EUROPE-ASIA STUDIES, 2024
Vol. 76, No. 1, 2024, 108–131

Routledge
Taylor & Francis Group

Rentierism, 'Capitalist Breakthroughs' and Non-Transformative Development in Late Putinism

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Abstract

This essay explores 'territories of accelerated development' (TORs) to reconstruct the economic policy-making, development institutions and macroeconomic framework of late Putinism since the 2010s. It argues that even with Russia's integration into the world economy and the developmental rhetoric of state elites, TORs and the national developmental regime around them reproduce the patronal management and recycling of rents rather than the transformative and state-permeated facilitation of productive investments and capitalist profits. This upscaling of rents has been systemic. The result—rentierism—challenges common understandings of rent-seeking and commodity rents as incidental features of Russian 'state capitalism', and, instead places them at the centre of a non-capitalist order of its own.

POST-SOVIET RUSSIA'S CAPITALIST TRANSFORMATION AND the subsequent consolidation of state capitalism since the 2000s have become truisms in historical and political-economical scholarship. Whether it be retrospective defences of neoclassical market reform (Åslund 2007), classifications of postsocialist 'varieties of capitalism' (Hall & Soskice 2001; Lane & Myant 2007; Szelényi & Mihályi 2020) or radical critiques of 'neoliberal capitalism' (Kagarlitsky 2010), scholars from a diverse range of disciplinary and ideological backgrounds have decided to use 'capitalism' as the predominant theme of contemporary Russian history. What remains are sub-paradigmatic disputes regarding the concrete form of Russia's capitalist order, which has produced a

The author conducted the research for this essay as a Research Fellow at the Institute for Eastern European Studies at the Freie Universität Berlin. This work was supported by Germany's Excellence Strategy (project Cluster of Excellence 'Contestations of the Liberal Script').
Disclosure statement: No potential conflict of interest was reported by the author(s).

https://doi.org/10.1080/09668136.2023.2276054

proliferation of qualifiers for capitalism: clan, network, *blat*, Kremlin, mafia, crony, political, oligarchic, piranha, predatory and patrimonial, to name a few.

In spite of this cacophony of taxonomy and terminology, a consensus seems to have emerged that Russia's political economy under Vladimir Putin relates to a global and increasingly consolidated group of 'state capitalisms' (Charokopos & Dagoumas 2018, pp. 444–45; Alami & Dixon 2020; Mizobata & Hayashi 2022).[1] Proponents of this classification point to the high degree of state involvement in the economy; for example, through state-owned enterprises (SOEs), national resource-extraction companies, large corporate 'champions' or sovereign wealth funds and, more generally, the subordination of the working of the market to political rationales (Bremmer 2009, p. 41).[2] In state capitalism, this literature holds, the state and capital form a hybrid, without which capital accumulation could not unfold (Alami & Dixon 2020, p. 85). And, in fact, in quantitative terms, the pre-pandemic Russian state had a share of one-third of the country's GDP, accounted for 40% of non-informal economic activity and employed 50% of the workforce (Di Bella *et al*. 2019). Even after Russia's full-scale invasion of Ukraine and the transformative shock to the Russian economy caused by Western sanctions unprecedented in their extent, scholars have clung to the label of 'state capitalism' (Wiśniewska 2023). Only rarely do observers, faced with Russia's shift towards a war economy, concede a sense of cognitive dissonance, noting that 'you don't hear much talk about state capitalism these days' (Wooldridge 2022).

This essay revisits the nature of the economic system of late Putinism by addressing the question of its underlying capitalist dynamics. Paradoxically, the bulk of scholarship, both on Russia's political economy as well as on state capitalism more broadly, has been preoccupied with the empirical analysis of the Russian state's involvement in the economy, whether developmentally enabling or detrimental. The capitalist nature of social relations in Russia, in contrast, appears to be taken for granted. The study of Russian capitalism thus reveals a problem it has in common with other scholarship on the global political economy: both politically and analytically, it often takes capitalism as a given without analysing the social relations that the term implies (Fisher 2009; Morris 2021).

Addressing this lacuna, this essay explores the political and economic dynamics of Russia's developmental regime and the question of whether this regime facilitates the sustained emergence of capitalist profits—or 'something worse' (Wark 2019). The notion of capitalism underlying this essay thus places the economic dynamic of profit-making at its centre, rejecting the conceptual dissolution of capitalism into numerous non-economic and cultural aspects (Kershaw 2020). Moving beyond specific developmental policies of the state, the notion of a developmental regime captures the 'sustained fusion among the institutions of the state, particular segments of the socioeconomic order, and a particular bias in public policy orientation' (Pempel 1999, p. 157). In order to distinguish a regime

[1]See also 'The Rise of State Capitalism: The Emerging World's New Model', *The Economist*, 21 January 2012, available at: http://www.economist.com/printedition/2012-01-21, accessed 16 November 2017.

[2]While I agree with Alami and Dixon's (2020, pp. 84–6) assessment that the literature on state capitalism lacks definitional clarity and a theory of the state in capitalism, their analysis remains conceptually flawed: capitalism is assumed and, therefore, naturalised, with the actual object of study being the role of the state in any economic activity. This essay seeks to address this flaw.

that facilitates the emergence of a capitalist trajectory from one that does not, I propose to look more closely at the question of rent and how it undermines capitalist growth dynamics. While rent is often understood to merely constitute a peculiar form of income for 'rentiers' within a capitalist order (Christophers 2020), below I shall conceptually maintain and empirically show that the ubiquity and pervasiveness of rents implies strategies of social reproduction that run counter to capitalist development.

Empirically, the essay draws on a specific set of special economic zones (SEZs) established since 2014 in the Russian Far East (RFE), so-called 'territories of accelerated development' (*Territorii operezhayushchego razvitiya*—TORs), to reconstruct the economic policy-making, institutions and macroeconomics of late Putinism's developmental regime. Since Russia's invasion of Ukraine in February 2022 and the subsequent imposition of Western economic sanctions against Russia mark a likely caesura in Russia's political and economic trajectory, the empirical scope of the essay is limited to the period 2014–2022, even though the theoretical implications of my findings extend beyond this timeframe. TORs are state-initiated economic spaces that draw inspiration from the global experience of market reforms and explicitly aim to promote capitalist development, namely to facilitate productive investment with the ultimate aim of inducing self-sustaining economic growth.

Methodologically, this essay analyses Russia's economy across multiple levels. To integrate this multilevel approach, the methodological lens of upscaling, understood as the 'process of reconstituting activities or phenomena at a higher or larger geographical scale' (Castree *et al*. 2013), will organise my empirical reconstruction. The three scales under scrutiny here are the region or, more specifically, a sectoral cluster in a region (TORs), a set of national institutions (Russia's so-called 'development institutions') and a transnationally shared macroeconomic framework guiding economic policies (the conservative fiscal and monetary framework of Moscow's technocrats). This strategy means that, contrary to standard methodological approaches, the essay will not limit itself to identifying rent-seeking activities in a particular sector or the politically and economically detrimental effects of natural resource dependence. Instead, by focusing on how rents are reproduced sectorally, institutionally and macroeconomically, the essay allows for a more comprehensive assessment of the systemic quality of rent.

