

National Research University Higher School of Economics

As a manuscript

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**POLITICAL CONFLICTS BETWEEN GOVERNORS AND REGIONAL
BUSINESSPEOPLE IN RUSSIA: EMERGENCE FACTORS AND
PARTICIPATION STRATEGIES (2005-2020)**

SUMMARY OF THE DISSERTATION

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Statement of the research problem

Despite the recentralization and a declining level of political competition at the regional level, real political struggles continue to take place in the regions of Russia. Public conflicts between businesspeople and regional governors constitute an important part of such struggles. Businesspeople are an integral part of these struggles. On rare occasions, such conflicts can even result in a governor's electoral defeat, but usually they negatively affect business assets and well-being of businesspeople participating in them.

Even though business political participation is justified from the perspective of property rights protection and accessing governmental decision-making, the conflict with authorities is rarely an optimal strategy from the perspective of profit-maximization. The research on business political participation is built on the assumption that profit-maximization and rent-seeking are the major drivers behind such activity. Consequently, they cannot explain the occurrence of such conflicts. During this study, 38 conflicts that happened from 2005 till 2020 were identified. One way to deal with these cases is to dismiss them as deviations from rationality that do not invalidate the theories described above. Nevertheless, the importance of the phenomenon for regional and federal politics in Russia,¹ as well as its regular occurrence, speak against such a choice. The mere possibility of initiating a conflict in such an environment contradicts the foundational premises of the literature that puts a classical economic agent in the focus of analysis. As Turovsky notes with regards to the Russian case, “[l]oyalty to the relevant powers – to the president, regional governors or city mayors <...> is the most rational and common pattern of business–state relations.”² This constitutes the puzzle of this research.

¹ Taisiya Bekbulatova, “Vliyaniye mestnykh: kak regional’nyy biznes menyayet rezul’taty vyborov,” [The influence of the locals: how regional businesses change the electoral outcomes], *Kommersant*, September 28, 2015, <https://www.kommersant.ru/doc/2815997> (accessed July 3, 2022). (Taisiya Bekbulatova is designated as foreign agent by the Ministry of Justice of the Russian Federation).

² Turovskii, “The Representation of Business Elites.”: 187.

The **research question** this thesis attempts to answer is *what causal mechanisms lead to the engagement of regional businesspeople in conflicts with governors in Russia.*

Political conflict is defined as a public confrontation between a governor and a businessperson in which the parties undertake actions aimed at undermining each other's power and position in a region. Businesspeople are people owning assets that they exploit to generate profit.

State of the art. The literature on business political activity is largely based on the economic assumption that firms engage in politics or establish political connections to maximise their profits and secure property rights.³ The same assumptions underlie the literature on politically active businesspeople in Russia.⁴ Benevolent relationships with authorities are assumed to be in any business' interest since the government is in charge of regulations and law enforcement that have a direct impact on their profits. This consideration becomes even more pronounced in settings with weakly institutionalized property rights and few constraints on the executive.

It is also possible to conceptualize politically active entrepreneurs not as businesspeople but as members of the regional political elite. Instances of challenging a ruler's authority by previously loyal (or, at least, non-oppositional) members of the political elite are investigated in the literature on elite defection. This literature has been mostly focusing on the structural factors that prompt defection as

³ Jun Du and Sourafel Girma, "Red Capitalists: Political Connections and Firm Performance in China," *Kyklos* 63, no. 4 (2010): pp. 530-545, <https://doi.org/10.1111/j.1467-6435.2010.00486.x>; Amy J. Hillman, Michael A. Hitt. "Corporate Political Strategy Formulation: A Model of Approach, Participation, and Strategy Decisions." *The Academy of Management Review* 24, no. 4 (1999): 825-42. <https://doi.org/10.2307/259357>; Thomas Lawton, Steven McGuire, and Tazeeb Rajwani, 'Corporate Political Activity: A Literature Review and Research Agenda', *International Journal of Management Reviews* 15, no. 1 (2013): 86-105.; Stanislav Markus, 'Secure Property as a Bottom-Up Process: Firms, Stakeholders, and Predators in Weak States', *World Politics* 64, no. 2 (April 2012): 242-77, <https://doi.org/10.1017/S0043887112000044>.

