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**SPHERES OF SEMI-LEGALITY: DISCOURSE, MEDIA AND INFORMAL
ECONOMIC PRACTICES IN ST. PETERSBURG, RUSSIA (2000-PRESENT)**

by

MARIA R. ROTI

DISSERTATION

Submitted to the Graduate School

of Wayne State University,

Detroit, Michigan

in partial fulfillment of the requirements

for the degree of

DOCTOR OF PHILOSOPHY

2014

MAJOR: ANTHROPOLOGY

Approved by:

Advisor

Date

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DEDICATION

To my mother,

Caterina

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Over the past ten years I have received great support and encouragement from many individuals who have believed in my project and my abilities as a student to pursue it. I would like to thank all of dissertation committee members for their time, commitment and constructive criticism of the text. I owe my deepest gratitude to my advisor, Dr. Barry J. Lyons, who has been an invaluable mentor who guided my dissertation writing with great enthusiasm, academic insights, and persistent help; and all of this was done with great kindness and with the highest degree of professionalism and integrity. Without his help and support this dissertation would not have been possible. I also owe a great degree of gratitude to Dr. Allen Batteau for his agreement to serve as a committee member very late during the research phase as well as him providing prompt, insightful feedback to my text. I would like to thank Dr. Aaron B. Retish for his unbridled enthusiasm, great conversations, and historical fact checking. In addition, a thank you to Dr. Vadim Volkov for his careful reading of the text, his introduction to my research site, and for providing additional support while in the field. Lastly, I owe a huge debt of gratitude to Dr. Alexei Yurchak who helped to shape my ideas for the research, for great conversations, and for providing immeasurable moral support and focus while conducting my research.

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CHAPTER 1 “INTRODUCTION”

Russia is a riddle wrapped in mystery inside an enigma. Winston Churchill

Russia cannot be understood with mind alone, No ordinary yardstick can span her greatness: She stands alone, unique. In Russia, one can only believe. Fedor Tiutchev

I have concluded from this difference that a country [Russia], which one leaves with so much joy and returns to with so much regret is a bad country. The German Innkeeper to the Marquis de Custine, 1839 (Sebag Montefiore 2001: 27).

The warning which the Marquis de Custine received from the German innkeeper to stay away from Russia parallels some of the discourse I heard in my many travels in Russia. Throughout my two-year ethnographic investigation (2010-2011), I was asked repeatedly by Russians, including my informants, why I chose to live in Russia and why I chose to study the Russian informal economy. The questions were so frequent that at times I felt as if I was the person being interviewed. My answers to their questions would only provoke further comments about my character, ranging from “You’re brave,” to “You’re crazy.” Others were struck by my endurance. They would say, “What is really strange is that you have been to Russia before and you keep coming back,” or “You’ve lived here for *how* long? Why??!!” I always found such comments confusing, but at the same time very revealing about Russians’ perception about their country, their society, and their daily lives.

The comment which affected me the most came from a conversation with the administrator of BIR¹ (the Russian business organization where I conducted my ethnographic fieldwork). After telling her of my research plans, she looked at me and said, “You know your research is very dangerous.” It is dangerous to study business practices in Russia? I wondered. In time she would introduce me to BIR members as a “CIA agent who wanted all of their secrets.” Despite the comedic introductions, her warning would always shadow my research. I

¹ A pseudonym which stands for “Business in Russia”. Throughout the dissertation I used to pseudonyms to identify my informants and their places of work.

took extra precautions to protect the identity of my informants. I also took precautions to protect the information which they told me.

1.1 Capitalism, Russian-Style

Economic exchange, like any other social phenomenon, is deeply rooted in culture and history and not only market forces. Capitalism is not just an economic structure, but an historical and social phenomenon as well. Fifty years ago, classical “modernization” theory argued that modern, capitalist societies would tend to converge and become increasingly alike (Rostow 1960, Form 1979). Every society, as it developed, would come to resemble western capitalist societies with their democratic ideologies and individualism. Anthropologists and other social scientists have argued against this theory of convergence. They contend that differing histories will have enduring effects on the modernity of a particular society (Portes 1973).

Japan, for example, has a very different form of capitalism. Japan’s capitalism has values which Japan inherited from its feudal past. Japanese capitalism is rooted in reciprocity, loyalty to country, human ties (family, friends, co-workers, teachers, and society) and family obligations (Kondo 1990, Megarry 1995, Collins 1997). Since people create themselves within a particular history and political economy (Kondo 1990), the ideas of group cohesion and social harmony are still as prevalent today in Japan as they were during the feudal system. The Japanese government has control over the economic structure and reinforces class divisions that are deeply rooted in the feudal system. “The results of this tradition are that modern Japanese society has developed in the absence of a liberal value system and that various forms of authoritarian control remain embedded in political practices at many social levels” (Megarry 1995: xvi). In other words, Japan’s capitalism is distinct from Western capitalism. Western capitalism has an ideological and cultural emphasis on independence, even though capitalism does have interdependent

relationships. Due to its historical past, Japanese capitalism places greater stress on hierarchy and interdependence.

The Russian economic system also contradicts the assumption that capitalist societies will converge and become more alike. Russia has its own style of capitalism which does not mirror its Western, or even Eastern, counterparts. Historically, Russia has always had a strong central government with a small ruling elite. The ruling elite had benefited financially from controlling the population (Riasanovsky 1984).

In addition, the Russian state, historically, has also been a police state. Dating as far back as 1564 when Tsar Ivan IV (Ivan the Terrible) created a “new corps of servants....the *oprichniki* who are described sometimes today as gendarmes or political police” (Riasanovsky 1984:151). In more recent times the Great Purges² in the 1930s killed and imprisoned millions of Soviet citizens who were falsely accused of being “enemies of the revolution” (Riasanovsky 1984, Fitzpatrick 1999). Currently, the FSB (Federal Security Bureau) works and acts as agents for government officials. The FSB is viewed by the Russian people as working for the United Russia Party (the political party of Vladimir Putin). The FSB has illegally arrested representatives of the Yabloko Party (The United Democratic Party) and seized their political pamphlets on the grounds of “sedition”³. Other police organizations, such as OMON (the Russian Special Task Force Police), are used to intimidate peaceful protesters. One group targeted by OMON is Strategy-31. Strategy-31 is a series of civic protests in support of the right to peaceful assembly in Russia, which is guaranteed by Article 31 of the Russian Constitution⁴. This protest is held on the 31st of every month with 31 days in it. Several times I had to use different subway or bus

² The Great Purge of the 1930s was implemented by Stalin to exterminate all political opposition and any Soviet citizens who were viewed as counterrevolutionaries (Riasanovsky 1984). The purges imprisoned a large portion of the population, mostly people of the middle-class, to labor camps.

³ St. Petersburg Times www.spbtimes.ru

⁴ En.wikipedia.org For a copy of the constitutional description see www.constitution.ru/en/10003000-03.htm

stops to avoid conflict with OMON. In fact, on one occasion as I was walking down Liteinii Prospekt towards Zhukovskii Street, I saw a handful of protestors (perhaps 8-10 people) being followed by approximately 30 police from OMON task force, with their clubs drawn, followed protestors down Liteinii Propsekt. Not wanting to be caught in the middle of this, I made a detour into a store which sold honey and waited for the protestors and police to pass before leaving the store.

Despite the use of political oppression to stay in power, the Imperial Russian government and Stalin's government did play an active role in driving the economy and industrializing the country; at times even trying to Westernize it. For example, in 1897 finance minister Sergei Witte "encouraged heavy industry by virtually every means at his command, including government orders, liberal credits, unceasing efforts to obtain investments from abroad, tariff regulations, and improved transportation" (Riasanovsky 1984:398). In fact, Witte understood the importance of building Russia's infrastructure, especially the railroads⁵, as a means of transporting natural resources from Siberia to the industrial cities for manufacturing. Witte also implemented other changes which facilitated economic growth, including increasing exports while curtailing imports, indirect taxation on consumption items, and introducing the gold standard (Riasanovsky 1984). "Thus, in Russian conditions, the state played the leading role in bringing large-scale capitalist enterprise into existence" (Riasanovsky 1984:425). The Soviet government, under Stalin, also played an important role in driving the economy. Stalin's Rapid Industrialization⁶ made the Soviet Union a great industrial nation (Riasanovsky 1984) which

⁵ Witte was instrumental in the construction of the Siberian railway system.

⁶ Stalin's Rapid Industrialization was similar to Witte's program, but on a grander scale. Stalin's Rapid Industrialization was implemented through Gosplan (the Soviet state economic planners), which was led by both politicians and economists, and they controlled the state planning targets. There were three five-year plans of Rapid Industrialization, each phase had different goals. The first five-year plan (1928-1932) focused on iron and steel production, and collectivization. The second and third five-year plan (1933-1937) still focused on heavy

focused on iron and steel production and heavy industry. A consequence of Rapid Industrialization was a new infrastructure (subway systems, roads, bridges, large buildings) and a large military with modern weaponry. Later Soviet leaders continued the process of industrialization, even to the point of exploiting the nation's natural resources.

In post-Soviet Russia, the Russian government controls many of the large industries in Russia, but has not set policies that support small and medium-sized enterprises. Russian government officials have stated their desire to create an environment suitable for capitalist enterprises. However, according to my informants this is more rhetoric than actual performance. Directors of foreign firms (European and American) stated that the Russian government's policies (taxation, customs regulations) are barriers for effective business. Many informants from local Russian firms have stated similar complaints as well.

This does not mean that Russians are unable to control their own future, their own destiny. What it does mean is that Russians are accustomed to a society with limited democratic rights, and any form of open protest is greeted with resistance from the government. For Russian capitalism to mirror the West, then other institutional structures which are found in the West would have to be in place. Informants, both Russian and foreign, were aware of the institutional limitations which prevented capitalism in Russia from mirroring the West.

Western capitalism, however, is not only about institutional structures; it is about practices as well. Western capitalism has also created workers who have Western capitalist practices. These behaviors are different from those of Russian workers who grew up in the centrally-planned economy of the Soviet Union. I will discuss these differing behaviors in Chapter Three. Foreign informants and Russian informants who worked for foreign firms were

industry, collectivization of agriculture, and the quantity and not quality of production. Electrical power was also an integral part of Rapid Industrialization.

acutely aware of these behavioral differences. Behavior, as well as institutions, play a role in making capitalism in Russia, as in Japan, distinct from capitalism in the United States.

When the Soviet Union collapsed after the failed 1991 coup, Western economists - Jeffrey Sachs, Andrei Shleifer, John Phelan Jr., and Peter Barenboin - created a plan to push Russia and the former communist satellite states into a capitalist system. These economists implemented capitalist policies and reforms with the expectation that Russia would become an economic giant and trade partner for the United States (Gustafson 1999).

When Western economists implemented economic reforms in Russia, they ignored the economic organization which already existed and tried to institute a U.S. capitalist system in a country which had no structural support for it. A capitalist system was put in place of the socialist one, but the old organizations and social interactions have remained the same. "The collapse of the Soviet Union did not destroy the entire Soviet office to the ground level. The top blew off, but much of the underlying regional and local structure survived, and remained dominated by the people from the middle and lower ranks of the Soviet administrative class" (Gustafson 1999: 31).

Hungarian economist Karl Polanyi (1944) drew attention to the social and institutional structures that shaped economic life (Bugra and Agarten 2007). The Soviet Union was no exception. During the Soviet Union, the Soviet administrative class, known as the *nomenklatura*⁷, had considerable power. Its power was based on a network of government officials in a patron-client system. Some of these relationships were based on patron-client

⁷ The *nomenklatura* system controlled career posts and monitored personnel. The *nomenklatura* system was "important for the coordinated and centralized deployment and monitoring of personnel" and "was not only an elaborate system for the centralized deployment of personnel but also a method of party-political control" (Miller 1994:340). Further, "the majority of persons on the *nomenklatura* lists were party members" (JHM:340). In colloquial terms the *nomenklatura* came to symbolize "the ruling class that ran and benefitted from that procedure" (Miller 1994:341).

relations and others on friendships. As the well-known political scientist T.H. Rigby noted, “[these] relationships dated as far back as the beginnings of the Romanov dynasty” (Rigby 1998: 10), which ruled from 1613 and lasted for three hundred years, ending in 1917. The patron-client relationship is still part of the Russian economic system. Even in the banking industry, the same pattern emerged; “most of the major new Russian bankers likewise started very young from junior positions in the *nomenklatura*” (Gustafson 1999: 122). When the Soviet Union collapsed, the *nomenklatura* remained in control. “Connections have remained and possibly enhanced their importance in earning money in the first place” (Rigby 1998: 119). The same people that had power and access to goods during the Soviet Union have continued to have power and the same access to goods under the capitalist economy. This phenomenon is not unique to Russia. David Stark argues that in Hungary, certain measures of privatization allowed the “elite from the party-state apparatus [to] also [take] advantage of the transformation process” (1990:365) and became very wealthy as a result of privatization. Stark describes these government officials, or apparatchiks, as being part of a “clan” “in which the elite of the party apparatus and the economy worked together” (1990:377). This clan relationship continued during privatization where political position and the economy were intricately linked. In the case of the Soviet Union, since there were shortages of consumer goods in the Soviet system, the *nomenklatura* had great power by simply having access to goods. The same “distinctive features of the late Soviet-era stratification” persist in Russia (Gerber and Hunt 1998:3), and this has made it difficult for Western-style capitalism to take hold.

There are other socially embedded practices that have been transferred and to some extent transformed in the market economy in Russia: bribery, gift giving, system avoidance, and the use of personal networks are some of the most notable. Other behavioral practices which

have been transformed in the market economy are cultural ideas of inequality and hierarchy. These cultural ideas of inequality and hierarchy affect employees' behaviors, such as avoiding decision-making.

For foreign firms operating in Russia, the "rules of the game" (Paneyakh 2008) are different and so are the power relations. Foreign firms must abide by the laws of their native countries, Federal Trade Commission regulations (FTC), and international law. This has created a different type of tension between businessmen and Russian government officials. The power relations have been, in many cases, inverted, with many foreign businessmen using their home country's political and economic superiority as a method to force Russian government officials to play "fair," or by the law. When there are problems, many of these multi-national companies use the law, the courts, and their own vast wealth to prevent Russian officials from using coercive measures against them. However, there are still other structural problems that interfere with conducting business smoothly and efficiently.

The overbearing regulations and bureaucracy have created the condition for informal economic practices, as well as have facilitated semi-legal behavior from Russian entrepreneurs. Despite the structural and bureaucratic problems, which make conducting business activity in Russia difficult, Russian entrepreneurs have learned to adapt to these circumstances, engaging in behaviors which are semi-legal, but are simultaneously moral and ethical. This dissertation does not just focus on the "spheres of semi-legality", it focuses on attitudes and beliefs of Russian entrepreneurs.

This dissertation addresses three important questions. First, how are multinational corporations, which are operating as powerful economic actors in Russia, able to change the rules of the game in business practices while simultaneously claiming authority on the discourse

of Russian workers and Russian business practices. This dissertation addresses how power relations between core and periphery nations allow core nations to circumvent semi-legal practices in Russia. Second, how do Russian entrepreneurs view their relationship with government officials, laws, and the profit making in the market economy. Or, more specifically, what is the moral economy which dictates Russian entrepreneurial behavior. Third, how do specific laws, which are good in theory, hinder profit making behavior and force Russian enterprises to circumvent the law. More specifically, how do these laws force many Russian entrepreneurs to engage in semi-legal behavior.

1.2 Russian Business Practices: The State and the Informal Economy

Since the fall of the Soviet Union, Russian business practices can be characterized by two distinct phases: bandit capitalism that dominated Russian business practices in the 1990s, and state capitalism that has dominated Russian business practices since the early 2000s. Despite these different market economy phases, each decade of business practices has elements of the Soviet economic structures and non-market behaviors that have come to characterize Russian business. In an ideal-type market economy relies on laws and legality to ensure that economic transactions run smoothly, ethically, and efficiently. In the centrally-planned economy of the Soviet Union, the socialist government created different avenues to ensure that business deals would be conducted in an ethical manner (Verdery 1996, Ledeneva 2006). Plant managers and production firm supervisors created connections with each other and with government officials to obtain needed raw materials and sought-after production contracts. These connections were

based on trust and friendship and were solidified with gift exchanges and personal favors, or what is commonly known as *blat*⁸.

Alena Ledeneva (1998) describes *blat*' as the system of informal contacts and personal networks in order to obtain scarce goods and services under the rationing system of consumer shortages found in the Soviet system. Personal networks included friends and family members, but was usually misrecognized as *blat*'. *Blat*' was technically illegal, but allowed the Soviet system to operate since it handled the consumer aspect of the economy. *Blat*' did undermine Soviet ideology, but was a common practice.

The role of the state was overwhelming, and government officials controlled the production, the distribution and the retail price of produced goods. Under the Soviet system, virtually all private entrepreneurship was illegal, and the daily functions of economic exchange relied on the informal economy for supplying supplemental wages as well as needed consumer goods in an economy of product deficit.

It would be difficult to understand economic practices in the Soviet Union without a deeper discussion of the informal economy and its benefits to the Soviet centrally-planned economy. The Soviet Union can best be described as a country with a "delimited socioeconomic structure, one that [was] characterized by socialist (mainly state) ownership, central control, imperative planning, 'command' management by a bureaucratic hierarchy, almost universal price fixing, widespread shortages, rationing of nearly all producer goods and some consumer goods, and the virtual absence of a market mechanism" (Grossman 1989:150). One of the most notable problems for Soviet citizens was the lack of consumer goods. This problem was solved by two distinct, but overlapping, informal systems: *blat*' networks of exchange and the black market. The former, *blat*' networks of exchange, were reciprocal exchanges of goods and services that

⁸ *Blat*' will be discussed in more detail on page 74.

did not directly violate the law. Black markets were markets that sold goods unavailable through state-sanctioned consumer outlets due to inadequate production within the Soviet system. While the goods themselves were legal, the profit-making aspect of black markets was illegal. In other words, the methods employed to both sell the goods and to obtain them were illegal. These two informal systems were necessary for the acquisition of everyday consumer goods, and the practices themselves were viewed as moral since each system was integral to most individuals' personal survival strategies. Further, the Soviet government did very little to enforce restrictions against either type of informal activity because the government also viewed the informal economy as necessary for the survival of the Soviet system (Ledeneva 1998). The black markets allowed people to obtain needed goods, therefore alleviating citizen dissatisfaction with the Soviet system by meeting daily needs. If black markets were not present, the likelihood of citizen dissatisfaction would have increased and more overt criticism about the Soviet system would have occurred (Ledeneva 1998). This would have rendered it susceptible to social revolution and eventual collapse, as in fact occurred in the late 1980s against a backdrop of food deficits and the inability of the black markets to provide for consumer needs. In addition, the black markets and *blat*' networks of exchange allowed the Soviet system to run more efficiently because they relieved the government of the burden of having to supply all types of necessary consumer goods (Ledeneva 1998). Further, Soviet government officials financially profited from the black market sales. However, there was a negative aspect to the informal economy in the Soviet Union: it subverted the socialist system both ideologically and economically.

Russia's current political and economic system is very fluid. Russia's economy heavily relies on oil and gas exports and international market prices for these commodities. Further, "the surge in [Russia's] economic growth – largely the result of increases in world prices – helped

raise the Russian standard of living and brought a larger degree of economic stability” (Nichol 2013:31). Russia is dependent on the world market and international prices for their own economic stability, which makes the Russian economy very fragile and, to some degree, unstable.

1.3 Background and Fieldwork Preparation

“You want to study *What?*”

Before my actual fieldwork began, I did manage to go to Russia several times for language study and practice. These language study abroad programs were a different experience than my ethnographic ones; they were by far and large positive experiences. Like most study abroad programs, I was shielded from certain aspects of Russian life. I lived with host families who would take care of many of my daily needs, such as grocery shopping, paying utilities, and cooking. There was also a schism in experiences based on timing—my study abroad trips were taken in the post-Soviet period (characterized by the bandit capitalism of the 90s); my ethnographic experiences were part of a post, post-Soviet period characterized by government control, consumerism and a new generation that never experienced the Soviet system. This period of transition, with its Soviet legacy, fragmentation and lack of an over-arching ideology would create a complicated new Russia. It is a country still trying to define itself after the collapse of the Soviet Union.

My first trip to Russia in 1999 reminded me a lot of Detroit with its high crime and a low-standard of living. Despite these similarities there were some major differences. The most striking difference, St. Petersburg is the cultural capital of Russia with its great heritage of artists, musicians, dancers, and writers. In addition, the city itself had a quaint ambiance with its

picturesque scenes of bridges, canals, and Italian architecture. At the time I was interested in studying women, health, and reproduction. My focus of research changed when I arrived. I lived on Tavrisheskaia Street, the same street where Vladimir Kumarin Barsukov, aka "*The Night Governor*," lived. Kumarin Barsukov was the leader of the Tambovskaiia Russian mafia crime syndicate and who was convicted to 14 years in prison in 2009. Tavrisheskaia Street was lined with BMWs, Mercedes, and Land Rovers while the majority of streets of St. Petersburg were empty of cars or had only the occasional Soviet-made Lada or Zhiguli. On Tavrisheskaia Street, there were guards positioned on the street and in the courtyards. "*This I need to study*," I said to myself one day as I was walking down Suvorskii Prospekt and watched a Mercedes speed down the street flanked on each side by black Mercedes SUVs. The driver did not stop and went through a red light without being stopped by police. My research focus changed in an instant.

My advisor was not enthusiastic over my regional choice of research. I told her it was either Russia or the Arab World, in particular Egyptian society. I started to lean more towards Russia for logistical reasons: I would be better able to blend into Russian society; the Russian language was easier than Arabic; and the anti-American sentiment was stronger in Egypt than in Russia. I fought my first advisor in order to focus on Russian society. We battled for over a year. She wanted me to study Italy. "You know the language. You have family connections there and an inside cultural knowledge," she kept saying. Once in the field, I would understand her reasoning, but at the time, I was convinced this was the best choice. Consequently, I persisted, and Russia became my geographic area of study. Eventually my advisor, despite her concerns, became my staunchest supporter. Later, during the long winter months in the field, as I walked on sidewalks packed with six inches of ice, I would regret not studying Arab society, with their calm winter months and warm weather.

In 2007, I would have a different immersion experience when I attended the European University at St. Petersburg for one semester. I took classes, made academic connections, secured my research base, and improved my Russian language skills. More importantly, it was the first time that I lived alone and had to take care of my basic daily needs: shopping for food, paying utilities, and figuring out solutions for any problems that emerged, such as finding the electrical box every time my blow dryer blew a fuse. I would return the following year to start my ethnographic research. I was in the field 18 months prior to the actual start of the research. There were two stumbling blocks—bureaucratic permissions which needed to be secured and my own health issues. During the wait, I focused on my Russian language skills, devoting myself to an intensive 20-hour-per-week individual language program. Near the end of my language training, my Russian language teacher told me, “You’re ready.” The health issues would continue, but they gave me another unique experience while in the field.

My background both personally and academically prepared me for my field research. My parents emigrated from Calabria, Italy to Detroit before I was born. I am first generation Italian-American. My family heritage is not the Italy of the Roman Republic or the Renaissance, however. It is the Italy of the South, with its strong African and Arabic influences, peasants as described by Antonio Gramsci, and its Mafia vendettas. I am a cultural hybrid, having cultural elements of both societies. I am American in my beliefs of privacy, independence, individualism, and the American dream of self-determination. I define myself as Italian in my ideas of family, food, religion, dress, friendship, education, childrearing, government, pride, and vendetta. Being an “outsider” in Russia was nothing new to me; that is how I had lived most of my life in America.

My experiences in my anthropology department also prepared me for my research. My anthropology department was not a typical academic department. In fact, it was a rare institution of higher learning. The Anthropology Department at Wayne State University was unique in its high percentage of ethnic minorities and students from a working-class or a working-poor population. We were counter to the University of Michigan student body with their white, middle-class entitlement which allowed them privileges but a lack of real life experience. Our experience was inner city, random street violence, and racial apartheid. We were used to the graffiti-colored walls, bullet holes in the parking garage, and the almost weekly or bi-weekly barricaded gunman in the city, with or without hostages. Our weekly graduate seminars, which were held in the seminar room with a large window that faced Warren Avenue, were usually interrupted by the sounds of blaring police sirens accompanying a fortified mini-tank that was used to break down the doors of homes of suspected drug dealers or barricaded gunmen. When this mini-tank was first introduced by city officials to fight crime we would stop talking during class, watch these cars hurtle down the street, and shake our heads at the human cost of poverty in Detroit. As time went on, we became accustomed to such street violence and would look at the mini-tank and entourage of police cars and keep discussing the week's readings without stopping or halting. "On page 88 Weber describes....." We were no longer shocked by the escalating violence.

The street violence of Detroit mirrored in part the street violence in St. Petersburg in 1999. I was also unfazed by the poverty, dirt, and low standard of living. Detroiters have been struggling with similar issues. Whereas some of my American classmates viewed St. Petersburg negatively, vowing never to return, I viewed St. Petersburg as a familiar, comfortable place to

live. Unlike Detroit, St. Petersburg is a beautiful city filled with architecture and art. I felt comfortable in the city and knew this was the place where I would conduct my research.

1.4 The Research: BIR

BIR (Business in Russia)

My ethnographic research was conducted through BIR. BIR was founded in 1995 in order to unite international businesses to create a more positive and business-friendly environment in Russia⁹. BIR is a non-profit international business organization funded through the membership of international enterprises in North-West Russia. BIR's goal is to facilitate an open dialogue between business and government through close communication, lobbying, and collaboration. BIR also acts as a networking system for its members, which include approximately 147 different international enterprises¹⁰ from Europe, Asia, and North America. In addition, consulates from every country located in St. Petersburg are automatically granted membership, free of charge.

BIR has six different committees: Executive, Finance, Marketing, Human Resources, Legislation and Lobbying, and Environment, Health, and Safety. Each committee has specialists who are experts in each of the individual concerns of the committees. These specialists are voted in by other BIR members in open elections, and they receive no financial compensation for their time. Members meet monthly or bi-monthly to discuss problems related to their committee and area of specialization and attempt to find solutions to these problems. Each committee implements seminars or lectures to disseminate information to other BIR members. In addition, it also organized meetings with government officials to facilitate solutions to problems. All BIR

⁹ Research conducted in the Russian regions also noted this focus on cooperative strategies between business and local government officials as a response to the strong federal government (Frye, Yakovlev, and Yasin 2009).

¹⁰ The exact number of members changes quarterly as new enterprises join or leave BIR.

members are allowed and encouraged to attend events, which are posted through email announcements. BIR also created a monthly newsletter to update members on each month's accomplishments and future plans. The committees focus on the specific problems that international businesses encounter in Russia as well as on the bureaucratic organization of BIR. The Executive Committee oversees the budget and expenditure of BIR. It implements the policies and actions of the association. The Executive Committee meetings were closed to BIR members, and to me as well, because of the sensitive nature of its work. The Human Resource Committee (HR) focuses on problems in the areas of recruitment, staff motivation, and education and training of staff. In addition, the HR Committee holds seminars on labor laws and relations with trade unions. The Legislation and Lobbying Committee (LL) highlights the problems that companies face with tax legislation. The LL Committee lobbies on behalf of businesses and develops recommendations and initiatives for changes in the existing laws, including customs laws. This committee interacts, at the highest level, with local and federal authorities. The Marketing Committee plans BIR's networking events. It also presents some creative meeting topics, such as innovations in gift-giving between clients and partners. The Environmental, Health, and Safety Committee focuses on social and environmental trends in this area. These committees disseminate information to BIR members about the newest laws relating to health and safety standards and regulations and ensure the development of responsible laws, regulations, and standards related to the environment.

BIR's office is located in a renovated building in the center of St. Petersburg. Access to the building is through a secured, locked gate monitored by 24-hour security. BIR is one of twelve organizations housed in this building, a former small palace of the nobility, with marble staircases, marble fireplaces, and an 18th-century elevator complete with two closing wooden

doors and a velvet-cushioned couch. Each floor has a secured door accessible only with a coded key card. Finally, each floor is monitored with a video camera.

The BIR office itself consists of two rooms: a conference room and an office. The conference room is approximately 30 feet long and 15 feet wide. It is carpeted and has 8 windows, letting in a great deal of natural light. The conference room has a long table and 12 chairs. There are extra stacking chairs along the wall. In addition, there is a long bookshelf along one wall which houses many books and a smaller cabinet on the left side of the room. In this cabinet, BIR stores its lap top computer for presentations, extra snacks, party supplies (such as paper plates and cups), nametags, and extra office supplies. Along the wall with the windows is a smaller serving table with a coffee machine, tea pot, and assorted flavored tea bags and cookies. The office is located next to the conference room. It is the smaller of the two rooms, measuring 15 feet long and 15 feet wide. The office has three desks (each with its own computer) plus a fax machine and copy machine. There are additional stacking chairs stored behind the door. There is a closing door which divides the conference and office. Many foreigners viewed BIR's office space as small, but the size of BIR's office space was typical for many Russian companies.

BIR's office is run by three women: the Director of BIR and two staff members. The staff members run all the daily operations: answering phone calls, sending emails, updating membership lists, sending invoices, organizing the meetings in the BIR office (setting up tables, chairs, pens, coffee, snacks, etc.) and organizing events in other offices (renting rooms, entertainment, checking the Power Point presentations, creating the guest lists, creating name tags, etc.). In addition, the office staff writes letters to government officials. These letters are approved by the representing committee before being mailed. The Director is also involved in networking with potential members, current members, and government officials.

BIR has its own web page. The web page consists of the goal of the organization, a list of all members, a monthly calendar of events, a description of each committee with its elected representatives, and contact information for the office. In addition, BIR posts results of meetings, Power Point slides from meetings, and photographs from events. This information is accessible to all BIR members.

The atmosphere at BIR was relaxed, but very professional. The office staff not only focused on running BIR's daily operations and organizing events, but they tried to make all BIR members feel comfortable and at home in the office and at these organized events. As a result, the majority of BIR members were very respectful towards the office staff. In the beginning my relationship with the office staff was mutually respectful and professional. Over the course of my research our relationships transformed from the professional to deep friendships.

1.5 Methods

I used several different research methods to obtain information on informal economic practices in Russia. Although the bulk of my research focused on the business sphere, I also collected data on the informal economy in the daily lives of Russians. The informality in the business world was a microcosm of the broader informal economic practices which occurred in Russia.

I used several different methods to obtain this information for my research. First, I conducted twenty informal interviews with Russian friends and acquaintances on the daily informal economic practices which exist in Russia, such as bribery in education and medicine. These included people who were not in the entrepreneurial field. I then conducted a year-long ethnographic investigation at BIR. I was a participant observer in BIR's business seminars and lectures and BIR's business networking events, and I attended many of BIR's committee

meetings. I was also a participant observer in business meetings between foreign and domestic enterprises and Russian government officials. BIR organized these meetings and invited me to attend.

Through my own network of friends and acquaintances and BIR, I was able to conduct 30 semi-structured interviews with Russian entrepreneurs, Russian lawyers, foreign directors of multinational corporations, foreign trade diplomats and foreign lawyers. I also conducted 60 ethnographic interviews at the BIR events I attended. In addition, I also collected data from popular culture and analyzed different forms of media (jokes, music, movies, etc.). I collected data from two other sources: Russian arbitration court records and Russian governmental websites related to business. I did not use these two sources specifically in my dissertation, but they are relevant since they verified information gathered from my informants.

There is always the question in social science research of knowing whether or not your informants are telling you the truth. As American journalist Paul Klebnikov noted concerning his journalistic research into organized crime, "In Russia the truth has long been fluid, and I found that my interlocutors often made use of this fluidity" (Klebnikov 2000:xi). I countered this uncertainty through several methods. First, my contacts were made using two different sources, BIR and my own network of friends and acquaintances. BIR introduced me to many foreign informants whom I would interview. I also interviewed people within my own inner circle. Several of these informants gave me information which was dangerous, especially if their identities were revealed. These personal networks were vital for obtaining information. Second, I attended all of BIR's events and was very visible. In addition, I started a weekly English conversation class which gave me full exposure to BIR members. People started to know and to trust me, especially through the more social and relaxed atmosphere of the BIR networking

events. Even when BIR staffers introduced me to staffers at other businesses as a CIA agent, many saw the humor in the title. Lastly, in standard anthropological tradition, I did not rely on one informant. Instead, I used multiple sources, i.e. approximately 90 different interviews. Further, I layered my research with ethnographic data obtained in BIR's business meetings, seminars, meetings between entrepreneurs and government officials, and popular culture.

Russian entrepreneurs who were very afraid did not participate in the research¹¹. Some informants held back information, especially of their own informal economic practices. Many Russian informants were eager to tell their stories, wanting to cut through the myths and negative views which many Russians, who were not in the business sphere, held of them. In each interview, I had to make judgment calls as to how much to probe and where. I was flexible in my interviews as well. Klebnikov described his method as being 'the expert' because "the more a person knows, the less likely he is to be lied to" (Klebnikov 2000:xi). I sometimes followed this rule, but at other times, I would play the opposite role, the dumb American who needed everything explained. One informant who participated only due to a friend's introduction, at the end of the interview said, "That wasn't as bad as I thought. I was worried that you were going to ask me about Putin."

I also made judgments concerning individuals who gave me reason to believe they would not be honest or forthcoming with real information, such as Russians who lied about wanting to help me in exchange for free English lessons or foreign entrepreneurs who wanted sexual favors in exchange for the interview. I chose not to interview these people. I was eager to interview people from a variety of different business enterprises and tried to include individuals from

¹¹ Before I started my ethnography at BIR, I attended the Small and Medium-Sized Business Expo at the LenExpo Center. I introduced myself to Russian lawyers and Russian entrepreneurs at this event. Having been introduced outside of a network, people were afraid to talk to me, not sure if I was a journalist or a spy. The Russian entrepreneurs immediately became very quiet and walked away from me.

small, medium, and large businesses as well as both genders. I would use Russian social media, *vkontakte* (Russian Facebook), as a source of information to learn about informants before I interviewed them. Obviously, I was also using it as a way to decide who should be interviewed. Especially as my schedule became more and more full and I had little time to spare, I had to choose who should be interviewed and who should be refused. In one case, I had a choice between two Russians who worked in the same company. After viewing their web pages and their posted photographs, and judging from previous mistakes with interview subject choices who also displayed themselves in a similar fashion, it became clear who would be most likely to treat the interview with me seriously. The Russian man had posted several pictures of his family and friends. The Russian woman's posts consisted of many photos of her private parts in skimpy lingerie. It may have been my Western cultural bias, but I chose to interview the Russian man as the more serious business contact. As I had hoped, the interview with him was respectful and insightful.

Along with flexibility in my interview questions, I also learned to be flexible with my time. My informants worked many hours, travelled a great deal, and had unplanned events or problems appear constantly. As a result, many of my interviews were cancelled and rescheduled at a later date. I had to discern who was really serious about being interviewed and who was avoiding me. One method I used to do this was obtaining the schedules of my informants, "I will be in town from August 2-4, then I leave for Europe for two weeks, then I will be back the first week of September..." I had multiple calendars with everyone's schedules. Attached to these calendars were two dozen sticky notes with highlights and colored pencil to remind me of when people needed to be contacted. At times, I felt more like a journalist chasing down important leads than an anthropologist.

1.6 Claiming Authority in the Field: Gender, Citizenship, and Cultural Immersion

Anthropology has a long standing tradition of studying “the other,” societies which are different from ourselves. Inherent in studying “the other” are the problems of access to informants and claiming authority. Anthropologist Dorinne Kondo stated that while conducting her ethnographic research in Japan, “anthropological imperatives to immerse oneself in another culture intensified” her desire to fit into Japanese society (1990:12). Other anthropologists also claim that they had tried hard to fit into the societies which they were studying, trying to adopt the language, ways of moving, modes of acting, and dress. Some imitate the behaviors out of loneliness (Bourgois 1995, Keesing 1992), others to experience the lives of their informants on a more personal level (Abu-Lughod 1986, Warnock Fernea 1965), and still others to make sense and meaning out of their own lives (Essig 1999, Urban 2004, Rapp 2000, Ainsworth-Vaughn 1998). My attitude was different. I had no desire to “go native,” to fit in, or to imitate Russian behaviors. Furthermore, “we all interpret the world around us in our own way, based on our language, cultural background, and personal experiences” (McGee and Warms 1996:480). I did try to respect cultural customs and norms, but I made mistakes during my fieldwork; mistakes only a non-Russian would make, such as trying to hand money in a cashier’s hand instead of the small tray located near the cash register and decorating gifts with artificial flowers. I had also received stern warnings from my family, especially my Italian mother, who told me, “You are not Russian, and you don’t need to act like one.” I entered the field viewing myself as an Italian-American. Despite my non-Russian behavior, I did fit in physically in Russian society; my height, weight, skin color, and hair color made me unrecognizable as a foreigner. My accent was the giveaway. “You’re foreign,” a salesclerk at Gostiniy Dvor department store told me. Many

Russians, however, did *not* realize I was foreign. “Why are you talking like that?” they would ask, not understanding that my accent was unintentional.

At the beginning of my fieldwork, I did inadvertently break the rules. The irony was that it was Russians who were encouraging me to break the rules. When dealing with Anna, an obnoxious, rude Russian flatmate, it was other Russians who gave me “advice” on how to deal with her, such as flirting with her boyfriend, making her pay for items she stole from me, confronting her about her inconsiderate behaviors, etc. Little did I know that my Russian friends were using me and my non-Russianness to live out their own desires and fantasies of “getting even” with obnoxious flatmates (a constant topic of our conversations). When I moved out of this specific apartment, my Russian friends encouraged me to leave a letter for Anna, telling her exactly what I thought of her. Many of these same Russian friends added their thoughts to this letter including adding further insults, changing the language to be stronger, and even adding expletives and derogatory words to describe Anna personally. “When you move, hang it on her door,” they told me, and I did.

Another strong, critical note that I would send was to a dance instructor who did not show up for my class. Not for the first time, he cancelled my lesson two minutes before class as I waited for him outside of a closed dance studio¹². The letter was so strong that when I arrived for the next class, my instructor apologized for his behavior, gave me a gift, and lowered the cost of my dance lessons. My Russian friends were still encouraging this confrontational behavior, which is completely unacceptable in Russian society. I, however, was still unaware of my

¹² At the time when this incident occurred I viewed it as poor customer service, which I experienced in retail stores, kiosks, banks, public transportation, etc. I would learn later that my interpretation of this event was inaccurate. It is not uncommon for heterosexual male dancers to claim power and control over their female dance partners. Some of the methods male dancers used are to make all the decisions: costumes, dance, song, choreography, and competition. More extreme methods of control are changing the choreography during the competition, expectation of sexual relations, verbal abuse, and physical abuse. The abuse was even more extreme if the dance partners were also romantically involved.

cultural faux-pas. The third time I wrote a scathing letter was to Karina, a graduate student at Maiakovskii University. This particular student became angry with me because I did not agree with her professor during a class discussion. After I presented a long list of the inaccuracies in his statements, Karina responded with rage. She began hysterically screaming at me, insulting my friends, criticizing other students, and misrepresenting her own behavior¹³. I argued with her, mocking her behavior, saying that she was a Soviet woman and characterizing her in my sarcastic, and offending, statement that “We are building communism!!! But, the bridge has fallen. We are building communism!!! But, the bridge has fallen.” Several days later I read a statement from the professor. To my surprise, he stated what I had said all along, citing the same problems that I had mentioned. Karina had misunderstood her professor. I sent Karina the interview link with a letter questioning her intellect and maturity. The letter was harsh, but true.

When I told another Russian friend, Viktoria, of this incident and my email, she told me that in Russia people do not publicly argue. Russians want to avoid public ‘scandal’ at all cost. She went on to tell me that because of the lack of confrontation, friendships end without people ever knowing the reason. Russians prefer to avoid and make excuses not to meet than to actually tell a person of their transgressions. Ironically, Karina sent my letter to Viktoria, blaming Viktoria for my transgression. The email was passed along both verbally and electronically to other students at Maiakovskii University. I was shocked by the reaction of students. Despite my transgression, I became something of a hero; students I did not know were writing to me wanting to befriend me on *vkontakte* (Russian Facebook). Others told me, “I agree with everything you wrote. We are unable to do this, but you can. She needed this.” My non-Russianness had

¹³ It was not uncommon for some Russian female graduate students to have strong romantic feelings for their professors even if the male professors did not reciprocate it back. These students found “clues” of their professors “love” in very strange ways, such as if they met with the professor and the professor made eye contact, these students viewed the eye contact as something romantic. I found this behavior is similar to American teenage girls and their crushes with pop stars and movie stars.

advantages and allowed me freedoms and possibilities denied to Russians. In time, I would adopt the socially accepted forms of Russian behavior out of respect for the culture, but there was never any psychological attachment to these rules and behaviors for me. At times, I did not follow Russian rules. I always observed the small rules of American politeness, such as saying “thank you” when a person holds a door open for you, thanking sales associates for their help, or saying “hello” and “goodbye” when entering or leaving a store. These were not “Russian” forms of polite behavior, but they were behaviors which I was unable and unwilling to put aside.

It was not the imitation of Russian behavior that created my authority in the field. It was Russians accepting me in spite of my cultural differences and my immersion into Russian society that created my authority as a researcher. My behavior, at times, was counter to Erving Goffman’s notion that “our identity or sense of self derives from the performance or the adoption of socially approved roles” (Ashe 1999:101). I was an anomaly compared to the majority of foreigners who lived in Russia. I had experiences similar to those of my Russian friends: I spoke Russian. I was knowledgeable about Russian history and Russian popular culture. I had some higher educational experiences in Russia. I lived in shared apartments with other Russians. I was employed in non-stable occupations and was therefore on a strict budget. I used public transportation (or walked)¹⁴. We shopped at the same stores, and ate at the same budget cafes. I had created deep friendships with these Russians.

I had also created friendships with several Koreans, British, and Germans who were living in St. Petersburg. However, I never befriended any Americans while in the field. I had tried to form connections with Americans at first, but there were class, cultural, and personality differences. For example, I joined a photography club to meet Americans and other foreigners.

¹⁴ It was not unusual for Russian friends and me to walk 30-45 minutes to desired locations. Foreign informants, who had automobiles, were shocked at the distances to which I was accustomed to walking.

They were the wives of foreign businessmen, and I thought I could kill two birds with one stone by establishing friendships as well as connections to foreign entrepreneurs. Despite having the opportunity to learn Russian for free, none of them tried. When I went for a walk with one American woman, she tried to impress me by telling me that, after two years of living in St. Petersburg, she had finally learned the Cyrillic alphabet! She told me that the doctor's office next to her apartment complex was an optometrist. I read the sign and corrected her, "Wrong end; it's a gynecologist." These women had all of the comforts that money could afford: housekeepers, nannies, drivers, etc. One day, they were discussing their "problems": their drivers did not speak good English. I contributed, "My driver doesn't speak good English either. The bus driver!"

There were personal differences as well. Most of these foreign women hid in their apartments, afraid to walk the city. I viewed life differently, as an adventure that needed to be explored: its people, its food, and its streets. In the beginning of my fieldwork, I would often grab my camera and map and wander around the remote parts of the city, looking for something unique about the city. I was especially interested in the courtyards, canals, and docking areas¹⁵. One conversation left the most bitter taste in my mouth. The women were discussing their shopping trip on the "Louis Vuitton Street"¹⁶. There was a Louis Vuitton street? They clarified it for me. They were referring to the street where the famous designer brand name store was located; they were unable to pronounce *Bol'shaia Konnuyshenaia*, the actual name of the street. I viewed these foreign women as disrespectful to Russians. I left the group in disgust and avoided those who did not make the slightest effort to learn the Russian language after that.

The intersection of my gender and citizenship played a key role in the creation of my research authority. Female subjectivity in anthropological fieldwork has received much attention

¹⁵ St. Petersburg is a port city.

¹⁶ The French high-end fashion brand.

in the scholarly debates about subjectivity, agency, politics, and power; including subjectivity and the fieldwork experience (Behar and Gordon 1995, Whitehead and Conaway 1986, Caplan 1993, Newton 1993, and Golde 1986). By contrast, sexual subjectivity has received very little anthropological attention (Kulick 1995), and, when it has, it has focused more on the sexuality of the subject; usually focusing on the “sexuality of people of color” (Kulick 1995:5) and not on the researcher. Equally important to the researcher’s view of the sexuality of their subjects is how the subjects perceive the sexuality of the person who is conducting the research. As an American woman, I had to deal with the Russian stereotypes of American women. The Russian stereotype of the American woman was that she was a “feminist”: asexual, independent, and who would not tolerate any chauvinism or misbehavior from any man. This stereotype worked in my favor. The intersection of my gender and citizenship allowed me to create friendships with Russian men without any romantic or sexual feelings on either side. I was a pal to hang out with, talk, discuss problems, and share a good laugh. Although my Russian girlfriends claimed that it was possible for Russian women to have male friends, when asked if they had any, none of them did. My friendships with men were viewed as an anomaly by my personal network of friends¹⁷.

My male friendships were a constant source of jokes, innuendo, and speculation by my Russian girlfriends. When I would meet my guitar-playing musician friend Sasha at *Mama Roma* restaurant for conversation exchange, they would say “*Mama Roma!* Are you sure he is not interested?” *Mama Roma* was a chain of Italian restaurants in Russia with red and white tablecloths, Italian décor, and soft candlelight at each table. The Italian music would always be a

¹⁷ This view of my heterosexual friendships as an ‘anomaly’ is not a view shared by all Russians. In fact, some Russians have told me that they have the same type of heterosexual friendships in which I engaged. My friends, on the other hand, their personal experience with heterosexual males were rare and insist that there are hidden, ulterior motive with either the male or female in the friendship to form a personal, romantic relationship. Their views are based on their gendered personal experiences.

source of conversation as my mom used to sing many of the pop songs to me a child, and I would desperately try to remember the lyrics as we talked.

More importantly, due to the stereotype of the American woman, the wives and girlfriends of my Russian male friends (some of whom were my informants) were not worried about a romantic relationship forming between their loved ones and me. After all, from their perspective, what would an American feminist want with a Russian man? One day, when I was running a very high temperature, I had to cancel all of my lunch and dinner meetings. As my 102 temperature caused me to sweat my silhouette onto the bed, I received three text messages. The first was from Sasha, wanting to know if I needed any medication. “Vika [his girlfriend] can drop it off on her way to work,” he sent. The second text was from another male informant, “Do you need anything? My wife can bring you medicine.” The third was from one of my Russian girlfriends: her boyfriend could bring me tea, juice, and medicine on the way back from his job. I was the woman, the American “feminist”, who could be trusted not to ‘steal’ their husbands or boyfriends¹⁸.

My citizenship also played another role in gaining trust. As an American I was viewed as open and accepting of people. It was not surprising that several male informants, who also became friends, confided to me that they were homosexual. Their families¹⁹ and employers²⁰

¹⁸ One of my Russian female co-workers complained that younger Russian females were very different from her 1960s generation. The younger generation of women breaks off their ties with female friends when they find a boyfriend because they fear their friends will flirt with him and try to steal him away. I had personally witnessed an attempt to “steal a boyfriend” between two friends at European University. One of my Russian girlfriends did not allow certain female friends in her house or to associate with her husband because of this problem. Another friend did allow women in her house because she knew her husband’s personality; he hated this antagonistic behavior amongst women. Furthermore, friends of hers had divorced because jealous female friends used lies and innuendo to undermine the wife’s faith in her husband and marriage.

¹⁹ According to Oksana Parfeneva, a graduate student at European University at St. Petersburg who has conducted research on homosexuals, the concept of “coming out” in Russia is different than it is in America. In Russia, homosexuals “come out” only to very close, lifetime friends and family members. Sometimes, it is only one group of people or the other. In comparison, in America, “coming out” has a broader connotation that includes strangers.

were unaware of their sexual orientation. When in public we tolerated jokes that intimated that we were a romantic couple. On one occasion, as I was walking to work, a medium-height man with blue eyes and dark hair was jogging past. As he started to pass me on the sidewalk, our eyes met, and we instantly recognized each other. It was Zhenia, the boyfriend of one of my male homosexual informants. Zhenia and I hugged and talked for a few minutes. He asked me if I would take tango dance lessons with him. I wanted to jump at the opportunity, but I had to refuse because I had no time in an already packed schedule. It was a Russian adventure that I regretted never having the opportunity to experience.

One sunny spring day in 2010 I had lunch with Maksim, another male informant²¹. We met at *Evraziia* sushi bar on Sadovaia Avenue in order to take advantage of their two-for-one sushi deal. Maksim is a former soldier who served in Afghanistan in the mid 1980s. His physical appearance was a cross between the classic Russian features of round, blue eyes, blonde hair, and a few gold teeth and the physique of a soldier with a buff body. Although of only medium stature, he had arm muscles that made his loose t-shirt appear too small. His hair was still cut in a soldier's crew cut. He also always carried a loaded and licensed gun, which he offered for me to use "anytime you think you may need it." Maksim spoke perfectly pronounced English, especially obscenities, which he used often. He loved smoking, drinking, and fishing. He had a contagious laugh, which made his story-telling, especially of his sexual escapades, even more hilarious. He loved women, and women loved him back. Despite his roughness, Maksim was also one of the smartest people I ever met in my life. He not only had a higher education, but also street smarts and real-life wisdom.

²⁰ All of my homosexual friends and informants stated that they would lose their jobs if they openly disclosed their sexual preferences.

²¹ His wife was supposed to join us for lunch, but was running late. We eventually met her at the Sadovaia metro station.

Maksim was what we would call in America “a straight-shooter.” He told you exactly what he thought and was not afraid of creating a scandal. On one occasion he got in a fight with the wife of one of his partners in his small firm. Maksim, without missing a beat, approached his business partner and said, “I don’t deal with this shit with the women who I fuck, why would I deal with it with your wife?” I found his behavior to be “very Detroit,” refreshing, and familiar. It was not surprising that we became good friends. He always laughed, telling me “you *know* how to handle me.”

While he slurped clams and I ate zesty eel, he asked me how I was handling life in Russia. I responded that I was now comfortable in Russia. I knew my way around the city, had friends, my language had improved, and that it is a nice place to live when you really obtain what we call in anthropology “local knowledge.” He gulped down some beer and said, “Yeah, Russia is a nice place to live when you have a foreign passport and can get the hell out of here anytime you want.” His words resonated with me. I understood, despite the similar experiences I shared with my Russian friends, that I would eventually leave Russia. My time in Russia was temporary. My citizenship gave me certain freedoms personally and politically. I would understand my Russian informants better and their fear of reprisals from the Russian government because I did *not* have to share their fear.

My cultural immersion in Russian society also played a significant role in my claiming authority while in the field. I shared many similar experiences with my Russian friends. First, I taught English and worked at several different language schools. I taught Russians from many different class and occupational backgrounds, running the gamut of musicians from the Marinskii Theater to university professors. I learned about Russian society through teaching, especially when I started to teach only conversational English. The answers to my list of

questions on wide-ranging topics gave me special insight into Russian beliefs. Further, I was able to detect class, gender, and generational differences. Eventually, I decided to work independently of language schools and gave private tutoring lessons. One of my students was a Russian physician. Two days a week for two years, I would tutor him at either Almazova Hospital (at Udel'naia) or the Scientific Research Hospital (at Petrogradskaia). I learned the inner structure of the hospital, Russian patient-doctor interaction, government corruption in medicine, medical treatment, and scientific research drug studies. It was an ethnography within an ethnography.

My housing situation was also similar to my Russian friends. Living on a limited budget, I had to rent a room²² in shared flats with other Russians. I encountered many of the same problems as my Russian friends, who were also renting rooms, and we would daily discuss our problems. Some of the problems ranged from comical encounters, such as the marijuana smoking flatmate who almost set the apartment on fire; to disgusting problems, such as flatmates who would leave their dirty undergarments in the bathroom for weeks at a time; to more serious problems, such as flatmates who stole from us or who had wild parties late at night. All of us had poor living conditions and were constantly moving from one place to another. I moved five times in the three years I lived in Russia²³.

At one point I lived with a very honest landlord in a partly renovated apartment near Sennaia Ploshchad'. The condition of the apartment was good, but the neighborhood was not. Sennaia Ploshchad''s bad reputation was immortalized in Fyodor Dostoevskii's *Crime and*

²² At the time I was living in St. Petersburg, the average cost of renting a room in a shared flat was \$300. I had to obtain rooms through Russian friends who would then turn the room over to me because landlords typically inflated the prices for Americans. If I rented directly from the landlords, the cost would have ranged from \$500-\$700 a room. This was a rental experience that my Russian friends did not share.

²³ This was common for renters in St. Petersburg. One of my girlfriends moved three times in two years, another friend four times in two years, another three times in one year, and yet another eight times in one year.

*Punishment*²⁴. Even over a hundred years later, the area was still a gathering place for unscrupulous people²⁵. The streets around it were filled with beggars, drunks, party-goers, and a new Russian phenomenon, immigrants from Central Asia. I lived on Gorokhovaia Street, the same street as Russian mystic Rasputin, but between the Fontanka and Moika Rivers. There were four 24-hour liquor stores in the two blocks where I lived. There were also several bars along Sadovaia, which ran perpendicular to Gorokhovaia. The late night bar scene usually filtered onto the streets, and there were occasional brawls between groups of drunken men. These groups would congregate on the narrow sidewalks of Gorokhovaia, and I would have to walk through them, with a bottle of Russian-made pepper spray, to get home. The next morning, the street held evidence of the drunken groups; broken alcohol bottles and vomit covered the streets and sidewalks. One evening, during White Nights²⁶, two Russian friends walked me home. As we walked down Sadovaia Street, I noticed my friends walking closer and closer to each other, eyes very wide open, until they finally were holding onto each other. When we reached Gorokhovaia Street, Vladimir saw the crowds of men and fearfully said, “You live *here*? I think we will stop here. How do we get out of here and avoid all of these people?” They were very afraid. I directed them to walk towards the Fontanka River and to walk up the embankment to the main avenue.

I would have many uncomfortable encounters with men from central Asia, mostly from Azerbaijan. It was not uncommon for Azeri men to make harassing catcalls and pig noises and follow me down Sadovaia Street or any of the side streets which I used. These encounters with Azeri men were hair-raising, especially when they would walk a little too close or start to touch me. There were too many of these incidences, and I started to feel lucky every time I would

²⁴ Published in 1866.

²⁵ It is also a place for creative imagination, many writers are inspired by the characters who congregate in this area and are equally inspired by the architecture and landscape. See Buckler (2005) for a fuller discussion.

²⁶ Two weeks in June, St. Petersburg does not have nightfall.

arrive home unscathed. As American journalist Richard Engel noted about his reporting of the Iraq War and his luck at escaping kidnappings, bombings and being shot: “I was lucky, but started to ask myself, ‘How often can you get lucky? How many times can you push it?’” (Engel 2008:176). I started to ask myself the same questions. I would find out one evening when I returned home after teaching an evening class. It was around 8pm and still light outside, but the skies were starting to turn dark. Sadovaia Street was empty of people and cars since many Peterburgians were on summer vacation. A black BMW started to follow me down Sadovaia Avenue. The driver²⁷ wanted me to get into his car. He followed me for approximately one mile. I had my Pepper Spray in hand, but I was lucky; he was alone in the car. I could fight off one man, but not a group of men. I decided that the housing situation was too much of a distraction from my research. I took out a large financial aid loan in order to live alone in a Euro-renovated apartment in a nice area in the center of the city.

These examples run the risk of making Russia an exotic place with many strange people. That is not the case. These examples illustrate how in the beginning of my research I lacked the cultural knowledge, the local knowledge, which anthropologists seek. I had lacked the knowledge of discerning Russian linguistic cues and verbal expressions which indicates negative people. In a person’s native culture these cues are learned at an early age to help an individual navigate through complex situations and to avoid negative people; it took me a year of mistakes to learn and to understand these verbal cues. My fieldwork experience would change from encounters with strange, negative Russian people to encounters with positive Russian people. More specifically, these Russians people were not only positive people, but intelligent, humorous, polite, good natured, open and honest. I would learn from them some of the hidden

²⁷ He looked Chechen or Armenian.

cues of Russian behavior and of Russian life, including important cues to discerning which apartments were better places to live and which areas of the city were safe to live.

More importantly for my claiming authority in the field was my cultural immersion. I was involved in several artistic endeavors. First, I was immersed in the Russian rock music scene. I played the role of “rock critic,” interpreter of rock lyrics, and song editor. While helping my musician friend Sasha, the music world had opened up to me. Sasha was in three different bands, and I attended many of his concerts (my name was even on the guest list) in order to critique the songs, lyrics, and performances. I would look over Sasha’s new songs to make sure the lyrics made sense and that he pronounced the English lyrics correctly. I also helped translate Motorhead, Iron Maiden, and songs from other English rock groups into Russian for him. Sasha’s bands played cover tunes from these bands.

Second, I was an amateur ballroom dancer. I started dance classes in Russia at the invitation of a Russian acquaintance²⁸. I thought it was a unique method to improve my Russian language skills. During the first few months, I was always several steps behind other students, as my mind would slowly process the instructor’s orders. In time I would be physically in synch with the verbal commands. Over time, I thought dance class would be a unique method for meeting Russian people in order to make friends and build a network for my research²⁹. It failed as a method to create a network, however. Dance classes then became a personal outlet for me as I started to experience health problems. Despite all my time in the field, I never become acclimated to the St. Petersburg weather and its extreme air pressure changes. Dance class was exercise and a place to sweat and try to maintain my health.

²⁸ My Russian acquaintance dropped out after the first month. I continued the classes for the next three years.

²⁹ I was at several dance studios: Tequila Dance, GallaDance, Khrapkoff, Vit-Mar studios, and finally private individual lessons.

As my research progressed, dance class became a liminal space, a distancing process, where I could think about the responses from my informants. Eventually, dance class would transform itself from a place to learn Russian and meet people to a place for me to feel like a whole person. Throughout my fieldwork, I was always in a liminal state, not fitting into any of the categories of people with whom I had contact. It was this liminal state which allowed for my cultural immersion. I filled my time with adventure instead of imitating Russians. It was my liminal state which helped to create my authority.

