When Does Business Turn Violent? Elections and Business-Related Violence in Russia, 1995-2010[*]

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Abstract

This paper examines the conditions that turn business violent. Few studies have been conducted that develop theories linking entrepreneurial activities and violence as well as engage micro-level data to test them. In countries where institutions providing political accountability and protection of property rights are weak, and at least some elite actors (for example, organized criminal groups) accept the use of violence as a tool in political and economic competition, entrepreneurs may find it worthwhile to run for office in order to secure privileged status. These privileges protect them from being physically attacked and their assets from being expropriated by competitors who, if elected, would control local executive and legislative institutions, as well as law enforcement system and courts. Due to these risks, businessmen-candidates may become exposed to competitive pressures resulting in violence during election years. To test whether provincial elections indeed cause spikes in commerce-motivated violence, this project relies on an original dataset of more than 6,000 attacks involving business interests in 74 regions of Russia, in 1991-2010. The results show that only legislative elections cause increases in violence while there is no evidence that executive polls have a similar effect.

1 Introduction

Imagine a country where the police, public prosecutors, and the courts are not independent from elite interference on the one hand, and have substantial discretion while dealing with each particular case, on the other. This means that if someone enjoys a privileged status within this system, she can illegally expropriate, send to prison, or even kill her competitors without any negative consequences for herself. In this context, even wealthy individuals may not feel that their livelihoods and property are protected unless they become members of the local political establishment with all the corresponding protections and privileges. Russia is an example of such a country. What pressures do Russian businessmen face during elections? Can these pressures lead to violence?

This research posits that in Russia elections, among other possible factors, can cause spikes in physical violence involving entrepreneurs. Businessmen running for regional legislatures and city councils are interested in acquiring immunity against lawful and unlawful legal prosecution that is upheld by the federal government in Moscow (Interview [012, June, July 2013]). Business-related violence during elections may emerge because the risk of losing business and financial independence if not elected is so high that some actors may find it worthwhile to use violence to prevent their competitors from winning (Konstantinov 2012, 2013; Volkov 2002; Barsukova and Zvyagintsev 2006).

This study takes Russia as a case study, and examines conditions that turn business violent. The reason behind selecting Russia is its history of the last twenty years; Russian entrepreneurs faced tremendous challenges, many became targets of attacks, and about 40 percent of the assaulted were murdered. In 1991-2010, the intensity of business-related violence varied tremendously across different provinces and over time. This study defines business-related violence as involving profit-motivated actors; however, targets of attacks may or may not be entrepreneurs. Using open sources (newspapers, online news databases, court rulings, and official police websites), the author has collected an original dataset of micro-data on profit-motivated violence in Russia that covers 74 regions and 20 years from

1991 to 2010 and includes over 6,000 incidents. Approximately 50 percent of victims were entrepreneurs, 16 percent had known connections to organized criminal groups, and about 40 percent of targets were journalists, public office holders, law enforcement officers, and judges.

This article focuses on business-related violence that occurs in connection with elections that attract varying degrees of public attention. Russia is a federal state, and each province holds legislative and executive elections every 4-5 years. Russia's regions have been holding elections very regularly since they were introduced in 1992-1993. The central government depends on public support more than provincial leaders, and it closely monitors executive elections that voters pay more attention to (Yakovlev 2006).

For the purpose of this study, original data is aggregated to form a database of counts of attacks involving profit-motivated actors in each region-year; the total number of observations used in the regression analysis, therefore, equals 1184. This study hypothesizes that elections cause spikes in profit-motivated violence, and those elections that attract less public attention and scrutiny generate more violence. The quantitative analysis and qualitative evidence presented below provide support for this theory.

This paper proceeds as follows. Section two provides several examples that illustrate how business-related violence may emerge in election years. Section three outlines the mechanisms that lead to spikes in violent events during election years in more detail and presents hypotheses; section four depicts empirical data (Russia Business-Related Violence Dataset–RBRV Dataset) and introduces various specifications of the dependent, explanatory, and control variables. Sections five and six on empirical strategy and identification provide information on empirical models employed, while parts seven, eight, and nine on estimation, robustness checks, and interpretation summarize the results of empirical tests. Implications for future research conclude the article.

2 Background

2.1 Definition

Business-related violence involves profit-motivated actors and can be broadly divided into two groups: attacks resulting in physical violence against entrepreneurs, including deliberate destruction of their property and exposure to explicit threat of physical harm, and commissioned legal attacks that result in weakened business organizations (Firestone 2010). This study focuses on the first of these.

For this study, physical violence is defined as murders, attempted murders, deliberate destruction of property, and kidnappings of firms' executives, their relatives, employees, and subcontractors. Storming into office buildings, bombings of offices, shops, and marketplaces as well as arson are also considered as a part of the relevant pool of cases. Entrepreneurs in this study are defined broadly as people actively looking for opportunities to make economic profits. According to this definition, entrepreneurial activities may be not only productive, but also redistributive or at times destructive (Baumol 1990).

Business-related violence can be a part of the so-called grand corruption that deeply infiltrates the state (Aidt 2003). This type of violence serves to regulate access to control over local law enforcement and the courts, appropriation of state-owned property, monopolization of local markets, and preservation of the status-quo in local politics, and it does not necessarily directly involve organized crime as violent services can be outsourced. Business-related violence in connection with elections can also be viewed as a subset of electoral violence (Chaturvedi 2005; Hoglund 2010; Kumar 1998; Basedau, Erdmann, and Mehler 2007; Wilkinson 2004).

2.2 Examples

Examples below help in understanding what business-related violence is and how it may be connected to elections. In April of 1998, just three weeks before the gubernatorial polls in

Smolensk Oblast, Boris Reva, a construction magnate and a promising candidate was almost killed in a bomb explosion. He received threatening calls that urged him to withdraw from the race. He was running on an anti-corruption platform. An attempt on Boris Revas life was not the first time an election in Smolensk Oblast was mired with violence. Shortly before regional parliamentary elections in December of 1997, two candidates, Gennadii Chernousov and Alexander Kolesnikov were murdered. Several similar incidents happened in Vladivostok in 2001, when Vladimir Masunov, a candidate in the regional parliamentary elections was stabbed in the street. Maksunov's personal assistant later reported that his boss had received several threatening calls urging him to drop out of the race. Two businessmen who openly supported another candidate, Nikolai Golik, were also assaulted on the street several days before this incident.

Profit-motivated violence may also occur when businessmen-candidates run strategically in order acquire legal immunity and avoid prosecution, for example, for not paying debts. On February 19, 2010 Vladimir Trishin, a deputy director of the Arzamas instrument making plant and a candidate in the municipal council elections was shot point-blank in his apartment. Later, the police arrested a retired policeman, who worked as a head of security in one of the local firms, for allegedly hiring the gunman. The arrested ex-officer reportedly feared that if Trishin was elected, he would never repay his debts.

In 2007, the governor of Novgorod Oblast, Mikhail Prusak had to resign because of a corruption scandal that exposed his alleged ties to a local organized criminal group. From 2000 to 2007, Novgorod Oblast, although, relatively poor, remote, and with a stagnant local economy, suffered from acute violent competition among various organized interests. In one of the interviews cited in business newspaper Vzglyad, an acting Federal Security Bureau officer asserted that all the regional security companies are in fact, legalized organized criminal groups.

In the last interview before his unexpected death, a famous Novgorod lawyer Boris Sevastianov (1979-2006) mentioned how violence was employed to preserve criminal group's

economic and political dominance. One of the most scandalous events of this decade was the shooting of Vladimir Dugenets (killed in March of 2006), businessmen and a prominent public figure who previously ran to become a governor, he came second in 2003. This shooting was designed to serve as a signal, and the criminals set the stage on the square in front of the regional administration windows. The intended audience included the acting Novgorod governor, the officials in Moscow, who, by rumors, were considering Vladimir Dugenets as a possible replacement for Prusak, and, of course, the local business community.

3 How Do Elections Influence Commerce-Motivated Violence?

3.1 Theory

Two strands of relevant literature study the determinants of (non-)violence involving economic actors (Varese 2001; Volkov 2002; Hendley 2004, 2010) and the influence of elections on various economic and public policy parameters (Khemani 2004; Malesky and Samphantharak 2008). The aim of this section is to present few relevant studies from both sides in order to lay the foundation for the working hypotheses.

Oleinik (2002) notes that after the collapse of the Soviet Union some entrepreneurs entered into implicit contracts (voluntary and involuntary) with organized crime using the latter as a source of rules and norms (*ponyatia*) and as the enforcer of the last resort for the entire group. The reliance on bandits, however, was never the only way to resolve disputes. Hendley (2004, 2010) mentions that at relatively early stages of transition to the market, the system of commercial courts (*arbitrazh*), an institutional legacy of the Soviet Union, was the last hope in their attempts to collect outstanding debts. This preference for resolving disputes in court was especially prevalent in straightforward cases when the parties were not afraid to expose their dealings to state scrutiny. In more complex instances, however,

enforcement through relational contracting predominated (Macaulay 1963, 2004).

In early years of Russia's transition, economic violence did occur quite often despite the positive influence of relational contracting and reliance on *arbitrazh* courts. Volkov (2002) examined how extreme disengagement of the state from the economy led to a series of turf wars between various organized criminal groups. Based on the logic provided by game theoretic models (Hirshleifer 1995; Skaperdas 2001), he claimed that in the first decade of transition to the market violence emerged mostly as a result of anarchy; in effect, it was a costly signal that gangs sent to their own members as well as their competitors in order to protect their property rights on territory and businesses.

Varese's (2001) qualitative study shows how protection rackets worked; he found that gangsters used violence sparingly to force recalcitrant entrepreneurs to pay. Over time, gangsters formed a sort of relational contract with the businessmen under their protection by helping them enforce contracts with their partners, settling problems with the state regulators and other officials, and providing protection from street crime. According to this view, violence was most common among competing gangsters, not directly among businessmen (Konstantinov 2012, 2013).