⁴ Scott Gehlbach, Konstantin Sonin, and Ekaterina Zhuravskaya, 'Businessman Candidates', *American Journal of Political Science* 54, no. 3 (2010): 718-36, <https://doi.org/10.1111/j.1540-5907.2010.00456.x>. (Konstantin Sonin is designated as foreign agent by the Ministry of Justice of the Russian Federation); David Szakonyi, 'Businesspeople in Elected Office: Identifying Private Benefits from Firm-Level Returns', *American Political Science Review* 112, no. 2 (May 2018): 322-38, <https://doi.org/10.1017/S0003055417000600>.; Ivan S. Grigoriev and Kirill Zhirkov, 'Do Political Connections Make Businesspeople Richer? Evidence from Russia, 2003-2010', *Research & Politics* 7, no. 4 (1 October 2020), <https://doi.org/10.1177/2053168020979434>.

well as on the individual-level characteristics of elite members from the perspective of the Rational Choice Theory. Economic decline,⁵ political crises,⁶ regime popularity,⁷ mass and elite discontent,⁸ institutional constraints,⁹ autonomous resources,¹⁰ privatization,¹¹ state predation,¹² broad democratic attitudes at the grassroots level,¹³ party institutionalization,¹⁴ the level of regime personalization,¹⁵ and elite expectations about the regime/leader longevity (a lame-duck syndrome)¹⁶ were identified as factors affecting elites' cost-benefit calculations. It was argued that redistribution dynamics inherent in patronal regimes and conflicts between the "inner circle" of the patronal president and other elites can cause defection even when it seems unlikely.¹⁷

This literature builds on the assumption that elites extract rents from their political positions.¹⁸ Dissatisfaction with the redistribution of spoils or the inability

⁵ Ora John Reuter and Jennifer Gandhi, 'Economic Performance and Elite Defection from Hegemonic Parties', *British Journal of Political Science* 41, no. 1 (January 2011): 83–110, <https://doi.org/10.1017/S0007123410000293>.

⁶ John A. Gould and Carl Sickner, 'Making Market Democracies? The Contingent Loyalties of Post-Privatization Elites in Azerbaijan, Georgia and Serbia', *Review of International Political Economy* 15, no. 5 (1 December 2008): 740–69, <https://doi.org/10.1080/09692290802408923>.

⁷ Ora John Reuter and David Szakonyi, 'Elite Defection under Autocracy: Evidence from Russia', *American Political Science Review* 113, no. 2 (2019): 552–68.

⁸ Adrián del Río, 'Strategic Uncertainty and Elite Defections in Electoral Autocracies: A Cross-National Analysis', *Comparative Political Studies*, 29 January 2022, 00104140221074273, <https://doi.org/10.1177/00104140221074273>.

⁹ Reuter and Szakonyi, 'Elite Defection under Autocracy'.

¹⁰ Reuter and Szakonyi.

¹¹ Scott Radnitz, 'The Color of Money: Privatization, Economic Dispersion, and the Post-Soviet "Revolutions"', *Comparative Politics* 42, no. 2 (2010): 127–46; Margarita M. Balmaceda, 'Privatization and Elite Defection in de Facto States: The Case of Transnistria, 1991–2012', *Communist and Post-Communist Studies* 46, no. 4 (1 December 2013): 445–54, <https://doi.org/10.1016/j.postcomstud.2013.08.001>; Barbara Junisbai, 'Improbable but Potentially Pivotal Oppositions: Privatization, Capitalists, and Political Contestation in the Post-Soviet Autocracies', *Perspectives on Politics* 10, no. 4 (December 2012): 891–916, <https://doi.org/10.1017/S153759271200285X>; Barbara Junisbai, 'Market Reform Regimes, Elite Defections, and Political Opposition in the Post-Soviet States: Evidence from Belarus, Kazakhstan, and Kyrgyzstan', *PhD Diss., Indiana University*, 2009.

