and Steven I. Wilkinson, eds., *Patrons, Clients, and Policies: Patterns of Democratic Accountability and Political Competition* (New York: Cambridge University Press, 2007), pp. 278-81.

and commitment problems. The heads of the neighborhood associations could monitor voter participation in political rallies and could withhold vital services from those who failed to participate. They also controlled voters' access to information about the opposition parties and, thereby, could shape the political opinion of rural voters.²⁰ Thus, the PRI, LDP, and DC compensated for inadequate party organizational resources by forming alliances with non-party actors capable of monitoring voter behavior and imposing sanctions against defectors.

Contemporary literature on clientelistic parties characterizes the above examples of outsourcing as “indirect” vote mobilization, i.e. a situation in which parties provide targeted goods not to voters but to patrons who then deliver bloc votes. Local village chiefs, landlords, priests, and other actors who control distribution of those goods qualify as patrons.²¹ As Van de Walle observes, parties rely on indirect mobilization when they lack well institutionalized party organization and hence have to rely on “intermediaries” to deliver votes.²²

Outsourcing Russian Style

In Russia, uneven democratization at the subnational level, gave rise to alternative models of vote mobilization. In regions where the former communist nomenklatura consolidated the power the system of *caciquismo* emerged. In Tatarstan, Bashkortostan, Dagestan, and other regions populated by titular minorities, region leaders acted as power brokers between the president and voters. These power brokers mobilized votes not by providing important services or valuable commodities but through their ability to control the appointment of elected officials and heads of local governments who could fabricate electoral results. This system of vote mobilization was first employed during the presidential campaign of the 1993 in those regions that received preferential treatment from President.²³

²⁰ Claudio A. Holzner, “Clientelism and Democracy in Mexico: The Role of Strong and Weak Networks,” in Hank Johnston and Paul Almiada, eds., *Globalization, Democratization, and Transnational Networks* (Oxford: Rowman & Littlefield Publishers, Inc., 2006).

²¹ For in-depth analysis of indirect vote mobilization in contemporary Zambia, see Kate Baldwin, “When Not All Voters Are Equal - The Effects of Traditional Patrons on Elections and Distributive Politics in Zambia,” Ph.D. Thesis, Department of Political Science, Columbia University 2009.

²² Nicholas Van de Walle, “‘Meet the New Boss, Same as the Old Boss’? The Evolution of Political Clientelism in Africa,” in Herbert Kitschelt and Steven I. Wilkinson, eds., *Patrons, Clients and Policies: Patterns of Democratic Accountability and Political Competition* (Cambridge: Cambridge University Press, 2007), p.53.

²³ Kimitaka Matsuzato, “From Ethno-Bonapartism to Centralized *Caciquismo*: Characteristics and Origins of the Tatarstan Political Regime, 1990-2000,” *Journal of Communist Studies and Transition Politics* 17 (4): 43-77; Henry

More competitive regions witnessed proliferation of the for-profit organizations specializing in signature collection and vote mobilization. To get on the ballot in the 1995 and 1999 national legislative elections, both SMD candidates and parties were required to collect voter signatures on nomination petitions and turn them in to election officials for verification. This signature requirement promoted the rise of for-profit organizations seeking to assist nascent political parties and candidates with signature collection. Some of these organizations operated in a perfectly legitimate manner by hiring seasonal field workers to collect signatures for a specific candidate or party, while others, on the contrary, specialized in selling signed nomination petitions with blank spaces for the names of candidates and/or parties. In addition to these for-profit organizations, state-owned enterprises frequently mobilized their employees to collect signatures for their top-level managers who competed for Duma seats. More often than not, for-profit canvassing organizations and state-owned enterprises provided voter registration and voter mobilization services more efficiently than weakly institutionalized political parties, which led to a disproportionate electoral advantage for the candidates backed by major financial and/or industrial groups in the 1995 and 1999 legislative elections.²⁴

The rise of the United Russia party on the political scene in 2003 brought about a new outsourcing strategy. The party started nominating poster candidates, i.e. high-ranking regional officials who ran on the party ticket, but then transferred the seats they won to candidates listed lower on the party ballot. Heads of regions (hereafter, governors) comprised the largest share of these poster candidates. In 2003, out of 37 poster candidates, 29 were governors and in 2007 out of 101 poster candidates, 65 were governors. The remaining poster candidates were recruited from other top-ranking regional officials and mayors of the largest cities. Yet, in 2007, President Putin was also nominated as such a candidate. Both in 2003 and 2007, poster candidates accounted for one third of United Russia's candidates eligible to get seats, whereas other parties had one or two poster candidates at most.²⁵ All regional officials who ran as poster candidates

Hale, "Correlates of Clientelism: Political Economy, Politicized Ethnicity, and Post-Communist Transition," in Kitschelt and Wilkinson, eds., *Patrons, Clients and Policies*.

²⁴ Henry Hale, *Why not Parties in Russia?: Democracy, Federalism, and the State* (Cambridge: Cambridge University Press, 2006).

²⁵ Official publications of the Central Election Commission (CEC) were used to identify poster candidates. The CEC publishes names of candidates who declined to be seated right after the election results were announced and to whom their seats are transferred. Candidates who began their term in office and then left Duma prior expatriation of their terms are not considered poster candidates. See Tsentralnaya Izbiratel'naya Komissiya, "Postanovleniye o Predachi Mandatov Deputatov Gosudarstvennoy Dumy Federal'nogo Sobraniya Rossiyskoy Federatsii," December 24, 200, December 13, 2007, December 14, 2007, published in *Vestnik Tsentralnoy Izbiratel'noy Komissii RF*

retained their initial employment after the election which means that running for the party did not serve as a spring board to a high-ranking non-elected position in the federal government.

Governors were attractive poster candidates because they had campaigning know-how skills developed in the 1990s after the introduction of popular elections for governors and enjoyed high popular trust in their ability to affect policy outcomes. As surveys reveal, between 2000 and 2006, when asked about ability to affect policy outcomes, 15 percent of respondents ranked governors as “very important” actors, whereas, only 5 percent viewed parties as “very important.”²⁶ Therefore, knowing about voters’ skepticism regarding political parties and campaign promises, instead of organizing rallies in support of United Russia or making lengthy campaign speeches, governors simply visited together with other party official regions’ most depressed cities, failing schools, underfunded hospitals, and struggling enterprises to create the image of the party caring about peoples’ problems. These visits usually generated high coverage by local press. On the election day, local news would show the governor at the poll booth casting his ballot and encouraging everybody to get out and vote.²⁷

Two institutional features facilitate the nomination of poster candidates. The first is the peculiar structure of Russia’s closed-list proportional system. Although parties compete in a single national at-large district, parties can divide their lists into federal and regional subsections, the latter of which is congruent with regional borders. The names of the first three candidates nominated on the federal and regional sections are printed on a ballot next to the party name. Thus, although voters can cast only a party vote, they can still see the names of people affiliated with the party. The second institutional feature is the absence of penalties for the party when its candidates surrender their seats. Several times the head of the Central Election Commission lobbied the Duma to penalize parties whose candidates refuse to be seated by transferring those seats to other parties represented in the Duma. These efforts were in vain and this loophole is still on the books.