In the 1990s and early 2000s, violence was often used in combination with obtaining a fraudulent or conflicting court ruling that transferred property rights away from the original owner to a so-called corporate raider (Bloom, Ratnikov, Osipov, and Areshev 2003; Gans-Morse 2012; Delyagin 2001; Konstantinov 2012, 2013). After the amendment of the Bankruptcy Law in 2002, violent raider attacks became less common.

Illicit corporate raiding in Russia survives to this day, but now some "outsource" violence to the police and other law enforcement agencies, who often prefer imprisoning targets instead of assaulting them (Gans-Morse 2012; Delyagin 2001). This outsourcing tactic only works when targets are less powerful and not connected to politicians and high-ranking bureaucrats currently in office. Those entrepreneurs who use illicit methods often avoid criminal prosecution because their high-ranking allies are capable to put the investigative activities

of law enforcement agencies on hold or permanently close such cases.

Malesky and Samphantharak (2008) empirically prove that gubernatorial turnover in Cambodia led to lower levels of investment and corruption in subsequent periods. Incoming provincial heads may be interested to initiate or re-open police investigations involving those favorites of the previous administration, who actively used violence against their competitors. Thus, in years when elections or turnover occur, violent tactics may be used less frequently, because many powerful entrepreneurs are uncertain about whether they can continue relying on their legal immunity.

Gehlbach, Sonin, Zhuravskaya (2010) found that in countries where institutions holding politicians accountable to voters are weak, businessmen can find opportunities to tailor policies for their needs irrespective of whether they are actually in office. However, they may still prefer to become politicians in order to save on the costs of lobbying public officials. Economic elites may also be interested in avoiding "delegating" public offices to their agents because political investing is a risky process: politicians motivations often change after they are elected/appointed (Lapina and Chirikova 2004). Thus, wealthy entrepreneurs have much to lose if they fail to secure the coveted executive positions and legislative seats.

One can also consider business-related violence in connection with elections as a subset of electoral violence broadly defined. Unlike other types of actors (e.g. guerilla groups, rebels) profit-motivated perpetrators do not object to elections; their primary goal is to influence the outcome (Hoglund 2009). In Russia the state actively suppresses the most common type of electoral violence that involves mass mobilization of ethnic communities or groups driven by alternative ideologies because of the past traumatic experiences with ethnic insurgencies and riots (Gorenburg 2006; Beissinger 2002). The federal government also strives to stop elections-related violent elite from becoming public because such violence may discredit the existing political regime in the eyes of the general public and undermine state legitimacy (Yakovlev 2006). Consequently, profit-motivated actors use violent tactics relatively clandestinely and sparingly. This explains why business-related violence in connection with elections

is relatively moderate in scale.

3.2 Mechanisms

Elections can influence the levels of business-related violence in two different ways. First, if some elite groups are practically immune to criminal prosecution while others may not only be punished by law for crimes they committed, but also may go to prison on fabricated charges,

Political accountability is indeed weak in Russia, and many Russian politicians have a background in business. The likelihood of business-related violence is also greater if organized crime is involved (Konstantinov 2012, 2013; Kabanov, Raikov, and Chirkov 2008; Krasinskii 2008).

Several Russian criminologists describe the mechanism that connects entrepreneurs competing in elections, business-related violence, and organized crime in detail (Kabanov, Raikov, and Chirkov 2008; Kabanov 2000; Krasinskii 2003, 2002, 2004, 2010, 2011, 2008). Krasinskii (2008), in particular, points out that Russian politicians often resort to funds of criminal origin to finance their electoral campaigns.

The leaders of criminal groups give out funds for electoral campaigns to achieve multiple goals. First, organized criminal groups need to establish money laundering mechanisms, and elections is just one of such channels. In a country where politicians are not used to raising campaign funds from their potential voters, and grey schemes are proliferating, it is not so difficult to find politicians who are open to using questionable sources of funding for their campaigns. Using criminal capital in electoral campaigns promotes the long-term interests of organized criminal groups. By raising funds for political candidates criminal leaders acquire significant power over them: such politicians can be easily controlled in the future.

The more local government depends on their connections with organized crime for re-election, the easier it is for the criminals to plant their own people in various government agencies, law enforcement, and in local and regional legislatures. Over time, the more crimi-

9

nal funds are invested in electoral campaigns, the more power is concentrated in the hands of a handful of criminal syndicates. If a politician is elected, he or she may pay their sponsors back by creating favorable conditions for certain businesses, appointing campaign activists as public officials, and allocating budget funds and public land to those organizations that helped them during elections (Krasinskii 2008).

Cooperation between businessmen running for office and organized crime is not limited to funding. Sergei Mitrokhin, the leader of the opposition party Yabloko, pointed out in one of his interviews: "Our state does not have the rule of law, and, therefore, it is not immune to criminal infiltration. Criminals always find a way to establish control over lucrative properties. Otherwise these people cannot think of themselves as serious organized criminal groups. Establishing control over a locality means putting their own people in public offices. [...] Bandits have their own 'protectors' among regional and federal bureaucrats, and their clients include municipal administrations and deputies. If criminals lose control over municipal authorities, they immediately lose their power. In each election organized crime relentlessly fights for control over municipal and regional officials. There are no rules in this struggle, because going to the federal courts or appealing to the federal government can never overturn any violation in electoral process. The federal 'protectors' have their own share of the rents and are willing to justify anything, even murder" (Mitrokhin 2013).

Another politician from the Communist party of the Russian Federation elaborated how violent methods were used during 2010 elections in one of the smaller cities in Vladimir oblast: "The bandits use violence and deliberate destruction of property in order to frighten influential, by local standards, businessmen who can get in their way. Criminals actively engage in protection rackets and try to influence the flow of the electoral campaign. We are going to elect our mayor and the city council in March. The representatives of local organized criminal groups actively try to scare their competitors out of the race. I have a friend who is a businessman, works in real estate. He is also a member of United Russia. He became a victim in the process of negotiations about the party lists. Some other people

with more resources did not want him there. As a result, his car was burnt, and his house that he owned together with his father-in-law, was completely destroyed. His neighbors also lost their property as a result. And this happens all the time" (Skobeida 2010).

The head of the town Yurii Grishkin agreed with this assessment: The capitalization of the grey economy in our city equals approximately seven billion dollars. In fact, illegal and shadow entrepreneurs have a budget that is one and a half times bigger than the city budget... All this violence happens because of the upcoming elections. They try to scare potential competitors out of the race. Only in the last two months there were 30 fires in the city, and in all these cases we suspect arson. Some owners' property were set on fire three times already (Skobeida 2010).

Business-related violence in connection with elections might also emerge due to the actions of perpetrators unaffiliated with organized crime. For example, some entrepreneurs may choose to run in local elections in order to aquire relative legal immunity: the local law enforcement agencies have harder time bringing to court and prosecuting elected officials. For example, a businessman-candidate may avoid paying debts if elected. Anticipating that his creditors may try to make sure that he is not elected by using violent tactics.

The examples below illustrate the mechanism that generate business-related violence against non-entrepreneurs (Shelley 2005, Wintrobe 1998). One can look at such violence as either a targeted response of vested interests defending the source of their economic power or as a indirect way to score points in a competitive struggle among elite groups.

In May of 2000, Igor Domnikov, a journalist of "Novaya Gazeta," died in a hospital. Domnikov published a series of critical reports on the administration of Lipetsk oblast. In particular, he described close friendship ties between some of the Lipetsk public officials and known members of organized crime. Official investigation found and sent to prison the people who attacked Domnikov, but those who organized the brutal beating were never named. The person who allegedly orchestrated the murder lost his place in the administration after the next election (Novaya Gazeta, July 14 2005).

11

In October of 2003, Alexei Sidorov - the editor-in-chief of a popular newspaper in Tolyatti (Samara oblast) - was stabbed to death in his car. The newspaper was famous for conducting a series of investigations shedding light on the ties between the Volga automobile plant and organized crime that presented some well-known businessmen and politicians in a negative light. Sidorov's predecessor at this position was also killed. In time, the local elites managed to take control of the local press and the stream of incriminating publications stopped (Newsru.com, October 10, 2003).

The diagram below illustrates the mechanisms that may lead to violence involving economic elites during elections:

Elite competition $\rightarrow$ Business-Related Violence $\leftarrow$ Business Protection

Electoral competition among economic elites (or elite competition) might involve businessmen-candidates and their supporters as both targets and perpetrators. In this case, none of the competing candidates possesses the advantage of being an incumbent, and, therefore, violence occurs because of the involvement of organized crime in raising funds, due to attempts to scare competitors out of the race, or as a preemptive technique to make sure that an economic competitor does not become immune to punishment through his direct with the state.

Commerce-motivated violence that emerges as a result of business protection involves at least one businessman-incumbent who becomes a perpetrator in order to raise the cost of exposing him as corrupt during an electoral campaign. As a result, non-entrepreneurs including journalists, law enforcement officers, judges, anti-corruption activists, public officials, and other people who may possess incriminating information become victims. Business protection may involve more than one businessman-incumbent when, for instance, mayors of neighboring cities or politicians from other regions compete in the same race. In this case, businessmen-incumbents may turn out to be both perpetrators and victims.

The strength of the connection between business-related violence and elections did vary over time. The inaugural electoral cycle did not attract many gangster-candidates: only very

few were far-sighted enough to realize how important participation in elections would be for their future (Konstantinov 2012, 2013; interviews [001, 002, September-October 2011]).

