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Global Finance, Local Control: Corruption and Wealth in Contemporary Russia

Igor O. Logvinenko, Ithaca, NY, USA, Cornell University Press, 2021, 246pp., \$49.95 (Hardcover), ISBN 978 1 5017 5960 4; \$32.99 (eBook), ISBN 978 1 5017 5962 8.

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It is an old trope to explore Russia through the lens of paradox, and not an approach that should be taken uncritically. In this case, however, Igor Logvinenko argues convincingly for the value of the paradox at the center of this work: an exploration of how Russia functions as an autocracy with weak rule of law that nevertheless remains financially open and integrated into the global economic system. *Global Finance, Local Control* unpacks this puzzle through what is essentially an economic history of Russia, divided into a neat chronology oriented around key moments in the transition from state socialism to state capitalism. The book should be read by anyone who desires or requires a broad but also subtle understanding of political-economic functioning in contemporary Russia. At the same time, it suffers from a few conceptual problems that threaten to detract from its overall contributions – contributions important enough that they should not be obscured.

Logvinenko's goal is straightforward enough, though not easily done: to unpack the paradox of how Russia can be all at once globally integrated without concomitant domestic improvements. There is an almost ideological assumption at play here, tied to the notion that economic and political liberalism are automatically linked. Or, in the words of former U.S. president Bush, "economic freedom creates habits of liberty and habits of liberty create expectations of democracy," (quoted by Logvinenko on p.124). Over the last thirty years, Russia has soundly disproved this assumption. Instead, as Logvinenko demonstrates, Russia's political and business elites have pulled from the liberalization menu à la carte, integrating the economy into the global financial system, but avoiding the trappings of democratic representation or the rule of law. The bulk of this book – and its most important contribution – is dedicated to exploring how this was accomplished, and why. The central argument is compelling: through the tactical use of financial openness, certain elite actors simultaneously

legitimize and defend their ill-gotten fortunes while also retrenching kleptocracy and avoiding troublesome domestic political and legal reforms.

Logvinenko proves this point by wading through three decades of Russia's murky and internecine political-economic history. This is no easy task but Logvinenko is a capable researcher and raconteur. For the most part, the book moves briskly over the years, capturing the essence of developments and sharing a few of the more sensational stories without bogging down the reader in unnecessary detail. Logvinenko identifies the core dynamics of three discrete periods (1987-1994, 1995-1999, and 1999-2008) that were decisive in the transformation of Russia's economic functioning. Each period is distinct but they exhibit a common strategy of wealth defense engaged by elites at crucial points, and it is this strategy that suggests the book's title: *local control and global access*, or LCGA. The point of this strategy is manifold: connecting in a limited fashion to western systems with rule-of-law protections both legitimizes Russian ownership claims and also provides much-needed sources of foreign investment, all without upsetting domestic networks of informality, corruption, and rent extraction. Logvinenko argues that LCGA "hold[s] together the entire edifice of Russian kleptocratic authoritarianism" (p.99).

One of the problems with LCGA as the all-explanatory factor, however, is the unfortunate lack of precision surrounding its conceptualization and usage. At various points in the text, LCGA is referred to variously as a framework, a logic, an approach, a model, a policy, a mode, a strategy, and a method. The features of this concept are equally baggy, and never really defined beyond the too-simple: "blend of the local rule of clout with deep financial integration" (p.132). To be sure, Chapter 1 attempts to provide a theoretical underpinning to the concept, but this chapter only situates LCGA within the extant literature on globalization and economic development, rather than exploring the concept itself and delineating its features. Instead, LCGA is explained simply as a "two-pronged approach... [that] allowed Russian owners to have their cake and eat it too, to reap the benefits of both local and global connections," (p.11). The two prongs here are, of course, local control and global access. Unfortunately, this explanation borders on the tautological, and the book would benefit greatly from a more upfront and thorough engagement with the LCGA concept. As it is, the lack of rigor regarding the book's fundamental contribution is not only disappointing – it also

hinders other scholars and analysts from employing, engaging with, or refining the concept. It is an unfortunate oversight in an otherwise engaging work.