²⁶ VtSIOM, Express 2000-18, 2001-9, 2002-9, 2003-8, Kur’yer 2004-9, 2005-9, 2006-9 at <http://sofist.socpol.ru/oprview.shtml?en=0> (February 5, 2008). Respondents were asked: “In your opinion what role do political parties (governors) play in Russia today?”

²⁷ These observations are based on the author’s fieldwork during the 2007 Duma election

Governors' Incentives to Become Poster Candidates

Two factors can account for governors' willingness to run as "poster candidates." The first is the desire to influence the composition of the party list. Duma seats are expensive commodities and slots on the party ballot can be sold for as low as \$2 million or for as much as \$5 million depending on the party and safety of the region.²⁸ Thus, control over access to the party ballot presents opportunities for personal enrichment. The opaque process of candidate selection facilitates such illegal deals between office seekers and gatekeepers to the ballot. Candidates are nominated at party caucuses, ironically called "primaries." United Russia's bylaws allow only a handful of designated delegates from local party branches to vote in these primaries. And the votes are cast on prepackaged slates compiled by either party first secretaries or governors. Therefore, a governor can increase the number of slots allocated to his allies by becoming a poster candidate and getting involved in the election process at the very early stage.

The electoral reform of 2005 that abolished the SMD portion of the electoral system increased the value of such gate-keeping for governors. Under a mixed system used prior to 2005, governors concentrated most of their mobilization efforts on SMD candidates, but in 2007, governors could secure Duma seats to their allies only by getting their name high enough on the party ballot.

The second reason is the desire to signal loyalty to the President. The abolition of popular elections for governors in 2004 created an additional impetus for governors to run as poster candidates and, in this way, to demonstrate their loyalty to the incumbent party. Anecdotal evidence suggests that prior to elections the party leaders specify the share of votes the party hopes to win in each region and can punish a governor if the actual vote share turns out to be lower than the threshold. For example, the governor in Stavropolskiy Kray was expelled from the party after the 2007 Duma election because it was the only region in the country in which United Russia finished second. The governor of Stavropolskiy *kray* was first elected in 1996 on the

²⁸ Pavel Tolstikh, "Lobbisty Chetvertogo Soziva," Russia's Center for the Study of Business-Government Relations (December 10, 2007) at <http://www.lobbying.ru/index.php?article_id=2525&link_id=16> (February 7, 2008); Igor' Bel'skikh, "Mesto v Spiske," *Delovoe Povolzh'ye* (July 22, 2005); Valeriy Tseplayev, "Analis: Tayni Partiynikh Spiskov," *Argumenty i Fakty* (October 13, 1999); Mikhail V'yugin, "Politica-Economica: Zamikaniye v Yacheyke," *Vremya Novostey* (November 8, 2005): 4; Aleksander Deryabin, "Valeriy Khomyakov: 'Parityniye Budzheti Delo Temnoye,'" *Nezavisimaia gazeta* (October 16, 2007); Anders Aslund, *Russia's Capitalist Revolution: Why Market Reform Succeeded and Democracy Failed* (Washington, D.C.: Peterson Institute for International Economics, 2007), p.263.

Communist Party ticket but joined United Russia shortly before the 2007 election. He was not, however, nominated as a poster candidate and consequently, the newly formed Just Russia party led by Mironov, the chairman of the *Sovet Federatii*, the upper chamber of the legislative branch, won more votes in the than United Russia, led by President Putin. The governor resigned a year later.

By running as a poster candidate a governor can signal his loyalty to the president, yet, not all governors chose this strategy. In 2003, when governors were still popularly elected, only in 29 of 89 regions governors ran as poster candidates. The abolition of popular elections for governors did not lead to the uniform convergence, and only 65 governors ran as poster candidates. As Reuter and Remington point out, governors might be reluctant to join the dominant party because they are afraid that the party would not honor its promises after taking over gubernatorial resources. Thus, the costs of supporting the dominant party are higher for governors who have more resources.²⁹

Part II: Poster Candidates as an Outsourcing Strategy

The two sections below seek to explain when and why a governor becomes a poster candidate by focusing on party leaders' calculus. If, in fact, poster candidates constitute an outsourcing strategy, we should observe that:

H1: The probability that the governor runs as a poster candidate will be higher in regions where the regional party office has fewer financial resources.

To test this hypothesis, data on party leaders' investments in organizational infrastructure were collected from the *Annual Financial Statements* submitted by parties to the Ministry of Justice. These reports contain information on intra-party transfers to regional party branches.³⁰ Table 1 summarizes United Russia's transfers to regional branches for the period 2003-2007, which covers both election and off-election years. An average regional party branch received from Moscow between 6 (\$0.1) and 12 (\$0.4) rubles per capita, but cross-regional variation in these allocations is striking. Some regions received as low as 1 ruble per capita, while others

²⁹ Ora John Reuter and Thomas F. Remington, "Dominant Party Regimes and the Commitment Problem: The Case of United Russia," *Comparative Political Studies* 42 (4): 501-526; Ora John Reuter, "The Politics of Dominant Party Formation: United Russia and Russia's Governors," *Europe-Asia Studies* 62(2):293-327.

³⁰ The author is deeply thankful to Dr. Kenneth Wilson Assistant Professor, Department of Political Science and Diplomacy, Dongguk University, Republic of Korea, for sharing the 2003 financial report.

more than 100 rubles per capita. These transfers exclude campaign spending and, thus, represent allocations by the Party Executive Committee to regional party branches that are used to cover everyday expenses of maintaining the party organization and its local branches in each region. Therefore, they are an ideal measure of party leaders' willingness to invest in building party infrastructure in the regions.

The following probit model was estimated:

$$\Pr(\text{Poster}_{it} = 1) = F(\beta_0 + \beta_1 \text{Transf}_{it} + \beta_2 \text{OpPar}_{it-1} + \beta_3 \text{Year2007}),$$

where i indexes region and t election year. The variable *Poster* is dichotomous and takes the value of 1 if a governor ran as a poster candidate, and zero otherwise. The variable *Transf* measures per capita allocations from the Central Party Committee in Moscow to the regional party office. The variable *OpPar* measures the strength of the two major opposition parties (KPRF and LDPR) in the previous elections, and the dummy *Year2007* controls for a year-specific unobserved effect. It was included to account for the changes in how governors are appointed. To account for other region-specific unobserved effects, standard errors were clustered by region.