In 1998-2000, most criminal leaders focused their attention on the State Duma elections. Several candidates with a criminal background did become members of the national parliament; some of them were later murdered. Yet, despite many scandals the electoral process was relatively free from criminal interference and manipulation before 2000 (Konstantinov 2013; interviews [015, October 2011]).

The highest levels of business-related violence associated with elections occurred in 2000-2006, when most regional parliaments and city councils were elected through two parallel channels: in majoritarian *okrugs* and proportionally by party lists. Elections in majoritarian districts normally attracted independent candidates unaffiliated with any political party; quite often these candidates had to collect shadow funding that was of criminal origin (Barsukova and Zvyagintsev 2006).

From 2007, the electorate no longer voted for individual candidates in regional elections: votes were cast exclusively for political parties. The change of electoral rules led to the concentration of almost all campaign funds in the hands of the four major parliamentary parties. As a result, business-related violence induced by elections became less common, as almost all decisions about campaign finance and distribution of mandates among the candidates on the party list were made in Moscow. Violence still occurred at the municipal level, where established clans used force to scare their competitors out of the race and where at least some of the deputies were still elected in majoritarian districts (interviews [015, October 2011]).

3.3 Hypotheses

I posit that elections for regional executive offices and legislatures might lead to spikes in violence involving profit-motivated actors (entrepreneurs). Non-business targets may be chosen as well if their actions put existing business empires at risk.

Hypothesis I: The rate of business-related violence is greater when legislative and/or executive elections occur than when no polls happen

Legislative and executive elections in Russia receive different level of public attention: the latter are considered much more important because the executive branch has more power in Russia's political system. More public attention also means greater scrutiny by the federal center. I expect that legislative elections generate greater spikes in profit-motivated violence than executive ones.

Hypothesis II: The rise of business-related violence in connection with elections is less likely when elections attract more public attention

4   Data

4.1   Russia's Business-Related Violence Database (RBRVD)

I have collected a database of over 6,000 incidents of violence against businessmen, public officeholders, journalists, law enforcement officers, judges, and activists in 74 regions of Russia for a period of 20 years (1991-2010). I excluded all the ethnic republics of the North Caucasus from the dataset: ethnic and religious divisions often drive violence in these provinces, and one can not always tell these apart from profit-motivated attacks.

Autonomous *okrugs* that some of the Russian provinces incorporated at some point in time between 1991-2010 are not considered separately: the number of violent events that occurred in, for instance, Krasnoyarsk krai include the cases from the former Taymyr and Evenk autonomous *okrugs* as well. Most of the autonomous *okrugs* lost their special status as a result of the administrative reform in the middle of 2000s.

The primary sources of the data were online archive databases published and maintained by such news agencies as *newsru.com, pravo.ru, lenta.ru, rg.ru, primecrime.ru, no-*

vayagazeta.ru, kommersant.ru, vedomosti.ru, integrum.ru, the official websites of regional police departments and prosecutor offices. The news agencies' databases include both articles researched and written by their staff journalists and pieces re-published from other sources, among which the most common were regional newspapers.

Some news agencies including *integrum.ru, newsru.com, lenta.ru,* and *kommersant.ru* publish official daily reports on all criminal cases, *primecrime.ru* focuses on reporting about the activities of organized criminal groups and the related police response, and *pravo.ru* releases the majority of abbreviated court rulings for court hearings that happened in 2004-2010. *Integrum.ru, primecrime.ru,* and *kommersant.ru* provide the most comprehensive crime reporting outside of the metropolitan areas of Moscow and St. Petersburg.

Thanks to federal news agencies republishing of articles from regional newspapers, I was able to identify those provincial sources that carry the most reliable criminal reporting and investigative journalism. Later, I checked whether the websites of these regional news outlets had any other relevant articles that were not republished by the national news agencies. In total, I have collected the original data from 108 sources, including 34 federal, 71 regional, and three foreign sources. Table 1 and Figure 2 provide a general overview of the federal, foreign, and regional media sources and court proceedings from which the original data were collected including cities where each of the media sources is published and their country and/or province of affiliation.

In comparison to official crime statistics, the media, daily police press releases, and published court rulings provide more detailed accounts of commerce-motivated violence. These publications vary in terms of how much information they provide, but the majority gives at least a brief account of an incident, the number of people involved, and the articles of the Criminal Code that the police used to file the case. Figure 3 in the Appendix presents a sample report included in the database.

If an incident involved a high-ranking person, the media usually covers that story repeatedly. As a result, I tend to know more details about high profile cases as well as incidents

that made their way to the courts. The data is most likely biased towards more prominent or interesting cases given that these receive more media attention, but I believe that this bias does not substantially alter the results of my analysis. If a violent event was not reported in the press, the victim was likely to be a small entrepreneur whose business was probably too insubstantial to be the main cause of violence against the owner. I, nevertheless, take the possibility of reporting bias into account and interpret my results accordingly.

Many police officers in Russia make a conscious decision to classify assaults as attempted robberies or hooliganism as these crimes are considered relatively minor offenses and normally are not included into the list of indicators that affect the careers of mid-level police bureaucracy ([044; 041; 040; 024], October 2011). As a result, studying commerce-motivated violence is possible only through systematic collection of data on all cases of violence that were reported in the press and mentioned in court rulings. If murders are relatively easy to see as a subset of the relevant universe of cases, incidents of harassment classified as hooliganism or robbery may require closer investigation (McCarthy 2010).

The process that I employed to decide what events belong in the database included several consecutive steps: I first gathered a sample of about 500 cases that looked relevant at the first glance, then assigned each case to a group depending on whether the victim was identified as a businessperson and whether a profit-motivated conflict was reported as a reasonably likely proximate cause; dropped those cases where violence occurred for unrelated reasons or where no information about either the identity of a victim or a proximate cause of violence was provided; kept those cases where only parlial information was available for later use as a robustness check; continued collecting reports similar to those that were retained; and put together a Russian language descriptive database that contained over 6,000 events. Table 2 illustrates the algorithm that I used to classify the cases. I am a native speaker of Russian, so I did not need help of a Russian language assistant for this work.

At the last stage, I transformed this descriptive database into a numerical one in which each entry was coded on the basis of several categories. The explanations for all the categories

and codes are reported in a codebook. In sum, I went through each entry in the original database once more, and this second time I was also checking for errors.

The unit of analysis in my study is region-year, so I have transformed the original data into the counts of violent events in each of 74 regions of Russia during every year between 1995 and 2010. The total number of observations is 1184. I had to omit the data from 1991 to 1994, because information on several control variables was absent for these years.

4.2 Dependent Variable: Specifications

This study measures business-related violence in four different ways: (1) the total number of victims; (2) the number of victims explicitly identified as businessmen; (3) the number of victims with known affiliation with organized crime; (4) the number of victims identified as journalists, public office holders, or law enforcement officers; (5) the number of victims whose identity (e.g. occupation) and the proximate cause of attack against them are known. Variables (2) and (4) are mutually exclusive; the rest of specifications need not be. Variable (5) is used in regressions as a robustness check. Table 3 presents descriptive statistics.

4.3 Explanatory Variables

The issue variable is the occurrence of elections. I measure it in several alternative ways, because Russia is a federal state with elections at national, regional, and municipal levels. All representative bodies - the national and regional parliaments as well as all city councils - are elected. Until 2004, regional governors used to be selected through popular polls; in 2005, the new law placed the choice of provincial heads into the hands of the president.

Capital city mayors are elected directly in some provinces and not others. The number of members in Russia's regional parliaments varies widely from 12 people in Chukotka Autonomous *okrug* to 120 representatives in Bashkortostan Republic. The median number of seats in Russia's regional legislatures equals 40 and in capital city councils - 27. Elections into representative bodies always lead to a certain degree of turnover in the deputy

17

body; so I think of legislative elections and turnover as interchangeable. I construct two variables that assign 1 to region-years when regional parliamentary and capital city council elections occurred. To correct for endogeneity, I created additional variables that assign 1 to region-years when legislative elections where scheduled, but not always occurred. In the next section I explain in more detail why this measurement may not be satisfactory due to possible endogeneity.

As a robustness check, I also accounted for the number of seats contested in each legislative election. In this specification, I added a nested variable that assigned 1 to those region-years in which the number of contested seats exceeded the median among all regions for the same type (regional or municipal) of elections and zero otherwise. This additional variable is supposed to assess whether elections for relativaly larger parliaments and councils are more violent.

Executive elections differ from legislative polls, because they may not lead to a turnover in every case. In 2005-2011, the change of provincial heads happened through the alternative process of presidential appointment, and not all re-appointment campaigns resulted in turnover either. I focus on the gubernatorial elections/appointments *per se*; the possible additional influence of turnover is not reported separately, but I did add it as a robustness check. Thus, I constructed a variable that combines gubernatorial elections and appointments into one variable, characterizing the process that governs the renewals or dismissals of regional heads.

In total, I construct four different variables for legislative and executive elections, four instruments, and three robustness checks accounting for the influence of the size of legislatures and gubernatorial turnover. Table 4 provides descriptive statistics for the four legislative and executive election variables as well as for the four instruments.

18

4.4 Control Variables

The number of violent events is likely to be higher in more populous provinces. Only five provinces experienced more than 181 violent events during the entire period between 1991 and 2010 including Moscow City, Moscow oblast, St. Petersburg, Primorskii krai, and Perm krai. Most of the provinces, however, had between 0 and 50 violent events. Figure 4 illustrates the quantile distribution of region-years according to the number of victims in each of them. Approximately 75 percent of region-years had 0 or 1 incidents of violence. The log of population enters the estimating equations as a control that also normalizes the estimates of other logged control variables.

Another reason for including the population is to test whether business-related violence may serve as a signal for elites. The more people live in a province, the less effective violence as an instrument: economic and political environments of populous regions are more competitive and removing one party is not likely to greatly improve other participants' chances. Thus, if true, the more populated a region is, the less business-related violence per capita one would observe.