Dance class would also transform itself. It became the only place where I did not feel in a liminal state. I changed instructors and hired Lena, a world-renowned trainer. Lena had taught in Hong Kong, America, Europe, and Russia. Her students have won world championships. She normally did not train people in my category. Although I was not a professional dancer, my ability to mimic the dance moves precisely was part of the process of not feeling liminal. In our fourth dance class, Lena's face changed color and she told me she would be back. She re-emerged from the dressing room in a skirt, having changed from her jeans, and said, "I cannot teach you in pants, you have moved to a whole other level, I have never seen anything like this." After only nine dance sessions, she wanted to enter me in to a professional competition³⁰. It was my liminality in other parts of Russian society that created my quest to find wholeness in dance, which fueled my extraordinary progress. Lena invited me to her dance training camp, not to participate as a dancer, but to critique the dancing of her champion students.

There were many advantages to my liminality. For my Russian friends and informants I was the "go-to" person, the confidante, and expert³¹. Many of my informants and Russian friends confided to me their personal problems. I knew their relationship problems, friendship

³⁰ My fieldwork ended before I could enter the Pro-Am Dance Championship in Moscow.

³¹ It should be noted that I also relied on my friends for advice and viewed them as experts as well.

problems, family problems, and sexual preferences. Although on the surface these topics might appear to be distinct from business practices, the people and behaviors (and the friendships formed) opened a new dialogue of Russian society and its fragmentation and diversity. I knew their fights, their personal lives, their gripes, their problems. I was the first to find out about a marital engagement (“Don’t tell my parents!”). I was also the go-to person, the one they trusted to ask for advice. When Vika, Sasha’s girlfriend, became pregnant, they asked me if I knew a good maternity hospital. I was asked for advice on shopping for food, clothing, cafes, and restaurants. In addition, my Russian friends (and Korean girlfriend) asked for my skin care treatment (a combination of Flaxseed oil and Evian mineral spray mist). They asked me to accompany them to buy these products. Even my girlfriend’s husband started using Evian spray mist. “Serozha said, ‘Maria has nice skin. Let’s use this’,” she told me, laughing. He was using it every day. I was sought out to help them make contacts or if I knew the owner of certain establishments. Graduate students also asked me for advice on readings on their research topics, how to write a statement letter for field school, and how to write emails and other communications with foreign professors. On several occasions, I had to ghost write these documents for students.

I was a “Sunday tourist” and visited many unique museums and cultural spots in the city which were not frequented by tourists. The “Sunday tourism” started out as conversation exchange, English and Russian, between a graduate student from European University and me. In time, we developed a strong friendship and found out that we had similar interests. The conversation exchanges continued, but in cemeteries, churches, odd museums, hide-away cafes, parks, etc. I saw parts of the city which most foreigners never visit.

There were, of course, missed opportunities for cultural immersion. I had to refuse invitations to visit the cities of Kazan, the Crimea, Tblisi (Georgia), and Ulan-Ude. I was unable to leave my field site with all of its obligations. I also had to turn down other offers from friends and informants which I was unable to fit in my already tight schedule, such as yoga lessons.

Russians were not afraid to show the negative side of their society to me as I was just as willing to tell them the negative aspects of American life³². One informant, who moved to America, sent me a panicked e-mail: his sister had almost been gang-raped by the Russian police at Akademicheskaiia Metro station. I contacted friends who lived near this metro station to warn them of possible danger. Even when there was a murder³³ at The Scientific Research Hospital, I was the one to fill my Russian friends in on the details.

It was my cultural immersion which most interested Russians, including my informants, and separated me from most foreigners living in Russia. My Russian friends and informants were more interested in what happened in my dance classes, Sunday tourism, or rock concerts, than they were in my interviews. My friends would tell me repeatedly what wonderful experiences I was having. BIR members also told everyone about my hobbies in Russia. My research, to them, was secondary and unimportant.

While it was my cultural immersion which gave me authority with my Russian informants, when dealing with foreign informants it was personal avoidance which gave me my authority. Except through BIR events, I had no contact with my foreign informants. This was

³² Some of the negative aspects of American society that I told my friend about were pervasive racism and the high rate of violent street crime. Other social problems are sexual violence, poverty, classism, and corruption.

³³ In November of 2010, a foreign student at the Scientific Research Hospital killed the secretary of the Dean of Medicine in retaliation for his dismissal from the medical program. The student decapitated the secretary and threw her severed head in the canal that adjoined the hospital. The student turned himself in to the Chinese Consulate seeking asylum. The Chinese consulate called the police and he was arrested. Dive teams searched the canal, but were unable to locate the severed head; it washed up on the Small Neva River a few days later. I arrived a day after the incident. I encountered security measures which had not been in place previously. The physician and staff of the medical department were close friends of the victim.

done not only to maintain my professionalism, but also because I did not like the places where they gathered, e.g. the ex-pat bars³⁴. The ex-pat bars are places where foreigners can mingle with other foreigners and develop friendships with people of similar cultural background. It is also a place where foreigners can speak English, even with the wait staff. The menu, usually of American cuisine, is written in English. The majority of foreigners living in Russia were employed in foreign firms, typically multi-national corporations. They typically did not speak the Russian language nor have a cultural knowledge of Russian history³⁵. We had nothing in common with which to develop friendships. My cultural background and my class status only made us more different.

The ex-pat bars did not only cater to foreign businessmen. They also catered to *intergirls*³⁶ and an array of foreigners who had wandered into Russia trying to “find themselves.” I wanted to distance myself from the *intergirls*, whose behavior can best be described as sexually aggressive³⁷. I did not want to be placed in the same category as these women, so I avoided the ex-pat bar scene. This did not prevent some of the foreign men, who frequented these bars and worked with Russian women who wanted to carry on personal sexual relationships with their foreign bosses, from placing me in this category. These foreign businessmen were not part of my

³⁴ Ex-pat stands for ex-patriat, a term applied to foreigners living overseas. The ex-pat bars are places where foreigners can speak English, hear English music, and eat American food. It was a place for foreigners to congregate and make friendships with other foreigners.

³⁵ This is not a criticism of them. They are there with the sole purpose of being employed and making a company profits. Further, the companies which employ them typically relocate their workers every year or two so their residency in Russia (and other countries where they work) is temporary.

³⁶ The term *intergirl* is based on the 1987 novel by Valdimir Kunin and the 1989 film directed by Pyotr Todorovskii. In the book and film, *intergirl* is used to describe a hard-currency prostitute who lived in Leningrad during the Soviet Union and who had sexual relations with foreign men (Faraday 2000, Attwood 1993). In more recent terminology, it is a general term used to describe the Russian women who want to marry a foreign man and live abroad, mostly to enjoy the financial possibilities of life in another country. It is also used to describe the “New Russian” woman and her new materialistic and sexual desires (Oushakine 2001a).

³⁷ I had visited an ex-pat bar in 1997 at the request of a friend. I left in disgust at the behavior of both the *intergirls* and the foreign men who interacted with them. I was further aware of this behavior from foreign classmates who attended these bars and had photographs showing the sexual aggressiveness of these women. In addition, I had worked and attended university with *intergirls* as well.

research. I am unsure if they were confusing me with the *intergirls*, who were aggressively pursuing them, or if they viewed me as a lonely American girl living far away from home and therefore easy prey to their unwanted sexual advances. This particular group of foreign businessmen could not have understood that I was not only not lonely in the field but instead overwhelmed with 16-18 work days that had me ping-ponging all over the city³⁸. The ‘lonely’ American they perceived did not exist.

During my two year ethnographic investigation, I held many identities in the field: researcher, intern, Russian language student, graduate student, English language teacher, friend, enemy, confidante, ghost writer, translator, editor, anthropologist, adventurer, amateur ballroom dancer, amateur photographer, rock “critic” for several Russian heavy metal bands, conversation partner, and Sunday tourist. My identity was malleable, and as I came in to contact with different people; my behavior and identity was also altered with each interaction. My underlying cultural identity of a working-class Italian-American anthropologist from Detroit, however, did not vanish.

1.7 Daily Practices, Hegemony, and Resistance

In the *Prison Notebooks* (1971), Italian Marxist Antonio Gramsci focuses his argument on how the ruling class obtains power and, more importantly, how it maintains it over the subordinate class. Gramsci argues that the ruling class maintains its dominance not strictly through brute force but through formal institutions of the state and by the consent of subordinates

³⁸ I cannot describe an ‘average’ day because each day was unique and without a definite schedule. In any given week my life consisted of Russian language class, teaching English classes (private and group), editing articles in English for a professor, dance class, rock concerts, conversation partners, meetings with friends, interviews, interview transcription, business seminars, business lectures, business networking events, volunteering at BIR, translating and editing for BIR, contacting potential informants, watching the Russian news, reading the St. Petersburg Times newspaper, watching Russian films and television serials, reading scholarly articles and books (in Russian), and attending relevant lectures at European University.

to the ruling class. In other words there is domination by consent or “hegemony”. “Exactly what Gramsci meant by hegemony has been much argued over, but what is not in dispute is that it is a concept that Gramsci used to explore relationships of power and the concrete ways in which it is lived” (Crehan 2002:99). These relationships of power have shifting power relations and have different forms depending on different contexts. “This is why it must be stressed that the political development of the concept of hegemony represents a great philosophical advance as well as a political-practical one” (Gramsci 2003:333). Gramsci argues that power and domination are intertwined. Further, hegemony can best be understood by the “complicated ways consent and coercion are entangled with one another, rather than as the delineation of a specific kind of power” (Crehan 2002:101). Hegemony, therefore, is something that can be contested. In Russia, some hegemonic practices are inherited from the Soviet system, but they are not always a result of coercion. Bribery is one such practice. I argue that bribery is a complicated phenomenon in Russia that is rooted in Soviet practices, is a method of coercion by some dominate groups over subordinate groups, is hegemonic in that it reinforces power relations, but, in some cases, is a method for subordinates to circumvent the system when they think it is in their best interest. Although there are many hegemonic practices that reinforce the subordination of the masses that were inherited from the Soviet Union, many Russian businessmen engage in counter-hegemonic practices, or “resistance,” against domination by the state. James Scott argues that in peasant communities use subtle, covert acts of resistance against their landlords. Russian entrepreneurs have a similar type of subtle resistance. One such practice is tax evasion through off-shore outsourcing. Another form of resistance, which is rooted in Soviet practices, is black accounting. I discuss these extensively in Chapter 4. In Chapter 4 I also discuss the role that language,

namely doublespeak and storytelling, plays in keeping the Russian government officials' façade of power.

1.8 The Importance of the Research

Some Cold War ideas still persist in both Russia and Western countries. Russia is the political successor to the Soviet Union. The Cold War ended when Mikhail Gorbachev announced, on December 31, 1991, the demise of the Soviet Union in his New Year's greetings to his Soviet listeners. However, the Cold War behaviors amongst Western and Russian leaders did not end in December of 1991. I would learn this first hand in several "cold war" encounters straight out of a John LeCarre novel. In 2004 I presented a joint paper with an American professor at a Russian anthropology conference. My American colleague noticed that we were being followed. Place after place, the same Russian man would appear: at the hotel, at the restaurant, at the shopping mall, at the park, etc. It was a strange experience but not intimidating enough to dissuade me from continuing to conduct research in Russia.

I was also reminded of the Cold War every time I made my connecting flight through Frankfurt airport. Three years in a row, the German customs authorities flagged me for a more thorough check. One year it was a very thorough hand inspection of my carry-on luggage. The next year it was analyzing the fur lining in my coat. The third year I watched as a German customs agent searched for a hidden hard drive in my computer. I was more irritated by the process than scared. I was, however, worried about my ethnographic data being destroyed or lost by the German customs search.

During my research, information did disappear off my computer hard drive. Interviews and ethnographic notes were also missing from my back-up system, which were placed on a computer flash drive. Even more unnerving was that information sent to a back-up email never

reached its destination. My email account had been compromised. In fact, BIR's administration staff members had to use their personal email accounts to send me information because emails sent from the BIR email account never reached me. Despite all of this, my real fear was not of the political situation, but of street crime. I was more worried about being mugged on the St. Petersburg's streets than I was of the Russian government.

All of this brings me back to why the study of the informal economy and business in Russia is so important. The reasons for this study are both simple and complex. The simple answer is what students read in any introductory anthropology textbook. An understanding of the informal economy in Russia will lead to a better understanding of the diversity and similarities of a given social phenomenon cross-culturally. The informal economy in Russia adds to the growing academic literature on the social aspects of the informal economy such as "informal arrangements to protect property rights and enforce agreements" (Marcoullier and Young 1995: 630). Will informal economic practices dominate the economies in societies which do not have full-fledged capitalism and "squeeze" out formal economic practices? If yes, what effect will this have on the global economy, globalization, and multi-national corporations? In addition, the study of the informal economy and its characteristics in Russia poses many theoretical questions about government and its role in business and society. What is the purpose of the bureaucracy? Is Weber's ideal type of bureaucracy a model only for Western societies with their long history of democratic ideologies, individual rights, and individualism?

The complex reasons for studying the informal economy in Russia are more difficult to understand than an anthropological textbook definition. First, this research has practical and theoretical relevance beyond the scope of this dissertation. Theoretically, this research will add to the academic literature on the informal economy: what it is, why it exists, and how people

engage in it. Further, how do governments cross-culturally deal with the informal economy. Connected to the theoretical underpinnings of the informal economy, this dissertation topic can address cross-cultural analyses of the law, courts, and legal studies. In addition, this research shows how history and culture are important factors in determining behaviors in market economies.

This dissertation also addresses broader theoretical questions concerning the role of the bureaucracy, its structure, and its interests as a status group or class, and how it generates the conditions for the informal economy. “Weber’s analysis of bureaucracy remains a living resource in contemporary debates, providing a useful insight into some of the main characteristics of these institutions” (King 2004:135). Weber’s (1946, 1947) ideal type bureaucracy is an efficient, speedy group who are able to assess a range of concrete problems (Giddens 2006). Weber’s ideal type describes bureaucrats as a group who has a privileged status based on an acquired position achieved through examination. “Bureaucracy, both in business offices and in public service, is a carrier of a specific ‘status’ development” (Weber 1946:242). Weber further argues that “the bureaucracy in the modern state does not work on a patrimonial basis, unlike the patrimonial “gift-giving” bureaucracy of the mercantile capitalist societies of medieval times” (King 2004:136). The modern bureaucracy instead involves domination through knowledge (King 2004:136). In the Russian case, the bureaucracy diverges from Weber’s ideal type. First, the structure of the bureaucracy in Russia is more similar to the bureaucracy in medieval times in that it is based on a patrimonial system of gift-exchange. Loyalty is not to the position, nor through gaining the trust of the population, but to the people in hierarchy of the strong central government. Russia’s bureaucracy and its influence on the informal economy

needs further research to discern its structure and how it organizes itself as well as an understanding of the elites who create the “informal” rules which sustain this system.

There are practical implications to this research as well. My findings can be used as a resource for foreign enterprises who want to operate their businesses in Russia. My findings can give new understandings to globalization studies since the introduction of new legal systems requires processes that are culturally encoded, such as privatization, entrepreneurial activity, and movements across borders, but not all business transactions are codified in a legal language. It can be used as a guideline to understand other transitional market economies in developing countries.

1.9 The Dissertation Outline

This dissertation examines Russian business practices and the concept of semi-legal behavior, the informal economy, and informal practices. All of these challenge Western concepts of economics as either legal or illegal. The terms “legal” and “illegal” are problematic because these divisions of the market economy are based on Western models of economic exchange. These terms ignore group dynamics, social relationships, differential histories, and competing discourses. Further, the transition from the Soviet centrally-planned economy to a free market economy did not mean that people adopted free market behaviors. On the contrary, inherited behaviors from the Soviet Union continue, including trust, personal networks, patron-client relationships, system avoidance, bribery, and corruption.

This dissertation is organized into six main parts. In Chapter Two, I define what the informal economy is and why it exists. I also focus on characteristics of the bureaucracy inherited from the Soviet system. I also give an historical perspective on informal practices

which were inherited from the Soviet Union. These transformed practices are a mixture of old and new, or what anthropologist Alexei Yurchak has termed “hybridity.”

Chapter Three, “Making Workers Un-Soviet,” describes the history of the Soviet system and how the socialist experiment created a different type of worker. It focuses on the transformation of gender behavior and the complexity of bribery and gift giving in the Soviet and the post-Soviet contexts. Further, this chapter examines the discourse of globalization and how actors in Multi-National Corporations are able to own the discourse of representation of the Russian worker. In this chapter I infuse some ethnographic material into my arguments to illustrate them more clearly.

Chapter Four focuses on local Russian firms. I analyze Russian behaviors in business. The chapter discusses the nuances of advance planning, laws and their contradictions, and alternative enforcement methods. Russian entrepreneurs have a different understanding of their situation, based on different historical processes in comparison to those of their Western colleagues.

Chapter Five focuses on foreign firms operating in Russia. These foreign firms have certain advantages in Russia. They have resources at their disposal to counter the semi-legal behaviors of Russian government officials. Foreign firms have been able to utilize their home countries’ economic and political power to curb the semi-legal practices of Russian government officials.

Chapter Six focuses on the rationale behind the informal economy in Russia and how Russians justify their semi-legal behaviors. Building on political scientist James Scott’s concept of the moral economy, this chapter addresses the various ways Russians justify their engagement in semi-legal practices. Russian entrepreneurs’ rationale for law circumvention, such as tax

evasion and gray schemes, is a form of resistance to corrupt Russian government officials. Russian entrepreneurs view their behavior as grounded in moral justifications.

This dissertation will contribute to the scholarly debate on the informal economy, transitional economies, and post-Soviet studies. However, this dissertation extends beyond the scholarly world. As more and more private enterprises and multi-national corporations conduct business in Russia, there needs to be a deeper understanding of cultural differences, practices, and constraints within the Russian business world, including the role of the government with its emphasis on central planning and control. These differences have implications for international business relations and international trade and development. International companies in Russia need to abide by international law; if they violate these laws, they will face the consequences of legal action in their home countries, as in the case of Mercedes Benz, which was fined US\$185 million dollars for engaging in bribery of Russian government officials. Russian companies must abide by local informal practices or face dire consequences. The recent, and very public, legal cases against oil tycoon Mikhail Khodorkovskii and Sergei Magnitskii are two stories which shed light on the dangers for Russian businessmen of not following the informal practices of Russian business. The Russian government stripped Khodorkovskii of his fortune, took over his company and imprisoned him. Khodorkovskii was charged with fraud, tax evasion, and money laundering. The trial of Khodorkovskii was selective and politically motivated. Business lawyer Magnitskii, after testifying in court against government officials for corruption, was detained in prison for one year without any official charges and died in prison after being denied medical treatment from injuries sustained after being tortured. Clearly, the contradictory laws and selective enforcement that are common in Russia create even more reasons for the extensive large scale role of informal practices in Russian business today. These two cases display the

abuse that the Russian government is capable of performing against its citizens. This fear has reinforced the system of corruption, especially bribery, as many Russian entrepreneurs would rather comply with the corruption than become a target for something far worse.

Throughout this dissertation I have attempted to quote my informants as often as possible. I wanted them to have a voice and to tell the story of their business experiences in their own words. It is their story, not mine. I view myself as their messenger. I hope their voice gives this research a more dynamic view of business in Russia.

I do have two regrets in writing this dissertation. The first regret was limiting the voice of my informants within the text. My informants gave me a wealth of information and many powerful quotes and stories. I had to be selective in my quotes, which was a very difficult task. I only hope that I chose quotes that make their experiences seem real and important. My second regret was that I never experienced the Soviet system. In order to give a more descriptive account of life behind the Iron Curtain, I used many forms of media (art, jokes, music, literature, poetry, newspapers, film) to provide a cultural text for understanding the nuances of everyday practices of Soviet life. In addition, I also received insightful feedback from Russian friends who directed me towards these different genres and shared some of their personal life experiences. All of these helped me to frame my arguments on Russian's informal economic practices. Twenty years after the fall of the Soviet Union, Russia's economy and society is still transforming and Russia is still a country trying to define itself economically in the global market, caught between structures of the Soviet system and market forces of a global economy.

CHAPTER 2 “STATE AND BUSINESS RELATIONS”

2.1 Introduction

Although the Soviet Union collapsed in 1991, late socialism legacies of informal economic practices are still present in Russian business; however these practices have been transformed into hybrid behaviors, which are rooted in late-Soviet behaviors but have adapted to the market economy. Russia has both hybrid structures and hybrid behaviors. This chapter examines several underlying theoretical explanations for the existence of informal economic practices and will describe some of the existing arguments on the history and character of informal practices in Russia. Further, I will also discuss characteristics inherited from the Soviet bureaucracy.

My own research in informal economic practices builds on some of these existing arguments. First, Russian entrepreneurs (2000s onwards) divergence from the overbearing rules and regulations, helps to create conditions for informal economic practices. I argue that the informal economic system in Russia is a response to overbearing government regulations. I also argue, in later chapters, that the informal economic system in Russia is more complex than just rule circumvention. There is a moral economy in informal economic practices, which is influenced by both internal factors (general resistance and generational change) and external factors (globalization processes). However, with the changing legal institutional structures and with growing resistance to informal procedures, many Russian entrepreneurs are engaging less in informal practices and engaging in more formal procedures. My research also explains how Multi-National Corporations operating in Russia has created the interplay of domination, wealth, and power which affect perceptions of Russian workers and the Russian state. In some sense Multi-National Corporations can be viewed as colonial powers and globalization can be

characterized a new form of colonialism and colonization. More specifically, Western capitalism and corporations set the conditions for exploitation, the discourse about training, and the description of Russian people which become naturalized through hegemonic practices. Lastly, my research challenges some existing arguments against globalization: not all globalizing processes are negative and destructive, in my research some imported norms and behaviors from Multi-National Corporations, such as resistance to corruption, can be viewed as a positive aspect of globalization.

2.2 The Informal Economy and Russian Informal Economic Practices

Defining the informal

The terms ‘informal practices’ and ‘informal economy’ need to be defined before an analysis of Russian business behavior can be developed. The term “informal” economy was widely used in the scholarly literature to describe economic behavior that violates juridical rules and to some degree social norms, such as drug dealing and prostitution. However, in recent years the term “informal” economy has taken on a wider sociological meaning to describe a more diverse set of economic behaviors that violate juridical rules but do not violate social norms, such as cash-for-hire nannies and house cleaners; occupations which violate the law by not paying taxes, but are socially accepted behaviors (Light 2004, Merton 1968, Portes and Sassen-Koob 1987, Fiege 1989). There is a complex relationship between the informal economy and illegal economy since the incomes of many informal economic activities, e.g. house keepers and cash-for-hire nannies, evade tax collection. The term “informal economy” focuses its attention more on laws and violations of them than on social actors, culturally accepted norms and

survival strategies³⁹. The term “informal economic practices” focuses on the interplay between laws, social actors, and culturally accepted norms whether or not these economic practices violate, subvert, circumvent or follow the existing legal codex. Informal economic practices are behaviors which include “customs, norms and ethics that are by-products of various forms of social organizations (for example, family, personal network, neighborhood, community, club membership)” (Ledeneva 2006:17). Further, people engage in these activities that “support existing norms, traditions and customs, but also activities resulting from a conflict of these norms, traditions, and customs with formal rules” (Ledeneva 2006:18). At times the scholarly literature uses the terms ‘informal practices’ and ‘informal economy’ synonymously since some “informal practices” violate and undermine the juridical rules.

However, these definitions limit the behavior of social actors. Further, these definitions conceptualize informal practices in to binary oppositions. Ledeneva redefines “informal practices as an outcome of players’ creative handling of formal rules and informal norms- players’ improvisation on the enabling aspects of these constraints” (Ledeneva 2006:20). In my own research on business practices I will follow this definition since it focuses on actors and their ability to manipulate the formal rules and the creativity in their pursuit of economic gains. In analyzing the economic practices in Russia I prefer the term ‘informal economic practices’ since it analyzes behavior not in dichotomous lines of ‘legal’ or ‘illegal’ but instead it focuses on behaviors that allow people to survive in extreme situations, to navigate through the web of the complex bureaucratic rules and to be able to conduct business with contradictory laws. However, throughout this chapter I have also used the term “informal economy” synonymously with the term informal practices to keep consistency with the scholarly literature.

³⁹ There are some anthropological studies which focus on the complex relationship between the illegal sector and actors, for example see Philippe Bourgois’ *In Search of Respect: Selling Crack in El Barrio* (1995).

Informal Practices: Why they exist

As discussed in chapter one, given the role of the informal economy in Russia, arguments of why, in general, the informal economy exists need to be addressed. In the last decade the sociological argument of why the informal economy exists has shifted from the idea that the informal economy is illegal or quasi-illegal activity that is found at the margins of society and that ethnic, immigrant and marginalized members of a population engage in it, to the newer definition that the informal economy is something that is unregulated and shapes economic institutions (Light 2004, Portes and Castells 1989). Portes and Castells argue that the informal economy “is an integral component of national economies, rather than a marginal appendix to them” (Portes and Castells 1989:26). The informal sector is not marginal to the main registered economy in fact it serves as one method for people to make a living under harsh, arbitrary rules and complex bureaucratic procedures (Lomnitz 1988, Kim and Kang 2009, Portes, Castells and Benton 1989). Hernando de Soto argues further that “people directly involved in these [informal] activities are better off [financially] when they violate the laws than when they respect them” (de Soto 1989:12). Donald W. Light argues that informal economic activity is “relational and reciprocal in character” and that it is “embedded in networks of bounded solidarity and tacit trust” (Light 2004:710). Light further argues that the “relations and boundaries between informal economic actors and formal ones also vary-sometimes permeable and sometimes contested, especially when large companies use their political power to change the structure of the market and the parameters of legitimacy” (Light, 2004:710). Light focused his argument on the social aspect of the informal economy where the characteristics of actors and the institutional environment are more important than the legal characteristics of the informal economy. This is important because Light’s definition removes the notion of ‘legal’ and ‘illegal’ since these two

terms, which also have moral underpinnings to them, ignore needed changes in legal institutions and regulations that create the informal economy in the first place and these binary terms also ignore changes and empty spaces in legal regulations, as well as changes in legal institutions. This is important for the analysis of the informal economy in Russia, since many laws are contradictory and the implications are that many entrepreneurs continually risk falling into behaviors of illegality. By focusing on social characteristics one is able to better discern what the informal economy is in Russia, the social complexity of it, and why it exists.

Light's reconceptualization of the informal economy focuses on these six social characteristics: 1) a restrictive institutional environment (of which laws and regulations are a key part); 2) a network-based embeddedness; 3) informal, personal work; 4) pay for performance; 5) flexible exchange of value (not necessarily money); and 6) entrepreneurship that exploits opportunities. The rules and regulations in Russian business are overbearing and hinder not only a business from operating, but also make it very difficult to start a business. The economic environment refers to the stability of work, personal power, and work performed in a hostile, formal system. In addition, the economic environment and its "manipulation of rules and customs create shadow or parallel markets that circumvent but also undermine the formal institutional arrangements" (Light 2004:711) while obtaining better deals by going outside regular markets or by breaking the official rules. In Russia, this applies directly to government regulations and government officials to whom businessmen regard as "hostile to their interests" and "informal activities are best regarded as efforts to get something more or extra from the mainstream system" (Light, 2004:711). In addition, in Russia there is instability of work and differences in personal power between government officials and businessmen. In Russia, the restrictive institutional environment is one of the main reasons that businessmen engage in the

informal economy. A network-based embeddedness refers to the rules and regulations that are found in the informal economy, which allow the informal economy to operate smoothly and efficiently. The network-based embeddedness has actors who engage in behavior that is similar to neoclassical economic theory, which focuses its argument that buyers and sellers control the market in non-personal relations for their own benefit. The informal economy is more personal and regulated by trust and various forms of cooperation. These personal relationships are the foundation of trust and the cooperation is based on non-contractual ties. In Russia, trust still plays a role in business transactions as well as a growing alliance on the use of the legal system.

Informal, personal work has certain elements that are found in Russia's informal economy. The informal, personal work is sustained through "negotiations, trust, the degree to which channels of information, contacts, references and new work are informal and the ability to "read" the cues from customers from different cultures and classes and establish personal connections, or even relations" (Light 2004:213).

Pay for performance is payment of cash to employees. Light focuses his argument on migrant workers who get paid in cash for the objects that they produce and says that these employees are not subject to benefits, insurance or any other type of employment benefits such as vacation pay. Light further argues that pay for performance only benefits the employer. However, in Russia the pay for performance social characteristic is mutually beneficial to both employer and employee and it is not restricted to migrant workers. Employees view pay in cash as beneficial to them and such tax avoidance of their employment income is the norm because trust in the government to provide a living social security wage at the time of retirement is non-existent.

The flexible exchange of value is also present in Russia. Russia's current economy (2000 onwards) is becoming more monetary, but gift-giving, personal connections and relationships are still present⁴⁰. The last social characteristic, entrepreneurship that exploits opportunities refers to the ability of entrepreneurs to hustle for work, to organize and to adapt to changing market conditions. These entrepreneurs have inter-cultural skills which allow them to get business from more affluent groups. In Russia, these inter-cultural skills are very much present amongst Russian entrepreneurs. While businessmen everywhere have skills about ideas, market niche and linking together ideas, capital and labor, Russian entrepreneurs need other skills, which focus more on informal practices, in order to conduct business in Russia. Some of these skills of informal practices are bribery, gift-giving, personal networking, private loans, wide-scale tax evasion, alternative enforcement methods, and system avoidance.

Utilizing Light's arguments, the informal economy in Russia can best be described as a socially inherited economic system, partially inherited from the Soviet Union and ever-changing to new constraints, which allows people to survive economically with overbearing governmental constraints while still being ethical in behavior. Today, the same attitude towards formal rules apply; "the law was not perceived by the market actors as an incontestable rule that one had to comply with, but as the subject for creative adaptation to pre-existing business practices" (Barsukova and Radaev 2012:9). Further, as several informants told me, the laws are just a guideline for market behavior, and that at times, entrepreneurs need to adjust their behavior towards the circumvention of the law for specific circumstances. It should be noted that Russians, just like the informal economic behavior of Peruvians described on page 58, "are not

⁴⁰ Russian has had various stages and fluctuation in non-monetization. The role of cash has fluctuated, especially in the 1990s. David Woodruff (1999) argues that in 1993-1994, the Russian economy was not fully monetized and that up to 75% of electric power payments, especially in the regions, were paid in kind. Woodruff stated several reasons for the high rate of barter payments including difficulties for companies to obtain loans.

informal, their actions and activities are” and that people who engage in informal economic activity do not “comprise a precise or static sector of society; they live within the gray area which has a long frontier with the legal world and in which individuals take refuge when the cost of obeying the law outweighs the benefit” (de Soto 1989:12). However, in Russia as the institutional structures of legality have improved, there is growing use and more preference towards the use of legal forms, especially the courts.

Twenty years after the fall of the Soviet Union, much of the same characteristics that defined the centrally planned economy are present in the current market economy in Russia. Russia has, once again, a dominant political party⁴¹ which has curtailed political opposition, personal liberties and freedom of the press. In the economic sphere the government controls a large share, as much as 40-50%⁴² (Shprenger 2010), of industries related to natural resources (gas, oil, metals, forestry, and precious minerals) and is trying to micro-manage small, medium and large-scale businesses through laws, organs of the state (police, fire, tax), and the threat of large fines and imprisonment. Despite the control of the state apparatus over business, Russian businessmen have found ways to resist the control of the state, thus making the informal economy more prevalent. The main form of resistance is tax evasion (Yakolev 2001)⁴³, through both undeclared profits and undeclared wages to employees.

⁴¹ Strictly speaking there are other political parties, but many political scientists have termed United Russia’s dominance in the political sphere as a one-party system (Gel’man 2012, Reuter 2010, March 2009, Kynev 2012, Turovsky 2012).

⁴² “According to the information company “Troika Dialogue” (Troika Dialogue 2008) the sectors with the highest shares of state ownership in trading companies are- banks (64%), manufacturing (53%), non oil and gas sector (47%), telecommunications (47%), energy companies (37%) and transport (30%)” (Shprenger 2010:136).

⁴³ Yakolev (2001) describes two basic schemes in Russian tax evasion. The first is the utilization of “sham” firms in order to hide the total revenue of the real purchase price and the inflated purchase price of high-taxed elements, such as salary or profit, with low-taxed expenditures, such as material expenditures. The ‘sham’ firm transfers the money to the bank in return for a phony work report to show the tax authorities. The second form of Russian tax evasion is the over-reporting of costs in the purchasing of goods at a higher price from the regular supplier price and under reporting of the prices. In either scheme banks have a role in the formation and disappearance of sham firms and the contact with clients.

In some cases, Russian businessmen use their own personal networks and private protection agencies to solve legal problems. Some Russian businessmen avoiding the legal system in order to save time and costs and this can undermine the power of the state. In her research on Russian court usage, sociologist Katherine Hendley notes that although “the desire to avoid expense and time required [to use the courts] shapes the parties behavior” (Hendley 2010:634) and that these were the main reasons for avoiding litigation. Despite this there is a growing use of Russian arbitration courts (Hendley 2010) in both the business and non-business environment, especially for small and medium sized enterprises which have more resources for settling disputes legally. Further, as Russians become more aware of their legal rights, they are more inclined to use the courts and not to engage in informal practices (Hendley 2010).

Russian businessmen also engage in various forms of avoidance behavior as a method to retain freedom from state control. These avoidance behaviors also include keeping a minimal profile and not calling on the organs of the state when there are small problems to solve. In Russia, in contrast to more advanced capitalist countries, the scale of circumventing the government and government controls is widespread and practically all members of society engage in the informal economy, either through undeclared wages or by having their official salaries reduced and supplemented in cash. In 1995, the Russian government estimated that criminal activities accounted for some 25 percent of the GNP. More recently, some Russia officials have conceded that as much as 50 percent of the economy is “shady” in some way connected to crime and corruption (Miko 2001:56-57). Similar findings are reported by Johnson, Kauffman, and Shleifer (1997) who claim the share of the informal economy was approximately 41.6 percent of the Russian economy in 1998⁴⁴. Further, the United Nations Survey of the

⁴⁴ Similar to other developing nations, this trend is not unique to Russia. “The informal economy has grown dramatically worldwide in developing countries since the 1970s, a phenomenon highlighted by agencies like the

informal economy states that 24.3 percent of the Russian economy is non-observable (Andrews, Caldera, and Johansson 2011). The relationship between the Russian government and society, including business, can best be described as antagonistic.

I argue that Russian entrepreneurs engage in the informal economy for two reasons. First, the Russian bureaucracy, with its overbearing regulations and perceived unfair tax system, creates certain forms of informal economic behavior, such as tax evasion. I also argue that there are underlying moral reasons, and not just profit-seeking motives, for engaging in the informal economy.

2.3 The Bureaucracy: Weber, de Soto, and Russian Government Officials

Russia has many similarities to other emerging market economies. One of the most striking parallels is the similarities between the emerging markets in Russia and 1980s Peru, as described by de Soto's influential (1989) book on informal economic practices. In both countries there is overregulation of the system and this has a two-fold effect. First, it makes the bureaucracy even larger and more cumbersome and, second, due to the constraints placed by over-regulation people find shortcuts, usually through informal practices, to circumvent the system. Max Weber argues that the bureaucracy helps the state to function and that the modern state is dependent on the bureaucracy. However, in Russia and Peru the bureaucracy does not help the state to function smoothly and efficiently. The bureaucracy in Russia and Peru prevents the state from filling its basic obligations to its citizens as a source of protection, it has generated competitors, and it has diminished the basic function of the state as a settler of disputes. The over-regulatory practices of the bureaucracy in Russia and Peru hinder business. In Peru "a

International Labor Organization (ILO) of the United Nations, the "Social Protection Unit" of the World Bank, and the Nobel Peace Prize selection committee" (Huang 2009:407).

person of modest means must spend 289 days on bureaucratic procedures to fulfill the eleven requirements for setting up a small industry”, the application of land title takes “43 months and involves up to six different state departments, including the president of the Republic”, to obtain a building permit for constructing a building for business takes approximately 12 months, and to open a small store takes “43 days and costs \$590, fifteen times the monthly minimum living wage” (de Soto 1989:134,136,139,143). Russian businessmen also face these same difficulties.

They need to simplify all the different sort of processes, policies and procedures and regulations around small entrepreneurship. If it was a reasonable sensible Russian person with experience from the moment we send a franchise they can open, form a company as an entity, that store, probably in about 3 months, but the difference in the UK you can do that in 3 hours. [President of an American Fast Food Chain]

There is bureaucratic procrastination with coordination. [Representative of a foreign company at an “Open Talk” to Kirill Soloveitchik⁴⁵, Deputy Chairman of the Committee for Economic Development, Industry and Trade Policy of St. Petersburg]

There are too many committees. You need just one single agency. [Foreign businessman at an “Open Talk” to Kirill Soloveitchik, Deputy Chairman of the Committee for Economic Development, Industry and Trade Policy of St. Petersburg]

In addition to over-regulation, there is another problem in Russia and this problem is an overlap of both the bureaucracy and on information hoarding: businessmen are unsure of where to go in the city to obtain needed permits and needed documents.

In [country deleted] when someone wants to start a business we hand them over to an agency for building a business. What they do is help a company, to tell them where they need to go. The information they give is correct and backed by the government. It is a guide to the right person. It is an agency and it is prevention and central level coordination. They explain exactly what needs to be done. Here [in Russia] people don't know where to go and it's a big problem. [Official

⁴⁵ For a fuller discussion on Kirill Soloveitchik, see Chapter 5.

complaint from a Foreign Trade Diplomat to Alexei Chichkanov⁴⁶, Chairman of Investment, St. Petersburg]

There is a problem and it is access to information. There is no information for investors, no one-stop shop system, no electronic resources. [Russian businessman to Kirill Soloveitchik, Deputy Chairman of the Committee for Economic Development, Industry and Trade Policy of St. Petersburg]

Sociologist Max Weber (Weber 1946, Weber 1947) argues that the bureaucracy “is supposed to be characterized by efficiency, impersonality, rationality, and consistency with the goals of the society at large” (Mieczkowski 1991:52) and that the “bureaucracy has a ‘rational’ character: rules, means, ends, and matter-of-factness dominates its bearing” (Weber 1946:244). The impersonality of the bureaucracy would eliminate a civil servant’s patron-client relationship to political figures and, therefore, strengthen the state’s capacity to fulfill the needs of its citizens. In the case of late Soviet socialism, the state bureaucracy fell short of Weber’s ideal type because it was not a neutral agent of the state (Huskey and Rowney 2009, Gille 2009, Gimpleson, Magun, and Brym 2009, Fainsod 1971). In fact, the one-party system created a bureaucracy that was very much politically engaged (Huskey and Rowney 2009, Gregory 1990). The bureaucracy was so pervaded by politics that bureaucrats took directives from Party officials, answering to them rather than citizens; “to keep their positions, *apparatchiks* had to be steady performers and willing to carry out any task that their superiors handed them, no matter how impossible or senseless” (Gregory 1990:74). Furthermore, since the party “dominated all spheres of life” (Gille 2009:123) including “every branch of the economy and every form of social expression, from art, music, and letters to sports and the circus, [were] subject to administration regulation and direction” (Fainsod 1971:119) it is not surprising that bureaucrats were political beings. “The Soviet Union did not have a civil service in the Weberian sense but a

⁴⁶ For a fuller discussion on Alexei Chichkanov, see Chapter 5.

corps of party-state officials whose tenure and promotion – and at times even physical survival – depended in part on their ability to read political signs from above” (Huskey and Rowney 2009:113).

The late socialist Soviet bureaucracy, therefore, was plagued with another problem-its dependency on the Communist Party. Weber argues that the bureaucracy’s “status in wider society is dependent upon their impartial professional conduct” (King 2004:136). In the Soviet case, clearly, bureaucrats’ power and position did not depend on maintaining a reputation within the larger society for impartiality, but rather, on maintaining the approval of the party and maintaining personal ties with powerful officials. Weber further argues that in a modern bureaucracy “offices were not be appropriated by them for personal gain but were to be fulfilled according to strict and formally established rules” (King 2004:136). These rules should be transparent and should ensure appropriate action (King 2004). This does not mean that the bureaucrats were entirely submissive to the communist Party. In fact, “these [Soviet] bureaucracies have developed their own attitudes, values, and procedures. In the Soviet bureaucracy the rules were ambiguous and self-serving for the bureaucrats. The Soviet bureaucrats used their positions to satisfy their collective and individual needs; *“apparatchiks* occupied privileged positions in Soviet society and their prime concern was to keep their positions” (Gregory 1990:74). Collectively, they wanted to safeguard their dominance by preserving Soviet bureaucracy. Individually, bureaucrats received special privileges, such as vacations abroad and cottages located in exclusive areas (Ryavec 2003). The organizational structure of the bureaucracy also created opportunities for non-transparency. Individual ministries “did not interact easily or informally with bureaucrats of other ministries or chains of command” (Ryavec 2003:162). The ability of ministries to isolate themselves preserved their

power because it limited information sharing. Information hoarding was a source of power. Max Weber argues that information hoarding and secrecy is a characteristic of bureaucracies. “Every bureaucracy seeks to increase the superiority of the professionally informed by keeping their knowledge and intentions secret” (Weber 1946:233). Weber further argues that the reason for secrecy, information hoarding is a form of secrecy, is that certain administrative fields follow their material nature: everywhere that the power interests of the domination structure toward *the outside* are at stake” (Weber 1946:233). Although the members of the Soviet bureaucracy did have technical skills and qualities⁴⁷, enabling them to enter the bureaucracy and maintain their power within it, they did not use these skills for the public, rather, they used these skills for personal privilege. But, there were limits, as “the Communist Party enforced well-understood standards on greed. The general secretary got this much meat, his deputy a bit less, and all the way down the line” (Remnick 1997:198).

The use of the bureaucracy for personal gains has continued in present-day Russia. Bureaucrats have continued to convert the power of their office into private benefits. “Reports of bribery of bureaucrats are easy to find” (Ryavec 2003:186). Many bureaucratic ‘services’, such as receiving stamps on official forms, are available for ‘hidden fees’. In the market economy of Russia, money and not other privileges, such as vacation spots or imported foreign goods, is the main form of power conversion. Russian President Vladimir Putin, in his 2005 State of the Nation, addressed this problem.

⁴⁷ Max Weber (1947) argues that there are three pure types of authority and that the validity of their claims may be based on rational grounds, traditional grounds and charismatic grounds. Rational grounds is legitimate authority which is based on “the belief in the ‘legality’ of patterns of normative rules and the right of those elevated to authority under such rules to issue commands (legal authority)” (1947:328); traditional grounds bases its legitimate authority on the “established belief in the sanctity of immemorial traditions and the legitimacy of the status of those exercising authority under them (traditional authority)” (1947:328); charismatic grounds base their authority on the “resting devotion to the specific and exceptional sanctity, heroism or exemplary character of an individual person, and of the normative patterns or order revealed or ordained by him (charismatic authority)” (1947:328).

Our bureaucracy remains a closed and sometimes simply arrogant caste which sees state service as a kind of business. It's one of the features of the present that certain unscrupulous bureaucrats at both federal and local levels have learned to use the stability that has been achieved for their own selfish ends. They have started using favorable conditions and opportunities that have finally emerged in our country to increase their private rather than the public wealth⁴⁸.

In the early Soviet system the bureaucracy started as the administration to build a great socialist nation and to make the Soviet Union a modern nation⁴⁹. The bureaucracy would change from an administrative class aiming to create a strong socialist nation to an administrative class⁵⁰ aiming to preserve their jobs and to fulfill their interests. "All major specialized hierarchies of the Soviet Party-state have their chief executives represented in the Politburo⁵¹" (Ryavec 2003:217). "The bureaucracy built a great industry, military, and science with many real achievements to their credit" (Ryavec 2003:143). The bureaucracy would change over time and, during late socialism, it would become less effective as more and more problems would emerge. Some of the problems which emerged were over-documentation, discrepancies between what occurred at the top and what was implemented at the bottom, bureaucratic mismanagement, slowness, bad decision-making, interagency conflicts, long and ineffectual meetings, a drive by the bureaucrats to secure more political and personal power, unrealistic social and economic plans, and a lack of accountability (partly due to the sheer size of the bureaucracies and the size of the resources that they were able to control). Soviet citizens viewed the problems of the bureaucracy as synonymous with the problems of the Communist Party (Ryavec 2003). After the

⁴⁸ For Vladimir Putin's full 2005 State of the Nation Address, see www.fas.org/irp//////////news/2005/04/putin042505.html

⁴⁹ "There can be little question that centralized planning had given rise to burdensome and rigid bureaucracies" (Huang 2009:422).

⁵⁰ I use the Marxist term "class" in order to follow Djilas' argument. See Marx 1935 and Marx 2000 for a further description of his concept of class.

⁵¹ The Politburo was the policy-making committee of the communist party in the Soviet Union. It was disbanded in 1991 after the fall of the Soviet Union.

fall of the Soviet Union none of these problems were solved. The bureaucracy in Russia inherited these characteristics and therefore kept a cultural continuity of bureaucratic inefficiency.

In the late socialist Soviet system, bureaucrats usually obtained their positions in government through personal networks. As Mieczkowski (1991) explained at the time, bureaucrats “after attaining bureaucratic positions, act as members of an elite class. Their selection is not based on criteria of functional excellence, but rather on their usefulness to other bureaucrats, namely, their superiors and, consequently, on their becoming imbued with the particular set of values that permeates the elite class” (Mieczkowski 1991:52). Further, bureaucrats relied on clientelism as a response to the inadequacies of the Soviet system. Over time patron-client relationships emerged and these personal alliances brought further power, prestige, privilege, and enrichment to clique members (Gille 2009). The mainstream Weberian approach recognized the bureaucracy as an impersonal but “socially necessary” phenomenon. Weber (1946) further argues that bureaucracy is based on a legal code of authority, operates under a system of abstract rules, and pursues the goals that help to “direct the efforts of the society at obtaining the results that matter to it” (Mieczkowski 1991:105). “Bureaucracy has a ‘rational’ character: rules, means, and matter-of-factness dominates its bearings” (Weber 1946:244). There were two problems with the bureaucracy in the Soviet Union. First, because the distinctions between public and private were blurred (Heinzen 2009), preventing the bureaucracy from operating as politically neutral. Soviet bureaucrats worked for the Communist Party and not for the Soviet people. “Linked to the bureaucratic source of corruption were the “seats of purulence” (*gnoiniki*) resulting from unholy alliances of officials (especially in the supply networks) with private merchants in big illegal operations with government goods” (Lewin 1985:216). Second, the Soviet bureaucracy used agents and structures inherited from the

Old Regime (Huskey and Rowney 2009), and because of their lack of commitment many bureaucrats carried a personalized way of operating within the bureaucracy. Milovan Djilas (1957) argues that in the Soviet system the bureaucracy became a “new class” of benefactors of the Communist revolution. The Communist revolution created a new form of ownership which benefited the bureaucracy through collective ownership over industry, wage setting, national income distribution, distribution of material goods and economic development. These new forms of ownership gave Soviet bureaucrats power over Soviet citizens. “It is the bureaucracy which formally uses, administers, and controls both nationalized and socialized property as well as the entire life of society” (Djilas 1957:35). Djilas further argues that this “new class” received special privileges. Soviet bureaucrats received higher wages than the average Soviet worker, country homes, the best housing, furniture, and automobiles (Djilas 1957). Therefore the Soviet bureaucracy became a class⁵² with self-serving interests. Although the underlying issue is to what group the bureaucracy belongs and for whose interests does the bureaucracy work. The way the Soviet bureaucracy operated was shaped by their own interests as a class and not for efficient management of the system or the public good. I argue that there is a link between the two aspects of the bureaucracy. Weber’s viewed the bureaucracy as “the most efficient means of administration imaginable, because its strict system of differentiated duties achieved a mechanical reliability and expedience, [but] he [Weber] did not consider it an adequate means of *rule*” (Brick 1986:51). In the Soviet system the bureaucracy did just that, it ruled. Post-Soviet Russian bureaucracy has inherited the same ruling ideology.

Further, during the Soviet system there were informal and formal arrangements between bureaucrats. Amongst bureaucrats, “informal supply and trade arrangements involving the

⁵² While Djilas, building on the Marxist tradition, referred to the bureaucracy as a “class”. I am using the Weberian concept of “status group”.

tolkach [facilitator who solved problems]...were widespread during the Soviet period, and personal relations were very important in the running of the Soviet economy. A great deal of informal negotiating and implicit agreements also existed” (Ryavec 2003:169-170). In post-Soviet Russia, “both informalism and formalism exist in Russian bureaucracy” (Ryavec 2003: 169). These informal behaviors include telephone rights and *krugovaia poruka*, which will be discussed in more detail on page 85. During the Soviet system bureaucrats used their personal networks to protect each other (Ledeneva 2006) and to serve the interests of those within their circle of friends/colleagues. It might be safe to infer that these networks have continued and bureaucrats use their positions to not only serve their own personal but to serve the needs of the people within their circle.

For example, from my ethnographic material many of my informants believed that bureaucrats owned property and industry through the mechanisms of patron-client relationships and dummy corporations. My informants based their impressions on privatization of state property by the ‘oligarchs’ during the 1990s and believe that state capture of resources was still practiced, but through different means, such as rent-seeking behavior. “It was the bureaucrats turned businesspeople who managed to capture the state, enrich themselves, and undermined economic development” (Frye, Yakolev and Yasin 2009:34). Further, bureaucrats’ engagement in rent-seeking behavior (Frye 2009) has also facilitated the belief that bureaucrats have personal stakes and personal gains in controlling industry. In the Soviet system the bureaucrats had *collective* ownership and, therefore, had *limited* powers of redistribution. Soviet officials’ power was limited by the Communist Party, which served as a regulator of behavior (Ryavec 2003). “The Communist Party, in its time, also enforced well understood standards on greed. Grab too much, step too far outside the given order, and you would be stalled in your career, fired, even

sent to jail” (Remnick 1997:198). It is widely viewed by my informants that in post-Soviet Russia, bureaucrats, former bureaucrats, and their family members have gained individual ownership of some former Soviet state industries and natural resources, and bureaucrats have gained power to manage and use industries and resources that remain legally/formally/officially under state ownership almost as though they were their own property. This informal control of bureaucrats is perceived as limitless.

In today’s Russia there is currently no regulatory mechanism to control the bureaucrats’ greed. The dissolution of the Communist Party as a regulator of bureaucrats’ behavior has allowed bureaucrats limitless possibilities for personal gain.

Under Soviet rule, there were fewer temptations; moreover, the regulator was external and strong, even brutal. When the rules of the game changed, it turned out that the moral regulators within the individual had atrophied; when the external regulator was gone, all hell broke loose. The state was still in control of every good imaginable: licenses, natural resources, and, not least, the biggest property redistribution in the history of the world (Remnick 1997:108-109).

In post-Soviet Russia “many of the *nomenklatura*⁵³ have become managers of privatized enterprises and in some cases very rich” (Humphrey 2002:180). Further, “the children of the old Soviet elite have had an advantageous position from which to start up new businesses; the pervasive network of protection-patronage “roofs” ties many a disparate institution together; while young, flexible and commercially astute people can try their hands in a number of contexts, moving from illegal to legitimate business, from employee to entrepreneur, or from government official to banker, and back again” (Humphrey 2002:180). In other words, in post-Soviet Russia a bureaucrat has a hybrid identity (Wedel 1998). We can infer that bureaucrats protect each other’s financial and political interests. More research is needed on how bureaucrats manage state property that is under their political authority to build their own private wealth.

⁵³ For a further discussion of the *nomenklatura*, see pages 6-7.

One of the inherited bureaucratic characteristics from the Soviet Union is the sheer size of the bureaucracy. The Central Administration of St. Petersburg, Smolnii, has one governor, eight vice-governors and forty-two committees. Several informants have speculated the size of the staff at Smolnii well into the hundreds, further reinforcing their opinions that the bureaucracy is too large, self-serving and inefficient.

Some of these problems are similar to large bureaucracies in other modern states while other problems are distinctive of the Soviet/Russian bureaucracy. For example, long and ineffectual meetings that many bureaucrats had to engage in were counter-productive to their jobs. “Chiefs [top administrators] of one division of a planning agency spent 30 percent of their time on various conferences and meetings, on the performance of functions not inherent in their job- the factory manager, who arrived at 7:15a.m. and did not leave until 8 p.m., attended at least *five* separate meetings daily” (Ryavec 2003:149). Long, ineffectual meetings were not just found in the bureaucracy, but in other organizations such as the Komsomol (Soviet Youth Organization)⁵⁴. “Practically everyone routinely went to Komsomol and other meetings and, especially, in the case of the last Soviet generation, routinely paid little attention to what was going on there. Practically everyone voted in favor of the resolutions, often while reading a book and oblivious to what the vote concerned” (Yurchak 1997:171). Another bureaucratic problem that was characteristic of the Soviet system was over-documentation or the “fetishization” of paperwork (Ryavec 2003). The number of stamps, signatures and photocopies of documents required a large labor surplus to keep all of it organized plus all of these signatures and stamps reinforced the status of signing bureaucrats and bureaucratic offices.

⁵⁴ The Komsomol “was the most important youth organization during the years of communist rule. It catered for young people aged between fourteen and twenty-eight and served as an important training ground for party and other officials” (White 1994:345). Further, “Komsomol membership and service were also taken into account in employment and in higher education admissions and awards” (White 1994:345).

Well to get registered at customs you have to give them this thick pile of documents” [makes a hand gesture of 4 inches] [Russian Director of a small business]

It took 8 years [to get ownership of the land to build their business]. In the meantime we rented the land. Okay, no problem. We need another document, no problem we go for another document. We need another document, we go for another document. We need another stamp, we go for another stamp. [Foreign Director of Logistics Company]

When one my employees goes on vacation I have to sign and stamp three documents. [Foreign Director of Large Foreign Firm]

In contemporary Russia as in the late Soviet Union “bureaucrats know their interests and act as best as they can to defend them” (Ryavec 2003:217). One of their main interests is to obtain money and to secure power. The bureaucracy in Russia has a lot of leeway in dealing with businesses since most laws are contradictory. This contradiction in the law allows for government officials to have elevated power over a business. In a similar fashion, as stated earlier about informal economic practices in Peru, this allows for government officials, or people in positions of higher state authority such as the police or fire inspector, to demand bribes as business owners feel obligated to pay as a method of avoiding further legal troubles. Bureaucrats defending their interests were also present in the Soviet system, which was not surprising, some explained, because “in the absence of a vibrant market, an independent legal system, and a free press, the bureaucracy often abused its vast power and discretion” (Huskey and Rowney 2009:112). In addition, Weber’s analysis of the rationality of bureaucratic systems ignored the informal activities that sprang up within formal organizations as a response to the malfunctioning of bureaucracies” (Adler Lomnitz 1988:42). The late Soviet and post-Soviet bureaucracies depart in important ways from Weber’s ideal type. In the Soviet and post-Soviet systems bureaucrats created careers that were dependent upon and loyal to their political superiors. “All bureaucratic structures are characterized by a gap between official rules and the patterns of informal behavior

adopted by those who work within them,” according to Gille (2009:118), and the Soviet and post-Soviet bureaucratic systems were no exceptions. In the Soviet system, the bureaucracy “was built on certain ‘legal’ privileges for those at the top of the hierarchy” (Heinzen 2009:103). These privileges extended to rent-seeking behaviors (Black, Kraakma and Tarassova 2000, Brown, Earle and Goldbach 2007). Corrupt Soviet bureaucrats used their positions to siphon away the resources of the state, to obtain goods for their clients, and to cut through bureaucratic red tape for their clients (Heinzen 2009). The rent-seeking behavior of Russian bureaucrats has transformed itself. In the late Soviet system, the bureaucrats’ rent-seeking behavior was limited within the system of shortages and Communist Party patronage. In the market economy, the rent-seeking behavior of corrupt Russian bureaucrats extended to monetary payments.

The fire department came in and did their audit and found 362 violations. So, I started working away at it. We had initially 362 or whatever and it was down to...I want to say half, like 160. They came in with their new audit and found all these violations, including the civil defense, we were around 190 [violations]. They sat in my office and said, ‘we can make this go away if you give us a couple of cars. [Director of a Foreign Car Manufacturer]

Some bribes are not as blatant as this and fall in to a gray category of bribery.

Legislation, as you know, is not black or white, but between the two. Legislation is not easy to understand.....the fire inspector said that the building was not up to code and they asked if they could have a “training session” for fire prevention instead. They paid for the course and the person who taught it was the daughter of the fire department chief. [Director of Foreign Logistics Company]

There is also a problem with the laws that pertain to entrepreneurship. First, laws at the federal and local levels do not correspond. More importantly, the federal law is very general and is not applicable to many business situations in St. Petersburg. The foreign investor views the regional law as more important than federal law because of the investor’s proximity to the local government and local bureaucracy. Most foreign companies abide by the regional law where their company is located. Second, there are different laws in Moscow than in other cities.

First of all the rule should be in Russia and they should be for all of Russia, but in reality we have certain rules in St. Petersburg and there are different rules applicable in Moscow. For example, in Moscow if you have accreditation card and you are an employee of a foreign entity who has a branch in St. Petersburg, but it is not a Russian branch, it is not a Russian entity, it is a branch of a foreign company and you are a foreign employee of this branch and you have accreditation card, which until 2 months ago was considered a work permit. Suddenly, a month ago they said, 'we read the law in a different way. Accreditation card is not enough you must have a work permit, as well'. In Moscow it is absolutely different. They continue to work on accreditation card, nobody is asking for a work permit. It comes from the Head of Migration Services in Russia. [Russian Manager of a Foreign Tobacco Company]

This raises a broader issue on the internal politics of regional bureaucracies and their relationship to the central government authority. Do regional bureaucrats answer only to the central authority or do they answer only to patrons within the regional bureaucratic hierarchy? Where do regional bureaucrats receive their power? Are the regional bureaucratic authorities at odds with the center? Is there a regional character to the bureaucracy which reinforces differences in bureaucratic regulations? How does regional authority depart from orthodox Soviet communist theory about the socialist revolution fulfilling the functions Marx assigned to the bourgeois revolution of creating a single unified legal/regulatory system? Researchers have done very little to address the issue of regional bureaucratic authority in Russia (Huskey and Rowney 2009). In addition, "scholars have devoted little attention to the study of corruption and anti-corruption measures" (Huskey and Rowney 2009:170) in the former Soviet Union. In order to adequately theorize the regional bureaucracies and their power, a more "detailed study of patronage and clientelism in various Soviet bureaucracies" (Huskey and Rowney 2009:170) needs to be conducted.

