This project will compare the political economies of postcommunist Bulgaria, Poland, Slovakia, and Ukraine in order to understand the conditions under which institutions become malleable to change by elites.\(^1\) I am particularly investigating the conditions under which elites can build authoritative state and market regulatory institutions capable of constraining patron-client networks or alternatively corrupt these institutions, bringing them under the control of patron-client networks.\(^2\) In some cases, elites have sought to build new institutions or augment the authority of existing institutions. In other cases, elites have tried to do just the opposite – to corrupt new and existing institutions, or increase the degree to which these institutions serve the interests of powerful patron-client groups. Both sorts of endeavors have met with varying levels of success across time and place. This dissertation will attempt to explain why. It will do so through a study of the several largest business actors in each country, their major rivals, and the methods they used to amass their wealth. I will examine the ability of state and market institutions to constrain patron-client networks linking these actors to officiandom. I will ultimately use the case studies to generate testable hypotheses about the distinct conditions under which institutions become malleable and the alternative conditions under which they are less malleable.

This proposal will cover the following topics in turn: the concept of institutional malleability; the literature on institutional malleability and the resulting hypotheses that will be tested; the units of analysis and observation; some empirical illustrations of the phenomena under study; the operationalization of the study; and the tasks that remain to be completed before I depart for fieldwork.

**The Dependent Variable – Institutional Malleability**

This section will explain the concept of institutional malleability, the dependent variable. However, it is first necessary to understand the particular institutional variable elites are attempting to manipulate in the first place. This variable is the ability of state and market institutions to constrain patron-client networks linking politicians, state officials, and (in some cases) private enforcers to the heads of business enterprises.

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\(^1\) The particular elites I will study in a given case are those who possess control of the government.

\(^2\) In this study, only state and market institutions will be treated as institutions; patron-client networks will not be considered institutions, even though such networks can at times become highly institutionalized.
Three ideal points on this variable are of special interest here. Situated at one extreme is the “authoritative” ideal. Here, the institution in question exclusively serves its formal public purpose without regard to the particular interests of individuals. A country’s tax institutions, for example, are oriented solely towards the setting of tax rates and collecting the specified revenues. The members of patron-client networks are accordingly unable to orient these institutions towards the pursuit of their private interests.

Moving in the other direction, one comes to the mid-point on the variable, the “semi-authoritative” ideal. A semi-authoritative institution generally serves its primary formal purpose. At the same time, however, the institution acts as a shelter for influential patron-client networks, enforcing its rules against some individuals while allowing others to avoid compliance and engage in illicit activities. Tax rules, for instance, are enforced upon certain firms while firms with influential patrons are able to avoid their legal tax burdens. Likewise, institutions charged with conducting privatizations allow powerful patrons to spare their clients from compliance with the rules and rig the tenders in their favor. Other examples include firms relying on patrons to obtain export licenses, public procurement contracts, and other benefits on advantageous terms – in disregard of the impersonal criteria that are supposed to determine how these resources are allocated.

Moving still further away from the authoritative ideal, one reaches the opposite extreme, or the “corrupt” ideal. At this ideal, politically-connected actors such as firms not only gain shelter from complying with the rules; they can also use the institution as a weapon, engineering the selective enforcement of the rules against their competitors to inflict direct damage upon them or force them out of the market entirely. For example, certain firms rely on their political patrons to arrange arbitrary tax raids or fabricated criminal prosecutions against their rivals. At the corrupt ideal, client firms are more dependent on the arbitrary whims of their patrons than under a semi-authoritative arrangement; just as patrons are able, on behalf of their client firms, to place into jeopardy the survival of rival enterprises, so they can do the same to their own clients in the event that the latter fall into disfavor. What is crucial about the semi-authoritative ideal is that, while allowing politically-connected actors to engage in illicit behavior, institutions still constrain the scope of these activities. This becomes much less true as
one moves away from the semi-authoritative ideal towards the corrupt ideal. For the remainder of this essay I will label movement towards the authoritative ideal as a movement in an “authoritative direction” and movement in the opposite direction as a movement in a “corrupt direction.”

Now that I have presented the main features of a given institution’s relationship to patron-client networks, we can begin to conceptualize the malleability of this relationship. I will particularly examine two dimensions of institutional malleability: its depth and breadth. Depth means the extent to which elites are able to mould a given institution to their interests. In the current study, it denotes the ability of elites to either (1) build a new authoritative or semi-authoritative institutional arrangement capable of resisting the power of patron-client networks, (2) augment the ability of an already-existing institution to perform this task, or (3) move a new or existing institution in a corrupt direction, increasing the degree of its subordination to the interests of patron-client networks. Breadth refers to the number of institutions elites succeed in changing. This study will examine elites’ attempts to mould institutions across several “institutional domains” (i.e. bankruptcy, competition, corporate control, etc.), which will be described in further detail below. The more domains in which elites succeed in creating, augmenting, or corrupting institutions, the more institutional malleability that exists.

