

# INTRODUCTION



**H**ow should we understand the state? This question has been widely addressed in reference to Western countries but considerably less so in many other parts of the world. At first glance, Kyrgyzstan, a small mountainous country of beguiling beauty bordering China in post-Soviet Central Asia, has created institutions and organizations that are consistent with international concepts of modern statehood and the formal trappings of industrialized democracies.<sup>1</sup> The country has generally been given a favorable assessment regarding market economic reforms, political liberalization, and the extensiveness of the legal framework.<sup>2</sup> A visitor to the capital city, Bishkek, is likely to get a similar impression. Everything is there: a government house, a national parliament, various ministries and administrative buildings; policemen in uniforms patrol the streets, tax officials ensure that businesses pay their taxes, judges settle legal disputes, and the capital abounds with government officials carrying briefcases as they rush to meetings.

Yet what is observable on the surface in Kyrgyzstan is deceptive, and beneath the veneer the reality is quite different. In January 2012 Kyrgyzstan's newly elected President Almazbek Atambaev asked these rhetorical questions: "How could politicians and those who have worked all their lives in the government become dollar millionaires? From where did they

get these millions?”<sup>3</sup> Several years earlier, a former minister claimed that there is no legislative branch in the country, for it is a club for business executives.<sup>4</sup> A former customs official said: “I sold my car so I could buy a position in the customs service.”<sup>5</sup> Finally, a legal expert claimed that the bulk of prison inmates in Kyrgyzstan are people who could not afford to buy justice.<sup>6</sup>

This description is supported in cross-country surveys conducted by international organizations as well as locally prepared opinion polls, in which the country has repeatedly been singled out for inefficient governance and extraordinarily high levels of political and administrative corruption. In Transparency International’s Corruption Perceptions Index, Kyrgyzstan has consistently ranked among the most corrupt countries in the world.<sup>7</sup> In the 2013 World Bank-European Bank for Reconstruction and Development (EBRD) Business Environment and Enterprise Performance Survey (BEEPS), Kyrgyz entrepreneurs reported that while the general business climate has improved in the last years, corruption remains a key problem that is even worsening in some respects.<sup>8</sup> Consistent with this statement, 72 percent of citizens interviewed in the 2012 National Opinion Poll considered corruption a very big problem for the country.<sup>9</sup>

Thus we have a contradictory picture of formal and informal institutions forming the state in post-Soviet Kyrgyzstan, at the heart of which are practices signaling a thoroughly corrupt state. Corruption, usually defined as “the misuse of public power for private gain” has attracted increasing attention among students of post-Soviet political developments, although not until the late 1990s.<sup>10</sup> Until then, the focus was on dismantling the old communist system and introducing the institutions needed to build democracy and free markets.<sup>11</sup> As democratization stalled and market reforms failed to achieve the expected efficiency gains, many observers of post-Soviet Eurasia identified public corruption as the main culprit.<sup>12</sup>

It has been popular to apply medical metaphors of disease, such as the “cancer of corruption,” to the phenomenon.<sup>13</sup> Whereas the description of corruption as analogous to a sickness is widespread, opinions differ regarding the remedies needed to cure a state affected by pervasive corruption.<sup>14</sup> Yet in Kyrgyzstan rampant corruption is more than a tumor on the state body that can be excised and removed.<sup>15</sup> Rather than pursuing the widespread medical metaphor, it is worth considering how practices normally identified as corrupt are used to order relations between individuals in society. From this perspective, it is necessary to rethink the conventional approach to corruption as a phenomenon that is essentially the same ev-

erywhere. In a thoroughly corrupt state like Kyrgyzstan, corrupt practices cannot be understood as violations of universal rules, for they connote a distinct mode of social organization.<sup>16</sup>