The rate of economic violence can be driven by regional characteristics other than the size of the population. I incorporate several region-level control variables. My original data mostly comes from central and regional newspapers and a handful of online news websites. It is possible that in provinces with lower per capita newspaper circulation fewer violent events are reported. To correct for a possible bias, I control for the number of newspapers sold per million people in each region-year.

The size of regional product (GRP) may also influence the rate of violence. On the one hand, larger and more vital regional economies may generate more violence because entrepreneurs compete for larger economic stakes. On the other hand, sizable markets produce bigger gains; a larger "pie" may reduce competition among businesspeople, because negotiating is more profitable than fighting. So, I include the log of regional product as a control. It is possible that the rate of violence and the regional product are simultaneously

influenced by a third omitted variable(s). If true, the resulting parameter estimates are likely to be biased. To correct for possible endogeneity, I estimate all regression equations using the values of regional product lagged one year.

Higher levels of general criminality may lead to more victims among economic elites. I add the number of registered crimes as a control variable. The count of registered crimes per 100,000 people is a better estimate of general criminality than total number of homicides and/or bodily harm, because it includes all crimes reported and registered by the police, not only those that were investigated. The same causes may be responsible for both business-related and general violence; thus, I employ the number of registered crimes lagged one year. One potential problem with this variable is that it can be endogenous: the number of registered crimes includes the events on the left-hand side of the equation. I posit, however, that the economic violence presents a very small share - less than one tenth of a percent - of the registered crimes. Therefore, the endogeneity is likely to be minimal.

The size of private economy may also affect the rate of economic violence. Privatization proceeded at disparate speeds in different regions. In those regions, where employment at state-owned enterprises predominated, extra-legal competition for property, markets, and access to policy making was less likely to be worthwhile. On the other hand, in regions where private markets spread and competition is intense, it does not pay to engage in violent competition: by removing one competitor one simply invites more entry. Eventually, any benefit received as a result of reducing competition is erased. Thus, I incorporate the size of the private economy measured as the number of people employed at private enterprises and firms with mixed private and state ownership as my last control. Table 5 presents descriptive statistics for all the control variables.

4.5 Descriptive Statistics

I report all the descriptive statistics in Tables 3-5 of the Appendix. Over the period of 20 years between 1991 and 2010, an average of 6.23 victims were attacked in a region-year.

The main targets were businessmen accounting for 41-58 percent of the total number of victims including multiple homicides. The mean number of businessmen-victims equaled 3.19, while the average number of victims whose occupation was either unidentified or identified as non-business was 3.04 persons per region-year. "Business" and "Non-business" categories are mutually exclusive (3.19+3.04=6.23). About 0.98 of victims with alleged criminal background were targeted: 46 of them were reported to be "businessmen with criminal background," while the rest were said to "belong to a criminal group."

During 1995-2010, the mean number of elections per region-year varied between 0.19 and 0.25, which means that they occurred every five years. The provincial governors' elections were the least frequent, mostly because they were substituted by the presidential appointment procedure in 2005. On average, legislative elections occurred every five years (0.21-0.23) as well. Thus, elections at regional and municipal levels happened remarkably regularly across regions (the standard deviations for all issue variables stay in close range between 0.36 and 0.42), if not always as scheduled.

Russia's regions vary greatly in terms of gross regional product and per capita income. The gross regional product ranges from 890 million rubles in Kalmykia to almost 8.5 trillion rubles in Moscow. The monthly per capita income ranges widely as well: from 11,664 rubles in Kalmykia to 40,479 rubles in Moscow in 2010. Provinces also look differently in terms of the share of people privately employed, the number of registered crimes, and circulation of newspapers per 100,000 residents. Chukotka Autonomous Okrug has the lowest share of people employed at private enterprises of all people employed (25-30 percent), while in Stavropol krai in the south of Russia the share of private employment varied from 60 to 74 percent, the highest over the entire period from 1995 to 2010 (*Regiony Rossii* Statistical Yearbook 1996-2012).

The lowest crime rate of 718 registered crimes per 100,000 of population was in Moscow City in 1995, while the highest–4,941 registered crimes per 100,000 of population was recorded in 2010 in Perm krai. I do not report these numbers for autonomous regions

separately. Yet, the oil- and gas-producing Yamal- Nenetskii AO, which is a part of Tiumen oblast, has the highest per capita income of 52,720 rubles a month (*Regiony Rossii* Statistical Yearbook 1996-2012).

I note that the estimation results show that fixed effects account for about 60 percent of variation in levels of business-related violence, so they do not wipe out most of it.

5   Empirical Strategy

I employ a causal research design that exploits the longitudinal variation in the number of violent incidents in region-years when elections - the treatment - occurred with ones with no polls. The data are observational, and I utilize regression equations with region and year fixed effects and include several potentially relevant control variables to ascertain that the results of the statistical analysis are not spurious. I also apply an instrumental variable technique to account for the possibility that the explanatory variable of interest - electoral schedules - may be endogenous.

5.1   Estimating Equation

The baseline empirical model assumes that business-related violence results from a Poisson data-generating process described by a negative-binomial distribution.[1] I assume that the expected rate of violence μ_{it} in region j and year t is given in linear form by equation (1) below :

$$\mu_{jt} = \alpha + \mathbf{w}_{jt}\beta + \mathbf{z}_{jt}\gamma + k_j + u_t + e_{jt}$$

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[1]Poisson model traditionally serves as the basic count model. Poisson and negative binomial distributions assume a certain number of zero counts for each value of the mean. The larger the mean the fewer zero counts are expected. The mean number of incidents of business related violence in RBRV Dataset equals 5.86. The Poisson distribution with mean=5 generate almost no zero counts (Hilbe 2011, p.121). This means that Poisson model is not appropriate for my data. As a robustness check I use negative binomial model.

μ_{jt} is the expected rate of violence; $\mathbf{w}_{jt}$ is a vector of election variables; $\mathbf{z}_{jt}$ is a vector of region specific control variables; k_j corresponds to 74 region fixed effects; u_t contains 16 year fixed effects (1995-2010); e_{jt} is an i.i.d. random error.[2]

Certain characteristics of Russia's regions do not vary over time. For instance, the industrial structure, or road density did not change much year to year (*Regiony Rossii* Statistical Yearbook 2012). To account for this kind of heterogeneity I include region-level fixed effects for every of the 74 provinces.

I also control for any year-specific influences by incorporating year fixed effects that disable any factors that uniformly influenced the entire country in a particular year. One example of such event would be the adoption of the Bankruptcy Law in 1998 and its subsequent amendments in 2002. Even though regions may have implemented this law a little differently, all of them had to conform to certain formal and informal constraints that the law enforcement system as a whole imposed on them. Each equation includes both region and year fixed effects.

The rate of violence is measured as count data. I mainly employ the linear econometric specification: the OLS with year and region fixed effects. I use the Negative Binomial (NB) and zero-inflated Negative Binomial models with region and year fixed effects to check the robustness of linear estimates, because all the dependent variables are measured as counts and NB models are more appropriate for overdispersed count data (Hilbe 2011). [3]

I do not report NB estimates, however, because there is still no agreement among researchers about the proper way of including fixed effects into the NB models (Allison and Waterman 2002; Hausman, Hall, and Griliches 1984; Nepal, Bohara, and Gawande 2011). Generally, NB estimates that I have obtained in my analysis show the same results qualita-

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[2]I relax this assumption as a robustness check by using clustering by region to account for the possible within-region correlation. Despite slightly altered statistical significance, the linear combination of the occurence of legislative elections at both regional and municipal level is always statistically significant

[3]The estimating equation in negative-binomial form: $E(\mu_{jt}) = \exp(\alpha + \mathbf{w}_{jt}\beta + \mathbf{z}_{jt}\gamma + \ln(p_{jt}))$, where μ_{jt} is the rate of violence; $\mathbf{w}_{jt}$ is is a vector of election variables; $\mathbf{z}_{jt}$ is a vector of region specific control variables; p_{jt} is an exposure variable (population in each region). The Pearson dispersion statistic showed that the data are overdispersed and, therefore, NB econometric specification is appropriate.

tively with similar or better statistical significance of explanatory variables.

6 Identification

Russia is not a mature democracy; competitive elections are relatively recent events that can be sporadic at the regional and municipal levels. A methodological challenge of this study arises from the potential endogeneity of elections and violence against economic elites. It is quite possible that the timing of elections is not always exogenous: the factors that affect the timing of elections may as well influence the levels of business-related violence, because politicians can choose the timing of polls strategically in an attempt to increase their chances of being elected.

A growing literature in development economics discusses the potential endogeneity between the timing of polls and certain policy variables (Khemani 2004; Block 2002; Chhibber 1995). I adopt the empirical strategy applied by Khemani (2004), who tests the effect that elections have on taxation policies of state governments in India. In particular, he notices that when elections were instituted in 1952, they were to be scheduled every five years thereafter. Yet, out of 107 state elections held in 1960 -1992 in the sample states, 36 were called early. As a result, it is difficult to assume that the timing of elections was always completely exogenous to other political and economic variables.

Khemani (2004) employs two different ways to identify what polls can be considered as "scheduled." He constructs two instruments that are exogenous. One of them resets the electoral cycle each time an early (midterm) election is called. For instance, if the length of session (term) equals four years, and an early election occurrs two years after the first scheduled election, next scheduled election coded happens four years after that early election. The column titled "Early elections" in Figure 5 illustrates this case and shows how the coding of the first type of instrumental variable is done.

The second instrument treats every fourth year after the inaugural election as "presched-

uled election" irrespective of whether elections actually happen or the length of session (term) was later changed ("Ideal case" column in Figure 5 illustrate this). Khemani admits that this instrument is more likely to be exogenous; yet, it may also be a weak, and using it in regressions would provide consistent, but inefficient parameter estimates. I adopt both ways to construct instrumental variables, adapting them to the Russian context at the same time.