Table 2, columns 1 and 2, respectively, report estimated probit coefficients and corresponding marginal effects of intra-party transfers on the probability that a governor runs as a poster candidate in the 2003 and/or 2007 Duma election. These estimates provide strong evidence for the substitution effect. The more funds the executive committee allocates to the regional branch, the less likely the party is to nominate a governor as a poster candidate. An increase in per capita transfers by one standard deviation (16.2 rubles) decreases the probability of outsourcing by 1.87 percentage points ($=0.116 \times 16.2$). Note that the size of the marginal effect of intraparty transfers is 12 times as big as the marginal effect of the strength of the opposition parties. The coefficient on the year dummy suggests that institutional changes had a great impact on the probability that a governor runs as a poster candidate. In 2007 governors were almost 50 percent more likely to run as poster candidates after the abolition of popular elections for governors.

Robustness of Results

This section examines if the findings are driven by the endogeneity of the *Transf* variable and if they are robust to the changes in model specification. The coefficient on intra-party transfers variable might be inconsistent because some unobserved governor characteristic may be correlated with his decision to run as poster candidate and the party decision to allocate resources to that region. If more powerful governors are more likely to run as poster candidates and are also more likely to extract higher intra-party transfers from Moscow, the coefficient will be biased away from zero. Alternatively, governors who feel insecure might be more likely to run as poster candidates to signal their loyalty to the president and, in this way, to boost their standing within the party and the region. If party leaders transfer more funds to the party regional office when the governor is weak, the coefficient on the intra-party transfer variable will be biased toward zero.

An instrumental variable approach is a standard way of resolving this problem. To qualify as an instrument, this variable must be correlated with the amount of intra-party transfers but not with the probability that the governor runs as a poster candidate (the exclusion restriction). In other words, this instrumental variable should shift the regional party office's demand for party funds, without at the same time affecting the probability of gubernatorial participation.

The timing of the first mayoral elections meets the above requirements. The demand for party funds will be higher in regions in which the mayor of the largest city is popularly elected and lower in the regions where the mayor is elected by the city council or appointed by the governor. In 35 regions, popular mayoral elections had been introduced by 1996; in 33 others, they were introduced in the late 1990s and the early 2000s, and in the remaining 16 regions, mayors still are either indirectly elected by the city council or appointed by the governor. Seven regions oscillated back and forth between popularly elected and appointed mayors. The choice of the electoral institution is made by the city council and is largely independent from gubernatorial powers. As Gelman and Lankin show, the introduction of popular elections for the

mayor in the region's capitals was primarily influenced by the amount of aid from the European Union and popular preferences.³¹

This cross-regional variation in the timing of the first popular elections for mayors serves as an instrument for the *Transf* variable. Mayoral elections should have prompted inter-party competition in local elections, which affected United Russia's regional branches' demands for financial resources. The variable *MayorElec* was constructed to measure the number of years elapsed since the introduction of popular mayoral elections.³² This variable equals zero if in 2003 and/or 2007 mayors were either appointed by the governor or indirectly elected by the city council.

The instrumented probit regression coefficients are reported in column 3 of Table 2. The magnitude of the coefficient on the *Transf* variable changes from -0.029 to -0.057 and remains statistically significant. Figure 1 plots predicted probabilities based on the simple probit and IV probit specifications. Both plots are inverted s-shapes, but the IV-based probabilities are almost twice as sensitive to changes in intra-party transfers. This finding points to the existence of a causal relation between a party's institutional resources and its choice of candidates for the party list. Party leaders compensate for the shortfalls in institutional resources by tapping the administrative resources of regional elites.

The second concern is the coding of the dependent variable. Although in 2003 poster candidates were predominantly recruited from governors (29 out of 33), in 2007, their share shrank to 64 percent (65 out of 101). In 2003, the remaining four poster candidates were either mayors of large cities or other high-ranking appointed or elected regional officials. In 2007, other regional and local officials accounted for about 28 percent of poster candidates. Incumbent President Vladimir Putin was also among the poster candidates. Since actors other than governors may participate in the Duma elections for reasons different from the ones of the governor, a new dependent variable was created to count the total number of poster candidates in each region. The model was reestimated using the event-count specification, and the results are reported in columns 4 and 5. They point to the same pattern. The fewer financial resources party

³¹ Vladimir Gelman and Tomila Lankina, "Authoritarian versus Democratic Diffusions: Explaining Institutional Choices of Russian Local Governments," *Post-Soviet Affairs* 21 (1): 40-61.

³² This variable was constructed from <http://whp057.narod.ru>, which contains historical accounts for most of the Russia's largest cities (last accessed March 18, 2010).

leaders in Moscow transfer to the region, the higher the number of regional and local officials running for United Russia as poster candidates.

Part III: Federalism and Party Building

The above section demonstrated that outsourcing of voter mobilization is a phenomenon prevalent in both democratic and quasi-democratic regimes and is practiced by both clientelistic and programmatic parties. Therefore, a general analytical framework is needed to understand why it occurs and how political institutions affect party leaders' incentives to invest in party organizations capable of effective in-house voter mobilization. This framework seeks to capture challenges to party building posed by federal institutions. Party leaders seek to build political parties by either investing in their party's own infrastructure or by attracting the support of regional elites (governors) who already have their own organizational resources. Even if a governor agrees to support the party, he may shirk and not work hard enough when it comes to mobilizing voters. Therefore, party leaders need to devise a compensation scheme to induce gubernatorial support. Party leaders' ability to tie rewards to the governor's performance depends on the governor's dependence on resources from the national government. In a decentralized system, regions derive most of their revenues from their own tax sources, which reduces the value of the post-electoral reward to the governor. Conversely, in a centralized system, the fear of losing post-electoral rewards induces greater cooperation from the governors. The ability to deal with shirking affects party leaders' willingness to invest in building party organization. In decentralized systems, shirking will be higher, so there will be a strong incentive to create an independent party organization to mobilize voters. In fiscally centralized systems, the extent of shirking will be lower, and the incentive to build party organization will be weaker. The following section formalizes this logic in a moral hazard game.