Tracing the upscaling of rents in this way, the essay argues that regional industrial policy, as exemplified by TORs, the state agencies and institutions around them, and the macroeconomic framework upheld by the Russian state elite, strongly challenge the notion of capitalist development in the late Putin era. While the resulting developmental regime does testify to the prominent role of state agencies, as argued by scholars of state capitalism, that regime reproduces the politicised management of rents rather than the state capitalist organisation of productive investments. The resulting rent management system is highly patronalist. In its decisions on how to organise the flow of financial resources, it subordinates cost-effectiveness, productivity improvement and social welfare to the individual preferences of a small section of the Russian state class that is permeated by personalistic and clientelistic power relations (Kordonskiy 2007; Hale 2015). This is despite the global integration of the Russian economy, the developmental rhetoric of its state elite and the existence of insulated sectors of capitalist entrepreneurialism. The patronal management of rents is not merely a feature of peripheral industrial policies in the RFE but has been institutionally stabilised by the ‘development institutions’ (*instituty razvitiya*) of late Putinism and reinforced macroeconomically by a conservative fiscal and monetary framework from the Russian state elite.

Thus, I conclude that the upscaling of rent in Russia has been systemic, a phenomenon I call ‘rentierism’, which renders common understandings of rent-seeking or commodity rents as mere features of Russian (state) capitalism empirically deficient and conceptually misleading.[3] Instead, accounting for the insulated and highly uneven modernisation efforts in the Russian economy, I argue that Russia’s political-economic regime is characterised by patterns of non-transformative development. The term describes the capacity to generate sector-specific and geographically fragmented developmental achievements, like the limited infrastructural and economic modernisation in the RFE, in the presence of general structural stagnation. Non-transformative development is thus a political-economic scheme limited to the management of rents in contrast to capitalist, investment-based profit-making. While investment-based profit-making also depends on the state and can never be ‘total’, the crucial difference is that it transforms social relations by creating market-based economic autonomy for actors (McMann 2006). Non-transformative development, in contrast, allows for situational ‘pockets of effectiveness’ (Roll 2014) by channelling rents to politically desirable projects but lacks the capacity to induce and facilitate cycles of sustained and decentralised investments in the wider economy.

My findings suggest that behind the scholarly ambiguity about Russian capitalism lies a —primarily conceptual—lacuna regarding the relationship of ubiquitous rents to (non-)growth dynamics in the Russian economy. This ambiguity is not limited to Russian studies but has also come to the fore in the literature on the trajectory of global capitalism (Moreno Zacarés 2021, p. 48). The essay thus contributes to existing scholarship by explicitly questioning the role and form of capitalism in the trajectory of post-Soviet Russia, a discussion that is notably absent from recent debates over the core dynamics of its political economy (Ganev 2015; Fishman *et al*. 2019; Bernhard *et al*. 2020). Russia’s invasion of Ukraine has made this gap even more obvious. The notion that the Russian economy has been able to adapt relatively well to Western sanctions because it was a ‘market economy’ steered by ‘knowledgable and liberal technocrats’ has, once again, sidestepped the systemic question of Russian capitalism.

This essay is organised into five sections. What follows, first, is a stylised and conceptual clarification of how ubiquitous rents challenge existing frameworks of post-Soviet capitalism. The subsequent sections empirically trace the upscaling of rentierist patterns in Russia over the past decade. The second section uses TORs as a case study and entry point to illustrate the pervasiveness of rentierist dynamics even in regional spaces

[3]I consider rent an income appropriated by an individual or collective actor that is above an income that would have been earned in competitive markets. ‘Rent-seeking’ refers to all strategies of individual or collective actors—rentiers—that aim to appropriate rents or to create the conditions that allow rents to emerge. Rentierism, in turn, refers to an emergent macro-social order in which rent and rent-seeking constitute the dominant form of income and the dominant strategy of social reproduction, respectively. However, rentierism itself is not merely an emergent outcome but, at the same time, conditions the emergence of rent incomes and rent-seeking strategies. For lack of more appropriate terms, I will use ‘rentierist’ to refer to situations, behaviours and relations in which patterns of rent and rent-seeking prevail.

commonly understood as avant-garde instruments of global capitalism. The third section illuminates how the management of economic policy instruments such as TORs by a set of national development institutions has stabilised rentierist patterns beyond the peculiar economic geography of the RFE, mainly by enlisting market-dominating corporations into a hierarchically layered and patronalist state apparatus. In the fourth section, I show how the Russian state elite upholds a macroeconomic framework that reinforces rent-reproducing economic policies. This elite, *via* a factional division of labour between economic technocrats and statist security hawks, seeks to shield itself from geopolitical outfalls and, at the same time, remains committed to transnational neoliberal policy guidelines that ensure regime stability yet no capitalist growth trajectory. While the essay pays close attention to post-Soviet Russia's decades-long exposure to and penetration by global capitalism on all of the three scrutinised levels, it reveals that the country's internal political-economic dynamics, at a systemic level, defy the notion of capitalist development. In the final section, the essay concludes by pointing to the methodological and empirical challenges arising from the tension between rent and capitalism in post-Soviet Russia.

Rent(ierism) as a challenge to post-Soviet capitalism

The issue of rent in Russia and the post-Soviet region has mainly been discussed from two conceptual angles. One cluster, including both qualitative and quantitative scholarship, has centred around the notion of rent-seeking (Tullock 1967); for example, in studies of Russian neopatrimonialism (Gel'man 2016), the relationship between economic growth and authoritarianism (Vasilyeva & Libman 2020), and corruption (Osipian 2012; Coates *et al*. 2019). From the rent-seeking perspective, rent is 'unearned income'. The analytical focus is either on the socially detrimental attempts by agents to secure as much of this income as possible or on states providing rent-seeking opportunities in a corrupt manner. Attempts to capture those 'artificially created' rents would lead to the 'divergence between the private and social costs of certain activities' (Krueger 1974, p. 291). Consequently, economic agents are grouped into rent-seeking and profit-seeking actors: the former extract rents by monopolising markets, using political influence or collecting subsidies; the latter earn profits by investing in the means of production, thus contributing to overall wealth.

Other scholars have analysed natural resource abundance across the post-Soviet space, especially in Russia and Central Asia, to illustrate the appropriation, control and distribution of rents generated from the sale of commodities on world markets. These studies show how the organisation of such rents, primarily from oil and gas exports, are shaped by differential state–society relations, ownership structures, elite coalitions and institutional frameworks (Jones Luong & Weinthal 2010; Gawrich *et al*. 2011; Heinrich & Pleines 2012). They reject or qualify the earlier idea that resource abundance as such would constitute a political or economic curse, instead pointing to detrimental effects from the social and political configurations in which rents are embedded on democratic or growth-enhancing development (Jones Luong 2015). This strand of literature, in turn, conceptualises rent as income seized by powerful individuals, resource-extracting corporations or often highly centralised state apparatuses.

From the rent-seeking and the commodity rent perspectives, rent constitutes a distinct type of income within a certain capitalist social order that is assumed as a given. Rents are theorised with regard to their peculiar social and political consequences, such as social closure, the verticalisation of power relations and inequality (Mihályi & Szelényi 2017; Sanghera & Satybaldieva 2021). However, the extant literature has hardly ever touched upon the apparent conceptual tension between ubiquitous rents and rent-seeking strategies of social reproduction on the one hand, and the proclaimed reality of Russian capitalism assumed in post-Soviet studies on the other.