Unlike the majority of developing nations, provincial legislative elections in Russia have been held relatively consistently over the past 20 years. There are, however, two potential challenges: first, regional and municipal legislatures in many provinces repeatedly changed the length of their sessions; and, second, in 2004 the federal government in Moscow instituted the unified election day that forced all regional governments to schedule their elections in March or October. Thus, there were two potential sources of change in regional electoral schedule: prolonging legislatures' sessions from (three) four to five (four) years ahead of elections and scheduling elections in March or October that led to elections occurring a year earlier or a year later.

So, I construct two instruments for the timing of elections. The first instrument treats any advance change in a legislature's length of session as exogenous, but assigns 1 to region-years when scheduled elections were supposed to happen. This instrument follows the logic of Khemani's main instrument and corrects for any change in schedule that was caused by the introduction of the unified election day in 2004.

The incumbent deputies had a choice of moving an election that was, for example, originally scheduled in September of 2005, to either October of 2005 or to March of 2006. The authorities in Moscow declared March as the preferrable election month (Kynev 2009), but scheduling elections in October was still allowed. More often than not incumbent deputies preferred to prolong the current session as much as possible, because that gave them more time to prepare for upcoming elections. Khemani (2004) did not have to deal with late elections, therefore, I have to adapt his logic to this case. Column "Late Elections I" illustrates how I construct the first instrument: I assign 1 to the year when the election was

originally scheduled, but start counting the years of the next electoral cycle from the time, when elections actually occurred.

Another complication with constructing the first instrument is related to the fact that some regional and municipal legislatures changed the length of their sessions. Usually, it happened just before or soon after an election to make sure that everybody knew that the next electoral season was expected one year later (Kynev 2009). The first instrument treats such change in electoral schedule as exogenous, because there was no controvercy about the timing of election at the start of an electoral campaign. Column "Late elections II" illustrates how I coded the first instrument in case when the length of session was changed from 4 to 5 years the next year after an election.

The alternative (second) instrument treats advance change in the length of legislatures' sessions as endogenous: it assigns value 1 to each region-year when elections were supposed to happen according to the schedule adopted in 1994-1997 when inaugurating elections were held. I coded these instrument according to the rule illustrated by column "Ideal case" in Figure 5. As expected, this second instrument is more likely to be exogenous, but its correlation with the actual election schedule is weaker (0.4). I report estimation results for the variables that correspond to the actual elections and for the first instrument.

7   Estimation

Now, I present the results of my data analysis. As described previously, I rely on four different measurements of business-related violence: the total number of victims, the number of businessmen-victims, the number of non-businessmen victims, and the number of gangster-victims. Table 6 in the Appendix reports the results.

Column 1 of Table 6 shows the estimated coefficients and standard errors obtained from fitting the full regression equation incorporating dummy variables for regional parliamentary and capital city council elections, gubernatorial elections/appointments, and mayoral

elections. I included all the control variables as well.

The parameter estimates indicate that the occurrence of regional legislative elections might cause a 140 percent rise in business-related violence. This result is statistically significant at 5 percent. The city council elections might lead to a 100 percent increase in commerce-motivated violence, but this parameter estimate is only borderline statistically significant. The linear combination of regional and municipal legislative elections, however, might lead to a 240 percent spike in violence, and this result is statistically significant at 1 percent. Both gubernatorial and municipal executive elections seem to have negative effect, but the parameter estimates are not statistically significant. The results for executive elections are very similar for regression that use all other definitions of the dependent variable, and I do not discuss them in detail.

The same model estimated through the negative binomial (NB) regression with both region and year fixed effects entering as dummy variables are qualitatively similar. Regional parliamentary elections have a positive and statistically significant effect on business-related violence; the parameter for the capital city council elections has a positive sign, but is not statistically significant, while their linear combination has a larger positive coefficient that is statistically significant at 10 percent. Estimating the same negative binomial regression with region fixed effects entering as province-specific fixed dispersion parameters yields similar results. Below, I will no longer discuss the results produced by the NB models with region-specific fixed dispersion parameters, as they are never dramatically different and cannot be seen as estimates with true fixed effects.

The estimated coefficients of control variables are interesting as well. All of them, with the exception of newspaper circulation, have the expected sign and are highly statistically significant. So, provinces with larger regional product, private employment, and the total number of registered crimes are likely to produce more commerce-motivated violence, but this effect is partially offset by the negative influence on violence of increases in population. A rise in average gross regional product from 2.8 trillion rubles (approximately Moscow oblast) to

27

8.4 trillion rubles (Moscow) might induce an eight fold increase in profit-motivated violence, a three-fold increase in private employment also leads to an eight fold spike in violence, while a three-fold rise in the total number of registered crimes leads to a 500 percent increase in violence, holding all other parameters constant.

At the same time, a three-fold increase in population might reduce violence by the factor of 16. The resulting level of business-related violence depends on whether the decrease in violence in more populous regions offsets the rise in the number of attacks involving economic elites resulting from growth of regional product, crime, and the size of private employment. The parameter estimates of control variables in other regression specifications are qualitatively similar, and I do not discuss them in detail.

Column 2 of Table 6 presents the output of the same regression with the total number businessmen-victims as a dependent variable. In this case, the estimated coefficients for all the legislative and executive elections have the same signs as in the regression discussed previously, but none of them taken separately reaches statistical significance. The combined positive impact of regional and municipal legislative elections on violence equals 85 percent and is statistically significant at 10 percent. The results obtained from the NB model show that regional parliamentary elections have positive and statistically significant (10 percent) effect on commerce-motivated attacks, and the linear combination of provincial and municipal legislative elections is also positive and significant at 10 percent.

Column 3 shows the results obtained using the number of non-businessmen victims as a dependent variable. All the explanatory and control variables are the same. The estimates are very similar to the output presented in Column 1: regional parliamentary elections might lead to a 90 percent rise in business-related violence, and the combined effect of regional and municipal elections might produce a 150 percent rise. The parameter estimate for the isolated influence of regional legislative elections is significant at 5 percent, and the combined effect with municipal council elections is statistically significant at 5 percent.

Column 4 presents the output of the regression analysis that utilizes the number of

gangster-victims as a dependent variable. A council election might lead to a 46 percent rise in attacks against gangsters, and this estimate is statistically significant at 5 percent. An effect of the linear combination of regional and municipal legislative elections on violence equals 60 percent, and it is significant at 1 percent.

The last column in Table 6 shows a regression that uses as the dependent variable the total number of victims about whom I have sufficient information. In this case, I am relatively certain that all the cases included have something to do with business-related violence. I include this regression as a robustness check to assess whether my sample of incidents of business-related violence is biased. The estimated parameters for all election variables are qualitatively similar to the regressions discussed previously. None of them separately reaches statistical significance; the linear combination of regional and municipal legislative elections has a positive (150 percent) effect on business-related violence, and this result is statistically significant at 5 percent. Overall, the estimation results show that regional parliamentary and capital city council elections might have a stable positive effect on violence; there is no evidence that executive elections have similar influence. I also conclude that a possible bias in my sample is probably not too large.

Table 7 presents the output obtained from regressions in which electoral schedules are instrumented. I only report the results for my primary instrument that treats the change in the length of sessions (terms) as exogenous. The parameter estimates derived from two-stage least squares (2SLS) regressions with fixed effects are very similar to those obtained with the help of OLS procedure.

Only in one regression specification that uses the total number of businessmen-victims as the dependent variable all explanatory variables including their linear combinations lose statistical significance. Including additional variable that accounts for the number of con- tested seats in regional parliaments into this equation (not reported in Table 7), however, makes the regional legislative elections statistically significant at 5 percent. In this modified model, the effect of the linear combination of regional and municipal legislative elections

on violence equals 150 percent and is also significant at 5 percent. Overall, I do not think that endogeneity of electoral schedules have a discernible effect on parameter estimates of interest.

Table 8 reports the results of OLS regressions that account for the number of seats in both regional and municipal legislatures. The variables "regional seats" and "council seats" essentially represent an interaction effect: they equal 1 in region-years when elections occur and the number of seats in a legislature is greater than the median and zero otherwise.

In general, the parameter estimates are very similar to those presented before. However, I see that in provinces with larger than median number of seats in their regional parliaments, legislative elections at the provincial level have much less disruptive effect on business - the variable that separates these more populous legislatures consistently has negative sign and even becomes statistically significant in some specifications. Overall, the isolated effect of regional legislative elections in regions with fewer than median number of deputies is positive (290 percent) and significant at 1 percent in regressions with the total number of victims and the number of non-businessmen victims as dependent variables.

At the municipal level, elections for councils with greater than median number of seats might have effect on violence that works in the same direction as the influence of elections *per se*; it is also statistically insignificant. Given this, it may make sense to only include the variable accounting for the number of seats in regional legislatures, because the dynamics of business-related violence in regions with more populous than median regional parliaments differ dramatically. I do not report OLS regression results for these specifications, but the parameter estimates for regional and municipal legislative elections obtained from these are greater and are both statistically significant at 1 and 5 percent. This holds for all definitions of the dependent variable.

8 Robustness Checks

In order to make sure that the results of my analysis are not spurious, I have performed several robustness checks. I have already discussed some of them, including performing regression analysis only on the subset of the victims that I have full information about (their identity and the proximate cause of attack), employing NB econometric specification instead of OLS or 2SLS procedures, and controlling for the number of seats in regional and municipal legislatures.

Additionally, I checked whether my results are robust to dropping outliers, excluding observations from Moscow and St. Petersburg and their surrounding regions, dropping some or all control variables in various combinations, employing additional controls, alternative instruments for electoral schedules, and adding a nested variable that assigns 1 to those region-years when executive elections led to a turnover and equals zero otherwise.