2.4 Informal Practices in Accounting

Taxation creates the need for bureaucracy. Book keeping for accounting gives the bureaucracy control and power to evaluate a business for taxation purposes (Dunn 2004). In Russia, there is continuity from the Soviet Union of falsifying numbers in accounting and creating “illusions of accuracy” (Dunn 2004), which is a socially shared and embedded practice. However, the way in which the falsification is done has been transformed as a survival technique to the market economy. In the Soviet Union, accounting practices inflated the numbers of items produced in the factories. This was done to fulfill socialist ideology. Socialist propaganda stated that workers under socialist conditions were happier and therefore produced more goods, unlike in a capitalist society where worker exploitation and poor working conditions created worker apathy and in turn, workers produced less. The second reason for over-reporting production was related to shortages of raw materials. “Managers negotiated with their accountants to change the books to make it appear as if the firm needed more resources to meet targets” (Dunn 2004:42). Accounting practices in the Soviet Union were heavily influenced by shortages, a non-monetary market, a lack of social accountability to share holders, and material allocation. Over-reporting was possible given that accounting practices were “designed for the convenience of state planners, not for enterprise managers, investors, or regulators” (Dunn 2004:41) and “soft budget constraints made it unnecessary to control costs or worry about profits” (Dunn 2004:41).

In contemporary Russia the falsification of numbers is based on the monetary market and mistrust of government officials, who no longer have to answer to the Communist Party if they engage in any unethical behavior. Accounting practices in Russia entail keeping two books corresponding to “white accounting” and “black accounting”. Black accounting is the official numbers of a company’s profits. These books are used only by the company and are hidden from the tax authorities. White accounting is the falsified accounting books that lower the numbers to

hide profits in order to reduce taxes. The white accounting books are shown to the tax authorities. Further, there is white cash and black cash. White cash is official money that is documented whether they are official wages that are documented in an employee's employment record book or money that is used officially for business transactions. Black cash is money that is not documented on the books, which comes in the form of hidden employee wages, that are hidden from taxation, or money used in petty cash for small payments, or money that is hidden that can be used for bribery or unofficial payments to customs.

Every container that you import you need to pay \$50 to customs so it means that everything is fine, the documentation is fine, everything is fine, but you still need to pay \$50. I really hate it. This \$50 we don't have because you need to generate black cash. There are different options in Russia. You can hire labor and earn as much as you want just to pay some taxes. So, we hire people, which you don't give them the salary, and we keep it for us. This person doesn't get it, but it is very expensive because this person needs to get 100 rubles. I pay 13% tax on him, I pay 34% taxes for him and I pay social taxes. So for 100 rubles I pay 150. So it is 50% that I lose of the money. Sometimes we can do it because we have international transport and we do the invoicing in [native country] and we pay them and they give the money to us. It is so complicated, but we need it for customs. [Foreign Director of a Foreign Company]

Black cash accounting is not unknown to government officials or to the tax police. In fact, sometimes government officials and the tax police use their knowledge of black cash to control and manipulate a company. The tax authorities raid businesses as a tactic to control a company, to prevent them from using black cash. In other instances government officials can regulate black cash, especially in the form of employees' salaries.

And then year to year the government tried to make black salary white. They had big success with big companies. I know because I worked in five big companies. For example, when I worked in 2004, I had a white salary of 5000 rubles and my whole salary was about 35,000. And then there were people, from the government, who decided, who talked to the head of the big firms and they said,

‘you must make white salary 15,000 or you will go to prison’ (laughs) and so the next day the white salary became 15 (laughs). [Russian employee in a large firm]

2.5 The Soviet Legacy: The Informal Economy, Informal Practices and Russian Entrepreneurship

Blat’ and Black Markets

In the Soviet system there were three distinct types of exchanges. The main one was the conventional exchange of money for goods and services, at state regulated prices. This form of exchange constituted the majority of all exchanges. The second was the black market. The black markets were illegal markets of exchange. In the Soviet system these markets could be either an actual physical space⁵⁵ or an informal arrangement. More importantly, Soviet citizens viewed them, and the black marketers, as immoral. Many Soviets felt “shame by having to deal with them” (Yurchak 2006:200). “The black marketers constituted a small group and were recognized as being different from most people in their unapologetic interest in money and material possession” (Yurchak 2000:201). The use of the black markets did ease the shortages of consumer goods. Despite the functionality of the black markets to alleviate shortages and provide the possibility of buying foreign goods, Soviet citizens viewed the black markets as a place to “avoid and minimize encounters” (Yurchak 2006:202) with them.

The black market was an illegal market place selling all types of goods, including banned, illegal goods; e.g. pornographic material, rock music, etc. Second, the black markets were in designated areas in a city and were always under the threat of being raided by the police. Third, the black market dealt in cash. Typically, the cost of items was astronomically high, usually 200% mark-up of the product value in any other country. As one informant told me:

⁵⁵ Many informants told me that the area of Gostiniy Dvor on Nevskii Prospekt was an actual physical space where black market goods could be purchased. In general, throughout this chapter, I use the term ‘black market’ as an informal arrangement.

In 1989 I bought an album by the rock group KISS. I paid \$70 for it [US retail value US\$9]. Right after I bought it, I noticed the police were raiding the place [black market]. Everyone [customers and black marketers] ran in different directions. It was a technique that a person did when there was a raid because we knew that the police could not run after all of us if we split up. I had a choice, drop the album and run faster or hold on to this album that cost me seven months of work, was difficult to find and would slow me down. I paid a lot of money for this KISS album and was a big fan. I held on to the album and ran and hid in a local apartment complex. I waited for a long time in there until the police were gone.

He then added a political observation about the state of the Soviet Union.

At first I thought that everyone in the apartment complex had cleaned their door rugs. Then I realized that someone had stolen all of them. I knew then the police and Communist Party in general had lost control and that people were starting not to be afraid.

Another informant told me:

I still have this fake fur coat that I bought in the Soviet Union [in 1985]. It is really ugly and really cheap quality. It is hanging in my closet, but I just cannot throw it out because I paid \$400 for it.

The third type of exchange was *blat'*, which can be characterized as the exchange of goods and services. Black markets and *blat'* were marginal forms of life. The original pre-revolutionary (1917) meaning of *blat'* refers to the lesser crime of theft, but the definition of *blat'* would change to mean “cover” or “umbrella”; the word borrowed first from the Yiddish word *blat'* (close, family) and then the Polish usage of the word *blat'* (Ledeneva 1998). During the Brezhnev era onward, almost every Soviet citizen engaged in *blat'* and, therefore, it was one most pervasive informal economic activities. In a country with consumer deficit, people used alternative means to have access to consumer goods. The rules of *blat'* were reciprocal exchange which were void of market value exchange since the Soviet Union's economy was not dependent on a monetary system. Goods were usually exchanged within personal networks of family and

friends and even extended to networks of acquaintances, which were known as *blat'* networks. Trust, not money, secured the transaction. However, Soviet citizens viewed these exchanges in contradictory terms. When *blat'* was used amongst friends and family it was viewed as morally good. If *blat'* exchanges occurred in friendly circles, they were misrecognized as 'helping out' (Ledeneva 1998), and therefore, as being morally justified. If these transactions were done in non-reciprocal relationships or were done by people outside of one's own personal network, they were viewed as *blat'* and included some immoral connotations. Further, moral judgment on *blat'* was complicated and related to a person's position within the *blat'* network, the item exchanged, and the service received (Ledeneva 1998). When government officials used *blat'* for their own advantage it was viewed negatively and bordered on corruption.

Blat' and Symbolic Value

The informal economy in post-Soviet Russia has several characteristics that were inherited from the Soviet system; e.g. reciprocal-ties informal inter-family exchange, certain forms of corruption, such as gifts and bribes, which facilitate services, and political bribery (Barsukova and Radaev 2012). Other characteristics which have disappeared are *blat'* for the obtainment of goods in short supply and the illegal import of ideologically banned goods, e.g. rock music. As stated the main reason for this social phenomenon was for the obtainment of goods and needed services in an economy of shortages. For example, money was used to buy food products and the value of these goods was not based on the production of them since the Soviet government produced, dictated the prices and would take the loss if there was any. If a choice cut of meat cost 10 rubles and a pair of boots cost 50 rubles, it would not be uncommon for the cashier at the food store to hoard the meat "under the counter" (*из-под прилавка*) and sell it to their acquaintances. There were also instances where some people would offer items,

such as shoes, which were also hoarded in a supermarket. The retail value was not equal in monetary terms, but the ‘want’ or ‘need’ element made these two consumer goods equal in the eyes of the exchangers. The following example further illustrates this point, as one informant told me:

When I was 15 years old, my mother exchanged her gold wedding band for a pair of jeans. Jeans were very important to a Soviet teenager.

The monetary value of a gold wedding ring was more in a market economy than a pair of jeans, but Soviet youth viewed jeans as a status symbol of Western culture and therefore had symbolic value. For many Soviet youth symbolic value was found in the arena of Western popular culture namely rock music (Yurchak 2006, Bushnell 1990, Pilkington 1994) and the English language and, therefore, these items were highly sought after.

The English language was also viewed as a commodity with social capital. As one Russian informant, noticing my pen, said to me after our interview; “BIC, Made in USA. Twenty years ago people would have given you *anything* for this pen. It is written in English and made in America. Wow!” “Most Western symbols, that became appropriated in the Soviet context, originated in Western *youth* culture and therefore also served as useful markers of generational identity, which further boosted their importance for the last Soviet generation” (Yurchak 2000: 418). It was not uncommon for Soviet youth to “replace their names with its English or French equivalent, e.g. *Mike* for Mikhail or *Bob* for Boris” (Yurchak 2000:422). In the market economy this practice has been transformed into private business ventures using foreign words to name their enterprises, such as *Super Mag* or *Holiday*⁵⁶. During my own ethnographic investigation I encountered many Russians who described themselves as “being American” or wanting to

⁵⁶ For a fuller discussion of the symbolism and the ideological patterns of this phenomenon, see anthropologist Alexei Yurchak’s article, “Privatize your name: Symbolic work in a post-Soviet linguistic market” (2000).

imitate behaviors which they viewed as American. On several occasions when I informed these particular Russians that their behavior was not typical of Americans they actually became very upset.

Western rock music and the English language used in song would also be transformed in post-Soviet Russia as a new form of symbolic capital. During my three years in St. Petersburg I befriended a musician, Aleksei, who played guitar in three different heavy metal bands. I was often invited to his concerts to critique his music, lyrics and pronunciation of those lyrics. The first concert I attended I couldn't help but notice that all of the band's songs were sung in English. When I later asked Aleksei about this language choice, he said to me, "*Real* rock is sung in English"⁵⁷. The English language, rock music and *blat'* are interconnected. In the late 1980s when the Soviet authorities allowed Western rock groups to perform in the Soviet Union (under close supervision and monitoring by the KGB) many groups found themselves having to deal with food shortages. In 1989, while playing concerts in Moscow and Leningrad the British heavy metal band Black Sabbath used its own social capital in *blat'* networks of exchange to obtain food. Lead guitarist Tony Iommi recalls in his autobiography:

We ate a lot of it [caviar] out there, because there was nothing else. But we came back with loads of caviar, especially Cozy [Powell, drummer], who was a big wheeler-dealer. We went up to his office and this bloke had all these tins of caviar and hand-painted lacquered boxes and so on lying about. We gave him a couple of T-shirts for this, a pair of sneakers or whatever for that. They loved the T-shirts with the band's name on them, so Cozy ended up with a suitcase full of Beluga caviar (2011:277).

Soviet youth viewed the Black Sabbath t-shirt, a rare commodity, as a valued item in the Soviet market. Further, the t-shirt was written in English and had more value.

⁵⁷ When in St. Petersburg, I couldn't help but notice the large number of foreign rock groups from the 1970s and 1980s who played in Russia to large, sold-out audiences. Many of my friends, who attended these concerts, told me that they were happy to have the opportunity to finally be able to see these bands from their youth. Some of the advertisements for these concerts stated how famous they were in the West. For example, the 1960s rock group Status Quo, was advertised as "America's Number One Band".

Misrecognition

Bourdieu (1990) argues in non-market societies people collectively misrecognize gift giving in *refusing* to see it as fair exchange, insisting on a time gap in order to conceal the “true” nature of the gift exchange as “fair” (or “equivalent”) “exchange”. In these non-market societies, misrecognition helps to reinforce the social foundation of the community. In the case of *blat*’, Ledeneva argues that a person’s *position* in the economic exchange determines whether or not he or she will engage in ‘misrecognition’.

As in gift exchange, misrecognition of *blat*’ is normal for the participants, who often practice *blat*’ while recognizing it as ‘helping out’. From the perspective of an observer, the deal is recognized as *blat*’. Perpetual switching of perspectives enables one to engage in *blat*’ practices and at the same time to distance oneself from them (Ledeneva 1998:59).

One unique characteristic of *blat*’ was that many Soviet citizens did not recognize all of their exchange practices as being part of *blat*’ Alena Ledeneva (1998) in her analysis of *blat*’ discovered that people did not view themselves as engaging in *blat*’ especially when the trading was done with family or close friends. People did not describe their own behavior as engaging in *blat*’ when obtaining access to goods and services through friends or kin because the goods and services were embedded in personal relationships, a ‘helping out a friend in need’ and not circumvention of the system (Ledeneva 1998). Ledeneva termed this phenomenon ‘misrecognition’. Further, misrecognition was also found in the discursive practice of *blat*’ where People typically described themselves as receiving goods and services as a favor in friendship while ‘other people’ engaged in *blat*’⁵⁸.

⁵⁸ Anthropologist Elizabeth Dunn notes a similar discursive pattern among Polish citizens in reference to corruption. Dunn noted that when Poles engaged in behavior which was corrupt. They described their own behavior as “survival”. However when these Polish informants had to describe the exact same behaviors of other Poles they described it as ‘corruption’. Presentation on “Isomes” at the Center of Russian and Eastern European Studies at the University of Michigan (2002).

Ledeneva builds on Pierre Bourdieu's (1990) argument of misrecognition as it relates to gift giving⁵⁹. In the case of *blat'* Ledeneva argues that people *were* aware of the equivalent exchange as 'helping out' and acknowledgement of *blat'* did not "endanger the foundation of the community" (1998:59) as it would in small-scale non-market societies. However, despite this subtle difference, the misrecognition of *blat'* in the Soviet Union did reinforce the legitimacy of the system.

A further discussion of *blat'* needs to be had in order to understand why Soviet citizens engaged in misrecognition. *Blat'* had a negative meaning because "in Russian tradition, as well as in Soviet official ideology, a preoccupation with everyday life for its own sake was considered unpatriotic and subversive" (Ledeneva 1998:64). Further, *blat'* was deemed illegitimate by both the system and the people (Ledeneva 1998:68) because to view *blat'* as legitimate would undermine both friendships and socialist ideology. Misrecognition of *blat'* as personal favors allowed the socialist system to reproduce itself without any blatant challenges or revolt from Soviet citizens.

Blat' networks were dyadic and circular (Ledeneva 1998). Similar to any traditional society that practices reciprocity the goods and services did not have to be paid immediately and often there were a series of favors given out to a circle of people who helped an individual. Further, certain occupations rendered people more status and access to better goods. "Truck

⁵⁹ Bourdieu uses the term 'misrecognition' to analyze other social phenomenon which serves a collective interest of reproduced behaviors which legitimizes the existing social order mainly social and class differences. In his book "The Field of Cultural Reproduction" (1993), Bourdieu argues that in the realm of art the system legitimizes the value of the artistic object through symbolic power. Symbolic power and artistic value is obtained by legitimized displays of personal trademarks, signatures, and organized displays of authority. In Bourdieu's book "Language and Symbolic Power" (2001) he argues that language is a form of power which gets 'misrecognized' as people create a membership through language which reinforces the legitimacy of the status group. In his book "Reproduction in Education, Society and Culture" (1970), Bourdieu argues that the educational system also creates power relations through legitimization. Legitimization is done through the process of misrecognition of pedagogical authority and institutions as legitimate and neutral processes.

drivers systematically [falsified] their fuel consumption sheets and [disposed] of the surplus through routine channels. Store personnel, particularly selling clothing and foodstuffs, were traditionally low paid. They [supplemented] their incomes by putting aside part of the store supplies to be sold from under the counter” (Ledeneva 1998:50). There was another aspect of *blat*’ and that was to enter in to university, obtain jobs or status. “Being a decent [Soviet] citizen and a Communist was not incompatible with rule-breaking” (Ledeneva 1998:67).

Despite the importance of *blat*’ to the daily functioning of the Soviet state, *blat*’ undermined the Soviet system ideologically and economically. *Blat*’ was not entirely legal, “but it did not attract serious governmental repression” (Ledeneva 1998:50). *Blat*’ encouraged the hoarding of goods because having items for exchange gave an individual a source of power. It also gave a person access to better goods and services; e.g. vacations. In industry factory managers and supervisors also hoarded raw materials. There was a two-fold effect from managers who hoarded raw materials. First, managers were able to have more power over production. Second, managers had formed powerful networks of exchange with other plant managers. The hoarding of raw materials also affected the output of production. Since the raw materials became more valuable as a source of trade between managers factories did not produce needed goods, therefore further creating product deficit which only further reinforced *blat*’.

Further,

most reliable sources agree that theft of socialist (state) property was almost as widespread as state property itself. A comparatively universal form of it was the taking home of small quantities of goods, or goods of little value, such as tools or materials, stationary, etc. At a more serious level, there was the more substantial theft of building materials by persons who had access to them, especially store attendants and transportation workers. These phenomena are known as *vynos* (siphoning off, carrying out or diversion of state property). The most characteristic element of *vynos* was that goods belonging to the state were diverted from their official destination by persons who had some amount of control over these goods and who re-routed these goods to other sectors of the economy. Thus, managers and other high-ranking staff of an enterprise

might have houses or dachas built by enterprise personnel and from materials belonging to the enterprise. From a legal perspective *blat*' could be most viewed as anti-systemic behavior, which is not to be branded as unlawful (against the law), but as unjust towards the others or, perhaps, simply contrary to the prevailing system. Or it could be referred to as 'semi-legal' activity. Generally speaking, this term may be applied to activities and transactions that contain an element of illegality, but for one reason or another do not attract serious government repression (Ledeneva 1998:49-50).

Blat' had similar characteristics to gift-giving communities. The mode of exchange is a form of reciprocity. Several scholars have classified the economic system in the Soviet Union as a gift economy sharing many similarities to the reciprocal exchange which anthropologists have found in many tribal and chiefdom societies (Rivkin-Fish 2005, Caldwell 2004, Pesman 2000, Paxson 2005). Marcel Mauss (1924) describes the gift giving economy as never completely separated from the men who exchange gifts. In a gift giving society reciprocal action is expected. He further argues that there are three obligations of exchange: giving, receiving and repaying. Mauss, like sociologist Emile Durkheim, believed that in traditional societies social institutions are linked to one another and not separated. By contrast in societies which have a market economy social institutions are separated and therefore there was less social cohesion in these particular societies. In the Soviet Union gift giving obligations were very similar to those found in traditional society; gifts "retain a ceremonial character that is obligatory and effective" (Mauss 1990:72).

Despite the similarities of economic exchange in market societies, *blat*' had other characteristics that make it very distinct from these societies: *blat*' is self-regulated and has no outside sanctions (Ledeneva 1998). In other words the people within the *blat*' exchange monitor each other's behavior and if a person does not reciprocate there are no social sanctions by the society at large. Therefore, Ledeneva distinguishes these different types of transactions within a given relationship as "regime types". Regime types fall into one of three categories: regime of

equivalency, regime of affection and regime of status. Regime of equivalency focuses on exchange of utility where favors can be exchanged and if not, cash would be used in lieu of favors. Personal networks (regime of affection) are exchanges done within a social network and these exchanges can be used to maintain old relationships, build new ones, or destroy existing ones if exchanges are violated. Regime of status has similarities to patron-client relationships in that there is a hierarchy of power and access and usually an inability to repay the favor with another favor. Instead loyalty or gifts are exchanged. Regime of status is distinct from the other two because typically in many instances it is symbolic power that is gained. Regimes of status have the most significant implications for business in post-Soviet Russia as the power relations are not equal and loyalty exchange will be important.

Social status was acquired by those who received gifts because the direction of gift-giving was usually vertical. The person in a higher position of power (typically a patron) would receive a gift from his subordinate (client). The gift moved in a vertical direction because the patron had the right connections to provide goods or services to his client. In some cases the patron needed to use his own circle of networks to obtain a service even if it meant that the patron had to use “telephone rights”. “Telephone rights” are the ‘hidden’ phone calls that people in power used (and still use) to help their subordinates get out of trouble, usually legal predicaments. In director Aleksei Sirdorov’s 2002 Russian film “*Brigada*” (*Бригада*) telephone rights were visually explained. During the late perestroika period (1989) when the main character Sasha Belov was arrested for murder Sasha’s mother contacted Yurii Rostislavich, a powerful and well-connected man. In the film ‘telephone rights’ were displayed by a series of visual clips: Yurii Rostislavich nervously smoking while dialing the telephone (we never heard the conversations), the images of the telephone lines being connected first to the Russian Parliament

Building and then to the Kremlin⁶⁰. Yurii secured the help of a more powerful man than himself and when the deal to help Sasha beat a murder rap was solidified Yurii Rostislavich played a short sonata on the piano and proclaimed “I will take the rap for him” implying that Yuri will have to return favors for murder charges against Sasha to be dropped. When Sasha’s mother questions Yuri further about the deal, Yurii sighed “where do we live?” The implication is clear that living in the Soviet system required return of favors and that people engage their time in these exchanges. The gift is a form of thanking their superior, but also reflects the difference in status between the two exchanging partners.

Blat’ networks of exchange would be transformed in Russia after the fall of the Soviet Union. In the 1990s more and more people started to engage in private entrepreneurship. Many new stores and shops opened with needed consumer goods. The Soviet landscape of queuing, deficit and black markets started to diminish. In time, stores would carry all needed and wanted consumer goods. The price for these consumer goods was in monetary exchange and the need for *blat’* would eventually erode except for *blat’* usage for the regime of status. *Blat’* in the post-Soviet era still incorporated connections and favors amongst businessmen for needed goods and services, but the goods and services were now in the market exchange system. “*Blat’* as a source of new entrepreneurship is twofold: it is a source of the connections which provide access to those state resources drawn upon by private business; and it also supplies practical skills in keeping personal contacts, fixing things and knowing ways of settling problems” (Ledeneva 1998:184). In the post-Soviet market economy, *blat’* networks are used as a business tool which helps in networking and, at times, can help cut through bureaucratic red tape (Ledeneva 1998, Barsukova and Radaev 2012). All of these connections were inherited from the Soviet past and

⁶⁰ The Kremlin is a term to describe the Soviet government power. Physically, the Kremlin is a wall that surrounds the original Muscovite ruling dynasty in the 15th-century.

from past Soviet positions either in the *nomenklatura* or the Komsomol. The Komsomol provided an avenue for leaders in the Soviet Youth League to “apply self-financing to its myriad of local organizations, allowing them, for example, to decide for themselves how to use income from dues, as well as proceeds earned from the Komsomol’s many tourism agencies and publishing houses. Given more fiscal autonomy, many local Komsomol groups simply went into business for themselves” (Hoffman 2002:104)⁶¹. Further, “many of the richest businessmen and political figures in Russia today also trace their financial empires directly to their high-ranking Komsomol positions” (Yurchak 1999:13). The implications for conducting business in Russia in the 2000s are the same as in the 1990s. In order to effectively operate a business in Russia, one must have the needed connections, both vertically and horizontally. Good networks, trust, and interdependency are needed between partners to ensure effective exchange and to settle disputes. Reliable access to government officials is needed to minimize the bureaucracy and to avoid problems with the organs of the state, including police, fire, tax inspectors and customs.

The bureaucracy in Russia has inherited another characteristic from the Soviet bureaucracy in the realm of personal documentation. “In formal terms the power of the bureaucracy could be considered as permeating the whole society and influencing every citizen: an account was kept of every resident and employee by the party branches, mass organizations, state apparatus and police authorities of each locality and place of work; every adult carried an identification document which was stamped with one’s birth place, place of residence and family status” (Ledeneva 1998:81). These documents are still in existence today and, as in the Soviet Union, people learn to circumvent the rules and the system in everything such as from faking

⁶¹ Hoffman (2002) further argues that other Komsomol leaders found other methods to earn money by opening small business ventures, such as cafes and discos, while other Komsomol leaders found the fields of technology, science and industry to be financially profitable enterprises. In fact, at one point the Komsomol took over the Soviet toy industry.

marriages, buying and renting apartments, obtaining an exemption from army service, transferring items of significant cultural value out of the country, obtaining an external passport, obtaining a driver's license, and the like.

Another phenomenon which was transformed from the Soviet Union was collective guarantee or *krugovaia poruka*⁶². *Krugovaia poruka* means an interdependent circle of people who rely on each other for favors and are dependent on everyone. This circle was used to circumvent the authorities and bureaucracy. The importance of *krugovaia poruka* is that, like *blat'*, it allows for the heavy bureaucratic system to function more smoothly. A consequence is that it further creates gray areas between the legal and the illegal as everyone is trying to find quicker, easier solutions to the heavily bureaucracy. The negative aspect of *krugovaia poruka* is that within this dependence is also the opportunity to have information on someone, which can be illegal or semi-legal, and this access to possible negative information leaves a space for loyalty out of fear of retaliation through the government authorities. Information on people within one's dependent circle can be used against them and this information is a source of power and control within the group.

Despite Ledeneva's assertion that *blat'* networks, except in business, had completely faded into oblivion they are ever present in both the education and medical establishments in today's Russia. *Blat'* networks are now used in the form of gift giving to teachers and physicians, which are two low paying jobs in Russia. The gift giving in this area is two-fold. First, it is a way of thanking teachers and physicians for their service. Second, it helps to build rapport, especially with teachers. As one informant told me:

⁶² This practice originated in tsarist era Russia when the government imposed a collective responsibility onto peasant community. The practice was eliminated officially in the late-19th century, but remained a collective social practices in many communities.

I wanted to start my daughter off correctly at school and made sure to give her the right gifts. [Russian woman]

In the medical establishment the gift is usually chocolate and liquor. One day as I was talking to a physician, he gave me a box of chocolate that a patient had given to him. As I protested he said:

Take it! I have a lot of chocolate at home and I never eat it. Patients always bring me chocolate and liquor.

Further, one patient gave a computer to the physician as a gift to the hospital since hospitals are also underfunded.

We treated a very rich patient and he gave us this computer. Isn't it horrible that a rich patient has to help us and not the government?

2.6 Alternative Enforcement of Informal Practices

Ledeneva argues that in the 1990s *blat*' would become criminalized, not by people who formerly engaged in *blat*', but by those people who "did not receive any legacy from the Soviet past: no money, no power, no connections, and were forced to use violence to make money" (Ledeneva 1998:190). These people capitalized on the weak state. Further, since Russia was in great turmoil and lacking in any legal controls, these people became 'bandits' and what is referred to as the "Russian Mafia" emerged. These bandits formed their own *blat*' networks of exchange and *krugovaia poruka* was part of the bandit circle. Therefore, there was continuity from the Soviet system and embedded practices of informal behavior.

Anthropologist Caroline Humphrey (2002) argues that organized criminal groups evolved from criminal groups that existed in the Soviet Union. These groups emerged and evolved from patron-client relationships. These criminal groups originally started from the prison culture of the Thieves' World (a Soviet prison fraternity which became one of the first organized group of

criminals to develop a working relationship with state officials) and then moved in to patronage structures of the main shadow economy. She argues that this continuity can be found in the changes and continuity of linguistic terms over time; the word ‘brigade’ transformed meaning from a soldier of Imperial Russia to worker on the Soviet factory line to organized criminal formation in the 1990s. She also argues that *roofs* (called “*krysha*” in Russian) challenge the boundaries of the criminal group.

A ‘*roof*’ is a prison slang term, which then became part of Russian colloquial language, to describe the protection services provided by mafia groups and mafia-like structures in Russian businesses. Similar to how a roof protects people from unwanted, outside elements, in business slang the term ‘*roof*’ also means covering, as in protecting oneself from other unwanted competitive groups who are intent on doing more harm to one’s business. A *roof* does demand a fee for providing such protection. *Roofs* have blurred the lines of what is illegal and corrupt because the people who ‘work’ as *roofs* come from a variety of different backgrounds including police officer, politicians, private security officers and people from the criminal fraternities.

Vadim Volkov (2001) offers a different argument about the emergence of the Russian mafia in the 1990s or what is known as “Bandit Capitalism”. Volkov builds on Max Weber’s arguments that the state owns the monopoly of violence. In the 1990s the Russian state was weak. Russia had a fragmented government, there was little political cohesion between Moscow and the peripheral regions (so much that some Russian regions started to print their own money and not the Russian ruble). In addition the Russian state had a weak police force, few laws, little if any enforcement of the existing laws and a weak court system. Volkov argued that mafia groups emerged to fill the gap left by the weakened Russian state and that these criminal groups stepped in and provided the needed structures that states normally enact in market exchange

economies. These structures included: enforcement of contracts, regulation of transported goods, debt collecting, securing the transferring of commodities, obtaining permissions and licenses, providing order and security and mediating relations between businesses. Further, Volkov argues mafia members were from a variety of social backgrounds, but all had embedded experience in the Soviet Union with informal behavior and circumventing the system. The main difference was that now people could own property (instead of being controllers of it) and money could be earned without any negative governmental consequences. During the Soviet Union the government was omnipotent and ever-present. In the 1990s the government was almost non-existent and ‘wild capitalism’ would flourish and possibilities to make money were endless.

And this period has its own periods of economy. It was a kind of wild economy (laughs) when there were people who had no idea about economy or business, but they understood that they could make money and they made it somehow by changing everything, by this way or this way or this way. It was a wild time and it was a time of great money because it was a period when one could get really big money in a short period of time because of a new mechanism that started to work in the economy. [Russian business owner]

Anthropologist Nancy Ries (2002) argues in a similar vein to Volkov’s argument that in some provincial cities in the 1990s, the police relied on mafia groups to provide order and protection (“*roofs*”) in business transactions since there was weak state governance. She further argues that there is continuity with the Soviet system in that black marketers started the first cooperatives and built on their existing wealth and this wealth was earned in the shadow economy. She also argues that the alternative enforcement method of ‘*roofs*’ emerged as a result of existing structural problems of government enforcement of the laws, the lack of legal arbitration and the lack of state regulation for market exchange. Further, Ries argues that in the 1990s many Russians experienced conflict and limited ideological constraints on what they thought was ethical behavior in the market economy. Much as in the Soviet Union, people were

pilfering, hoarding and swindling. It was not just criminal groups engaging in this behavior and everything was up for grabs. In a discussion with an informant, where I noted that St. Petersburg has undergone some dramatic improvements in the ‘facelift’ of the city since the 1990s and one of the positive changes that had occurred was the strategic placement of park benches and street signs around the city, she replied:

When the Soviet Union ended people started stealing everything. People took the park benches and took them to their dachas (cottages), they felt everything belonged to them because they gave in [money and belief in Soviet ideology] to the Soviet system. They were stealing street signs also, but I don’t know what they did with them.

In the late 1990s a new group of protection agencies would emerge that would challenge organized criminal groups. These groups are known as Private Protection Companies (PPC). Private Protection Companies provided the same services to businesses that organized criminal groups provided, but for a fraction of the cost, with more predictability and less possibility for violence. Members of Private Protection Companies were former KGB officers, former military members, and former police officers (Volkov 2001). The members had the same skills as organized criminals, but with one advantage they were still connected with government through former occupational liaisons. These connections gave Private Protection Companies advantages over organized criminal groups. First, they could use their connections with former colleagues who now worked in the FSB (the successor to the KGB) to provide needed and necessary information to businesses pertaining to potential clients such as access to a competitor’s bank account information and debts owed and access to names and locations of people on founding boards of firms, etc. In other words Private Protection Companies provided information that could benefit a company. Second, Private Protection Companies had access to bureaucratic enforcement and the tax police. The tax police in Russia have many powers: the right to search a

company, the power to arrest, the right to carry arms and use force, audit business transactions, halt and or shut down a business, and to confiscate and impound private and corporate property. Private Protection Companies were able to warn an existing company if the tax police were planning to raid their company or even prevent a tax raid. Some Private Protection Companies further blurred the boundaries of juridical codes of what is legal and illegal because they operated with the same methods as organized criminals, using *blat*' connections to gain an advantage and engaged in behavior that circumvents the system. Although technically PPC are not illegal companies since they are registered, they are viewed by many entrepreneurs as unethical because PPC allow a company to have an unfair advantage through questionable means (by using the connections of former KGB officers to obtain information of possible clients/partners for blackmail).

With PPC providing order and security for businesses, organized criminals in Russian business started to play less of a role, moving more underground in to the narcotic and prostitution business (Volkov 2002). The role of the Russian government, first starting with Private Protection Companies and then with the implementation of new reforms by the Putin administration, became stronger. There were changes in how business was conducted and new threats, this time in what is termed 'hostile enterprise takeovers' (Volkov 2004). Hostile enterprise takeovers are "a forced change of ownership and management practiced by influential business groups in relation to large (or medium-sized) enterprises" Volkov 2004:1). Hostile enterprise takeovers involved "the aggressive advance of "outsiders" who used every available means to change management and to achieve control over major industrial enterprises" (Volkov 2004:1). These means included contract bankruptcies and false initiation of criminal prosecution. Furthermore, the attacking side used the state courts, police, special forces, and the regional

administration to take over companies; most PPC had privileged access to these state agencies. Although technically legal, hostile enterprise takeovers used the existing bankruptcy laws to take over companies. However, the court decisions were pre-determined and contrary to a straightforward application of the law. Hostile enterprise takeovers, which were most prevalent from 1998-2002, also blurred the boundaries of legal and illegal and ethical and unethical behavior. This threat still has implications for businessmen, both local and foreign, as many are still targeted for business takeovers and or personal reasons. As one foreign informant, who was a victim of a hostile enterprise takeover told me:

They [opposition] have false accusations and many people [businessmen] are being held by ransom by business partners. The criminal system is used to settle commercial disputes.

2.7 Hybridity and Informal Practices

The use of the state organs as personal enforcement as well as governmental gain was viewed with great skepticism by many Russians. Most Russian businessmen refer to this ambiguity between formal and informal extortion with the terms ‘real mafia’ and ‘government mafia’. Government mafia refers to the mastery of political and social power to the detriment of the people (Yurchak 1999). Yurchak, in his ethnographic investigation, argues that the government, laws, people, accounting practices and products are in a hybrid state between the public and private spheres. Yurchak identified two areas where hybridity was expressed: the ‘officialized-public sphere’ and the ‘personalized-public sphere’. These two spheres emerged in the Soviet Union and have been transformed in post-socialist Russia. The officialized-public sphere emphasizes actions that are found in the public and follow modes of behavior that were mandated by the socialist party while the personalized-public sphere emphasizes actions that are

adjusted to the limitations of the socialist doctrine (Yurchak 1999). Many Russian entrepreneurs still engage in behavior in these two spheres even though socialist doctrine has disappeared.

Hybridity, as it pertains to the law, publicly followed the official interpretation of the law. There is a growing body of literature in Soviet scholarship that divides Soviet society and Soviet subjects into hybrid relationships instead of along dichotomy lines of public and private (Yurchak 1999, Wedel 1998). Building on Russian sociologist Oleg Vite's argument that Soviet citizens had two public spheres (a public sphere proper and a private-public sphere), anthropologist Alexei Yurchak further argues that "the type of *action* in which people were involved resulted in routine personalization or officialization of the individual's relation with the state" (Yurchak 1999:10). In other words, the officialized-public sphere included behaviors which fulfilled the ideology of the state, such as belonging to the Communist Party for advances in employment. The personalized-public sphere refers to the behavior in which people engaged in order to fulfill the official ideology despite the inadequacies of the system. *Blat'* is an example of this. For example, in the personalized-public sphere, factory managers engaged in *blat'* to secure scarce raw materials to fulfill the centrally-planned quotas (Yurchak 1999). In the post-Soviet period another activity that showcases the hybridity of the law was the role of the '*roof*' or '*krysha*'. "The '*krysha*' service was the first hybrid protection technology used in entrepreneurial activities: it protected entrepreneurs who acted in the personalized-public sphere from the official gaze of the state, and allowed them to achieve results by providing their illegal actions with a legal framework" (Yurchak 1999:17). This hybridity model once again illustrates the gray areas of economic exchange, in this case in the form of law.

Accounting practices and the state organs (government) also have hybrid behaviors. Almost all businesses engage in double-booking. White accounting is the declared income

earned by a company and which is shown to tax authorities. Government officials in different ministries and in customs also have hybrid identities, shifting from guardians of the state's interests to using their power for personal gain (Yurchak 1999). Yurchak argues that the state has been personalized and the implications for conducting business in Russia are that there are shifting norms of behavior for both government officials and businessmen; the rules of business are not clearly defined and are selectively enforced. Further, "the concept of corruption, that is used to describe much of business practice in Russia today, often is a misnomer. This concept is hinged on a flattened view of human action in terms of rational-choice behavior" (Yurchak 1999:3). There are various choices of ethical and unethical behavior, but these choices are not part of rational-choice behavior, but based on behavioral flexibility of the businessman in a system that has contradictions and inconsistencies. "Indeed, the view of the Russian state in accordance with this hybrid model allows small business owners to circumvent some state laws that they understand as anti-democratic, while still genuinely aspiring for a society that is based on the democratic rule of law" (Yurchak 1999:3). The Russian entrepreneur's understanding of the system with its rules and regulations is crucial to understand Russian entrepreneurs' avoidance, circumvention, and creativity in bending the state rules.

Given the particular historical context of how capitalism emerged in Russia, it is not surprising that 'Russian-style of capitalism' also has created a particular set of business behaviors. In Russia, these behaviors emerged during the Soviet Union in a non-market economy (Yurchak 1999). Yurchak defines these behaviors as 'entrepreneurial governmentality' or a set of behaviors that allows a person to act like an entrepreneur even within the economic limitations of a non-market economy. Many businessmen in Russia were high-ranking members of the Komsomol where they learned many different types of skills which would later be transferred

and used in the market economy. Some of these skills learned were a “pragmatic understanding of work, time, money, professional relations and particular hybrid understandings of the official plans, rules, laws and institutions of the part-state” (Yurchak 1999:6). Furthermore, because the market economy still retained many elements of the planned economy, these transferred behaviors “informed the development of private business” in the hybridity of laws, institutions, ideologies and practices (Yurchak 1999:11).

2.8 Transformation of Informal Practices

There are several differences between the planned economy of the Soviet Union and the market driven economy of Russia. Some of these differences include the ability to own private property, financial share holdings in companies, the stock market, hoarding of goods, *blat* networks in the obtainment of goods, closed borders, and advertising. Although there are many differences, I will focus on three that relate most directly to business, business practices and gray areas of the new market economy. First is the ability to own private property. In the case of Russia many social scientists (Paneyakh 2008, Volkov 2002, Verdery 1996, Humphrey 2001) argue that private property is one of the most important features in a market economy. Private property has many benefits to business and to the market economy. In general private property “gives owners sufficient incentive to add value to their resources by investing, innovating, or pooling them productively for the prosperity and progress of the entire community” (de Soto 1989:178). Although all societies have some forms of rules and sanctions for property, in state-level societies with their large populations, vast territories and market-driven economies private property is regulated through laws. Further, “property rights may relate not only to houses, cars, machinery, or merchandise but also to rental agreements, foreign currency certificates and their

free convertibility, and all sorts of credits, with the result that property rights can be lost not only through confiscation or expropriation but also through more sophisticated and apparently innocuous regulations such as tenancy laws, freezing of savings, or measures against speculation” (de Soto 1998:159). In addition, private property is guaranteed through the framework of the law and the enforcement of these laws by both the police and the courts. Although private property exists in Russia, the legal guarantee and protection of it does not. Therefore, the lack of private property rights protection in Russia has affected the behavior of Russian businessmen: there is very little reinvestment by businessmen in the country or in new technologies, who prefer instead to siphon money out of the country for fear of any future reprisals and freezing or removal of their savings by the government.

Now they [businessmen] try to accumulate capital on the territory of the Russian Federation and then somehow get it away from the Russian legal order to avoid or evade taxes and so on. [Russian business lawyer]

This leads to the second difference between Russia and the Soviet Union. The Soviet Union had closed borders, and the movement of people between the Soviet Union and the rest of the world was limited and controlled. Since the fall of the Soviet Union, the borders have become porous (not just for people), but for money and capital as well. Off-shore outsourcing has become a staple business practice for many firms.

The other way...to use an off-shore company, Cayman Islands or even Switzerland, and the way it works. I don't know exactly how it works, but in this case, the possibility to reduce the value added tax. They declare the goods in a different way with changes to the documents or invoices or the items goes from the supplier to XXX company to offshore and then to Russia. We can very often see that our price was higher [they didn't use this system], around 8% with added value tax. That's the one thing and they call it gray import. [Foreign businessman]

The third difference between the Soviet economy and the Russian economy is hoarding. During the Soviet Union hoarding of raw materials and consumer goods was practiced by

everyone since objects that could be exchanged were a source of connections and power. Since the fall of the Soviet Union, consumer goods no longer have this type of symbolic power. However, hoarding is still practiced but in the area of information. Much like Private Protection Companies, Russian businessmen, workers, colleagues, business partners all view information as a means to have an advantage over a competitor. Information in the market economy is an important commodity. “Contemporary capitalism is widely seen as a knowledge-based economy (or KBE), however, on the grounds that knowledge has become the most important factor of production and the key to economic competitiveness” (Jessop 2007:115). In more closed settings in Russia, information is viewed as a source of power and has its own symbolic capital. Information is a valued commodity in Russia. The type of informational knowledge ranges from information about a competitor to knowing changes in the laws, and even, knowing avenues to avoid government detection. Russian businessmen stated to me that obtaining needed information is the key to a successful business in Russia.

Information is power here. It is hard to get information out of my workers because they feel that they know something that you don't and it makes them feel important. My work would be a lot easier if people would tell me things instead of me trying to drag it out of them all of the time. [Foreign Trade Diplomat]

2.9 Hegemony and Representation

Hegemony is a process of creating a dominant worldview and this domination can be achieved through both economic and cultural means. Perry Anderson (1976) argues that the site of hegemony is in civil society and that this central locus of power is found in the capitalist control of communication; including press, radio, television, cinema, publishing, and newspapers; which could explain marketing strategies in Russia that advertise what is “America’s favorite food”, e.g. McDonalds, and “America’s favorite bands”, e.g. Status Quo, as

a form of cultural domination. This marketing strategy has created a hierarchy of “American taste” as being more valuable than “Russian taste”. It is American cultural domination by consent as many Russians I encountered preferred to listen to the music which Americans enjoyed and eat the foods which Americans considered to be tasty cuisine. Further, cultural domination through the controlling the images of Russian workers is also a hegemonic practice which allows workers to be dominated by consent. Anderson further argues that the function of hegemony allows the dominant group to pass on its values to the masses who internalize it as their own. Many of my Russian informants, who worked in foreign firms, have adopted the discourse of the directors of Multi-National Corporations and also have a negative view of Russian workers’ behaviors.

Despite the power of actors in multinational corporations to control the images of the Russian worker, their perspective and the discourse is important to the study of globalization. Laura Nader argues that “anthropologists have a great deal to contribute to our understanding of the processes whereby power and responsibility are exercised in the United States” (Nader 1972:284) and in the case of my dissertation, in developing economic countries such as Russia. Nader asks “what if anthropologists were to study the colonizers rather than the colonized, the culture of power rather than the culture of the powerless, the culture of affluence rather than the culture of poverty?” (Nader 1972:289). The views and opinions of the directors of these Multi-National Corporations has wider social and economic implications than studying the experiences of the Russian worker who has limited power in global economics. My research addresses the issue of Multi-National Corporations and their control over both the representation of Russian workers and of new worker discipline.

2.10 Russian Gender Behavior and Representation

There is growing scholarship in post-Soviet Russia which has focused on how the market-driven economy has reinforced traditional gender roles for women (Markowitz 2000, Rivkin-Fish 2005, Gal and Kligman 2000, Oushakine 2001c, Attwood 1996, Patino 2010, du Plessix Gray 1989). These traditional gender roles advocate a woman's position in the home and, more importantly, her 'natural' duty for motherhood. The 'natural duty' of women became part of Soviet discourse (1950s onward) to compensate for a dwindling population. Despite this, Soviet leaders did attempt to create the female worker who was similar to her male counterpart and free of the "bourgeois model of gender relations" (Ries 1997:178). However, the Soviet system did 'free' women to work outside the home, but it did not 'free' her from her domestic chores nor did it 'free' Soviet men from engaging in the domestic sphere. The domestic sphere, including childrearing, was the responsibility of the Soviet woman, which gave her a triple-burden of work, home, and queuing for consumer goods. There was a contradiction in late socialism regarding women, motherhood, and femininity. Facilitated by a speech by Mikhail Gorbachev on women's natural place in the home, the last Soviet generation (men and women) started to adopt more bourgeois attitudes of domesticity for women. When the Soviet Union collapsed these newly adopted attitudes of new gender roles, which focused on traditional patriarchal structures, remained. The advocacy of new traditional gender roles is interrelated to the market economy since following the "demise of the USSR, women have been the major losers" (Bridger and Kay 1996:21) and in the early 1990s, Russian women made up the majority of unemployed in the Russian Federation (Bridger and Kay 1996). Certain scholars have focused specifically on changing gender roles in the workplace (Bridger and Kay 1996, Bruno 1996, Tatakovskaia 1996, Aaltio 2010, Ashwin 2006). Bridger and Kay also address the growing sex and glamour industry that has grown since the demise of the Soviet Union.

My research addresses Russian female gender roles in two distinct ways. First, I will examine the blurred line between the professional-personal, which further reinforces both gender inequalities in the workplace, and further positions foreign companies in a position of power. Second, I will examine new forms of female sexual expression, which are interrelated to capitalist consumption and market-driven gender inequalities.

2.11 Conclusion

In the Soviet system informal economic systems, namely *blat*, existed as a response to the inefficiency of the Soviet government to provide needed consumer goods in an economy of shortages. *Blat*, although it technically violated the law, allowed the Soviet system to sustain itself while at the same time undermining the government's authority. Informal economic practices that were practiced in the Soviet Union have been transformed in the market economy and although they still function as a result of inadequacies of the system, they subvert the market economy, they prevent full-fledged democratic reforms, and they undermine the government. The bloated bureaucracy, falsified accounting practices, and information hoarding are all rooted in the Soviet system. The officialized-private and officialized-public spheres of economic behaviors have created a hybrid system of actors and practices. The most significant difference in practices between the centrally-planned economy and the market economy is the role that private property has in the creation of new types of informal practices and the money value placed on exchange. Private property allows for the transfer of capital out of the country since people now own the means of production instead of controlling it. Off-shore outsourcing is one of the major changes that is new to the informal economy of this geographic region as wealth is now allowed to be moved out of the country. The monetary economy now places a determinate

value on exchangeable goods and the friendships that were once held together by *blat* are now bonded with money.

CHAPTER 3 “MAKING WORKERS UN-SOVIET”

3.1 Introduction

In this chapter, I argue that Russia, under capitalism, has become a hybrid society, adopting new capitalist behaviors while simultaneously holding on to late-socialist behaviors. Many of these behaviors are still present in the Russian business sphere twenty years after the collapse of the Soviet Union, some are being transformed under new capitalist rules of production and under restricting laws for business, while other behaviors are slowly disappearing. More specifically, I argue that these hybrid behaviors are found in Russian bookkeeping, gift giving, decision making, gender behavior, and the fuzzy line between the personal and professional sphere. This chapter focuses more specifically on late-Soviet production and the behaviors which were inherited from late-socialism and their transformation into the current Russian market economy. For the foreign firms operating in today's Russia, and who view these behaviors as unprofessional and counter-productive, many foreign directors are trying to teach their Russian employees Western market oriented behaviors. This chapter also utilizes ethnographic data and description to further illustrate inherited late socialist behaviors and the blurred lines between the professional and personal in business relations.

This chapter focuses on the experiences and perspectives of people working in Multi-National Corporations, or more specifically the directors and presidents of large foreign firms. These individuals are actors who have privileged, powerful positions in their own society and in Russia. The 'emic' view of their professional experiences will be explored in this chapter. In addition to understanding the 'emic' view their professional experiences need to be understood in the context of the larger political, economic structure and the existing power differential related to globalization. Globalization can be viewed as colonization, where dominant economic

powers are able through force, coercion and ideology to control weaker countries and the people within these societies. Colonizers not only controlled weaker societies, they controlled the discourse and image of the dominated, which naturalized negative images (Comaroff and Comaroff 1991, Dirks 2001, Hall 1997). Similar to discourses of colonization, actors in Multi-National Corporations have special privileged and powerful positions in the society in which they are dominating. Their privileged positions create a dominant worldview of the lesser powerful people, in this case the Russian worker.

For the foreign firms operating in Russia and who view Russian workers' behaviors as unprofessional and counter-productive, many are engaging in globalization practices, such as trying to teach their Russian employees Western market oriented behaviors while simultaneously ignoring skills sets which the Russian worker already utilizes and engages in as a valuable tool for working in Russian enterprises. In general, Multi-National Corporations are seeking to create new factory discipline and this creates new forms of class inequality, stratification, working spaces, gender inequalities, and the international division of labor (Salzinger 2003, Rofel 2001, Taussig 1980, Appadurai 2001, Comaroff and Comaroff 2001). Due to the economic positions of my informants and the location where my ethnography was conducted, this chapter cannot address is how Russian workers view their behavior nor can this chapter examine if Russian workers' behavior is a counter hegemonic practice, or resistance to domination by powerful multi-national corporations, through either active or passive forms of resistance (Kelley 1996).

3.2 Late Soviet Production and Mismanagement

In order to illustrate the hybrid behaviors inherited from the late Soviet system, in this section I describe some of the central features of the Soviet system. The centrally planned economy of the Soviet Union, since 1930, had several features which make it distinct from

Western capitalist economies. The first feature was that the volume and distribution of goods were determined by a central authority, and second, there were production directives and allocation orders which were also controlled by a central management system; the mechanisms which control a market economy; money, market and mobility, were absent from the Soviet system (Grossman 1962). Further, “the state directed economic surplus for developmental investment” (Lane 1996:40), therefore the Soviet state relied on administrative direction and control (Lane 1996) and not market mechanisms. The result of central planning led to “vertical, trilateral communication between designers, builders, and users of equipment and structures” (Grossman 1962:216). In other words, communication for production was complex and slow due to too many government levels of authorities which made decisions regarding production. Centralization created other problems: the inability to accurately determine the allocation of resources, “labor lost its character as a commodity” (Lane 1996:47), and the “bureaucratic form of administration grew and became a massive economic and political institution” (Lane 1996:50). Further, these economic miscalculations led to unfulfilled targets, which led to falsification in work orders completed. The workers and managers were not autonomous from the command economy instead they relied heavily on orders from above. There was a three-tier relatively equal wage scale for employees, and workers were paid in money. “In later years-particularly from the mid-1970s- partly as a consequence of relative wage equality, the role of illegal and non-monetary payments became greater, particularly for commercial and industrial executives” (Lane 1996:46); although wages were smaller than their capitalist counterparts in Western Europe and America. Despite this there were positive aspects of the command economy for employees, such as guaranteed employment.

Soviet socialism was a “system organized around state-controlled redistribution” (Burawoy and Verdery 1999:3). It was in the state-controlled distribution of goods that a hierarchy of control over the production emerged. The resources needed for production and the state-controlled redistribution of raw materials created socialist bureaucracies that focused their attentions on these raw materials and how these raw materials generated other usable resources (Verdery 1993). In other words there was a hierarchy of people (managers and bureaucrats) who were trying to accumulate raw materials which were used for production (Verdery 1993). State-controlled redistribution affected not just the Soviet national economy, but the daily practices of production and consumption. Production and consumption of goods was deeply affected by “*deficit*” or shortages. In the production of consumer goods, it was always a struggle for managers and shop floor supervisors to find needed raw materials for production and managers could “never be sure whether they [would] have the supplies necessary for production” (Burawoy and Krotov 1993:61-62). The ability of managers and shop floor supervisors to obtain these needed raw materials gave them access to political networks and secured their dominance over their employees. On the consumer end people were never sure if they could purchase manufactured goods. Within this economic system were behaviors that became embedded in daily practices which allowed socialism to keep reproducing itself. Some of these practices were found in the home and others are found in the workplace. In the workplace such daily practices that emerged as a response to socialism and socialist production were the socialist organization of time, space, hierarchy, political alliances and gendered practices all of which helped the socialist system to sustain and reproduce itself.

Production in the Soviet Union was controlled by the central government authority whose job it was to plan production in an economy that was essentially non-monetary and where raw

materials were in short supply. Banks, prices, financial transactions and money had no regulatory role in production and had little role in pricing (Clarke 1993). Since a monetary value was not attached to produced goods, in Marxist terms the 'law of value', the regulatory aspect of production was based on "political power and political priorities in the struggle over the extraction of the surplus" (Clarke 1993:12-13). The Soviet production system was based on use-value of the commodity which allowed for an enterprise to have 'user-rights' and not ownership over production (Clarke 1993). The Politburo determined the set of use-values of surpluses of goods and the state planners, Gosplan, created the production plan for enterprises to fulfill. "The system of surplus appropriation then took the form of bargaining for resources between enterprises and ministries, in which ministries used their control of supplies to induce enterprises to deliver the surplus demanded by the center, while the enterprises used the need of the ministry for their product to bargain for a favorable allocation of scarce resources" (Clarke 1993:15). Bargaining for needed goods was a result. Enterprises in strategic sectors, managers with good political connections and good personal relationships helped to ease, but not completely resolve, the problem of shortages. A key element in the success of any enterprise in the Soviet Union was the ability and skills of managers. Generally speaking, the managers did have control over production, especially in creating proposals which affected how the different administrative ministries decided how to allocate resources (Nove 1994). "The successful "entrepreneur" in this [Soviet] system is not the person who develops new products and new technologies, but one who successfully develops a workable relationship with the government and party authorities supervising his enterprises" (Hewett 1988:199). One of the consequences of shortages was that an enterprise's struggle to obtain raw materials meant that they sought other avenues to secure

supplies and managers in these enterprises focused more on securing supplies than on controlling labor and the labor process.

The economy of shortages created a unique form of production where some resources ran in short supply: raw materials, human labor and investment resources. Human labor was also in short supply. “Chronic shortages of labor and means of production were not the result of inadequate central planning, but were rather the self-reinforcing condition of central control as the basis of the system of exploitation” (Clarke 1993:15). Human labor was in short supply due to both the hoarding of labor and to an inadequate and unfair system of workers’ payments, bonuses, penalization and conflicts between workers and management and between workers and workers. The hoarding of raw materials made it almost impossible to reach targeted planned quotas which resulted in non-payments and no bonuses for workers even though it was the fault of the production managers. Further, lost pay resulted in many workers leaving their jobs in pursuit of another one (Clarke 1993). Despite the option for workers to leave their job position and the shortages of labor workers did not have ‘power’ on the shop floor. The workers found alternative methods of resistance and claimed power through “absenteeism, labor turnover, alcoholism and poor ‘discipline’ and ‘motivation’ (Clarke 1993:17).

It is not surprising that under such constraints and paradoxes of the socialist system that the expression, “*we pretend to work and they pretend to pay us*” became part of Soviet folklore. Ledeneva identified six other paradoxes of the Soviet system, which “can be explained by informal practices, widespread but hidden from outsiders (as in square brackets):

- No unemployment but nobody works. [Absenteeism]
- Nobody works but productivity increases. [False Reporting]
- Productivity increases but shops are empty. [Shortages]
- Shops are empty but fridges are full. [*Blat*’]

- Fridges are full not nobody is satisfied. [Unfair privileges]
- Nobody is satisfied but all vote unanimously. [Cynicism]
(2009:259-260)

Managers had control over the workers through targeted production plans, wages, and securing supplies. This division of power created a hierarchy on the shop floor not just between managers and workers, but between different forms of labor. “There was a sharp division between manual workers and the engineering-technical workers (ITR), who were identified in the workers’ eyes with the administration” (Clarke 1993:20). This identification was justifiable given the fact that most ITR “in terms of education, work activity, pay scales and career trajectory ... formed a part of the enterprise administration and moreover, they depended entirely upon patronage for their career prospects and, unlike, manual workers, did not enjoy any legal protection in the face of discipline or dismissal, and so were very vulnerable to victimization, making most of them the craven supporters of the enterprise administration” (Clarke 1993:20). Since managers created networks to obtain raw materials, organized production to meet quotas, and took the blame if there were problems, managers secured their power on the shop floor. The result was that “workers were willing to accept the authority of the foreman and shop chief, within the limits imposed on him or her from above” (Clarke 1993:18). A good foreman and shop chief reciprocated by securing supplies, by avoiding overworking their workers, and by practicing fairness in penalties and awards (Clarke 1993).

Socialist production, like capitalist production, needs a system to track expenditures and profits. The bookkeeping system in the Soviet Union reflected the state planned, non-monetary economy which allowed an enterprise to make profits, “but these profits had a purely formal significance, and certainly did not derive from the valorization of capital” (Clarke 1993:12). Accounting practices in the Soviet Union focused on the re-appropriation of residual profits (Clarke 1993). There were several informal accounting, *pripiski* (false reporting), methods that

altered the actual numbers (production output, wages, etc.) which allowed production targets to be met and bonuses to be handed out for meeting actual production targets (Ledeneva 2006). The most common false reporting accounting method was over-reporting. Over-reporting is an accounting method that inflates numbers and in the case of the Soviet Union the inflated numbers did not reflect the capitalist accounting method to show monetary profits, but instead it showed the state-planned fulfillment of production. The state planners and the appointed ministries that oversaw production were only interested in the “final results of their budgetary cycles-increases or decreases in inventories, finished goods, and works in progress” (Dunn 2004:41). Further, “to avoid punishment or to win bonuses, promotions, or simply the approval of the ministries and the party committees, plan fulfillment was overstated” (Ledeneva 2003:148). Generally speaking, socialist accounting systems do not produce the type of transparent accountability found in advanced capitalist countries instead socialist accounting practices were designed “for the convenience of state planners, not for enterprise managers, investors, or regulators” (Dunn 2004:41). This type of accounting practice is called “net accounting” and where data reported items in natural units (jars of jams, machines, etc.) rather than in monetary value (Dunn 2004). The rationale for this type of accounting practice is very simple: the central planners were concerned with the allocation of raw materials and “how many goods would be available to ease shortages than in how much profit a company was making” (Dunn 2004:42). Related to, but with opposite reasons, was the under-reporting of production. The reason was “to safeguard against a potentially unsuccessfully future production period” (Ledeneva 2006:147). Soviet accountants used under-reporting to protect an enterprise from future production quotas which could be unreasonably high; in other words if an enterprise did exceptionally well in one production period the central planners could set an unrealistically high

quota for the next production period and accountants understood that these high quotas would not be met and would result in penalization of that enterprise (Shenfield 1983, Ledeneva 2006, Kotkin 1991).