In contrast to the common scholarly subsumption of rent under capitalism, this essay follows classical and post-Keynesian accounts in contrasting rent and profit. From this perspective, profit in particular constitutes a very distinct form of economic surplus that is historically co-constitutive with capitalist development (Obrinsky 1983). Rent, as it is understood in this essay, and profit imply radically different patterns of political-economic activities. Conceptually, profit emerges once capitalists are compelled to engage in competition, that is, when they are forced to invest in order to increase their productivity and lower their costs, ultimately aiming to sell their products or services on monetised markets more cheaply, in larger quantities or at a higher quality than other capitalists (Elsenhans 2022, pp. 36–7). Moreover, corporations must be incentivised, *via* sufficient aggregate demand for their products or services, to invest in cost-saving and productivity-enhancing technologies. From this particular scheme, profit emerges as a historically and conceptually distinct form of economic surplus that is appropriated through economic mechanisms (Kalecki 1942; Obrinsky 1983). Consequently, the historical and theoretical core tenet of the profit-based capitalist scheme is precisely the emergence of an economic sphere, symbolised by the rise of 'economic theory' that depoliticises conflict within property-owning classes (not between capital and labour, however) through market competition (Schumpeter 1994; Roger 2021). In order to justify the use of capitalism as an analytical concept, therefore, a given social order must give rise to economic activities predominantly following this scheme. While the capitalist scheme cannot be reduced to the emergence of investment-based profit—taking private property, the wage–labour relationship, markets and prices, state regulation or the entrepreneurial 'profit motif' as further core characteristics of capitalism (Kocka 2016; Levy 2017)—this model strips the concept of capitalism of its specificity to exclude its historically unique growth dynamic.

In contrast, rent and rentierism, rooted in natural or fabricated monopolies, fundamentally undermine the core dynamics of the capitalist scheme. This is because rent is appropriated, controlled and distributed through political or, in other words, extra-economic means (Wood 1995, p. 29), be it through strategies of securing ownership of scarce assets (Christophers 2020; Sanghera & Satybaldieva 2021), eliminating competition (Robinson 1979) or outright repression and violence (Warnecke-Berger 2020). The emergence and organisation of rents are, therefore, inseparably linked to social and political power structures. For this reason, rent lies at the core of recent discussions over value-extracting and extractivist political economies (Mazzucato 2018; Ye *et al*. 2020), which take up a concrete form that varies both temporally and spatially. Political economies of rent also tend towards historical cycles of extreme political centralisation, subsequent crisis and breakdown (Elsenhans 1996; Hale 2015). Only under very rare and specific historical, social and political conditions have rents successfully—that is, to the broad benefit of lower social strata—been used to 'overcome rent' (Elsenhans 2004), building on the state and specific developmental coalitions as transformative agents of structural economic change (Khan & Kwame Sundaram 2000).

The juxtaposition of rent and capitalist profit does not imply that capitalist social relations are devoid of stabilising political and institutional power structures—in fact, the 'varieties of capitalism' scholarship, amongst other academic trends, illustrates the diversity and richness of these structures—but that these structures facilitate capital accumulation through profit-making rather than mere wealth accumulation by way of rent-seeking and value extraction (Levy 2017, p. 487). Also, while rent constitutes one amongst many types of income (profit and wage being another kind), it ought to be scrutinised within the conditions of dominant capitalist social relations in many world regions (Delacroix 1980; Mihályi & Szelényi 2017). Nevertheless, rent must be understood as conceptually alien to capitalist profit if scholarship is to delimit capitalist dynamics in a given society. The remainder of this essay illustrates how, in contemporary Russia, the former has prevailed over the latter.

Special economic zones as regional capitalist breakthrough strategies

SEZs have been widespread instruments of capitalist statecraft throughout the twentieth and twenty-first centuries. Developing countries in Asia, Latin America, and Africa and the Americas, seeking to embark on the course of industrialisation and broad socioeconomic development, have frequently incorporated SEZs in their national economic strategies. Since the 1970s, SEZs have risen to particular prominence as an essential part of Chinese economic strategies and those of other 'Asian tigers' (UNCTAD 2019). In theoretical terms, SEZs can be understood as resource-channelling vehicles whose success or failure depends on the political, institutional and social configurations through which these resources circulate. Offering privileges and resources to some economic actors but not others by carving out specifically (de-)regulated economic spaces, they seek to induce sustained economic activities in selected regions (Moberg 2015, p. 152).

Throughout its Tsarist, Soviet and post-Soviet history, the Russian state, too, has regularly experimented with territorially demarcated zones of economic activity and *porto franco* regimes, with the goal of improving the socioeconomic situation in regions perceived as backward. Recently, the Russian leadership's aim of socioeconomically uplifting the RFE—part of a grander political campaign to 'turn to the East' since the early 2010s (Blakkisrud & Wilson Rowe 2018)—has led to the establishment of several SEZs in the region. As of 2022, the Free Port of Vladivostok (FPV) regimen and 23 TORs have been established. TORs are considered the most sophisticated types of Russian SEZs to date (Sosnovskikh 2019, p. 15). The zones seek to facilitate economic development by attracting both domestic and foreign investments and specialise in different sectors: tourism, agriculture, the chemical industry, logistics, resource extraction and refinement, and shipbuilding. TORs are spaces inspired by global capitalism's 'best practice' in economic policy-making and, according to their advocates, 'can to a certain degree compensate for an adverse investment climate' (UNCTAD 2019, p. 179). In the case of the RFE, though, instead of 'picking winners' through direct state intervention, the Russian state has been 'neoliberalising', that is, deregulating, selected economic spaces under the framework of TORs (Morris 2021; Kuteleva *et al*. 2022). The experience with TORs will serve in this essay as a prism through which to explore Russia's developmental regime.

Russia's Far Eastern TORs offer three means of support for corporations. First, companies registered in the zone are freed from any tax obligations for the first five years of their commercial activity, after which a corporation tax of 12% is applied. Second, on paper, TOR-registered companies are subject to smoother bureaucratic procedures and can access additional state services; for example, help in finding qualified personnel or the tailoring of territorially limited free customs zones. Third, corporations receive land to build their facilities within the territory of a TOR. Investment has flowed in the zones since they were signed into law in December 2014. Between 2016 and 2018, according to Rosstat data, 24% of investment in fixed assets in the Far Eastern Federal *Okrug* was channelled into TORs (Pankratov *et al*. 2021, p. 412).

On closer inspection, however, the developmental patterns of TORs raise doubts over their quality as strategies for capitalist breakthrough. The zones have failed to 'overcome rent by using rent' (Elsenhans 2004): their architects could not 'withdraw or reallocate rents before they become unproductive', a condition Altenburg (2013, p. 350) highlights as crucial *vis-à-vis* successful rent-induced strategies of industrial upgrading. There are several reasons for this. For one, those TORs that have been successful are dominated by large corporate actors. These corporations have used TORs as vehicles for recycling and rearranging already existing business activities rather than as mechanisms for facilitating genuinely new investments in production. By applying for resident status, these 'anchor corporations' seize opportunities to save taxes without triggering substantial new net investments and broadening Russia's industrial base. Instead, the influx of large corporations in TORs has resulted in monopolisation that mirrors patterns in Russia's overall economy. According to a quantitative study by Sida and Kan, of the total revenue made by TOR-registered corporations in 2019, 60% came from TORs in three Far Eastern regions: Primorskii *Krai*, Kamchatskii *Krai* and Khabarovskii *Krai*, all of which were already more socioeconomically advanced than their peer regions. On the other hand, amongst all the corporations registered in TORs before 2019, as of 2021, 41.5% had made zero revenue, and fewer than 60% were deemed to be profitable enterprises (Sida & Kan 2021, pp. 45–51).