Outsourcing and a Moral Hazard Problem

The set of actors consists of a party leader and a governor. The governor is assumed to care about policy outcomes, and his policy preferences are given by $g_i \in [a,b]$. The party's policy position is denoted by g_k . The governor can either support the party and "work hard" mobilizing voters or "shirk" by not investing any effort even after he promises to support it. The party leader cannot directly observe the governor's effort because other factors affect the electoral

outcome, but the party leader knows the probability distribution of the party vote share for a given level of effort.

Without loss of generality, the party leader is assumed to care about four outcomes: (1) the party fails to pass the minimum vote threshold v_0 and consequently fails to win any seats in the legislature, (2) the party passes the minimum vote threshold v_1 (which makes it eligible to receive state funding and reduces barriers for entry in future elections), (3) the party wins a simple majority v_2 (which enables the party to form the government), and (4) the party wins a super-majority v_3 (which gives the party enough votes to enact sweeping institutional changes). The probability distribution for observing each of these outcomes is as follows:

Governor's action	Failing to pass minimum vote threshold (v_0)	passing minimum vote threshold (v_1)	winning a simple majority (v_2)	winning a super majority (v_3)
Work hard ($e=e_H$)	π_{0H}	π_{1H}	π_{2H}	π_{3H}
Shirk ($e=e_L$)	π_{0L}	π_{1L}	π_{2L}	π_{3L}

where π is such that $\sum_{m=0}^3 \pi_{mn}$, for $n=L,H$.

In addition to maximizing votes, the party leader also cares about maximizing rents from holding office. He derives rents by virtue of his access to the party's financial resources. These resources can be invested in building a party organization staffed with a professional bureaucracy capable of reaching voters during elections and maintaining contacts with voters in off-elections years. Alternatively, the party leader can divert party resources to finance personal consumption and misuse party funds to pay for luxury automobiles, expensive vacations, and other extravagant gratifications of personal self-interest. The more resources are allocated to party building, the fewer are left for personal consumption. Thus, the party leader's utility is an increasing function of the difference between total party resources (r) and expenses of building a party organization (k).

The party leader's choice between building a party organization and outsourcing depends on the relative costs of the two ventures. The party compensates the governor with side payments (s) that can take many different forms: number of slots on the party ballot, bribes, and/or intergovernmental transfers. Since the party offers side payments before the election, the governor has a strong incentive to take the side payment, but invest low effort. Therefore, the

party leader seeks to design an optimum contract to induce the governor to invest greater effort. If this contract is not feasible, or if the required side payment is too high ($s > r - k$), the party leader invests resources in in-house voter mobilization.

The governor's payoffs depend on his compensation from the party, the party policy position, and his effort:
$$U_g = \frac{\sqrt{s}}{T} - e_n - (g_i - g_k)^2, \quad n=L,H \quad (1)$$

where s is the size of the side-payment, divided by the size of governor's resources (T); e_n is the governor's effort level, such that $e_H > e_L$, and $g_i - g_k$ is the distance between the governor's ideal point and party's policy platform. If the governor refuses to campaign on behalf of the party, his payoffs are assumed to be zero ($U_0 = 0$). The governor participates if $U_g \geq U_0$.

Solution:

Equation 1 implies that in order to induce the governor to participate even at a low effort level, the party must offer s large enough so that $U_g(e_L) \geq U_0 \Leftrightarrow \frac{\sqrt{s}}{T} - e_L - (g_i - g_k)^2 \geq 0$. Assuming that $e_L = 0$, the smallest value of s that satisfies the participation constraint is given by:

$$s \geq T^2 (g_i - g_k)^4. \quad (2)$$

Thus, the side-payment offered to the governor to induce a low effort level is increasing in the ideological distance between the governor's ideal point and the party's platform, the availability of his own resources, and the extent of the governor's risk aversion. When the governor is risk neutral, that is, $U_g = \frac{s}{T} - e_i - (g_i - g_k)^2$, the participation constraint requirement becomes

$$s \geq T (g_i - g_k)^2. \quad (3)$$

Inequality 2 implies that it is more costly to the party to enlist the support of governors as the ideological distance increases and the region becomes more fiscally independent from the center. The party leader is unlikely to delegate to such a governor because he needs to offer a side-payment higher than rents ($s > r - k$).

Another interesting implication of condition 2 is that the party leader will be tempted to revise the procedures by which governor is elected in such a way as to reduce the ideological

distance between the governor and the party. When the governor is popularly elected, his ideological position is determined by the median voter in the region. By replacing popular elections with a system of appointments, the incumbent party can appoint more like-minded governors and reduce $(g_i - g_k)$, and, thereby, induce governor's participation at lower value of s .

The party leader's optimization problem consists of designing an offer, x_m to induce an optimum effort level. Therefore, he seeks to make compensation conditional on electoral outcomes. This boils down to solving the following optimization problem³³:

For each effort level e_n ,

$$\min_x \sum_{m=0}^3 \pi_{mn} h(x_m), \quad (4)$$

subject to $\sum_{m=0}^3 \pi_{mn} x_m - e_n \geq u_0$ (participation constraint), and

$$\sum_{m=0}^3 \pi_{mn} x_m - e_n \geq \sum_{m=0}^3 \pi_{mn} x_m - e_{n'}, \quad n'=L,H \text{ (incentive constraint),}$$

where π_{mn} is the probability distribution of observing a specific electoral outcome; T is governor's resources; $h(x_m) = \{T \times (x_m + (g_i - g_k)^2)\}^2$, and x_m is an offer schedule the value of which depends on the party's vote share.³⁴

As Kreps shows, when the agent is strictly risk averse and the principal is risk neutral, the least costly way to induce the agent to participate at the specific effort level is to offer to pay him

$$C^0(e_n) \equiv h(u_0 + e_n), \quad (5)$$

where u_0 is a reservation threshold.³⁵

Thus, the lowest acceptable side-payment at which the governor will participate at a high effort level is equal to:

$$C^0(e_H) \equiv \{T \times (U_0 + e_H + (g_i - g_k)^2)\}^2. \quad (6)$$

³³ This model is based on David M. Kreps, *A Course in Microeconomic Theory* (Princeton, NJ: Princeton University Press, 1990), Chapter 16.

³⁴ Function $h(\cdot): x_m \rightarrow s$, and x_m is the side payment offered to the governor for specific value of v_m . Also $h(\cdot)$ is such that $h \equiv f^{-1}$, where $f \equiv \frac{\sqrt{s}}{T} - (g_i - g_k)^2$.

³⁵ This follows from the solution to the following problem: $\min \sum_{m=0}^3 \pi_{mn} h(x_m)$, s.t. $\sum_{m=0}^3 \pi_{mn} x_m - e_n \geq u_0$, Ibid, p590.