Three images of institutional malleability

In addition to its policy relevance, the question of whether and how much elites can effect changes in institutions has been a central source of debate among scholars for generations. One can identify three distinct “images” of institutional malleability in the academic literature. According to the first image, elites have free reign to mould institutions in accordance with their wishes. This view has its origins in functionalist and utilitarian perspectives along with certain strands of the NIE, which argue that any coalition of actors with a relative power advantage can install the institutional

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3 The above typology does not exhaust all kinds of relationships that can exist between state institutions and patron-client networks. Far from using institutions as weapons against their rivals, some weak state rulers systematically marginalize these institutions altogether, choosing to rule exclusively through informal patron-client networks. Reno (1995) labels such arrangements “shadow states.” However, few if any postcommunist countries approximate this ideal. As such, it is not considered here.

4 North (1981); Ensminger (1993).
arrangement of their choosing. This assumption has more recently appeared among students of postcommunist political economy and is shared by both “neoliberals” and their “institutionalist” opponents. Neoliberals claim that the implementation of radical market-oriented reforms can bring about sweeping changes in the structure of a country’s economy.\(^5\) Institutionalists counter that such reforms will not succeed unless they are complemented by elite efforts to build the institutions necessary for a market economy to function.\(^6\) These views are often at odds over the specific measures postcommunist leaderships should adopt. However, both advance the voluntarist notion that newly-elected governments who wish to bring about major institutional transformations can succeed in doing so. Other postcommunist accounts take a similarly voluntarist approach, attributing the efficacy of a country’s political-economic institutions to privatization strategy,\(^7\) the degree of official intervention,\(^8\) or constitutional design.\(^9\)

If the first image sees institutions as highly malleable at all times, the second image views institutions as sticky and resistant to actor manipulation – except, if at all, during brief but transformative stages of history in which they do indeed become highly malleable. Currently, the most prominent exponents of this view are punctuated equilibrium theorists in the field of historical institutionalism.\(^10\) Earlier proponents include Weber (1968: 987), for whom bureaucracy, “once fully established…is among those social structures which are the hardest to destroy.” Marx (1978 [1867]) too sees the institutional superstructure supporting the ruling class as rigid and unchanging except during revolutions that bring to power new classes.

The third image questions whether actors can ever effect transformative institutional changes as well as the idea that they are powerless to change these arrangements. Agents can indeed innovate and adapt sets of institutions but do not have a blank slate on which to impose their preferred institutional designs. Thus, actors can

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\(^6\) Amsden et al. (1995); Cohen & Schwartz (1998); Florio (2002); Herrera (2001); Johnson (1999); Schwartz (1999); Stiglitz (2002). However, it must be noted that some institutionalist accounts such as Roland (2000) recognize the need for adequate institutions to underpin reform policies but stop short of suggesting elites have a free hand to create these institutions.

\(^7\) Schwartz (1999); Woodruff (2004).

\(^8\) Frye (2000).


bring about significant if partial changes in institutional arrangements. This argument is increasingly prevalent among certain historical institutionalists including Schickler (2001) and Thelen (2003). North (1990) too argues that actors can continuously make marginal changes to institutional arrangements even if the scope of these changes is limited by previous developments. This image is shared by theorists of state formation like Tilly (1992) who view the process as involving incremental changes in which rulers add new institutions atop existing ones. Other proponents include certain theorists in historical sociology like Fligstein (2001), for whom institutional arrangements reflect the relative balance of power among labor, capital, and the state; each of these groups can partially, though not entirely, bring institutions into line with their interests.

It is possible to derive from each of these images distinct hypotheses about the depth and breadth of institutional malleability in the cases under investigation. The first image would predict that elites in power can bring about significant change (depth) in whatever institutional domains they want to (breadth) regardless of the circumstances. I will define a “significant” change in a given institutional domain as (1) the creation of a new authoritative or semi-authoritative institution; (2) the augmentation of an already-existing institution by one “unit” of authoritativeness, meaning a change from corrupt to semi-authoritative or from semi-authoritative to authoritative; (3) the creation of a new, corrupt institution in a context in which most previously-existing institutions are either authoritative or semi-authoritative;11 or (4) the corruption of an already-existing institution by one unit of authoritativeness (i.e. a change from authoritative to semi-authoritative or from semi-authoritative to corrupt).

The second image would predict an initial postcommunist period of high malleability in which elites can engineer significant changes in whatever domains they wish to alter. Once this initial period ends, however, elites become unable to bring about significant change in any intended domain. The third image would predict governments to succeed in effecting significant institutional changes, but only in some, not all, domains where change is sought. Moreover, such changes would not be restricted to a

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11 In addition to moving existing institutions in a corrupt direction, I will also consider as an instance of institutional malleability elites’ success in creating a new and corrupt institution, but only to the extent that they are creating this institution in a context previously dominated by authoritative or semi-authoritative institutions. When elites already operating in a context of highly corrupt institutions create a new institution that is corrupt, I do not consider this a feat worthy of explanation.
“critical juncture” such as the initial postcommunist years but would rather be possible on a continual basis throughout the postcommunist period.