The economist Richard Pomfret rightly points out that while scholars have argued that corruption and poor governance negated promised reforms in Kyrgyzstan, the nature of the poor institutions and the logic of the corrupt order were often unidentified. Therefore this observation was not always of analytical value.<sup>17</sup> The puzzle may appear to be a question of why these practices persist and inhibit the development of institutional arrangements with a proven record of being fairer and more efficient.<sup>18</sup> But the reality is that the real lacuna is the absence of explanation for commonplace behaviors such as graft, the sale of offices, and rent seeking in most of the world's states.<sup>19</sup> Avner Greif succinctly captures the essence of this problem: "It is useful to find out that corruption reduces investment, for example, but this finding does not reveal what motivates and enables people to behave in a corrupt manner."<sup>20</sup> To understand why corruption is so integral to the organization of the Kyrgyzstani state and similar post-Soviet states, the issue must be approached in terms of presence and efficacy—how it works as an alternative system serving to keep the state together rather than in terms of absence and inefficacy—of dysfunctional behavior and as a distortion of the formal rules and institutions.

Even though the interplay between formal and informal institutions has become an increasingly vibrant field of research, the bulk of the literature nonetheless assumes particular formal functions of the state rather than acknowledging the analytically prior question of how the state is constituted.<sup>21</sup> What is often missing from this approach is a careful consideration of the specific nature of the informal order identified as being at odds with and undermining formal rules and procedures. In many countries, including in post-Soviet Eurasia, the introduction of new formal institutions did not lead to the elimination of informal institutions and alternative modes of governance.<sup>22</sup> Thus history does not seem to be efficient in the sense that inferior alternatives are weeded out—as modernization theory tends to make us believe.<sup>23</sup> In short, abandoning functional prerequisites of ideal state behavior seems to be a necessary first step to understanding the real alternative methods of political organization.<sup>24</sup> In pursuing this argument, the major task is to specify and develop a theoretical framework that enables us to see the true nature of the state in post-Soviet Kyrgyzstan, not as an anomaly from the modern Western state but on its own terms. This analytical focus opens up for investigation potential "differences in kind

rather than in terms of more-or-less.”<sup>25</sup> An explicit focus on how the state is constituted should also provide us with a toolbox that helps us analyze why this state has developed, performed, and changed in a distinct manner.<sup>26</sup> Above all, we should ask: what type of state has emerged in post-Soviet Kyrgyzstan, and what kind of theoretical framework must we develop to understand its organization, behavior, and performance?

## THE “INVESTMENT-MARKET-STATE” FRAMEWORK

To specify the nature of the post-Soviet state in Kyrgyzstan, this book launches a new conceptual framework for interpreting political and bureaucratic organization. The essential logic of operation is discernible if the state is recast as a kind of investment market: would-be officials invest in officialdom, expecting to make a return on their initial investment.<sup>27</sup> Despite the rapid infusion of money into the postcommunist countries in Eurasia, and the explosion of pecuniary corruption along with it, there has yet been no comprehensive study of job buying. A few studies have noticed the practice but only in passing.<sup>28</sup> Moreover, although the literature has extensively documented the attention paid by elites in postcommunist societies to the economic assets of the state and rigged privatizations, scholars have devoted little time to examining cases in which political and administrative offices, resources, and services turn into “marketable” assets.<sup>29</sup>

Before I briefly outline the main components of this model, I should qualify the analogy to an investment market. First, the marketplace is not transparent with a formalized market price open to anyone from the outside by means of payment. A critical dimension in the system is the importance of reciprocity and trust, narrowing down the potential number of “buyers.” Moreover, a “purchased” office does not approximate real private property ownership rights. Office holders can be removed at the vagaries of their superiors and do not have individual rights to sell their positions.