Dropping outliers did not affect the parameter estimates at all. Excluding observations from Moscow and St. Petersburg lowered statistical significance of the issue variables in some cases - especially in regressions that used the number of businessmen-victims as the dependent variable. Elections are not the only cause of business-related violence, and it is quite possible that the regressions using this particular definition of commerce-motivated violence are noisier, because other factors are more important in determining the rate of violence against this particular group. The results obtained from regressions that accounted for the number of seats in regional and municipal legislatures, on the other hand, are robust to dropping observations from Moscow and St. Petersburg.

Excluding control variables in different combinations did change results to various degrees. Gross regional product, population, and the total number of registered crimes have the most significant effect on the results. Dropping these variables leads to stronger results in some specifications and weaker in others. Qualitatively, however, the results do not change.

I also introduced an additional control - the size of provincial government revenue - to account for the intensity of rent-seeking activities at the regional level. The larger the revenue

normalized by the size of population, the more violent competition related to corruption one might observe. Adding this control did not change the results.

Employing the alternative instrument for electoral schedules in 2SLS regressions introduced too much noise: most of the issue variables lost their statistical significance; I do not report them in this paper. Adding turnover variable to any of the regressions did not alter the results. Overall, I believe that the results of the empirical test are stable against various robustness checks.

9   Interpretation

Now I will go back to the theoretical framework presented earlier to discuss why elections may cause business-related violence, and why elections that attaract less public scrutiny may cause more violence than elections that draw more attention.

The results of this study show that business-related violence survived despite the fact that in the 2000s more and more people preferred going to the police and other law enforcement agencies for protection (Volkov 2004, 2012) and to courts for resolving their business disputes (Hendley 2004, 2010). Commerce-motivated violence became less common, reflecting the growing re-consolidation of the state power, but did not disappear.

Even though establishing all the possible causes of violence involving entrepreneurs is beyond the scope of this paper, the results do confirm that legislative elections were likely to produce spikes in business-related violence over a larger part of Russias postcommunist history. As expected, alteration of political control did not make investing in corrupt ties more costly (Horowitz, Hoff, and Milanovic 2009); in fact, business interests engaged in fierce competition for control over seats in regional and local legislatures, and this competition sometimes led to violence against businessmen, their supporters or whistle-blowers who tried to publicize information about corrupt ties that existed among businessmen, their supporters, organized crime, regional and municipal deputies or candidates. There is no

evidence, however, that the same dynamic played a role in executive elections/appointments that attaract more publicity. On the contrary, gubernatorial elections/(re-)appointments seem to reduce the rate of commerce-motivated violence by about 7 percent.

The framework developed in the first part of this paper might explain spikes in commerce-motivated violence induced by both elections in comparison to non-elections and by legislative elections in comparison to executive elections. The transition from gubernatorial elections to (re)-appointments by the president led to even more pronounced decrease in violence, likely because the new mechanism left relatively little leverage to change the outcome of the (re)-appointment process in the hands of the local elites (Golosov 2011, 2012).

Regional legislative and capital city council elections do not have identical impact: the former seem to matter more for violence against non-business targets. The evidence does show that the more high profile and public elections are, the less likely that violence would erupt among business elites and the more likely that non-business actors might become targets. It is probably too risky for economic elites to engage in open struggle in a situation, when the federal authorities monitor polls and try to preserve the appearance of legitimate elections.

The national government does considers capital city council elections as even much less important in terms of publicity in comparison to the regional polls, mostly because the populace frequently ignores them. These polls seem to have a greater potential to generate violence against gangster-victims, and this happens, because local elite groups often have friendship and familial ties to organized crime. They have the means to remove their competitors using violent methods if thought necessary. The police and other law enforcement agencies at the local level are corrupt and dependent on the municipal authorities: the law enforcement officers rarely earnestly investigate business-related violence occurring during election periods and routinely strive to "hide" it in statistics in order to avoid unwanted attention from their superiors (McCarthy 2011, interviews).

The lack of impact of mayoral elections on commerce-motivated violence might also be

related to the institutional design at the municipal level. In many capital cities mayors are elected indirectly by the council members allowing deputies more power over municipal executives. Being a council deputy gives one a number of direct and tangible material and business-related benefits, thus, business-candidates might find it worth their while to engage in violence during electoral campaigns.

Any transition to a more democratic regime starts with introduction of free and fair elections. We tend to think that elections are inherently good: they may provide the necessary opening that allows more - and hopefully growing - public participation, and this increasing involvement of citizenry should logically lead to rising responsiveness of the government to the needs of the people (Diamond 2004, 2008, 2013; Huntington 1991; Schmitter 1991). Only newly introduced elections in war-torn and conflict-ridden societies were considered as potentially more controversial (Wilkinson 2004, Hoglund 2009, Kumar 1998).

It now seems clear that Russia's transition to democracy that started in 1991 with the collapse of the Soviet Union did not gather enough momentum to become sustainable and produce a consolidated democracy. Even though Russia, with the exeption of the regions of the North Caucasus is not considered as a conflict-ridden society, the evidence presented in this study suggests that in a country where public engagement and trust in local elections has remained low and media have not been free for a long time after the start of the transition, elections may generate undesired effects: for example, they can cause spikes in violence thanks to competition among economic elites that is not moderated by the open public discussion.

In their influential book, Przeworski, Alvarez, Cheibub, and Limongi (2000) argued that democracy is more likely to consolidate in countries with relatively high levels of per capita income. However, if the introduction of elections leads to a rise in profit-motivated violence, a country is likely to suffer from insufficient foreign and domestic investments and the lack of growth. A stagnant economy is bad news for the prospects of democratic consolidation.

The results of this study also provide another reason for why it might be important

- as it was suggested by Elster and Slagstad (1988) and Litz and Stepan (1996) - to establish the rule of law before introducing elections under the condition of universal suffrage. Commerce-motivated violence persists, because patrimonial politics, the culture of impunity, and acceptance of violence as a political tool dominate the social environment, elites subvert public institutions for private gains, and common citizens cannot legally win against the state.

10   Implications for Future Research

More generally, under what conditions may elections cause spikes in business-related violence? This section presents a brief outlook of the possible future research agenda.

The empirical results presented in this paper show that Russian provinces were likely to experience increases in business-related violence in those years when elections to regional parliaments and capital city councils occurred. It is clear, however, that the potential for violence that elections have is realized only under certain circumstances: not every electoral democracy or competitive authoritarian regime suffers from this problem. What are the specific conditions that make a country fertile ground for business-related violence? It is possible that such violence is more likely in relatively larger countries with many territories holding elections, weak civil society, low popular engagement in electoral campaigns, and high income inequality that makes the majority of people highly dependent on elites. Deep divisions within the elites and unresolved conflicts may also contribute to tha context, in which violence arises.

A brief look at the dynamics of electoral campaigns in other countries suggests that business-related violence may not be unique to Russia. It is only natural to inspect first whether violent economic competition is characteristic of the other countries of the Former Soviet Union: all the nations in this region share common history and started their market transitions under a similar set of circumstances.

In April of 2006, a Ukrainian businessmen-candidate and a deputy of the Zaporozhie oblast parliament Vladimir Razguliaev was stabbed in his home. He died in a hospital on the same day. The victim served as the chief manager of electoral campaign of his boss - the vice-governor of Zaporozhie province. The campaign was unsuccessful, and, as a result, Razgulaev allegedly became involved in a conflict with the people who provided behind-the-scenes campaign finance and had criminal background. This example looks similar to some of the typical cases of business-related violence from the late 1990s in Russia (Noskov 2007).

Reports about violence targeting businessmen-candidates come from countries outside of the Former Soviet Union as well. For example, in May of 2013 a Pakistani businessman and a candidate in provincial elections from the Awami National Party (ANP) was shot dead with his son after praying in a mosque. The candidate was not the only one who received threats in the lead-up to elections. Even though this murder looks like an act of terrorism on the surface, business-related motivation cannot be ruled out (Hindustan Times, March 3 2013).

Wealthy Indian businessmen Deepak Bhardwaj was killed in his home in March of 2013. In 2009, he ran for a seat in the national parliament as a candidate from the Bahujan Samaj Party and won. Deepak Bhardwaj was active in politics since 2006, when he participated in the general elections as well. His murder came in time, when the new electoral campaign was about to start. Now it is known that Bhardwaj's conspired to murder him, because he wanted full control over his father's business and a place in politics (Narayan 2013).

Overall, my research indicates a new way of looking at electoral violence in countries outside of the Former Soviet Union, especially in quickly developing emerging economies with weak democratic institutions, where high levels of inequality, widespread corruption, patrimonialism, and the culture of impunity make it worthwhile for businessmen to run for office and try to keep hold of it for as long as possible.