As for the empirical applicability of these hypotheses, I expect to find that the initial postcommunist period in all four countries constituted a period of high malleability. In Poland and Slovakia, new elites came to power and built a host of new authoritative or semi-authoritative market-supporting institutions across many institutional domains. In Ukraine and Bulgaria, the old nomenklatura succeeded in corrupting a wide range of new and existing institutions. However, after these initial years ended, the malleability of institutions across the four countries declined, albeit to varying degrees. In Poland and Ukraine, institutions became strongly resistant to further attempts by elites to change them, thus corresponding to the predictions of the second image. In Slovakia and Bulgaria, new leaderships assumed power in the mid-1990s who brought about significant institutional changes in a corrupt direction in Slovakia and an authoritative direction in Bulgaria. However, each succeeded only in some institutional domains, not all – thus supporting the predictions of the third image.

Therefore, I expect that each image can be applied to certain instances in the four countries but no single image can be applied to all. In other words, there most probably is considerable variation across place and time in the degree of institutional malleability. The main purpose of the current study is to account for these differences, arriving at testable claims about the distinct limiting conditions under which each image holds.

One can identify in the scholarly literature two opposing explanations for differences in the level of institutional malleability. A sociological approach focuses on the extent to which the institutions elites wish to create diverge from the agendas of relevant societal interest groups.12 The more they diverge, the less able elites are to put these institutions into place. A rival, historical-institutionalist view attributes elites’ capacity for institutional innovation to the scope that existing formal institutions13 or past policies14 provide for status-quo interest groups to undermine these efforts. Both rival explanations emphasize the interplay between elites and societal interest groups.

12 For Eckstein (1998), these groups are based around common attitudes and values while, for Woodruff (2000), they are based on common social practices.
13 Immergut (1992)
14 Pierson (1994)
However, the first explanation considers the net level of societal opposition to be most important. The second view focuses on the degree to which this opposition is channeled into the policymaking process.

**Units of analysis and observation**

Now that the main concepts and opposing theories have been presented, the next task is to operationalize the project. The first step in this regard is to define the units of analysis and observation. I am studying variations in institutional malleability across countries along with differences over time within countries from government to government. In this respect the unit of analysis is the national-government-period. Each unit is distinguished from the other by both the country in question and the time period, where a given time period corresponds to the time in power of a particular government or set of governments ruling within a particular electoral cycle. These national-government-periods represent the “cases” under study.\(^\text{15}\) My study of government-periods in each country will extend as far back as the late communist period.

While the unit of analysis is the national-government-period, my unit of observation will be the major business actor – an individual or group of associated individuals who possess significant asset holdings. I will particularly examine the five or ten wealthiest business actors who have had a presence in each country during the postcommunist period. While the exact number depends on the availability of the evidence and the time it takes to collect it, the number of actors I ultimately focus on will be identical from country to country. I will look at the strategies these actors used to obtain their wealth, maintain their dominance, and undermine their rivals – in particular whether they pursued these ends within the framework of established institutions or rather relied on patrons to flout or manipulate these institutions. I will aggregate data over business actors to make generalizations about cross-national and cross-temporal variations in elites’ abilities to create, augment, and corrupt state and market institutions.

\(^{15}\) For all countries, the earliest government-period examined will be the late communist period. Subsequent government-periods for Bulgaria include: Lukanov (1990-91); Dmitrev (1992); Berov & Videnov (1993-96); Kostov (1997-2001); Saxe-Coburg (2001-). For Poland: Solidarity (1989-93); SLD (1993-97); Buzek (1997-2001); Miller/Belka (2001-). For Slovakia: Mečiar (1990-91); Čarnogurský (1991-92); Mečiar (1992-94); Moravčík (late 1994); Mečiar (1994-98); Dzurinda (1998-2002); Dzurinda (2002-). For Ukraine: Kravchuk (1991-94); Kuchma (1994-99); Kuchma/Yushchenko (2000-Apr. 2001); Kuchma (Apr. 2001-2004); Yushchenko (2005-).
This study will help correct for the dearth of truly comparative, cross-national investigations of postcommunist big business. While an extensive literature has emerged on Russia’s oligarchs,\textsuperscript{16} few have studied such actors in other postcommunist countries.\textsuperscript{17} Whatever attention has been paid to the non-Russian countries in this respect, little has taken the form of comparative cross-national analysis.\textsuperscript{18}

Why study big business? After all, one might object that such a study is unrepresentative of the broader economy and that a case study of a particular industry is better suited in this regard. However, there is no a priori reason why a single industry – or even a set of two or three industries – would be more representative of an entire country’s economy. Furthermore, why pick one set of industries over another? An industry case study would be open to the accusation of selecting cases to fit a preconceived argument. However, limiting my study to the few wealthiest business actors in each country provides a clear and objective criterion governing case selection. Furthermore, there are serious practical difficulties involved in an industry-centered study. For one, why would enterprise managers want to talk to me, and talk about corruption at that? Even if I did get access to managers in one country, what are the chances I would get similar access to the same industry in all four countries? By contrast, I could obtain abundant information about big business from sources like journalists and academics without interviewing the managers themselves.