¹² Junisbai, 'Improbable but Potentially Pivotal Oppositions'.

¹³ Sarah Andrews and Lauren Honig, 'Elite Defection and Grassroots Democracy under Competitive Authoritarianism: Evidence from Burkina Faso', *Democratization* 26, no. 4 (19 May 2019): 626–44, <https://doi.org/10.1080/13510347.2019.1566322>.

¹⁴ Michael Buehler and Ronnie Nataatmadja, 'Authoritarian Diasporas in Indonesia and the Philippines: Comparative Perspectives on Elite Survival and Defection', *Democratization* 28, no. 3 (3 April 2021): 521–38, <https://doi.org/10.1080/13510347.2020.1832084>.

¹⁵ Alexander Taaning Grundholm, 'Taking It Personal? Investigating Regime Personalization as an Autocratic Survival Strategy', *Democratization* 27, no. 5 (3 July 2020): 797–815, <https://doi.org/10.1080/13510347.2020.1737677>.

¹⁶ Henry E. Hale, 'Regime Cycles: Democracy, Autocracy, and Revolution in Post-Soviet Eurasia', *World Politics* 58, no. 1 (October 2005): 133–65, <https://doi.org/10.1353/wp.2006.0019>.

¹⁷ Junisbai, 'Improbable but Potentially Pivotal Oppositions'.

¹⁸ Bruce Bueno De Mesquita et al., *The Logic of Political Survival* (MIT press, 2005); Milan W. Svoblik, *The Politics of Authoritarian Rule*, Cambridge Studies in Comparative Politics (Cambridge: Cambridge University Press, 2012), <https://doi.org/10.1017/CBO9781139176040>.

of the ruler to credibly commit to future redistribution drive elite defection and coups d'état.

Such actions require enough resources and, most importantly, overcoming the problem of collective action. The latter is a non-trivial task. Elite defection undertaken by individual elite members can be viewed as a last resort when all other options to protect one's property from the ruler were exhausted¹⁹ or as a way to capitalize on mass and elite discontent under the conditions of uncertainty,²⁰ and often rest on the ability of defectors to mobilize mass protests in their support.²¹

To sum up, the literature on business political activity does not help explain the conflictual behaviour of Russian regional entrepreneurs, while the literature on non-democratic politics puts severe restrictions on the possibility of such behaviour. Even when all the conditions, such as the violation of redistribution arrangements and the ability of dissatisfied elites to coordinate with each other, are fulfilled (which is not a common feature of the conflicts under consideration), individual actors' decisions to engage in conflicts remain an issue of interest. As illustrated in the beginning of this introduction, in a sizable number of instances, their calculations seem to be mistaken, leading to detrimental consequences for their economic fortunes and even personal freedom.

The **goal** of the research lies in identifying causal mechanisms that lead to the emergence of conflicts between regional businesspeople and governors in Russia. To answer the research question, the following **aims** must be achieved:

- 1) to describe the major approaches to the study of business political participation, intra-elite interactions, and Russian regional politics and identify potential explanations;
- 2) to formulate a set of causal mechanisms potentially responsible for conflict occurrence;

¹⁹ Barbara Junisbai, 'Market Reform Regimes, Elite Defections, and Political Opposition in the Post-Soviet States: Evidence from Belarus, Kazakhstan, and Kyrgyzstan', PhD diss., (University of Indiana, 2009).

²⁰ Río, 'Strategic Uncertainty and Elite Defections in Electoral Autocracies'.

²¹ Scott B. Radnitz, *Weapons of the Wealthy: Predatory Regimes and Elite-Led Protests in Central Asia, Weapons of the Wealthy* (Cornell University Press, 2012), <https://doi.org/10.7591/9780801466175>.

- 3) to collect accounts of the federal and regional media related to businesspeople that engaged in conflicts, public interviews given by conflict participants, expert materials and academic publications;
- 4) to conduct fieldwork and collect interviews with regional political insiders and businesspeople who engaged in conflicts;
- 5) to test the formulated causal mechanisms against the collected empirical evidence.