Similar to condition 2, expression 6 implies that the lowest side-payment that the governor will accept is increasing in the ideological distance between the governor and the party, in the amount of the region's own taxable resources (T), and in the value of the reservation threshold. By comparing the value $r-C^0(e_H)$ and $r-k$, party leaders can determine when it is optimal to delegate vote mobilization to the governor and when it is optimal to invest resources in building a party organization.

This suggests two propositions about the effects of federal arrangements on the amount of outsourcing:

H2: *Ceteris paribus*, outsourcing will be more likely in regions that are more dependent on the national government.

H3: *Ceteris paribus*, outsourcing will be more likely in regions headed by like-minded governors.

Testing the Effects of Decentralization

Gubernatorial resources (T) stem from regional fiscal powers, regional political autonomy, and the size of administrative apparatus. As Treisman points out, decentralization in a federal system entails either a downward shift in the decision-making authority (political decentralization), or delegation of greater administrative responsibilities to implement policies enacted by the national government (administrative decentralization), or an expansion of regional tax base (fiscal decentralization).³⁶ Distinguishing among these three types of decentralization is important because previous studies of parties in federal countries found that fiscal and political decentralization have opposite effects on party behavior, with the latter strengthening regional parties and the former weakening them.³⁷ Therefore, the empirical analysis that follows distinguished between political and fiscal resources and also adds the measure of administrative resources.

³⁶ Daniel Treisman, *The Architecture of Government: Rethinking Political Decentralization* (Cambridge: Cambridge University Press, 2007).

³⁷ Dawn Brancati, "The Origins and Strength of Regional Parties," *British Journal of Political Science* 38: 135-159.

Political Resources

Constitutional distribution of powers between the federal and subnational governments is a conventional measure of regional autonomy from the center. The Russian Federation is divided into 84 regions (*subyekty federatsii*). Names and administrative status of these regions trace their roots to the Soviet system that granted more political autonomy to regions populated by titular minorities. This practice continued after the dissolution of the Soviet Union, and 21 regions of the Russian Federations populated by titular minorities received the republic status. Forty nine *oblasts*, six *krais*, two cities with federal status, and six autonomous *okrugs* comprise the remaining 63 regions. The Russian Constitution of 1993 does not fully delineate the division of powers between the center and these variegated regions and instead allows a federal legislation to tailor the division of power between the center and the regions on specific policy areas. Throughout the 1990s, President Yeltsin used this loophole to build support among regional elites by negotiating bi-lateral treaties, which granted greater autonomy to republics. These treaties gave rise to “asymmetric federalism” in which the division of power was based on ad hoc negotiations. With Putin’s ascendance to power, this asymmetry was gradually eliminated.

Institutional reforms enacted by President Putin complicate empirical analysis of the effects of regional political autonomy on intra-party relations because they eliminated across region variation in *de jure* institutional powers. Researchers now can hope to capture only *de facto* differences in political autonomy of the region, which are not observed, however. Therefore, a dummy variable for regions with republic status is used as the only, albeit highly imperfect, construct for the degree of regional political autonomy republics received from the center.

Patronage Resources

Administrative decentralization expands gubernatorial control over administrative apparatus by increasing the size of the regional bureaucracy. The size of gubernatorial bureaucratic machinery is measured by the number of people working for the regional government a year before parliamentary elections. In the end of 2002, an average region employed 1.87 bureaucrats per 1000 residents. By the end of 2006, the number of regional

employees had dropped to 1.79.³⁸

Employment at state owned enterprises (SOEs) is the second source of patronage. By appointing managerial personnel to head state owned enterprises, governors can secure generous campaign and other in-kind contributions that boost their autonomy from both political parties and the national government. The variable *pcSOEs* measures percent of enterprises owned by the government. Unfortunately, no data are available on the number of workers employed at these *SOEs*; so, it is not possible to differentiate between SOEs employing thousands of workers from enterprises with a handful of employees. This measure will understate the actual size of gubernatorial resources because it weights large and less numerous SOEs in the numerators the same way as smaller and more numerous private firms included in the denominator. In 2004, SOEs accounted for 96 percent of the military-industrial complex, 81 percent of education, 52 percent of the health service industry, and 38.5 percent of the energy and water distribution sector. In all other industries, SOEs share was below 10 percent.³⁹ In January of 2003, SOEs comprised only 6.7 percent of all enterprises in an average region. By January 2007, the number of SOEs slightly declined to 6.13 percent. Northwestern regions had the lowest concentration of SOEs (below 3 percent), whereas in the two oil rich north-eastern regions, Republic of Sakha and Chukotskiy regions the concentration of SOEs was the highest and exceeded 20 percent.⁴⁰

Fiscal Resources

Regional autonomy over the tax resources constitutes the third pillar of gubernatorial resources. The tag of wars between Moscow and the regions over tax powers began immediately after the dissolution of the Soviet Union, with resource rich regions seeking to keep all revenues from natural resource extraction in the region budgets. This dispute was finally resolved in favor of the federal government during the first year of the Putin administration. The tax code of 2000 concentrated most of tax powers in Moscow's hands. Currently, the national government sets the rates and determines the base on most of major taxes and then transfers 100 percent of proceeds from personal income tax (PIT) and 73 percent of the corporate income tax (CPT) back to the regions where the taxes were collected. In 2009, the PIT rate equaled 13 percent and CPT was

³⁸ Goskomstat, *Trud i Zanatost v Rossii* 2003 and 2007 available at <www.gks.ru>.

³⁹ Computed by the author from Goskomstat, *Rossiyskiy Statisticheskiy Ezhegodnic*, Prilozheniye 2004 available at www.gks.ru

⁴⁰ Goskomstat, *Regiony Rossii* 2003 and 2007, available at www.gks.ru

24 percent. Regions can lower the CPT rate by up to four percentage points.⁴¹

In the end of 2002, average per capita PIT and CPT revenues were about the same-- 2.89 rubles (about \$0.1) (st.dev.= 4.34) for PIT and 2.56 rubles (st.dev.=6.16) for CPT. By the end of 2006, average per capita PIT revenues increased to 6.20 rubles (st.dev= 6.07) and CPT, 8.56 rubles (st.dev.= 23.80). A higher growth rate for the CPT reflects the changes in the regional share of the CPT enacted in 2005 which increased regional share from 60 to 73 percent.⁴² Both patronage resources variables and fiscal resource variables were lagged by one year to reduce the effect of possible electoral-cycle-induced manipulations.⁴³