Moreover, big business represents a “crucial case” of sorts for assessing the efficacy of state and market institutions. If there are any actors in society who should be able to flout the rules and orient institutions towards their private ends, it is big business. Thus, differences across cases in their ability to manipulate institutions for their private enrichment would constitute conclusive evidence of variation in these institutions’ authoritativeness.

Nevertheless, the sector composition of the wealthiest business actors’ holdings likely varies across countries. This introduces an additional factor that might account for variations on the dependent variable and thus reduces the controllability of my research design. In order to adequately address this issue, I will likely have to devote as much as

\textsuperscript{16}Black, Kraakman, and Tarassova (2000); Freeland (2000); Hoffman (2002); Johnson (2000).
\textsuperscript{17}An exception is Ganev (1999; 2001a; 2001b).
\textsuperscript{18}An exception is Barnes (2003).
an entire chapter of my dissertation to discussing the possible influence of sector-specific
variables on the malleability of institutions.

One could also question why we need yet another study of postcommunist state
and market institutions and their ability to control corruption. Why not just replicate one
of the many fine studies that have already been carried out? Observers have devoted
enormous attention to the ability of postcommunist states to control asset-stripping from
enterprises and other public institutions;19 “state capture,” or illicit payments by firms to
influence the formation of policies, rules, and regulations;20 the use of organized force by
private actors;21 and rent-seeking more generally.22 Still others have focused on the
ability of market institutions to fulfill their formal purposes (protecting minority
shareholders, allocating capital to enterprises, etc.).23 However, none of the above
studies explicitly problematize the distinction made here between institutions sheltering
private interests and institutions used as weapons against one’s rivals. This distinction
may be crucial in shaping the calculability of the investment climate in a given country.
It is also likely to be a key difference separating the countries of postcommunist East-
Central Europe and the Baltic region from their counterparts in Southeastern Europe and
much of the former USSR. As such it merits analysis in its own right.

In addition, the current study not only takes up the oft-cited question of why state
and market institutions in some postcommunist countries are more effective than in
others. It is more fundamentally concerned with whether and when elites can bring about
changes in these institutions – irrespective of the direction in which these changes occur.
I am interested in the conditions under which elites can transform, mould, and adapt

19 Black, Kraakman, and Tarassova (2000); Gaddy & Ickes (2001); Ganev (1999; 2001a; 2001b); Gould
(2001); Grzymala-Busse (2003), Hoff & Stiglitz (2004); Keat (2002); O’Dwyer (2003); Schwartz (1999);
20 While the concept state capture is concerned with the formation of the rules, I am concerned with their
enforcement. See Fries, Lysenko & Polanec (2003); Gray, Hellman & Ryterman (2004); Hellman, Jones &
21 Couplouidon (2001); Frye (2002b); Frye & Zhuravskaya (2000); Handelman (1995); Nikolov (1997);
Radev (1999); Varese (2001); and Volkov (2002). Since he studies elites who use the state’s force-
wielding organs for their private purposes, Darden (2001) can also be placed in this group.
22 Albats (2004); Barnes (2003); Browning (1998); Fish (1998); Frye (2002a); Frye & Shleifer (1997);
Hellman (1998); Johnson (2000); Johnson, McMillan & Woodruff (2002); McFaul (1998); Radev (2002);
Rutland (1997; 2001); Slinko, Yakovlev & Zhuravskaya (2004); Sun (1999); Vacroux (2004); Way (2001).
23 Dutz & Vagliasindi (1999); Easter (2002); EBRD (2003); Frye (2000); Glaeser, Johnson & Shleifer
(2001); Hendley (1997); Hendley, Murrell & Ryterman (2000); Woodruff (1999; 2000; 2004); and
Yacheistova (2000).
institutions in line with their agenda, whether or not this agenda is to make these institutions more authoritative or more corrupt.

**Candidate Institutional Domains and Some Empirical Illustrations**

While I have established my units of analysis and observation, I have not yet made any firm decisions on the particular institutional domains I will examine. Although I hope to focus on several (at least three and certainly no more than five), the final decision will rest on the quality of the data I find in the field. There are a host of candidate institutional domains that could feasibly display all of the possible variations on the spectrum of institutional authoritativeness described earlier – that is, institutions which could at least theoretically approximate the authoritative, semi-authoritative, and corrupt ideals. Among these are the institutions responsible for revenue extraction; the management of organized violence; the prosecution of crime; bankruptcy; the regulation of corporate control; the regulation of competition; the regulation of banking; the regulation of labor; and the regulation of foreign trade.

There are a number of criteria which will guide my decisions on which domains to study. The first and most important is the availability of adequate evidence. Apart from this, I will ideally focus on those institutional domains that fulfill the following conditions. First, I must choose at least some domains that existed under communism. This is necessary in order to compare the authoritativeness of institutions in the early postcommunist period against their authoritativeness in the late communist period. Second, these domains should be relevant to illicit commercial activities that took place during the late communist period. As will be further discussed below, researching these activities is perhaps the best way to assess the authoritativeness of communist-era institutions. Third are domains that had to undergo significant institutional

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24 For example, ministries of interior and security agencies. A study of these institutions would necessarily involve an examination of the extent to which the capability to use organized force has devolved to private hands. Thus, if I am to include this domain, the patron-client networks I would be investigating would include those linking business actors not only to state officials but also to private enforcers such as organized crime groups whose members do not hold official state positions.