In particular, small and medium enterprises (SMEs) struggle to navigate between the option to enter TORs or to continue to operate in a weak internal regional or national market without additional state subsidies. Thus far, SMEs have not benefitted broadly from the establishment of TORs. SMEs that have become so-called 'residents' show relatively low profitability compared to those in the rest of the country and to the anchor corporations in TORs (Sida & Kan 2021, pp. 51–2). Moreover, according to Vitaly Gumenyuk, chairman of the Primor'e branch of OPORA, the All-Russian Non-Governmental Organisation of Small and Medium Business, intense negotiations were unfolding before the establishment of TORs in 2015 over the requirements for SMEs to enter the SEZs. While OPORA lobbied for lower hurdles to allow more SMEs to benefit from access to state resources and potential infrastructural advancements, state agencies insisted on the initially proposed requirements, above all the need to contractually commit to high investments over several years. Only later, when it became clear that this hurdle prevented many companies from registering as residents, was the required investment level set at a relatively low R500,000. The conflict was ultimately 'solved' when Gumenyuk was arrested.[4] The fact that SMEs have been deterred from joining TORs is indicative of the political bias in favour of large corporations and the closed social relationships that TORs represent, despite their supposedly modern, open and business-friendly image. As a consequence, the rents created and redistributed to economic actors are primarily channelled towards big business.

The focus on big business has detrimental consequences for the socioeconomic trajectory of the region, as SMEs, even though they tend to be less profitable than a TOR's anchor corporation, account for 64.5% of newly created jobs in TORs (Sida & Kan 2021, p. 50). As a result, the financial well-being of the large Russian conglomerates listed in TORs, on the one hand, and the jobs available in the wider RFE, on the other, have become disconnected. Contrary to the grand vision of Russian state agencies, the large corporations dominating TORs have, in most cases, not initiated the development of broader sectoral clusters, especially not beyond the borders of the respective zones. This is primarily due to a lack of financial resources and developmental efforts in the municipalities where TORs have been established, in contrast to resources allocated from the federal budget to subsidise TOR residents (Mikhaylov 2021). In fact, instead of spreading outwards, as envisioned, the financial flows often run the other way: according to a local business consultant who has been working with TOR-registered companies, it is common practice amongst owners of large corporations to use TORs to merely buy and sell other corporations without any intention of investing in an actual expansion of production.[5]

Furthermore, the expectation of attracting foreign investments *via* TORs and the FPV, especially from China, has not materialised. As of 2019, from the roughly US$35.5 billion in investments announced and 'contracted', that is, non-bindingly agreed upon with Chinese investors, only US$38 million found its way to the RFE (Spivak 2019). The unsubstantiated character of much of the foreign investments mirrors the overall state of corporate activities within the TORs. As stated by the Far Eastern Development Corporation (FEDC), only 26% of the 506 TOR-registered companies were active in 2019 (Sida & Kan 2021, p. 43), and the state does not make up for the resulting lack of domestic and foreign investment. Extra spending by federal or local bodies in areas such as customs infrastructure has been lacking. Companies are supposed to make such investments themselves in order to benefit from the customs zone, one of the essential features offered by TORs (Spivak 2019). However, state-facilitated capital investment spending would be very significant for SMEs, who otherwise lack the necessary financial means and face difficulties finding export niches (Spivak 2017). The extensive sanctions imposed on Russia after its full-scale invasion of Ukraine have further decreased, if not completely forestalled, the likelihood of (at least Western) investment inflows into TORs.

[4]Interview with local OPORA representatives, Vladivostok, 21 July 2021.

[5]Interview with private business consultant (anonymised), Vladivostok, 13 March 2021; interview with local representatives of business association OPORA, Vladivostok, 21 July 2021.

The same is true of China, whose companies fear Western secondary sanctions and are therefore reluctant to invest in TORs. Both Western and Chinese reluctance to invest has, in turn, reduced international competition for Russia's large business conglomerates and thereby increased their importance for the development of TORs.

Notwithstanding the breadth of economic sectors covered by TORs, at least according to official declarations, the bulk of investments has been directed towards projects related to the natural resource sector. A case in point is the TOR Bol'shoi Kamen' in Primor'e. Whereas the zone officially specialises in shipbuilding and logistics, it is deeply embedded in and dependent on natural resource exploitation. Economic activity around the zone is structured around the shipbuilding yard Zvezda, which has been modernised under the supervision of a consortium headed by Rosneft, one of Russia's leading energy corporations (Fortescue 2020). CEO Igor Sechin has been one of Putin's closest cronies since the 1990s. The yard has been producing liquefied natural gas (LNG) tankers and ice-breakers for Russia's large energy corporations. It is of particular importance for the so-called Northern Sea Route (NSR), which the Russian state elite is hoping to transform into a major global transit shipping route, a hope that has also been dashed by Russia's decoupling from the Western parts of the global economy after 2022. In practice, the organisation of the TOR Bol'shoi Kamen' resembles a pyramid headed by Rosneft and Sechin. Almost all infrastructural or economic activities in the city, such as the construction of new residential buildings, roads and a new education centre, are directly connected to the Zvezda yard and carried out under the supervision of the Development Fund for the Russian Far East (*Fond razvitiya Dal'nego Vostoka*—DFRFE).[6] Other TORs, like Nikolaevsk in Yuzhnaya Yakutiya or Beringovskii in Chukotka, are likewise dominated by corporations specialised either in resource extraction (coal, aluminium, gold) or agriculture (fishing, plant breeding), with a handful of smaller investments in the basic refinement of these raw materials.

Rents are therefore not only generated by the extraction and export of natural resources. Building new housing, infrastructure or educational facilities in the RFE—as Sechin's Rosneft or Miller's Gazprom have been doing in Bol'shoi Kamen' or Vladivostok, for example—creates a new set of assets that are technically outside the natural resources sector. But they also allow rents to be extracted and re-appropriated by natural resource companies, either through large federal subsidies or through the creation of new regional or local monopolies. Neither mechanism is peculiar to Russia; they both speak to global processes of 'assetisation' and the re-emergence of rent in financialised capitalism (Langley 2021).