Control Variables

Since regional tax revenues and the size of bureaucracy will be affected by economic and political characteristics several control variables were included. The first control is the size of regional economy, measured as per capita regional output.⁴⁴ Unfortunately, these data are not available for autonomous *okrugs* and war ridden Republic of Chechnya. This reduces the number of observations from 173 to 158. The second control variable is an overall level of political freedoms and democracy between 1995-2005 compiled by Russian think-tank specializing in regional democratization. The score reflects the assessment of 500 experts about overall level of democratization in each of the Russian regions, the frequency of human rights violations reported by the media, and competitiveness of elections. The score ranges from 1 for the lowest competitiveness to 5 the highest competitiveness. Bashkortostan, Kabardino-Balkaria, Kalmikia, and other republics have the lowest democratization scores, whereas Pskovskaya, Smolenskaya, and Tverskaya oblasts are the only three regions for which democratization equals its maximum value of 5.⁴⁵

The two other control variables seek to capture geographic peculiarities of the region. Distance from Moscow may exacerbate shirking problem and increase differences on policy preferences. The area of the region may be also correlated with the structure of the regional revenues and the size of public sector. The last set of controls consists of the same three

⁴¹ FitchRatings, "Institutsionalnaya Sreda Rossiyskikh Regionov," (January 2008), at <http://www.fitchratings.ru/media/specialreports/6928CF82-E202-4498-8C33-AD2E78D31C03/Russian_Subnationals_310108_RUS.pdf>.

⁴² Data are from Goskomstat, *Finansy Rossii*, at <www.gks.ru>.

⁴³ GDP data are from Goskomstat, *Regiony Rossii: Sotsialno-Ekonomicheskiye Pokazateli* at <www.gks.ru>.

⁴⁴ Goskomstat, *Regiony Rossii 2004 and 2008* at <www.gks.ru>.

⁴⁵ Institute of Public Expertise, *Democratic Audit of Russia* at <<http://www.freepress.ru/publish/publish042.shtml>>.

variables—per capita intra-party transfers, the strength of the opposition parties, and the dummy for 2007—all of which were included in the regression in Table 2.

Results

The estimated probit coefficients are reported in Table 3, columns 1-3 and corresponding marginal effects for selected variables in Table 4. Coefficients on all three alternative measures of gubernatorial powers have the sign consistent with the predictions of the model: governors who have more political, patronage, and fiscal resources are less likely to participate in mobilizing votes for the presidential party. Yet, of all three measures only the coefficients on *pcSOE* variable is statistically significant from zero. The probability of gubernatorial participation is 16.4 percentage points lower in regions with one standard deviation above the mean in the percent of SOEs. Note that that the relative magnitude of the coefficient on the *pcSOE* variable is larger than most of other variables. Log-likelihood test provides additional evidence on the importance of patronage resources. The value of LR-statistic was computed by comparing the fully specified model to the restricted one that excludes the two patronage variables. P-value indicates that the hypothesis that coefficients on both of these patronage variables are zero can be rejected at 5-percent level. Neither the political resources, nor fiscal resource variables withstand the LR-test.

The level of democratization is another important determinant of gubernatorial involvement. Governors are less likely to run as poster candidates in more democratic regions. Depending on the model specification, a one-standard deviation increase in the competitiveness of the regional elections reduces the probability of gubernatorial mobilization between 17 and 22.3 percentage points. Also note that the coefficient on the intra-party transfers remains negative and statistically significant under different model specifications. The coefficients on the region territory and output suggests that governors from larger regions were more likely to be mobilized by the presidential party, yet substantive effects of these two variables are very small.

Robustness of Results

Equation 6 shows that the equilibrium side payment depends on both gubernatorial resources and ideological distance between the governor and the party. However, $(g_i - g_k)^2$ is unobserved and, hence, could not be included in the empirical analysis. The omission of this variable may bias the estimated coefficients; therefore, the probit models in Table 3 were

reestimated using a heteroscedastic probit specification that accounts for unobserved governor- and/ region-level effects.⁴⁶ The estimated coefficients are reported in columns 4-6, Table 3. Changes in the model specification affect the signs of the coefficient on the republic dummy and on the income tax variables. The coefficient on the *pcSOE* variable although becomes smaller, remains statistically significant. The LR-test statistic once again indicates that both the size of regional bureaucracy and state control over the economy jointly reduce the probability of governor running on the presidential party ticket.

Discussion

This study began with the puzzle of apparently irrational behavior by regional public officials who competed for seats in the national legislature, duly won those seats, but then voluntarily transferred those seats to candidates ranked lower on the party ballot. This puzzle was solved by developing a theory of outsourcing voter mobilization services to non-party actors. Party leaders can choose between building a party organization and subcontracting conventional party services to non-party actors. Asymmetries of information between subcontractors and the party leaders trigger shirking by the subcontractors. Therefore, designing an optimum contract becomes party leaders' priority. This study demonstrated that the equilibrium value of the reward depends on non-party actors' own resources. Non-party actors with greater own resources will demand higher rewards from the party leaders and, hence, will be less likely to participate in voter mobilization. This hypothesis was tested using data on political, patronage, and fiscal resources available to regional actors and it was found that governors with greater patronage resources were less likely to engage in voter mobilization on behalf of the presidential party. Patronage had much greater impact on gubernatorial support than fiscal resources.

This finding has normative and positivist implications. Regional actors' support of national candidates has undermined the development of Russia's democracy by weakening legislators' ability to guard against presidential abuses of power. Presidential democracy functions well when "ambition counteracts ambition," and the president and the legislators have independent origins. Russian governors are President's representatives in the regions; therefore, legislators elected with their help will be less likely to oppose the president. As the analysis of

⁴⁶ Jeffrey Wooldridge, *Econometric Analysis of Cross-Section and Panel Data* (Cambridge: MIT Press, 2002), Chapter 15.

roll-calls conducted by Thames reveals, legislators elected with gubernatorial help were less likely to vote against bills submitted by the President.⁴⁷ Outsourcing has also undermined the formation of well- institutionalized party organizations, the second important factor that limits presidential abuses of power in presidential system. As Mainwaring and Shugart note, in Latin America presidential democracies were less likely to fall when countries had well institutionalized party system.⁴⁸ Gubernatorial administrative resources replaced the need to create well institutionalized party organization capable of screening and selecting well-qualified candidates for the national office. Governors dominate the selection process and frequently use candidate loyalty and/or a deep pocket as criteria for inclusion on the party ballot.

This paper also has a number of important implications for future research on parties in multi-tier systems. First, it calls for a greater research on the uneven effects of administrative, fiscal, and political decentralization. The possibility of the uneven effects was first suggested by Brancati who attempted to replicate Chhibber and Kollman's conclusion that decentralization discourages the formation of national party system.⁴⁹ Using a larger sample, Brancati found, however, that regional parties received more votes in fiscally decentralized countries, but fewer votes in politically decentralized. He explained this divergent affected by the limitations of the data on fiscal decentralization that did not capture cross country differences in the types of grants used for fiscal transfers. This paper offers additional empirical evidence that subnational elites may respond differently to political, administrative, and fiscal decentralization and, thus, future studies should attempt to specify different causal mechanisms responsible for this outcome.