Theoretical foundations.²² The study commits to critical realism as its philosophical ground.²³ Critical realism departs from the covering-law (deductive-nomothetical) mode of explanation rooted in regular conjunctures of observable properties. Instead, it focuses on unobservable causal powers that generate observable empirical patterns and argues that the social world “is an open system in which causal powers of entities might or might not be empirically manifest in any given situation”.²⁴ Realist theory-building is not about the deductive inference of testable hypotheses but about constructing plausible accounts of causal forces that led to an outcome of interest in each case.

Since the study is focused on the level of interpersonal interaction and individual decision-making, it is necessary to turn to motivations and perceptions of individual actors. At the same time, to avoid referring to the individual personality traits and idiosyncratic interpretations of reality, one should turn to the structural condition that shape actors’ goals and affect mutual expectations and information available.

²² The first version of the argument was published in Denis Stremoukhov, ‘Political conflicts between governors and regional economic elites: Case of the Republic of Karelia’, *Politeia*, 2, no. 105 (2022): 118–35, <https://doi.org/10.30570/2078-5089-2022-105-2-118-135>; Denis Stremoukhov, ‘The Role of Identity in Elite Interactions: The Case of Conflicts between Regional Entrepreneurs and Governors in Russia’, *Bulletin of Perm University. Political Science* 17, no. 3 (October 2023): 21–132. <https://doi.org/10.17072/2218-1067-2023-3-21-32%20>

²³ Margaret Archer et al., *Critical Realism: Essential Readings* (Routledge, 2013).

²⁴ Patrick Thaddeus Jackson, *The Conduct of Inquiry in International Relations: Philosophy of Science and Its Implications for the Study of World Politics* (Routledge, 2010): 109-110.

The theory rests on the Identity theory²⁵ and institutional approaches to politics.²⁶ Since some of the decisions to engage in conflict seem suboptimal in retrospect, the theory must account for miscalculations. In accordance with the theories of environmentally bounded rationality²⁷ and the role of institutions in enabling rational action,²⁸ the turn to the decision-making environment is in order.

The following supplementary causal mechanisms were formulated:

- 1) actors have various identities shaped by the formal and informal institutional environment. These identities inform their preferences that are not limited to profit-maximization or rent-extraction and translate into behaviour via psychological mechanisms.²⁹
- 2) The decision to engage in a conflict can appear subjectively rational to actors because of the expectation that their action would influence the decisions of the federal centre, and that the federal centre can ally with the regional elites against the governor.
- 3) The calculus about the consequences of actors' actions is shaped by the expectations about other actors' behaviour that are given by the formal and informal institutional environment and the knowledge about each other's resources. The discrepancy between formal and informal rules, the difficulties with observing patronal resources, and the frequent gubernatorial turnover undermine the ability of actors to engage in collective learning, i.e., the formation of such rules. These environmental factors make actors prone to miscalculation.

As required by the process tracing methodology (see below), a set of alternative explanations was formulated. Engaging in a conflict can be viewed as a

²⁵ Peter J. Burke and Jan E. Stets, *Identity Theory* (Oxford University Press, 2009).

²⁶ Arthur T. Denzau and Douglass C. North, 'Shared Mental Models: Ideologies and Institutions', *Elements of Reason: Cognition, Choice, and the Bounds of Rationality*, 2000, 23–46

²⁷ Klaus Fiedler and Michaela Wänke, 'The Cognitive-Ecological Approach to Rationality in Social Psychology', *Social Cognition* 27, no. 5 (2009): 699–732.

²⁸ Avner Greif and Joel Mokyr, 'Cognitive Rules, Institutions, and Economic Growth: Douglass North and Beyond', *Journal of Institutional Economics* 13, no. 1 (2017): 25–52.

²⁹ Jan E. Stets and Peter J. Burke, 'Self-Esteem and Identities', *Sociological Perspectives* 57, no. 4 (1 December 2014): 409–33, <https://doi.org/10.1177/0731121414536141>.

last resort for those businesspeople who face existential threat to their property. Another possible explanation is simple economic competition between elite groups.