There are several steps in building up the framework I set out for thinking about the state. The first step is how individuals are granted access to the market. In conventional parlance this refers to perhaps the most fundamental aspect of state organization, namely how personnel are recruited. Since the market in public offices is reciprocal with continuing relationships rather than a one-shot transaction, offices are not sold openly in an auction market to the highest bidder. Personal connections are normally required in order to facilitate the trust and reciprocity of the

exchange. This payment represents more than a simple bribe, for it actually constitutes a form of investment. Rather than securing a single service, as would be the case with a bribe, would-be officials invest to gain access to a stream of income associated with an office.<sup>30</sup> Second, individuals invest in public offices in order to utilize the authority, mandate, resources, and brand name of the state to collect various forms of rents. A parallel to licensing within a franchise system indicates the logic: the right to collect informal proceeds is granted to individuals in return for loyalty (regular informal payments) to superiors. In this system, the reach of the state is considerable, as alternative markets for enrichment are subordinated to the state and poorly functioning. In short, the state acts as the most reliable post-Soviet market where economic actors can invest and expect a reasonable return (in the form of rents). Third, the abundance of pecuniary corruption in Kyrgyzstan represents standardized, entrenched, and predictable norms of behavior in this type of state. Although the scale of the returns as well as the methods employed to collect these naturally vary depending on the level of the state hierarchy, they nonetheless represent variations on the general theme of officials striving to make returns on their investments. Finally, when the rent-seeking opportunities generated by this system are increasingly concentrated in the hands of a narrow elite, the likelihood of failure increases, as those cut off may revert to subversive activities. To illustrate these points, I apply this framework to Kyrgyzstan's recurrent episodes of political instability.

## WHY KYRGYZSTAN, WHY STATE BUILDING?

The transformation of the state and its relationship to society in Kyrgyzstan as well as the particular region of Central Asia to which it belongs stand out in comparative perspective as extraordinarily interesting empirical areas for inquiring about state formation and state building in a distinct postcommunist context. Prior to the collapse of the Soviet Union in 1991, Kyrgyzstan had never existed as an independent state. Historically, the Kyrgyz were a nomadic people with traditional political and social associations based on the family, the clan, or the tribe.<sup>31</sup> Any state institutions that existed on land inhabited by the Kyrgyz people had been externally imposed following foreign conquest. Thus, we are confronting not only one particular case of postcommunist state building but a state that in contrast to the postcommunist states in Central and Eastern Europe, and some former Soviet republics, had no previous history of independent statehood.

The Central Asian republics were also the union republics that to the highest degree were ascribed a peripheral role in the Soviet system. Economically and politically, the region existed to deliver goods defined by the center in Moscow.<sup>32</sup> As a result of this legacy, aspects of postcolonialism in Central Asia arguably apply in addition to postcommunism.

In comparison to the republics in the Baltic or the Caucasus where independence movements formed in the 1980s, no such popular mobilization took place in Central Asia. Nor did the political elites in the region raise any demands for independence. For Kyrgyzstan, the collapse of the Soviet Union was at best unexpected.<sup>33</sup> At worst, and according to a Kyrgyz minister in the early 1990s, it resulted in “independence that no one wanted.”<sup>34</sup> Whereas the Central Asian republics possessed state-like attributes such as ministries and a vast bureaucracy at the republican and local levels, national flags and a demarcated territory, the economic, military, and political infrastructure of the Central Asian republics, as with all former Soviet republics, had been connected to Moscow. Kyrgyzstan’s first president, Askar Akaev (1990–2005), described the daunting challenges facing the country in the early 1990s: “The empire has collapsed, yet sovereign and independent states have not been established. We are dealing with a far more important phenomenon than it may appear. This is probably the greatest political, social, and economic reorganization of the 20th century.”<sup>35</sup>

Among the Central Asian states, Kyrgyzstan stands out as a particularly intriguing case. It was seen as a model country embarking on a rapid path of modernization influenced by the West. This progressive move was met with much enthusiasm, only to end up in disappointment as the country reversed toward authoritarianism. Optimism has resurfaced twice, following the “revolutions” in 2005 and 2010, which brought hopes of a return to the democratizing path of development. Yet beneath all these fluctuations on the regime surface, there is a story to be told regarding the fundamental nature of state formation and state building. For all these reasons, this book moves beyond the focus on the one-dimensional spectrum of democracy-authoritarianism and deals with the formation and building of a state in the postcommunist era—moreover, in a country where no sovereign state had ever existed prior to 1991.