25 I take “corporate control” to mean control over enterprise revenue, profits, and decision-making. In modern capitalist systems, the institutions of corporate control extend to the complex rules governing relations among shareholders, stakeholders, boards, and management.

26 Bankruptcy, for example, would not fulfill this condition.

27 Banking regulation, for instance, would not fit this criterion.
transformations if a postcommunist market was to be established; the creation of new institutions in these domains is a key example of institutional malleability. Fourth are domains that would prove an important target for patron-client networks to try and corrupt in the postcommunist period; the corruption of institutions by postcommunist elites is an additional example of institutional malleability of interest to this study. Among the institutional domains listed above which might fit all four of these criteria are criminal prosecution, revenue extraction, foreign trade, and corporate control.

It might prove instructive at this point to present some illustrations from the cases under study of how certain institutional domains would look under different levels of institutional authoritativeness. The case of Ukraine’s Slavyansky Bank provides a good example of institutions approximating the corrupt ideal in the domains of criminal prosecution, revenue extraction, and banking regulation. In the late 1990s, a number of businessmen with close ties to the Kuchma administration secured loans of over $100m from Slavyansky that they did not wish to repay. In addition, Slavyansky, Ukraine’s most profitable and well-managed bank at the time, was taking business away from other prominent banks connected to the president. Aiding these actors’ cause were suspicions on the part of the Kuchma administration that the bank was helping to finance the business empire of Yulia Tymoshenko, a powerful commercial magnate and opposition leader at the time. Thus, in March 2000 the State Prosecutor’s Office jailed the bank’s majority shareholder, Boris Feldman, on charges of income tax evasion, misuse of office and embezzlement. The National Bank of Ukraine suspended Slavyansky’s banking licenses while the State Tax Administration confiscated key assets and sold them to private investors at under ten percent of their value.

Thus, in Ukraine powerful patron-client networks were able to use the state’s prosecution, tax, and banking institutions as weapons to directly undermine their commercial and political rivals. Slovakia under Mečiar provides an interesting comparison in this regard. As in Ukraine, influential commercial actors often relied on their patrons in the Mečiar administration to pressure private banks into providing financing on favorable terms. In the event they refused, these actors could arrange for state banking regulators to threaten to revoke the banks’ licenses.28 However, institutions

in other domains such as criminal prosecution and revenue extraction could not be used for the same kinds of pressure tactics. Prominent businessmen could often avoid prosecution for wrongdoing and evade their taxes, but they generally could not arrange for the arbitrary enforcement of prosecution and tax institutions against their rivals.

While in Slovakia at least some institutions were corrupt, the same cannot be said of postcommunist Poland. In Poland, powerful business actors can often rely on political patrons to shield them from criminal prosecution and their formal tax obligations. However, in contrast to Ukraine politically-connected commercial actors cannot use prosecution and tax institutions as weapons against their rivals. These institutions are thus closer to the semi-authoritative ideal than the corrupt ideal.

**Operationalizing the Dependent Variable – What Information Do I Need and How Will I Get It?**

The following outlines exactly what information I must obtain to place the different cases on the dependent variable and how I plan to get it. I will primarily rely on semi-standard interviews with various experts: journalists, academics, NGO specialists, lawyers, company and industry analysts, and former politicians and officials. While I do not know the titular languages of these countries, I expect to be able to conduct most interviews in English and Russian. I have not yet drafted my actual interview instruments but I plan to visit the Survey Research Center for help with this task before I depart for fieldwork. I will also consult the wide literature available on in-depth interviewing. Apart from interviews, there are a number of other sources I can rely on for data. Among these are statistical indices measuring governance and corruption in postcommunist countries, although these tend to go back only as far as 1996. I can also utilize various English- and Russian-language media sources. In addition, international organizations including the World Bank, IMF, EBRD, and OECD have conducted a number of studies of regulatory institutions in the four countries under examination.

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29 For examples, see World Bank (2000).
30 This is made easier by the fact that I am exclusively interviewing members of the elite, most of whom speak either one of these languages. In Slovakia, I might require the assistance of a translator in some instances.
Since the dependent variable is the ability of elites to build and change institutions in accordance with their interests, I need to document, for each national-government-period, all of the following empirical elements: (1) elites’ goals; (2) the laws on the books; (3) the actor-composition of prominent patron-client networks; and (4) the authoritativeness of relevant institutions.