Another prominent false reporting method was wage falsification. Wage falsification emerged from labor shortages. Many workers were mobile due to low salaries and to retain these workers was a constant problem for enterprises. One method to retain workers and for workers to make extra money was through “extralegal” payments known as *namazki*. These extralegal payments were given to workers through the falsification of work orders (Berliner 1957, Ledeneva 2006). This informal accounting practice helped an enterprise to retain workers, it helped the workers to supplement their low incomes and it allowed production quotas to be fulfilled. Soviet accountants had to maneuver through the complex system of hierarchical planning and appease all actors in production. Despite the complexity of Soviet accounting practices many enterprises did not view these accounting practices as a difficult endeavor (Clarke 1993). One possible reason could be that managers were busy in what they perceived as a more difficult endeavor of maintaining and securing political connections to ensure the supply of raw materials from the needed ministries.

During the late Soviet period, managers and shop floor supervisors had to alleviate both the problem of shortages in raw materials and to secure a steady flow of these raw materials for production. Although managers, through carefully made proposals to the appropriate ministry, did secure the former they were unable to secure the later. The inability to secure a steady flow of raw materials led to uneven production (Burawoy 1993, Clarke 1993, Dunn 2004). “The material supply system was not wholly reliable, and managers often had to use ingenuity (and sometimes semi-legal methods) to obtain essential raw materials and components” (Nove

1994:422). Raw materials were obtained but not at the steady flow that was needed for constant production. This affected not just the production of goods but the workers: their work hours became unsteady and workers were transformed in to flexible laborers. Although financially factory workers were higher paid (30,000-40,000 rubles a month) than teachers or physicians (12,000 or 13,000 rubles a month) they “could go for months without either work or pay as factories closed down temporarily for lack of orders and supplies” (Humphrey 2002:23).

As stated previously managers had to create personal connections to obtain raw materials. Unlike in capitalist countries where business contracts ensured the delivery of goods and the production of materials within a certain negotiated timeframe the Soviet system had to develop other methods to ensure production from the initial steps of procuring raw materials to the production of a final consumer good. Lacking business contracts and lacking any enforcement by any state apparatus to ensure the validity of any verbal agreement personal ties were secured with a variety of methods from gifts and reciprocal actions to bribery. “The informal ways of dealing with the system were perceived as most natural, simple and efficient” (Ledeneva 1998:85). Therefore, the personal was used to avoid the bureaucracy and formal channels and to rely instead on informal contracts, support and solidarity (Ledeneva 1998). A good manager was one that “practiced diverse technologies or entrepreneurial governmentality for organizing production and fulfilling goals regardless of the shortages and unrealistic plans” (Yurchak 2002:12).

For the workers the personal connections in the plant created a double-bind that supported the existing hierarchy. First, “workers were willing to accept the authority of the foreman and shop chief, within the limits imposed on him or her from above” (Clarke 1993:18). This reliance stems from the fact that most workers blamed the system for the problems and

“attributed their relative good or bad fortune to the personality of the chief [boss]” (Clarke 1993:19). Closely related to this, was the dependent nature of workers on their bosses and the lack of initiative and creativeness of most workers. Workers were there to take orders and to refrain from decision making- this was left up to the managers who had already showed everyone that it was their skills (personal connections with ministry officials, raw material procurement, hoarding of needed goods for future use, personal connections with employees to get the most out of them, etc.) that allowed the shop floor to be successful. Workers were there to take orders and to finish a job. In fact, management’s aim was to raise the intensity of labor by breaking down the laborer’s control over how much could be produced and by removing “all decision-making as well as controls over speeds and organization” (Filtzer 1992:210). Management “achieved this by separating the worker from the conception, job design, and transferring these functions to itself” (Filtzer 1992:210). I will argue that these above described worker and management behaviors that were once associated with socialist production have continued in the market economy.

3.3 Trust, Gifts and Bribery in late-Soviet Enterprises

In the Soviet system what allowed the system to work was the underlying notion of trust; “trust enabled the admission of need from the critical to the minor” (Ledeneva 1998:115). The obtainment of needed, but rare, consumer goods was found by using personal networks which involved reciprocal actions and services. The term used to describe this in Russian is *blat*. *Blat* networks were found amongst family, friends, co-workers and were expanded by the integration in to the networks of these friends and co-workers. Trust was the underlying principle to make sure that favors were paid back in reciprocal exchange as these relationships were self-regulating. As one informant told me about his reasons for not helping a friend of his, “I always

give money to a friend of mine and then one day I decided not to. He didn't call me on New Years to congratulate me on the holiday and then he forgot my birthday as well. When he called me to ask me for money I refused.”

As a general rule those closest to a person were the most trusted; “members of families tended to trust each other completely in these activities and served as important connections in assisting each other in obtaining what they needed” (Ledeneva 1998:125). A person who was deemed untrustworthy would face network banishment and “sanctions could be inflicted.....an untrustworthy person loses his opportunities to be involved in the chains of relationships and thus falls out of the *blat*’ network” (Ledeneva 1998:149). The exchange of favors or *blat*’ was used not just to obtain needed consumer goods among the general population but it was also used by enterprise managers to obtain needed raw materials. Therefore, trust was not just used in horizontal relationships, but in vertical relationships as well.

Similarly to how trust was found in horizontal and vertical relationships there were horizontal and vertical personal connections as well. Managers not only used personal connections with both ministry officials and other government bureaucrats, but with workers as well. Personal ties with ministry officials were used to gain raw materials; personal ties with employees were used to control and manage workers. This was done partly through the reward system which gave employees apartments, vacations, furniture, day care, and the like (Kotkin 1991, du Plessix Gray 1990). Although some workers did receive these rewards through meeting production quotas, others acquired them through giving ideological speeches or the fear of having their rewards revoked (Kotkin 1991). This management of workers through personal ties was found in other Eastern European socialist states. Elizabeth Dunn in her ethnography of Polish factory workers described these types of managers as “*kierwnicy*” or managers who had

relied “too much on personal or social ties with employees in order to manage them” (Dunn 2004:71). In Poland this type of manager was viewed as “inflexible” because “they were tied down by extensive personalized social relations with both subordinates and superiors” (Dunn 2004:74).

Another important behavioral characteristic that reinforced trust was the act of gift-giving. Gift-giving in the Soviet Union was viewed by many as a part of everyday life, a proper act of kindness and appreciation which on many, but not all, occasions reinforced hierarchy or status. Sociologist Neil Munro argues that this phenomenon is also present in the command economy in China; “under the command economy, so called “neo- patrimonial practices”, such as gift giving and doing favors flourish in the urban work place in response to shortages and as a way of short-circuiting the limitations of the plan and reinforcing the power of work unit bosses” (Munro 2012:148). Gift-giving to bosses, managers or government officials reinforced the existing hierarchy while gift-giving to the teachers of their elementary school children was viewed as proper etiquette and a display of the value of education. Anthropologist Caroline Humphrey argues that “transactional types of bribes, payments to an official to expedite matters in one’s favor, but not involving any illegal activity” (Humphrey 2002:130) were common place in the Soviet Union as a way to overcome the heavy bureaucracy. Further, “the transactional type- the box of chocolates, flowers, bottle of vodka, or the envelope with a few rubles, for the nurse, accountant, teacher, and so forth-is too much a part of everyday necessity to be seen as a full-fledged bribes” (Humphrey 2002:130). The directional flow of gift-giving is important since it is the person in the position of authority that receives gifts. However, if a personal relationship develops beyond the formal relationship gift-giving can become reciprocal, but

always with the person of high status or position of authority to receive more gifts. Therefore, the gift shows a personal relationship between the giver and receiver.

Gift-giving should not be confused with bribery which was also a method used to obtain needed favors and services. Bribery is best defined as “the offering, promising or giving something in order to influence a public official in the execution of his/her official duties” (OECD Observer, 2000). Bribes can take the form of money, other pecuniary advantages (such as a scholarship for a child’s education) or non-pecuniary benefits, such as favorable publicity” (Sanyal 2005:139). Typically “a bribe is a payment (or promise of payment) for a service...and this payment is made to an official in exchange for violating some official duty or responsibility” (Phillips 1984:627). Phillips (1984) further argues that bribes are payments that have a mutually exchanged understanding between actors and that they are not always explicit. This understanding, or implicit knowledge, is local knowledge. Another feature that differentiates bribery from gift-giving in the Soviet Union was that money was “not valued so much (prices were fixed, friends had approximately the same income), rather friends and connections were important” (Ledeneva 1998:197). In the Soviet system, items had social value not monetary value, which was prioritized over their financial value or representation of wealth. Consumer goods were intimately important and revealed personal connections, for example, and it was obligatory in friendship to know what friends needed and to participate in finding that needed consumer good.

Although bribery is usually considered to be a short-lived and negative social relation between two people, bribery in the Soviet Union was unique in that it created long-lasting relationships. In the Soviet Union “as a result of a bribe, a long-standing personal relationship, or exchange of favors, a public official or bureaucrat agrees to use the authority of his or her

position in a way not intended by the written rules” (Ledeneva 2006:175). Another feature of bribery in the Soviet Union was that many actors viewed the Soviet state as creating “countless situations in which services were “free” and “equal”, and yet could hardly be obtained without paying bribes” (Humphrey 2002:131). This created an ethical dilemma for many Soviet citizens and undermined the system as a whole since many people believed in what the socialist system and communist ethic were providing: equal distribution. Bribery was “doubly illegitimate, not only because it went against public rules of probity and honesty, but also because the very idea that there might be a financial cost to the state’s provisions (for example, the idea that “time equals money”) was absent” (Humphrey 2002:131).

Another distinguishing feature of bribery and how it differs from gift-giving, was that money was viewed as tainted because in many situations there is no personal relationship in the act of bribery. The impersonal relationship of bribery is captured in Pyotr Buslov’s Russian film *Bumer* (*Бумер*, 2003). *Bumer* is a story of four young men who are trying to survive in Boris Yel’tsin’s capitalist economy by committing crimes and by using a stolen black BMW (“bumer” in Russian) to commit these crimes. In one scene the BMW is pulled over by the traffic police⁶³ and are ordered to open their trunk which revealed an arsenal of stolen weapons. Instead of the police officer arresting the four criminals for absence of registration documents, the police officer takes all four of them in to the back room of the police mini station where he receives money from each of them so that they could be let go. As the bribery of the corrupt cop took place, each criminal placed his money in to the cop’s open newspaper, there was no speaking between the cop and criminals and no eye contact as the cop kept his back turned to the criminals throughout the whole bribery process. Therein lies a major difference between a gift and a bribe

⁶³ The Russian traffic police are known by its acronym *GAI*, which stands for State Automobile Inspector (*Государственная Автомобильная Инспекция*).

in a capitalist economy: in gift-giving there is a *full-fledged repeated* personal relationship (eye contact, conversation, jokes, etc.)⁶⁴, which extends beyond a one-time encounter. Further, the gift represents the relationship whether it is personal taste of the superior (cigarette lighter, perfume) or something edible which could be shared (chocolate or alcoholic beverage). Money, which is the main commodity of capitalism, shares similar characteristics with capitalistic exchange: both have an invisible nature⁶⁵ and both lack a strong personal connection and/or personal relationship between actors. The role of gift-giving, trust and bribery creates a more solid personal connection between actors. Bribery in post-Soviet Russia is still a prevalent phenomenon which is rooted in historical processes from the Soviet Union. In this chapter, and subsequent chapters, I will examine this phenomenon more closely and how Russian and foreign entrepreneurs view bribery.

3.4 Gendered Behavior in the Soviet Workplace-late socialism

The Soviet system was (ideologically conceived as) a worker's state and all members of society (except for children) had to be employed. Despite this the role of women in Soviet society crossed both the public sphere (workplace employee) and private sphere (domestic caregiver). "The socialist state altered the relation between gendered domestic and public spheres familiar from nineteenth-century capitalism, socializing significant elements of reproduction and drawing women into the labor force, even as it left them responsible for the rest" (Verdery

⁶⁴ There are some Russians who have stated that they had a more personal relationship; e.g. jokes and conversation; with the traffic police. My limited research on bribery still reinforces the scholarly literature that bribery creates a division between the personal and impersonal, more research needs to be done on the nuances of bribery and social relations.

⁶⁵ In post-Soviet studies, the "invisible hand" of the market economy refers to the ability of money to make money, moneymaking activities that were not prevalent in the Soviet system, and unproductive activities that produce a wage; all of these were missing in Soviet socialism and created great anxiety in post-Soviet Russia especially in the 1990s. In addition, the invisible hand of the market economy and the great wealth that some accrued in the 1990s, were viewed by the majority as the "moral decay of society." Money was always somewhat contaminated. For a further discussion, see Verdery 1996 and Ries 2002.

1994:232). Women⁶⁶ held double-duty actively being employed while maintaining the household and all activities that fall under the domestic domain such as cooking, cleaning and child-rearing. This double-duty for women was not just found in the factories, but also in farming (and in Soviet satellite states as well): “just as male work is largely organized around the needs of the farm, the work of women must accommodate the demands of the domestic household” (Pine 1993:235). Consumer shortages gave women triple-duty as the daily procurement of shortages of consumer goods (laundry detergent, thread for mending) and the rationing of food (with its long waits in queues and the creative ability to cook with limited ingredients) gave women an additional burden⁶⁷. Much like the other consumer goods, cosmetics were a product that was in short supply and to obtain them was as difficult as to obtain other goods. Fashion in the Soviet Union mirrored other consumer goods that were in short supply: lack of choice, uniformity in selection, and *blat*’ networks of exchange. “To avoid uniformity, you have to work very hard: you have to bribe a salesgirl, wait in line for some imported product, buy blue jeans on the black market and pay a whole month’s salary for them; you have to hoard cloth and sew it, imitating the pictures in glamorous foreign magazine” (Drakulic 1993:26).

Despite Soviet propaganda that stated that there was gender equality in the workplace, unlike their exploitative capitalist counterparts, women “were very much more closely controlled than were men” (Clarke 1993:18) and were dominant in occupations that resembled the care-giving aspects of the private sphere (teachers, doctors, nurses) and these occupations were also lower-paying than most male-dominated occupations. “Although there is a large literature on the horizontal and vertical gender segregation and income inequalities of the Soviet labor force, the

⁶⁶ The majority of scholarship on Soviet and Russian women is ambiguous to the class status of women. In this chapter I refer to Soviet women who are in the working-class and white-collar professions. Unless specifically stated as belonging to the *intelligentsia* or as members of the *middle class*, the reader should view Soviet women discussed in this chapter as working in blue-collar or white-collar professions.

⁶⁷ For a fuller description of the triple-burden of Soviet women living in Soviet satellite states, see Einhorn (1993).

central role of gender (and age) in the hierarchical structuring of the Soviet labor process has been very little studied” (Clarke 1993:18). Women’s role was contradictory, defined by a “constantly interrupted pattern of needs and obligations” (Pine 1993:240) whereas the role of men was defined solely by their occupation and their exclusion from the domestic domain. Despite the contradiction of identity Russian and Eastern European women “made huge inroads in the workplace” (Dunn 2004:131).

The 1977 Soviet comedy “*Office Romance*” (*Служебный роман*), director Eldar Ryazanov cleverly depicted the advances, dilemmas and contradictions for female workers in the Soviet workplace. Although the movie focused on worker’s behaviors in an accounting firm in Moscow, a white-collar profession, the plot focused on gender behaviors and Soviet ideals of the Soviet working woman in the public and private sphere. “*Office Romance*” is the story of Ludmila, a female boss and her developing romantic relationship with an awkward-male subordinate Anatoly, a widower with two young children. Before the romance begins Ludmila is depicted almost in a male-gender persona: she wears baggy drab clothes, no make-up, her un-styled hair pulled back in a bun, and for further effect she wears male glasses⁶⁸. She arrives at work early and immediately starts working on her daily assignments: it is easy to do since she has no personal life, no life outside the realm of work and work comes first. Her appearance and behavior is in stark contrast to her female subordinates who arrive exactly on time, dressed in more flattering, flowing feminine-style and color, and with flowing hair. The female workers

⁶⁸ Azhgikhina and Goscilo (1996) argue that images of a Russian females’ physical appearance was shaped by characters from classical Russian literature, which depict Russian women as being ordinary in appearance. Russian authors tended to write about Russian women’s “inner beauty” and “moral strength” and not feminine aesthetics. The Soviet system further reinforced an asexual image of women by controlling young Soviet women’s physical appearance, “during class when teachers would carefully examine the older girls’ faces in an effort to detect traces of lipstick or mascara, and in front of a class full of witnesses they would force those guilty of such ideological infractions to wash their faces and rub off the makeup. Girls with perms or striking makeup could always expect punishment” (Azhgikhina and Goscilo 1996:99).

spend their first 15-20 minutes at work beautifying themselves by applying nail polish, brushing their hair, applying mascara, lipstick and other cosmetics. The office, a public space, has been turned in to a temporary beauty parlor, or a private space where people perform intimate details of their lives. “Whereas in other countries it is accepted practice to confine one’s grooming to the bathroom, Russian women have no qualms about using as a makeup mirror any surface that reflects their image, whether it be a shiny car or a powder compact” (Vainshtein 1996:77)⁶⁹.

Once their beauty ritual is completed, these female workers start to fulfill their daily work orders. Ludmila is a Soviet woman who believes in Soviet ideals whereas her female counterparts believe that being a woman and her role in the domestic was more important—it was a dilemma that many Soviet women faced. As Slavenka Drakulic (1993) noted in her memoirs of life in late socialist Hungary:

Lenin’s popular slogan was that electrification plus Soviet rule equals communism. In the five-year plans made by men, of course there was no place for such trivia as cosmetics. Anyways, aesthetics were considered a superficial, ‘bourgeois’ invention. Besides, women were equal under the law, why would they need to please men by using all these beauty aids and tricks? However, even if hungry, women still wanted to be beautiful, and they didn’t see a direct connection between beauty and state-proclaimed equality; or, rather, they did see one, because they had to work like men, proving they were equal even physically. They worked on construction sites, on highways, in mines, in fields and in factories- the communist ideal was a robust woman who didn’t look much different from a man. (22-23)

Or as one Soviet woman stated in a Soviet-American TV show aimed to defuse Cold War tensions, “we all have no sex, and in that respect we’re all equal” (Vainshtein 1996:74). Ludmila’s modest dress style reflected the “framework of an ideology of collectivism-discipline demanded that one not stand out from the masses” (Vainshtein 1996:71). Vainshtein further argues that monotony of style of drab clothes made Soviet women look like workers even in the privacy of their own homes. Soviet women focus on the physical aspect of beauty was complex

⁶⁹ At one point I taught English at an IT place. The female receptionist used to brush her hair and fix her makeup in the entranceway of the company instead of the bathroom.

and multi-layered. Beauty and fashion in late socialism expressed a Soviet woman's individual taste and separated her from the monotony of one type of consumer product. Fashion and beauty was also a form of defiance from socialist ideology that tried to implement ideas of the worker-woman above the personal self of lover or wife. Lastly, beauty and fashion expressed an alternative way of thinking about the self, one that was influenced by Western ideas of dress and ideology.

When Ludmila became romantically involved with Anatoly she would be transformed from the Soviet ideal to the domestic ideal. Ludmila cut her hair in to a more loose feminine style, she started wearing cosmetics, and she even changed her wardrobe from drab concealing clothing to more colorful, form-fitting clothing. Ludmila would even take "feminine" lessons from her personal secretary; learning to walk and to sit in a more feminine style than as a Soviet robotic worker. The film would then focus on Ludmila vacuuming her living room and cleaning her apartment; she was transforming into a woman: the domestic domain was first and the Soviet workplace second. At work, during an argument with Anatoly, Ludmila behaves in a hysterical manner, which is "characteristic of the classical 'Soviet model'...in its female variant" (Tartakovskaia 1996:69). At the end of the film Ludmila and Anatoly would leave work together in a cab and the narrator finished the story by stating that Ludmila and Anatoly would marry and raise their *three* children together, a reference that they would have a child together and the transformation of Ludmila from a Soviet boss to a wife and mother was now complete. The film symbolizes the dual role which Soviet women were forced to play.

Ludmila's predicament illustrates several of the problems which Soviet women faced: the dual role of workplace and domestic responsibilities, the triple-burden, and feminine aesthetics. The collapse of the Soviet system did not eradicate popularly held beliefs about women's role in

the home or the workplace; in fact the role of Russian woman as worker and the role of Russian woman as wife/mother has become more politicized with patriarchal structures of power (Gal and Kligman 2000, Attwood 1996, Kotovskaia and Shalygina 1996, Bridger and Kay 1996). The market economy did, however, introduce new forms of gendered displays of femininity, sexuality, and definitions of being ‘womanly’. While the Soviet system emphasized ‘moral education’ (proper, high-cultured behaviors) and the “natural inclination” of women (domesticity, child bearing) (Rivkin-Fish 2005), post-Soviet Russia still emphasizes the natural inclinations of women towards the domestic sphere *and* women’s “open” sexuality, which further reinforces stereotypes that women are the weaker sex (Zabelina 1996) and secondary workers.

In terms of my research, this naturalizing of Russian women as both wife/mother and sexual being has influenced Russian women’s behavior in the workplace, where some Russian women have internalized media images of Russian women’s sexuality, which reinforces the differences between femininity and masculinity (Katz 2011), and the popular discourse of women as wife and mother. Many Russian women working in foreign firms view their occupation as an avenue to finding a rich husband who can support them. As several of my foreign informants have claimed that many Russian women dress provocatively and try to create romantic relationships with them. As I will illustrate later in this chapter, Russian women’s self-sexual objectification not only helps to reinforces gender inequality in the workplace, but it also reinforces the conditions of hegemony and globalization, negative stereotypes of Russian women, and the hidden power of masculinity and masculine behavior.

3.5 Hybrid Behaviors in the Russian Workplace

The dichotomy of the personal sphere and the business sphere is a cultural construction that signifies the fragmented lives of people in more advanced capitalist countries where people view themselves as having different roles in different places and therefore people view themselves as parts, rather than as whole people. This dichotomy of thought is found in other arenas of everyday life such as public-private, legal-illegal, state-civil, work-leisure, etc. “Directly borrowing conceptual tools developed for the analysis of modern Western states, which can provide analytical rigor to the analysis of some aspects of non-Western states nevertheless runs the risk of glossing over other crucial culturally specific aspects of these non-Western states” (Yurchak 2002:9). In the late Soviet system there was a fuzzy line between the dichotomy model as there was a coexistence between the officialized-public sphere and the personalized-public sphere (Yurchak 2002). In this space between the officialized-public sphere and the personalized-public sphere the behavior that people exhibited was hybrid, where people followed the official ideology but adjusted it to their own personal understandings of the limitations of the system (Yurchak 2002). These new hybrid behaviors have inherited characteristics from late socialism but have been adapted to new market forces and the limitations of the current capitalist system.

Russian Bookkeeping: New falsifications

In post-Soviet Russia accounting practices have been transformed, but have retained some of the same general characteristics that existed in the Soviet Union, namely falsification. Falsification in capitalist Russia has focused more on under-reporting, usually of wages and profits. Sociologist Andrei Yakolev (2001) describes the various tax evasion schemes. They include the traditional “cash” scheme of under-reporting profits by avoiding an invoice paper trail; this is possible if part of the receipts are paid in cash currency which is most commonly

used by individuals and small businesses. A second “cash” scheme is called *obeznalichnivanie*, which is more sophisticated and more widely used than the traditional “cash” scheme described above. “The main idea of this scheme is the replacement of high-taxed elements of total revenue such as salary or profit with low-taxed elements such as material expenditures” (Yakolev 2001:7). This scheme is most widely used by larger firms. In order to conduct this scheme a firm needs to create a sham firm which exists, on paper, only for several months, in order to create fictitious transactions, which never reports any money transfers to the tax authority (Yakolev 2001). The third “black cash” scheme is the “reverse *obeznalichnivanie*” scheme, which is most likely to be used by trade firms. This scheme allows a company to procure “black” goods while simultaneously hiding individual incomes and total sales volume.

Further, in order to falsify the accounting books, two accounting methods have been established: “white accounting” (the actual facts and figures) and “black accounting” (falsified records). Black cash is a term used to describe money that is found in black accounting, or unofficial money that is not reported to the tax agency or shareholders, other times it is used to deal with the complicated bureaucracy. For those companies who pay all salaries in white accounting have to find a way to generate black cash.

Every container that you import you need to pay \$50 to customs so that it means everything is fine, the documentation is fine, everything is fine, but you still have to pay \$50. I don't like it and for customers, this \$50 we don't have because you need to generate black cash and there are different options, in Russia you can hire labor and earn as much as you want just to pay the same tax. We hire people, which you don't give them a salary, but we keep the salary for us. This person doesn't get it, but it is very expensive because this person needs to get 100 rubles. I pay 13% taxes to him, I pay 34% taxes for him and I pay his social taxes. So for 100 rubles I pay 150 rubles. So it is 50% I lose of money. [Foreign businessman on creating black cash for customs]

Yakolev also argues that “‘black cash’ tax evasion usually drives the changeover to “virtual” barter transactions in Russian industry” (Yakolev 2001:3). For the majority of people in

Russia, black cash is how salaries are paid to avoid heavy taxation. In order to do this people's wages are under-reported, "it is money given 'in an envelope' the employer does not pay taxes and the employee pays less taxes. As one informant said to me, "My whole salary is black".

The tax authorities and government officials are very much aware of this practice. They are so aware that they have started to crack down, on large businesses at least:

For example, [where I worked previously] I had a white salary of 5,000 rubles, but my whole salary was 35,000 rubles. And then there were people who decided, from government, who talked to people at the head of the big firms and they said, 'you make the salary 15,000 rubles or you will go to prison and so white salary became 15,000. It was not the law, it was not something official, it was just like that and white salaries in large companies became part of big companies. Usually it is 50/50, 50 white and 50 black. [Russian manager of a small business]

Black cash and double accounting is a hybrid behavior rooted in falsification methods used in the Soviet system. But, black cash also has another function; it is one of the main methods in informal economic practices. Black cash is also used to in landlord-tenant relationships in Russia. During my ethnographic investigation I lived in several different apartments. In each case the leasing contract was drawn for only eleven months and not for a twelve month time period. The tax laws on apartment rentals specifies that the rentee must pay income taxes on income received in rent for a twelve month time period or more, therefore landlords have contracts signed for eleven months or less. If the renter decides to stay longer either a new contract is created, also for eleven months, or the renter keeps living there without a contract. Landlords have found a way of creating black cash in rental agreements. Therefore, black cash in Russia creates tax exempt profits for both businesses and individuals.

Gift: 'Ugly Statues' and 'Comic Calendars': New Forms of Old Behavior

Gift giving is still an important feature in Russian society. In the business sphere gift-giving is being transformed; long gone are the days of just giving chocolate or alcohol to

someone with whom you have a personal relationship. Many Russians are trying to differentiate themselves from laymen while simultaneously distancing themselves from the Soviet system, defining themselves as new Russian entrepreneurs. Gifts were so important and the changing character of giving gifts was becoming so widespread that the business organization decided to host a seminar on how to give “good gift” to business partners and clients. The teaching of gift-giving was to eliminate Soviet leftover behavior in exchange for new “Russian capitalist” behaviors.

Since gift-giving is important in Russian society, BIR, the business organization where I conducted my ethnography, held a seminar on “gift-giving” and invited all of its members to this event. Eleven people showed up to the event, all of them Russian. More importantly because Russia is still transforming in to a capitalist society and they are no longer dealing with deficit, the types of gifts being given have been transformed as well. There were two types of gifts which I will focus my argument. The first gift type is the ostentatious gift. The second gift type is the gift of sexual images.

The first question asked by the presenter at the seminar was “how many of you *still* give chocolates and cognac?” The implication was that these gifts were attached with old-style Soviet behavior. This distancing themselves from Soviet behavior and Soviet traditions is not found only in Russia, but in former socialist states like Poland. Anthropologist Elizabeth Dunn found that managers in factories altered the objects around them, a symbolic form of transition, to indicate the change of their status from socialist to capitalist. “They used changes in dress, personal possessions, and personal space to display their supposed transformations from a socialist being- a *kierownik*- to a capitalist being- a *manadzer*” (Dunn 2004:71). Only half the people raised their hands. The presenter went on to state, “They need to change the types of gifts

they are giving, to something more exciting”. The presenter displayed a variety of possible gifts on a table near the entranceway: bookmarks, card holders, glass paperweights, leather planners, a New Year’s Tree, fountain pens, etc.

Despite these new gifts ideas, not all of them would be easily transposed in to Western business cultures. Two gifts illustrate this point. The first was a large bronze statue of a menacing falcon attacking some kind of prey. The statue was very large, gaudy and very expensive. In the middle of the slide show a Larissa, a Russian businesswoman who had lived in the United States for many years, was sitting next to me. Larissa was fluent in English and had many trips abroad; she even received a partial education in America. I found her behavior to be very different from most Russians, adopting many American behaviors, albeit subconsciously. When the slide show of the falcon was displayed and the presenter of the gift was talking, Larissa started to laugh and she whispered to me laughing, “God, look at that *ugly* statue! Who would give something like *that* as a gift? That is so Russian, it is just so tacky. The worst part is that statue probably costs around \$3000.” Larissa’s assessment of taste was American, while the others at the event talked in amazement of how striking such a statue would look in a client’s office. This only brought more laughter from Larissa, for whom good taste was not about money and size, but about what was less ostentatious. For most Americans with a particularly Protestant ideology of simple and modest living, good taste in gifts is revealed in simplicity. For Russians, the vastness of the item, the amount of glitter and shine was more important than quality because largeness indicates an expensive gift and one that is unique and not like standardized Soviet gifts.

Being ostentatious with material goods is very common in post-Soviet Russia. Fashion and ostentatious gift giving are important features in behavior in contemporary Russian society. More importantly, fashion and ostentatious behavior demarcates Russia from the Soviet Union.

Why is fashion so important in Russian society? Why is the display of fashion so important? Why are ostentatious gifts viewed as an acceptable gift in business? To answer these questions, attitudes about fashion and ostentation in the Soviet Union, need to be addressed.

Early Soviet socialist ideology viewed fashion and ostentation as the behavior of the petit bourgeoisie rather than of the proletariat (Chernyshova 2013, Bartlett 2010, Vainshtein 1996). When the Bolsheviks claimed political power, they implemented an agenda intended to eradicate bourgeois behavior and appearances, in personal and social issues from clothing to housing. After the revolution, the Bolsheviks wanted the fashion industry to break with the past and to create new utopian dress, which reflected the new socialist ideology (Bartlett 2010). Fashion would transform again during the New Economic Policy (1921-1927), when NEP men and women showed their sartorial taste in angular, more gender-neutral clothing. When Stalin came to power, the fashion industry would focus its designs on tidiness, neatness, and, for women more feminine styles which showcased their curves, which was anti-NEP fashion style (Bartlett 2010, Chernyshova 2013). The Soviet state took an active interest in fashion and, in 1934, created the House of Fashion in Moscow. The House of Fashion took orders from central planners in Light Industry to create fashionable clothing, but shortages in fabric prevented plans from materializing into finished products in stores. Clothing “in the 1950s was to promote socialist fashion” (Chernyshova 2013:136) and there was to be “no stylistic excesses” (Chernyshova 2013:137). During the Khrushchev era, the central planners determined that clothing was to be functional and rational and not excessive nor provocative in style (Chernyshova 2013, Bartlett 2010). It was not uncommon for Soviet women to make their own dresses, copying fashion styles from Western magazines. Private dress making as a second, hidden industry emerged as a result of Soviet mass production of non-fashionable clothing.

In the arena of housing, there was a similar trajectory of style similar to that of the clothing industry. After the revolution, the Bolsheviks seized the property of the aristocracy. They then divided the large dwellings to house the influx of people who moved from rural to urban areas for industrial work. In addition, they removed objects of wealth from these aristocratic dwellings; including the furniture, chandeliers, porcelain, jewelry, and clothing. They viewed these household items as symbols of aristocratic oppression of the proletariat. Further, they claimed that these items belonged to the state and were not for individual use. The mass production of goods created items which were functional and could serve dual purposes in small communal rooms (Bartlett 2013, Buchli 1999).

Throughout the Soviet system, consumer goods, including fashion, were in short supply. More specifically, during the Brezhnev era, consumer goods produced in Soviet factories were standardized items of low quality, even though the public started to demand high-quality goods (Chernyshova 2013). This standardization not only included clothing, but furniture, and household items as well. Each store carried the same furniture and it was normal for friends and relatives to own the same exact pieces of furniture and for it to be arranged in same ways as in their own apartments. “Khrushchev promoted a different definition of comfort: minimalist, economical and functional. Beauty was defined by utility...and domestic space was expected to yield to mass production” (Chernyshova 2013:163). This utility function of furniture continued in the Brezhnev era even though the Soviet population wanted furniture which was more fashionable and diverse in style than standardization. “In the 1970s it was important for homes to acquire elements of the irrational, eclectic and unique” (Chernyshova 2013:165). One of the creative methods to decorate their homes was to buy antiques or items from the Imperial past.

“Artefacts of the pre-revolutionary showed their owners in a good light” (Chernyshova 2013:174).

In addition to furniture, housing projects were built in the same standardized Soviet style: rows and rows of white buildings. Street names were also standardized from city to city, using the names of military leaders or Soviet heroes. For example, every Soviet city had a Zhukov Street or a Lenin Street. Individual style and preferences were eschewed or rejected by the socialist mass production campaign. Even moderate deviation was deemed an ostentatious display, and was nearly possible because such goods were not available for purchase or trade.

The Soviet satirical comedy *“Irony of Fate, or Enjoy Your Bath”* (*Ирония Судьбы или с лёгком паром* 1975), directed by Eldar Ryazanov, lightheartedly addressed this phenomenon. In the film, a group of male friends in Moscow decided to celebrate New Year in the Soviet bathhouse (sauna). In a typical holiday fashion, the men become very drunk. In their drunken state, they decide to play a practical joke on one of their friends, Zhenia, who has passed out. The men put Zhenia on a plane to Leningrad to spend his holidays in a strange city. When Zhenia, still drunk and unaware of his location, arrives in Leningrad, he hails a taxi believing he is still in Moscow. Zhenia tells the cab driver to take him to his apartment on Tretulaia Street, complex 25 and apartment number 25. The taxi driver takes him to the address, which also exists in Leningrad. Zhenia drunkenly walks out of the cab and into the standardized apartment building, with its standardized exterior paint, and enters the standardized elevator. He exits the elevator and approaches apartment 25 with its standardized door and standardized key, opening the door with no trouble. When Zhenya enters the apartment, he sees the same 32 meters of space with the same furniture as his Moscow apartment and, even more ironically, arranged in the same way. When the real owner of the apartment, Nadia, arrives she finds a strange man passed out drunk

on her bed. When Zhenia wakes up, they argue and he remains unaware that he is in someone else's apartment and in a different city.

Soviet made furniture was not only standardized but much of it was transformable (Buchli 1999). Transformable furniture was furniture could be transformed into different uses during the course of the day. For example, a sofa could be transformed into a bed and a stereo system doubled as a drawer for clothing. This transformable furniture allowed people to turn their rooms in to an "ordinary space" by day, one suitable for guests, or a personal space, for things like sleeping. In order for the furniture to be transformable, it needed to be plain and modest in order not to draw attention to its anomalies.

In the realm of fashion, there was a similar lack of display and a standardization of style. "For decades, the magazine *Rabotnitsa* (The Woman Worker) advertised a dress code for women (Neidhart 2003:46). The dress code was plain, modest, and dark in color. "Soviet women were walking a tightrope act; they struggled to attain feminine elegance without breaching the decreed modesty and despite ubiquitous shortages" (Neidhart 2003:48). Because of this, many women "sewed their own dresses and sought tiny accessories to distinguish themselves" (Neidhart 2003: 34).

Despite shortages, fashion started to become more acceptable during perestroika. Western culture with its highly organized consumption patterns in dress has created places for certain types of clothing, like business attire, casual wear, bar wear, etc. In the Soviet Union, such a fashion organization did not exist due to the lack of consumer fashion. British guitarist Tony Iommi noted in his autobiography, "Playing in Russia was weird because in the hall in Moscow the first rows of seats were set back, away from the stage, and all of them were taken up by officials, with all these men dressed up in suits and women in ballroom-type dresses. They

obviously had something to do with the government, and looked so out of place, as if they should have been at a different gig altogether” (Iommi 2011:275).

In the 1990s, fashion in Russia changed. It became more flamboyant and bright colors became important and more widespread amongst the population. Clothing, cars⁷⁰, and houses all reverted to the more imperial-Russian bourgeois style, which was expensive, bright, and flashy. When searching for an apartment in St. Petersburg, I could not help but notice the ostentatious home décor in many of the flats; ranging from animal print furniture to brightly colored leather sofas in oranges and yellows. One apartment in particular the owner decided to paint the kitchen cabinet doors in four alternating colors: red, yellow, green, and blue. In addition, many of these apartments had their walls, tables, and bookshelves filled with knick-knacks, leaving no space for renters to store their personal belongings. Eventually I sought out a foreign real estate agency in St. Petersburg which rented Euro-renovated apartments to expats and wealthy Russian clientele. I eventually found an apartment which was decorated in neutral colors, had very little furniture, and no knick knacks. The Russian decorator was influenced by both the modest Western style and feng shui. My apartment was a rare find. Other foreigners who were living in Russia described their apartments to me as strange, loud, and tasteless⁷¹.

“The New Russians [the post-Soviet nouveau riche] tried to hide their social shortcomings by dressing up, often to extremes” (Neidhart 2003:47). These extremes include wearing evening wear in the daytime: sequins, rhinestones, gold lame, and satin. There was sharp criticism of the New Russians’ style. Talk show host and author Sergei Minaev’s best seller

⁷⁰ Some Russians are even ordering custom paint jobs on their cars. These custom paint jobs have mural paintings on the car. Some of the designs, which I had seen, are hockey players, cartoon characters, animals, flowers, mermaids, and science fiction characters.

⁷¹ Not all Russians liked ostentatious displays in apartments or clothing. When I rented the above described apartment many of my Russian friends commented on how they liked the empty spaces and neutral colors. One friend in particular stated how she was trying to make her mother change her brightly flowered wallpaper to something more soft and neutral.

“*Soulless*” depicts the 1990s New Russian man as having too much money and using it to buy anything that was expensive and gaudy. For women “their main sources of fashion were television and glossy Western magazines, such as *Cosmopolitan* and *Playboy*. This resulted in overly eroticized dress style” (Neidhart 2003:51). In the business sphere, female secretaries were expected to wear sexualized clothing and the advertisements for female workers stated this desired dress code (Yurchak 2003, Neidhart 2003). During this ethnographic investigation, this researcher accompanied a BIR staff member to a government office to give an invitation to an official for a BIR event. In the offices, one could not help but notice that the women working as secretaries were groomed and dressed similarly, with long hair, short black skirts, low cut blouses, and high heels. Laughing, BIR the staffer said,

Did you notice how all the women look the same? Like some cutout from a magazine? Usually these government officials show up at events with their secretaries and leave their wives at home.

In the 1990s, the New Russians became a new cultural phenomenon. In the 2000 the Russian economy, fueled by soaring gas prices, created new jobs and an expanding middle class. A consumer culture emerged and flamboyant items were no longer only for the New Russians. People started to consume clothing, perfume, and cosmetics. It should be noted that there are problems with many consumer items being sold in Russia that are specific to Russian retail stores. Many manufactures send defective clothing (visible invisible stitches, zippers sewn incorrectly, incorrect cut of the fabric, etc.) to Russia and sell them for a higher retail value than would be sold in the United States or Europe. These are items did not pass the manufacturer’s inspection test. The price of the product or the place of manufacturing sometimes had little influence on the quality of the item. My frying pan, which was made in France and cost US\$30 was unusable after one year. I purchased a dress from the elite Vladimirskii Passage department

store. The dress was made in Spain and its original price was US\$500, but on a summer clearance sale for US\$15. The manufacturer used a heavy duty coat zipper instead of a black nylon zipper and, therefore, the dress was defective. *Nine West* shoes in Russia are made from cheap leather material, which is in sharp contrast to *Nine West* products sold in the United States. In general, perfumes and cosmetics are also affected by Western manufacturers' viewing Russian consumers as prey to defective merchandise. It was typical for cosmetics being sold in Russia to be expired or of "last year's fashion color" in the United States. On one such visit I helped a Russian friend, Nastia, choose perfume for a gift at the most popular and "least" expensive cosmetic store, *Rive Gauche*. It is the "least" expensive cosmetic store in Russia, but the products cost more than there than they do in the United States. I mentioned that *Dior* (Russian retail value equivalent to US\$70) was a good brand. Nastia was shocked that *Dior* was viewed as a good brand in America. I would understand her reservations after I sprayed the bottle for a scent test. It smelled like insect repellent, the perfume was old. There were two other cosmetic stores in St. Petersburg; *L'etualle* and *Ill de'beaute*. Unlike *Rive Gauche*, these stores were more expensive (*L'etualle* had a 30% higher markup value and *Ill de'beaute* had a 70% markup value from *Rive Gauche*), but the products were of higher quality and less likely to be expired⁷².

In fact, 25% of a Russian women's income is spent on cosmetics⁷³. Similar to the Soviet Union, Russia does not have different types of clothing for different places. Clothing, like transformable furniture, has a shifting character and one piece of clothing can be worn in a variety of places. For example, the British Consulate invited BIR members to attend a party at their consulate office. The invitation read, "Business Attire

⁷² I was unable to ascertain if Russian consumers were aware of this problem or just didn't care. In a seminar (2002) at the Center for Russian and East European Studies (University of Michigan), anthropologist Elizabeth Dunn noted in her presentation, "*Isomes*", that the quality of meat in Eastern Europe becomes worse the further east a person travels.

⁷³ St. Petersburg Times www.spbtimes.ru

Must be Worn⁷⁴.” Upon arrival, there were only two women in business suits. The rest of the women wore a variety of clothing, including jeans, mini-skirts, embellished glittery suits, and evening dresses. One woman even wore a floor length formal gown with a large hat and long gloves. Taken together, it is clear that ostentation is a Russian quality, not a Soviet one. Ostentatious clothing, like ostentatious gifts, carry meanings related to the post-Soviet transformation.

The Calendar

The second gift type, given at the seminar, was the gift of sexual images. At one point in the BIR seminar one of the attendees, a Russian lawyer in a legal consulting firm showed everyone calendars that her legal consulting firm created and gave to business partners and clients. She told the audience, “these calendars were very popular and we will give them out again”. She passed around two different calendars. The first calendar depicted cartoon caricatures of lawyers, with jokes that depicted them in a less than flattering way. The second calendar was of cartoon caricatures of busty, scantily-clad women in very sexual situations. For example, one woman was taking a shower and her hands were strategically placed over her private parts while two men outside of the shower gawked at her with very large smiles on their faces. Similar cartoons were drawn month after month. Since Russia lacks a division between the personal and business sphere and since they lack any legal protection against sexual harassment it is not surprising that this type of calendar, which would be grounds for a sexual harassment law suit in America⁷⁵, was viewed as a normal, indeed popular gift.

⁷⁴ The Western meaning of “Business Attire Must Be Worn” is a business suit.

⁷⁵ This does not mean that sexual harassment does not exist in the United States. For example, in 2011 there were 11,364 sexual harassment complaints filed with the Equal Employment Opportunity Commission (EEOC). For a fuller description of the complaints, see www.eeoc.gov/eeoc/statistics/enforcement/sexual-harassment.efm

The collapse of communism opened Russia up to many sources of media that were once banned in the Soviet Union. One of the most prominent types of media that flooded the Russian market were movies, magazines, and books that revolved around sex and nudity. Publications from *Playboy* and *Penthouse* to X-rated films were sold openly at newsstands and bookstores. A new, open sexual culture emerged with a relaxed attitude towards sex and nudity (Attwood 1996, Goldschmidt 1999). Since then, it has been common to see nudity on television, advertisements⁷⁶, and even pictures of nude women in the workplace. In 2011, an Exhibition for Entrepreneurs was held at the LenExpo Center on Vasilievskii Island, St. Petersburg. This event showcased local business enterprises, attendees handed out business cards and pamphlets advertising their companies' products or services. The first day of the event was open only to government officials, and the second day was open to the public. The event ended with a lingerie fashion show, with beautiful, young female models modeling new styles of intimate apparel.

Women rarely formally protest these images or events. In fact, many are searching for venues to express these new sexual identities. There are many dance schools⁷⁷ in St. Petersburg that focus on strip dance, with courses that include strip plastic, go-go dancing, pole dancing, and strip stretching. The classes were full⁷⁸ and there were many clubs where students could practice their moves in front of an audience, in the equivalent of an amateur or open mic event. Further, there were many competitions⁷⁹ between the dance schools, allowing them to compare dance

⁷⁶ This phenomenon is also present in other post-communist states. In Prague, "matchboxes, telephone cards, and plastic bags at supermarkets came decorated with pornographic pictures" Shore 2013:71).

⁷⁷ As an amateur ballroom dancer who specializes in Latin dance, it was very difficult to find a school that focused on ballroom dancing instead of strip dancing.

⁷⁸ The students were not professional strippers, and worked in other fields. The classes usually ranged in size from 20-30 students, whereas ballroom dance classes usually had between 4-12 students. Although the strip dance classes focused on female dancers, there were new classes being formed for male strip dancers, sometimes called go-go boys.

⁷⁹ In the strip dance competitions, the performers keep their clothes on, but in area bars and restaurants it was not uncommon for these students to take off their clothes. In fact, it was not uncommon in many bars for women to get on the bars or tables and remove their clothing.

routines and dancers. The transformation of women's roles in Russia is focused more on aesthetic beauty and personal appearance than on occupational identity.

These new forms of female sexual expression are interrelated to capitalist consumption and market-driven gender inequalities, as well as hegemonic processes which allow for the discourse of dominated bodies to be described by their colonizers. In post-Soviet Russia, capitalist consumption and gender behaviors intersect through the body and body images of women. The discourse about women's bodies are described as two binaries, but both biological: sexual identities (beautiful) and as reproducers (mothers). The Russian female body has been commodified in the work environment; not just through sexual images in the calendar or in the pin-ups of nude women that were plastered in one of my informant's office; but through sexual exploitation, including "sexual aggression" and "sexual terror" (Bridger and Kay 1996). The emphasis on women's physical appearance has become part of women's "job skills". Beauty has become part of Russian women's occupational identity.

The commodification of sexuality is also linked to "male hegemony and the promoting of the objectification of the female body" (Curtis 2004:113). Judith Butler argues that gender is a performance and the physical body is part of performance and gender identity and creation; "[gender] must be understood as the mundane way in which bodily gestures, movement, styles of various kinds constitute the illusion of an abiding gender self" (Butler 1990:140). In post-socialism women's bodies have become part of the object of desire, perpetuated in media and enacted by Russian women in the workplace.

Further, in the case of Russia, this hegemony reinforces male power and colonization; through both the ownership of the discourse of Russian female workers and through the high "personal" status that foreign men in foreign enterprises hold. Similar to how colonizers own the

discourse of the population which they oppress, male foreign entrepreneurs own the discourse of Russian female workers. Reacting to Russian women's emphasis on physical appearance, their behavior projects to foreign bosses a population that is weak and unprofessional. Further, Russian female workers' emphasis on the physical appearance and attempt to create personal relationships with their male bosses reinforces hegemony of the dominant group as foreign men view their own superiority (sexual, economic, and intellectual). This viewpoint is more clearly illustrated in the following conversation.

Women and Gender: The New Office Romance

“You know what my biggest complaint is?” the director of an American auto company asked me “it is the [Russian] women. They wear these really high heels that make this clacking sound on the floor in the office building. Clack, clack, clack! Their heels are my number one complaint. When the elevator broke down and I had to walk up many flights of stairs that did not bother me as much, I still put their heels as my number one complaint.” He would further complain that his Russian female subordinates did not want to leave his office, referring to the fact that many of them were trying to start an office romance with him, behavior he said that he only experienced in Russia and not in North America or Europe⁸⁰. The behavior of Russian women towards their male foreign bosses is more easily understood in the context of the transition from a command economy to the market economy. During the transition to a market economy, Russian women were hit the hardest economically, making up the majority of the

⁸⁰ Several other foreign male informants also made similar complaints. Anthropologist Jennifer Patino (2010), in her research on post-socialist international matchmaking between East European women and foreign men, argues that post-socialist market pressures, which have left East European women at an economic disadvantage, as one of the leading factors that has helped facilitate international marriages and international dating services. In addition, other socially embedded practices in Russia; such as gender identity, romantic ideals, negative images of Russian men, and ideas of personal success, family and gender roles; have further led to the image of foreign men as being desirable marriage partners.

unemployed (Robbins 2005, Lemish 2000, Bruno 1996, Briger and Kay 1996). Further, many Russian women have to choose between career and family (Tartakovskaia 1996) and/or deal with sexual harassment/terror in the workplace (Bridger and Kay 1996). Since women are the biggest economic losers in the market economy, and with the media and political push for women to focus on the natural inclination for having children (Gal and Kligman 2000), finding a husband who can support the family is as much a priority for many young Russian women as having a career. Therefore foreign bosses, with their high social status and large incomes, are viewed as more desirable than Russian men.

Hegemony, further positions foreign companies and foreign worker behavior, in this case Western, as more desirable and something to imitate. Antonio Gramsci argues that hegemony is the process of domination through consent. Hegemonic processes are not only located in the political sphere, but are also located in the economic and social sphere as well. Perry Anderson (1976) argues further that hegemony is mostly located in civil society. Part of civil society is the discursive practice of representation of subjects, in this case the Russian workers as being inadequate and needing to “look more like their Western counterparts”. In the case of female workers the representation of the subject is similar to the representation of colonized women (Hispanic and African-American) in America as sexual beings.

This also presents a conflict in the office where the personal and professional become intertwined. Similar to the Soviet system, the conflicting roles of women are still present in the Russian workplace. Women’s role in the workplace still has some Soviet ideology attached to it as Women’s Day⁸¹ is still practiced; “a holiday that was strongly promoted by the socialist

⁸¹ Women’s Day is celebrated on March 8th. Women’s Day or International Women’s Day, started as a socialist holiday, and was celebrated in the Soviet Union and other socialist countries. Women’s day honors women for their economic and social contributions to society. This holiday is still celebrated in Russia and former Soviet satellite states.

government as part of its drive to create equality for women, Women's Day was supposed to be a symbolic acknowledgement of women's labor both in the factory or in the home" (Dunn 2004:191). The day is celebrated by giving gifts to women: teachers, bosses, co-workers, family and friends. Dunn argues that Women's Day had a paradoxical effect because it honored women's extra-domestic labor and the idea that work outside the home was 'extra' was still attached to it, making the home and the domestic domain the main place for women and where their real work lies. Alexei Yurchak, in his research on business in Russia, asserts that "it is therefore crucial that a 'woman's business' be seen by both men and women as secondary to a man's business, dependent on male support, and more hobby than real business" (Yurchak 2003:84). In other words, a Russian woman is doing double-duty and in order to be viewed as a real executive, her personal life should not be present in the business sphere. All this while male counterparts are hiring women as secretaries based on the woman's conventional attractiveness and/ or willingness to accompany the usually married men to events and functions. Further, many business transactions are conducted in the *bania*, or bathhouses⁸², a place where men meet and establish connections and conduct business deals. The function of the bathhouse, especially if wives, girlfriends, and mistresses of men attend, further "assists in the personalization and masculinization of the business sphere and in the professionalization of the personal life" (Yurchak 2003:86). Although bathhouses are available to men and women, they are sex segregated and women and men do not share space unless the parties are in a romantic/sexual relationship. The result is that men's private lives appear in business all the time, and this is deemed professional and sometimes necessary, while the private moments of women's lives are considered a detriment and unprofessional.

⁸² The Russian bathhouse is a public bath where Russians meet with friends to relax, bathe, and practice "natural" healing. The bathhouse is segregated by sex.

Women who put their careers first and who are viewed as successful entrepreneurs encounter resistance by some of their male counterparts. At one business seminar organized by BIR a Russian businessman took offense to BIR, because the entire office staff were women, several of the top committee members were successful women entrepreneurs, and the director of BIR was also a woman. This businessman asked, after each member of the BIR office introduced themselves, “Where are the men? Why are there only women working at BIR?” The director offered this man to apply for a job at BIR, but he politely refused.

“Sexual Exploits” and “The Love Boat”: The Fuzzy Line between the Personal Sphere and the Business Sphere in Russia

While conducting my dissertation research at BIR in St. Petersburg in 2011, I was privy to many meetings, lectures, seminars and networking events. Many of these networking events were in the form of parties which were held in a variety of settings; bars, restaurants, boats, etc. Most of these so-called networking events had a dual function. First, it was place for BIR members to meet, socialize, and build their business networks. Second, the restaurants and bars that held these events were able to display and advertise their unique business establishments to BIR members. This was done in the hopes of garnering future patronage from attendees through business lunches, dinners, or parties. The atmosphere at these events was always casual even though business cards were changing hands and future possible joint ventures were discussed. At the backdrop of these events were the delicious offerings from the hosting establishment: catered food, alcoholic beverages, music, dancing, conversation, and general socializing. The dress code was non-existent and attendees wore whatever they felt comfortable wearing. The clothing style ranged from business suits to club wear. At one of these events there was a contest for attending

foreign businessmen to discuss their most unique and funny experience in Russia. The winner would receive a gift certificate from the hosting restaurant.

This particular event was held in a chic restaurant known for its exotic décor. The restaurant was located on the Neva River Embankment on Vasilievskii Island. The restaurant had two floors, six halls, a dance room, and two glass galleries which overlooked the Neva River. The décor was exotic and colorful. When customers entered they were greeted by the hosting staff and directed to one of the six galleries; the bathroom and coatroom were located downstairs. The floors were marble, or colorfully designed carpet, or glass, in the dance room, so that customers in the basement could look up on customers dancing on the first floor. The rooms were filled with colorful wallpaper, thick curtains, paintings, statues, large candelabras, marble columns, and expensive glass chandeliers. In any given room the chairs and sofas were decorated in different colors and patterns, including leopard print and stripes.

BIR's event was held in an upstairs room and members entered through sliding glass doors framed in gold. Before entering the room, to the right, was an antique couch upholstered in ancient Turkish designs. The room BIR rented was inspired by Turkish/Islamic art. The lamp, which greeted guests, looked like a character out of *1001 Arabian Nights*⁸³. The lamp was of a Middle Eastern man, dressed in a red robe and long gold knife, and was holding a large candelabra. The room had red carpeting with blue diamond design. The ceiling was red with designs. The walls had green wallpaper with gold design and stopped three-quarters up the wall. The rest of the wall was painted in the same shade of green found on the wallpaper. On the wall hung painting of exotic African and Middle Eastern prints, and each painting was mounted in a different paper design and framed in gold. Each painting stood eight inches apart. Directly above the paintings were gold wall mounts with colorful statues of stereotype Persian, Indian, Turkish,

⁸³ See, "Arabian Nights: Tales of 1001 Nights" (Anonymous, 2010).

and African people. There were approximately thirty of these statues on each wall. There were sofas attached to the walls underneath the paintings and each sofa was upholstered in a different color or print. On the sofas were throw pillows in non-matching prints. There were tables in front of the sofas covered in blue fabric tablecloths and with a small lamp with a colorful lampshade placed on top of it. Chairs were placed on the opposite side of the sofas, which were also upholstered in a variety of patterns.

There were two buffet tables, one serving drinks and the other food. The drinks had already been poured; red and white wine, orange juice, distilled water, and vodka. Some glasses of vodka were in a small bowl of ice to keep it chilled. On the adjoining table the traditional Russian food was set up on the table: salmon, cold appetizers of salted cucumbers, tomatoes, and pickles. Other traditional Russian foods being served were pirogies, potatoes, black bread, and red caviar in wine glasses. There was a variety of fruit; blueberries, oranges, and strawberries. BIR members ate out of glass plates in a traditional Khokhloma design⁸⁴.

At first, the foreign businessmen were hesitant to speak. Svetalana, the Russian female host, decided to tell the story of an American businessman who she knew. She described his first night in St. Petersburg.

He arrived in St. Petersburg and decided to go to “Golden Dolls” [strip club] on Nevsky Prospekt to relax. He was there all night and drank a lot. He then took one of the girls home for some [laughing]...lets call it ‘conversation’. After the ‘conversation’ he fell asleep and when he woke up the next morning his luggage was missing. He thought that the girl had stolen everything of his and panicked. He went back to the bar to find the girl he had ‘conversation’ with. [laughing] He tried to ask her where his stuff was, but he could not understand what she was saying so and they went back to his apartment. She opened the door to the wardrobe closet and there he found all of his clothes neatly hanging in the closet

⁸⁴ Khokhloma is the traditional decorative wood painting of house wares started in the northern Nizhni Novgorod region of Russia in the 17th century (Emelyanova 2001). The designs are usually in red and gold and depict fruit, birds, leaves, and flowers (Emelyanova 2001).

and the suitcase on the bottom floor of it. She had taken the liberty to help him by unpacking his suitcase and cleaning his apartment.

The audience laughed throughout the story and especially hard at the ironic ending. The next four stories all followed a similar pattern, some anecdotal story with sexual relations as a backdrop; a mistake in language about nudity, a misinterpretation about a possible sexual rendezvous, etc. It was not just male entrepreneurs who told similar tales, but female entrepreneurs as well. When it was time to announce the winner, voted by the other attending businessmen, Svetlana would be the Master of Ceremony for the prize drawing. Svetlana was wearing a red dress with a very low plunging neckline which revealed her breast augmentation. On either sides of her were businessmen who had been voted in to be the possible prize winner. As she was summarizing their stories she turned to the American businessman and in a very loud voiced laughed and screamed “are you staring at my *tits*?” The place erupted in laughter. An American businesswoman who attended the party said to me afterwards, “Those stories were all very inappropriate. I never heard such stories told in America or in Azerbaijan. It was all very disgusting”. The American woman’s reaction was not surprising. First, she came from a society that separated the personal and the business sphere. Second, she was influenced by the women’s movement. In addition, she was further “disgusted” by the stories because of her personal feminist understandings of “exploitation,” and “sexual harassment.”