The state is not a single entity, however, but a multifaceted organization. Accordingly, there is a need to specify which parts of the state merit empirical examination. The literature on state building offers valuable help in identifying the most elemental state functions. In Max Weber’s classic definition of the state, the ability to uphold basic monopolistic control in

security, legality, and taxation (in order to provide the revenues necessary for providing continuous organization) within a territorially defined area is central to the state.<sup>36</sup> In a neo-Weberian theory of the state, Douglass North argues that the state is an organization that, in return for the taxes it collects, defends the properties and rights of its citizens. “The state trades a group of services, which we shall call protection and justice, for revenue.”<sup>37</sup> States stand out from other organizations by their tendency to monopolize the use of organized violence, thereby handing them a comparative advantage to collect taxes and supply protection and jurisdiction.<sup>38</sup>

Protection, taxation, and justice are arguably the defining elements of “stateness” on the basis of which certain policies are pursued. David Woodruff argues that in a period of state formation, conflating these two issues “is to assume that . . . government has already gathered to itself the sovereign powers” needed for pursuing conventional policies.<sup>39</sup> As is done by the World Bank, another way of framing the analytical position is to classify state functions along a continuum, ranging from minimal to intermediate to activist. There is a clear sequence of priority to this distinction. States with a low capacity need to first acquire minimal functions like the provision of law and order and revenue collection before they may successfully pursue ambitious activist functions, such as directed policy initiatives that address market failures or the construction of welfare programs.<sup>40</sup> To explicitly relate this theoretical point to the purpose of the present study, the subsequent examination is not primarily devoted to the state’s role in development but to advancing knowledge on the constitution of elemental state organization in post-Soviet Kyrgyzstan.

Given the argument that we must develop an alternative model of the state as an investment market for understanding the state in Kyrgyzstan, the following questions need to be addressed: Is the organization of taxation, protection, and jurisdiction at all relevant in Kyrgyzstan? Could it be argued that these elements are innovations of the modern state? The answer is that these functions are central to any type of polity—whether modern or premodern. Vadim Volkov convincingly argues that what changed with the emergence of the modern state was that in contrast to previous states, it was “no longer preoccupied with the foundations of the state—the monopolies of violence, taxation, and justice—but came to rest on them.”<sup>41</sup> As Georgi Derluguian and Timothy Earle perceptively note, what sets the state apart from chieftaincies is that elemental power is no longer unbounded.<sup>42</sup> In short, the organization of protection, justice, and taxation occupies a central place in the history of state formation and the

exercise of power, although it may be handled by organizations other than the state or provided on a much smaller scale than is the case with modern state machineries. To summarize, Kyrgyzstan, like other states, has developed formal structures and institutions that collect taxes, supply protection, and enforce justice. These structures exist, but the core questions relate to how personnel are recruited, what the motives are for seeking public offices, and how officials perform their duties. Collecting material on precisely these building blocks of the state should therefore be justified in order to pursue the argument that the Kyrgyz state at its core operates as a kind of investment market.

## METHODOLOGICAL CONSIDERATIONS

The present research project delves into informal, often illicit, aspects of state functioning, such as the sale of offices and other practices nominally subject to severe criminal punishment. On these practices, comprehensive written documentation is sparse, although printed and online media sources have produced important reporting. Regarding various aspects of the state and the economy, international financial organizations like the Asian Development Bank (ADB), the European Bank of Reconstruction and Development (EBRD), the International Monetary Fund (IMF), and the World Bank (WB) have all published extensively, not only on a country basis but also from a comparative perspective. Public opinion and enterprise surveys conducted by international organizations and local research and analytical centers have provided important information on the quality of governance, corruption, and the business environment in the country. Domestic and Western scholars have produced a growing body of literature with novel approaches and insights into Kyrgyzstan's post-Soviet political developments.