As a result, TORs reproduce the already dominant role of the natural resource sector, the largest rent-generating sector, with oil and gas rents alone accounting for more than 50% of the Russian budget. According to Yuri Trutnev, deputy prime minister and presidential envoy to the Far Eastern Federal District, TORs have been established 'wherever there is investment' (Eremenko 2018). This approach, however, entails the further monopolisation of economic activities in Russia, already skewed towards natural resource extraction. Most TORs are dominated by one or a few companies around which the zones' economic

[6]Author's observation, city of Bol'shoi Kamen', 10 August 2021.

activities are structured. It is striking, for example, that the corporation Gazprom Pererabotka in Blagoveshchensk has the largest aggregate assets amongst all TORs, accounting for 41% of the total assets of all companies. Looking at the overall picture:

> there is one dominant company in 11 TORs, two in eight TORs and three in three TORs. In 2019, 72% of the total revenue of the TORs was generated by 29 companies, and more than half was generated by just six leading companies … . The average revenue of these 29 companies in 2019 was R5.13 billion—8.7 times the average for all residents. The average revenue excluding the 29 companies was R177 million—30% of the average value for the TOR. That is, the average revenue of the dominant companies is 29 times the average value of all the others. (Sida & Kan 2021, p. 45)

Leading national state companies, such as Rosneft or Gazprom, whose subsidiaries have also made use of TORs, rarely show interest in the socioeconomic development of the region where a TOR is located. For example, the city administration of Bol'shoi Kamen' approached Sechin during one of his rare visits to the region, with a request for the construction of an educational centre. However, Rosneft, and Sechin in particular, showed no interest, prioritising a sufficient supply of workers and engineers at the Zvezda shipyard recruited from the larger region or other parts of Russia.[7] Referring to this non-competitive nature of local and regional economic spaces in Russia, which are dominated by companies such as Rosneft, Igor Artyomov, head of Russia's Federal Anti-Monopoly Agency, admitted in 2018 that he would call the situation in many regions 'economic feudalism'.[8]

It may be true that some TORs have been able to attract new companies. However, this has led to a deepening of regional unevenness in both the distribution of TOR-registered companies and growth rates of the zones (Sida & Kan 2021). Rather than fostering new industrial production and investments, TORs function as recycling facilities for rents accrued by monopolistic corporations in Russia's economy. By channelling rent without altering the underlying political economy of the region, TORs reproduce the structural heterogeneity of the Russian economy with its stark differences in levels of productivity, social infrastructure and incomes between and within regions and sectors (Lane 2013).

The national institutional management of rentierism

Specifically delimited economic spaces such as Far Eastern SEZs are embedded in an institutional framework that is shot through with politics. A set of national 'development institutions' (*instituty razvitiya*, DIs) has been managing Russia's economic and regional policies, including TORs, since the mid-2000s. DIs have been set up to stimulate innovation, diversify and modernise the Russian economy, and to help businesses find

[7]Interview and tour over the Zvezda shipbuilding yard with Aleksandr Andryukhin (mayor of Bol'shoi Kamen') and Evgeniy Shapilov (financial deputy of Bol'shoi Kamen'), Bol'shoi Kamen', 10 August 2021.

[8]'Rukovoditel' FAS: "Situatsiyu vo mnogikh regionakh ya vy nazval ekonomicheskim feodalizmom"', *Vedomosti*, 28 November 2018, available at: https://www.vedomosti.ru/economics/articles/2018/11/30/787794-rukovoditel-fas, accessed 13 September 2021.

export markets (Sablin 2019, pp. 367–68).[9] They constitute the institutional transmission belts by which the Russian state seeks to stabilise and facilitate the transition process from rent-seeking to profit-making corporate activities. The management of TORs, for example, has been carried out by the FEDC, which is in charge of managing resident companies in the zones. TORs can be considered part of a set of regionally orientated DIs, such as the Far East and Arctic Development Fund (*Fond razvitiya Dal'nego Vostoka i Arktiki*—FEDF), the Far East Investment and Export Agency (*Agentstvo Dal'nego Vostoka po privlecheniyu investitsiy i podderzhke eksporta*—FEIEA) and the Agency for the Development of Human Capital in the Far East (*Agentstvo po razvitiyu chelovecheskogo kapitala na Dal'nem Vostoke*—ADHCFE). Other DIs such as Rosnano and VEB.RF (formerly Vneshekonombank), a multi-billion development bank and corporation, in contrast, are not confined to a specific region but finance infrastructure and economic projects across Russia.

A striking characteristic of Russia's DIs is the political enrolment of large corporations to implement centrally controlled development projects. DIs are, therefore, not a mere regulatory framework for private business activities; nor are they an engine for direct state action in constructing infrastructure or operating businesses. Rather, the 'developmental strategies of the government open the possibility of regarding subsidies and politicised ownership transfers as concessions in ongoing and reciprocal bargains that also involve continuous and binding obligations by the beneficiaries' (Wengle 2012, p. 103). They work to ensure the domination of the Russian economy by large corporate monopolies and their patronal leaders, and obstruct a more even and diversified regional economic playing field, in the process stabilising the uneven management of rents. Three contradictions, in particular, have characterised this institutional setting.

First, the pivotal role of SOEs and large private corporations as the executing arms of the DIs mirrors patterns prevalent in Russia's broader economic trajectory, namely a tendency towards monopolies, the corrupt siphoning off of financial resources, and the decreasing profitability of anything other than big business. One indicator of the detrimental impact of the DIs on the wider economy is the US$3.3 billion of budget funds allocated annually for their maintenance (Tkachëv & Starostina 2020). The Russian Accounts Chamber even claimed in 2017 that DIs caused economic 'damage' estimated at US$66 billion over the course of their lifespan.[10] Moreover, there is no sign that the regions subjected to DI treatment could substantially improve their socioeconomic fundamentals. Even if the very creation of DIs is already seen as a success, economic growth has not materialised (Libman & Yakovlev 2021, p. 1145). On the contrary, competition tends to be crowded out where the footprint of DIs has been most pronounced, further nurturing rent extraction due to market concentration (Inozemtsev 2020).

Second, and more fundamentally, DIs such as the FEDC do not have sufficient legislative and administrative leverage to adequately convey the needs of corporate actors to bureaucratic state structures (Spivak 2019). As shown in the case of TORs, before

[9]See Simachev *et al*. (2012) for an overview of the changes of the DI framework.

[10]'Schetnaya palata: V institutakh razvitiya i goskorporatsiyakh rastvorilos' 5 trillionov rublei', *finanz.ru*, 5 June 2017, available at: https://www.finanz.ru/novosti/aktsii/schetnaya-palata-v-institutakh-razvitiya-i-goskorporaciyakh-rastvorilos-5-trillionov-rubley-1002066628, accessed 10 May 2022.

corporations are registered, they engage in preliminary bargaining with federal agencies over their planned activities and investment volumes, and the number of jobs they will create (Sosnovskikh 2019, p. 15). These negotiations include the readiness of the future resident and the regional authorities to complement state funding with their own investments in infrastructure. While on the surface, Russia's DIs, especially the younger institutions such as the Ministry for the Development of the Russian Far East and the Arctic and accompanying investment agencies, seem to speak to the 'modern' patterns of state–business interactions seen in advanced capitalist countries,[11] they have a built-in bias towards large and well-networked corporations: only the latter can pull off the necessary additional infrastructure investment and utilise their institutional networking capital. For SMEs and foreign corporations, the dependence of TORs on anchor corporations spells political volatility and entails risks for potential 'sunk costs' (Min & Kang 2018, p. 68). Furthermore, DIs face a trade-off between institutional links with the development aspirations of the Moscow state elites and the economic realities of 'backward' regions. On the one hand, DIs manage to secure funding only by relying on actors well-connected to the Russian state elite in Moscow, where the decisive political conflicts are fought out. On the other, they need to bring in regional expertise and actors with stakes in local development processes (Libman & Yakovlev 2021).