On another occasion the business organization organized a social networking event on a sight-seeing boat along the Neva River during the White Nights. There was a lot of preparation for this event: securing the boat, planning the menu and catering, creating and sending out invitations to the guest list, and creating a theme for the night’s party. The office staff (all women) decided that the theme for the event would be “love”. They even had little red hearts imprinted on the invitations to attend the event. The office staff all had characteristics that were

“capitalist”: they were all very hard working, highly professional, creative, friendly, polite, and very intelligent. Their inability to see what would transpire when they sent these invitations to foreign businessmen with little red hearts all over them was nothing more than a clash of culture and a lack of understanding of the Western model of business practices.

Almost as immediately as the invitations were sent, hostile phone calls bombarded the office with complaints about the theme and the invitation design itself. Some of the comments were quite harsh: “this is stupid”, “what is this a hook up for businessmen?”, “are there Russian brides for hire” and a few other more unmentionable reactions. In fact, the business organization staff were upset that BIR members did not acknowledge how difficult it is to organize this particular event. “They don’t know how much work we put in to organizing this party,” the staff complained. Staff members also asked each other “what is wrong with the theme?” To further complicate matters, this researcher was asked by the office manager to change the weekly English speaking club topic from “travel” to “love.” As a way of giving back to the community that I was studying, to thank the business organization for letting me use their organization for my ethnography and their access to entrepreneurs, my basic like of the people that I worked with, and to spend time with them in a more relaxed atmosphere, I had offered to “teach” a weekly English speaking club for free. I had to create questions about ‘love’ and I found it very difficult to create philosophical questions on the topic of love. The class went very smoothly and the Russians who attended, as always, had a lot of fun. Many commented that they liked the topic so much that they wanted to continue it the next week, so we spent two weeks discussing “love” in English instead of one week. At a very professional meeting with government officials on trade and business development, one of the foreign executive committee members announced that the English Club would be hosting the same theme as the boat cruise and we “can talk more about

love” with an almost sarcastic tone in his voice. I was asked by several puzzled Russians what was wrong with the theme. At another business event that was held three weeks after the boat cruise, which was organized by the business organization and held in the Leningrad Oblast’, this same foreign businessman went up to one of the office staff and started laughing about the cruise topic. “When I opened the envelope, I see these little red hearts and I thought about the ‘Love Boat’”. He then starts singing the theme from the 1970s Hollywood TV show “The Love Boat” and laughing about the different dramatic situations on the show. The office worker was visibly upset by the businessman’s laughing, singing, and storytelling. I decided to interfere and defuse the situation by explaining that in the West we separate business and pleasure.

On the boat cruise itself the director of the business organization, a very smart Russian woman, very creatively soothed angry tempers by stating *why* “love” is so important in business: “we love our country, we love our jobs, we love our work, we love our colleagues, we love our clients”. It was a speech that seemed to resonate with the audience. Once the festivities took place (food, music, dance, games and a raffle) the personal topic of ‘love’ was something to celebrate and it was done in style.

The boat cruise was taken on the Neva River in the month of June in order to enjoy White Nights. This was a yearly tradition of BIR. The cruise it started at 8pm and ended at 2am. The boat had two decks; the bottom deck was cover to protect passengers from the weather and the upper deck was open. The bottom deck was large enough to seat 110 people. The upper deck had chairs for 20 people to sit, forcing the rest of the passengers to stand. The misty raining weather kept most of the passengers on the bottom deck. The bottom deck was carpeted and there were windows that covered the circumference of the boat, making the White Night experience even more enjoyable. The bottom deck was divided into two parts. The front part is where the BIR

staffers sat on the boat seats and where the DJ had his stand. The back part is where BIR members sat at one of the 10 tables which were placed along the window. The back part also had two large buffet tables, covered in white fabric tablecloths, and an assorted array of gourmet food and drinks. BIR ordered white and red wine, orange juice, Coca-Cola, and bottled water. The food selection was traditional Russian cold appetizers: salmon, salted cucumbers, stuffed tomatoes, and stuffed pastry pies. The entrees were salmon, beef shish-kabob, chicken shish-kabob, marinated chicken, roasted potatoes, and salad. The fruit tray had watermelon, blueberries, kiwi, cherries, currants, and oranges. There was an assortment of desserts; pudding, cookies, chocolate mousse, and pie. BIR had a special cake made from the Astoria Hotel. BIR members and staffers looked forward to this event.

The music was mostly American and British hits from the 1950s through the 2000s. BIR members danced in the back of the boat between the two rows of tables where they had eaten. The festivities and games were organized around the theme “love”. One game had each BIR member describe the different types of love. Another game had the male BIR members creating balloon animals and then giving them to the female BIR members on the ship. The entertainers danced a belly dance and some BIR members were asked to join in.

What these two examples have in common is that the line that demarcates the personal and the business sphere in more full-fledged capitalist countries is missing in Russia. As when the women in *Office Romance* used their office desk as a bathroom vanity for beautification purposes, personal behavior (this includes love and sexual behavior) is not just found in the home, but in the public as well as business/work sphere.

Decision-Making or Being Spoon-Fed: Can I eat with this spoon?

Soviet workers relied on their Soviet managers to fulfill production plans. Managers had developed skill sets, knowledge of exchanges and making needed connections, when things went wrong or required fine tuning. Managers developed a strong managerial-style where the manager had ultimate authority and power over subordinates. The hierarchical nature was also found in white collar professions because control in each occupation went from the state planners, to local bureaucrats, to supervisors and then to the worker. The worker kept their job and kept out of trouble by following orders and doing very little to cause problems. This meant that subordinates refrained from solving problems and did not give any input, creative or otherwise, to any aspect of production⁸⁵. Supervisors assumed all responsibility and all the glory if things went well and all blame if there was a problem.

The transition from a centrally-planned economy to a market economy did not change workers' behaviors. The hierarchical nature and Soviet-style management is still present in workplaces. This is especially true when decision making is involved, which appears very much like what the West would call a lack of decision making on the part of workers. Many foreign firms view part of the training of Russian workers not just in the area of production and new accounting methods, but in being more assertive, professional, and actively taking a role in decision making. From the viewpoint of foreign directors, Russian workers lack decision making skills, pro-activity, and professionalism⁸⁶.

Andrei, a Russian director of a foreign tobacco company, told me that when he started working at this company he had encountered many problems because he was unable to think on his own and unable to solve a problem without guidance from his superiors. "It was very

⁸⁵ The input of workers to improve sales and/or design of products is a characteristic that is expected by management in capitalist firms. Despite this, the ultimate decision will be made by a member of top management.

⁸⁶ Several Russian informants also described fellow workers as being unprofessional. These Russian informants had either worked for foreign firms, studied in the West, and/or worked in the West.

difficult. I had two probationary periods, instead one because I had no practical experience. Pro-activity, result-oriented approach, commitment to getting things done is basically from my previous job experience when I had Westerners, professional Westerners, who taught me what a professional is in a Western company, but here it lack. In Russia, you expect a miracle, like a Russian fairy tale". Andrei was transformed in to a capitalist worker, a person who makes decision and can solve problems without relying on his superiors. He now has to train his Russian employees to follow his example and be model capitalist workers. Andrei told me the following story of how hard it is to get employees to make a simple decision, even to order new spoons for the cafeteria.

It is part of my responsibility. I should teach them that they should come in with a proposal and not with a question. I often do it and I often say, 'what is your recommendation? What do you think? But they still refuse. It goes like this, 'Andrei, what do you think? I come back with 'and what do you think?' 'What do you recommend?' and it is very simple....we wanted to replace the cafeteria spoons. They were very shallow...people complained that it is not convenient when you dip the spoon in food. We asked the provider to give us some new spoons to test. They deliver one spoon and it had to be me who makes the final decision with spoon, if it is right or not. My mind works in the same way. I am not better than my employees. Why should I make the decisions? They can make recommendations or ask the person who complained. 'Could you please do the test'...eating or whatever, try the spoon. What is your opinion? Do some preliminary basic job and come with a recommendation. They often just ask.

Andrei, who came from the late-socialist background, understood the difficulty in transforming from a socialist worker who took commands to a capitalist worker who was proactive and opinionated.

The dividing line that demarcates the personal and the business sphere makes many foreign supervisors view their Russian counterparts as unprofessional. John, a British manager of a foreign firm, said:

We would be in a meeting, four or five hours once a month, and people's mobile phones constantly going off and people answering those phones in a meeting,

which turned my head because it was something that I was not used to. Now, when I cracked down and said when you are in a meeting with me or someone else, with vendors or anybody else, your bloody phones are off. It is disrespectful to the person that you are meeting, it is rude to me, and I don't want it happening. They looked at me as if I was crazy and they would say, 'it's rude not to answer the phone' as opposed to my view it's rude to interrupt our meeting.

For Russians, the cellular phone⁸⁷ is a new phenomenon and the social rules of its uses are different from in the West. In the Soviet Union, not all citizens had a phone. In the 1990s, the home phone became more available and people used it to talk to friends and relatives. The phone was used mostly by the *nomenklatura* (Oushakine 2000). Later in the same decade, the cellular phone was imported and only the very wealthy members of society could afford it. In 2003, new cellular phone plans emerged that made the phone affordable to average citizens. Russians who purchased a phone paid only for phone calls actually made, as there were no monthly billing plans. Russians view phones as links to friends. Not to answer the phone is the height of rudeness, and most people feel an intense social obligation to answer in order to help a friend if they are in need. For most Russians, business is a distant second to friendship. Foreign entrepreneurs view this behavior as unprofessional.

Foreign businessmen view of professionalism is multi-layered and extends to areas where business deals are conducted, such as restaurants. In Russia, it is not uncommon for foreign entrepreneurs to take clients, or potential clients, out for lunch or dinner. Foreign businessmen view this as part of the business negotiation process and as a deal sealer for securing business contracts with other foreign firms and/or to impress their superiors who are visiting in Russia. The choice of restaurants, and the service which it provides, is a reflection of the knowledge and professionalism of the foreign entrepreneurs. Given this viewpoint, it is not surprising that many of my foreign informants viewed restaurants, and their customer service, as part of the business

⁸⁷ Part of the ostentatious display of cell phones, is the cell phone charms and case covers. It is typical to see Russian women preferring glittery case covers and 10-15 charms on their cell phone.

process and a reflection of their professional choice. Many of my informants complained that the lack of customer service was a problem, and an obstacle, in conducting business in Russia.

This lack of customer service is rooted in the Soviet system. To further complicate matters since the Soviet system guaranteed employment, lacked consumer goods and other capitalist endeavors (such as restaurants) were in short supply, customer service was lacking. The lack of customer service and the idea that “the customer is always right” is missing in post-Soviet Russia.

In late-socialism, being a cashier (“*увольнять со службы*”) had special advantages. In the economy of shortages, the cashier had control over the last phase of the distribution of goods to customers. Many cashiers used their employment position for their own personal gain; trading these consumer goods to people in their own personal networks instead of selling them to the public. The Soviet term for this practice is “under the counter” (“*из-под приволька*”), since goods were often literally hidden there. The cashier had an advantage in that they could keep the consumer goods for themselves, or trade them for other needed goods and services. Since everyone was guaranteed employment a cashier’s job was secured regardless of how customers were treated. The system did not include the capitalist consumer behavior where a dissatisfied customer could take their business, and their money, elsewhere. In the Soviet system, the consumer was not important as there was no other place for the customer to take their business. In post-Soviet Russia, the cashiers do not have this type of status nor do they obtain extra privileges for their position. However, the paying customer is still not viewed as the main source of business, especially for cashiers who do not receive any additional benefits from happy customers. In other service-oriented businesses, for example restaurants, there are no additional incentives to provide good service to the customer. Unlike in other, more capitalist, countries

Russia lacks a standardized tipping system in restaurants. In three years living and researching in Russia, this researcher was never informed of a standard tip given to wait staff. In fact, everyone had a different version of the standard tip, which ranged from nothing to 1% of the bill, up to 15%⁸⁸. It is not uncommon to witness sales clerks talking on their cell phones, ignoring customers, yelling at customers, not serving in restaurants, etc. The Soviet system's non-dependency on customer service is still prevalent. I would be reminded of this every time a foreign exchange student, who I encountered through my teaching job, would cry out from a negative shopping trip, "doesn't anyone in Russia want my money!"

As Dieter, a German businessman said to me, 'it is embarrassing. I bring clients from Germany to a Russian restaurant to talk about business and I have to wait 30 minutes for a menu. I got so mad that I went up to the manager and I asked him, 'Do people always have to wait 30 minutes for a menu?' and the manager looked at me and said "Yeah". On a more serious note, when Russian workers deal with client problems they don't always handle it in a professional manner. Victor, a director in a European logistics company, said of his employee:

You may notice how they communicate with a customer. Did they get that customer? Not if it is not professional. For them, the customer and customer service department is new, but still for Russians a customer is not important and I try to push and tell them the customer is important and to keep your job, but still for them they are just a customer. And that is when I see or notice some unprofessional email or unprofessional communication which is aggressive. They always complain about a customer in a group [of employees] and say, huh, this guy is an asshole, but you don't send an email and say this guy is an asshole. You just don't do it!

Many foreign entrepreneurs stated that they are trying to teach "professional behaviors" to their employees, but find it a difficult and challenging task. Part of the professional behavior

⁸⁸ As a frequent visitor of St. Petersburg's restaurants, learning the customs around tipping was vital. Each contact had a different tip calculation method. In teaching, it became my habit to ask students and each of them had a different tip calculation. In all, I heard approximately 45 different versions of what the tip should be. When dining at restaurants I would follow what my Russian friends were leaving, if anything at all.

that they are teaching their Russian employees is viewing any client, or potential client, as a reason for the company's existence and not as a distraction from their main work objectives. Other behaviors which foreign firms are trying to teach their Russian employees are polite responses, the non-use of expletives in communications, giving full attention to clients (eye contact, non-interrupted conversation, etc.), and quick responses to emails and phone calls.

3.6 Russian Entrepreneurial Skills

Despite the differences between the behavior of Russians and businessmen in full-fledged capitalist societies, not all Russians lack efficient or creative entrepreneurial skills. Soviet workers and managers, as already mentioned, developed certain skill sets which allowed them to be successful at fulfilling plans and orders in the economy of shortages while simultaneously fulfilling socialist ideology. Building on Foucault's argument on governmentality (or how government shapes people's lives and their actions between people and their ability to act, think, and conduct their lives) anthropologist Alexei Yurchak argues that in the Soviet Union many people learned entrepreneurial governmentality, or having "entrepreneurial skills in a context in which there was no market-based private business per se" (Yurchak 2002:2). Many of the same behaviors and skills that allowed workers and managers to be successful under socialism have allowed managers to flourish under capitalism. For example, to be a "Komsomol Secretary, especially during the late Soviet period, was to apply very particular technologies of entrepreneurial governmentality that allowed one to fulfill projects, achieve goals and earn symbolic profit by conducting procedures, organizing people, relating to institutions, etc." (Yurchak 2002:2). It is not surprising "that many of the richest businessmen and political figures in Russia today also trace their financial empires to their high-raking Komsomol positions" (Yurchak 2002:13). Some of these skills which they acquired are different ideas of time, work,

money, professional and personal relations, and very specific ideas of the official plan, rules, laws, and institutions (Yurchak 2002).

Other not so high-ranking Komsomol members have also adopted entrepreneurial mentality. One of my informants, an owner of small service company, ran a very successful and profitable business. He had developed skills to avoid and circumvent government officials and heavy bureaucracy, he had created close relations with other organs of the state to avoid problems, he worked approximately 15 hours a day, and he provided quality customer service for his clients (something which is lacking in the majority of businesses in Russia). Many employees are learning and adopting new strategies, as the American director of an automobile company told me: "I have met some great people who I interact with each and every day and at this point are as capable, if not more capable, than people I have met in other parts of the world. The Russian managers are probably, they are certainly the best in all of Europe. I have very capable, talented people who I enjoy working with immensely. Russian growth and development over the past several years has been the most rewarding thing that I have seen in my entire career and they just need to be provided with action, challenge them, let them think, let them make mistakes, pick them up when they are down a bit, and watch them. I am very proud to be associated with them".

However, despite the statement of the foreign director in the above quote, most of the foreign businessmen I interviewed ignored the skill sets which Russians already know and utilize in order to by-pass the over-bearing regulations and bureaucracy. Foreign firms are determined to train Russian workers with skills sets which are utilized in most Western companies and their own cultural notions of time, work, personal-professional division, and specific ideas and

attitudes toward the law and management. Globalization processes and hegemonic practices of Western superiority have placed the skill sets of Westerners above the skill sets of Russians.

3.7 Conclusion

Socialist production revolved around state-controlled distribution of goods and the allocation of resources (Grossman 1962, Lane 1996). The central government authorities planned the production quotas for factories in an economy of shortages. An unintended consequence of the economy of shortages was the informal economic sector, which helped to ease the problems of the shortages of raw materials and of consumer goods. The informal economic sector included *blat*, black markets, gift-giving, and bribery. The majority of Soviet citizens participated in this informal economic sector, which was embedded in trust, friendship, and personal networks. In addition, the socialist economy produced socialist workers. These workers relied on their managers and had little input in decision making. In post-socialist Russia there are many behaviors and informal economic practices which have been inherited from the Soviet system. However, these behaviors have been transformed under the new market economy and can best be described as ‘hybrid’ behaviors. This chapter focused on some workers’ hybrid behaviors inherited from the Soviet system, especially contradictory gender behaviors in the market economy. In the next chapter, I will focus more attention on hybrid behaviors as they relate to informal economic practices.

CHAPTER 4 “RUSSIAN ENTRPRENEURS: ATTITUDES, AVOIDANCE AND ENGAGEMENT WITH THE LAW”

4.1 Introduction

This chapter focuses on Russian companies working in the Russian Federation, here termed local firms. Private entrepreneurships emerged in the late 1980s under the reforms of *perestroika*. Soviet entrepreneurs learned to manage their enterprises in the complex web of Soviet bureaucracy until the fall of the Soviet Union in 1991. After market reforms were implemented, in the 1990s, Russian entrepreneurship was transformed but elements of the Soviet system continued to function. Local firms retained many informal practices that were prevalent in the Soviet system. The customs of bribery, the use of trust and personal networks, system avoidance, falsification in accounting, and an antagonistic relationship with the government apparatus remained. These newly transformed old behaviors created gray areas of business practices that were extralegal but not illegal and allowed enterprises to function despite contradictory laws, and the selective enforcement of them, as well as excessive and complex taxation and bureaucratic procedures.

Law is a socially constructed phenomenon, which has socially accepted concepts, understandings, and actions (Ewick and Silbey 1998) and also reflects values and beliefs that are shared in any given society, but law also has the influence of customs, history and external influences. For example, the legal system in Muslim societies is sharia, or religious law, which is based on the Qu’ran. Despite the fact that the Qu’ran is used as the basis of religious laws in Muslim societies, “the legal system of modern Morocco [a Muslim society] is based on Islamic law, the sharia. But, local customary law is also part of the tradition, and this has resonances from tribal law, as well as from Spanish and Portuguese custom; and the French penal code

dominates the civil laws” (Warnock Fernea 1998:63). Further, “legality is a pattern in relationships that is enacted daily in the interpretive schemas people invoke to make sense of their own and others’ actions and in the human and material resources, capacities, and assets that make action possible” (Ewick and Silbey 1998:31-32) and where “legal actors [therefore] respond to particular situations and demands for service, rather than follow universal principles” (Ewick and Silbey 1998:18). In the case of Russia, I argue that Russian entrepreneurs respond to particular situations based on what Ewick and Sibley refer to as “*with the law*”, a form of “legal consciousness where the law is played as a game, where preexisting rules can be deployed and new rules invented to serve the widest range of interests and values” (Ewick and Silbey 1998:48). I argue that Russian entrepreneurs’ ambivalence towards the law is more of a reflection towards the ‘legal actors’ (bureaucrats, government officials, judges) who are there to enforce the law, rather on the laws and the legal process itself.

4.2 Private Entrepreneurship in the Soviet Union: The Reforms of Perestroika

The Soviet Union had a centrally planned economy until Soviet leader Mikhail Gorbachev implemented economic reforms (called *perestroika*, which literally means rebuilding)⁸⁹. Three of the most important economic reforms that emerged from perestroika were the Law on State Enterprises and Conglomerates (January 1988), the Law on Cooperatives (July 1988), and the Law on Individual Labor Activity or private entrepreneurship (1987). These reforms were introduced not because Soviet leaders wanted to create a market economy but as a

⁸⁹ *Perestroika* was Soviet leader Mikhail Gorbachev’s economic plan designed to restructure the Soviet economy. In addition, *perestroika* offered a plan to change the Soviet political system. *Perestroika* allowed for private enterprises to exist and the marketization of the economy. *Perestroika* created an economic structure that was half-controlled by the government and half-free. This was a last effort by the Soviet leader to save the Soviet Union from collapse, but it had the opposite effect. Many Russians view *perestroika* as the cause of the Soviet Union’s demise. For a fuller discussion, see Mikhail Gorbachev’s “Perestroika” (1987).

last measure to save the failing economy, which was largely dependent on oil production. With oil prices falling sharply in 1985, the Soviet leader decided to make drastic revisions to the country's economic systems. These laws radically transformed the planning, administration, and pricing of production and produced goods. The Law on State Enterprises and Conglomerates was enacted to put a stop to the state monopoly of production. The Law on Cooperatives allowed for competition between enterprises producing the same goods. The Law on Individual Labor Activity allowed for the emergence of individual enterprises.

These laws brought about significant changes in the Soviet Union during late socialism both economically and socially. Economically, people were able to start private businesses and utilize skills developed while working in the Komsomol and other Communist organizations (Yurchak 2002). Socially Soviet citizens were experiencing drastic changes as economic changes coincided with *glasnost*⁹⁰ in 1987, and an anti-alcohol campaign, in 1985. *Glasnost*, or openness, allowed previously banned media to be available to the public. *Glasnost* improved “the efficiency and productivity of Soviet government and industry by increasing accountability and the flow of necessary information” (Ries 1997:165). This openness of media materials and public discussion of the contents of these materials created a platform of open discontent with the Soviet system. Many newspaper articles publicized the abuses of the Soviet government against its citizens, including dissident writers, via the Purges and the Gulag system. Stories that were once shared in small circles of friends in the privacy of personal spaces like the Soviet kitchen, were now open to public debate. There was an explosion of narratives of absurdities of life in the Soviet Union. The “*Ogonek*”, *Moscow News*, and *Noviy Mir*, (the leading, newly revisionist publications), printed the tragic biographies and stories of the Soviet damned. They exposed many levels of corruption, inadequacy, and deception of the Party and the *nomenklatura*

⁹⁰ The policies of *glasnost* and *perestroika* coincided.

(the administrative class), and bemoaned the destruction and suffering of the Soviet people (Ries 1997:169). The openness created a new public discourse that challenged official ideology and the hegemony of socialist ideological discourse. The works of authors who had previously been banned, including Mikhail Bulgakov and Boris Pasternak, were now being read openly in public. More importantly, the works of authors who had lived through the Great Terror, and/ or had been victims of it, were now being published.

The anti-alcohol campaign (1985-1988) had two dire consequences. First, it created a black market economy similar to the Prohibition era in the United States. This black market was more criminal than the black market that had compensated for shortages in the previous regime. There were more frequent open revolts against the system, and occasional violence. Second, these alcohol black marketers were organized on a wider scale, not just in local community blocks. The anti-alcohol campaign was viewed as unconstitutional, as it violated the Soviet constitutional articles 57, the right to legal defense against infringement of personal freedoms, and 42, which guaranteed the right to health. Not only did the anti-alcohol campaign contradict other laws, it created speculation, raised the prestige of drinking, and created informal schemes of circumventing the government's limits on alcohol production (White 1996).

These social, legal, and economic changes in the Soviet Union created a public discourse of discontent with the existing laws, government abuses, and social problems. The social and economic consequences of *perestroika* and *glasnost'* had a lasting effect on not just the discursive practices of Soviet citizens, but on the legacy of inherited behaviors that entrepreneurs have adopted. These include viewing the laws as inadequate, unfair, and as an obstacle to circumvent. Further, these views cast government officials and government agencies as corrupt and ineffective and, therefore, incapable of solving social problems. Russian entrepreneurs

follow the laws when they consider the laws to be fair and appropriate; therefore laws have become ‘fuzzy’ and not clearly defined in the view of Russian entrepreneurs. I will examine the phenomenon of ‘fuzzy legality’ in the next section.

4.3 Fuzzy Legality and Law Circumvention in Russian Business Practices

In Russia, after the fall of the Soviet Union, newly enacted laws entitled people to a new social phenomenon, property rights. In the Soviet Union, state property was just that, property owned by the state and controlled by an elite group of managers. After the fall of the Soviet Union, state property would be transferred into private hands and the former managers of these companies became the owners. They procured these companies at a fraction of the actual market value and usually the sales were completed without any competition from other prospective buyers. “Among the main forms these pre-privatizations took were incursions by managers of firms into the ownership prerogatives of the state, and expansions of the so-called second economy – those informal activities operating in integral relationship to the formal state-run production system but in its interstices” (Verdery 1996:211). In many post-socialist states, “many former apparatchiks⁹¹ and managers of firms took advantage of uncertainties in the status of property law, thereby gaining possession of properties before their acquisition could be legally regulated” (Verdery 1996:211). It was also not uncommon for people to use their position in the state bureaucracy to take over firms to further their own personal wealth and political power. Although the managers and bureaucrats became legal owners of those companies, many Russian citizens viewed them (and still do) as thieves who had stolen the wealth of the state, by paying a fraction of the companies’ value. Further, many Russians whom I interviewed formally and

⁹¹ Apparatchik is a term used to describe people who were members of the Communist party or apparatus. In general this term is a negative description of a person in political power.

informally thought it was their hard work, economic sacrifice, and low standard of living that allowed these state-run companies to become such rich assets. According to my Russian informants the theft was not just from the state, but of their hard work as well.

Laws and the enforcement of them are fundamental factors in market economies. Laws are a guideline for expected behaviors in economic exchanges. Laws are important in market economies because they minimize reliance on self-regulation among a large field of trading partners. In addition, laws, and the enforcement of them, allow transactions to take place without previous knowledge of business partners and therefore they minimize risks associated with unknown entities. A market economy cannot function properly without the peaceful enforcement of contracts, and laws are predictable constraints within a society because they regulate behavior by creating a division between what is acceptable and not acceptable.

However, laws are usable and not neutral as actors create, enforce, and engage in the legal system. Further, laws construct a written codex of legal and illegal, but in actuality, this dichotomy is problematic because it ignores daily practices that circumvent law, but are legal. Margit Cohn (2001) argues that the concept of “fuzzy legality” better serves to understand how laws and practices really work⁹². “A system theory, “fuzzy-set” theory points at sets and realities comprising components and concepts that are not neatly divided by sharp dichotomic lines” (Cohn 2001:473). Further, there are behaviors that are legal, but negate the law, there are noncompliance tactics that are not necessarily illegal, there are strategies that do not cooperate

⁹² “Fuzzy legality” is also found in Russian political governance, for a fuller discussion see Gel’man 2012, where he explains the dominance of subversive institutions (rules, norms and practices), which inhibit the rule of law and create gray areas in political governance . There are similar informal political practices in other developing countries. For example, in China NGOs use a variety of informal practices; such as negotiation, evasion, feigned compliance; in order to build relationships and influence local government officials while simultaneously maintaining social stability (Cheng, Ngok, and Zhuang 2010).

with the law, enforcement of the law is rarely used and, finally, law can be used as a threat that allows informality to continue (Cohn 2001).

In Russia, laws are often vague, contradictory, and selectively enforced (Volkov 1999). Fuzzy legality, therefore, best describes the legal situation in Russia where laws can be manipulated to one's advantage, especially to the advantage of those in power. Most Russians do not regard the law as something to follow or as something that constrains them. Russians use law to their own benefit, it is a stratifying force, and the higher their position the more likely a Russian person will manipulate the law, or just outright break it, for their own benefit and power⁹³.

First of all legal schemes seemed to be legal, but sometimes I should provide for them illegal contracts. Businessmen like to increase their expenses, to write some contracts that you organized something...that the one firm organized such different services that wasn't actually organized, that wasn't provided. Consulting services you can't check if it has actually been done (laughs). But, you write it, they pay under this firm, but this firm is a black firm, which doesn't pay money, it was registered under some bum's name who can't be found. The firm then has the real power and they can take money from the account of this firm, and having this money, they don't pay. It is a very primitive scheme, but it is very widespread. Everyone in the tax office knows that it is a real, everyday practice. [Russian business lawyer]

Moreover, the circumvention of the law can allow for the appearance of legality making informal behavior even more prevalent. As one Russian lawyer explained:

⁹³This phenomenon is not unique to Russia. Many government officials in the United States also believe they are above the law. Former Detroit Mayor Kwame Kilpatrick was indicted by federal prosecutors on 38 felony charges, including operating a criminal enterprise out of the mayor's office. A jury found Kilpatrick guilty on 24 criminal counts including bribery, extortion, racketeering, wire fraud, mail fraud, and giving kickbacks to friends. In an interview with four of the jurors they stated that they did not accept the defense's argument that there is a "culture of corruption in Detroit politics" (FOX 2 New, September 5, 2013).

Many smaller enterprises in the United States also engage in 'cash only' work. There are many occupations in the United States where workers receive their salaries in cash to avoid paying income tax. In addition, there are some financial schemes which encourage the payment of cash. For example, some cement contractors quote two different prices for the same work order in order to limit observable income. The contractor's quote for a cement job is US\$800 if paid with a traceable check or US\$600 if paid in cash. The incentive for the customer is that he/she saves US\$200. The incentive for the cement contractor is that he/she hides the total income from the tax authorities.

A lawyer friend of mine was offered to defend a very important client in court. He told me he actually had three lawyers, him, the second lawyer who was connected to giving bribes to the court and the third one who had connections with the court, not to give bribes, but to organize the successful decision by relations, acquaintances. He is a very good lawyer, but that is less important. But, his task was to be there and to write, to give the view of legality.

It is very difficult to avoid the informal practices that shape Russian society, even for foreigners. Foreigners in Russia need to register⁹⁴ their passports with Russian Immigration. This is an inherited practice left over from the Soviet Union. The registration process includes having an official stamp on a document which states the address where you are living and the name(s) of the people who own the apartment. There are several designated places which can provide this service; e.g. hotels, universities⁹⁵ and places of employment; and if you are affiliated with these places they can provide visa registration. However, tourists who travel to Russia and rent apartments have to obtain their own visa registration. There are agencies which provide this service for a fee⁹⁶. These agencies have set up informal agreements with local residents to use their name and address for the visa registration. The foreigner is then registered to an address which they are not living at.

Russian businesses are increasingly using the law (Hendley 2010, Frye, Yakolev and Yasin 2009), but will still find situations where they will circumvent it, finding alternative non-violent sources to settle disputes. “Data from 2007 indicate that 53 percent of non-investor firms expected that could resolve a dispute with another firm without turning to the courts, while 79 percent of investors believed that they could do so” (Frye, Yakolev and Yasin 2009:51). Further, in a survey conducted by Frye (2009) gave the Russian arbitration high marks in performance.

⁹⁴ Article #42-FZ. For more information on this process and the changes which have occurred since 2011, see the web page www.waytorussia.net/RussianVisa/Registration.html

⁹⁵ During my field research European University provided my VISA registration. In 2004, when I took Russian language classes at St. Petersburg University, the university provided my VISA registration.

⁹⁶ I had used one of these agencies in 2007 when I lived in St. Petersburg on a Business VISA and rented an apartment. The cost of the registering a Business visa was US\$100 and took two days to process.

Research conducted by Kathryn Hendley also supports Frye's findings. Hendley found that "enterprises would resort to the court to collect debts" (Hendley 2010:634) and that, although many Russians are skeptical of the outcome of the court cases and are opposed to using the courts, many Russians still abide by laws in some fashion (Hendley 2010). Although Russian companies and Russian citizens are having an increase reliance on the law and legal institutions there are still differences. Many foreign directors, whom I interviewed, stated that their experience with Russian companies (and with their Russian employees) found that Russians were less litigious than their Western counterparts to use the courts and to abide by legality.

Foreign businesses, with staffs of lawyers, an abundance of wealth, and the political power of their host country, can also be manipulated. However, foreign firms usually use laws as a power tool and leveling mechanism to control corrupt Russian government officials⁹⁷.

I use their laws to my advantage. They [organs of the state] don't like it when they are challenged, but I told the Governor of the Leningrad Oblast that if he didn't get in to my theft issues at the plant that I was going to take the [Russian] police to court. [American Director of an American Car Manufacturing Company]

Russian laws and legality are a very complex phenomenon. Laws are official because they are a set of rules that are enforced through the state organs, particularly courts. Laws are personalized because they are selectively enforced by government officials, including the fire inspectors. Several informants said that the laws are good, but it is the enforcement that is bad. Russian laws are ambiguous and contradictory, therefore, the term illegal is a misnomer. According to the juridical rules, a business is always breaking the law even if following it. Elena, a director of a small educational firm explained:

You see the laws are opposite of each other. For example, even in the educational area. Every school has to have a license. But, there is another law that explains

⁹⁷ This phenomenon will be discussed at greater length in the chapter on "Foreign Firms".

that licensing can be given only to a school that teaches children or a special kind of higher education. So for a language school to exist there is no kind of license. No one will give us a license because it doesn't exist. But, we have to have a license (laughs) according to the law, but we can't because this license doesn't exist.

Since laws are ambiguous and contradictory, those in business have to maneuver constantly through this complexity with hybrid behaviors, including white and black accounting (Yurchak 2002), alternative enforcement methods, and creative schemes. One of these alternative law enforcement methods include the use of FSB agents who moonlight in protection services. However, Russian attitudes towards the laws must be understood in order to address the role of laws in business practices. The next section will address this issue.

4.4 Russian's 'Ambivalent' Attitude to Law:

“If you want to understand how Russians think, you need to understand a Russian anecdote”, one Russian informant told me. “How do you get an American to do something? You offer him money. How do you get a French man to do something? You offer him sex. How do you get a Russian to do something? You tell him not to do it.”

This anecdote, although playing on stereotypes of other nationalities, does encapsulate how Russians see cultural behaviors and ideas in those societies. But we also see how they see themselves, not constrained by law, but resisting it. It is not surprising that legal studies in contemporary Russian society find that many Russians avoid the courts and other legal enforcement agencies, preferring alternative methods⁹⁸.

Business people always find solutions. How do we struggle with this legislation? How do we find another way? If you are not allowed to go like that [makes a straight line with her hand] they find a way around it and for **that** Russians are very creative. [Russian businesswoman of a small company]

⁹⁸ This was the conclusion of several scholars at the seminar “Formal and Informal Institutions in the Process of the Transition of Judicial Power” which was organized by the institute for the Rule of Law at European University on November 1, 2010.

They find solutions. They find a partner if they are quite open with their partners they find solutions together. No problem to find solutions. Those who are already here they are quite successful, they always find solutions as one of our Finish guest speaker said, ‘in Finland everything works, but nothing can be arranged. In Russia nothing works but everything can be arranged. [Russian Director of a small firm]

The corrupt and inefficient court system was the main reason that Russians avoid the courts and find alternative enforcement methods in the 1990s⁹⁹. But, there is another reason for the avoidance of the courts, and it is related to social embeddedness of personal relationships (Granovetter 1985). Sociologist Mark Granovetter argues that “behavior and institutions are constrained by ongoing social relations and that to construe them as independent is a grievous misunderstanding” (Granovetter 1985:482). In other words, social relations and organizational structures are intertwined in building trustworthy economic transactions. On the one hand, in Russia, personal and business relationship--relying on friends, personal networks, trustworthy past business clients—are used as one method to securing business deals; they are used to avoid the possibility of *completely* relying on institutional legal structures to provide for needed things and to avoid problems. On the other hand, when one business partner betrays trust in a business deal, the social institutions of courts are used to provide another level of protection and enforcement of the law. Further, as one informant told me, engaging in business transactions with long-term partners, where trust has been established, helps to reinforce the possibility that legal contracts will be abided by both parties.

The Russian system and society as a whole is less litigious than in the States. In the States people will sue you for anything. There is no such thing as an accident anymore. Somebody is always suing somebody for something stupid more often than not. Russians...I think they rely less on the state to settle their differences. Sometimes they can do a very interesting job about how they go to solve it

⁹⁹ Many Russians are using dash-cam videos in their cars as evidence in car accidents. The dash cam video shows the car accident and protects the driver from both lying drivers and collision scams. Further, it helps to prevent bribe taking from corrupt police officers (NBC Nightly News, February 19, 2013).

themselves without relying on the state. I've seen neighbors discuss about all kinds of things. Sometimes I have seen small fender benders and people just pay cash if it is in a parking lot or something. [American Director of a small Russian firm]

The alternative enforcement method used in the 1990s was the 'roof' [mafia-like structure]. Although in the capital cities of St. Petersburg and Moscow the roof is more underground and used to settle disputes in full-fledge illegal business such as prostitution and drug-dealing, in smaller cities throughout Russia 'roofs' are still used.

I know this guy from Siberia and he lives in Kaliningrad. I don't want to tell you his name, but he is managing the Siberian mafia and he...is like...I don't know the word '*smotriashchii*¹⁰⁰'. '*Smotriashchii*' is sort of...the one who watches. He is the one who watches and he is sort of the representative of the Siberian mafia in Kaliningrad. He solves all of the problems and people come to him and he says, "okay, look you just tell us who is right and who is wrong and we will decide. He gets money for solving issues. [Russian owner of a small business]

Several Russian informants did use the official legal system to settle disputes but with less than favorable results. Anatoly, the owner of a small business, described his experience with the courts.

It is like the Wild West here. It depends on who you know, if you can give the bribe to the judge. There was a raider¹⁰¹ attack [on his business]. We bought 80% of the company and then we were raided and we had invested 10 million Euros in the company. We were completely screwed by the locals [government]. There are courts, the case is still going on. The court case is corrupt. It is always [the judge] 'you are correct but there is a list of reasons not to side in our favor'. If it was in the West and we would show the evidence and I would come to court with my new director of the firm, they [the courts] would replace him [takeover director].

Another informant, Mikhail, used the official legal system to settle a private property dispute. The case involved the loss of private property, a room in a communal apartment.

¹⁰⁰ "*Smotrashii*" (смотрящий) is a person in the prison structure who takes care of the finances, law, and order between the convicts. He is considered one of the most trusted people in prison circles.

¹⁰¹ "*Raider*" is another term to describe a hostile enterprise takeover. Hostile enterprise takeovers, or raider, is the acquisition of a company by another firm by fighting, through shareholders or manipulation of the court system, to gain ownership of a company.

Communal apartments (*kommynalka*) were started in the Stalin era in order to provide living quarters for the influx of people who moved to cities from small villages and farms. This was a radical new idea, and private space would become a hybrid of public and private (Gerasimova 2002). These buildings were previously the dwellings of aristocrats and had a lot of living space. Boris Pasternak's 1957 novel *Dr. Zhivago* described these changes¹⁰² to a foreign audience. When Dr. Zhivago, who was raised in an aristocratic family, returns home after serving as a doctor for the Red Army in the Civil War, he finds his house full of people. The house supervisor scolded him, "there was a living space for thirteen families in this one house". Zhivago responded with socialist rhetoric, "You're right. This is a better arrangement, more just"¹⁰³. Strangers, of different social classes, social groups, and working arenas would live together in one apartment and share the telephone, kitchen, bathroom, and corridors. Each family could call their bedroom their own private space. Although the Soviet system has ended, the communal apartment is still present.

Mikhail, my informant, had lost his room in a communal flat through an apartment scam. He had borrowed money from a man named Oleg, in exchange for usage of the apartment. There were legal documents drawn up that stated once Mikhail paid back the money owed to Oleg, the apartment would be returned to the original owner. He did pay Oleg all outstanding debts but Oleg did not return the apartment, claiming that it was now his. Mikhail decided to sue. Over the course of two years, Mikhail went back and forth from court with no results. One time the court investigator stated that they could not find Oleg, so they could not proceed with the court case.

¹⁰² *Dr. Zhivago* was published in the USSR in 1988.

¹⁰³ This line is from the 1965 film adaptation of Boris Pasternak's book. The actual line from the book is "Father and I thought and thought and we decided to give up part of the ground floor to the Agricultural Academy" (Pasternak 1991: 169).

They cannot find him! My lawyer gave the prosecutor Oleg's full name, address and cell phone number. How can they not find him? It is obvious that Oleg paid the court investigator. [Mikhail]

During the two years of court dealings to return the apartment to Mikhail, he spent approximately US\$40,000 on lawyers and court fees. This was equivalent to the actual real estate value of the room. Mikhail stopped the court proceedings, deciding that it was a dead end and that the money he spent on lawyers could have bought him another room and saved him a lot of time and aggravation. He spoke of his regret in using the courts:

When I had to use the courts an acquaintance of mine [Slava] told me not to use them, to use the guy he used instead. Slava knew a guy who worked in the FSB and handled legal cases informally. Slava used the agent and got his money back. I decided to use the courts and got nothing. It was so obvious that the judge, prosecutor and investigator were bribed. [Mikhail]

If you could do it all over again would you use the courts? [My question]

NO! I would use the FSB agent. Things get done that way. [Mikhail's answer]

Vitalii, another informant and the owner of a very small company explained his preference of using FSB agents.

In Russia you have three choices to solve a problem. First, you can use the courts and get no results. Second, you can call a 'roof' [mafia-like structure], mostly Georgians who will help you but they want a lot of money. Plus, with the Georgians you always have to look over your shoulder. The last thing you can do is call an FSB agent who works on the side. He will get you your money and solve your problem.

This phenomenon of FSB agents working in other capacities seemingly to protect the interests of people is not just found in the judiciary. Many former KGB agents and current FSB agents have connections that provide "insurance of protection" from unexpected raids by the tax police (Yurchak 1999). The reason is simple the FSB is an important organ of the state and has valuable resources. Among the most important and valuable resources they have are very high connections in all areas of government authority. Similar to telephone rights, a process where

highly placed officials make a phone call to solve problems, FSB officers can help a business or citizen to solve a problem. In certain situations, Russian entrepreneurs have found ways to circumvent the law in order to achieve positive results to a problem.

4.5 Russian Entrepreneurs: Realism in Advance Planning

Russian Fatalism and Advance Planning

Many informants explained throughout the course of their interviews that aside from corruption and legal ambiguity, that there were other behaviors which Russian workers and entrepreneurs engaged in which hindered full market reforms. Foreign informants described their Russian counterparts as having ‘fatalism’¹⁰⁴, that is, a belief that Russians cannot change their fate. This fatalism has negative consequences on market reforms, and prevents workers from engaging in behaviors that are considered important for economic success in the market economy, namely advance planning and meeting deadlines.

They [Russians] don’t believe they can control their environment to any sort of great degree. If there’s a world global crisis, what can we do about it? It’s beyond our control. So in engaging my staff, key franchises in the development of the strategic plan, five years ahead, which is as far as we were looking....they just couldn’t get their heads around it because the Russians tend to plan for today, next week, next month. Six months is a long way out. A year is almost too far to comprehend. So in trying to coax the ideas and thoughts out of people, beyond a year, these guys thought that I was crazy. You couldn’t plan for this. You couldn’t. It was just a foreign concept to think beyond a year. [Foreign President of a Fast Food Chain]

As any social behavior, ‘fatalism’ is rooted in historical processes¹⁰⁵, social experience, and the existing economic system. The translation of the term to ‘fatalism’ is too simplistic to

¹⁰⁴ This is a term used by foreign businessmen to describe Russians. Russians do not describe their behavior with this term.

¹⁰⁵ Fatalism is not just rooted in the experiences with the Soviet state. It also has a cultural heritage in peasant folklore and religious bases. American novelist and philosopher David Foster Wallace (2010) argue against the

describe these behaviors, or how they see themselves. Russians' views of advance planning and ideas of time are intricately related to their political environment. Almost each decade of Soviet and post-Soviet rule created different ideas about time and future planning. In English, a better word to describe this behavior is realism. Russians have a unique experience with their government. Russians are acutely aware of their collective history and the structural limitations of their government and society. This realism needs to be understood in the cultural context of both Russian and Soviet histories, as well as in relation to advanced market economies.

In the Soviet Union, as stated, planning was done by the central planning committee and by supervisors. The central planning committee gave supervisors the quotas, and supervisors obtained the needed raw materials to make these goods. Workers had very little input into the daily operations of production except to fulfill a task. Under Stalin's regime (1927-1953), the Soviet Union was in the process of building socialism, vital components of which included new economic policies, reforms on education and housing, and infrastructure building (particularly bridges, buildings, roads, and subways).

However, also under Stalin's rule, the country became repressive and a culture of fear emerged on a grand scale. From 1936 to 1939, the Purges, commonly known as the Great Terror, were a defining feature of the repressiveness of the Soviet socialist state. During the Great Purges, many Soviet citizens were accused of being enemies of the people (Fitzpatrick 1999, Freeze 1997, Riasanovsky 1984) and were arrested by the political police (NKVD). Being labeled an enemy of the people meant that a person had engaged in espionage, terrorism, and was counter-revolutionary (Freeze 2004). The majority of people who were arrested did not commit any of these crimes. In fact, the majority of those arrested were either from the middle class or

concept of fatalism (determinism) as a human characteristic, instead arguing that people have free will. For a fuller discussion, see Foster Wallace (2010).

the intelligentsia, or they were accused of being enemies of the state by people who had a personal vendetta against them. For example, accusing a neighbor of such crimes in order to gain their apartment or other personal property was probably more likely than espionage or terrorism (Fitzpatrick 1999). People could be arrested at any time and without warning, usually in the middle of the night by police in black vans, commonly known as Black Marias. As Russian poet, Anna Akhmatova described in her poem *Requiem*:

The stars of death stood above us and innocent Russian writhes under bloody boots and under the tires of the Black Marias (Hemschemeyer 2000:135).

During the Purges, the phrase “he was taken” became a common colloquialism to describe a person who had been arrested (Volkov 1995). Orders were issued to arrest a certain percentage of the entire population. Despite the opening of the Russian archives, the total number of people taken by the political police is debated by historians; Robert Conquest puts the figure around 17 million, while historian Michael Ellma argues that it is around 1.2 million¹⁰⁶. Pulitzer Prize winner Anne Applebaum (2003) argues that approximately 17 million Soviet citizens passed through the camps, but only approximately 3 million prisoners were killed¹⁰⁷. The police had three possible choices to punish the “enemies of the people”, imprisonment, execution, or deportation to a concentration labor camp, commonly known as the Gulag.

The Gulag was a vast network of labor camps (Applebaum 2003, Solzhenitsyn 1973), with the majority of its camps located in Siberia. The Gulags did perform a function in that they

¹⁰⁶ http://en.wikipedia.org/wiki/Great_Purge

¹⁰⁷ Applebaum (2003) states that death and imprisonment statistics are not completely accurate. She argues that the archival record does not reflect true numbers of imprisonments. The reasons are because there was a high turnover rate in the camps, prisoner transfers in the system, prisoners who joined the Red Army to fight in the war, or had been promoted to administrative positions. Further, the archival information does not indicate how many prisoners died in transport or during interrogation, escapees, the number of amnesties for the old, ill, or pregnant, non-Russians who were deported, nor those who died years later due to injuries and health problems which were a result of forced labor.

helped to build the infrastructure of the Soviet Union. Prisoners were forced to build roads and dams, and to cut down timber needed for construction projects. Politically speaking, “the great purges assured Stalin’s complete control of the Party, the government, and the country” (Riasanovsky 1984: 505). Socially, Soviet citizens learned not to plan their future because no one knew if and when they would be arrested. The fate of Soviet citizens rested in the hands of the government and the political police, thus fatalism was realism.

After Stalin’s death, in 1953, the Soviet Union’s new leader Nikita Khrushchev (1953-1964) tried to heal the country from the past terrors. Khrushchev’s “speech to a closed session of the Twentieth Party Congress in February 1956. denounced his predecessor, Stalin, as a cruel, irrational, and bloodthirsty tyrant, who had destroyed many innocent with the guilty in his great purge of the Party” (Riasanovsky 1984:540). Khrushchev implemented de-Stalinization and many people were released from prison and from the Gulag. They would become ‘rehabilitated’ and join the new Soviet society. “Kitchen culture” would assert itself, as people would whisper stories of the government’s abuses to trusted friends.

Khrushchev was very open to the production of consumer goods and the construction of new public housing. Neither the consumer goods nor the new public housing constructions were of high quality. In fact, the five-story buildings that were built during Khrushchev’s reign were nicknamed “*khrushoba*” derived from the word “*tryshoba*”, which means ghetto in Russian. This generation, commonly known as the Thaw Generation, was influenced by Soviet-style consumerism, Russian bard music, Western rock music, and Western jazz. For many Soviet citizens, life was becoming more predictable and people started to plan their futures. This planning was limited, since consumer goods were in short supply and waiting lists to purchase an apartment were long. For workers, deadlines were meaningless since production quotas were set

too high to fulfill and falsified bookkeeping practices hid the actual production numbers. There was no accountability in production. A deadline was something for managers to fulfill and to falsify on a piece of paper.

After years of internal political struggle and poor foreign policy decisions, including the events of the Cuban Missile Crisis, Khrushchev was ousted from the Communist Party. In 1964, Leonid Brezhnev, a hard line communist, would become Party Secretary of the Soviet Union. Brezhnev's policies took a hard line in the performing arts controlling music, dance, and literature. Under Brezhnev's 18-year rule (1964-1982), the Soviet dissident show-trials took place. During these trials, famous Russian authors such as Joseph Brodsky, Andrei Siniavskii, and Yulii Daniel, were sent to labor prison camps or were deported. For some Soviet citizens, this was reminiscent of the Stalin era. Brezhnev's reign is often called "stagnation", referring mostly to the Soviet economic policies. Socially, 'stagnation' ("застой")¹⁰⁸ was also found in their private lives and the planning that people engaged in during Khrushchev's reign was continued. However, planning for the future in the Brezhnev era was different from planning for the future in market economies.

Film director, Eldar Ryazanov's film, "Garage" (*Гараж* 1980) satirically displayed "decision making" in the Era of Stagnation. The film's plot centers around a group of workers at a research institute who meet to discuss and vote on building a garage on a piece of land. "The film uses squalid wrangling over the allocation of parking rights at the fictional "Research Institute for the Protection of Animals against the Environment" as a fairly transparent allegory for the moral degradation of Soviet society" (Faraday 2000:99). The decision to build the garage has already been made by the central planning authority. However, the workers at the institute

¹⁰⁸ The Brezhnev era is called the Era of Stagnation by many historians and Soviet scholars. This era was marked by mundane social practices, such as queuing for rationed food, *blat*' networks of exchanged for consumer goods, and limited entertainment.

still must meet to discuss the issue and to vote on it. After all the members meet and discuss the issues and all of the workers unanimously voted for the garage project by raising their hands. This reflects something similar to Yurchak's argument of the hegemony of form in decision making, discussed previously. Since Soviet citizens could not make real decisions and had no choice but to vote unanimously for decisions made by their superiors, they had little occasion to plan collectively for the future.

Social life during the period of stagnation was very mundane¹⁰⁹. During this period, Soviet citizens made choices but the choices were limited due to social, economic, and political constraints. First, there was no political choice as the Communist Party was the only party. Economically, choices were limited even though jobs were guaranteed. Occupational choices were so limited that this was one of the reasons that the Russian bureaucracy was so large (Ryavec 2003). A market economy creates a variety of specialized fields such as marketing, advertising, banking, real estate, development, consulting, and a variety of small moneymaking entrepreneurs. The Soviet Union had a limited number of occupations since many of these were considered the evils of capitalist economies and 'bourgeois' in nature. These include businesses such as restaurants, hair salons, clothing stores, and travel agencies. Most of the occupational choices were in the sciences, medicine, and education. Even the arts (including music, painting, and dance) and sports had a limited number of people allowed. These occupations were usually determined at an early age, by government officials, at which point a student entered job specific institutes, such as music schools, dance academies, and sports institutes. The choices that Soviet citizens made were limited to life cycle choices, whom to

¹⁰⁹ Recent scholarship on late socialism portrays a different picture than of a mundane life. For a fuller discussion of late socialism, see Pilkington 1994, Bushnell 1990, and Yurchak 2006.

marry or how many children to have, and not the detailed choices and advance planning for people in a market economy. As one informant explained:

We did plan in the Soviet Union especially in the 1970s and early 1980s. We planned to go to university. After we graduated we planned to find a job. Then after finding a job, we would wait about a year and get married. Then we lived with our parents [housing shortages] and waited to get our own apartment, usually about five years. In the meantime we planned to have a family and started it. Yes, we planned our future. Things were stable. Everything started to change during perestroika, but it really changed in the 1990s. Life became so unstable, so unpredictable, we couldn't plan because we had no idea what would come next. We are still like that. We have no idea what can happen tomorrow. [Aleksei, Russian researcher]

Aleksei's comment about planning needs further explanation. The life-planning cycle was very predictable in the Soviet system. Soviet citizens had choices but they were limited in comparison to their Western counterparts. Unlike their Western counterparts long-term planning in the Soviet Union did not involve choosing health care providers or places of employment which offer certain medical coverage. Soviet citizens did not have to create a financial portfolio in order to plan for their retirement. In the 1990s any type of "life-cycle" planning disappeared as Russians planned their lives for the short-term¹¹⁰. Some Russians even chose a profession¹¹¹ which they viewed as stable.

Being a lawyer you can be sure you will have enough sum of money to live. I wanted to be sure that my profession would give me stability.
[Russian business lawyer]

In comparison to life in the socialist economy many Russians view their lives as too unpredictable and unstable to plan for the long-term future.

¹¹⁰ The view of 'instability' might also be intricately related to 'black cash'. It is easier to cheat an employee out of wages if the wages are undocumented.

¹¹¹ In comparison to American graduate students in America Russian graduate students do very little advance planning during their PhD coursework. Russian friends who attended European University, St. Petersburg University, and Inzhekon University were surprised to learn that students in American universities plan for each year of the seven-year PhD program.

Soviet author Natalya Baranskaia wrote about the daily life of working women in the Soviet era during Brezhnev's reign in her novella "*A Week Like Any Other*" (1974). The title of the novella captures the essence of the story, the daily monotonous life of work, family, and trying to find needed consumer goods; each week was similar to the previous week. Baranskaia writes in the style of an autobiographical narrative infused with critical realism. "*A Week Like Any Other*" gives a glimpse into the problems that affected average Soviet citizens (including queuing for goods, overflowing public transportation, and limited housing), as well as problems that affected women in particular (including abortion and the triple-burden). Ol'ga, the main character, is a researcher at a research institute and is married with two children. The story traces Ol'ga for one week, where each day was the same as the previous, except for the excitement of planning a new haircut. The story reveals that there was no need for advance planning.

During late socialism life started to change from monotony to unpredictable and, at times, even exciting. In the 1980s, *perestroika* would cause social upheavals because the Soviet Union started to experience food shortages. Gorbachev's half-free, half-planned economy failed and store shelves were completely empty, even of basic staple foods such as bread and sugar. At the same time, there were positive social changes, such as more people being allowed to travel across Soviet borders, and more foreign music and movies were available and no longer illegal to consume or own.

In 1991, when the Soviet Union collapsed, the country was in chaos. The government was unstable and almost bankrupt. Many jobs that had been supported by the government, especially in education and in the sciences, disappeared. Many people lost their jobs and their life savings when the Soviet ruble was converted to the Russian ruble. People struggled to find food to feed themselves and their families. In fact, Russians would lose their savings a total of

three times during the 1990s; no amount of planning could have prevented this from happening to private citizens. The turbulent 1990s left no room for advance planning, since most Russians were planning to find their next meal. Most relied on their cottages to provide vegetables for meals. My first trip to Russia, in 1999, provides a good example. My host fed her family and me tomatoes from her garden at breakfast, lunch, and dinner, because that is what was available. The words ‘now’ and the ‘future’ had become synonymous. As one informant explained:

Russians lost all of their savings as least three times. At least three times. They worked their whole life and they get a very small pension and they lost all of their savings. They lost all of their property because they did not own anything. There was no ownership in Soviet times. That is why people adapt and are used to loss. [Russian businesswoman of a small firm]

I spent a couple of hours in my teaching duties and in my chair duties; then I jumped into a taxi and I went around my students. I returned home with a bag full of worthless money (laughs). [Russian Director of a Large Firm]

The 1990s can best be defined as bandit capitalism that was further marred with social and economic instability. As Vadim Volkov (2002) argues, when the state is weak other forces take over to provide order. Mafia-like structures, commonly known as ‘*roofs*’, would provide post-Soviet Russia with an alternative enforcement to contracts and dispute settlement. Although these structures provided order in the absence of the state, enforcement of contracts by the government was more stable and less violent. As several Russian informants described:

It was a really difficult time especially with all those bandits, all of those criminals. Of course change destroys many things. It was not easy and the economy was very weak at that time. The legislation was very poor. There was nothing to say about legislation and that is why the mafia compensated for the lack of legislation and lack of rules. They [mafia] tried to establish rules, at least some rules for making business. It was their mission, they said, ‘We secure your business.’ [Russian businesswoman of a small company]

It was a total disaster. It was gangster. It was a gangster world. No order, chaos. [Russian Director of Foreign Tobacco Firm]

If some people or some companies wanted to create roofs for you, it was dangerous. Once I gave my business card with an international company with my name and financial director. After a week I was pursued. I was blackmailed. I was threatened and had to go to the KGB with a lot of money to get rid of them. It is funny, but I was really afraid. I was assaulted by two bandits. I don't know how I managed to survive. It was a terrible experience. [Russian Director of a Large Firm]

Russian society and the economy were transformed again in the 2000s. This historical period in Russia can best be described as state capitalism. The Russian government has become centralized and very strong. They were able to push bandits away from mainstream business sectors and most went underground controlling illegal ventures such as prostitution and drug dealing. The Russian government has taken over many large enterprises (including gas, oil, and natural resources), and has implemented many laws to control small- and medium-sized businesses.

The 2000s saw considerable changes in Russian society as well. Shortages that plagued the Soviet Union and Russia in the 1990s have disappeared. Many retail stores and specialty stores have opened, in addition to many new shopping malls. In 2011, two large shopping centers, Stockmann Center opened in the center of St. Petersburg, with only five minutes walking distance between them. Many people are buying clothing, cosmetics, and other goods in these stores. The service sector has also grown considerably as more and more restaurants, cafes, bars, hair salons, fitness centers, and nightclubs have opened. Russia is now in what is commonly called post, post-Soviet Russia.