Second, this study has formalized how distribution of resources between the center and the periphery can undermine institutionalization of political parties. Although the delegation approach to party building has been already adopted by other scholars who focused both on

⁴⁷ Frank C. Thames, "The Effect of Governor Support on Legislative Behavior in the Russian Duma," *Europe-Asia Studies* 62 (1): 126-143.

⁴⁸ Scott Mainwaring and Matthew Soberg Shugart. 1997. "Conclusion: Presidentialism and the Party System," in Scott Mainwaring and Matthew Soberg Shugart, eds., *Presidentialism and Democracy in Latin America* (Cambridge: Cambridge University Press, 1997), pp. 418-436.

⁴⁹ Pradeep Chhibber and Ken Kollman, *The Formation of National Party Systems: Federalism and Party Competition in Canada, Great Britain, India, and the United States* (Princeton, NJ: Princeton University Press, 2004); Scott Desposato and Ethan Scheiner, "Governmental Centralization and Party Affiliation: Legislator Strategies in Brazil and Japan," *American Political Science Review* 102(4): 509-524.

democratic and non-democratic regimes,⁵⁰ this is the first study that has provided a formal model for intra-party bargaining followed by empirical tests. The key conclusion that emerges from the study is that federal institutions have asymmetric effect on the strength of regional parties and institutionalization of the national parties. In decentralized systems, regional elites will have more autonomous resources and will demand higher side payments from the national party leaders in exchange for their help with voter mobilization. Such agreements will be less likely and, hence, regional parties, backed by regional elites, will win more votes. The national party leaders will respond to this situation by expanding organizational presences of their parties and by creating more regional and local party offices to conduct campaigns. Thus, future studies should paid a greater attention to the choice of the construct for the dependent variable

Third, this paper underscored the important role subnational actors play in the national politics and, in so doing, made the first step toward bridging the studies of Russia's democratization with the literature on democratization in Latin America. The literature on Argentinean and Brazilian legislators' behavior convincingly demonstrated that federal institutions distort legislators' incentives by reorienting their carrier goals from the national to regional governments because the latter provide a better access to patronage resources vital for staying in office. As Samuels notes, the lack of "progressive ambition" discourages building of well institutionalized parties and makes national legislators dependent on regional governors for reelection.⁵¹ This study established that federal institutions create similar distortions in Russia and discourage regional politicians from seeking national office. Therefore, more attention should be paid in the future on comparative analysis of Latin American countries and Russia.

The third and fourth waves of democratization presented political scientists with an unprecedented opportunity to develop new theories of party formation because post-Communist parties emerged in an environment drastically different from that of the nineteenth century. These parties faced different objectives: rather than fighting for equal political rights for their members, they simply had to integrate already enfranchised masses into the political processes and instead of developing a strong membership base for labor-intensive grass-roots campaigning, they simply relied on mass media for top-down mobilization of the electorate. They also

⁵⁰ Ora John Reuter and Thomas F. Remington, "Dominant Party Regimes and the Commitment Problem: The Case of United Russia," ft. note 29 *supra*; Pieter van Houten, "Multi-Level Relations in Political Parties," *Party Politics* 15 (2): 137-156.

⁵¹ David Samuels, *Ambitions, Federalism, and Legislative Politics in Brazil*.

benefited from generous state subventions that eliminated the need for membership dues. As Van Beizen notes, these differences in the environment in which Eastern and Western European parties were born must have impacted the nature of party organizations in the third-wave democracies and creates an urgent need for a rigorous study of party building in the post-communist world.⁵² This article has made the first step toward addressing this demand and offered a theoretical framework that provides insights into how federal institutions affect the choice the structure of party organization.

⁵² Ingrid Van Beizen, *Political Parties in New Democracies: Party Organization in Southern and East-Central Europe* (Gordonsville, VA.: Palgrave Macmillan, 2003), Chapters 1 and 2.

Table 1: Per capita Transfers from the United Russia's Central Party Commission to

Regional Party Branches, 2003-2007*
(nominal rubles)

Year	N	mean	st.dev	min	max
2003	88	6.0	12.6	0.0	79.3
2004	85	6.5	14.5	0.5	90.2
2005	85	8.5	17.6	1.3	119.5
2006	86	10.6	18.4	1.6	110.6
2007	84	11.8	15.9	1.1	111.5

Sources: United Russia, *Annual Financial Statements*; *Excludes campaign spending

Table 2: Estimated Effect of Intra-Party Transfers on Governors and Other Regional Officials Running as Poster Candidates

	<i>Probit</i>		<i>IV Probit</i>	<i>Negative Binomial</i>	
	<i>(governors only)</i>		<i>(governors only)</i>	<i>(including other poster candidates)</i>	
	(1)	(2)	(3)	(4)	(5)
	Coef	Marg. Effect	Coef	Coef	Marg. Effect
Intra-party transfers	-0.029*** (0.000)	-0.116*** (0.000)	-0.057** (0.016)	-0.047*** (0.0000)	-0.031*** (0.000)
Opposition strength	-0.023* (0.092)	-0.009* (0.092)	-0.040** (0.020)	-0.022** (0.017)	-0.014** (0.019)
Dummy for 2007	1.352*** (0.000)	0.496*** (0.000)	1.359*** (0.000)	1.411*** (0.000)	1.005*** (0.000)
Constant	0.445 (0.361)		1.189 (0.115)	-.009 (0.981)	
N	168		168	168	
R-squared	0.195			.151	
σ^2			14.828		
St. error			(2.986)		
ρ			0.484		
St. error			(0.478)		
Coef. of dispersion				2.03e-09	
p-value				(1.000)	
Wald-statistic	57.03		77.69	92.98	
p-value	(0.000)		(0.000)	(0.000)	

NOTE: p-values are in parentheses and were computed using clustered by region standard errors; * significant at 10%; ** significant at 5%; *** significant at 1%; the variable *Transfers* was instrumented using time passed since the introduction of popular elections, strength of the opposition, and a dummy for 2007.