First, if I am studying the ability of elites to effect institutional changes in line with their interests, I must have some way of assessing what these interests are. For this task I can rely on the policy statements of leaders, resolutions of party congresses, and the stated goals of special commissions established to address certain problems. All of this information can be found in various print-media sources, whether in Russian or English. An additional way to assess the intentions of policymakers is through the laws they attempt to pass and the decrees and administrative orders they enact. For example, when Slovakia’s Mečiar issues a decree obviously aimed at favoring one particular bank or pushes repeatedly for a law that would strip the central bank of its independence, this indicates he is trying to move the country’s banking institutions in a corrupt direction. I can rely on interviews for this information. To assess Mečiar’s agenda in the domain of revenue extraction, I might ask a lawyer with tax expertise about who among Mečiar’s top allies in the business world received special tax breaks in Slovakia’s 1996 income tax law. A tax law peppered with special exemptions would be a clear indication of the Mečiar government’s intentions in this domain.

Secondly, assessing elites’ ability to manipulate the rules also requires figuring out what the laws on the books actually state. I can assess this information for each institutional domain by talking to sources with expertise in the law. Consider as an example the domain of corporate control. Of course, I cannot ask questions like “what do the corporate governance laws in your country say?” The questions rather have to be very specific. For instance: Must a company board notify shareholders of amendments to company statutes, additional share issues, or extraordinary transactions? How often must shareholder meetings be held and who is authorized to call them? What requirements must a shareholder fulfill to participate in the meeting? Are there rules prohibiting share trading based on material information not available to the public?
rules exist governing the disclosure of conflicts of interest? When were the major laws and amendments governing corporate control passed?33

Apart from the laws on the books, I must also identify for each government-period who the major business actors are, who their main rivals are, and the political patrons to which each of these actors are linked. To illustrate the lines of questioning I will pursue in this regard, consider the example of Bulgaria’s Iliya Pavlov under the government of Ljuben Berov (1992-1994). Pavlov was the head of Multigroup, the country’s largest private business conglomerate. What assets did Pavlov control during this period? What markets was he represented in? Who were Pavlov’s main business competitors in these markets? Who were his main creditors? Was he trying to secure any additional credit at the time? If so, from who? What additional assets did Pavlov seek control over during this period and who controlled these assets? What additional markets did he try to expand into, and who were the dominant players in each of these markets? Who among Pavlov’s rivals were trying to gain control over his assets or enter markets in which he had interests? Who were Pavlov’s main political patrons among ministers, deputy ministers, top regulators, political party heads, parliamentary officials, and other prominent political actors? In what ways did these patrons assist him in his attempts to expand his business holdings during this period?

The final and most challenging part of my research will be assessing the authoritativeness of state and market institutions in a given government-period along with changes in this regard from one period to the next. To do this I will focus mainly on instances of rule enforcement against the major business actors under study along with their rivals. These instances of enforcement help reveal the methods major business actors used to amass their wealth and undermine their rivals. If an institution is authoritative, then one should observe its rules being evenly enforced across business actors regardless of their political influence; the most powerful business actors as well as their less prominent rivals should have to comply with the same rules. The evenness of rule enforcement should be especially visible when new governments come to power. Do the newly-elected leaders declare a general amnesty for past crimes committed by the country’s major business actors? Or do they ignore the malfeasance of certain actors

33 These questions are adapted from the survey questions found in EBRD (2003).
while singling out others for retroactive punishment? In addition to instances of enforcement I will also focus on instances of non-enforcement. For example, what rules did Iliya Pavlov break as he took control of Bulgaria’s major tobacco assets in the early 1990s? All of these represent lines of questioning I can ask in interviews with experts on these subjects. Evidence that the rules are enforced evenly would indicate the major business actors obtaining their wealth and overcoming competition within the framework of established institutions. Institutions, in other words, are authoritative.

Thus, the evenness of enforcement indicates whether an institution is authoritative or not. However, it tells us little about whether this institution is semi-authoritative or corrupt. Uneven enforcement might well suggest that certain actors are sheltered from the rules. Yet it may also suggest that they engineer the selective enforcement of the rules against their rivals. Differentiating between the two requires a closer assessment of the motives that lie behind these instances of rule enforcement.

The obvious first step in this regard is to ask who stood to gain from a given regulatory action against a major business actor or his rival. Who was vying for control over this individual’s assets or market share? Who’s interests was this actor intruding on at the time? However, apart from simply asking about an actor’s motivations, there are other ways as well to determine when institutions are being used as weapons against an actor. If the actor in question becomes the subject of enforcement across many different institutional domains at once – not only from the tax authorities but also from the state prosecutor, banking regulator, and anti-monopoly office – this might indicate somebody acting behind the scenes trying to directly undermine this individual. Thus, when inquiring in my interviews about a particular regulatory action undertaken in a domain like anti-trust, I must also ask whether any additional actions were simultaneously brought down upon the business actor in other institutional domains.

Another indication of the rules being manipulated against a particular actor is when the authorities launch separate investigations of this individual’s associates for completely unrelated offenses. When the owners of Yukos are prosecuted for fraud and tax evasion while the company’s head of security is simultaneously investigated for murder, this is not simply a case of a firm that lacks sufficient political connections to avoid such charges. Somebody with an agenda is out to deliberately put pressure on the
company’s owners. Thus, in the interviews I will not only ask questions about the major business actors themselves (the Khodorkovsky’s, Pavlov’s, and Medvechuk’s) but also about their associates. During a state investigation of a major business actor, were other actions suddenly leveled against associated individuals for totally unrelated offenses?