Nonetheless, to capture the actual organization of the Kyrgyz state, including the informal practices sustaining it, relying on written sources alone is not sufficient. To pursue that objective, and provide a direct window into the inner workings of Kyrgyzstan's state, requires extensive field observations. In particular, numerous formal and informal interviews, direct observations, and personal rapport made it possible to acquire information on informal practices on which purely quantitative data are absent or very difficult to obtain.<sup>43</sup> Personal interviews with three categories of respondents—civil servants, politicians and nonstate informants—took place over a period of twenty months from 2006 to 2014, mainly in the

capital city of Bishkek. In total, over a hundred interviews and many more unofficial conversations were held. In general, the length of the interviews varied from approximately forty-five minutes to two hours. The interviews were conducted in English and Russian. During the early years, some of the interviews were conducted with assistants. A list of the named and unnamed interlocutors explicitly referred to in this study is presented in the bibliography.

The first category of respondents includes former and current tax and law enforcement officials. Since my objective in this study in part explores the functioning of the administrative system installed to manage state affairs in the spheres of taxation, protection, and jurisdiction, I am interested in officials' experiences from and perspectives on their work, as expressed in their own words. The second category of informants comprises members of the political elite—former and current politicians with experience in government decision making. Among the respondents were ministers and members of parliament. Interviewing politicians with government experience from different points in time helped bring a temporal dimension to Kyrgyzstan's post-Soviet developments. Since political elites and civil servants have their own inside perspective on the state, I chose to supplement their versions with information given by external observers. This third category, broadly labeled nonstate informants, had as its main selection criteria that interviewees had personally dealt with, observed, or demonstrated a documented expertise regarding the topics under study. Interviews conducted with local business people, representatives from civil society, journalists, scholars, and experts, as well as a number of foreign practitioners involved in political and economic development in Kyrgyzstan, all fell within this broad category.

Interview triangulation of data from three sets of groups—politicians, civil servants, and nonstate informants—was useful for assessing the information given by interview subjects who were independent of one another. Acquiring information from different groups of respondents helped estimate the perceived perceptions of certain practices and gather insights that would not be possible if the design had been exclusively limited to, say, nonstate respondents or civil servants. Another merit of the method was that aspects raised by a certain category were picked up and evaluated by letting other categories express their opinions on the matter. Finally, it provided for crosschecking in order to see whether the experiences and perceptions communicated by members of different categories were consistent.<sup>44</sup>

Interviewing, nonetheless, raises a number of challenges related to sampling and how interviewees were selected. The guiding motive was to identify people who were well informed and willing to talk about the topics of interest. This gave an approach such as probability sampling of random individuals from an organization limited value for this particular study. Instead, the present study relied on two strategic sampling approaches: the snowball sample and the theoretical sample.<sup>45</sup>

In its early phases, the fieldwork primarily relied on a few key informants who were respected and had extensive connections within their respective sphere of competence. These key informants were members of the interview subjects' own groups, whom I either knew before or became familiar with through personal experiences during my field research. They helped identify and select relevant people, in several cases by arranging meetings and introducing me to informants.<sup>46</sup> A major advantage with key informants was the positive effects in terms of increasing the interviewer's trust and credibility among the interview subjects. This became especially evident in comparison to interviews conducted without the use of insiders, in which the information provided was usually less informative. Sampling based on theoretical consciousness was equally crucial in guiding the gathering of information. This approach was closely pursued in conjunction with the snowball approach. Theoretical sampling was especially important in the later stages of field research when interviewees were increasingly identified on the basis of their knowledge about the critical features of the patterns observed in previous interviews. Theoretical reflection on information helped navigate the field and suggest where more data was needed.<sup>47</sup> Eventually, the interviews proceeded in such a way that information gained from prior interviews was used in later interviews. As the direction of the phenomenon in question became clearer, the focus shifted from probing to crosschecking information given by previous informants and seeking out details to enable a coherent description of the phenomenon.