Research methodology and data. The thesis adheres to the case study methodology. The broadly understood decision-making situation that includes actors' previous experiences and leads to the decision to oppose the governor is considered to be a case.

This study employs process tracing as its main method of inquiry. Process tracing can be defined as “the analysis of evidence on processes, sequences, and conjunctures of events within a case for the purposes of either developing or testing hypotheses about causal mechanisms that might causally explain the case”.³⁰

Process tracing can be used to investigate the impact of ideational structures and cognitive mechanisms on actors' decisions and behaviour. It is a challenging task given that individual cognitions and their effects are hard to observe, and ideational incentives can coincide with the material ones.

To partially mitigate these problems, the researcher should:

- 1) opt for the analysis of communication in situations of reduced strategic pressure (i.e., mostly private communication),
- 2) place more emphasis on spontaneous statements rather than prepared speeches,
- 3) specify the psychological mechanisms behind the influence of cognitions on behaviour and look for evidence of the existence of such mechanisms,
- 4) examine actors' behaviour and expressed ideas over a long time to establish the stability of ideas and the effect of changing material environment,
- 5) examine exogenous sources of actors' ideas.³¹

The study relies on 2 semi-structured interviews with businesspeople, 15 interviews with experts on regional politics (political technologists, journalists,

³⁰ Bennett and Checkel, *Process Tracing*: 7.

³¹ Alan M. Jacobs, 'Process Tracing the Effects of Ideas', *Process Tracing: From Metaphor to Analytic Tool*, 2015, 45-69.

activists, and scholars), public interviews given by businesspeople, and accounts in regional and federal media. Thematic analysis is the main procedure of data analysis applied to the textual data in this project.

Scope of the research. The study deals with the period from 2005 to 2020. 2005 is the first year since the cancellation of the gubernatorial elections, that marked a new stage in the centre-regional relations as well as in the evolution of political regime in Russia. All regions of the Russian Federation were inspected for the presence of conflicts. 21 regions were identified as featuring conflicts of interest during the specified period. The conflicts in two regions, Karelia and the Perm Krai, were investigated in depth. The year 2020 marks the last conflict in these regions (Alexander Repin vs Dmitry Makhonin in the Perm Krai). The later period deserves a separate study given the changes in the Russian political system since 2022 as well as the start of the involvement of federal law enforcement agencies in deprivatization that could have changed actors' perceptions of the federal centre.

The major limitation of the research concerns its external validity. The Republic of Karelia and the Perm Krai have their own regional specifics. To mitigate this problem, media materials covering other regions were surveyed for the evidence in favour of the theorized causal mechanisms. This methodological strategy is exploited in qualitative research with many cases.³²

Another methodological challenge is the dynamics of the Russian political system that has been unfolding over the last decades including legislative changes, further centralization, and the decrease in political competition. These changes cannot be controlled for, as it would be required by positivist methodology. That is why it is even more important that the evidence in favour of theorized causal mechanisms can be found across the whole time period under consideration. To estimate the relative importance of different causal mechanisms and its changes over time is impossible in the framework of the chosen methodology.

³² Gary Goertz and Stephan Haggard, 'Large-N Qualitative Analysis (LNQA): causal generalization in case study and multimethod research', *Perspectives on Politics*, 21 no. 4 (2023): 1221-1239. <https://doi.org/10.1017/S1537592723002037>.

Contribution to the discussion of the problem in existing literature

The study contributes to the field on both theoretical and methodological levels. At the theoretical level, it tests ideational mechanistic explanations of the individual behavior of political elites. Methodologically, it examines the applicability of process tracing as a method for explaining elite decision-making in contexts characterized by limited access to political elites. The study demonstrates that this approach offers a promising research pathway for advancing our understanding of elite behavior while also highlighting its challenges and limitations.

By employing this approach, the study sheds light on the origins of political conflicts in Russia's regions and the dynamics of subnational political regimes. In comparison to previous research, it challenges the narrow understanding of business participation in politics as being solely driven by a profit-maximization imperative. Instead, it draws attention to the significance of ideational factors and social conditions in shaping elite decision-making processes.