The monotony of choices which defined the Brezhnev era no longer exists. Monotony has been replaced with wide range in choices in every feasible type of consumer goods. Personal taste, individual-style, and dress as a form of expression (Warwick and Cavallaro1998) have been a result of the new consumer culture with its emphasis on clothing and cosmetics. However,

despite these changes in consumer patterns, Russians are still wary of advance planning. Although Russia is economically and socially more stable than in the 1990s many Russians still view the current system as too unpredictable to plan for the future.

It is impossible to have a long-term strategy in Russia. [Russian Director of a Medium-Sized Company]

Many Russians view the Putin era government as corrupt and oppressive. Many Russian entrepreneurs view the government as a threat. In fact, when I first approached BIR about my research plans BIR's director said to me, "You know your research is very dangerous". There is also fear of open discourse against the government and its abuses:

My official salary from the state is only 5000 rubles [approximately US\$175]. The additional 10,000 rubles are 'extras' that they give me, but they can take it away. I have a lot to lose if I speak openly and complain about the government corruption in medicine¹¹². [Russian physician]

The political situation has created more doubt of a stable future, since today's Russia has many characteristics similar to that of the Stalin era Soviet Union, including returning to a one-party system (Gel'man 2012). The government has used its power to arrest members of opposing political parties, claiming that they are terrorists or revolutionaries. In 2011, several members of the Yabloko Party were arrested for trying to disseminate propaganda against the government. In 2008, the Russian government used organs of the state, the fire inspector, to close down European University at St. Petersburg for two months. The real reason for the shutdown was to prevent one of the professors from publishing his research on possible fraud in the Russian elections.

¹¹² There is a relationship between political stability and economic stability. Most Russians accept political restrictions if it comes at a time of political stability. This is not a uniquely Russian characteristic as many Americans view their politicians and political situation through their economic stability.

The government is also using similar tactics to control the fine arts. In 2012, the Russian government arrested an all-female Russian rock group, Pussy Riot, for hooliganism. Pussy Riot's songs and concerts were viewed as anti-Kremlin¹¹³. Some of their songs were critical of Vladimir Putin. Two members of the group were sentenced to two years in prison. Music is not the only industry that has seen strong governmental controls as other fields in the fine arts are being affected by government control. It is not surprising that some famous Russian actors and directors, including Nikita Mikhalkov and Yevgenii Mironov, have sided with the government to secure their own artistic future¹¹⁴.

The President of [author has chosen to omit the profession] has been ousted by government officials. He fled the country. There is a lot of cloak and dagger stuff going on and people are afraid; a lot of secret meetings in some hidden place in the city. People are watching to make sure they are not being followed, turning off cell phone, not bringing cell phones to meetings etc. The government wants power in this area. They are going to set new rules [for the program]. Who knows what is going to happen? [Russian artist]

This does not mean that Russians are incapable of planning. It is that they do not see the need. Historically, advance planning has led to personal financial failure, the loss of money and property. Further, some Russians are capable of advance planning if they have financial resources and the ability to move their resources. Marina, a small business owner, has started a small company in Eastern Europe and is also purchasing property abroad.

I have bought a house in Bulgaria and I am planning to buy another for my parents. Bulgaria would be a great place to move when the government

¹¹³ In 1976 several members of Soviet rock group Plastic People, who performed in Czechoslovakia, were arrested and sent to prison for hooliganism (Shore 2013). Many Soviet intellectuals living in Prague, including first president of post-communist Czechoslovakia Vaclav Havel, protested their imprisonment. It was this incident which inspired Havel to create the dissident movement Charter 77, which would later have an important effect in ending communism in Czechoslovakia and catapulted Havel to the position of president (Shore 2013).

¹¹⁴ I am not implying that Vladimir Putin, or members of his administration, forced them side with the government. Rather, I am arguing that Mikhalkov and Mironov understand that being openly critical against the Putin administration can have negative consequences for their careers.

completely takes over things here. In Bulgaria the cost of living is cheap and they speak Russian. I have American citizenship so I can flee when things get really bad especially the direction the government is heading. I applied for my parents to get Bulgarian citizenship so they can flee as well.

Look at the news. In Kirgizia a revolution has already started and in Minsk, Belorussia also. Things are changing this kind of...explosion. People are simply tired...when they are cheated, when they have no possibilities. [Russian owner of a small art company]

It is not the purpose of this dissertation to assess whether a revolution or reversion back to Soviet times is likely. What is important is that people believe that it can happen and this fear has an effect on Russian behavior, especially in the area of advance planning. Socially, economically, and politically the governmental controls that have been implemented in the 2000s have similarities to the social, economic, and political behavior of the government in the Stalin and Brezhnev eras. Several informants described the logic behind the Russian resistance to advance planning:

I think one of the biggest differences between Americans, Europeans, and Russians is that we have expectations of our government and Russians don't. We like to think that in the West that we are superior because we have these expectations but we need to take a closer look. Are we deluding ourselves with these expectations? Russians they are not deluded. [American Director of medium sized Russian Firm]

Russians engage in realism because they understand the structural limitations of their political system; it is not surprising that many Russians are monarchists and want to bring back the Romanov dynasty. As one informant said, "we can *never* have a democracy in Russia, it is not possible". Russian history, including the failed democratic movements in the Yeltsin era, have shaped Russians' world outlook. Even those who are optimistic about the future of their country are aware of the political structural problems. Tatiana and Vladimir, an entrepreneur and business lawyer respectively, in the course of their interviews both quoted a famous expression

by former Russian Prime Minister Viktor Chernomyrdin¹¹⁵. The expression sums up Russians' understanding of their country's history and its political and social movements, "We want better, but things happen as always."

Russians' resistance to advance planning is understandable given the political undercurrents in Russia. Foreign firms operating in Russia find that this lack of advance planning makes it harder for Russian workers to develop long-term strategic plans.

It was just a foreign concept to think beyond next year. [Russian workers] say 'We don't know what is going to happen next year, so let's not plan for it. If it happens, it happens. If it doesn't happen, it doesn't happen. [Foreign President of an American Fast Food Chain]

The consequence for foreign firms operating in Russia is that they have to train their Russian employees to learn how to make long-term plans. This endeavor is time consuming and costs the company money. Russian 'realism' the limited scope of advance planning is counter to the market economy found in West. Many foreign directors stated that it took six months of training to 'teach' their Russian employees how to work within a Western capitalist system. Foreign firms are trying to erase "Russian realism" with long-term planning training.

4.6 Russian Entrepreneurs: Circumventing the Rules and the Role of Trust

"Laws exist in order to break them" Russian businesswoman of a medium sized company

"Everyone just lives and works as he can and he pays no attention to laws. It is not a big deal to break a law if no one will notice (laughs)" Russian director of a small company

During this two-year ethnographic study, such statements were echoed by others in business. Why do they view laws as something breakable? Why is the circumvention of legal practices so prevalent? What role does the law play in Russian business? In order to answer these

¹¹⁵ Chernomyrdin (1938-2012) was Russian Prime Minister from 1992-1998.

questions, it is necessary to understand the difference between the rule of law in full-fledged capitalist countries and the rule of law in Russia. In addition, Russian cultural practices of circumventing rules need to be addressed to understand why Russians engage in behaviors that avoid the official system.

In the ideal-type market economy the law, with its judiciary practices and legal codex, provides security in economic exchange. In full-fledged market economies, the buyer and seller use teams of lawyers to draft a contract that states the responsibilities of both parties. The contract provides protection for both the buyer and the seller. The contract protects the interests of the buyer by securing the transfer of bought goods. The contract protects the interests of the seller by securing the payment of these purchased goods. If a dispute occurs because one of the parties violates the terms of the contract, then the dispute can be taken to court. The judiciary system reinforces the law and, therefore, the terms of the contract. In these more advanced market economies, legal precedence gives further weight to the courts' rulings over contract disputes.

In Russia, the rule of law and the role of courts do not always serve the best interest of the public¹¹⁶. Many of my informants believe that court system in Russia is subject to bribery, personal connections, and favors, including telephone rights¹¹⁷, and try to avoid the courts or circumvent the law when possible. Russian sociologist Vadim Radaev argues that, in the 1990s and early 2000s, "that 24% of Russian entrepreneurs would address the Arbitration Court when dealing with the dispute settlement. A majority of businessmen (54%) would try to negotiate and persuade their partners by the informal means. Thus, a major part of entrepreneurs prefer[ed] *informal way of dispute settlement*" (Radaev 2003:8). However, the use of the Russian arbitration

¹¹⁶ This phenomenon is not unique to Russia. There are similar problems with the court system in the United States.

¹¹⁷ For a fuller discussion on 'telephone rights' see Chapter Two.

court is increasing. “Many people in Russia, including businesses, view the courts positively and confidently believe that they have improved significantly. Internationally, however, the opinion is different. Many international non-governmental organizations, businesses and observers feel that the courts have become less independent and are still corrupt” (Neilson 2010:21). There are an increasing number of cases are being litigated before the Russian Arbitration Court. In 2009, the number of cases litigated was 1,563,315; in 2010, the number of cases litigated was 1,208,737; in 2011, the number of cases litigated was 1,249,069; in 2012, the number of cases litigated was 1,456,128; and, in 2013, the number of cases litigated was 1,371,279¹¹⁸. There has been a steady increase in court cases between the years of 2009 and 2013, with a slight drop in 2010 and 2013 respectively.

However, despite the statistical increase in cases before the Russian Arbitration Court, data obtained from my research indicate that Russians and foreigners believe the Russian legal system serves the interests of those who can provide the highest bribe to the judge, prosecutor, and investigators as well as serving the interest of those who give bribes. Therefore, in Russian business people do not always rely on the courts or on the law to enforce a business transaction. Instead, they sometimes rely on alternative enforcement methods and system avoidance. Those alternative enforcement methods have already been described.

I argue that Russian entrepreneurs’ ambivalence towards the law is a reflection more of their dislike of the abusive power by Russian government officials who use the law for their own economic advantage. Several Russian lawyers have stated how the laws themselves are very good, even when there are contradictions between laws. It is the enforcement by legal actors who try to use these contradictory laws against entrepreneurs which reinforces Russian entrepreneurs to disengage from legality and to circumvent the laws when possible.

¹¹⁸ The statistics are from www.arbitr.ru/eng

Russians engage in system avoidance or use other methods to prevent future problems in business; it is a type of advance planning. Russian entrepreneurs try to circumvent problems in business by using both personal networks and the exchanging of favors; this is similar to *blat*' exchanges which were practiced in the Soviet Union. They secure their businesses through the people they hire and with whom they conduct business. Foreign informants claimed that Russian entrepreneurs do not hire staff based on related skills or education although headhunting firms, such as *jobs.ru*, do indeed advertise for employees with specific skills for specific jobs. However, in comparison with *jobs.com*, the American equivalent headhunting company, the skill list is much longer and more detailed than the Russian headhunting company¹¹⁹. Typically, Russian firms hire their employees through personal connections and networks. The reason is very pragmatic. They can trust these employees to do their work and to keep secret any possible wrongdoing. This phenomenon is not unique to Russia. Sociologist Mark Granovetter, in his analysis of trust in economic transactions in modern societies, argues that social embeddedness in the economic transaction creates more "predictability and cheaper, more trustworthy economic relations" (Granovetter 1985:490). Further, the hierarchical structure in the workplace; such as employees needing personal references for employment in other companies and tenure and promotions; result in employees giving trust and loyalty to their employer¹²⁰.

¹¹⁹ A view of jobs listed on *jobs.ru* typically asks for five job skills, limited work experience (usually one year), and rarely lists education level. By contrast, most jobs listed on the American headhunting company *jobs.com* asks for longer work experience (3 years and higher), s stated education level, and typically ten job skills (if not more), including computer skills, communication skills, and presentation skills.

¹²⁰ It should be noted that trust also creates the possibility of treason, as many employees have inside knowledge and can turn on their employers (Granovetter 1985).

Of the twenty-one subjects interviewed for this dissertation, only two were hired because they fit a job description. The rest were hired and promoted through personal networks, this does save a company costs and does not necessarily mean they are hiring low-skilled people¹²¹.

I got this job by meeting a friend of mine and we just started it. It's not that I found it, basically it found me. [Russian owner of a small firm]

When I first got here another thing that I introduced was structure to employee performance levels, which was linked to bonuses and annual salary increases, which is objective goals and targets that are predetermined. Whereas the Russians they have their own bonuses which are subjective-- who is friend with whom. Promotions and perks were often distributed on the basis of personal relationships and exchanges of favors, rather than on capability. [President of an American Fast Food Chain]

The second means used to avoid problems and to secure a transaction, is to work with people who are within a personal network or through an exchange of favors. In business, they understand that these partners have a higher degree of trust and are less likely to give them problems. Therefore, many business deals are done without a contract. If contacts are not done in their circle of friends, Russian entrepreneurs engage in friendship behaviors to make them part of an inner circle.

It is very important to know the person that you are working with. For example, they have to drink a lot of vodka with you. It's very important, so if you want to make good business you have to meet people. Go to the restaurant with them, make good friends, to drink, to have fun, and then you will have business. [Russian director of a small company]

However, there is a risk if one party in the exchange does not value the friendship. In such cases, the lack of a contract can lead to problems when a partner decides to cheat.

¹²¹ My personal experience working in several Russian companies found three different set of Russian workers who were hired in this manner. The first, were those who had the needed skill set; the second group did not have the needed skill sets, but were quick learners and were successful at their job description; and, the third group did not have the needed skill sets and never acquired them during my tenure of occupation.

All business is kept on the word. I mean, they say they purchase from me and I will say that I supply them [goods] and it is okay. There are no contracts. They [businessman] say 'it's on word and we have a very good relationship. They don't want to cheat because we are friend'. It is difficult for a lawyer to explain the risks they really have. Only after they have been defrauded one or two times, being cheated by their partners do they then understand". [Russian business lawyer]

All Russians are trustful. It comes very fast. It is why it is quite easy to cheat people [here]. [Russian director of a medium-sized company]

As the above passage indicates, there is still a great risk conducting business in Russia because of the reliance on trust rather than on a business contract. However, for most, trust is safer than using the legal system or relying on organs of the state to reinforce a contract.

Trust is very important. There are many companies in Russia which are created by families. People with whom they are involved in this company are their relatives or nearest and dearest. Other businesses are created by close friends, people they knew since school or institute. [Accountant of a small Russian company]

Russians always have good relations because relations really matter in Russia, friendly relations. You should know each other and trust. Trust is key in relations, trust is key. [Russian Director of a medium sized company]

Trust is very important in terms of people want to know who they are doing business with because of weak societal institutions, less trust in institutions and more trust in the personal. [Foreign Trade Diplomat]

Trust is used as a replacement for weak institutional structures and blatant corruption in the legal establishment. Trust and personal networks provide a type of protection against fraudulent behavior. Although trust, like a contract, is not a foolproof method against fraud, it helps to minimize risk. When someone does behave in a fraudulent manner, then alternative methods are used to correct the situation.

Trust is much more important than the police, court, legislation, state and everything because all those systems mentioned by me are not clear and transparent and they don't work. Any problems I go to people [alternative enforcers]. When you have a problem you go to these agencies. You cannot go to

the police. You need to find a person who supports you here. At least this is more effective. [Russian Director of a medium-sized company]

The lack of trust in institutions is understandable given the fact that the Russian court system is corrupt. The police, fire inspectors, and other government officials are viewed as corrupt, open to bribes, and as actively using their government positions to extort bribes from entrepreneurs. It is one of the reasons that many entrepreneurs refer to the Russian government and organs of the state as ‘government mafia’. However, despite complaints about the extortive practices of Russian government officials, many Russians, including people not employed in the business sphere, engage in bribery as a daily practice.

4.7 Hegemonic Practice of Bribery and Resistance

In 2008, the Russian Federation passed federal legislation against corruption. This legislation has three interconnected federal laws which prohibit different forms of corruption including bribery. The government has even posted advertisements warning people against giving and taking bribes. A billboard advertisement was strategically placed on the corner of Voznesenskii Prospekt and Sadovaya Street. Voznesenskii Prospekt is one of the main roads leading to the Marinskii Palace, which houses the St. Petersburg Legislative Assembly. The billboard depicts an extended black hand holding four pieces of paper with the word “bribe” written on the top piece of paper (see figure 1). A red hand, coming from above, is holding the black hand. The symbolism is very clear¹²², the red hand represents the government and the black represents a person who is either giver or taker, in the bribery transaction. The billboard asks viewers if they give or accept bribes. The law is clear that the giving and taking of bribes is

¹²² The author has also noticed a similarity in style and color to the 1919 lithograph by Lazar Markovich Lissitzky’s “Red Wedges the Whites” Soviet poster depicting the Bolsheviks defeating the White Army in the Russian Civil War.

a criminal offense. People who engage in bribery can be prosecuted. A conviction for bribery can result in up to eight years in prison. But enforcement is similar to the enforcement of other laws; it is selective.



Figure 1. “Do you give bribes?” Criminal Code of the Russian Federation, Statute 291, Part 2
If convicted you will be sentenced up to 8 years in prison.

Laws in Russia are often ambiguous and contradictory (Volkov 2002, Yurchak 2002, Ledeneva 2008). Even worse, they are selectively enforced and this selective enforcement is one method that government officials use to obtain bribes. Since laws are contradictory, this allows

for government officials to cite a company for a violation on a whim. An easy way for this citation to disappear is to give a bribe to the official.

Sometimes the law is...you have to go to the left point, but at the other end of the law you have rules that are the opposite. So you are in between. Let's say there is a zone and you don't know which way to go. It seems the laws are made for the creation of conflicts and the government can give you penalties. That means there is always a possibility to catch you. [Foreign Director of a Foreign Firm]

But every business, small or big, has something from the state in the line of the law from the side of the state. It's the main risk in Russia, The main risk is the state and everyone understands it. If someone from the state, the tax office,...all of them understand the situation here in Russia. All the people understand everyone attempts to hide his income or had problems in his business. Everyone had problems in his business. The state understands this and they use it if they need something from a business. We have a good example with Khodorkovsky. It's the....mechanism how to manage business and the state knows it. [Russian business lawyer]

Bribery can also be used to speed up the bureaucratic process.

You are not supposed to build something until you have a building permit. Russians by-pass this and they start and end construction before obtaining a permit. They pay an official and there is an element of corruption. [Russian business lawyer]

Bribery as a Hegemonic and Daily Practice

Despite the selective enforcement of laws and the extortive methods used by government officials, Russians have been willing to give bribes even when it is not necessary to do so. Russians are creative in circumventing the law and using short cuts to obtain their desired results. These two practices, the selective enforcement of the law and Russians' behavior of circumventing the law, are intricately linked. Bribery is a part of a broadly known, understood repertoire of tactics of getting through everyday life in Russia, and many people engage in this practice. It is both a hegemonic and daily practice. It is a hegemonic practice in that it reaffirms

the power of government officials, because people give bribes out of fear of reprisals from government officials, to open commercial opportunities for business, to facilitate economic transactions, as an inducement to secure positive solutions to a problem, to speed up the bureaucratic process, to settle problems, and as an effective means of securing needed documents and services, and, at times, as a symbol of satisfaction for services received from an official or other person (Grodland, Koshechkina, and Miller 1998, Humphrey 2002c, Humphrey and Snead 2004, Cassileth, Vlassnov and Chapman 1995). Bribery is also a daily practice in that many people give bribes even when there is no fear of reprisals from government officials. One of the most common reasons for the use of bribery is given simply to cut through bureaucratic red tape and to save time. Failure to pay bribes can result in lost time. As one informant explained:

I failed my driving test three times. Not because I did not know how to drive, but because the police officer wanted a bribe to give me my license. It was only on my third try that I got my license because the cop was honest. [Russian friend Vera]

If Vera had paid the bribe at her first road test, she would have obtained her driver's license. Instead, she refused to give in to "that kind of corruption". When Vera failed her second road test, she still refused. "I thought that I would never get my license but I knew that I earned that license. Why should some cop get extra money out of me?" On her third attempt she passed the test and described her driver's license as "honest and a result of hard work". It is not surprising that many people avoid driving school and acquire a driver's license by paying bribes. Some driving schools even have 'payments to officials' calculated in to their tuition costs. One informant, Anna, registered for driving classes and explained that she picked the wrong driving school. She explained that there are three types of driving schools, which are all official and

accredited. The first type of school is where you register for class, pay the tuition, take the test, pass, and obtain the driver's license. There are no hidden bribery fees. In the second type of school, you pay for the classes but there are internal 'fees' that pay the police officers to pass you at the driver's test, but you still have to show competency or you will not obtain a license. In the third type, you pay for the class and their fees, but you still have to pay more when you take the driver's road test and, if you fail, you can still obtain your license. When Anna started her driver's education she was unaware of the hidden rules associated with the different types of driving schools. She had unwittingly 'picked' the second type of school with the 'hidden fees'. These examples illustrate the complexity of bribery. Bribery is a hegemonic practice in that it reminds everyone of a government official's power. Bribery is also a daily practice. Many Russians engage in bribery as a quick solution to a problem and, most likely, the major reason for Russians to engage in bribery.

Bribery is also used to avoid further contact with the government.

I don't know how people live in the United States. In Russia when I was pulled over for speeding I gave the cop a few extra bucks and I was on my way. But, in America I had to pay a larger fine or waste a day in court to fight it. Here in Russia, things are much easier. [Russian businesswoman who lived briefly in the United States]

Bribery can serve several functions. Bribes are offered to gain admission to a university or to obtain a degree. At universities, it is a daily practice that allows students to avoid studying¹²³.

It's a huge problem. It is everywhere starting with my university. My university [Inzhekon University] is not as corrupted as other ones, but you definitely have

¹²³ Another method which female students use to avoid studying is to build a romantic relationship with their male professors. One of my girlfriends, who attended St. Petersburg University, was told by her landlady not to study for her exam, but instead to dress provocatively and flirt with the male professor so she can pass her exam.

bought your grades and you did have to buy to pass your exams. To enter you definitely had to pay money. [Russian administrator for a small company]

The circumvention of explicit rules is common. Although it is not illegal, in that it does not break any legal code, it does illustrate that Russians are more accepting of breaking rules even if they feel morally offended by these practices. Many daily practices of rule breaking have been applied in business as well.

I was working for a company and they set me up in an expensive hotel. The hotel had extra rooms and the manager and I made arrangements. He would book me in a cheaper room, but he would tell the company that I was staying in the more expensive room and even create the documents showing this. We agreed to split the different and each of us got something like \$1000 each. [Russian owner of a small company]

We provided them [Mormons] with Visas. They wanted to come to Russia but the Russian government was afraid they would convert people to their religion [Mormonism]. The government denied them their Visas. We gave them their Visas with the exchange that they [Mormons] would have to take Russian language classes two times a week and the rest of the time they could do whatever they wanted to do. Even convert people (laughs). [Russian owner of a small company]

As one foreign business lawyer described it, “Russians have a pragmatic view and they ignore restrictions.” Many Russian companies use different tactics to avoid paying bribes. The most common tactic is system avoidance.

As long as you don’t become too noticeable on the market...uh like the police, like firemen they start getting interested in you and would like a few bribes. The police will say the security is not right. [Russian owner of a small business]

Keeping a low profile so you don’t become a target for the powers to come and make life difficult for you or to try to solicit bribes. We don’t go around splashing our name and saying how great we are. We do not say that we are the biggest chain of fast food in the world. [President of a Foreign Fast Food Chain]

We made it possible not to see the police or other officials.” When asked how, he answered, “By not sticking our necks out too much. [Russian owner of a small company]

This does not imply that all Russians engage in bribery. There are many Russians who are strongly against bribery. These individuals have found other methods to avoid giving bribes such as building strong relationships with officials who belong to certain government boards. These entrepreneurs use avoidance technique as well as using the courts (even if means losing), paying fines, etc.

We can avoid bribery [in the obtainment of documents] by learning to wait for things. We don't need to take short-cuts. We can wait in line. [Russian Analyst]

Russians who are against corruption have also found creative methods to avoid paying bribes to the police. They use what I have terms 'linguistic deference'. On one occasion I witnessed this method firsthand. I usually spent my Sunday afternoons with my Russian girlfriend Suzanna, visiting one of the many St. Petersburg's tourist attractions, while simultaneously practicing my Russian language skills. One Sunday we decided to visit Volkovskoye Memorial Cemetery (also known as Liteartorski Mostki Cemetery). The cemetery is located near the center of the city, but in a creepy area, isolated from people, but surrounded by factories¹²⁴. This cemetery was built in honor of scientists, artists, and academics. I was most interested in visiting the grave of Dmitrii Mendeleev¹²⁵. Like most Russian cemeteries it was open to the public, a place where Russians (and tourists) could pay homage to their heroes.

On this particular trip her boyfriend Aleksander, an amateur photographer with a newly purchased Nikon digital 35mm camera, decided to join us. We approached the cemetery and started to go around. We avoided the graves which were flooded by recent rains and focused on the mossy, dry grave of Mendeleev and in search for the grave of Soviet ballerina Alla Shelest. I

¹²⁴ A Russian real estate agent wanted me to rent an apartment in the area. I fired her after seeing the area which she was expecting me to live.

¹²⁵ Russian chemist who lived from 1834-1907. Mendeleev created the Periodic Table of the Elements.

was taking photographs of Mendeleev's grave when I heard a menacing bark. I looked up and saw a German Sheppard charging toward us. I reached for my pepper spray when I heard a voice yell out a command and the dog stopped barking and retreated. The voice came from a Russian police officer who aggressively approached us. The cop was more menacing than the dog. He asked us what we were doing in the cemetery. He told us the cemetery was closed and not opened for visitors. I stood in silence while Aleksander apologized and explained, "I'm sorry, but I wanted to take a picture of Mendeleev's grave for my grandmother. She wanted to come here, but she is unable to walk to the cemetery because she is too old". The police officer changed his tone and told us that no harm was done, but that we had to leave. We left the cemetery and were able to observe the cop approaching other visitors at the cemetery.

When we were on the sidewalk surrounding the cemetery, Suzanna started to laugh. "Did you hear Aleksander's excuse? The cop could not ask for a bribe thinking we were there for Aleksander's grandmother". In the Soviet Union, and in Russia, it is not uncommon for grandparents to raise their grandchildren. In general Russians have a close and warm relationship with their grandparents, and these relationships continue well into adulthood. Aleksander used a creative method of 'linguistic deference' to avoid paying the bribe. Aleksander showcased himself as a devoted grandson who respected his grandmother. The police officer, most likely a devoted grandson himself, could not demand a bribe from a respecting grandson. Aleksander smiled at his creative method to avoid paying a bribe, but was angry. Aleksander complained that the cemetery is opened for visitors and that we should not have had to leave under such a threat.

Many Russians view bribery as immoral. Some Russians fantasized about how they would deal with corrupt government officials who use extortion methods to obtain bribes:

We should kill all the government officials. Just kill all of them. [Russian Director of a Marketing Firm]

Kill the Oligarch” that is what I would call my television series on Russian business. We should just kill them [officials]. [Russian Owner of a Small Business]

Several Russian informants expressed what can best be described as elation when they learned how foreign firms are able to completely avoid pressure from the government and are able to operate exclusively in the ‘white’. After telling her the story of Dieter, a German Director¹²⁶, who avoided paying a fine to the police she replied:

Good! Excellent! It is so nice to hear that they [the police] cannot get away with that [extortion].

As stated previously the selective enforcement of the law is used by government officials to facilitate bribes and to further their personal power. Although bribery is one method used to avoid further problems with the state apparatus it is not the only method. Many Russians view this extortive practice as a morally offensive practice. The selective enforcement of the law is used by government officials to facilitate bribery and to further their personal power. Bribery is one method that Russian entrepreneurs use to avoid further problems with the state apparatus. It is not the only method as many Russian entrepreneurs use avoidance to escape extortive officials. Bribery is a daily practice that Russians engage in as a method to save time and effort. There are other methods which Russian entrepreneurs engage in which can be classified as bribery, this includes custom schemes in black accounting.

4.8 Russian Entrepreneurs: Custom Schemes in Black Accounting

¹²⁶ See Chapter 5.

Black and white schemes are used in both accounting practices and in customs. In accounting practices, black accounting is used for two purposes. First, it is used to hide wages so that both the employer and employee can save money. Although the personal income tax is a flat rate of 13%, an employer has to pay an additional 34% for social taxes. This is roughly 50% of the employee's salary. Employees agree to black accounting of their wages because a greater share of their income is hidden from the tax authorities. The second reason for black accounting is that the employer has to pay VAT tax on imported goods and profit tax. All informants agreed that if a company did everything in the white, there would be no profits. A third reason for black accounting is to generally hide any profits made. This money is either transferred out of the country, for example to the Cayman Islands, or it is re-invested in the Russian economy. As one informant said:

They have a cash economy, a lot of hoarding of cash, black cash that has never been taxed, buying apartment and construction in oil towns such as Tuman, Nizhniy and Sugort. The money there is a changing point from rubles to dollars all the time. Black cash is commonly used to buy things, it is no longer cash. The best thing to buy is an apartment, a small one room apartment. People also buy jewelry which cannot be detected. [Russian business lawyer]

In addition to black and white accounting, Russian businesses also practice black and white customs. Customs in Russia is very complicated and has a complex bureaucracy. In addition, there are many documents needed to import or export products, excessive rules and regulations, a high rate tax on imported goods, and corrupt customs officials who expect bribes and who steal products. Some enterprises resort to black customs and avoid the official customs because of the bureaucracy and long waits to receive their goods. Customs has developed a gray area in which businesses operate because they have learned to circumvent the rules even when

using official customs. As one informant who operates in the white described his experience with Russian customs:

To custom clear these three buttons it took me five days of work. I had to fill out three or four pieces of paper. It's time. Actually, when DHL called and said I needed to do this. I said, 'send them back'. They answered, 'it's too much work, please send us those papers'. So, I was like 'okay'. It is three buttons! [Russian owner of a small company]

You need a certificate to import these suits, which are pure wool and that means that you have to have these suits examined. So you have to provide the suits to the laboratory and they give the 'yeah' and they make tests. It takes about one month. Then they give you permission to go to another institution and get that permission and it will cost you like 100 rubles or 200 rubles or....you can call the companies [black customs companies] that deal with this and they will say, 'we will provide you the certificate tomorrow for 500 Euros'. Customs is just killing me. They want extra money, but as long as you do customs clearance through the 'white companies' and you do not bribe customs it will take forever. White companies bring in the goods which reduces the price of the suit. And paying less and paying customs less, but still within the frames of the law. [Russian owner of a small company]

Gray customs is also used to lower the import tax.

Dieter, German Director of a foreign firm, described one type of gray customs scheme. Dieter explained that there are small holding companies which operate in countries outside of Russia. These holding companies declare the imported goods as a different product. When these goods are imported into Russia they are quoted a lower custom fee based on the 'false' description provided on the import documents. This false description lowers the import tax. At times the import tax can be as low as 5% or even 0%.

The law says 'here is a suit' and then the minimum price that you can custom clearance is let's say, 50 Euros. But, then you buy a suit and this suit costs like 1000 Euros. And then they say 'okay why would we custom clearance it at 1000 Euros if we can custom clearance at 50 Euros or 100 Euros?', which would even be 50 Euros more than what the law says. And then it is like everything is within

the law, as long as the law does not know that you paid 1000 Euros. [Russian owner of a small company]

The lowering of the import tax has a snowball effect. The import tax is lower which costs the retailer less money. This savings gets passed on to the customer. Companies which use white imports have to pass on the cost of the import tax to the consumer. In other words, local companies which use gray customs are viewed by foreign entrepreneurs as having a competitive advantage. Black customs also gives a company another competitive advantage because black customs provides a quicker method to import goods since it eliminates the waiting time.

However, similar to other forms of bribery, bribing customs official through consulting companies, which share a covert fee with the customs official, is more expensive and it eliminates bureaucratic procedure and time. But, there is a down side to using ‘black’ customs. First, the items imported are more susceptible to theft because business owners cannot report the theft to the proper authorities. As one informant explained:

We lost another container that cost 100,000 Euros because they worked in the shadow economy. The container was seized by the police at the border and they were not responsible because it was shadow. [Russian Director of a Medium Sized Company]

Another reason to avoid black customs is to avoid the government authorities when an enterprise starts to grow and make more money. Any past black practices can be used against a business owner. As one informant said:

What I am trying to build here is a system and I don’t want to start opening 50 stores and managing them myself. I will die within one month, but I want to make a perfect showroom in St. Petersburg and in Moscow and then franchise them. To franchise you need a system and to get a system you can’t get a system in black. [Russian owner of a small business]

Lower import tax, lower consumer prices, and the quicker import of goods give an enterprise a competitive advantage. In turn this competitive advantage allows enterprises to maximize profits. Despite the competitive advantage of using black and gray customs, enterprises which use them subject themselves to extortionist behaviors from Russian government officials. Since Russian government officials are aware of this semi-legal practice, an enterprise is not completely 'free' from extortion, including demands for bribes. Enterprises which operate in the white might lack a competitive edge and have lower profit margins, but they are free from being extorted by Russian government officials.

4.9 Conclusion

Private companies in Russia emerged in the late 1980s as a plan to save the failing economy of the Soviet Union. In 1991, after the fall of the Soviet Union, full market reforms were implemented by Westerners who wanted to make Russia look like their Western counterparts. Instead, what emerged was Russian capitalism, with a Soviet heritage of informal practices. In the 1990s, the government was weak and the legal framework for a market economy was not fully developed. Russian enterprises relied on their own networks and their own enforcement methods to conduct business. In the 2000s, the Russian government became centralized and new rules were put in place for businesses to operate through more government control. However, the informal practices which shaped the Soviet Union and Russia in the 1990s were transformed under these new rules, and many current enterprises still operate in gray areas between the legal and illegal practices. These gray areas between the legal and the illegal include dispute settlement, system avoidance, the reliance on personal networks instead of contracts, bribery, black accounting, and black customs. Further, foreign firms view their Russian

counterparts as having 'fatalism' which prevents them from engaging in necessary market-oriented behaviors, such as advance planning and meeting deadlines.

CHAPTER 5 “FOREIGN FIRMS: THE BIFURCATION OF BUSINESS”

5.1 Introduction

After the demise of the Soviet system many foreign companies, including multi-national corporations, started enterprises in Russia¹²⁷. The “rules of the game” (Paneyakh 2008) for foreign Western¹²⁸ enterprises are similar to the local firms; these firms are targets for bribery and extortion methods by Russian government officials who use the organs of the state and selective enforcement of the existing laws to obtain bribes. Further, foreign and local firms have to deal with similar problems: over-reaching government regulations, a complicated bureaucracy, contradictory laws, problems with the existing infrastructure (housing, transportation, and education), the burdensome tax codes, and complex customs regulations.

Despite these similarities there are experiential differences between foreign and local firms. First, the majority of foreign firms have economic resources, including a vast amount of wealth, to deal more effectively with bureaucratic problems and are able to avoid being extorted by Russian government officials. These legal teams use the existing laws and legal system to fight against corrupt practices by both individual government officials and organs of the state. In fact, the legal system in most cases works efficiently for foreign firms. Second, foreign firms utilize their international status, their international political connections, and the political resources of their native country to help solve business problems. It is not uncommon for

¹²⁷ This chapter focuses on Western firms operating in Russia during the Vladimir Putin and Dmitry Medvedev administration, roughly 2000-2011.

¹²⁸ This chapter focuses on Western foreign companies from Europe and North America. There were several Asian companies who were members of BIR, who stated at business events that they experienced similar problems as Western firms. Further, several of my Asian friends also stated that their fathers, who worked in large firms, also experienced similar problems of over-regulation, bribery and corruption. I did not make research connections with Asian entrepreneurs until the end of my research study which prevented me from securing official university permission to interview those individuals with a Korean and Chinese interpreters.

international companies to voice their business complaints to their politicians and royal family members back home. These foreign politicians and members of royal families use their international political power as leverage to force Russian government officials to solve problems in the favor of the foreign firms. In other words foreign firms and local firms are subject to similar problems but they each have different resources at their disposal for dealing with these problems and threats. Lastly, foreign firms have to abide by international trading laws or they will be subject to prosecution in their own country. For instance American directors in Russia are subject to the Foreign Corrupt Practices Act and the associated FTC regulations and if found guilty of engaging in illegal practices these American directors will lose their jobs, face criminal prosecution, and the firms themselves will be fined.

Local firms do not have the same resources which foreign firms have in dealing with Russian bureaucrats. The majority of local firms typically find methods to avoid paying taxes or they find methods to remove their wealth out of the country. The courts and legal system in the majority of cases do not work effectively for local firms and therefore these local firms use alternative enforcement methods to solve problems. Lastly, although bribery and corruption are historically embedded practices in Russia the use of governmental force is also a historically embedded practice and this selective enforcement of the law makes business ventures in Russia very risky for the Russian entrepreneur. Local firms are also more likely to be victims of enterprise takeovers. "Enterprise takeover is a forced change of ownership and management practiced by influential business groups in relation to large- or medium-sized enterprises" (Volkov 2002:1). In the 1990s, many local businessmen faced criminal prosecution for engaging in corruption but with imprisonment in a Russian penal colony which lacks any form of human rights protection.

Local and foreign firms each view themselves as lacking a competitive edge in business in Russia. Local firms claim that foreign firms have an advantage since a foreign firm is able to use their country's political and economic power to persuade Russian government officials to act fairly. Further, foreign firms, especially Multi-National Corporations, are not targets in enterprise takeovers. Despite the assertions by local firms that foreign firms have an unequal advantage, many foreign firms view Russian entrepreneurs as having an unfair advantage in business. Foreign firms claim that Russian entrepreneurs do not have to follow the same rules that they have to follow. Directors of foreign enterprises claim that they are under FTC regulations which regulate their companies' activities with more scrutiny. The lack of FTC regulations allows local Russian firms to engage in semi-legal business practices such as black cash, black customs, bribery, inside dealings, and off-shore outsourcing of undeclared income. According to foreign directors these semi-legal practices give local firms a competitive advantage. In other words, the business world in Russia bifurcates with foreign firms and local firms competing against each other while following different "rules of the game". These two different business experiences give both local and foreign firms different advantages and disadvantages simultaneously.

5.2 Foreign Firms

Globalization and Multi-National Corporations in post-Soviet Russia, Putin era

Foreign firms started to operate in the Soviet Union during late perestroika¹²⁹. These foreign firms continued to operate in Russia after the fall of the Soviet Union. The focus of this chapter is on large Western foreign firms and Western Multi-National Corporations. Although there are some small foreign companies, such as restaurants and bars, operating in Russia this

¹²⁹ Pepsi opened in 1988, Baskin-Robbins opened in 1988, McDonalds and Pizza Hut opened in 1990. All of these firms first opened in Moscow.

chapter does not focus on them. “Globalization is inextricably linked to the current workings of capital on a global basis; in this regard it extends the earlier logics of empire, trade, and political domination in many parts of the world” (Appadurai 2001:4). There is a lot written on the political and economic interdependency of the world economy (Knox and Agnew 1994, Wolf 1997, Wallerstein 1991 and 2011, Peet 1991) and the continual expansion of markets and the redeployment of capital by large corporations (Knox and Agnew 1994) especially from core areas to peripheral areas. Immanuel Wallerstein argues that the world economy and trade relationships coincided with the rise of state power in Western Europe during colonialism. During colonialism the dominant Western countries expanded their political boundaries and exploited raw labor power and resources from colonized areas. Wallerstein refers to the strong political states as ‘core areas’ which are able to dominate the weaker states which he termed ‘periphery areas’. This world system of economics created differences in political power and capital and thus this economic system created unequal distribution of power and wealth between political states¹³⁰. These political states cannot exclusively control capitalist expansion but are able to dominate weaker political states. “The market is not free since the market is affected by political adjustments and cultural slowness and preferences” (Wallerstein 2011:129).

Although Wallerstein’s theory focused on colonized states his theory can be applied to business in Russia especially in how Multi-National Corporations and large foreign companies operate in Russia. The core states, Europe and America, are able to dominate the weaker state, Russia, in business. Foreign businesses operating in Russia use the political and economic power of their respective countries to solve problems and to force the Russian business system to work within Western standards of business practices. This has created a different type of tension

¹³⁰ It should be noted that “these diffusion chains are no longer structured solely by geography (as Wallerstein’s core/periphery scheme implied) but instead are articulated (and separated) by mutually reinforcing social, linguistic, industrial, and economic distinctions” (Batteau 2009:11).

between foreign businessmen and Russian government officials. The power relations between Russian government officials and foreign businessmen have been, in many cases, inverted with many foreign businessmen using their host country's political and economic power as a method to force Russian government officials to play "fair". When there are problems many of these foreign companies use the law, the courts and their vast wealth to prevent Russian government officials from using coercive measures against them. In some cases foreign courts are used to ensure a fair ruling to avoid such corrupt practices as bribery and the selective enforcement of the laws. As one informant told me:

First, we don't think there is such a thing as an enforceable contract in Russia. There is no real legal system. It's why our documentation has a provision for arbitration in Stockholm, where 'a' you will get an objective hearing. We believe here [in Russia] that the court outcome will be determined by who gets to the judge first. So, I don't think the law and sort plays much of a role other than when it is manipulated and used against you. We are under no illusions should we be required to seek recourse in the courts. [President of an American Fast Food Chain]

Here there are so many interpretations of the law. As a result it is people who are deciding. The law is a reference but people are deciding how to use them. [Foreign Director of a Large Foreign Firm]

Bribes, that kind of thing. (pause) Well, I have seen this. We had the authorities come in to our office, the system is not complicated. St. Petersburg has thirteen tax districts and each one has a list of companies and each one has a budget. Each tax inspector knows how much he has to raise it so they go out and try to raise it, yeah. So, we have had tax inspectors come in here and kind of tell us what the number is, before they even start the tax check. These clients pay us a large amount of money to do everything properly uh we tell them...we don't give in to this and we say, 'no way'. It's a decision that the client has to take for a long term relationship with the authorities. But, we don't give in to that kind of pressure. [Foreign Director of an Accounting Firm]

Despite the fact that some foreign enterprises use foreign courts to solve legal disputes the majority of foreign firms in Russia use the Russian court system. There are several reasons for their success. First, there is a cultural factor. Many foreign businessmen had past experiences

with the legal system and viewed the courts as the main method to solve countries disputes¹³¹. In addition, many foreign businessmen actively learn the Russian laws and work closely with company lawyers to solve problems. As one informant told me:

I was in court. I was fined [by the fire inspector]. I got ...the sort of prescription...I have done a bit of homework about the court cases. The fire inspector cannot shut you down, they threaten but the legal proceedings would take years to shut me down. The fines were minimal a couple thousand rubles, I think it cost us 10,000 rubles in court fees. We had it worked down to 80 violations [from 362 violations] and they wanted to see me and I wouldn't meet with them. I found myself back in court three months later, got another fine. They came back three months later. I think we were down to 40 at that time. They wanted to meet with me [fire inspector wanted a bribe]. I sent my lawyer and he paid the fine. They said that this could all 'go away 'if he would do that'. My lawyer said 'it is never going to happen' [the bribe] and they never came back since. I prepared a ...file for court that I was going to charge them and what's happened is that they have taken the civil defense out. They are removing that from the fire audit and I have not been audited since. [American Director of an American Auto Company]

In one case a foreign businessman learned the Russian laws and used it to his advantage to control his business and those operating with him:

I have no issue with litigation. I take my union to court for any violations they do. I hired a new lawyer six months after I got here and he is very proactive. He doesn't look at the laws as they are written on paper. He does interpretation for the benefit of the company. I will challenge anything. I have no issue *not* to challenge. [American Director of an American Auto Company]

Second, Western countries have a longer history of capitalist exchange and the law is the main method to prevent misdealing. In fully advanced capitalist countries the contract is used to secure a business deal and this contract is enforced through laws and upheld in the courts. Foreign firms in Russia just as in their own countries believe that it is necessary to have a legal department with skilled lawyers to both avoid problems and to solve problems. Therefore foreign

¹³¹ Marc Galanter (1981) argues that the American court system is not always utilized to solve disputes; instead many disputes are resolved through negotiations between parties, avoidance, abandonment, bargaining, or are settled without authoritative disposition by the courts.

firms invest huge sums of money in to their legal department and view the company lawyers as important assets in their firms. In addition, these foreign companies have great wealth and can challenge the laws and pay fines to avoid paying bribes directly to a Russian government official.

We are very strong financially. We don't have a problem to pay for services of lawyers. We work according to the law. We have to pay a lot of money to lawyers, consultants, to everybody and they have big spending for it always. [Russian Director of a Foreign Marketing Firm]

Foreign businessmen are willing to pay fines if there is something wrong. They are not prepared to give bribes. They observe the laws. They have money and can afford it. They have a legal department to comply with the law. They are rich. I am not sure that a small Russian company has a trained legal force and so much money to live according to the law. I am afraid they are more prepared to give bribes. [Russian Director of a Foreign Tobacco Company]

My accountant who had just returned from maternity leave looked kind of grumpy and I asked her what was wrong and she showed me this letter she got from the tax authorities. She had tried to deduct the cost of the birth of her daughter from her personal income tax and the Russian tax law states that medical expenses for medical procedures are deductible. The position of the tax authorities was that this was a normal birth with no complications, therefore not a medical procedure, and therefore, not deductible. We challenged this, of course, and we won, just like every other woman who has challenged this had won. And we looked at the case log and this was challenged many times and every time the tax authorities lost, but they keep bringing these suits because they know that 99% of the women will cave and it is only the women who have some resources behind them who are strong enough to fight will fight, but you got a baby at home and that takes up an awful lot of time. [American Director of an accounting firm]

Foreign businesses do face these problems, too. The other thing, is that they have more abilities to tackle with these problems, they have more assets, more investments to get through it, to have good advisors, to have, for example, good financial ground for the business, and they actually...foreign business... is better grounded. That is why they always have the assets to tackle with problems here. [Russian Business Lawyer]

In addition to using the courts, Multi-National Companies in Russia use the political power of their native country to help resolve problems¹³². This use of their country's political

¹³² This was independently confirmed to me by three informants who work in foreign consulate offices in Russia. Two of these informants worked for diplomats who had very high positions. Further, the legal case of American businessman Mark Seidenfeld also illustrates how American politicians facilitated a legal and fair trial of the

power is a leveling mechanism that foreign firms are able to use not just to settle disputes but to avoid extortion tactics by Russian government officials. As one informant told me:

It took four years of arbitration in Stockholm to get the award in their favor. It took another four years to get the award recognized in Russia. It even got to the level where one of my directors has a friend who was a close friend of Al Gore who was the VP under Clinton and whenever Al Gore was with his Russian counterpart at the top of the agenda was the property issue and apparently Putin got sick and tired of this and he wanted the problems made to go away, which is eventually why and how the board took possession of this location. It took literally 10 years to the day of opening and reopened it. That sort of set the tone or set precedence in the Russian market that [name of fast food chain] is here to stay and we are not going to be intimidated. We are not going to be frightened off. [President of an American Fast Food Chain]

When we had a court case with a big company and they offered us a solution of money to the problem. Last time we accepted it and it was partially good. We did it one time and we said that we would not do it again. As a result we have an issue with a neighbour who was using part our private road, we want to block it. We have police coming there, but in 10 minutes there were some official guys sending away the police. They still use our road after two years so we will go the official way. We have three court cases and we won the last one, it is the most important one, will take one or two years more to prevent them from using this road. We do it in the official way. The good thing is that we know the [European country] consul very well. Every time there is a [country deleted] mission coming we are there. So the last Prime Minister of [country] was here there were five people next to him meeting the governor. Our company was also there. We meet the governor [of St. Petersburg] and we put the same issue on the table, the issue with the road. And this year the Queen is coming and we started two days in advance and calling and saying yes we will bring up the issue with the road. For them it is not nice to hear this in front of the Queen saying, 'you know we are investing so many millions of Euros and you are not dealing with this issue'. It helped us because it more or less influenced by them saying, "Guys, act normal". [Foreign Director of a Large Firm]

Multi-National Corporations have been able to change some of the implicit "rule of the game" while conducting business in Russia. These foreign firms have been able to impose Western-style rules on Russian government officials, making it harder for Russian-style capitalism to continue on a wide-scale.

entrepreneur. Behind the scenes maneuvering had the withholding of investment dollars and advice for casino building in Kazakhstan.

5.3 Unfair Advantages: Russian vs. Foreign Business

There are two different systems for operating a business in Russia. The first system is for local enterprises. These enterprises have cultural knowledge of problem solving in Russia and these local firms share socially embedded practices inherited from the Soviet Union, especially those found in the Brezhnev era and during late socialism. Russian businessmen know the unwritten rules of the game and have the required entrepreneurial skills to maneuver through the complexity of these unwritten rules. Russian businessmen have what Clifford Geertz (1983) referred to as 'local knowledge'. This local knowledge in business practices has its own language, rituals and justifications. This local knowledge is implicit and not openly shared with foreign businessmen. This local knowledge of 'how business gets done in Russia' is a socially accepted practice and businessmen actively engage in it even if they have moral reservations against it.

For foreigners it is harder than for Russian because uh.....mentally they think differently and if Russians have been raised in this kind of environment and they think.....for Russians they are, 'used to' is a bad word, but they.....this is the way that they think and they know that there is a problem like this in Russia, so for them it is easier to deal with it because they speak the one language, not the Russian language, that is not what I meant, but mentally it like the same environment. But, for foreigners it is so much harder because they don't understand it, they haven't been raised in that kind of environment. Back home where they come from and they don't speak the language and basically when it comes to bribing they don't have the money in the budget for this. I mean how they explain it to the shareholders to do this? You have to pay that, stuff like that. So, for them it is quite complicated and that is why the smart foreign managers always have some Russian on the team so that it is easier to do things. [Vera, Russian Director of a Large Russian Firm]

Foreign enterprises do not fully understand the implicit behaviors that allow a business to prosper and for things 'to get done in Russia'. Foreign firms, no matter how large and wealthy, have to rely on a local Russian business partner to help them navigate through the complex web

of government officials and bureaucratic bodies. Foreign firms have structures in place that allows them to avoid many corrupt practices. Foreign firms lack the local cultural knowledge and social networks needed to navigate through the complex web of the Russian bureaucracy. As several informants told me:

I don't think it would happen without the local franchisee who is the person who has all this daily contact with handles all the daily ongoing bureaucracy with the government. We as foreigners would not be able to overcome these problems without the local expertise, the local knowledge. The local experience we have gained over the course of time in our own senior people. So, one of the advantages that we have is that we create local business people. [American President of an American Fast Food Chain]

It took eight years [to buy land] but it was the official way. So, you understand that you can pay money. Never, never make ourselves weak or open for this pressure or blackmail. We always said that it is good to have a local partner who knows the local administration because it is also about networks. If you know about networks things can go a bit easier. [Foreign Director of a Large Foreign Firm]

Ultimately to be successful in Russia you need reliable partners. [American Lawyer of a Legal Firm in Russia]

The second business system operating in Russia is for foreign firms. Foreign firms in some areas have a competitive edge in comparison to their Russian business counterparts. First, foreign firms can avoid the payment of bribes to government officials and organs of the state because they have large legal teams which can fight this corruption professionally and personally. Dieter, a German director, told me of one such case where he used his company's legal team to avoid corruptive practices of the Russian police.

I was driving and the police stopped me. They said I was going two kilometres over the speed limit. The police officers saw my driver's license and saw I was from Germany. They placed me in the back seat of the police car. One cop took his police cap off and placed it upside down. He obviously wanted me to place the bribe in his hat. But, I wasn't going to comply. I called my office and got my lawyer on the phone and stayed on the [cell] phone the whole time with my lawyer. The police drove a few kilometres and stopped. They threatened me that drunk driving was a criminal offense and they gave me a breathalyzer test. Of

course I was not drunk. They just wanted to frighten me in to giving them the bribe. My lawyer told me not give them [the police] anything just for them to give me the ticket for speeding and I will pay the fine officially. The police drove a few kilometres more and threatened to take me to jail that my documents were not in order. I still did not give in and I did not put down my [cell] phone. They then stopped and started talking about the ‘serious trouble that I was in’. They drove and stop. Drove and stop. The hat was still upside down. I refused to comply with this kind of extortion. The police then threatened to take me to the hospital to see if I was even fit [physically] to drive. They even threatened to put me in jail. I stayed on the phone with my lawyer the whole time. Eventually the police understood that I was not going to give them a bribe and they let me go. [This ordeal lasted two hours] [German Director of a Foreign Firm]

In the past, government officials and the organs of the state (police, tax authorities, and fire inspector) use threats and the existing culture of fear as a mechanism to facilitate bribes from Russian citizens. Currently, bribes are used to obtain a competitive advantage, such as buying land or obtaining permits. Foreign firms have more fear of engaging in bribery because they are regulated and monitored by international law; American companies are also monitored by FTC regulations. Bribery from foreign companies does not give them a competitive advantage; instead it opens them up for paying large fees, such as the case with Mercedes Benz in Russia.

Foreign firms’ resistance to paying and accepting bribes has allowed foreign companies to work in the white. Some companies have built other connections with the state apparatus in order to obtain a competitive advantage. As one informant told me:

We have developed a good relationship with the prosecutor of the Leningrad Oblast’. He is very political and we have invited him to our [company]. He is *extremely* supportive. [American Director of a Foreign Auto Company]

To further secure bribery avoidance many foreign firms have to abide by laws and rules from their host country or face dire consequences if they don’t follow them.

We are more governed by Foreign Trade Practices Act which as an American company we are compelled to comply with. Being fair to employees being fair to franchises and so forth without a doubt we are 100% lily white. If we pay a bribe it will come back to haunt us, so that has been our policy since day one. [American President of an American Fast Food Chain]

They face the same problems. The size of the company is more insulated because they have the US government standing behind them if they are in compliance with the law. Membership in to the International Chamber of Commerce also acts collectively to serve their interests. There is power in collective action. Russian companies are not prone to collective action. In the 1990s there were foreign companies who were burned because they did not know who they were dealing with. Others left the country. [American business lawyer in Russia]

Clearly there are anti-trust laws and we are subject to that in the US. Any time someone comes in and they audit us and those kinds of things. I am subject to the FTC. So, I can't. I know that I am subject to them and the Russians certainly aren't. There is a double-standard with the Russian companies and the foreign companies. Because we are an American company we are subject to the anti-trust laws, the security exchange commission. If they want to come in and audit when something is wrong it is no different than if they went in to Wall Street. [Geoffrey, American Director of an American Auto Company]

As my informant Geoffrey stated, there is a double-standard in Russian business practices which allows some companies a more competitive edge because of lack of rule. Russian companies are not subject to foreign laws. Russian companies are only subject to Russian laws and regulations. Russian laws and regulations are selectively enforced. As long as a Russian entrepreneur plays by the rules of the game they can avoid problems with the state apparatus. In addition, by playing by the rules, directors of local firms can avoid criminal prosecution. One of these rules of the game is the bribing of government officials. This gives Russian enterprises an advantage over their foreign competitors in property purchases, lower prices on imported goods, and speeding up the bureaucratic process. As two foreign informants stated it took their companies eight and ten years respectively to buy and secure property rights for their enterprises in Russia. As one informant told me:

One of the biggest problems in Russia is the access and provisions of electricity. The control of electricity is the most corrupt part of the whole country because the first story is that there is not electricity and that we can't provide for you. Then it is 'yes we can but it legally at this price and illegally at that price'. The difference between the legal and the illegal is the speed. So the price is about the same at about 1,000,000rubles. If you do legally and legitimately it could take you 2 years. If you do it illegally or illegitimately it could take 2 or 3 months. But, once

you've gone that route you are in the favor in their pocket because three years later it was the wrong price that you paid and now you should pay this year 2,000,000 rubles and blah, blah, blah. [President of an American Fast Food Chain]

Although foreign firms viewed this as extortion, this case of corruption illustrates how the provision of infrastructural services is controlled by a monopoly supplier. Local firms avoid this long process through bribery. Foreign firms pay a lot of money to a team of lawyers and court fees to conduct business in the white. Local firms use bribery as a cheaper alternative method to lawyers and courts. In the area of customs this is also prevalent. Foreign firms do not use black customs, but many local firms do.

There are companies' using methods where they are reducing the custom tax to 0, but not in an official way. From the customer-side some people are expecting additional payments. So there are some competitors trying to arrange how to use this procedure to exclude other competitors. We don't use it, but I can tell you what I understand what is going on here. What you have here is the border of [deleted country], Russia and then there is quite simple, supplier for parts or whatever and there is a small [holding] company, LLC. They have in Russia the counterpart and then there is the customer. So, the small European company buying the goods from the supplier and so on, there are several issues. They can declare the goods in a different way, this means that they change the documents, the import documents, um....they change the invoices or whatever...so then the Russian counterpart has the possibility to declare those goods or parts in a different way. So, when they are some regular or official special parts to quote them to 0 or just 5% and it is passed on to the customer. The other way also, and then the other way is they are using additional....they call it an off-shore company, Cayman island or whatever, or even Switzerland, and the way it works. I don't know how it works exactly, but in this case, the possibility to reduce the value added tax. We can very often saw that our price was higher, around 8% with added value tax. That's one thing and they call it gray import. We cannot compete with this. [Foreign Director of a Foreign Firm]

Despite the ability of foreign firms to use their power to circumvent corruption from Russian government officials, they are unable to change the rule-breaking behavior of local firms. This has created what foreign firms view as unfair competition.

5.4 Bribery in Russia: Foreign Firms

The Case of IKEA in Russia

As stated previously bribery in Russia is a historically embedded practice. For many Russian businessmen bribery is used to speed up the bureaucratic process, to cut through bureaucratic red tape and to solve problems with the organs of the state. However, there have been cases where foreign firms have engaged in bribery. The typical scenario is that these foreign firms have hired Russian executives and these executives engaged in bribery. For example, Mercedes was indicted under the Foreign Corrupt Practices Act. Mercedes was fined 185 million dollars for giving bribes (O'Grady 2010). As a result, Mercedes fired 45 employees who were implicated in bribing Russian government officials. Mercedes said it will reform its practices¹³³. In other words Mercedes was fined but the Russian employees were not subject to any criminal prosecution since they were Russian. There is a double-standard. If foreign employees were indicted on bribery charges, not only would they lose their jobs, but they would also be facing criminal charges.

