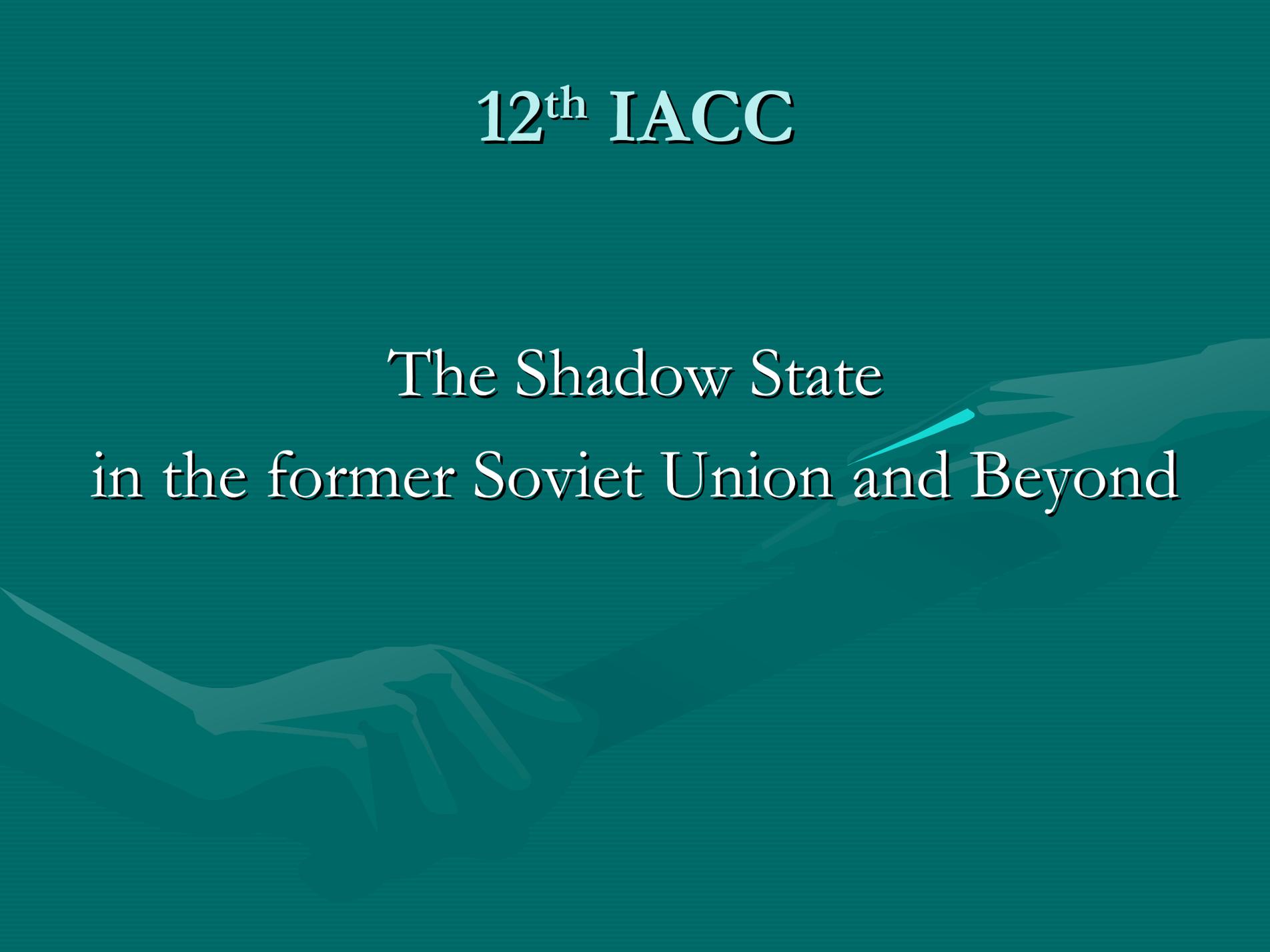


12th IACC

The Shadow State
in the former Soviet Union and Beyond

A faded, light-colored image of two hands shaking is visible in the background, centered behind the text. The hands are rendered in a simple, stylized manner, with the fingers slightly curled as if in a firm grip. The background is a solid teal color.

Formal State vs. Shadow State

The conventional Weberian concept of the state refers to three attributes that a modern state should have:

- a legislatively regulated administrative and legal order
- binding authority over citizens and a defined territory
- monopoly over the legitimate use of force.