Statements to be defended

1. Businesspeople that occupy formal and informal positions in the regional political community may develop identities that privilege political goals over profit-maximisation and create potential for conflict even in the absence of competition over material resources.
2. The emergence of conflicts can partly be explained by the belief of businesspeople that the federal centre may enter the conflict on their side. Such a prospect drastically changes their expectations with regards to the potential benefits of the conflict. Consequently, conflict nationalisation (e.g. attracting federal attention via addresses to the President and federal executive bodies, discrediting the governor in media campaigns, affecting

electoral results, etc.) becomes the main strategy of businesspeople in conflict.

3. Some businesspeople miscalculate the consequences of their behaviour due to a variety of structural factors. These factors stem from the informal nature of the rules that govern intra-elite relations and resources at actors' disposal. Actors have to rely on their previous experience and interpret the cues from other actors and their broader environment. They can also mistakenly assess the resources at governors' disposal due to the fundamental unobservability of patronal ties. These problems are further exacerbated by frequent gubernatorial turnover.
4. The intersection of formal and informal institutions contributes to the existence of conflicts in several ways. Firstly, formal institutions shape actors' identities and motivations. Secondly, changes in formal institutions are interpreted by the actors as another signal about what is allowed and what is not. These interpretations often contradict the informal practices. Thirdly, some actors believe that following the law may effectively prevent the use of law enforcement against them, which often turns out to be false.

Approbation of the research results. The results of the research were presented at the following conferences:

- St. Petersburg International Conference on Inequality and Diversity, November 5-7, 2020, HSE St. Petersburg, **“Conflicts between Governors and Businesspeople in Russian Regions: Pathways for the Future Research”**;
- St. Petersburg International Conference on Inequality and Diversity, November 11-13, 2021, HSE St. Petersburg, **“Political conflicts between governors and regional businesspeople in Russia: a case study”**;

- XXIII Yasin (April) International Academic Conference on Economic and Social Development, April 5-22, 2022, HSE Moscow, “Explaining intra-elite conflicts in hybrid regimes: an institutionalist perspective”.

The research results were published in peer-reviewed academic journals recommended by HSE University:

- 1) Stremoukhov, Denis. ‘Stationary Bandits and Moonlighting Politicians: The Review of the Research on Business and Politics in Russian Regions’, *Bulletin of Perm University. Political Science* 15, no. 1 (April 2021): 119–129. <https://doi.org/10.17072/2218-1067-2021-1-119-129>. (In Russian).
- 2) Stremoukhov, Denis. ‘Political conflicts between governors and regional economic elites: Case of the Republic of Karelia’, *Politeia*, 2, no. 105 (2022): 118–35, <https://doi.org/10.30570/2078-5089-2022-105-2-118-135>. (In Russian).
- 3) Stremoukhov, Denis. ‘The Role of Identity in Elite Interactions: The Case of Conflicts between Regional Entrepreneurs and Governors in Russia’, *Bulletin of Perm University. Political Science* 17, no. 3 (October 2023): 21–132. <https://doi.org/10.17072/2218-1067-2023-3-21-32%20>. (In Russian).

Analysis of data and findings

Chapter 1 is devoted to the review of the literature devoted to intra-elite relations, business political participation and Russian regional politics. **Paragraph 1.1** deals with the literature on the relationships between rulers and political elites. This strand of literature is mostly based on a rational-choice account of elite decision-making and focuses on the structural factors that affect cost-benefit

calculations. It is argued that elite members defect from the ruler when the expected benefits of loyalty determined by the resources distributed by the ruler and expectations about the ruler's (political) longevity are outweighed by its costs, which are shaped by the institutional arrangements and resources elites can leverage against him or her.

Paragraph 1.2 turns to the literature on business political participation. This literature firmly establishes that political participation brings benefits to businesses. These benefits include favourable regulations, easier access to public procurement, state subsidies, and the ability to protect assets from state predation. By focusing on the benefits of non-conflictual political participation this literature fails to explain open conflicts between businesspeople and authorities, especially in contexts with weak rule of law and weakly institutionalized property rights.