Table 3: Estimated Probit Coefficients of Gubernatorial Resources on the Support for the United Russia, 2003-2007

	Probit			Heteroschedastic probit		
	Political (1)	Patronage (2)	Fiscal (3)	Political (4)	Patronage (5)	Fiscal (6)
Dummy for republic	-0.143 (0.718)			0.021 (0.536)		
% of state owned enterprises, lagged		-0.103*** (0.009)			-0.028* (0.060)	
Size of regional bureaucracy, lagged		-0.195 (0.105)			-0.032 (0.324)	
Personal Income Tax revenues, lagged			-0.011 (0.832)			0.000 (0.972)
Corporate Profit Tax revenues, lagged			-0.062 (0.429)			-0.005 (0.459)
Intra-party transfers	-0.046*** (0.001)	-0.017* (0.051)	-0.039*** (0.001)	-0.013* (0.051)	-0.005 (0.296)	-0.010* (0.053)
Opposition strength in previous elect.	0.002 (0.906)	0.004 (0.761)	0.002 (0.859)	0.003 (0.359)	0.000 (0.920)	0.003 (0.409)
Dummy for 2007	1.280*** (0.000)	1.183*** (0.000)	1.165*** (0.000)	0.328** (0.049)	0.395** (0.037)	0.342** (0.034)
Gross Regional Product	0.000* (0.058)	0.000** (0.037)	0.000** (0.049)	0.000* (0.051)	0.000 (0.177)	0.000 (0.122)
Index of Democratization, 1995-2005	-0.408*** (0.002)	-0.512*** (0.000)	-0.391*** (0.001)	-0.107** (0.046)	-0.151** (0.017)	-0.118** (0.039)
Area or the region	0.001** (0.016)	0.001*** (0.001)	0.001** (0.022)	0.000* (0.090)	0.000* (0.053)	0.000* (0.055)
Distance to Moscow	-0.000 (0.229)	-0.000 (0.382)	-0.000 (0.217)	-0.000 (0.128)	0.000 (0.971)	-0.000* (0.063)
Constant	0.613 (0.409)	1.515** (0.027)	0.423 (0.424)	-0.004 (0.970)	0.375 (0.124)	0.064 (0.601)
LR-test statistic	0.190	7.560	0.680	0.34	9.12	1.15
p-value	0.665	0.022	0.713	0.557	0.011	0.564
Pseudo R-squared	0.267	0.301	0.270			
Observations	158	158	158	158	158	158

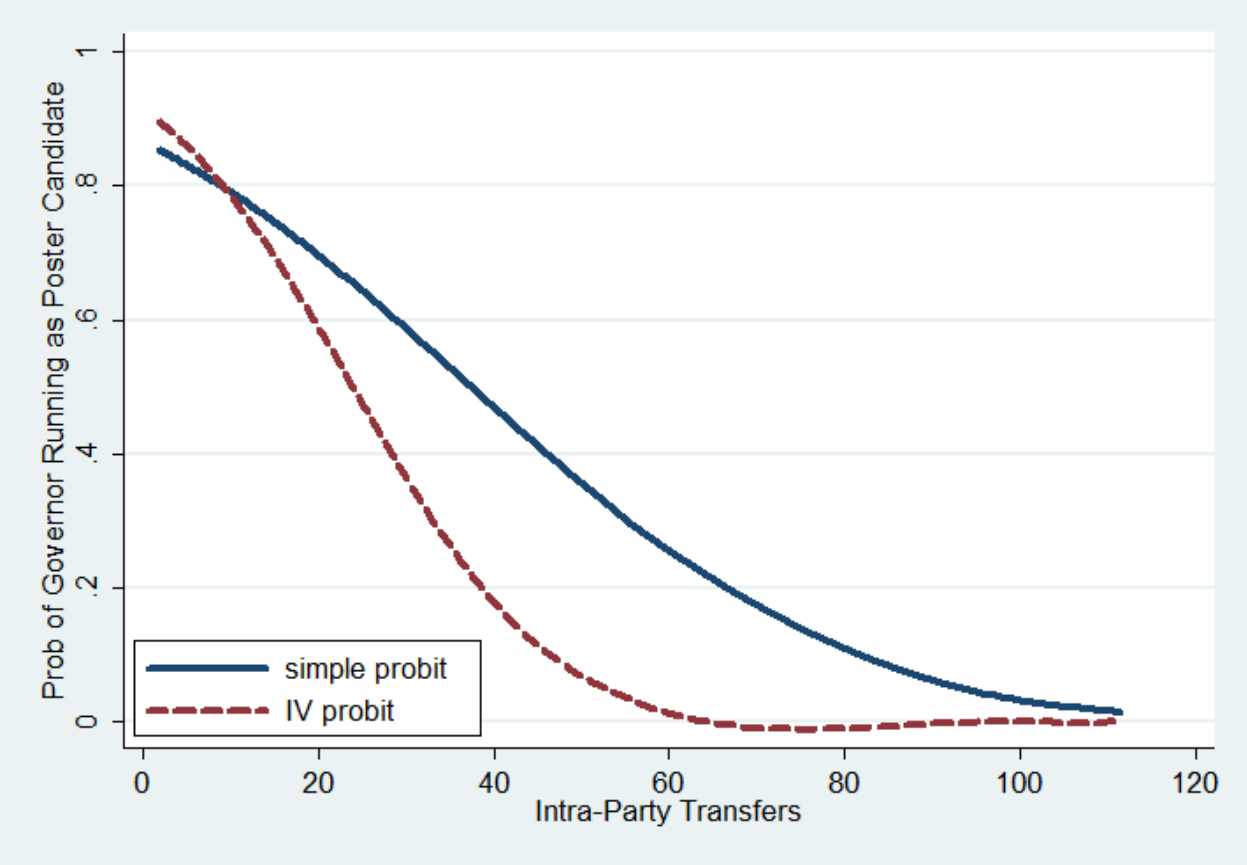
Note: dependent variable=1 if governor ran as a poster candidate and 0 otherwise; p-values are based on clustered by regions standard errors; * significant at 10%; ** significant at 5%; *** significant at 1%; marginal effects evaluated at sample means

Table 4: Estimated Marginal Effects of Gubernatorial Resources

	Marginal Effect	Marginal Effect$\times\Delta$st.dev
Dummy for republic	-0.056 (0.720)	
% of state owned enterprises	-0.040*** (0.008)	-0.164
Size of regional bureaucracy	-0.075* (0.104)	-0.144
Personal Income Tax revenues	-0.004 (0.832)	-0.022
Corporate Profit Tax revenues	-0.024 (0.429)	-0.419
Democracy Index	-0.196*** (0.000)	-0.223

Note: Computed using coefficients from column 2 Table 3, while holding other values at the sample mean.

Figure 1: Conditional Predicted Probabilities of Governor Running as a Poster Candidate



Note: Computed using probit coefficients in Table 2 by setting opposition variable to the sample mean and year dummy to 2007.