It depends on the foreign business. They don't always deal with it. The big companies have. Siemens, Mercedes Benz were indicted in the US for paying bribes in Russia. The corrupt officials here...none have been prosecuted. Some foreign companies have taken a principle stand, some US companies such as Citibank, John Deere, and Exxon. They are extremely, extremely careful. [American business lawyer]

There was a similar case against IKEA. Its top Russian executives gave bribes to the local government authorities to have access to electricity. This deal was unknown to the Swedish headquarters. When IKEA executives in Sweden found out about this dealing IKEA fired all of the Russian executives. Further, IKEA has stated that it will not give in to government officials'

¹³³ <http://www.theage.com.au/world/corruption-halts-ikea-in-russia-20110306->

demands for bribes (Meyer 2011). As a result the Swedish company had decided against opening any new stores in Russia.

There was the great story about IKEA. About 10 or 12 years ago they started to develop their business in Russia and it was very successful. They had a problem with the electricity because they have a huge shop and they needed a lot of electricity and they had to get a special document to get this great amount of electricity. No one in government] gave them this document and asked them that they needed this and that, and that and this and this and that (laughs). And the head [Russian executives] of IKEA in Russia understood everything [to pay a bribe] and paid a great amount of money to solve the problem and they solved this problem in a month. But, when the head of IKEA found out about this, they fired them [Russian executives who gave the bribes]. They [IKEA] decided not to develop anything in Russia anymore. It is a big corporation and they can solve problems without corruption. If they don't want to commit to corruption they can't work in Russia. This is just that is common for us, but I think, the difference like those Swedish people at IKEA, and the Russians who understood, without the money, without the corruption, nothing happens, you won't solve problems. But, for those people in Sweden it was just impossible. [Russian Director of a small company]

The Swedish company would change its mind and continue with its franchise operation in Russia. In fact, the above-mentioned store, located in the Russian city of Samara, would open in 2011. The IKEA example illustrates two of my arguments. First, that bribery is an accepted informal practice amongst many Russian entrepreneurs. Russian businessmen understand that this particular "rule of the game" must be played in order to operate an enterprise in Russia. Second, foreign firms operating in Russia, most often, operate in the legal sphere of business, relying on the legal system and their legal team to solve problems, thus avoiding informal economic practices.

5.5 Problems with the Russian Infrastructure: Education, Housing and Transportation

I have a degree in financial management and I know nothing about it. The course curriculum had nothing to do with financial management. (laughs) It doesn't matter anyways since most students bribed to get in to my university and many students bribed their professors to pass [graduating exams]. A lot of the girls

[female students] tried to build romantic or sexual relationships with their professors in order to pass. [Oksana, Administrator of a small Russian company]

Oksana's comments about her university experience are a typical story about the deeply embedded practice of bribery in Russia. Bribery is found in almost all vertical relationships. In the university it is found both in entrance exams and in graduating exams. Further, even class grades can be bought¹³⁴. For foreign businesses operating in Russia this educational problem has serious implications in the business sphere. Since many foreign firms hire Russians for employment with the expectation that these Russian graduates they hire are well trained and will adequately do their jobs. Instead, what these foreign firms encounter are problems with their work staff who are not adequately trained for their job descriptions in the business sphere. Some foreign firms have found a safety net to prevent Russians who are not trained in their specialized field from entering their firms:

Our auditing companies now have their own has its own test for potential employees. They have young people coming in to work and they don't know if they earned or bought their degrees. They had people working who were unable to do their jobs. They had to implement tests. There are too many people who pay for their education and they want to make sure that their employees are capable. [Foreign Director of a Medium -sized Firm]

The Russian education system in business has not adapted fully to a market economy. The Russian education curriculum still focuses on the generalist education rather than the specialist education that is more prevalent in market economy societies. Although there are educational institutions which are focused on generalist education in business, many Russian and foreign informants stated that the problem lies most specifically in marketing, management, and customer service. Further, the Russian education system still focuses on rote learning and limited

¹³⁴ A foreign friend of mine quit her teaching position at St. Petersburg University in protest after she found out two weak, but very wealthy students, had received high marks from all of their professors.

experiential learning¹³⁵. The Russian system is the opposite of the specialized curriculum in the United States with its focus on independent study, experiential learning, and learning by questioning and debating a problem¹³⁶.

There is no specialized labor force. If I ask my staff their school background or university they will be at the university of submarines or some kind of military degree. It is very technical and linked to military. It is very limited. [Director of a Foreign Logistics Company]

The next thing is the qualifications of people. What we see um...let's say, regular degree engineer and getting a good mechanic is not a problem, but getting a good hydraulic engineer or [other] is a serious problem. [Foreign Director of Large Foreign Firm]

Creativity is something that is lacking in the field of business. In addition, the United States education focuses on oral presentations and creativity. Another problem in Russia education is the limited availability of books, journals and on-line databases¹³⁷ which makes the reliance on rote learning even more prevalent. Some foreign firms not only administer special tests to know if their employees have the needed skills to work in their firms but re-train employees to be creative and independent thinkers.

There are many different types of universities and all of them say that you can get a law education, but actually we have only a few can prepare good lawyers. [Russian business lawyer and lawyer professor]

Western companies cannot find an adequate labor force here. Universities need to know the needs of companies and these companies need to provide more training

¹³⁵ Historian Marci Shore notes that students in the Czech Republic also have limited experiential learning and that most students "preferred memorization and rarely expressed any opinion" (2013:54).

¹³⁶ Experiential learning in theory is an ideal type of education system since all educational systems reinforce class status (Willis 1977, Bourdieu 1990), racism (Churchill 2004, Hook and Maja 2011, Takaki 1993), sexism (Maher and Thompson 2001), and nationalism (Anderson 1983). However, despite these problems, experiential learning with its emphasis on independent and active learning creates a different type of worker. First, experiential learning creates a worker who has been trained in a specific field. Second, experiential learning creates a worker who is more likely to solve a problem individually.

¹³⁷ For example, several Russian friends who attended universities in St. Petersburg stated that they have access to the JSTOR database. When asked if Wayne State University had JSTOR, I explained that the university has 483 different academic databases for students to access, as well as over 1,000,000 books.

and spend their time and money. They have become corporate universities.
[Russian female, Head of North-West Region of Russia, Russian HR Firm]

Russians are highly intelligent people but they are “parrot fashion learners” rather than using their initiative. So it can’t be described as thinking “outside of the box.”
[Foreign Director of an American Fast Food Chain]

In an open talk meeting held between foreign businessmen and Kirill Soloveitchik¹³⁸ (Deputy Chairman of the Committee for Economic Development, Industry and Trade Policy of St. Petersburg) many foreign businessmen stated the problem that they are facing with young Russian graduates. The prediction by these foreign companies is that the education situation will become worse because of the 1990s demographic crisis; the low birth rate in the 1990s will mean that companies will have an even smaller pool of graduates to choose from for employment in their firms¹³⁹.

Kirill Soloveitchik acknowledged the problem and stated that there needed to be more competition between universities. However, he did not expand on any plans for implementing competitive universities. Instead he offered government funding for internships for university students to learn at various firms. In addition, he said, “we need to get reports every month from every company to know about the problems in housing and education”.

Housing was another major problem for foreign firms. St. Petersburg lacks adequate housing for both foreign businessmen and for their Russian employees who are recruited from

¹³⁸ Soloveitchik is a 38 year old Russian government official; he is thin, wears his brown hair parted to one-side, is of average heights and has blue eyes. Similar to the majority of Russian government officials he is clean-shaven and wears expensive silk suits.

¹³⁹ To solve this problem, BIR has facilitated an open dialogue between certain universities and specific enterprises operating in St. Petersburg. More specifically, BIR implemented seminars on education which mirrors the outreach programs operating in America. These outreach programs have created a dialogue between the needs of the enterprise and the skill which they want from graduates, their future employees. The professors of business plan to create a curriculum which will alleviate this problem.

other regions and cities. The housing problem has created an additional burden on foreign companies.

Companies are investing their own money into it. It might be okay to set up a single person in a room in a *kommunalka* [shared apartment], but it is not adequate for a family. Why would they want to leave their comfortable homes in their own cities to come here and live like that? Foreigners are also used to a different standard. Housing is *very* expensive and it is not getting any cheaper¹⁴⁰. [Russian Female, Head of the North-West region of Russia, Russian HR Firm]

Soloveitchik's response was to acknowledge the problem, "St. Petersburg is an expensive city. Wages are high here, but there is limited space. We have no space. As in Hong Kong we need to build the city up"¹⁴¹. Soloveitchik's responses might seem to be evasive for Westerners but the Russian entrepreneurs in attendance viewed the meeting very positively. First and foremost a government official agreed to meet with these businessmen. The meeting place was in a neutral zone and no topic was off limits. Soloveitchik acknowledged that there were problems and has implemented an open dialogue in the future between himself and the business organization.

The problem with roads and transportation is still a heated issue and one that has not been resolved. The Russian provinces experience even worse problems with infrastructure. One of the problems in resolving this issue has been the lack of interest on the part of government officials.

They are not building up infrastructure quick enough here. They look for business to develop new industries and they are not enabling for companies to come here and set up business. [American Director of an American Automotive Plant]

¹⁴⁰ Foreign firms rent what is termed "Euro Renovated apartments" to foreign businessmen. These apartments have been remodeled and have all the typical features found in apartments in the West: dishwasher, washing machine, glass-cased windows, microwaves, etc. Despite the renovations these Euro renovated apartments have the same problems as standard Russian/Soviet-style apartments; such as problems with the water, electricity, heating system, and elevators stopping between floors while passengers are still inside. The rents of these apartments are related to their size and location, but the typical price range is from 1400 Euros to 10,000 Euros a month.

¹⁴¹ This is a reference to build tall sky scrapers similar to the high rises in Hong Kong.

The infrastructure in Russia is not developed. There are other infrastructure issues: roads, airplane connections, train connections, internet, and so on. Um...there are developed just key regions Moscow and St. Petersburg. [German Director of a Foreign Firm]

A German company which has a factory located in Russia has been fighting the Russian government for better transportation to its facilities in the Leningrad Oblast' region (a suburb of St. Petersburg). At the open meeting with Kirill Soloveitchik and at a different meeting between BIR members and Alexei Chichkanov¹⁴² (Chairman of the Committee on Investments and Strategic Projects of St. Petersburg) the issue of transportation was raised once again.

The German company *Jurgen* has been asking the St. Petersburg local government for two changes in the current bus transportation line. *Jurgen* is asking for an additional bus stop that stops directly at the factory, which would alleviate employees having to find another form of transportation to and from work. The city council on transportation agreed to create one more metro stop, but it is still 3km from the factory plant and does not solve this problem. Second, *Jurgen* is asking the city to provide more bus times that can shuttle passengers to and from the plant to accommodate the different working shifts. Even though *Jurgen* had submitted a letter to the government committee the official response from the government officials was “we have a bus that runs once every hour”. Chichkanov stated that the problem with the letter was that it was only one enterprise that stated there was a problem even though in reality it was a joint letter signed by almost all of the factories located in this region of the St. Petersburg suburb. As Irina, the chief accountant of *Jurgen* stated to Chichkanov:

The transport committee of BIR in the industrial zone has sent letters. The transport system does not cope with the human resources. There needs to be a discussion of transport. We would like to see a different transport route. We employ 1000 employees and we have invested 100 million Euros in St.

¹⁴² Chichkanov is a 40 year-old government official. He is thin and of medium height and very pale skin. His brown hair was also parted to the side.

Petersburg. It is not easy for us. Our company spends a lot on transportation for its employees¹⁴³.

During my ethnographic fieldwork I also experience problems with the Russian transportation system. In general, I view the transportation system as efficient and easy to use¹⁴⁴. However, despite my opinion I was aware of problems with the St. Petersburg public transportation system. In fact, the transportation system was one of the reasons I chose to live in the center of the city, knowing that I would always be able to get home in case of transport problems. One of the main problems was the subway's hours of operation; it closed at 12am and reopened at 6am, leaving people without city transport during the early morning hours. Although usually this was not a problem, there were several BIR events that went well past 12am and I had to walk home alone or rely on cabs, if any were available. The second problem was the subway was designed in straight routes and no connections between lines, which meant many areas of the city were not accessible by subway. In order to connect to different subways lines meant that passengers had to take subway to farther stops and then transfer, adding in many cases 15 additional minutes to their commute. Fourth, the buses were slow, overcrowded, had few routes in the city and some of these routes only went every hour. Lastly, there were no subway lines, and very limited bus transport routes, to the adjoining regions where many of the large companies were located¹⁴⁵.

¹⁴³ Another foreign company stated that they spend approximately 2,000,000 rubles [US\$70,000] a month on transportation for its employees.

¹⁴⁴ This might have more to do that I come from Detroit, a city without a subway system and ineffectual bus system. Foreigners who lived in St. Petersburg, but had public transportation in other cities they lived in, viewed the Russian public transport system as inefficient.

¹⁴⁵ Due to these problems I always organized my schedule to allow for transportation problems. Depending on the location of the interview, I usually allowed for an extra hour for travel. In general, I would arrive early and wait discretely outside the building or waiting area. Other times I arrive just in time. However, sometimes my advance planning did not always work. On one occasion I had to interview a foreign entrepreneur at his workplace, which was located near the Marinskii Theater. The Marinskii Theater is located in the center of the city, but has very limited number of buses and trolleys which go in that general are. I found a bus that led almost to the building of my interviewee. The bus stop was located on the main avenue, Nevskii Prospekt, and would take approximately 30

There are other infrastructural problems especially in the Russian regions; they include poor gas line supplies, lack of Internet service, limited airline flights to provincial cities, poorly constructed roads, the lack of roads, limited reading material, fewer occupational choices, and fewer television channels which impedes knowledge obtainment. The problems with the Russian infrastructure might irritate foreign entrepreneurs, but on a grander scale these problems put Russia at a disadvantage with their Western counterparts. “In regions where the electrical power supply is at times unreliable, where fuels might be low grade, and where the only good Internet connection might be at a café in the center of town, enterprises are at a competitive disadvantage compared to their better connected and better supported cousins in larger cities and more developed regions” (Batteau 2009:13). In addition, Appadurai argues that in the globalization process there are “various forms by which global powers further seek to extend its dominion” (2001:3). These forms “include ideas and ideologies, people¹⁴⁶ and goods, images and messages, technologies and techniques” (Appadurai 2001:5). The flow of this information moves from core nations to periphery nations. In the case of Russia globalization processes are not just in the sphere of business where foreign companies try to implement their own brand of education and worker behavior, but also in the media where slogans ‘to imitate Americans’ have also been used to change Russian behavior.

5.6 Conclusion

minutes to reach the final destination stop. When I arrived at the bus stop, the bus had just departed. I waited 50 minutes for the next bus to appear. Once on the bus I encountered a traffic jam. I called my informants with great embarrassment at my tardiness. Before I could explain the problem, he laughed “Stuck in traffic? Don’t worry. This damn city always has traffic problems. When I arrived for the interview ,thirty minutes late, my informant was relaxed, complaining to me about how long it takes him to get to work each morning.

¹⁴⁶ It should be noted that one of the negative features of globalization and the flow of goods is the flow of people, especially Russian women in human trafficking for “prostitution, labor, and other “personal services” in Western Europe, the Americas, Japan, and China” (Comaroff and Comaroff 2001:21-22) . For more information on this topic see Stoecker and Shelley (2005).

Foreign firms operating in Russia deal with problems similar to those local Russian firms deal with, including selective enforcement of the law, contradictory laws, bribery and extortion pressures from Russian government officials, and an overly regulatory bureaucracy. Foreign firms have, for the most part, been able to deal with these problems more effectively due to their economic and political resources. However, despite these resources, foreign investment in Russia has fallen. “In 2010, the Russian authorities announced that foreign investment had fallen dramatically to 12-13 billion EUR”¹⁴⁷. The *Doing Business 2012 Report* ranks Russia at 120 out of 183 economies in which to conduct business. Further, *Russian Economic Report* states that the business climate, due to the “regulatory environment in Russia is, on average, less business-friendly than other countries” (World Bank, 2012:33). Due to these problems some foreign firms have refused to develop any new business ventures in Russia (Meyer 2011). Other firms, such as BIR’s 150 plus companies, view Russia as a country that is attractive to investment. These foreign firms are working with local Russian government officials to build new strategies to solve some of the existing regulatory problems and to create new solutions for more effective foreign investment.

¹⁴⁷ www.bridgewest.eu/article/foreign-investments-russia

CHAPTER 6 “THE MORAL ECONOMY IN RUSSIAN BUSINESS PRACTICES”

*“Russia is a country where the people don’t trust the government and the government doesn’t trust the people.”
American Director of a Large Firm*

6.1 Introduction

This chapter focuses on Russian entrepreneurs’ rationale for law circumvention including tax evasion and gray schemes in business. These reasons for the law circumvention are implicit and explicit and complicated. Compared to the West, Russian entrepreneurs have different obligations to the self, family and the state and have expressed different views of moral resistance. This resistance is based on Russian entrepreneurs’ view that their moral values are being violated by the elites, or Russian government officials. This chapter traces the discourse of Russian government officials as a performative act that reinforces their power. These performative acts further justify the moral ideas of Russian entrepreneurs as vulnerable potential victims of the state bureaucracy. However, the discourse of entrepreneurs is also examined as an oppositional practice of resistance to state control¹⁴⁸. This chapter also examines the building of social alliances between entrepreneurs and Russian government officials and how these new alliances are entwined with Soviet behaviors and discourse. This chapter builds on the theoretical

¹⁴⁸ In his book *Marxism and Literature* (1977) Raymond Williams makes a distinction between counter-hegemonic practices and oppositional practices. Counter-hegemonic practices tend to challenge hegemonic practices directly. In addition, these counter-hegemonic practices are formed by a class of people who want to radically change society through revolution. In contrast, oppositional practices are behaviors which tend to avoid official hegemonic practices. These oppositional practices do not threaten the existing dominant/subordinate relationships. Actors who engage in oppositional practices tend to avoid direct conflict with the existing dominant group. The majority of Russian entrepreneurs engage in oppositional practices of avoidance and circumvention of official rules. Further, all of the Russian entrepreneurs I interviewed tried to avoid Russian government officials. Several informants mentioned specifically their fear of government reprisals if they openly criticized or attempted to challenge the existing power structure. In addition, several informants mentioned the legal case against oil tycoon Mikhail Khodorkovskii as a public example of government reprisal against Russian entrepreneurs for counter-hegemonic practices.

works of James Scott and in particular his arguments on everyday forms of resistance and the moral economy.

6.2 Russian and Soviet Discontent

Everyday resistance of entrepreneurs takes place within and draws some of its moral force from a larger context of political discontent, which takes forms that have changed since the Soviet period. During late socialism the anecdote (political humor) was one of the most popular forms of showcasing discontent. Films, books and newspapers also played a role in everyday resistance. These genres did not undermine Soviet authority or Soviet ideology. These forms of resistance served to relieve anxiety and to publicly express the frustrations of the contradictions of Soviet life (Yurchak 1997). In present day Russia, the Soviet-era genres of discontent have been replaced more public political demonstrations and protests.

During my fieldwork in St. Petersburg, a friend of mine told me a popular Russian joke:

Vladimir Putin, Dimitrii Medvedev, and Sergei Ivanov¹⁴⁹ entered a restaurant. The waiter asked Putin for his order. Putin said, “I will have meat”. The waiter then asked “vegetables?” to which Putin replied, referring to Medvedev and Ivanov, “they’ll have the same”.

During the Soviet system there were similar jokes and anecdotes about Soviet leaders. For example, Soviet leader Leonid Brezhnev called in all of the Soviet cosmonauts in order to surpass the U.S. space race. Brezhnev said to the cosmonauts, ‘Comrades, I have a plan to beat the U.S. in space exploration-you will land on the sun!’ The cosmonauts protested, ‘But, Comrade Brezhnev, we’ll burn up.’ Brezhnev replied, ‘Do you take me for a fool, you’ll land at night!’

¹⁴⁹ Ivanov was the Russian Minister of defense from 2001-2007 and Deputy Prime Minister from 2005-2007. He is currently Secretary of the Russian Security Council.

“It is well-known than political humor played a prominent role in daily practices in the Soviet Union and other socialist countries” (Yurchak 1997:162). Many of these jokes circulated verbally and did not actually counter the official ideology. Jokes served a function, which was the “releasing [of] repression anxieties, thus helping to sustain pretense misrecognition” (Yurchak 1997:183). This does not mean that Soviet citizens were unaware of problems within the system nor does it mean that there were not avenues to express discontent with these problems. However, contrary to Western propaganda, the majority of Soviet citizens could not be placed in to two distinct and oppositional groups or what is more commonly referred to in Soviet scholarship as dissidents (those in opposition the Soviet system) and communists (those who were supporters of the system). For the majority of Soviet citizens their relationship with the state was complex (Yurchak 2006, Humphrey 2001, Dunham 1976). Many Soviet citizens recognized the problems and inefficiencies in the system while simultaneously believing in the overarching ideology. Despite this, an individual’s personal failure was not blamed on the inadequacies and inefficiencies of the socialist system but rather on the inability of the individual to navigate successfully within the limits of the system¹⁵⁰. In her novella, “*A Week Like Any Other*” (1968), Natalia Baranskaia wrote about the daily life of a working woman named Ol’ga. Ol’ga’s life revolved around work, home, and queuing for consumer items. The backdrop of this story is a questionnaire that was distributed, by demographers, to understand why Soviet women did not want to have more children. In reality, Soviet women knew the answer lay in the triple burden (career, home, and queuing) of their lives. This triple burden was created by the inability of Soviet system to recognize and solve the problems that women in particular experience.

¹⁵⁰ Although not a theme of this dissertation, ‘misrecognition’ is also found in market societies. People who live in market societies blame themselves for their failures. They do not blame the existing structural problems; e.g. classism, racism, etc.; which prevent or constrain a person from being successful.

However, the book does not openly criticize the system that created these problems. Instead, Ol'ga's repeated tardiness at work or her repeatedly forgetting to sew the hook onto her belt is a result of her inability to keep up with her duties and not with larger political inefficiencies.

However, there were avenues to publicly laugh at the ironies and absurdities of life such as the humorous and satirical newspaper *Krokodil*, popular anecdotes, *samizdat* (Soviet underground press), and film¹⁵¹. It is these public spaces that allowed Soviet citizens to display publicly their awareness of the absurdities of life, while still fully acknowledging belief in the ideological institutions in which they were raised.

Soviet films were one arena that allowed Soviet citizens to laugh publicly at the ironies and absurdities of everyday life. In the 1968, *Diamond Arm* (*Бриллиантовая Рука*), a comedy directed by Leonid Gaida, included many references to the absurdities of everyday life in the Soviet Union. *Diamond Arm* is a story about an average man, Simeon, who is involved, albeit inadvertently, in diamond smuggling from Turkey to the Soviet Union. Simeon's workplace gave him a trip to Turkey by cruise ship. Overseas travel was a very rare occurrence in the Soviet Union. Such trips were usually taken by members of the Soviet administrative class, certain artists, or very successful workers. Simeon was the senior economist in a factory.

On board the ship, Simeon shares his cabin with a bandit named Gennadii. When the cruise ship docks in Turkey, Gennadii is supposed to procure the illegal gems by making a pratfall in front of a pharmacy while screaming “*shyort poberi*” (translation “what the hell”). The Turkish bandits, upon witnessing the fall and curse, would then take Gennadii inside their

¹⁵¹ Jokes and satire are also prevalent in market-oriented societies. The function of a joke is to express discontent at a person or event. This expression does not erode an individual's belief in a society's ideological institutions. For example, in the United States late night television shows such as *The Tonight Show with Jay Leno*, *David Letterman* and *Saturday Night Live* often satirize and make jokes about political figures. Viewers may laugh at jokes filled with the inadequacies of American political figures but the average American is not planning a revolution against the state.

pharmacy and give him a fake cast with the diamonds plastered inside of it. Upon returning to the Soviet Union, Gennadii, with his cast full of diamonds, will pass through customs and the illegal contraband will be brought in undetected. However, Simeon has an actual fall outside the pharmacy, screams “*shyort poberi,*” and falls to the ground. The Turkish cohort mistake Simeon for the real smuggler and put the cast, with diamonds on his arm. Later, when Gennadii shows up late to the pharmacy and falls to the ground, the smugglers and he realize their mistake. The rest of the film’s plot is Gennadii and his colleagues trying to retrieve the diamonds from Simeon.

Throughout the film, there are mocking references to the absurdities of everyday life in the Soviet socialist system including the leaders¹⁵². For example, while boarding the ship Gennady (the bandit) gives his male boss a long drawn out kiss, a mocking imitation of Leonid Brezhnev’s famous kissing of dignitaries. More surprisingly, there are many jokes and one-liners about Soviet life. Nearly forty of those jokes and one-liners became part of the public discourse of the last-Soviet generation. Some of these jokes were about the Soviet system, including a reference to Koliyma, the harshest labor prison camp in Siberia during the Stalin-era. The exchange goes, “You should come over and visit us in Koliyma,” and the response is “Thanks, but I’d rather you come over here to see us”. There were also references to prostitution, including when Simeon is framed with a Soviet prostitute (“I haven’t seen a husband who wouldn’t want to become a bachelor for just an hour”), and when Simeon was propositioned by a Turkish prostitute she used the phrase “*ay-lyu-lyu*”, which would become a slang word to refer to sex. There were many mocking references to the Soviet moral façade “The Russian tourist—the image of morality.” Lastly, there were several one-liners about excessive drinking “I slipped, I

¹⁵² As a note, there is a mocking reference to Christianity. In one scene, Gennadii takes Simeon fishing. Gennadii and his mobster friends planned to knock Simeon unconscious in a fishing accident in order to rob him of the diamond cast. Instead, the plan backfires and Gennadii gets hurt. In Gennadii’s dazed and confused state, he thinks he sees the image of Christ walking on water (in actuality it was a young boy walking in very shallow water). Gennadii kisses the crucifix that is hanging around his neck before he realizes his mistake.

fell, lost consciousness, woke up,...a cast,” and “Only aristocrats and degenerates drink champagne in the morning.” Although this film mocked many absurdities of everyday life, it did not suggest that Soviet citizens did not believe in the system. On the contrary, Simeon was a good Soviet citizen. When he realized that his cast had diamonds in it, he told the authorities. Further, he worked with the Soviet authorities to help capture the smugglers, and eventually tells his wife, “It is the fulfillment of the fatherland.” When he exhibited strange behavior, the manager of Simeon’s apartment complex blamed it on his foreign travels¹⁵³.

Soviet scholarship that analyzes open ridicule of the Soviet system usually focuses its attention on the extreme forms of open resistance to the Soviet system (Oushakine 2001a). More specifically Soviet scholarship focuses on the experiences of dissidents¹⁵⁴. The problem with the studies of dissident movements in the Soviet Union is that extreme anti-Soviet attitudes were not held by the majority of citizens (even by those who acknowledged the absurdities of the system). For the majority of Soviet citizens, such open opposition to the state was not their personal view (Ries 1997, Yurchak 2006). In fact, many viewed dissidents suspiciously “as irrelevant or potentially dangerous” (Yurchak 2006:106). Citizens found avenues to adapt to the shortcomings of the system, including blat’ and the humorous mocking of the absurdities of everyday life. Furthermore, jokes were a “complicated aesthetic practice” (Oushakine 2011:249). Laughter was one avenue for mocking the absurdities of life even if satirists and comedians apologized for their jokes, “explaining again and again the importance of laughter for the building of communism” (Oushakine 2011:248).

¹⁵³ The apartment manager had two famous lines. The first “our people don’t take a taxi to the bakery” which refers to the modest behavior of Soviet people. The second phrase, “In London the dog is man’s best friend, for us it is the apartment manager who is man’s best friend”. It is a reference to Western bourgeois behavior.

¹⁵⁴ For an analysis of dissident movements in the Soviet Union, see Alexeyeva (1987). For a more in depth focus on the intellectual movements of dissidents, see Alexeyeva and Goldberg (1993) and Volkov (1995). In addition, see Oushakine (2001a) for an analysis of the discursive practice of dissidents and their discursive parallels with the Soviet state regime.

Despite the above stated joke about Vladimir Putin and his incompetent political colleagues, the political anecdote, in general, has ceased to exist in Russia. Yurchak argues that “the analytical discourse of glasnost’ [openness] replaced the realm of ridicule as the prime discursive space for the exposure of social incongruous” (Yurchak 1997:183). “By the early 1990s political jokes had all but vanished in Russia” (Graham 2003:42). Anecdotal topics shifted from political discontent to the nouveau riche or ‘New Russians’ (Graham 2003). In the 2000s, the shift has been towards more open, liberal discourse and political assembly. For example, the bi-monthly public assembly of Strategy-31 is an indicator of the more open display of political discontent. It should be noted that this public protest, and others¹⁵⁵, are technically illegal. In order to publicly assemble, the interested group must receive permission from city officials even though the Russian Constitution grants the right for freedom of assembly¹⁵⁶. In the majority of cases¹⁵⁷, the city officials refuse to grant permission for assembly. Despite the ‘illegality’ of assembly, different protest groups gathered in order to protest a political decision or to state their political cause¹⁵⁸. The few protestors that I knew personally described their actions as legal and stressed the illegality of the city leaders. There had been other ‘illegal’ protests. On December 10, 2011 there were staged public demonstrations across Russia as a protest to the State Duma¹⁵⁹ elections. These elections, which favored the United Russia Party, were viewed by many Russians as fraudulent. To protest the election outcomes, many took to the streets in a form of

¹⁵⁵ Other public assemblies were for gay rights, racism, and vehicle registration.

¹⁵⁶ The reason Strategy-31 assembles is to showcase Russian citizens’ constitutional right for assembly.

¹⁵⁷ In the three years that I lived in St. Petersburg, I was unaware of any case where the city officials did grant permission for public assembly.

¹⁵⁸ From 2009-2010 I lived near Sennaia Ploshad. I received many warnings of such protests from the US Consulate and, therefore, had to use a different public transportation route to avoid the protesters and OMON.

¹⁵⁹ Russian parliament, members are elected by the population.

public assembly. The Russian task force police assembled at many public squares and metro stations to control (and intimidate) protestors¹⁶⁰.

6.3 A Million Dollars for a Watch

“Sometimes I can understand [tax evasion and unofficial salaries]. Russian people are not supported by the state and they have to pay to the state these people [government officials] who are doing nothing and receiving a salary from the money which businessmen earn.” Russian Director of a Foreign Company

“You get elected to public office, you get rich.” American lawyer working in a Russian law firm

In 2009 a video¹⁶¹ of the excessive spending and ostentatious display of wealth of Russian government officials hit the Web¹⁶². The video showcases sixteen different Russian government officials and their wrist watch fashion choice¹⁶³. One by one the video displays the monetary value of their watches: President Vladimir Putin’s watch US\$10,500; former Russian President Dmitrii Medvedev’s watch US\$32,200; Chechen President Ramzan Kadirov’s watch US\$200,000-\$300,000; First Deputy Mayor of Moscow Vladimir Resin’s watch US\$1,044,800; Deputy Minister of Energy Aleksei Miller’s watch US\$112,100; President of the Russian Gymnastics Federation Andrei Kostin’s watch US\$240,800; etc. In the background the music of the Russian rock group Unhappy Situation plays. The song is “March of the Fisherman” from the 1971 popular Soviet film *“The Sandpit Generals”*. The song has the same melody as the original but with different lyrics¹⁶⁴ which are poignant and satirical¹⁶⁵. The first line of the song refers to the poor living conditions in the Soviet Union; literally meaning “I started to live in the

¹⁶⁰ I had inadvertently been in the middle of this protest when I used the metro station Ploshad Vosstaniai. Ploshad Vosstaniai was swarming with OMON.

¹⁶¹ The video “Million Dollars for a Watch (“Часы за миллион”) can be found on youtube.com

¹⁶² “Media studies document the influence of mass media on public perceptions: people who watch crime shows on television, for example, are more likely to view the world as a dangerous place” (Batteau 2013:5-6). Building on Batteau’s argument the video, “A Watch for a Million”, can reinforce the perception that Russian government officials are corrupt.

¹⁶³ See Appendix A

¹⁶⁴ There are several different versions of this song with the same melody but different lyrics.

¹⁶⁵ See Appendix B

city slums”. The visual image is juxtaposed to the lyrics of meager living and there is a striking contrast of the words of the song to the images in the video¹⁶⁶.

The “Watch for a Million” video can also be characterized as a form of spontaneous, pervasive resistance. Scott argues that “subordinate groups may often deliberately choose spontaneous forms of popular action for the anonymity and other tactical advantages they would provide” (1990:150). Social media is a newer form of anonymous action¹⁶⁷. As a form of protest, it uses both oral and visual symbols¹⁶⁸. Scott also argues that the inversion of popular symbols can be a form of mockery. The oral symbol of this video is revealed in the song choice, “March of the Fisherman,” which mocks the Russian bureaucrat as being “an average Russian citizen” who started life “in the city slums”. The effects of spontaneous, pervasive resistance have been far reaching, as the protests against the Russian State Duma elections in 2011 would indicate.

In addition, the Russian government officials’ watch choices are not only an ostentatious display of their wealth but they symbolically represent corruption in Russia by government

¹⁶⁶ It should also be noted that many Russian government officials also have the same ostentatious display of motor vehicles. In 2008 I lived on 6th Line Sovietskaia Street. A Russian government official also lived in the same apartment complex. On numerous occasions Aleksei Kudrin, Minister of Finance, would visit. Kudrin drove a Bentley. The cost of a Bentley ranges from US\$180,000-US\$280,000. The display of wealth by Russian government officials shows the signs of dominance over the powerless because the wealth of the elite expresses the imbalance of wealth, which is gained through their powerful political positions (Scott 1972).

¹⁶⁷ The use of social media as a form of anonymous action is not found only in Russia. The Arab Spring protests in Egypt were organized anonymously through social media. The Egyptian government was unable to control the dissemination of information which the anti-Mubarak leaders broadcasted to millions in Egypt. In the case of Egypt this anonymous form of protest led to Egypt’s revolution (NBC Nightly News Report).

¹⁶⁸ There are other forms of spontaneous resistance. The opposing political party Yabloko designates a yearly winner of the “Order of the Golden Toilet Brush” to a political figure who has extravagantly spent tax payers’ money to support their lavish lifestyle. The award was created in 2009 after St. Petersburg’s Governor Valentina Matvienko wanted to spend US\$25,000 in renovating her office. One of the items she wanted to purchase was a toilet brush which would have cost tax payers US\$450. When the Russian newspaper “*Novaia Gazeta*” ran the story about Matvienko’s plans the Governor cancelled the renovations. A Yabloko leader bought a plastic toilet brush for US\$1, painted it gold and hand delivered it to Matvienko’s office. The security guards refused to let the Yabloko official have access to the governor. Yabloko officials left the toilet brush with the security guards. Yabloko now has this yearly tradition of rewarding a gold-painted, plastic toilet brush to a government official who has engaged in extravagant, wasteful spending of tax payers’ dollars.

officials since the salaries of the Russian government officials are not high enough to buy such expensive watches. In sum the excessive spending of tax dollars on personal goods by Russian government officials is one of the major reasons that Russians especially entrepreneurs avoid paying taxes.

There's a lack of honest people in government. [Dmitrii, Russian business lawyer]

I can tell you the businessmen don't think that taxes will go to support the people. They know that it will be stolen by officers and they don't feel the control of this tax. [Oleg, Russian business lawyer]

Russian entrepreneurs have found ways to circumvent the official rules and to break the legal code in order to maximize profits for themselves. Russian entrepreneurs believe that tax avoidance is necessary in order to survive in the market economy. Further, these entrepreneurs justify their behavior on moral grounds. This rule circumvention and rule breaking has its own logic and discourse and is viewed by Russians as a form of resistance to corruptive practices by Russian government officials. The resistance of Russian entrepreneurs against the Russian government is similar to resistance found in other hierarchical relationships.

James Scott's analysis (1985) of a Malaysian village focuses on resistance of villagers against their landlords. Resistance is most often associated with violent upheavals or rebellion. Scott argues that in many peasant communities this form of resistance is rare and resistance is most often found in subtle, covert acts. Some of these everyday forms of peasant resistance are "foot dragging, dissimulation, desertion, false compliance, pilfering, feigned ignorance, slander, arson, and sabotage" (Scott 1985:29). Other forms of resistance are done with discourse: "slander, gossip, and character assassination" (Scott 1976:25). These are all resistance that can be done individually and require little coordination or political organization (Scott 1976, Scott 1985). But, it is not just in peasant communities where such types of resistance can be found.

Such resistance can also be found in non-peasant societies where the mistrust of government is high, where government officials use the laws to their own personal and financial benefit and where the rule of law is contradictory and enforcement of them is selective, such as in Russia. Russian businessmen are in the role of resistant peasant and the government officials in the role of overbearing landlords. There is one aspect of Scott's work that has been largely ignored by social scientists studying Russian business practices and that is the role of the government officials: their constraints and their need to retain power and to avoid problems from their own hierarchy of power through their use of discourse. "The powerful are freer, by virtue of power, to speak their minds with relative impunity. And yet the powerful are also somewhat constrained both by a due regard for their reputation and by the desire to uphold the "theater" of power" (Scott 1976:288). Russian government officials, when interacting with businessmen in Russia, use metaphors, double speak and storytelling as a means to keep their façade of power. This discursive practice is inherited from the Soviet system, but is being applied to market economy transactions.

6.4 Lenin and Insomnia: The Discourse of Russian Government Officials

Russian government officials as stated previously engage in the "theater of power". The theater of power for Russian government officials is located in the domain of the public sphere. This theater of power is not just found in ostentatious displays of wealth that differentiate the powerful (government officials) from the powerless (citizens). Russian government officials use double speak as a method to mislead and alter entrepreneurs' perceptions and understandings of the realities in Russian business practices. The theater of power is also found in language and the discursive practice of doublespeak in political speeches. Doublespeak is the use of language

that intentionally hides the real meaning of the words, being intentionally ambiguous to mislead the hearer. Lutz (1990) describes four types of doublespeak. The first is euphemism, which is a word or phrase that is designed to avoid a harsh, distasteful reality. The second is jargon, which is the language of a trade, profession, or a similar group. The third is gobbledygook (or bureaucratic), which is the piling on of words to overwhelm the listener. The last is inflated language, which is used to make the ordinary seem exceptional. Lutz builds on the argument that George Orwell made in his book, "Politics and the English Language". Orwell argued that language instead of being an "instrument for expressing thought" has become an instrument "for concealing or preventing thought" (Orwell and Angus 1968:139). Further, Orwell viewed doublespeak as tool of power that politicians use to mislead the public. "Now, it is clear that the decline of language must ultimately have political and economic causes" (Orwell and Angus 1968:127)¹⁶⁹. "The pervasive use of doublespeak can spread so that doublespeak becomes the coin of the political realm with speakers and listeners convinced that they really understand such language" (Lutz 1987:44). In this chapter, Lutz's first form of doublespeak (euphemism) is used to understand how Russian government officials disguise and distort information in order to mislead. However, the government's use of doublespeak has also had unintended results. Many Russian entrepreneurs view this 'public transcript' as avoidance and Soviet discourse. Foreign entrepreneurs view this as inadequacies in the Russian economic development program for foreign investors.

¹⁶⁹ In his novel *Nineteen Eighty-Four* Orwell took this argument to a new level by "imagining" that politicians create a new type of language called "newspeak". "Newspeak" was designed not to extend but to *diminish* the range of thought, and this purpose was indirectly assisted by cutting the choice of words to a minimum" (Orwell 1983:247).

In the summer of 2011 BIR organized a roundtable discussion between Aleksander Prokhorenko¹⁷⁰ (Chairman of the Committee for External Relations of St. Petersburg) and BIR members. In addition several reporters, including the editor of a St. Petersburg business journal, were in attendance. This meeting took place in ‘Smolnii,’ the government building which houses the local authority. This roundtable discussion focused on issues that pertained to building alliances with the local government. More specifically the roundtable discussion was organized to create and exchange a variety of opinions and ideas, to have more open communication between government and enterprises, and to bring these two sides together in order to have a more positive interaction with each other which could not only solve existing problems but could lead to more foreign investment in the city.

The meeting opened with Sergei, the moderator of the event discussing the problems for foreign firms operating in Russia. Sergei stated, “a business needs to be controlled and the business needs to be assessed by the government”. Sergei went on to say that this “meeting needs to take a serious look at the control of the government and their responses to control over a business”. Sergei discussed the role of BIR for foreign firms operating in St. Petersburg. First, BIR is a business organization which works as a collective to help foreign firms overcome heavy bureaucratic red tape, to create positive interactions with the local government, and to organize effective resolution of problems through the open meetings and letters with the city government. However, BIR cannot help all foreign firms to solve all problems, especially those problems related to corruptive practices. The first corrupt practice which Sergei alluded to was the problem of bribery and how bribery is used gets things done. Sergei started with a story of how when an enterprise encounters problems they need a government official to ‘solve’ it but this solving of a

¹⁷⁰ Prokhorenko is a 68 year-old Russian government official. He is medium height, has thinning gray hair, which is parted to the right. He has blue eyes and bushy black eyebrows.

problem is done through the use of bribery. “The official tells the businessman that the door will stop creaking when it is oiled”. This is doublespeak for the greasing of the corrupt machine with payments to an official to either speed up the bureaucratic process or to the turn a blind eye to possible infringements by the enterprise. Sergei went on to state that BIR works against this type of corrupt practices. “Whenever one encounters euphemism in language it is a nearly infallible sign that one has stumbled on a delicate subject. It is used to obscure something that is negatively valued or would prove to be an embarrassment if declared more forthrightly” (Scott 1990:53). BIR did not want a confrontation with Prokhorenko but, rather, BIR wanted an open dialogue in order to create more positive results.

Chairman Prokhorenko rebuffed the moderator’s remarks about bribery; “this creaking door which you referred to doesn’t exist. Bribes don’t get things done. We create possible conditions to create interests and not to collide and create clashes. The goal of this committee [external relations of St. Petersburg] is to provide an ongoing positive image of St. Petersburg. It is an authority with the major goal in attracting great opportunities to do business in a positive and profitable, democratic way”. As the meeting continued Prokhorenko continued to use double-speak, “There are some poisons that can heal and there are some poisons that can kill. Prokhorenko did not clarify which brand of poison he was administering to the foreign business community.

Prokhorenko continued with a twenty minute response to Sergei’s opening remarks. Prokhorenko’s response was filled with facts and figures of how the Committee for External Relations of St. Petersburg is an effective committee with positive results. “We have 59 foreign consulate offices, five million tourists, 18 information abroad stations about St. Petersburg in other countries, 89 sister cities, 950 small and large companies, 40,000 jobs, 36 billion dollars in

revenue. We export 12%. We import 39%”. This discursive practice of stating facts and figures is a Soviet discursive practice which has been transformed under the market economy. In the Soviet system there were numerous examples of inflating numbers from “artificially raising workers earnings” (Filtzer 1986:220) to illegal payments for fictitious work (Filtzer 1986), falsifying workers’ job performance (Filtzer 1986), under-reporting of production (Ledeneva 2006), and over-reporting of production (Fitzpatrick 1999, Ledeneva 2006). In the Soviet system figures were altered, falsified and modified as a means to “prove success” in productions. Chairman Prokhorenko’s use of stating numbers as indicators of business success in St. Petersburg is rooted in this Soviet discursive practice.

The next set of questions for Prokhorenko focused on how St. Petersburg can become the initial attractor for foreign business instead of Moscow. Chairman Prokhorenko answered with a 20 minute story about the history of St. Petersburg. Below is a short excerpt from his response which was more similar to a Soviet propaganda speech.

This topic was crucial to the intelligentsia since the nineteenth century. There was a problem of developing the city back then but there was never any final agreement. In the past the twenty-second communist party also had trouble with this question. In 1920 St. Petersburg was the military capital. We had the academy of science as well. However, there were no other resources, no oil, no gas, and no other power. But, then Lenin came to power and things changed. Lenin was the leader for a short time. The city of St. Petersburg did not have the needed resources. We only had intellectual power and the government wanted to leave to go the Urals and only the nobility did not want it. Then Lenin died and it helped to retain St. Petersburg as well¹⁷¹. [Aleksander Prokhorenko]

Prokhorenko’s answer focused on history, or more specifically, on the Soviet past shortly after the revolution. The Soviet twenty-second congress met to outline a plan for a new nation. Prokhorenko’s answer symbolically linked his present governmental position on contrast to Lenin. Lenin had grappled with the question of what role St. Petersburg would have in the

¹⁷¹ St. Petersburg was named Petrograd from 1914 to 1924.

Soviet Union. St. Petersburg was viewed by many Soviet leaders as a bourgeois city (Volkov 1995). Sociologist Michael Urban argues that “politics in post-communist societies is in large measure a politics of identity” (1994:733). The ‘illocutionary interests of actors’ refers to the effect a speaker intends for a sentence to have on the listener. The illocutionary interest of Russian politicians and bureaucrats is to distance themselves from the Soviet system. They do this through their use of language. In addition, many of them have hybrid identities (Wedel 2001), using old Soviet linguistic forms with ‘newer’ discourses of the market economy and entrepreneurship. Further an even greater moment in this process of identity formation appears to be the illocutionary interests of the actors themselves, reflected in the manner in which they appropriate the language and symbols of the past in order to deploy them against their opponents” (Urban 1994:737). Prokhorenko’s illocutionary interests lay in juxtaposing his political identity as being at odds with the past Soviet leadership. Therefore Prokhorenko was not a Soviet apparatchik. Although Urban was referring to the politics of identity that emerged after the fall of the Soviet Union and how language was used to differentiate the political actors from their Soviet past, his argument can be applied to government officials and entrepreneurs. At the end of Prokhorenko’s response he apologized for his use of history stating that he used to be a university professor. Prokhorenko also stated that he would be willing to meet with entrepreneurs in the future but they must submit questions to him prior to the meeting. He then added: “there are no problems in business in St. Petersburg”. The response of the Russian government officials seemed oddly out of place for the foreign entrepreneurs in attendance. Many foreign entrepreneurs believed it was used as a method to avoid answering the question directly, a stonewalling technique.

That speech was horrible. Lenin! What was he talking about? He didn't even answer the question. No wonder things never get done in this city. [Foreign businesswoman]

For the local Russian entrepreneurs this storytelling speech was not just an avoidance method but a method to showcase his political power and uphold the theater of power. Further, language has symbolic power (Bourdieu 2001) and speech acts are both political and performative (Butler 1997). The 'speech' of the Russian government official reinforces his power. "Language is a primary facilitator of both hegemonic authority and resistance to it" (Ries 1997:19-20).

The speech act itself, 'storytelling' is a discursive practice which is deeply rooted in Soviet discursive behavior (Ries 1997). 'Storytelling' is a speech act which is performed by Russians who lived during the Soviet system. 'Storytelling' typically involves speech which uses personal narratives, metaphors, key symbols, folkloric referents, generic structures, anecdotes, secular prayers, and laments (Ries 1997). It should be noted that in most societies language is gendered. The speech pattern and storytelling structure of Russian men and Russian women are not identical. Russian men's speech pattern typically uses obscenities, sexual and drinking stories, and threats whereas Russian women's speech patterns focuses more on laments, superstitious warnings, envy tales, and rumors (Ries 1997). In the case of government officials they typically use communist rhetoric, slogans, scolding, deliberate silence, orders, and didactic proverbs (Ries 1997). This chapter argues that storytelling is a performative act that Russian officials learned in the Soviet system. Russian government officials reproduce these utterances in the public domain as a means of reinforcing their status and political power¹⁷².

¹⁷² It should be noted that this speech act is not reproduced by the younger generation of Russians who define themselves by the post-Soviet period. In fact, I heard a lot of mocking and ridicule of this type of speech act by younger generation Russians.

In the Soviet system, language was a form of social capital. Soviet citizens did not have consumer or monetary wealth. Instead, Soviet citizens had what Ries referred to as linguistic wealth or “language-as-wealth”. “There is the kind of linguistic wealth that can be transformed into literal, material bounty or into special access, status, glory, fame, and so on; this kind of wealth has long been enjoyed in Russia by poets, writers, and bards” (Ries 1997:32). Historically, Russians have adored their literary writers and poets. Many Russians view poet Alexander Pushkin (1799-1837) as a national hero¹⁷³. Pushkin’s use of the Russian vernacular in his poems was one of the main reasons for this admiration. The pre-Soviet poetic tradition continued during the Soviet period despite official attempts to control linguistic symbols (Ries 1997, Figes and Kolonitskii 1999, Lovell and Marsh 1998). After Stalin’s death,¹⁷⁴ different forms of poetry would emerge in both traditional form and in music.

Whereas prose published in the Soviet Union in the early 1960s remained predominately realist, experimentation in language and style became the province of poetry. The originality and virtuosity of such young poets as Voznesenskii and Evtushenko¹⁷⁵ attested to their revulsion against the debasement of language in the Stalin era. The revival of poetry in the early 1960s reflected the growing spiritual emancipation of young Soviet people, whose enthusiasm for verse was so great that the Luzhniki sports stadium in Moscow could be packed by almost 15,000 people for a poetry recital (Lovell and Marsh 1998:61).

Other forms of poetic artistry also emerged. In the 1960s ‘bard’ music emerged with its emphasis on meaningful, poetic language. In general, bard music “bypassed the scrutiny of editor and censor” (Lovell and Marsh 1998:69) because it was “illegally circulated on tapes

¹⁷³ The list of admired poets is too long to include, but these are some Russian poets who have received great admiration: Anna Akhmatova, Alexander Blok, Yevgenii Yevtushenko, Marina Tsvetayeva, Osip Mandelstam, and Joseph Brodskii.

¹⁷⁴ Stalin died in 1953.

¹⁷⁵ Usually spelled as Yevtushenko in American English.

(*magnitizdat*)” (Beumers 1998:104). The bard music of Bulat Okudzhava¹⁷⁶ and Vladimir Vysotsky¹⁷⁷ became an avenue to “satirize the Stalinist past and the Brezhnevite present” (Lovell and Marsh 1998:69) while simultaneously creating a Soviet counter-culture which emphasized “the shared experiences of ordinary Soviet young men (military service, drinking, love affairs, sport)” (Kelly 1998:269). This poetic tradition in music would be reproduced in Soviet rock music¹⁷⁸. Soviet rock bands such as *Mashina Vremeni*, *Akvarium*, *DDT*, *Kino*, and *Alisa* wrote their songs as poetry¹⁷⁹. Soviet rock lyrics’ emphasis on philosophy and self-reflection were radically different from the lyrics of Western rock bands which emphasized sex and drugs¹⁸⁰.

This poetic tradition in the Russian language is a form of social capital. It is both difficult to write and difficult to understand. The ‘difficulty’ of the Russian language is also a form of social capital. Anthropologist Nancy Ries notes in her ethnography on “*Russian Talk*” that Russians take great pride in their language, referring to the Russian language metaphorically as ‘wealthy’¹⁸¹. Ries noted that this ‘linguistic wealth’ has created a “related kind of power that

¹⁷⁶ Okudzhava lived from 1924-1997.

¹⁷⁷ Vysotskii lived from 1938-1980. Guitar-poet Vladimir Vysotskii was also an actor appearing on stage and in many popular films. At the time of his death Vysotskii had reached iconic status and his music was considered to be the voice of a generation. He is still currently revered. Russian television still broadcast Vysotskii’s movies and documentaries about his life. In addition, when I was conducting my research two new biographies of Vysotskiyi’s life were published.

¹⁷⁸ American historian Marci Shore (2013) noticed this same phenomenon in other Eastern European countries. For example, in Prague, the rock group Plastic People sang songs addressed to the Soviet apparatchik. Plastic People sang songs which were about “authenticity and existential truth” (Shore 2013:23). Anthropologist Serguei Oushakine also noted that the Soviet intelligentsia had “appeals to universal truth” (2009a:245).

¹⁷⁹ In addition they sang their songs in the Russian language. It should be noted that commercialized Russian pop music does not follow the Soviet poetic tradition (Pilkington 1994). Anthropologists Habeck and Ventsel (2009) argue that rock music in the Siberian cities of Yakutsk and Novosibirsk have little Western influence, instead Siberian rock groups use Sakha and Evenki traditional art in their music.

¹⁸⁰ It should be noted that some Soviet rock bands such as *Gorky Park* and *Zoopark* had lyrics more similar to Western rock groups. Many current Russian rock groups, especially bands located in St. Petersburg such as *Traff*, *Rock ‘n Roll City*, *Painted Nails*, *Sweat* focus their lyrics on rebellion, sex, drugs, alcohol and disillusionment with life. These lyrics have no Soviet poetic tradition in them as *Sweat*’s anthem song “Sex is My Religion” and “I Want to Fuck All the Girls in the World” would indicate.

¹⁸¹ I also encountered this discursive practice of the Russian language being wealthy. Many Russian stated to me that the Russian language is very difficult because of the six different cases. In other words every noun has six forms. It should be noted that Finns whom I encountered did not discuss their language in these terms even

politicians can manage to accrue through their particular kind of verbal art” (Ries 1997:32). Further, Judith Irvine argues that linguistic phenomena are “not always merely an index of some independently generated social differentiation but may indeed *effect* social differentiation” (Irvine 1989:255). In addition, “the allocation of resources, the coordination of production, and the distribution of goods and services, seen (as they must be) in political perspective, involve linguistic forms and verbal practices in many ways” (Irvine 1985:249). Therefore, the language which Russian politicians use reaffirms their power and distinguishes them as a status group. Further, government officials reinforce their power through the discursive practice of storytelling because storytelling is a form of poetic speech. The elaborate, staged presentation of self of Russian government officials is a method to claim power and authority. However, the Russian government officials’ use of language differs from that of Russian poets who have earned their status through their superior Russian language skills. “Those whose claim to authority is based on the superior performance of a verifiable skill- the production manager, the battlefield general, the athletic coach- have less reason for elaborate, staged presentations, either of their power or of the reciprocal deference of subordinates” (Scott 1990:52). The Russian poet fits this category. By contrast, Russian government officials mimic the poet without substantive knowledge of the language. Russian government officials, as a status group, fall into the category of people who have received their power and status through political alliances. In order to keep their authority, a Russian government official uses language to obtain and maintain social status. Therefore, their authority is based on elaborate, staged productions.

though the Finnish language has sixteen different noun cases. Further, I also encountered Russians telling me how difficult the Russian language is even for them. At one point during my field research I had planned to take the Russian State Language Exam. I studied for the exam by using a practice test. Two of my Russian friends asked to see the exam. One of my friends, a PhD student, was unable to answer several questions. My other friend, a journalist with a major network, responded with “what kind of psychotic wrote this exam?” She went on to say that she was unable to answer many of the questions and was also unable to write participles without using a grammar chart.

The Soviet-era authority was also partly based on claims to specific “performances” of goals that were, in theory at least, verifiable--the Red Army’s victories in World War Two¹⁸², post-War military prowess, and above all, industrialization and economic performance. In this respect, the Soviet bureaucracy had claimed the ‘right to rule’. However, despite these successes, the Soviet officials had failed in other aspects of the Soviet plan. The Soviet system failed to provide needed consumer goods. The lack of necessary consumer goods created alternative methods to obtain goods, such as *blat*’ and black markets; both of these subverted the Soviet system. The Soviet system also failed to provide a workers’ revolution. The Soviet Union had a contradictory system. The Soviet leaders stated that the Soviet state was a workers’ state, but the Soviet government pushed for bourgeois behaviors amongst its population. For example, the Soviet authorities attempted to ban alcohol consumption and the use of obscenities, behaviors that were characteristic of the working class. Instead, the Soviet system implemented public exercise and healthy living campaigns which reflected middle-class values¹⁸³. Further, there were campaigns for Soviet citizens to receive a higher education. Degrees in engineering and science were more prestigious than the work of a skilled machine operator. In addition, the Soviet leaders failed in producing more goods than the United States. Lastly, the Soviet leaders failed in economically beating the United States and other market economies. This failure called into question the very viability of the Soviet system and therefore threatened the positions of the Soviet leaders and bureaucrats. The production levels in the Soviet Union were much lower than the designated goals. The result was a discourse of inflated numbers. These failures seriously undermined Soviet leaders’ authority. The Soviet government officials’ elaborate speech performances were a method for maintaining the image of their authority.

¹⁸² Russians refer to World War II as the Great Patriotic War.

¹⁸³ For a fuller discussion of middle class values, see Dunham (1990).

These discursive practices continue today. In present-day Russia, Russian government officials use the same discourse to maintain an image of their authority. Further, this theater of power, which controls the actions of the powerful and less powerful, is where the moral economy is found; in other words of Russian people's acceptance of exploitation for the promise of stability and an agreed compact between them and the state of benefits. Russian government officials' discourse of honesty and anti-corruption is a public attempt to alleviate any Russian entrepreneurs' view that their moral values are being violated and/or undermined by corruption. The Putin-Medvedev anti-corruption campaign is also an example of the discrepancy between talk and action *and* of the theater of power. The anti-corruption campaign has been only selectively enforced. Further, the enforcement has been very narrow and not the widespread campaign Putin and Medvedev have promoted. The anti-corruption campaign has been targeting teachers and some university admission policies. In other words, it is only targeting people in low-paid positions. In some cases, the professors targeted are in relatively powerless positions in their respective educational establishments¹⁸⁴. The anti-corruption campaign, which targets powerless people, is viewed by many Russians as hypocritical and useless. However, for Russian government officials, the discourse of the government's commitment to an anti-corruption campaign has a two-fold effect. First, it addresses the moral concerns of Russian entrepreneurs. By stating that the government is committed to stopping corruption it eases Russian entrepreneurs' dissatisfaction with the government by acknowledging existing problems, even if it does this superficially. Second, stating a commitment to stopping corruption the Russian

¹⁸⁴ I am aware of two cases in Kazan (Tatarstan) of university professors who were targeted for bribe taking. In each case an envelope of money was placed on the professor's lecturing desk. One professor told the students that the owner of the envelope should retrieve it. When no one claimed the envelope, the professor picked it up and walked over to the trash bin. She dropped the envelope into the trash bin as a room full of student witnesses watched. The second professor did take the envelope home with her. Within ten minutes of her arrival, the local police arrived to search her apartment. The search revealed the envelope with the marked money. This professor lost her job.

government, as an institution, retains its authority. Further, it diffuses any blame and guilt of corruptive practices on individual government officials and not on the system itself. The fact that the government selectively enforces the ant-corruption law is unimportant in maintaining a moral economy. This discourse of anti-corruption is similar to the discourse of honesty which Chairman Prokhorenko used in his statements to Russian and foreign entrepreneurs of the honesty in business. Prokhorenko used language to ease the moral tensions which many entrepreneurs felt when giving bribes, an act which violated their moral values. By stating that bribery in Russia “gets nothing done”, Prokhorenko has refuted the idea that corruptive practices leads to successful business ventures and, therefore, publicly eases tensions that anyone’s moral values have been violated.