In another common practice, the authorities charge a business actor with breaking laws that do not even exist. For instance, Slavyansky Bank owner Boris Feldman was prosecuted for failing to pay income tax on a loan he received even though Ukrainian law does not require that taxes be paid in this instance. When this happens, it usually means that somebody is out to target this particular actor. This makes it even more imperative that I identify the laws on the books for each relevant institutional domain in each government-period.

There are still other signs that indicate when institutions are used to attack one’s opponents. For instance, every time a court clears a particular business actor of criminal charges against her, regulators immediately commence new investigations of this actor and file new charges. Alternatively, in the midst of a publicized conflict among rival factions in the government, a prominent businessman connected to one of the factions suddenly gets hit with a series of investigations for wrongdoing. I must therefore use my interviews to determine what the various lines of conflict among competing politicians and officials were in each government-period.

These are all cases of regulators and prosecutors displaying extraordinary effort to target particular individuals. They tend not to take place in countries with semi-authoritative institutions that effectively enforce the rules against all but those actors with the right political connections. They rather occur where institutions are corrupt and can be manipulated against one’s rivals. It is not simply that certain business actors draw the attention of regulators for violating the rules. Often they are deliberately targeted whether or not they broke them. Far from obeying the rules or even merely violating them, major business actors amass their wealth by exploiting them against their rivals.

To be sure, these distinctions can be challenging to observe in the real world. However, the small number of actors under examination allows for in-depth investigation of their activities. And, due to the prominence of the business actors under study, there are likely a range of experts who can provide relevant information about each of them.
Thus, focusing on a small number of high-profile business actors reduces the difficulty of teasing out the motives behind different instances of rule enforcement.

In sum, I will rely on the following indicators to assess the authoritativeness of institutions, each of which will form the basis for its own line of questioning in the interviews. Evidence that an institution is authoritative rests in the even enforcement of its rules. Evidence that an institution is corrupt as opposed to semi-authoritative is provided by the following indicators: expert testimony about who stood to gain from various regulatory actions; simultaneous state investigations of an individual across several unrelated institutional domains; simultaneous investigations of an individual’s associates for unrelated offenses; the enforcement of rules that do not exist; persistent investigations of an individual despite repeated exonerations by the courts; and connections between elite factional conflicts and investigations of related business actors for wrongdoing.

However, an additional problem remains. As noted, I am examining changes in the authoritativeness of institutions from one government-period to the next. This includes changes that occurred from the late communist period to the initial postcommunist period. Yet the activities surrounding the major postcommunist business actors would not reveal anything about the latter instance of institutional change. Studying institutional authority in the late communist era requires using a different unit of observation for that particular period. Most specialists would agree that communist-era state institutions in most all postcommunist countries were semi-authoritative and not corrupt. Enterprise managers often evaded compliance with the rules and used enterprise assets to run illegal commercial operations. However, they could unlikely orchestrate the arbitrary enforcement of the rules against rival illicit operations. While most specialists would find this claim uncontroversial, I must nevertheless back it up with evidence. I can do this through case studies of illicit commercial operations in the late-communist era. However, these activities may be very difficult to research since I am

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35 I will particularly study these activities as they related to any of several institutional domains, like criminal prosecution, revenue extraction, corporate control, and foreign trade. In what ways did the actors involved evade prosecution, withhold revenue from state collectors, gain illicit personal control over enterprise assets and revenue, and export or import goods illegally?
relying on the memories of my current interviewees about distant phenomena that operated in the shadows.

**Tasks to Complete Prior To Fieldwork**

Implementing the research strategy outlined in the preceding pages requires completing the following tasks before I depart for fieldwork in December 2005. As mentioned above, I must devise the interview instrument in consultation with the Survey Research Center staff. I must also finish putting together a list of the candidate business actors in each country who will form the main subject of my research. I am currently in the process of researching who these individuals are and the main assets they control.

The other tasks grow out of the considerable changes that have occurred since late February in the basic shape of my project. Before then, I was interested in explaining cross-country variations in the forms of political intervention into the affairs of firms by the wielders of organized force. Since then, my focus has shifted to differences in the authoritativeness of institutions across a range of institutional domains like bankruptcy, banking regulation, corporate control, etc. These are areas of law and regulation about which I lack technical expertise but which I need to develop a more specialized knowledge of before I leave for fieldwork. This will involve reading the major contributions to the theoretical literature on taxation, competition regulation, bankruptcy, corporate control, banking regulation, and labor regulation. Less important for my purposes is the aspect of these debates concerned with the impact of

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36 Ames & Rapp (1977); Goldscheid (1964); Levi (1988); Newbery & Stern (1987); Peters (1991); Schumpeter (1954); Steinmo (1993); Von Stein (1964); and Webber & Wildavsky (1986).