Third, DIs as formal institutions are permeated by informal, patronalist power relations, with sub-patrons occupying crucial regional positions of power. In turn, they are primarily interested in maintaining power and extracting rents, not in regional development. The anchor corporations in TORs, for instance, are dominated by well-connected sub-patrons who are sensitive to geopolitical junctures and Putin's foreign policy preferences. Such sensitivities inflict an *ad hoc*-ness and political contingency to the working of DIs, undermining the general predictability of economic policy-making and rendering additional investment by smaller corporations a risky endeavour (Simachev *et al*. 2012, p. 432). As illustrated by Rosneft's dominant position in the TOR Bol'shoi Kamen', economic activities tend to be structured around the interests of anchor corporations, which often diverge from those of local stakeholders. In Bol'shoi Kamen', DIs help build housing for the workers of the Zvezda shipyard, which is under the auspices of Rosneft, but they have failed to create deeper catalysts for growth in the region.

The recent restructuring of Russia's DIs matched and intensified these patterns, particularly the role of sectoral monopolies. In November 2020, the Russian Prime Minister, Mikhail Mishustin, was tasked with overhauling the country's DIs, labelled as an 'optimisation' (*optimizatsiya*), to fulfil the national development goals set by Putin (Gordeyev 2020). The resultant reform abolished eight DIs and integrated them into other agencies. The restructuring stipulated a further centralisation of the institutions in charge of crafting and supporting economic policy-making. This newly created, centralised investment bloc is managed by VEB.RF, a powerful state structure headed by Igor Shuvalov, another of Putin's powerful sub-patrons. On top of its current

[11]Interview with Vasilii Ruslanovich Grebennikov (resident in the FPV, Southern Primor'e), Vladivostok, 11 August 2021.

responsibilities, VEB.RF oversees the SME Corporation, the Russian Export Centre, EXIAR, Rosnano, Skolkovo, the Foundation for Assistance to Small Innovative Enterprises in Science and Technology, the Infrastructure and Educational Programme Fund and the Industry Development Fund. Several smaller agencies were merged, creating new overarching structures such as the Unified Leasing Company, the Universal Bank, Housing and Public Utilities Reform Assistance Fund, the Russian Science Foundation and the Russian Direct Investment Fund. Strategically important corporations such as Rosatom, Roscosmos, Rostec, Rosavtodor, Rosagroleasing, Rosselkhozbank, the Deposit Insurance Agency, the Russian Environmental Operator, DOM.RF, the Far East Development Corporation and the North Caucasus Development Corporation were left untouched. As a consequence of these reforms, the sectoral monopolies were strengthened (Inozemtsev 2020).

Despite the streamlining of institutional procedures and cost reductions that came with the restructuring, the pivotal change written into the reform is twofold: institutional centralisation and *de facto* personalisation (in the form of Shuvalov's VEB.RF) of Russia's DIs. These institutional changes indicate the state's fear of losing control over the management of rents under conditions of stagnation prevailing since 2014. Given that VEB.RF made US$8.1 billion in losses between 2015 and 2020, it is unlikely that its reinvigorated and crucial position amongst the DIs was secured by its performance (Inozemtsev 2020). This is part of a trend that was already apparent before the 2020–2021 restructuring: DIs are increasingly expected to support megaprojects—that is, selective large-scale infrastructural projects with significant symbolic impact rather than structural socioeconomic transformation—for which their financial resource base has been massively deepened (Simachev *et al*. 2012, p. 423). While this trend has not led to better development outcomes, it has allowed rents to be siphoned off (Markus 2017, p. 27).

Notwithstanding their strident pro-growth rhetoric and the framing of recent reforms under the slogan of simple *optimizatsiya*, the mode of development promoted by DIs is structurally dependent on a class of rentiers who do not facilitate patterns of competitive profit-making but whose very mode of doing business revolves around the appropriation, control and distribution of rents. They rhetorically endorse the transformation of the Russian economy towards investment, growth and innovation but fail to deliver, due to both patronal power structures crisscrossing the established agencies (Sablin 2019) and the harmful macroeconomic conditions required by such reform. Consequently, for companies, doing business is critically dependent on access to state resources, even more so against the background of absent economic growth and, thus, market-based opportunities for profit-making since the early 2010s. The setup of Russia's DIs, therefore, deepens and reproduces the problems of an abysmal business environment and the insecurity of property rights. Both factors have already caused massive capital outflows from post-Soviet Russia ever since the 1990s (Novokmet *et al*. 2018), a trend that the DIs have not yet been able to reverse. This absence of economic conditions conducive to growth, both 'on the ground' in economic spaces such as the TORs as well as institutionally, is further entrenched in a macroeconomic framework deliberately upheld by the Russian state's economic bloc.

The macroeconomics of stagnation

The dynamics of regional capitalist 'breakthrough' strategies and Russia's DIs are closely intertwined with broader macroeconomic conditions. The macroeconomic environment is not simply the result of market forces but is consciously shaped by a small yet powerful coalition within the Russian state elite. While high rents accruing to the large corporations that dominate TORs allow the monopolists of Russia's economy to survive regardless of the macroeconomic situation, SMEs, whether registered in TORs or not, need access to financial resources and sufficient demand for their products and services (Dzarasov 2010). To their detriment, however, the distinct macroeconomic framework of Putinism has systemically undermined the conditions that SMEs need to thrive.

In recent years, the macroeconomics of Putinism have been hailed as prudent (Drobyshevsky *et al*. 2018; Dabrowski & Collin 2019). Similar assessments have been heavily influenced by the Russian Central Bank's (*Tsentral'nyi bank Rossiiskoi Federatsii*—CBR) crisis-fighting during the double wave of Western sanctions in 2014 and 2022 and plummeting global commodity prices since 2014. However, such salutary assessments miss how Russia's macroeconomic regime has contributed to the salience of rent-seeking in the economy by shrinking the markets necessary for profit-seeking. Two mechanisms, in particular, have amplified this tendency: a political preference for tight fiscal and monetary policies and a geopolitically motivated inclination to hoard. Both, in conjunction with the aforementioned flawed regional economic policies and institutional setting, constitute 'the pillars of Putinomics … conducive to political control but not to economic growth' (Miller 2018, p. xv). The low dynamism and rent-perpetuating nature of breakthrough industrial policies such as TORs need to be understood against the backdrop of these restrictive fiscal policies, impeding the emergence of an environment conducive to profit-making. Both the tax breaks and the promised cutting of red tape offered by TORs have proven ill-suited to overcoming the constraints of the overall macroeconomic setting. In contrast, taken together, macroeconomic conditions, policies like TORs, and flawed DIs reproduce rentierist stagnation.