Shadow State

- The concept of the Shadow State refers to:
- a system of 'governance' imposed by public officials acting in private interests and external (non-state) actors that are capable of gathering rents and delivering goods and services that should be provided by the state but are not due to its own weakness and public malfeasance.
- The idea of a shadow state is not one limited to the FSU and in fact the principle of a Shadow State emerged from studies of Africa.
- In his seminal work on corruption in West Africa, *Corruption and State Politics in Sierra Leone*, refers to the Shadow State as a form of personal rule; that is, an authority that is based upon the decisions and interests of an individual, not a set of written laws and procedures, even though these formal aspects of government may exist
- establishes the concept of a *Shadow State* that exists as a parallel system of governance that is constructed behind the façade of laws and government institutions.

Shadow State

- This form of personal rule is typified by the use of semi-feudal system of patronage and supported by a regulatory environment and system of contract enforcement provided by the nascent organised (or in some cases disorganised) criminal structures or other non-state actors that utilize non-legitimate force.
- There are a number of groups outside of the Government (including international financial institutions) that exert considerable pressure on the emerging or weakened state structures and form the core of a method of governing that parallels the formal governance structures.
- Just as in the modern state is defined by the formal structures the Shadow State has developed ‘institutions’ that:
 - Collect taxes
 - Wield force/enforce justice
 - Regulate the market and distribute resources

Potemkin State

- The Shadow State exists as a vast structure that lies beneath the formal 'shell' of the state with its institutions, rules and regulations known to participants.
- The 'rulers' of the Shadow State, the political and economic elites, do have an interest in maintaining the appearance of a functioning formal state and are assisted in this in part by partnering with 'foreign' actors that can grant this recognition.
- The formal state itself then becomes a Potemkin State with the facades of state institutions still standing and recognized by international actors and others to be genuine edifices but are in fact mere cutouts of the state apparatus.

Methods of the Shadow State

- The rules of organization of the Shadow State are complex as are the methods used to achieve its policies.
- The shadow state has all the same core functions as does the modern state and has institutions that regulate it.
- The key agents for the shadow state are the violent entrepreneurs or organized criminals who act as the primary 'security' forces or enforcers.
- Utilizing the real or implied use of violence to control markets; regulate allocation of resources; enforce property rights and contracts and 'tax' through extortion.
- The shadow judges and arbitrators of disputes are the 'avtoriteti' or authorities - the senior criminal figures and others who are seen by all actors as having the authority to dispense 'justice'
- Additionally, shadow taxes, usually in the forms of bribes are the mechanism for revenue collection.

Shadow State

	Modern		Shadow	
	Agent(s)	method	agent (s)	method
Protection of Person and Property	State agents of law enforcement	Tax collection = delivery of protection by state agents	Violent entrepreneurs	Protection payments with violence as enforcement
Property Rights enforcement	Judicial system	Adjudication via judiciary	<ol style="list-style-type: none"> 1. 'Private' officials, legislators 2. Violent entrepreneurs 	<ol style="list-style-type: none"> 1. Bribes 2. Arbitration by 'stariki' and violence as enforcement
Contract Enforcement	Judicial system	Adjudication via judiciary	Violent entrepreneurs	Arbitration by 'stariki' and violence as enforcement
Dispute settlement	Judicial system	Adjudication via judiciary	Violent entrepreneurs	Arbitration by 'stariki' and violence as enforcement

Shadow State

	Modern		Shadow	
	Agent(s)	method	agent (s)	method
Market regulation	State regulators, self enforcement	Regulatory environment	1. 'Private' officials, legislators 2. Violent entrepreneurs	1. Bribery 'State capture' 2. Arbitration by 'stariki' and violence as enforcement
Taxation / wealth redistribution	Revenue authorities (tax customs)	Efficient and systematic tax collection = delivery of social services	1. 'Private' officials, legislators 2. Violent entrepreneurs	1. Shadow taxes = bribery 2. extortion
Control of Natural Resources	Regulators, Market Economy	Maximization of profits and revenue generation for state budget	1. Oligarchs 2. Violent entrepreneurs	Seize control over resources through: 1. 'privatization' (mass theft) or 2. 'state capture'
Delivery of Public Services	Civil service	Tax collection and delivery of social services	1. 'Private' officials 2. Social networks	1. Bribery as shadow taxes 2. Exchange of favours, patronage