11   Appendix: Empirics

Figure 1: **General Dynamic of Business-Related Violence in Russia, 1991-2010**
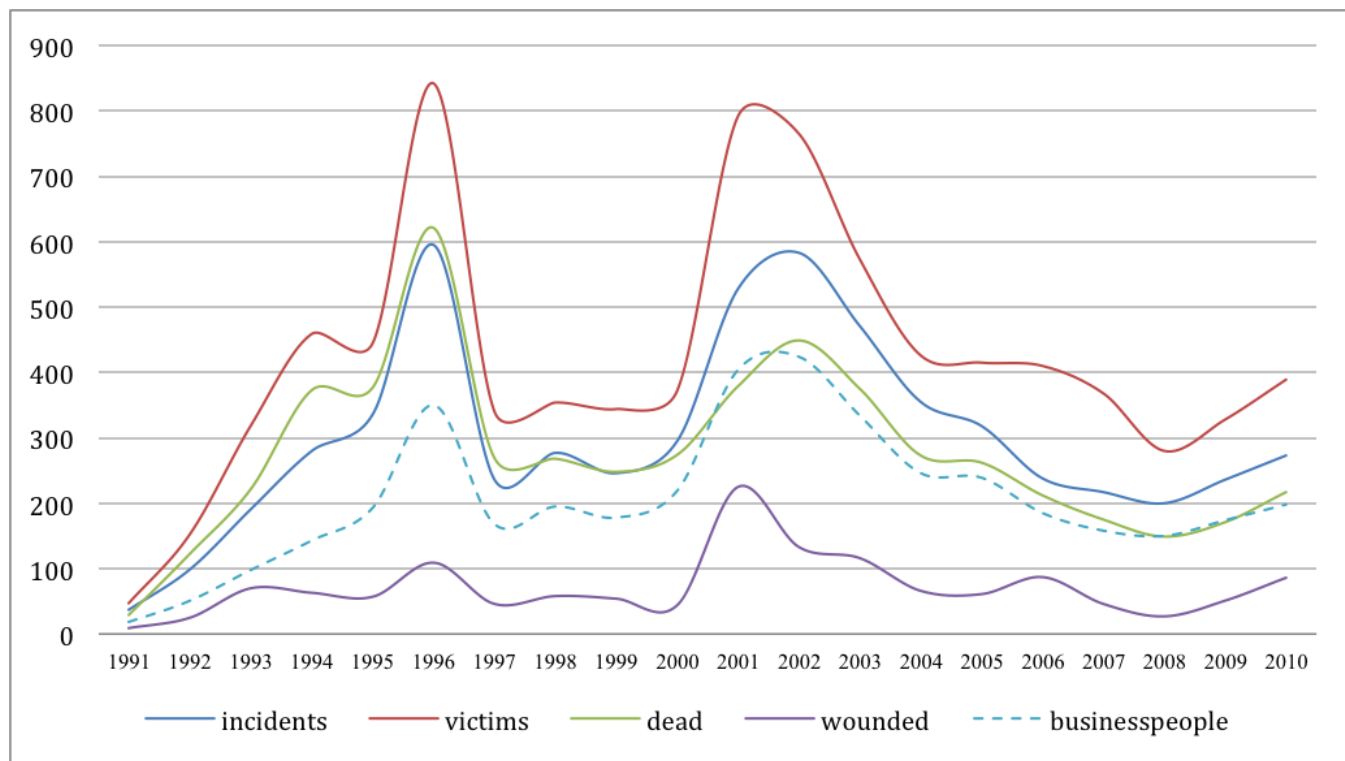
Table 1: **Original Data: Newspapers and Online New Websites**

Source Category	City	Region and Country	Count
Federal	Moscow	National, Russia	34
Foreign	Minsk, Kiev, Riga	Belarus, Ukraine, Latvia	3
Regional	45 cities	41 provinces	71
Total			108

Figure 2: **Original Data: Court Proceedings****

Court Decisions: from the database www.doc.pravo.ru (search terms: *вымогательство +бандитизм* [racket + gangsterism])

Кассационное Определение (Appeal) от 21 июня 2011 года, номер обезличен, по делу номер 22-2174/2011. 2011. In *Судья Владимирского областного суда Возжанникова И.Г., секретарь Трусковской Д.В.*: Владимирский областной суд (Vladimir City Court).

Постановление (Statement) от 16 ноября 2012 года, номер дела обезличен. 2012. In *Судья Иркутского областного суда Ляховецкий О.П.*: Иркутский областной суд (Irkutsk City Court).

Приговор (Ruling) от 01 июля 2010 года, номер обезличен, по делу номер 2-61/2010. 2010. In *Председатель Алтайского краевого суда Парада Л.В., секретари Стреж А.Ю., Костогладов С.В., Миллер А.А.*: Алтайский краевой суд (Altai Krai Court).

Приговор (Ruling) от 10 октября 2010 года, номер обезличен, по делу номер 1-11/2011 2010. In *Судья Новочеркасского горсуда Ростовской области Стешенко А.А., секретарь Малышко Н.С.*: Новочеркасский городской суд Ростовской области (Novocherkassk City Court / Rostov oblast).

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**These court decisions were obtained from the database *pravo.ru*. First, I ran a search using "protection rackets+banditry" (in Russian) as my search terms. Then, I read most of the rulings that came up as a result and picked those that had reports about business-related violence.

Figure 3: **Sample Media Report on Business-Related Violence**

Экс-мэр Первоуральска, публично обругавший главу регионального правительства, скончался после нападения

время публикации: 1 июля 2011 г., 15:02
последнее обновление: 1 июля 2011 г., 15:46

В областной клинической больнице № 1 Екатеринбурга в ночь на 1 июля скончался 50-летний экс-мэр Первоуральска Свердловской области **Максим Федоров**, который без официальных объяснений покинул пост в январе этого года. Сотрудникам правоохранительных органов предстоит разобраться в причинах его смерти, сообщает "Интерфакс".

Table 2: **Which Original Reports Included into Russia Business-Related Violence (RBRV) Dataset?**

Actors*/ Causes**	Business-Related	Non-Business	No Info
Businessmen	Yes	No	Robustness Check
Non-Business	Yes	No	Robustness Check
Not Reported	Yes	No	No

*Targets and perpetrators; **Proximate causes reported

Table 3: **Descriptive Statistics: Dependent Variables (1995-2010)**

Variables	Region-Years	Mean	SD	Min	Max	Reported Victims
N of Victims	1184	6.23	17.84	0	275	7376*
N of Businessmen-Victims	1184	3.19	9.61	0	141	3776
N of Non-Businessmen-Victims	1184	3.04	9.31	0	134	3599
N of Gangster-Victims	1184	0.98	3.42	0	63	1160
N of Victims (Full Info)	1184	4.20	12.30	0	218	4972

Sources: 108 central and regional newspapers and online news; see text for details
*The number is greater than 6,011 incidents reported in the media because I account for the possibility of multiple victims in an incident

Table 4: **Descriptive Statistics: Explanatory Variables (Elections) (1995-2010)**

Variables	Obs	Mean	SD	Min	Max
Regional parliamentary	1184	0.22	0.414	0	1
Regional parliamentary, instrument	1184	0.22	0.415	0	1
Capital City Council	1184	0.207	0.4	0	1
Capital City Council, instrument	1184	0.215	0.41	0	1
Gubernatorial	1184	0.25	0.43	0	1
Gubernatorial, instrument	1184	0.22	0.41	0	1
Mayoral	1184	0.191	0.39	0	1
Mayoral, instrument	1184	0.19	0.39	0	1

*Gubernatorial elections/appointment
Sources: pravo.ru, www.vybory.izbirkom.ru; see text for details

Figure 4: Total Number of Victims: Quantile Plot
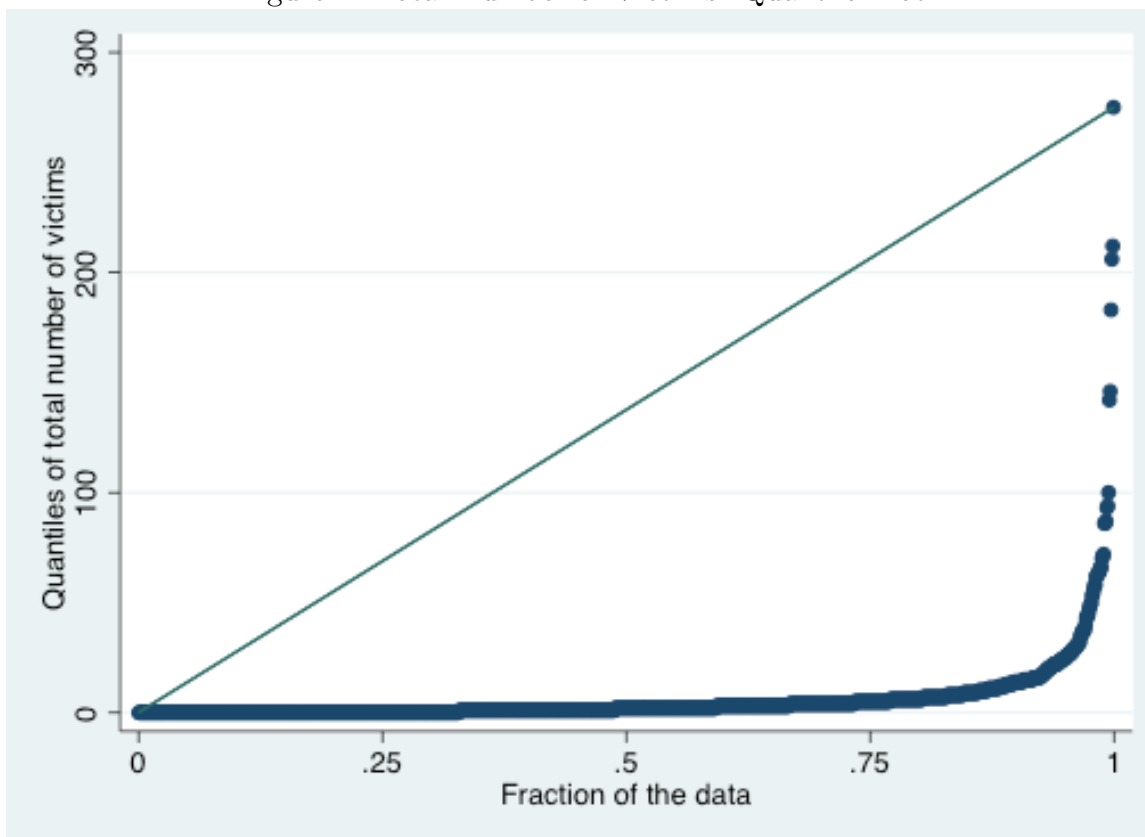
Table 5: **Descriptive Statistics: Control Variables (1995-2010)**