Paragraph 1.3 investigates the studies on business political participation and state-business relations in the regions of Russia. The diverse literature on Russian regional politics pays considerable attention to business actors. While structural cleavages and conflicts of interest between business groups did find some place in these studies, they mostly ignore public conflicts between individual businesspeople and the authorities and the reasons behind them.

Chapter 2 is devoted to the theoretical and methodological foundations of the study. **Paragraph 2.1** outlines the logic of theory building and distance the dissertation from the rational choice approaches that dominate the literature on business political participation and intra-elite relations. It is argued that the Rational Choice Theory does not fit the task at hand. Instead, it is proposed to focus on the causal mechanisms that may lead to the decisions to engage in conflicts. It is suggested that further theory-building should be organized around answering the following questions: 1) what interests motivate actors to engage in conflicts in the first place; 2) why, despite the power asymmetry, they do not see this engagement as futile; 3) why they engage in conflicts despite the looming danger of various negative consequences not only for their businesses but also for their personal well-being?

Paragraph 2.2 deals with the first question by relying on the Identity theory. It is impossible to say beforehand what exact meanings actors ascribe to themselves and to each other, but it can be hypothesized that entrepreneurial identities are not necessarily the most salient ones for every businessperson engaged in regional politics. Even if the initial trigger for participating in politics was a desire to protect one's business and increase one's profits, occupying a political office opens opportunities for developing associated political role identities. The existence of formal hierarchies creates room for status-maximisation through the fulfilment of political ambitions, and the performance of public functions. This situation allows for the development of identities that privilege political goals and motivations over the profit-maximization and economic fortunes of one's business.

Paragraph 2.3 turns to the role of the federal centre in altering the calculus of conflict engagement. The most obvious explanation for why businesspeople can hope for some sort of victory over governors is the engagement of the most powerful actor in Russia, the federal centre, on their side. The decisions of the federal centre are the ultimate factor of governors' survival. While defeating a governor with their own powers is unlikely, business owners can hope to draw the attention of the federal authorities. This dramatically alters actors' calculations by increasing the expected payoffs of engaging in a conflict.

Paragraph 2.4 is devoted to the miscalculation-related causal mechanisms. Rational action can be trumped by the following features of the institutional environment. Firstly, messages sent via sanctioned channels can differ from the rules that emerged in the process of social learning. Secondly, informal institutions are hard to form due to the nature of social interaction itself. Thirdly, the ability of environmental elements to have many interpretations (the condition of ambiguity³³) does not allow individuals to form coherent schemata.³⁴ Finally, observed resource asymmetry is an important clue that helps actors form their expectations in the

³³ Mahoney and Thelen, 'A Theory of Gradual Institutional Change'.

³⁴ Mahoney and Thelen.

course of social interaction,³⁵ but the main type of resources in patronal society, personal connections, is fundamentally unobservable. **Paragraph 2.5** summarizes the theoretical argument.

Paragraph 2.6 describes the case study methodology and the method of process tracing. The basic element of process tracing is looking for and assessing evidence in relation to a given hypothesis. Pieces of evidence have different value depending on the probability of observing them if the hypothesis under consideration is true. Each hypothesis, if true, predicts pieces of evidence with a different degree of uniqueness (can this evidence be generated only by the hypothesized causal mechanism?) and certainty (will this evidence always be observed if the hypothesis is true?).

Paragraph 2.7 justifies case selection. It is argued that the focus of the study on the within-case analysis of causal mechanisms renders many concerns that accompany cross-case comparative analysis irrelevant. The appropriate case selection strategy is to try to capture as many conflicts scenarios as possible simultaneously minimizing the time and effort required. The study leverages the fact that conflicts are often clustered within regions and investigate the conflicts that happened in the Republic of Karelia and the Perm Krai. The number and variety of conflicts in these regions allow for the extensive investigation of theorized causal mechanisms and alternative explanations in different time periods.