Designing interviews was subject to a process of trial and error. At the outset of the project, information gathering in the field was based on an interview design that rested on tools derived from the literature on modern Western states. Relatively quickly it became clear that these tools were simply too blunt to capture the reality on the ground. Of course, with the help of these tools I could suggest that Kyrgyzstan is a country with a weak state compared to developed western states like Germany or Norway. However, given that the description of state weakness in Kyrgyzstan can be obtained from a cursory glance in the literature, such findings would

be of limited analytical value. To see through the veneer and capture the essence of the state, a more open or semi-structured interview design was employed. Rather than highly structured interviews, the bulk of the meetings were guided by an interview guide serving the purpose of assuring that a set of general topics, increasingly narrowed as the research progressed, was explored with the informants.<sup>48</sup> Because of this, the investment-market-state argument developed in this book emerged out of an inductive approach to the research problem of what kind of state has arisen in post-Soviet Kyrgyzstan.

As for the use of interviews as a primary method for collecting information, a common criticism, particularly highlighted in post-Soviet states with their legacies of extensive political surveillance apparatuses, is that respondents, mostly elites and civil servants, may often present misleading information in order to stay out of trouble. In some cases, it was also clear that informants were skeptical regarding the purpose of the interview and unwilling to share more than a purely formal view on the questions asked. In other cases, informants preferred to discuss the questions from a normative point of view, rather than giving their opinion on the reality on the ground. To mitigate these problems and to increase the reliability of responses, interviewees were assured anonymity. Repeated assurances that the purpose of the research was to obtain information and perceptions provided by strategically selected individuals, not to disclose the names of those individuals expressing them, gave a sense of security to the respondents, who then spoke more freely. The only exceptions were several politicians who expressed no hesitation about having their names acknowledged, as well as a number of nonstate informants who gave their expert opinions. In addition, as part of that strategy several informants were invited for meetings in more unofficial settings, such as a café, pub, or restaurant, a request many accepted.<sup>49</sup> In this environment, they felt more relaxed and willing to talk about how they perceived their profession, the challenges associated with it and practices that influenced their work. Without exception, this setting also stimulated more open-ended and flexible discussions. Indeed, these meetings generally employed an informal conversation style.

In general, information from informants has been organized according to the following logic. The most weight is given to individuals sharing direct personal experiences. The second-best informants are those classified as reporting personal observations of some activities. Least credence is given to interviewees with only indirect knowledge of a certain practice—that is, reporting what they have heard. This last category of informants

nevertheless proved very useful in generating hypotheses that could be followed up and tested on informants with direct experience.<sup>50</sup> Admittedly, certain aspects are hard to cover in a systematic fashion. Even so, supportive anecdotal evidence drawn from multiple sources allows us to construct a description of the Kyrgyz state.

## STRUCTURE OF THE BOOK

I start out by reviewing relevant theories of the state. Against this backdrop I explain why these theories are insufficient for understanding the state in Kyrgyzstan and outline an alternative theory based on the idea that the state itself can be understood as an investment market. The core argument is that individuals purchase political and administrative offices expecting to make a return on their investment. I then demonstrate the theory with empirical evidence, based on the four components of the model of the state as an investment market: market access; motive for investing in public office; how to return the money invested; and how this framework may give us analytical leverage over the questions of political stability and instability. I then place the theory of the investment-market state in comparative perspective by applying it to other post-Soviet states than Kyrgyzstan. I argue that the sale of public office has shaped governance beyond Kyrgyzstan and suggest the potential for a middle-range theory to emerge. I also address the issue of what it would take to change this system by taking a closer look at the case of Georgia, which before the Rose Revolution in 2003 had an investment-market state remarkably similar to the one in Kyrgyzstan. Since then, however, Georgia stands out as the sole post-Soviet state in the past decade to have made a significant breakthrough in fighting the corrupt practices inherent to the investment-market state. In conclusion, I reevaluate the Kyrgyzstani state, discuss some fundamental empirical implications of the investment-market state—including its implication for system durability, anticorruption programs, and economic development—and suggest avenues for future research.