Russia's fiscal and monetary framework is managed by a technocratic bloc within the Russian state elite. Under the stewardship of Anton Siluanov, minister of finance since 2011, Russia's fiscal policies have remained conservative, that is, focused on minimising debt, bringing down inflation, consolidating and balancing budgets, and increasing the country's currency reserves. These preferences are deeply embedded in a thought collective that derives its thinking from neoclassical and monetarist economics, particularly as it was taught and practised throughout the 1980s and 1990s. While the CBR has indeed been successful in managing the crisis since 2014, fiscal policies have remained surprisingly inflexible. This has led to regular conflicts between two elite factions: on the one hand, a more proactive developmental coalition, consisting of intellectuals and consultants such as Sergey Glazyev, who are mostly based outside formal state institutions such as the DIs and lobby for more state intervention and spending, and, on the other hand, the Ministry of Finance (MoF) and the CBR, upholding balanced budgets and financial restraint (Bluhm & Varga 2019, p. 11). Despite a fall in capital investments since 2013 and the widely acknowledged need for higher levels of investment in infrastructure, research and development, and industrial upgrading

(Berezinskaya 2017), both the MoF and the CBR have consistently prioritised keeping inflation low and stabilising prices by employing tight monetary policies, against the interests of large parts of the export sector, the manufacturing industry and pro-developmentalist economists outside of state structures (Miller 2018, pp. 70–1). At the same time, the Russian state has favoured budget discipline over debt-based investments, even though central government debt as a share of GDP has not surpassed 20% since 2004, an outstandingly low figure for an advanced economy of Russia's size.[12]

As a result, instead of providing the fiscal and monetary means to invest in infrastructure, education or production, this framework has incentivised corporate strategies seeking to secure regional or sectoral shares of a stagnant national pie. Even though the 2000s saw a massive influx of oil and gas rents and steadily increasing fixed capital investments, this trajectory could not be sustained. In fact, compared to other countries, Russia's investment rate has been meagre since the 1990s. Throughout the 2000s, at a time of enormous fiscal capacity due to commodity revenue windfalls, 'gross capital formation (as percentage of GDP) of the economy has never exceeded 26 per cent, and in 2014 it stood at 21.4—below the world average of 23.3 per cent' (Min & Kang 2018, p. 52).

The self-imposed restraint on investment has seriously curtailed the developmental projects of the Russian state, particularly those in the RFE. After the brief momentum generated by an infrastructure push prior to the APEC Summit in Vladivostok in 2012 had waned, the RFE's economic trajectory remained bleak. True, President Putin declared that the 'development of the RFE' would be a 'national priority for the entire twenty-first century' (Putin 2013). Yet, besides isolated large-scale energy infrastructure investments, such as the Eastern Siberia–Pacific Ocean 2 (ESPO 2) oil pipeline or the Ulak–Elga railway, investment in the region has declined, with megaprojects only producing minor, regionally limited and temporary multiplier effects for local corporations or SMEs.[13] The tight fiscal and monetary policies have been particularly limiting for smaller Russian companies, who face tight credit conditions and high capital costs. Domestically, politically motivated monetary policies have led to high interest rates on loans. Internationally, borrowing has become increasingly difficult and expensive as a result of Western financial sanctions since the annexation of Crimea (Min & Kang 2018, p. 53). While the RFE's natural resource sector, with a proportionally high rate of investment, partly drives the development of downstream industrial production, the manufacturing sector nevertheless suffers from a massive lack of investment. Moreover, the region is plagued by low consumption levels, declining real wages and the propensity of private households to save (Min & Kang 2018, pp. 53–4).

While the thought collective holding together Russia's macroeconomic conservatism derives its ideological tenets from currents that can be found in other countries as well (Glaz'yev 2015), there is a distinctive geopolitical dimension to the macroeconomics of Russian rentierism. At least since Putin's aggressive speech at the Munich Security Conference in 2007, geopolitics has occupied the imagination of the Russian state elite to

[12]'Central Government Debt, Total Per Cent of GDP—Russian Federation', World Bank Data, available at: https://data.worldbank.org/indicator/GC.DOD.TOTL.GD.ZS?locations=RU, accessed 20 February 2022.

[13]Interview with local business representative in Vladivostok (anonymised), Vladivostok, 14 July 2021.

such a degree that it overshadows other imperatives, such as global integration or domestic socioeconomic development. In practice, this has led to a propensity to hoard the rents obtained from natural resource exports. In contrast to 'capitalist' hoarding during economic crises, 'threat'-induced hoarding in Russia is politically mandatory, serving geopolitical ends. The resulting mode of accumulation is enforced by prioritising and enforcing stability and perceived 'economic sovereignty' over dynamic investment and spending in productive capacities. The primary example of this preference is Russia's foreign currency reserves. As of September 2021, Russia holds the world's fifth-largest gold and currency reserves, amounting to US$615.6 billion.[14] Russia's Stabilisation Fund is a case in point of how fiscal conservatism and geopolitically motivated hoarding translates into rentierism. This hybrid body blends monetarist and neoliberal ideas, on the one hand, and Soviet practices of inter-sector resource transfers (rent-channelling), on the other (Dabrowska & Zweynert 2015). The Stabilisation Fund, later supplemented by the Reserve Fund and the National Welfare Fund, exemplifies a hoarding mentality, in so far as it has accumulated huge 'unused' reserves.[15] After the full-scale invasion of Ukraine in February 2022, perhaps to the surprise of Putin and Russia's state elite—both underestimating how far Western governments were willing to go, based on the relatively mild reactions after the annexation of Crimean in 2014—Russia's reserves were largely frozen, further depriving the economy of financial resources. Before 2022, the technocratic bloc advocating for fiscal restraint and the close circle of geopolitically minded security hawks surrounding Putin were forged together by a perceived 'link between financial stability and political stability' (Miller 2018, p. 78). This unlikely coalition was ideologically a highly contradictory coalition. The domestic consequences of the war against Ukraine for Russia's economy have led to more experiments and a looser fiscal policy: while geopolitics still trumps the pursuit of broad socioeconomic development, the new context requires to rethink the neoclassical orthodoxy of the MoF and the CBR.

Russia's 2021 National Security Strategy testifies to and inscribes geopolitics and perceived security needs into Russia's national developmental regime.[16] In a geopolitical environment characterised by the proliferation of sanctions as a tool of economic statecraft, issues such as world commodity prices, the acquisition and production of new technologies, and economic crisis-fighting are treated by the Russian state elite as aspects of geopolitical strategy. The increasing politicisation of economic issues *vis-à-vis* Russia and China by other players in the global political economy, especially the United States, has undoubtedly contributed to Russia crafting a security paradigm that seeks to blame economic stagnation on the malign intent of foreign powers.

Domestic stability at the cost of economic stagnation is therefore a political choice (see also Yakov Feygin's essay in this special issue)—informed by a preference for geopolitical

[14]'Russia's Gold and FX Reserves Hit Record High After IMF Transfer', *Reuters*, 2 September 2021, available at: https://www.reuters.com/article/russia-reserves-idUSL1N2Q416S, accessed 6 September 2021.

[15]'Putin zapretil tratit' FNB', *finanz.ru*, 29 November 2021, available at: https://www.finanz.ru/novosti/valyuty/putin-zapretil-tratit-fnb-1031008373, accessed 17 January 2022.

[16]'O Strategii natsional'noi bezopasnosti Rossiiskoi Federatsii', Ukaz Prezidenta Rossiiskoi Federatsii, 2021.

competition. At the same time, the Russian state has been trying to selectively stimulate economic activity by actively facilitating and encouraging politically motivated investments through the big players of Russia's economy; for example, Rosneft in the case of the Zvezda shipyard. Such investment is institutionally embedded in the form of the TOR's anchor corporations. However, this approach to investment only serves to increase domestic costs and creates 'a new class of rentiers living off of state resources and intervention' (Birman-Trickett 2021).