37 Two branches of this literature are relevant for my purposes. The first deals with bureaucratic restrictions on market entry: De Soto (1990); Djankov et al (2002); McClesney (1987); Peltzman (1976); Stigler (1971). The second deals with market power (monopoly, oligopoly) and its regulation: Bork (1978); Joskow (1979; 2002); Klein (1996); Milgrom & Roberts (1982); Salop (1992).

38 Akerlof & Romer (1993); Bulow & Shoven (1978); Hart (2000); Jackson (1986); Stiglitz (2001); White (1980; 1990); World Bank (2001).

39 Blair & Roe (1999); Cioffi (2000); Coffee (2001); Fama & Jensen (1983); Fligstein (1990); Hansmann (1996); Jensen (1989); Jensen & Meckling (1976); La Porta et al (1997; 1998; 2000a, b); Pagano & Volpin (2001); Roe (1994; 2000; 2003); Shleifer & Vishny (1997).

40 Some of this literature, such as the debate over the merits of central bank independence, is less relevant for my purposes. What is relevant is the literature on the regulations underpinning private banking and banking systems more generally: Calomiris & Powell (2000); Diamond & Dybvig (1983); Franklin & Gale (1998); Gale & Vives (2002); Ghosh, Gulde & Wolf (2000); La Porta et al (1997; 1998); Woodruff (2005).

different institutional forms on efficiency and welfare. What is important is learning about the various institutional forms that exist within each domain and the principles underlying them. To this end I will also read several textbooks on the various areas of law I am considering examining. Furthermore, I have already read through the World Bank, IMF, EBRD, and OECD reports on governance and corruption, as these were the most relevant to the project I was previously planning to carry out. However, these organizations have also conducted a number of country-studies on Bulgaria, Poland, Slovakia, and Ukraine about the specific regulatory domains discussed in this proposal which I have yet to read. Before my departure in December, I plan to survey these papers, all of which are easily available on the organizations’ websites. Finally, I must further specify how I will adjudicate empirically between the sociological and historical-institutionalist explanations of differences in institutional malleability.

**Country Contacts**

To help with my field research I have amassed a wide array of contacts in the region. In Bulgaria, I will receive assistance from Krassen Stanchev, Executive Director of the Institute for Market Economics and one of the country’s most prominent political analysts and pundits. He has offered to provide me with an office at his institute for the duration of my stay. My Slovakian contacts include Darina Malová, a political scientist, and Grigorij Mesežnikov of the Institute for Public Opinion, both of whom are among Slovakia’s leading policy experts. In Ukraine, I have received offers of assistance from Mark Davis, Senior Economist at the World Bank, Igor Burakovsky, an economist and Director of the Institute for Economic Research and Policy Consulting, and Yuri

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43 There are several other specialists in Bulgaria whom I plan to contact as my departure draws nearer. These include Georgy Ganev, head of the Centre for Liberal Strategies and brother of Venelin Ganev, an American political scientist who has helped with my dissertation plans. I have obtained other academic contacts through Beverly Crawford of Berkeley’s Institute for European Studies, including Rumyana Kolorava, Dmitri Dmitryev, Ognyan Minchev, and Ivo Grigoriev.
Tretyak, Executive Director of the National Association of Regional Development Agencies. Tretyak has even offered to help with the logistics of organizing my trip. In Poland, I have invitations to meet with three prominent social scientists, Jadwiga Koralewicz, Ireneusz Krzemiński, and Wlodzimierz Wesolowski, as well as Karolina Kazimierczak of the CASE Foundation, who has promised to arrange meetings with several of the institute’s economists. I also plan to contact the local branches of Transparency International in each country.

**Conclusion**

This proposal has outlined the concepts, theories, and research design I will rely on to carry out my dissertation. Each of the three images of institutional malleability described earlier can likely apply to certain instances in the cases under examination, yet none applies in all cases. Thus, the main goal of this dissertation is to devise hypotheses about the distinct limiting conditions under which each image holds. The specific form of institutional malleability I will examine is elites’ ability to build, augment, and corrupt institutions across a range of institutional domains. I will assess these changes through a study of each country’s wealthiest business actors and their rivals. In some instances, elites have tried to build authoritative institutions capable of constraining patron-client networks linking these actors to officialdom. In other cases, they have attempted to do the opposite, bringing institutions under the control of these patron-client networks.

Relying primarily on in-depth interviews with experts but also on print-media and other written reports, my dissertation will account for why each of these efforts has achieved varying levels of success across different national-government-periods. The end result will be a project that is not only relevant to policymakers but which will also break new ground in the theorizing of institutional change.

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44 There are a number of additional Ukrainian contacts I plan to get in touch with before I depart, some of whom were provided by my North American contacts. These include economists at the Kyiv-Mohyla Academy and Eurasia Foundation; Inna Pidluska, head of the Century XXI Foundation; Yuliya Mostovaya, a journalist at Zerkalo Nedeli; the International Finance Corporation; the Transnational Center for Crime & Corruption; the CASE Foundation; USAID; the Center for International Private Enterprise; the Ukrainian Center for Economic and Political Studies; the Enterprise Restructuring Facility; and the International Center for Settlement of Investment Disputes.