In my reading, the other major problem with the book lies in its fuzzy and unnecessary use of “clout,” or “rule of clout,” deployed generously throughout the text to explain Russia’s pernicious informalities. I dislike “clout” and disagree with Logvinenko’s terminology, but of course understand why he must choose something. It is of course impossible to discuss Russia’s political economy without somehow addressing the networks of power, informality, and obligation that pervade the entire system, top to bottom. Ledeneva (2006; 2013) has traced these informal networks and practices through what she calls *sistema*, or *the system*. Similarly, other scholars have conceptualized this as the *power vertical* (Gel’man and Ryzhenkov 2011; Monaghan 2012), a hierarchy of personal responsibility and oversight that relies on informal but vital connections and loyalties up the chain of command. Logvinenko is clearly expert in these matters, so I remain confused why either of these approaches were overlooked in his work – particularly given that Ledeneva’s *How Russia Really Works: The Informal Practices that Shaped Post-Soviet Politics and Business* was published by Cornell University Press, same as Logvinenko.

Instead, we see regular – and frustratingly dismissive – references to Russia’s rule of clout, and little more is made of these vital dynamics. The definition of clout politics shared in Chapter 1 (see p.11) is too superficial and risks conveying the notion of a stable system with established rules, rather than an ever-shifting web of obligations, loyalties, rewards, responsibilities, rent-seeking, corruption, blackmail, and threats both implicit and explicit. To that end, I prefer the term *neopatrimonialism*, as I’ve written about elsewhere, because it conveys the ways in which these shifting networks of loyalty and reward both suffuse and are suffused by a legal-rational bureaucracy – a crucial point for understanding the functioning of Russia’s political economy. Logvinenko’s aim is not to interrogate these networks, of course, but rather to explore how the so-called rule of clout results in endlessly contested property rights. I take his point, but maintain that clout is too problematic of a term, and hides more than it reveals. Phrases like “over time, their clout within the government increased” (p.36) belie the complexities, invisibilities, and instabilities inherent in these relationships, and instead present developments as *fait accompli*, when the reality was anything but.

Logvinenko's notion of clout is an unfortunate oversimplification and misrepresentation of the fluid and multifarious neopatrimonial relations that make Russian business and politics so volatile and opaque.

The final quibble I have with this book is the complicity of western agents in building and maintaining a kleptocratic system – not just in Russia but internationally. The bulk of the book works from an unstated assumption that countries in the broader West enjoy an ideal-type legal-rational system with strong rule of law and universal respect for democratic norms. Only towards the end of the book do we see some cracks in that façade. And yet, the text is peppered with references to western firms who continually invest madly in Russia despite staggering periodic losses due to corrupt government officials and businessmen, to say nothing of the continual flouting of the rule of law and democratic norms. Clearly the potential for profit is too powerful to resist, and western actors have no qualms with kleptocratic authoritarianism so long as money keeps flowing. Logvinenko does not make enough of these dynamics. The stories are already there in the text – it would take little effort to flesh them out and remind the reader that this is not so much a story about Russia as it is about global kleptocracy, the rise of authoritarian and illiberal politics, and the assault on popular democracy worldwide. In this way, rather than presenting the country in an Orientalizing frame, we see that Russia – and many other nations of the post-socialist Global East – are actually at the forefront of these international processes. We could thus locate Russia at the vanguard of global theory.

Nevertheless, the reader should not make too much of my criticism. The book is an important read, unpacking three decades of Russian paradox through a brisk economic history that strikes a serviceable balance between breadth and depth. It explains how the wealth of the USSR was auctioned off and stolen, and traces how this wealth was consolidated and protected by generations of oligarchs. It also details the feeding frenzy of western institutions in the growing Russian market, though I maintain that more should be made of these actors in the story. Despite my objections, then, I can't help but recommend Logvinenko's book – particularly for educators who need an overview the Russian political economy for their students, or for policymakers and analysts who need a quick primer on the functioning of kleptocratic authoritarianism in Russia.

Literature

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