Variables	Obs	Mean	SD	Min	Max
GRP*	1184	192382	566194	890	8441206
Log of GRP	1184	11.04	1.47	6.40	15.90
Population	1184	1875.70	1633.06	51	11541
Log of Population	1184	7.20	0.88	3.93	9.35
Private Employment	1184	148.78	415.10	4.30	3407.5
Percent Privately Employed	1182	60.48	7.76	25.28	74.60
Log of Private Employment	1184	5.62	1.00	1.45	8.13
N of Registered Crimes	1183	2138.02	629.81	718	4941
Log of N of Registered Crimes	1183	7.62	0.30	6.57	8.50
Newspaper Cirsulation per mil pop	1183	66.61	97.54	16	1094.3

Sources for all data: *Russia's Regions Yearbook*, Rosstat (1996-2012)

*GRP stands for Gross Regional Product

Figure 5: Instrumental Variables (based on Khemani 2004): Perset Electoral Schedules

Coding	Ideal case	Coding	Early elections	Coding	Late elections I	Coding	Late elections II	
1	4	1	4	1	4	1	4	Term=4
0	1	0	1	0	1	0	1	
0	2	0	2	0	2	0	2	
0	3	0	1	0	3	0	3	
1	4	0	2	1	4	1	4	
0	1	0	3	0	5	0	5	
0	2	0	1	0	1	0	1	Term=5
0	3	0	2	0	2	0	2	
1	4	0	3	0	3	0	3	
0	1	1	4	1	4	0	4	
0	2	0	1	0	1	1	5	
0	3	0	2	0	2	0	1	
1	4	0	3	0	3	0	2	
0	1	1	4	1	4	0	3	
0	2	0	1	0	5	0	4	
0	3	0	2	0	1	1	5	
1	4	0	3	0	2			
	...		...		...		...	

Table 6: **Regression Results (OLS - Region and Year FE)**

Explanatory Variables	Victims	Business	Non-Business	Gangsters	Full Info
	Dependent Variable				
Regional	1.411**	0.476	0.914*	0.162	0.713
	(0.74)	(0.34)	(0.49)	(0.18)	(0.48)
Council	1.023	0.365	0.670	0.460**	0.806
	(0.80)	(0.37)	(0.53)	(0.19)	(0.52)
Gubernatorial	-0.758	-0.149	-0.609	0.022	-0.128
	(0.43)	(0.34)	(0.49)	(0.18)	(0.48)
Mayoral	-0.477	-0.267	-0.205	-0.130	-0.285
	(0.55)	(0.38)	(0.55)	(0.20)	(0.54)
Linear comb[1]	2.43***	0.841*	1.584**	0.622***	1.519**
	(1.03)	(0.48)	(0.69)	(0.25)	(0.68)
GRP[2]	8.077***	5.272***	2.832*	1.812***	6.977***
	(2.42)	(1.13)	(1.62)	(0.60)	(1.59)
Population[3]	-16.336***	-7.923**	-8.376*	-11.935***	-20.528***
	(6.71)	(3.12)	(4.47)	(1.65)	(4.39)
Private Employment[4]	8.507***	3.917***	4.589**	2.114***	5.811***
	(3.03)	(1.41)	(2.02)	(0.74)	(1.98)
Registered Crimes[5]	5.309**	2.733**	2.591	2.163***	5.296***
	(2.43)	(1.13)	(1.62)	(0.60)	(1.59)
Newspapers[6]	0.011	0.003	0.006	0.006	0.007
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
R^2 (within)	0.08	0.10	0.06	0.15	0.11
R^2 (between)	0.11	0.09	0.12	0.21	0.15
R^2 (overall)	0.06	0.06	0.05	0.07	0.09

***$p < 0.1$,** $p < 0.05$, and ***$p < 0.01$; N=1182 in all specifications; see text for details; [1] - linear combination of regional parliamentary elections and capital city council elections; [2] - log of gross regional product lagged one year; [3] - log of population; [4]- log of private employment lagged one year; [5] -log of total number of registered crimes lagged one year; [6] - number of newspapers sold per 1 mil population;

Dependent Variables: Victims = Total N of Victims; Business = N of Businessmen; Non-Business = N of Non-Businessmen; Gangsters = N of Gangster-Victims; Full Info = Total N of Victims (Full Information);

Explanatory Variables: regional = regional parliamentary elections; council = capital city council elections; see text for details

Table 7: **Regression Results (2SLS - Region and Year FE)**

Explanatory Variables	Dependent Variable				
	Victims	Business	Non-Business	Gangsters	Full Info
Regional	1.607**	0.531	1.054*	0.176	0.767
	(0.85)	(0.39)	(0.56)	(0.21)	(0.55)
Council	0.508	0.213	0.290	0.599**	0.811
	(1.20)	(0.56)	(0.80)	(0.29)	(0.79)
Gubernatorial	0.253	0.337	-0.070	0.291	0.487
	(1.07)	(0.50)	(0.71)	(0.26)	(0.70)
Mayoral	0.154	-0.346	0.504	-0.185	-0.441
	(1.15)	(0.53)	(0.77)	(0.28)	(0.75)
Linear comb[1]	2.116*	0.744	1.345	0.776**	1.578*
	(1.38)	(0.64)	(0.92)	(0.34)	(0.91)
GRP[2]	8.089***	5.283***	2.833*	1.827***	6.999***
	(2.43)	(1.13)	(1.62)	(0.60)	(1.59)
Population[3]	-16.090**	-7.923***	-8.131*	-11.909***	-20.521***
	(6.72)	(3.13)	(4.48)	(1.66)	(4.40)
Private Employment[4]	8.601***	3.938**	4.667**	2.113***	5.824***
	(3.03)	(1.41)	(2.02)	(0.75)	(1.99)
Registered Crimes[5]	5.258**	2.751**	2.522	2.182	5.331***
	(2.44)	(1.13)	(1.62)	(0.60)	(1.59)
Newspapers[6]	0.011	0.003	0.006	0.006	0.007
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Cragg-Donald Wald F	211.121	211.121	211.121	211.121	211.121

***$p < 0.1$,** $p < 0.05$, and ***$p < 0.01$; N=1182 in all specifications; see text for details; [1] - linear combination of regional parliamentary elections and capital city council elections; [2] - log of gross regional product lagged one year; [3] - log of population; [4]- log of private employment lagged one year; [5] -log of total number of registered crimes lagged one year; [6] - number of newspapers sold per 1 mil population;

Dependent Variables: Victims = Total N of Victims; Business = N of Businessmen; Non-Business = N of Non-Businessmen; Gangsters = N of Gangster-Victims; Full Info = Total N of Victims (Full Information);

Explanatory Variables: regional = regional parliamentary elections; council = capital city council elections; see text for details

Table 8: **Regression Results (OLS - Region and Year FE)**

Explanatory Variables	Dependent Variable				
	Victims	Business	Non-Business	Gangsters	Full Info
Regional	2.903***	0.956*	1.917***	0.367	1.456**
	(1.10)	(0.51)	(0.73)	(0.27)	(0.72)
Council	0.541	0.223	0.316	0.110	0.823
	(1.12)	(0.52)	(0.75)	(0.27)	(0.52)
Regional Seats [1]	-2.618*	-0.843	-1.760*	-0.343	-1.388
	(1.44)	(0.67)	(0.96)	(0.35)	(0.94)
Council Seats [2]	0.909	0.269	0.663	0.623*	1.018
	(1.39)	(0.65)	(0.93)	(0.34)	(0.91)
Gubernatorial	-0.674	-0.122	-0.551	0.037	-0.088
	(0.73)	(0.34)	(0.49)	(0.18)	(0.48)
Mayoral	-0.433	-0.254	-0.176	-0.112	-0.275
	(0.82)	(0.38)	(0.55)	(0.20)	(0.54)
Linear comb[3]	3.444**	1.179*	2.234**	0.477	1.759*
	(1.50)	(0.70)	(1.00)	(0.37)	(0.98)
GRP[4]	8.152***	5.295***	2.884*	1.835***	7.030***
	(2.42)	(1.13)	(1.62)	(0.60)	(1.59)
Population[5]	-16.413*	-7.946**	-8.434*	-12.001***	-20.628***
	(6.70)	(3.12)	(4.47)	(1.65)	(4.39)
Private Employment[6]	8.550***	3.930***	4.618**	2.127***	5.842***
	(3.03)	(1.41)	(2.02)	(0.74)	(1.98)
Registered Crimes[7]	5.269**	2.721**	2.563**	2.151***	5.266***
	(2.43)	(1.13)	(1.62)	(0.60)	(1.59)
Newspapers[8]	0.011	0.003	0.006	0.006	0.007*
	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)
R^2 (within)	0.09	0.10	0.06	0.15	0.12
R^2 (between)	0.10	0.09	0.12	0.21	0.15
R^2 (overall)	0.05	0.06	0.05	0.07	0.09

***$p < 0.1$,** $p < 0.05$, and ***$p < 0.01$; N=1182 in all specifications; see text for details; [1] - more than median number of seats in a regional parliament; [2] - more than median number of seats in a capital city council [3] - linear combination of regional parliamentary elections and capital city council elections; [4] - log of gross regional product lagged one year; [5] - log of population; [6]- log of private employment lagged one year; [7] -log of total number of registered crimes lagged one year; [8] - number of newspapers sold per 1 mil population;

Dependent Variables: Victims = Total N of Victims; Business = N of Businessmen; Non-Business = N of Non-Businessmen; Gangsters = N of Gangster-Victims; Full Info = Total N of Victims (Full Information);

Explanatory Variables: regional = regional parliamentary elections; council = capital city council elections; see text for details