Paragraph 2.8 describes the evidence and explains the methods of data collection. **Paragraph 2.9** is devoted to the peculiarities of the interviewing process and recruiting of interlocutors. **Paragraph 2.10** explains the logic behind thematic analysis. **Paragraph 2.11** describes the data analysis strategy. The analysis involved reading and coding media reports on each businessperson from the earliest year accessible via Public.Ru as well as the collected interviews, compiling memos with the general remarks about the data and ideas about causal processes and powers lying

³⁵ Jack Knight, *Institutions and Social Conflict*.

behind them with the references to exact media accounts; writing a detailed accounts of businessmen's biographies and conflicts they engaged in.

Chapter 3 is devoted to the empirical analysis. In **Paragraph 3.1**, the initial stage of the analysis performed by examining the general patterns of conflicts. It is established that 1) the conflicts are unevenly distributed across the investigated time period with a peak in years 2011-2016; 2) the majority of conflicts starts in the first two years of gubernatorial tenure; 3) the majority of conflicts ends with governor leaving the office.

Paragraphs 3.2 and 3.3 are devoted to the process tracing of causal mechanisms on the empirical material of conflicts occurred in the Perm Krai and the Republic of Karelia, respectively. **Paragraph 3.4** presents the results of the analysis of two interviews with conflict participants. **Paragraph 3.5** summarizes the empirical findings and supplements them with the evidence from other cases. It is revealed that various pathways may lead to conflict and actors can be drive by different motives. While economic motives mattes as well, motives related to “political” identities, i.e. political ambition, status-related concerns, and normative disagreements with the authorities, play a non-trivial role in the emergence of conflicts. It is also demonstrated that the factor that comes closest to fulfil the criteria for a necessary condition is an expected reaction of the federal authorities. Being in a structurally weaker position, businesspeople would have few hopes that their actions could have an effect on governor's behaviour or political career unless there were expectations of intervention from the federal centre on their side. Indeed, various forms of addresses to the federal centre are almost ubiquitous; regional experts and businesspeople themselves cite this expectation as a factor behind their decisions both in public and private interviews. These benevolent perceptions of the federal centre are likely to be sustained not only by the public rhetoric of the federal authorities but also by the tacit knowledge that the governor is responsible for his or her “territory” and for the elite management.

This corroborates the general knowledge that governors are expected to maintain elite compliance and are punished for political instability in the regions they govern. This expectation seems to be widely accepted by political elites and political technologists and is also confirmed by the fact that the majority of conflicts end due to the governor's dismissal or resignation rather than full-scale repressions against businesspeople. Moreover, the federal centre is not a unitary actor, and some groups at the federal level and actors within the Presidential Administration can indeed support regional elites rather than the governor. Such support greatly enhances regional actors' willingness to oppose the governor.

Finally, it is argued that, in some cases, miscalculation leads to suboptimal decisions. New governors may possess resources previous incumbents lacked, most and foremost, in the form of patronal ties to federal law enforcement agencies. This creates the room for miscalculation on the part of their opponents. Actors' decisions may be informed by such intangible factors as "the psychological situation" or public discourse produced by authorities. Actors admit that they could not predict the most detrimental outcomes because it was not something typical for that time or because they lacked knowledge about the real workings of politics in general. Another source of miscalculation is the reliance on previous experience with authorities. The reliance on previous experience may become detrimental not only because of the changes in resource allocation but also due to the learning by the authorities. Apparently, governors learn from their previous experiences of elite fights and change their behavioural strategies.

It is also shown that the change of a governor opens possibilities for conflict by destroying previously established agreements and personal loyalties. New governors also bring new practices of interaction with businesses that contradict the established ways of doing things and face resistance from the regional elites even if they do not threaten one's property.

Paragraph 3.6 described the strategies employed by the businesspeople in their conflicts with authorities and links them to the causal mechanisms discussed

above. It is claimed that the major strategy of businesspeople is conflict nationalization, i.e., attempts to involve the federal centre in the conflict.

The **Conclusion** summarizes the results of the study, outlines the avenues for future research and calls for a more nuanced investigation of social contexts in which intra-elite relations and conflicts unfold.