From this perspective, the creation of both internal and external threats must be understood as a mode of generating, securing and increasing access to rents (Kordonskiy 2007). As a result, Putinism has seen the emergence of a few large rentierist corporations that rely on the securitised framework of the state to dominate markets, offset competition and thus maintain their value as political instruments for the Russian state. This framework can go hand-in-hand with relatively high levels of investment, as during Putin's first two presidential terms when Russia experienced relatively high GDP growth rates of about 7% per annum. Such growth rates were contingent on extraordinarily high global commodity prices and vast inflows of rents obtained through commodity exports. The temporally limited growth dynamics of the modern Russian economy, including the profits earned in more competitive sectors, are a function of rent supply (Gaddy & Ickes 2005). Consequently, throughout the post-Soviet period (1991–2020), Russia 'grew' at an average rate of only about 0.9%, a *de facto* permanent state of stagnation.[17] Yet, prolonged and aggregate stagnation is precisely the opposite of what capitalist growth dynamics have entailed historically (Joffe 2011). In the case of Russia, it is the result of a largely non-capitalist political economy that has failed to break out of a regressive management of rents.

Conclusion

This essay has argued that patterns of rent management in late Putinism are pervasive within industries, institutions and macroeconomic policies. By using the methodological lens of upscaling, I have traced how social relations based on rents have been generalised across multiple levels, thus moving beyond understanding rent as merely being the income of individual rent-seeking elites. Rents, be they extracted through commodity exports, market imperfections, monopolies, the control of assets or sheer violence, constitute not only individual incomes for rent-seeking elites but a systemic feature of Russia's broader developmental regime as well. The establishment of TORs since 2014, with the ultimate aim of transferring this new SEZ model to other Russian regions, was intended to strengthen the socioeconomic development of the RFE and deepen economic integration with Pacific Asia, where, in the second half of the twentieth century, some states successfully used SEZs to bring about capitalist growth trajectories. Alongside the institutional enlistment of large corporations tied as sub-patrons and clients to the highest echelons of the Russian state elite and deliberately generated macroeconomic conditions

[17]'Annual GDP Growth in Per Cent—Russian Federation', World Bank Data, available at: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=RU, accessed 20 February 2022.

detrimental to productive investments, TORs have reproduced Russia's rentierist trajectory rather than creating conditions that allow economic actors to embark on a sustained path of investment-based profit-making.

Two historically contingent factors have reinforced the failure of broader capitalist breakthroughs in post-Soviet Russia. First, a faction of the current state elite in charge of economic policy-making was educated and socialised during the neoliberal heydays of monetarism and fiscal conservativism in the 1980s and 1990s, credentials ill-suited to a developmentalist agenda. That said, critical research on neoliberal reforms in post-Soviet countries has shown that radical market reforms in post-Soviet societies have further entrenched the logic of rent in post-Soviet societies (Sanghera & Satybaldieva 2020), as opening up markets under conditions of extreme political and economic inequality has favoured the already powerful. As a result, even though post-Soviet societies were 'overwhelmed by the global tsunami of neoliberal capitalism' (Ganev 2015, p. 441), the latter's transformative efficacy—from patterns of rent-seeking to patterns of profit-making—has been limited.

Second, the salience of perceived security risks for the Russian state elite, on the rise since the late 1990s and culminating in the Russian invasion of Ukraine in 2022, led to the securitisation and unmediated political grip over economic decision-making, with the attendant urge to stick to self-imposed fiscal and monetarist restraints. Adjusting the Russian economy to unprecedented Western sanctions imposed in the wake of the Kremlin's war of aggression against Ukraine will only intensify political intrusion and resource allocation amidst the new normal of interrupted supply chains, a dearth of both funding and demand, and desired geopolitical resilience. Unequivocal political warnings, such as that issued by the secretary of the Russian Security Council, Nikolai Patrushev, in April 2022 that 'the preoccupation of our entrepreneurs, who come from that era [the 1990s], with market mechanisms alone, without taking into account the specifics of our country, is a risk factor' (Egorov 2022), signal the future course of the Russian political elite and herald the further (geo)political subordination of entrepreneurial activity through the expansion of the rentierist *modus operandi* seen in the past decade. Apart from the military–industrial complex, there will be few beneficiaries of this apparently resilient yet regressive consolidation of rentierism.

Making qualitative statements about the systemic nature of Russian capitalism from the individual and quantitative experience of the single individual or firm (for example, a TOR-registered company), is methodologically problematic: the relationships corporate actors enter, the strategies of reproduction they pursue and the political-economic dynamics under which they operate cannot be inferred from their self-perception as capitalist entrepreneurs driven by the profit motive. Instead, grasping the systemic implications of rent in Russia requires moving beyond the established microeconomic conceptual tenets of the rent-seeking and commodity rents paradigms. From the perspective of a single firm, there is no difference between profit and rent, as every financial surplus appears as individual surplus. Therefore, 'a dividing line between profit and rent can be fuzzy at the level of individual hybrid enterprises … but the contradiction is significant at a system level, with rent being a deadweight cost on the economy' (Sanghera & Satybaldieva 2020, p. 510). This essay attempts to make the distinction between profit and rent at the macro-level in order to arrive at a systemic perspective.

The methodological lens of upscaling renders these systemic implications of rent conceptually visible and empirically tangible by showing that rentierist patterns have been reproduced along regional industrial, national institutional and macroeconomic scales.

All this is not to deny that there are scripts at work in modern Russia from the well-known capitalist repertoire. In fact, two examples discussed in this essay—the adherence of the elite bloc in charge of Russia's fiscal and monetary policies to global standards of 'good economic governance' in its neoliberal form and the introduction of SEZs as a developmental instrument praised worldwide—can be understood as the means by which modern Russia has been integrated into global capitalism.

However, 'to be of capitalism is not the same as being a capitalist society' (Delacroix 1980, p. 8). More caution is, therefore, in order before subsuming other modes of political-economic organisation to the systemic logics of capitalism (Burawoy 2001). This essay has suggested conceiving of this other mode as rentierism, an order based on the—ultimately stagnant—recycling of rents, in contrast to the state-permeated, transformative and 'pecuniary process of forward-looking valuation' of capital at the heart of capitalism (Levy 2017). Hence, one should be cautious about characterising Russia's developmental trajectory in the twenty-first century as capitalist, no matter the attached adjectives. This conclusion resonates with those strands of the scholarly literature uncomfortable with the embrace of capitalist realism in post-Soviet studies. Critics of this kind emphasise the extractivist (Kotz 2002), neo-feudal (Shlapentokh & Woods 2007), estate-based (Kordonskiy 2007; Mart'yanov 2016), patronalist (Hale 2015) or, recently, rentierist (Aligica & Tarko 2012; Fishman *et al*. 2019) fabric of modern Russia, rendering the notion of a capitalist political economy both a categorical misnomer and empirically misleading. During late Putinism, a non-transformative developmental regime has emerged, capable of modernisation albeit highly fragmented and uneven, yet incapable of systemically restructuring the political management of rents into the state-mediated and sustained facilitation of capitalist profits.

In contrast to the recent wave of theorists who have classified Russia as 'state capitalist' (Alami & Dixon 2020), this essay has refrained from assuming capitalist fundamentals for the Russian case. The finding of Russian rentierism suggests that scholars of Russia's transition after the Soviet demise and the consolidation of its political economy under Putin should not take for granted the capitalist realism implicit in extant accounts.

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