It should also be noted that the Russian campaign of “new technologies in pharmaceuticals” is also a failure. The Russian government authorities state that Russia will be a leader in pharmaceutical medicines within ten years. The reality is that the making of new pharmaceutical drugs is a three-phase, twenty-year process. According to a physician whom I befriended in Russia, the first phase is cell manipulation in order to understand how the drug will interact with the illness. The second phase is administering a laboratory-created pharmaceutical on animals. If during this phase the drugs pose no serious side effects in the test animals *and* they show some changes in the disease itself, the research can move into the third phase of research. The third and final phase is medical research with the pharmaceuticals on human subjects. This process, from start to finish, takes at least twenty years. Not only have Russian scientists not begun the first phase of research, construction on the laboratories for that phase has not even been started. Despite all of this, Russian government officials are making speeches and telling stories of Russia’s future in the world pharmaceutical market.

‘Storytelling’ is a speech act which is performed by Russians who lived during the Soviet system. Alexei Yurchak argues that in the Soviet system the “complex system of institutional power relations made possible the ubiquitous replication of ritualized acts and utterances of authoritative discourse”. I argue that storytelling is a performative act that Russian government officials learned in the Soviet system, and they reproduce these utterances in the public domain as a means of reinforcing their status and political power. It should be noted that this speech act is not limited to political figures as I had witnessed on numerous occasions this discursive practice amongst professors in educational institutions in Russia and in academic conferences.

There are parallels between government officials/entrepreneurs and professors/students as both relationships are entwined with vertical power structures. The speech pattern is the same. The speaker starts with a long historical story that traces the problem from its beginning. For example, on a graduation ceremony at a Russian university the announcer gave a thirty minute speech about education. He started his speech with a story about his grandmother and her experiences and then proceeded to tell her story through World War Two until the present day¹⁸⁵. At an academic conference for anthropologists, the moderator of the roundtable discussion on education in Russia summed up the conference with a thirty minute speech on the history of education in Russia starting from the days of Russian Imperial scientist Mikhail Lomonosov¹⁸⁶.

It could be argued that storytelling was a display of historical knowledge and erudite analysis that was tied to orthodox Marxism and that tried to control the symbols of the revolution through language. “Vladimir Lenin demonstrated no small concern for what at first glance appears trivial against the specter of social, political, and economic chaos facing the Bolsheviks - the health and status of the Russian language in its everyday use across a variety of functional

¹⁸⁵ The following year the professor gave the commencement speech which revolved around his life story. Several students in the whispered and audience laughed, “Thank god he is young!”

¹⁸⁶ Lomonosov lived from 1711-1765.

spheres, or “language culture” as it later came to be called” (Gorham 2000:133). Lenin’s Russian language campaign focused on making Russian official language based on the Russian of literary artists, such as Pushkin, instead of regional dialects of the Russian language. In the 1930s, Soviet pedagogue Anton Makarenko “advocated discipline in language” (Hoffmann 2003:42) and led a campaign for ‘cultured’ speech (Hoffmann 2003). The campaign for ‘cultured’ speech focused on the abolition of folk language, folk slang, and foul language (sexual metaphors and obscenities). The result was that the Russian language was based more in the classical tradition. The result of the Soviet language campaign was complex. As Soviet historian David Hoffmann explains,

Some peasants and workers, particularly those with ambitions and opportunities to advance within the economic and political hierarchy, consciously strove to adopt Soviet models of cultured thought and behavior. Others tried to conform to these models, but did so only partially or superficially. One Moscow worker wrote in his diary that he wanted to become more cultured, but he recounted lectures and books in a manner that parroted official phrases without demonstrating any comprehension of them. Soviet citizens who wrote to Party leaders often mimicked cultural educational slogans, agreeing that everyone should “raise their cultural level,” and that building socialism required “more highly cultured people.” Finally, it is clear that some Soviet citizens rejected official cultural norms. Particularly in the countryside, where even in the late 1930s many villages had no books, newspapers, or cultural facilities, many peasants maintained traditional cultural forms and entertainments. And many peasants who moved to cities, many of whom lived in barracks where they could not read if they wanted to, often preserved versions of their old culture--peasant songs, village networks, and passive resistance to authority (Hoffmann 2003:44-45).

Despite the new language campaign, the Bolsheviks did not succeed in eradicating the ‘bourgeois’ language of the intelligentsia, especially from learning materials in schools. Soviet

writer Vladimir Mayakovskii¹⁸⁷ wrote about the ‘mythologies’ of the middle class and cultured behavior. Despite authors who addressed socialist realism, many Soviet students were still reading the books and poetry of the intelligentsia¹⁸⁸ with their bourgeois values. Slavic literature professor Svetlana Boym argues that the “cultural sphere of literature plays a central role in the making of Russian identity” (Boym 1994:68). She further argues that “many members of the Soviet intellectual elite found a new patron in Soviet power and provided ideals of culture and ‘culturalization’ for the new Soviet common people” (Boym 1994:72). By ‘culturalization,’ Boym meant adopting Soviet ideals of proletariat behavior. In other words, the intelligentsia had a profound influence, changing the character of the Bolshevik revolution. They transformed the Bolshevik revolution from a revolution of workers to a revolution of an educated elite. The targets of this educated elite included women, peasants¹⁸⁹, and people from provincial cities. However, the educational revolution did not completely eradicate peasant cultural traditions in villages or those of emigrants to the capital cities. As stated in the larger quote above, some Soviets adopted the symbols of political or economic advancement. Other people, however, rejected these symbols and held on to their peasant culture.

I argue that storytelling is a form of identity creation. In the storytelling narrative, the speaker’s identity is tied to the *intelligentsia*. The autobiographical form traces the individual’s history, not as a worker, peasant, or communist, but as an educated person whose life experiences have given them expert knowledge of a problem. The speaker adopts the symbols of Soviet language and combines them with the structure of Russian/Soviet high literature. Within

¹⁸⁷ Mayakovskii lived from 1893-1930. Mayakovskii started out as a writer who believed in the ideals of the proletariat revolution. He would become disillusioned with the revolution during Stalin’s reign and his works would turn satirical about the revolution.

¹⁸⁸ Authors such as Leo Tolstoj, Nikolai Gogol and Anna Akhmatova.

¹⁸⁹ The Bolsheviks started an education campaign which focused on transforming the peasants into an intellectual elite. “The peasants, above all, who made up more than three-quarters of the population, had to be transformed into active citizens” (Figs and Kolonitskii 1999:127).

Soviet society, this constituted a definite performance of power. The performance of power took this form in order to create a particular identity for the speaker, that of a member of the intelligentsia and not of the worker or peasant class. Whether the story is true, embellished, or completely fictional, the speaker has identified himself with an educated elite and not with Ivan the Fool, the village idiot from Russian folklore. The performance of power is at times not so much a definition of who they are, but who they are not. The performance of power showcases the speaker's political power as well as his or her class status and educational background.

During my fieldwork I encountered this phenomenon in several personal situations. The first situation was in an art gallery visit with a Russian woman named Ol'ga. Ol'ga was a graduate student who described herself as belonging to the academic class and, therefore, always showcased her 'knowledge' of theory and philosophy. Ol'ga invited me to visit a new exhibit on modern Italian sculpture at *Etazhe Gallery*. *Etazhe* is a trendy art hangout for Russian youth. The building is a former factory which has been converted for the service-sector. Despite the converted space the large factory pipes have been not been removed from the ceiling, which gave *Etazhe* a more earthy ambiance. The stairwell had not been renovated and was very Soviet-style with its narrowness and broken tiles. In addition to the art gallery, which was located on the first floor, *Etazhe* has a moderately-priced youth hostel, a very expensive fashion boutique of clothes from local designers, and a very reasonably priced restaurant. The restaurant was located on the fifth floor, had a unisex modern bathroom, a deck for smoking, and was surrounded by murals on the adjacent buildings. The two walls had floor to ceiling windows and allowed customers to look at the murals and large trees in the courtyard. It felt like an oasis in the middle of the city. The cooking area was visible from the seating area, which had a mixture of round and long tables. The menu has a range of alcoholic drinks to exotic teas and coffees. The dishes are

traditional Russian foods, such as kasha and borscht, to Western foods, such as French fries. Many times there were DJs playing jazz or blues CDs. *Etazhe* attracted not just the youthful, artsy crowd, but people who were interested in societal issues such as pet adoption, which was held once a year. In fact, the guard dog was a three-legged German Sheppard saved from the pound. In addition, *Etazhe* held a ‘garage sale’ where local artists could sell their products and locals could sell their used clothing and other items for a small rental fee of US\$1.

Throughout the visit at *Etazhe Gallery*, Ol’ga acted like a professional art tour guide, telling me about the history of the ideas, the artistic materials, and the symbolism of the art being displayed. Half-way through the exhibition, Ol’ga started to confuse her definitions and symbolic interpretations. As she started to make more and more mistakes in her “guided tour,” Ol’ga confessed that she had read the summary of the art on the internet before our visit. This visit can best be categorized as the performative act of power, where the speaker has parroted the information without fully understanding it. As is typical of performative acts of power, Ol’ga had read some information and cited it, but then lacked the depth of understanding necessary to discuss it more fully. Ol’ga always claimed that she was a member of the intelligentsia. Other Russian friends informed me that this was a performance. My Russian friends made reference to Ol’ga’s hair, make-up, clothes, and hysterical behavior as belonging to village culture and not to the intelligentsia¹⁹⁰. Although Ol’ga was concerned about her external appearance, the clothing she picked was described by other Russians as ‘vulgar’ and ‘cheap’ in appearance¹⁹¹.

Anthropologist Serguei Oushakine argues that post-socialist Russia is a “highly fragmented and diversified, the new educated classes in post-socialist Eastern Europe choose

¹⁹⁰ Anthropologist Serguei Oushakine also argues that “the end of the Cold War and the collapse of state socialism drastically altered the intelligentsia’s claims to moral superiority” (2009a:245). My argument is not on this individual’s claims of moral superiority but on my informant’s identity creation and class affiliation.

¹⁹¹ As Bourdieu argued in “Distinction: A Social Critique of the Judgement of Taste” (1984), bourgeois women want formal, quality clothing.

strategies of professional existence and forms of cultural involvement that have very little in common with the two-century-long history of Eastern European intelligentsia” (2009a:245). Ol’ga’s imitation of her Soviet-educated professors’ linguistic behavior was not only artificial, but a stark contrast when juxtaposed with Russians of the same generation. Russian youth focuses its identity, authority, and knowledge through post-socialist experiences; “traditional forms of cultural involvement (reading, theater, exhibitions), through which the intelligentsia acquired its authority and its set of shared values, aesthetic predispositions, and affective scenarios could hardly compete with newly available forms of commodity driven (shopping), experience-related (tourism), and escapist (entertainment) cultural consumption” (Oushakine 2009a:245-246).

Ol’ga’s behavior was also in stark contrast to Maia’s. Maia was a former curator at one of the major Russian fine arts museums. Although Maia had changed career paths and now worked as a businesswoman, she began her day with an object of art. Each day, she picked an artistic object—a painting, replica statue, or poem—to look at or read during her breakfast. Maia invited me to museums and walking tours of the city’s architecture. Her interpretation of art was genuine and erudite. We would also encounter many of her former co-workers and artist friends on our outings. Maia’s clothing, jewelry, and make-up were indicators of her intelligentsia background. Many people at BIR would discuss her wealth of artistic knowledge.

Another personal event also illustrates this point. In the summer of 2010, I would be the subject of family gossip. My grandmother and her siblings were born into an elite Calabrian Italian family¹⁹². My grandmother then married into a patron family. My grandfather worked in local government and my grandmother had to entertain many political dignitaries from Rome. Her social status was high, and this was demonstrated through her clothing, hairstyle, and the

¹⁹² Due to cultural differences between the United States and Italy, it cannot be described as middle class.

number of children to whom she gave birth. By contrast, her sister married a man who never worked. Her status was lowered by this, as indicated by her lack of material possessions, giving birth to eleven children, and begging for food to feed those eleven children. Eventually, she and her children (my mother's aunt and cousins) emigrated to Canada. Ten years later, my mother also emigrated to America. Upon arrival, she was shocked by how her cousins had re-written their lives in Italy. They presented themselves to other Italian immigrants as being "noble" people in Italy. However, when they were in my mother's presence, they did tone down their 'nobility' and focused on their successful life in Canada. Despite this, there is still deep resentment on their part towards my mother's inherited status. In the course of this familial competition for status, I became the subject of her cousin's gossip, including negative rumors about me and my living in Russia. These rumors would eventually reach my remaining family in Italy. I told my Russian girlfriend, Irina, about these rumors. I also told her about the new autobiographies created by my mother's cousins. Irina started laughing and said, "Italians do this as well. I thought only Russians made up the intelligentsia past. If you read any autobiography, any memoir of a Russian immigrant, they all say they come from the intelligentsia, even if they didn't."

This discursive practice of storytelling gives status to Russian government officials. It also has another function. It keeps the audience captive and usually silent. At different roundtable discussion between BIR members and Kirill Soloveitchik (Deputy Chairman of the Committee for the Economic Development, Industry and Trade Policy of St. Petersburg) there was also a similar communicative exchange as the previous meeting. In this speech there was less focus on figures (even though many figures were stated) but a stronger emphasis on metaphors, restating questions, repetition of the problems and blaming. Soloveitchik stated:

Companies need to feel the market is more competitive here. What are the measures planned for the future? There is imperfection in the legislation at the local level. I can look in to their eyes [metaphor referring to the local level administration]. I did not sleep all night thinking about this problem [metaphor], but Americans are not altruistic with their money and they keep their money in America. China is a place for investors but not for entrepreneurs. We hope the entrepreneurial instinct will work here.

When one member of the audience objected to Soloveitchik's answer he responded with "Let's not get into a long discussion here". Despite Soloveitchik's speech as a performative act of power he was more open to the discussion than Prokhorenko¹⁹³. In fact, Soloveitchik had helped foreign firms with localization projects, he planned to organize weekly meetings with some area entrepreneurs, and asked for monthly reports from every company to know about continuing problems in housing and education. The reaction of BIR members to Soloveitchik's speech was very positive and he was viewed as willing to help foreign businesses in Russia. Although Prokhorenko and Soloveitchik had similar speech acts the main difference between the two government officials was that Soloveitchik agreed that there were problems to be solved. Both government officials, despite their different approaches, still showcased the "theater of power".

6.5 The Moral Economy in Russia

James Scott (1976) argues that societies which engage in the market economy have different goals than the economic exchanges of peasant populations. In market societies profit is the driving force of exchange. In less market oriented societies economic activity is sanctioned by a social network and not through the force of law. Further, less market oriented societies view goodness and fairness as important factors in economic exchange.

¹⁹³ It should be noted that Prokhorenko born in 1945. Soloveitchik was born in 1975.

Scott's investigation on colonialism in Southeast Asia focused on the "subsistence ethic of peasant communities and its moral dimension" (Scott 1976:11). More specifically Scott investigated the taxation system under colonial rule and the different reasons that peasants in Vietnam and Burma avoided paying taxes. The over-arching tax regulations not only forced peasants to pay a myriad of taxes but simultaneously "the imposition of registration fees, stamp duties, heavier salt taxes, marketing fees, and boat taxes moved the state further into the individual peasant's life than the traditional state had ever gone" (Scott 1976:95). In addition, local officials had the discretion to implement a progressive income tax (Scott 1976). The excessive tax regulations in colonial Vietnam and Burma had similar characteristics to the tax regulations in Russia. The peasants' resistance to these aspects of colonial rule created complex behaviors of daily practices that pitted landlord against tenant.

There are similarities between peasant forms of resistance in Malaysia and forms of resistance by Russian entrepreneurs. "The more rigid, inflexible, and regressive the tax regime, the more social dynamic it engendered" (Scott 1976:92). While Malaysian peasants engaged in "foot dragging, dissimulation, desertion, false compliance, pilfering, feigned ignorance, slander, arson, and sabotage" (Scott 1985:29). Russian entrepreneurs engage in tax evasion, off-shore outsourcing, gray schemes in imports, gray schemes in business, and law circumventing.

There are a lot of markets still working with cash. A lot of real estate markets, if you are renting a flat for instance. You would not find an agent who would ask you to pay the bank. [Russian Director of a Foreign Company]

A lot of companies do not register or they outsource their money. [Russian Administrator of BIR]

But, I know that even nowadays a lot of shadow schemes of tax evasion, of customs evasion, of...to move capital outside of the country. [Russian business lawyer]

I see a lot of successful businessmen trying to move their assets offshore to get out of here. [American Director of a Foreign Firm]

However, as in any social phenomenon there is complexity and different viewpoints of actors depending on their position within society. In general Russians' attitude towards their government is that of mistrust. The Russian government has inherited the negative image that was associated to the previous Soviet regime. Despite the fact that some Russian politicians try to differentiate themselves from the Soviet regime through their official discourse (Urban 1994) the behaviors themselves, and at many times the discourse, is directly inherited from the Soviet system. To make matters worse the current administration with its strong ties to the former KGB, and current FSB, and recent government controls in media, the arts and a one-party political system has only reinforced the view from Russians that there is very little difference between the Soviet government and the Russian government¹⁹⁴. However, despite the view that the current political system is similar to the Soviet system, many Russians understood the need for laws and for some controls. Their complaints were centered on the over-arching control and contradictions in the laws which only reinforced the power of certain government officials.

In general Russian lawyers and Russians who work for foreign firms viewed the laws as good and the problem was with the mentality of Russians who viewed the laws, and the government, as something to circumvent or avoid.

Businessmen think if there was no law it would work more efficiently. But actually it is not so, the economy needs to be ruled. The economic process needs to be standardized and controlled somehow because the full freedom of the economy could be good for business but dreadful for society. [Russian business lawyer]

¹⁹⁴ I was surprised to encounter many Russians, personally and through *vkontakte*, whose political party of choice was 'monarchist'. Although the subject of this dissertation is not on political party choices I repeatedly heard nostalgic laments for the return of the monarchy and the greatness of the Stolypin reforms. When I questioned this party choice over more liberal democratic reforms I was told that a democracy could never be achieved in Russia because of the impossibility for the Soviet inherited leaders to give up their power and for the mentality of Russians who need a 'father figure' leader.

Some Russians working in foreign firms also have a similar opinion to Russian lawyers. None of the Russians I interviewed who worked in foreign firms placed blame on the Russian government. They saw Russian entrepreneurs' law circumvention as a result of mutual distrust, greed, and a result of historical processes inherited from the Soviet Union. In the Soviet system people did not pay income taxes. The Soviet pay system was a three-scale pay system and all salaries were determined by the government. The salaries were relatively small but matched the quality of life. It was this process of work with a very small salary that created the Soviet expression "*we pretend to work and they pretend to pay us*"¹⁹⁵. Personal income taxes in theory did not exist since money was withheld by the government even before a worker received his/her salary. Russians who were interviewed stated that paying personal income tax is a new phenomenon in Russia. They went on to state that many Russians don't understand the concept of it and furthermore they don't understand where the money is going.

We do not have a culture to paying taxes and people don't know where it will go to. [Russian female business owner of a medium sized firm]

The main source is we don't have a civil society...an open method of making decisions in government and to be controlled by people where the money will go. It's the reason why people don't understand why they have to pay taxes. [Russian business lawyer]

But Russian entrepreneurs view hiding profits and gray schemes as survival mechanisms due to over-bearing tax codes which leave nothing left for profit. Although the personal income tax is a flat 13% Russians have to pay social taxes, which is an additional 34% of their income. Therefore almost 50% of their income is paid in taxes. For enterprises this means the inability to make any profit or reinvestment in their company. As one informant told me:

Because if you do everything 'white' it's right, but there is no profit. Everyone will try not to make it work. [Russian Director of a Large bank]

¹⁹⁵ "This expression was also used on Soviet satellites states" (Shore 2013:16).

I was told I would get 25% of the share from the profit, net profit and when the project was over I was told that I would receive nothing. When I asked why because we are a good business, for good business people the net profit is always close to zero. (laughs). But, every month after we paid our taxes, we found out that the only money we had left was to pay our accountant. (laughs) It's ridiculous. It's ridiculous. It was a pure loss. Until I agreed to follow some gray scheme. I fought myself, but uh...after it was not our initiative, it was the customer who wanted to make just something more profitable just for himself. It was funny, but it's ridiculous. You've probably heard a lot of these stories. [Russian Director of a Large Firm]

Russians who work in foreign firms blame both the government and its tax policies but also Russian entrepreneurs themselves.

It is because Russian people are greedy for money and never satisfied with their income. I think there should be an understanding that Russians are crazy about income. A decent European income of 40% is not enough, 100% is not enough. Two hundred percent is enough. They want mega profits. I think it's a credo in Russia to cheat the law, to avoid the law, to by-pass the law, not to observe it. What I hear from private individuals they are unsatisfied with the tax schemes because if you do everything legally, you have to pay everything to taxes and you have no income. That is why, it is my belief, that private individuals cheat the government and reduce their taxes. [Russian Director of an American Tobacco Company]

Businessmen want to make money and they don't care about reinvestment. [Russian business lawyer for a foreign firm]

They [the government] don't allow people to lead their business in a proper way and people need to avoid salaries, profits from the authorities. From another part we can say that it's a Russian characteristic to, historically, because the people trick the government because they felt that the state tricks them. [Russian business lawyer for a foreign firm]

Russian entrepreneurs view their tax avoidance as morally justified. All of my informants gave three reasons for this. The first reason was basic functionality and survival of the enterprise. If Russian entrepreneurs pay all of the taxes which they are supposed to pay there would be no profits left for the enterprise.

If we speak about small enterprises if they will pay all of the taxes the business can't exist. If there is black cash as profit it means that the company can afford to

pay full taxes but as a rule for small enterprises black cash as a profit is a small amount. [Russian accountant of a small company]

Russia if you fulfill all the regulations, all the rules, all the laws eventually you will be with no profit and that prevents people from doing everything legally. [Russian business lawyer]

Russian entrepreneur's second reason for tax avoidance is related to the meager pensions that a person can expect to receive when he or she retires; that is if the person lives to retirement age. During my ethnographic investigation in St. Petersburg from 2009-2011 the average official white salary was 20,000 rubles or approximately US\$715 a month. Many workers received an additional 10,000-15,000 rubles in 'black cash' to supplement their incomes. For people who owned their apartments this salary was a meager liveable wage. For renters this salary was too small to support themselves since the average room in a communal apartment cost between 12,000-15,000 rubles¹⁹⁶. For most Russians there is an additional expense of supporting their elderly, retired parents whose state pensions average between 5,000-7,000 rubles a month¹⁹⁷. Many Russians avoid paying taxes to save for their old age to avoid the predicament their parents are in.

I support my parents. THAT is my tax¹⁹⁸. Who is going to take care of me when I am old? Russian government officials? [Owner of a small Russian Business]

It is a country that does not take care of you. If you retire you probably get 100 rubles a month or so. So you need to save money before so you won't need to rely on friends or family. They need to take care of themselves, the country doesn't. [American Director of a Foreign Firm]

It is a real war between people and government because government wants to make money and to kill people. People should die working and people they don't

¹⁹⁶ It should be noted that food and clothing cost more than in most Western countries. Further, St. Petersburg ranked in as the 18th most expensive city to live in the world.

¹⁹⁷ One informant told me that she just applied for her retired mother to receive handicap benefits due to health problems. She angrily asked me, "Do you know what the government gave her after 30 years of work? Free public transport."

¹⁹⁸ His father worked for 50 years as a photographer and received 5,000 rubles a month. This informant told me that he had purchased land in another country since he did not believe it was 'safe' to invest in Russia because of changing tax codes that could make any investments in Russia a complete loss of investment.

want to die, they want to live and to get money and that is why they are struggling all of the time. For example, if you see the situation with our pension. They average life [expectancy] in Russia is 69 years old for women and 63 for men. The pension age is 60 years and how does the government counts your month pension? They take all of the money, all the pension taxes that you paid all of your life, they sum it and they divide it into 19 years and then they find the sum that they pay you every month. But, no one lives that long after pension. But, now they want to make the pension higher, they want to make it 60 for women, now it is 55, and they want to make it 65 for men. How can you have 65 the age for pension when you have only 63 years for your average life? The government wants and they will do it. [Russian Director of a small company]

You know how much it is, even though my salary was always, always white? I got 50-70, 000 Euros a year when I worked for the international company and now I only receive 13,000 rubles in pension. (laughs). It's just for fun...a couple of dinners. It is unbelievable. I have three educations. I got 70,000 Euros per year. I paid all of my taxes and all of my savings just disappeared because one of my family members became ill. It just disappeared. It is just normal life, not just for me. It is simply not fair. They do some kind of funny calculation to deprive you of income for certain years and then multiply it by a maximum of 1.2.....but the percentage of calculation for me was 45% so if they multiply the maximum, but they never do, they always multiply by the minimum of 1.2. [Russian Director of Foreign Firm]

In addition to the meager un-livable pensions that Russians believe that they will receive many informants told me that they believed that their tax dollars did not go to support any social programs and this includes the 34% social tax. Many Russian entrepreneurs believed that their tax dollars went to support the habits of Russian government officials and for them to live a luxurious lifestyle as showcased in the video “A Watch for a Million Dollars”.

The [government officials] only spend the money of the taxpayers and do not bring any profit to the economy. [Russian business lawyer]

We don't have this [taxpaying] culture because we don't trust that this money from taxes will go the right way, this is one thing. Salary very often is gray or.....without exception, people get in envelopes. People don't get anything from social taxes. In fact, we have free clinics, but only very poor people go there and we pay. We pay for health care by commercial prices and they are more expensive than anywhere. We pay for educating kids. If you have money you pay for education, even though it is free of charge. We have a lot of schools and

universities, but you have to pay for additional services for good teachers, you pay additional training, you pay for English training, you pay for sports, you pay for everything. People get pension they can't survive on this. They don't get anything and they don't want to pay social taxes. And maybe it is not as high as in ...Germany, but in Germany they get something and we are not. We pay ourselves for everything. [Russian Owner of a small company]

As long as Russians believe that their tax dollars will not improve social conditions in Russia and will only be used to further the personal wealth of government officials, tax avoidance behavior will continue.

6.6 Government Control and Resistance

I argue that gray schemes are a form of resistance against excessive government control. Black customs is one area where gray schemes are used to avoid paying high taxes and to increase profits¹⁹⁹. Iulia, an informant, told me a story of how the Russian government tried to implement new rules and regulations to stop the use of black imports. The result was catastrophic for the Russian company.

You see the white custom law is very difficult and very stupid. [Iulia, Director of small Russian company]

Iulia had worked for a large firm, *Kholodnaia*, which specialized in air conditioning units. At the time²⁰⁰ the company avoided official contracts. *Kholodnaia* had all of its imports done through special channels to avoid paying taxes. These special channels are what is commonly referred to as black customs.

The Russian government started a procedure of making black imports white and local Russian government officials told this company to stop any form of black import. *Kholodnaia* decided to circumvent this rule by organizing a gray import scheme to avoid paying the high tax

¹⁹⁹ For *Kholodnaia* by using the black customs the company saved the 30% tax, which was the markup value on the market therefore all of the company's profits would be paid in custom taxes.

²⁰⁰ In 2005 or 2006.

on the import for finished goods which was 20% instead of 5% for importing an unfinished product. *Kholodnaia* decided to import the air conditioning units in two separate and different containers to avoid paying the 20% customs fee. *Kholodnaia* imported the inner mechanism of the air conditioning units in one container and they imported the outer casing of the air conditioning unit in a different container. As Iulia described it:

First, we made an order to our importer, a great order, where everything was together and then they brought this order on our stock in Europe then they *divided* everything and put it in different containers and different trucks and they came in to St. Petersburg through two different customs. We had two different customs and they are in two different parts of the city. And you see we had a lot of problems. For example, the car came with inner parts but you can't sell only inner parts, you're still waiting for your outer parts. The outer parts came, but not for this truck, but for that truck there. They mixed everything in your stock here and it was just [explosion sound] (laughs). It was very inconvenient and we had a lot of problems. Our clients were waiting for their air conditioning units and it was just terrible.

Denis, another informant, told me of a similar scheme to avoid paying the high customs taxes. Denis worked for *Teknik*, a store which sold imported computers.

When I was working in 'Teknik' they were a huge company. They were also making their black import white. It was a great procedure. You just can't imagine what they did. [He added sarcastically] I don't know who was so bright there [in government].

Teknik had a stock worth approximately US\$10,000,000 dollars and they had an additional stock of US\$12,000,000 dollars in Europe. All of the stock in Russia was imported through black customs. When the Russian government declared that all customs had to be 'white' *Teknik* had to find a method to make their US\$10,000,000 dollars worth of Russian stock 'white' and they had to do this in approximately a week's time. *Teknik* decided to send their Russian stock to Europe and then re-import the computers and pay the 30% white customs fee.

However, the process of sending US\$10,000,000 dollars worth of computer equipment to Europe was expensive, time consuming and dangerous²⁰¹. Denis described the situation:

They put all the black goods in trucks, hundreds of trucks and send them to their Euro stock. It was a very big amount of goods, they mixed everything up, and they lost some trucks on the way, some of them were broken, some of them got to the Euro stock and mixed everything and they were taken to another country by another company by different mistakes. So, I think 30% of their goods were just broken, stolen or I don't know what. Then they got everything in their Euro stock and there were 20 trucks were arriving to Euro stock and there were no free places in the Euro stock [to house these items] (laughs) because there were too *many* goods (laughs). A great amount money was paid for transport. Then they had to get this [stock] back to Russia and paid the tax. So, when they got is back from Euro stock it was white because they paid taxes, but the procedure was just crazy. It was really stupid because they lost a lot of money and some people, who worked there for years, they just quit because they were shocked. So...and it was a very bad year for sales managers because they had used their stock in Russia and in one day they had nothing there. They were waiting for these trucks from the Euro stock and everyday something bad happened.... wrong things came.

Another example of how overregulation by the Russian government creates gray schemes is the state regulation on pharmaceutical drugs. My informant Aleksandra worked in one of the largest drug store chains in St. Petersburg. Aleksandra was in charge of creating the weekly prices for each prescription drug. The Russian government tried to regulate the prices of 5000 different kinds of prescription drugs from 12-20 different producers with different purchase price for that prescription drug.

We have a lot of imports there as well and the dollar and the Euro always increase. I worked in drug store and I know how the prices are forming there because I was the person who was forming the prices. When you see that the drug is very popular, you just make the price higher. And when you see the drug is not popular you make it lower. We had a good system of analysis and we could see it every week. We had no restrictions and we could have any price and we could have any profit. Then the governments thinks and thinks and, it is like they are thinking and [imitates a man's voice] 'who will we choose this drugs yeah, we

²⁰¹ It is not uncommon for cargo trucks to be 'high-jacked' by armed gunmen on isolated Russian roadways and highways. These armed gunmen are hired by their economic competitors. Several foreign directors told me of having to send armed security convoys along their cargo trucks especially those that transported cigarettes and other goods of high monetary value.

will make them good and teach them how to sell them'. So, it was a great work of the government. They had a law with restrictions-you should not have a profit of more than 43%. The government said, 'no, that is not right. You will have a list of those drugs that you should have'. It was impossible. But, those who produce, they sell not to retailers, but to big companies and only these big companies to retailers. So, everyone had restrictions' those who produce the drugs, those big companies and retailers and those companies who work in Russia and those companies who worked abroad they understood. But, for them it was just impossible because they have their production cycle and they have to buy raw materials and in Europe the prices, no cares in Europe that the Russian government said that the prices should be lower. So, what they did, they made those prices from producers. For example, the real cost of production for this one [mimics item] and they had to register it with our government to understand what should be the sale, what should be the prices. So, these companiesdecided not to take this real cost but to inflate it because they had to protect themselves from different risks and all the prices. All of the drugs became [explosion noise] very expensive. And it was such a great problem for us. It was not a law that could be used fairly. And so it was a big list and no one looked except the people who controlled and they have, if you have and if the price is more than in this book, because for example more than one or half of a ruble, which is nothing, the government would take away the license of this drug store. For example, in XXX, we had one licensing for 200 drug stores and everyone panicked that they would take away our license. The result of this activity prices became higher and higher. We had a lot of expenses concerned with the process of forming the price. You see the idea was good, but in the real life it was just it very silly and stupid and everyone was just crying. It was just awful.

Iulia, Denis and Aleksandra did not view the company as doing anything wrong. Instead they blamed the rules as creating a situation for the gray area of business and for law circumventing. This does not mean that all gray areas of business are conducted as a result of overregulation or bad laws as a Dieter, a German director of a large foreign firm told me:

Russians are always trying to get additional money. The methods they use are very, very interesting. The last method was, for example, the plan of a customer who needed spare parts. They made a request to the purchasing department and they informed a supplier who they know very well. But they did not start an official tender so that the supplier had time to buy, for example, this part at once. After three or four months production guys do not have this cup for example [points to his coffee mug]. They then get a serious need of this spare part. So, they just call in again. They have been waiting three or four months and they are starting the official tender. So that means that the other competitor or supplier are

giving their quote at the regular price, production time and the delivery period for some weeks, but then this one friendly supplier can deliver this part immediately, but for a much higher price usually two times higher because it is production and they are paying this price.

Another method is by finding loopholes in the law which allow for takeovers of a firm. In the first case, the behavior might be technically legal, but the behavior is morally questionable. . The second case illustrates how the corrupt court system and the lack of judicial enforcement enables gray schemes to exist.

The best for me is to change owner. The company bought the company, the owner is a drunk. The company is on the edge of disaster. You claim 'power of attorney' through a legal document and you are able to do anything. You can make all of the decisions for a company but you have no responsibility. No one requires any proof of anything. The document is 'trust me to run this company' and no one goes to jail. It is not a crime.

There was a case where the general director changed the articles of the stock-shareholders and he became owner by nominating himself. The notary created a false document and he was able to buy shares. He became the main shareholder. We don't know how. He took all of the money. The real owner went to court, won the case, but the money was gone. [Foreign Trade Diplomat]

6.7 Conclusion

It is difficult to describe Russian enterprises as conducting business in the legal or illegal spheres since many Russian entrepreneurs operate in gray areas as a result of over-regulating rules and 'bad' laws. Further, Russian entrepreneurs view their own behavior as moral and ethical because of mitigating factors that 'force' them to circumvent laws and avoid paying taxes. Russian entrepreneurs have created their own moral economy. This moral economy has its own justifications which are rooted in personal experiences of abusive behaviour by the Russian government's inability to provide adequate social programs and adequate and fair pensions.

CHAPTER 7 “CONCLUSION”

“This is a very difficult discussion, but I do want to say one thing: our modern society did not arise in a vacuum. We live in a normal country- just a country with a slightly complicated heritage and difficult fate”.

Former Russian President Boris El'tsin (1994:7-8)

“I regard the development of Russia as a free and democratic state as our main political and ideological task. We utter these words quite often. However, in practical terms, the profound meaning of the value of freedom and democracy, justice and legality is shown quite rarely in our everyday life. Sometimes we hear the opinion that since the Russian people have been silent for ages, it does not know or need freedom and for this reason our citizens are said to need constant supervision from above”.

Russian President Vladimir Putin, 2005 State of the Nation Address

Russian Presidents Boris El'tsin's and Vladimir Putin's statements mirror arguments that historians, political scientists, and anthropologists have been addressing since the demise of the Soviet Union. What is the legacy of the Soviet Union in present day Russia? Can Russia's political environment disentangle itself from 300 years of a strong centralized government? Is Russia a democracy, an oligarchy, or a dictatorship? What impact does capitalism have on the political institutions of Russia? What impact does Western-style capitalism have on Russia's economic institutions? And, finally, if Russia is not a democracy will capitalism bring democratic reforms in Russia? These questions all have one underlying theme; what should capitalism look like. In this dissertation I have argued that capitalism is not just an economic exchange that is dictated by market forces, but, rather that capitalism is economic exchange that is influenced by history, social practices, and human behavior. Capitalism does not have to mirror its Western counterparts in order to work efficiently. My research in Russia attests to this argument.

However, there are three mitigating factors that will affect what capitalism in Russia will ‘look like’ in the future. The main factor is globalization. Multi-National Companies with their economic resources and political power are trying to influence the entrepreneurial world in Russia. These Multi-National Corporations are obligated to follow international law and FTC regulations (if they are American companies); they are not obligated to follow Russian informal economic practices. In fact, many of these Multi-National Corporations have leverage over Russian government officials and the informal economic practices which shape how business is conducted in Russia. Another globalizing factor, which might affect what Russian capitalism ‘looks like’, is Russia’s recent membership²⁰² into the World Trade Organization (WTO). The WTO has a mission to ensure transparency in business as well as making sure international law is followed.

The second factor is generational change. Russia’s current leadership is part of the last-Soviet generation. This generation inherited its economic practices from the informal practices which allowed the Soviet state to function; namely *blat*, bribery, and rule circumvention. Most of my informants were from this generation of Russians and all expressed a desire to change these informal practices. Many of these entrepreneurs stated that younger Russian government officials were more willing to have a more open discourse with them; some even suggesting meeting more often with entrepreneurs to try and solve existing problems. My own research showcases this difference in the discursive practices of older Russian government officials (Chairman Prokhorenko and Chairman Chichkanov) to the discourse of the younger generation Russian government official (Kirill Soloveitchik).

Related to the second mitigating factor in what Russian capitalism will ‘look like’ in the future is the new social conscious that has emerged amongst the younger generation of Russians;

²⁰² Russian joined the WTO in August 2012.

a generation whose experience with the Soviet system was limited or non-existent. Many younger Russians (age 40 and under) expressed a desire to solve many of Russia's social problems; namely the problem with orphans, education, animal welfare, rights of people with physical disabilities, and gay rights. The changes of Russia's economic future might be intricately linked to changes in social problems. The future Russia might adopt more democratic reforms to solve social problems and this could have a domino effect of changing the economic structure as well.

7.1 The Soviet Legacy

Even though Russians are trying to reorder their lives in the new market economy, the legacy of Soviet socialism is ever present. Historian Marci Shore argues that "the fall of communism did not end the silences of one's parents or resolve the feelings of guilt by contiguity with the crimes of earlier generations; it rather heightened demands for accounting with the past" (2013:xii).

Although Shore focuses her research on the legacy of Jewish identity in the former Eastern Bloc, she does make an argument that resonates with current scholarship on former Soviet states; the feelings and emotions (as well as institutional structures) which were generated by the Soviet system did not disappear after the Soviet Union's collapse in 1991.

During my ethnographic investigation I encountered these emotions about the Soviet system and its legacy in present day Russian society. Their emotions ranged from hostility, relief, and anger, to nostalgic yearnings for a simpler life with less crime, more economic stability, and social cohesion. In general, Russian citizens were glad that the Soviet system

ended, but hoped that the problems associated with that system would have evaporated under the market economy.

Many Russian informants did not view their economic problems as being associated with the capitalism per se but, rather, as problems associated with negative characteristics of Russian people. They often described their own character as being flawed. By contrast they described Westerners as not having any flaws and, therefore, the ‘imaginary west’²⁰³, was void of social, economic and political problems²⁰⁴. By contrast foreign informants understood Russians’ linkage to their socialist past and how this connection to the Soviet system was the main barrier to full democratic reforms and capitalist production. As one foreign informant of a German company told me, “It has only been one generation of Russians who have not lived in the Soviet Union. There needs to be two more generations of people to forget what they have gone through and to change [their behavior]”. One Russian informant, who worked in a foreign firm, recognized that Westerners behaved differently because of many long-standing capitalist traditions, “I am still positive about Russia because I think it has potential, an opportunity to survive in this world. Maybe it requires 20 years more to develop, Europeans started 500 years ago so, now, they are so clever.”

Despite these above stated opinions there is still the assumption that capitalism should ‘look like’ its western counterpart. Further, ideal capitalism should have effective laws, democratic institutions, and a middle class who share a common class identity. Despite twenty

²⁰³ A term coined by Alexei Yurchak (2006).

²⁰⁴ I encountered many imaginary opinions that Russians held about America and Americans. These are a selected few imaginary opinions: Americans do not get divorced, all American men have good qualities, there is no homelessness, American politics lacks corruption, there is no poverty or racism in America, all Americans live in large houses, and there is no violence in America, including street crime, rape, or domestic violence. I did encounter two negative stereotypes about Americans. The first, that Americans are stupid. The other negative stereotype was American women only value their careers and not anything pertaining to the domestic sphere, including their husbands and children.

years of capitalism in Russia these characteristics are still lacking. Instead capitalism in Russia has relied on informal institutions, informal practices, and the legacy associated with the Soviet system. Western economists and Western political figures had assumed that Russia would be transformed in to a democracy with the introduction of market reforms. Instead, over the last thirteen years, Russians has been experiencing tighter government controls in business, media, and the arts. “Since Vladimir Putin became president at the beginning of 2000, democratic institutions have eroded” (Colton and McFaul 2005:14). However, the lack of democratic institutions does not mean that capitalism in Russia cannot exist.

Not only does Russia have its own form of capitalism, it has capitalism without democratic institutions. However, Russia’s post-socialist economy is not unique; other post-socialist states are also experiencing similar informal, non-democratic institutions. China, for example, has a large entrepreneurial class and large portions of industry have been privatized (Tsai 2007). Despite these ‘capitalist’ characteristics China lacks formal democratic institutions, such as lobbying, voting, and protesting. In addition, Chinese “business owners must navigate a myriad of political and regulatory restriction” (Tsai 2007:5-6). Chinese business owners have found many informal adaptive strategies to operate a private enterprise within the restrictions of formal institutions and regulatory restrictions. Many Chinese entrepreneurs have engaged in informal practices, including several registration schemes. One registration scheme includes the “popular strategy of ‘wearing a red hat’ (*dai hongmaozi*), whereby larger private enterprises registered themselves as “collective enterprises” (Tsai 2007:53). Another scheme was “a related disguise of paying state-owned public enterprises for use of its name in running a private business; those were called hang-on enterprises (*guahu qiye*) because they registered as appendages of established government operations (Tsai 2007:53). A third registration scheme

involves party-state cadres who use “their privileged political status to run business indirectly or help others run red hat operations” (Tsai 2007:62). All of these registration schemes allow a private enterprise to operate with many employees, gives a company favorable tax treatment, and access to bank credits and loans (Tsai 2007). Besides registration schemes, other informal practices include tax evasion, providing free services to party cadres (such hosting free parties), providing gifts and bribes to party cadres, and the use of social networks with political cadres.

Further, Chinese entrepreneurs “lack a unified social and political identity” (Tsai 2007:73), which prevents a middle class identity from emerging. This is also similar to Russian entrepreneurs. Many Russians informants viewed themselves as lacking an important role in the overall Russian economy and viewed their role in Russian politics as even more marginalized and non-existent. “The belief that capitalists must demand democracy is a myth, not a law of social science” (Tsai 2007:5).

Further, the legacy of the Soviet Union is still prevalent not only in Russia’s political institutions, but in their economic and social institutions as well. Although some of these institutions have been transformed under the market economy, their basic structure remains rooted in Soviet socialism. Katherine Verdery (1999) argues that “the post-socialist change is much bigger” than just new bookkeeping techniques. The transition is a “problem of reorganization on a cosmic scale, and it involves the redefinition of virtually everything, including morality, social relations, and basic meanings; “it means a reordering of people’s entire meaningful worlds” (Verdery 1999:35). This reordering of people’s ‘meaningful worlds’ includes new struggles over reproduction rights (Rivkin-Fish 2005), the creation of a new social welfare (Caldwell 2004, Rivkin-Fish 2010), the desires of marketization (Patino 2005), feelings (Oushakine 2009b), identity creation amongst ethnic minorities (Goluboff 2003, Tishkov 2004,

Grant1995), and changing ideologies through various symbols (Humphrey 2002, Pesmen 2000, Humphrey and Skvirskaja 2012).

Ideological symbols had characterized the Soviet system; this characterization was prevalent in the most visual form- street names and city names. “The establishment of the Soviet Union in 1922 brought with it a vast renaming program, and something like half the total 700,000 or so populated places in the USSR had their names officially changes. The changes, whether alterations, replacements, coinages, or abolitions, were made entirely for ideological purposes, with the aim of lauding all that was new in the sense of being revolutionary and socialist” (Room,1996:8). Following the collapse of the Soviet Union, this most visual symbol of the Soviet system had been dismantled and “many places reverted to their prerevolutionary names, sometimes in corrected form” (Room 1996:14). Other visual symbols (statues) have also been destroyed. Even the dead have not been immune in the reordering process. In post-socialist politics Verdery argues that “bodies-especially those of political leaders- have served in many times and places worldwide as symbols of political order” (1999:28). The bodies of dead leaders, in particular, can transcend time, be displayed, moved around, and can be symbols of political order (Verdery 1999). At the time of this writing, arguments over what the Russian government should do with Lenin’s embalmed body still remains unresolved.

7.2 Summary of the Dissertation

The purpose of this dissertation project was to gain an anthropological understanding of semi-legal practices of business, both international and local, conducted in contemporary Russia. Of additional interest is how the current system has inherited characteristics from the Soviet Union. The focus of this research is how the post-El’tsin (2000 onwards) market economy actually works, as well as how people define, identify, and engage with this newly structured

market economy. The main purpose of this dissertation is to explain the rise of different areas of legality and semi-legality in post-socialist Russia and the symbiotic relationship and informal practices that occur between these two spheres. In addition, it examines the processes of transformation in the post-socialist context, including the development and shaping of exchange as it is dictated through semi-legal activity and informal practices. The two-year ethnographic study in St. Petersburg, focused on the role of government officials, governmental rules and laws, and daily business practices as they relate to governmental control in business in the market economy.

This dissertation began by examining the role of the state in business in Russia, the general characteristics of an informal economy, and informal practices inherited from the Soviet Union. This dissertation utilizes the theoretical model of sociologists Castells and Portes to explain how restraints in the formal economy create the informal economy. The informal economy is set within a situation when two poles of a continuum are interacting. Castells and Portes' argument focuses more on the characteristics of actors rather than the legal institutions that create the categories of legality. In the case of Russia, the social complexity, the rationale of actors and the inherited behaviors from the Soviet system, play a more important role in Russia's informal economy than the legal code. In addition to Castells' and Portes' theory, this dissertation used the theories of Max Weber to explain how the state uses bureaucracy as a mechanism of control. Within this excessive control, the state creates the situation for the informal economy since harsh regulations prevent some actors from engaging in the official economy. Therefore, actors who are prevented from participating in the official economic sphere engage in the informal economic sphere. In present day Russia, the overbearing tax regulations and bureaucratic red tape have transferred inherited Soviet informal practices into the new

economy. These informal practices are falsification in accounting, blat' networks, and hybridity of actors.

In chapter three, the dissertation explains inherited Soviet behaviors with a focus on Soviet workers' behaviors. Soviet production was different than production in market economies. Production focused on meeting quotas implemented by the central planning authority. Further, due to the economy of shortages, managers were able to build alliances with government officials for the obtainment of raw materials. Thus, managers were able to claim power over their subordinates because of this raw material obtainment. This hierarchical power between managers and workers was reinforced by managers making all of the decisions and workers relying on their managers for instructions. In general, Russians in the Soviet system relied on trusts, gifts, and bribery as survival methods. Women's roles in the work force were contradictory, as women had to perform the triple duties of working, home making, and queuing for consumer goods. The dividing line between the personal and the professional spheres was virtually non-existent in the Soviet workplace because personal relationships helped the system to function more smoothly and efficiently. Personal relationships, both romantic and friendly, were commonplace in the Soviet workplace. In the post-Soviet period, bribery, gift giving, trust, hierarchical work relationships, and managers' decision-making have been transformed, but they remain in the market economy.

In the post-Soviet system, foreign directors of large firms noted that Russian-style capitalism has inherited Soviet behaviors that hinder companies from maximum profit and prevent full-fledged capitalism from developing. Many foreign directors are implementing new strategies to make workers more 'Western' by encouraging them to make decisions, be more creative, to be more proactive, and to be less dependent on the directors. Further, foreign

directors have tried to replace Soviet era behaviors with more Western behaviors. There has been conflict, as many Russian workers struggle to adopt these practices. There has been even more conflict in the area of personal relationships in the workplace. An example of this conflict is that BIR organized a boat party for its members and used ‘love’ as their theme. This theme brought heated reactions from foreign companies who viewed it as unprofessional. Even in the post-Soviet workplace, gifts are being transformed from Soviet-era edible gifts of alcohol and chocolate to more exotic, rare, and expensive gifts. A seminar at BIR illustrated the teaching of new gift ideas to receptive Russian entrepreneurs.

Chapter four focused on Russian enterprises and the informal economic practices of Russian entrepreneurs. It traced the historical development of private Russian entrepreneurship from perestroika through the collapse of the Soviet Union to the 2000s. The chapter focused on the legal code as a focal point to understand the informal economy and to argue that the terms legal and illegal are problematic since most laws are contradictory and selectively enforced. Russian government officials use the organs of the state to enforce selectively and abuse the contradictions of the law. In addition, the courts have very little effect in ruling according to the law since most judges, prosecutors, and investigators can be bribed. Therefore, Russian entrepreneurs engage in informal economic practices such as bribery, rule circumvention, and alternative enforcement methods to function.

The dissertation argues that bribery is a daily practice found not just in business but also in the medical establishment, educational institutions, and in daily bureaucratic processes such as the obtainment of driver’s licenses and external passports. Bribery is also a hegemonic practice, because it further empowers people in the hierarchy whether it is a government official, bureaucratic worker, or university professor. Lastly, in this chapter the focus is on the different

planning methods that were inherited from the Soviet system and changed according to the government policy of each decade.

In chapter five, the focus is on foreign enterprises, or more specifically Multi-National Corporations. Foreign enterprises operating in Russia face many of the same problems that Russian enterprises encounter. These include corruption, contradictory laws, selective enforcement, over regulation, difficult customs regulations, slow bureaucracy, and problems with the infrastructure. However, foreign firms are able to combat the corrupt practices of Russian government officials by employing a large legal staff and utilizing the court system, in both Russia and abroad, to force fairness in court rulings. In addition, foreign firms use the political and economic power of their native countries to force Russian government officials to follow international policy rather than informal Russian customs. Foreign firms are regulated by laws from their native country and are subject to criminal prosecution for corrupt practices. Several foreign enterprises have been fined millions of dollars for engaging in corruption while their Russian directors faced no criminal charges. Many foreign entrepreneurs/business people believe that there is a double-standard when it comes to corruption that allows Russian enterprises to have a competitive edge. Because they can use bribery and other corrupt practices, including in customs, Russian enterprises can get items to market quicker and sell them more cheaply than their foreign counterparts.

Russian entrepreneurs have their rationale for engaging in informal economic practices. This rationale has a moral underpinning. Many Russian entrepreneurs engage in informal economic practices because they believe that the Russian government not only does not help its citizens but that the Russian government cheats its citizens. Utilizing James Scott's theory of the moral economy, the dissertation traces the discourse of Russian entrepreneurs and their

justifications for engaging in the informal economy. The reasons focused on their future meager pensions, their financial support of elderly parents, the lack of efficient Russian social programs, and the belief that their tax dollars are used for the personal expenses of Russian government officials, including the ostentatious display of wealth in cars, watches, and clothing. In chapter six, the dissertation examines the discourse of Russian government officials and traces the discursive practices of metaphor, storytelling, and double speak through the Soviet system. The discursive practice of Russian government officials is a performative act that reinforces their power.

7.3 Capitalism in Russia: Future Implications

Russia's economy is strongly dependent on its vast wealth of natural resources, such as oil, gas, timber, and precious minerals. The Russian government's interest lies in controlling these industries. The Medvedev and Putin governments have vowed that they will invest in the future of Russia's economy. They have planned to invest in new technologies, to fix the infrastructure, to support small and medium-sized enterprises, to attract foreign investment, and to combat corruption.

However, the Russian government has failed to act in reaching these goals. Russia is not investing in new technologies. This lack of technological investment affects not only enterprises but average Russian citizens as well. For example, the Russian government has failed to invest in new technologies in medicine. The new "state-of-the-art" medical facility, Almaz Hospital in St. Petersburg, does not have much medical equipment necessary to treat patients. Even more disturbing, only one year after this hospital was built, tiles have fallen from the walls, toilets are not working, and door handles have broken off completely from the doors. In the provinces of Russia, the roads, bridges, and airports are in the same poor condition as they were at the time of

the Soviet Union's collapse. The number of direct flights from St. Petersburg to provincial cities is very limited. It is commonplace for travelling passengers to book a connecting flight to Moscow in order fly to a provincial city (if that city even has an airport). There have been some initiatives on the part of local government to help small and medium-sized enterprises, but the help is very limited. Even worse, the 'help' has been the implementation of even more laws, which usually contradict other laws. The existing laws have made it very difficult to attract foreign investors. In addition, the complex foreign visa laws, the over-regulatory bureaucratic procedures, inadequate housing, and poor transportation, have made it very difficult to attract and keep foreign investment.

Foreign entrepreneurs, who participated in my research, stated that Russia is viewed as business unfriendly. Russia has the reputation of being an untrustworthy place to conduct business. Due to the extortionist practices of Russian government officials, many foreign enterprises have refused to conduct business in Russia. Despite the fact that Russia has an eager consumer population willing to pay high prices for consumer goods, many foreign investors do not view Russia as a country in which to make a profit. These foreign firms fear that the profit will be 'paid' to Russian government officials. Foreign directors' experiences in Russia have not helped this negative world image. The Russian government's highly publicized "campaign against corruption" is more talk than action, especially since Russian government officials are the benefactors of the current system. When I asked one foreign director what advice he would give to a person who wanted to start a business in Russia, the answer was a very emphatic, "Don't."

In all of this, there are the Russian people. Despite all of the problems, Russians are, in general, living better than they lived twenty years ago. The consumer goods which they craved

are abundant in stores. Russians now have the opportunity to enjoy spending time in cafes, bars, and restaurants. Russians no longer have to dream of travelling the world. Travelling is a reality that many Russians engage in with great enthusiasm. Their travels have exposed Russians to different cultural practices, such as customer service and public sanitation.

There is also more open discussion of societal problems. In the past ten years, I have noticed changes in the topics of complaints from Russian people. Ten years ago, the topics of conversation centered on individual survival: where to find work, how to put food on the table, fear of street crime, etc. Over the past three years, the topics of conversation have changed from individual survival to concern about others: orphans, homelessness, gay rights, environmental waste and recycling, the rights of people with physical disabilities, and animal welfare and adoption. In addition, there is more open criticism of the government. As the Russian government moves more and more towards a predatory state trying to limit peoples' rights, more and more Russians are engaging in public protests. Despite threats of arrests by the Special Task Force Police (OMON), every other month Strategy-31 members meet publicly to display their right to assemble. Other groups also assemble despite the threat of arrests. These include gay rights supporters, anti-globalization activists, and protestors against fraudulent elections.

Throughout my research and writing, I have attempted to explore different social milieu in order to understand the complexity of economic exchange in a country in the midst of economic transition. I use the word "transforming" in the present, active tense throughout my research, since Russian capitalism is still in the process of defining itself within the global market. In this transitory stage, the Russian people are also trying to define themselves. The future for Russia may not be determined by the government. It may indeed be determined by how the people define themselves. There has been a change in Russians' social consciousness.

Will there be a change in their political consciousness as well? Truly, the future of Russia may be determined by what kind of government the Russian people will be willing to accept and the type of rights for which they are willing to fight.

APPENDIX A**The Watches of Russian Government Officials:**

1. Vladimir Putin (Russian President) \$10,500
2. Dmitry Medvedev (Former Russian President) \$32,200
3. Ramzan Kadirov (Chechen President) \$200,000-\$300,000
4. Yuri Luzhkov (Former Moscow Mayor) \$19,100
5. Vladimir Resin (First Deputy to Mayor Luzhkov, Moscow) \$1,044,800
6. Alexei Miller (Deputy Minister of Energy and CEO of Gazprom) \$112,100
7. Alexei Ulykaev (Deputy Chairman of the Central Bank of Russia) \$78,800
8. Andre Kostin (President of the Russian Sports Gymnastics Federation, CEO of VTB Bank) \$240,800
9. Valentina Matvienko (Former Governor of St. Petersburg) \$26,600
10. Sergei Naryshkin (Chairman of the State Duma, Former Head of the Administration of the President of Russia) \$29,700
11. [Unknown to author] \$9,300
12. Alexei Kudrin (Minister of Finance) \$14,900
13. [Unknown to author] \$15,100
14. Dmitry Kozak (Deputy Prime Minister of the Russian Federation) \$15,900
15. Igor Nikolaev (Director of FBK Strategic Analysis Dept.) \$225,00
16. Anatoly Chubais (Head of Russian Nanotechnology) \$20,500

APPENDIX B: “March of the Fisherman”

English Translation:

I began life in the slums of the city,
 And kind words I have not heard.
 When you caressed your children-
 I asked to eat, I was freezing.
 You saw me and did not hide your glance
 After all, I have nothing, nothing to blame.

Why did you throw me away, for what?
 Where is my breeding ground? Where's my place to sleep?
 Do not you recognize my affinity?
 And I tell you brother, I'm a person.
 You always pray to your gods,
 And your gods forgive you for everything.

The edge skyscrapers and luxury villas
 Pouring from the windows of the blinding light.
 Oh, if I ever gain strength,
 You gave me the answer for everything.
 Open the doors, people, I'm your brother
 After all, I have nothing, nothing to blame.

You knew caresses of your birth mother
 that I did not know, but only in a dream,
 In my golden childhood dreams
 My mother sometimes appeared to me.
 Oh, mother if I will find you
 My fate would not be so bitter.

Russian Version:

Я начал жизнь в трущобах городских,
 И добрых слов я не слышал.
 Когда ласкали вы детей своих-
 Я есть просил, я замерзал.
 Вы увидав меня не прячьте взгляд
 Ведь я ни в чем, ни в чем не виноват.

Проигрыш.

За что вы бросили меня, за что?

Где мой очаг? Где мой ночлег?
Не признаете вы мое родство,
А я вам брат, я человек.
Вы вечно молитесь своим богам,
И ваши боги все прощают вам.

Проигрыш.

Край небоскребов и шикарных вилл,
Из окон льет слепящий свет.
О, если б мне хоть раз набраться сил,
Вы б дали мне за все ответ.
Откройте двери, люди, я ваш брат
Ведь я ни в чем, ни в чем не виноват.

Проигрыш.

Вы знали ласки матерей родных,
А я не знал и лишь во сне,
В моих мечтаньях детских золотых
Мать иногда являлась мне.
О мама если бы найти тебя,
Была б не так горька моя судьба.

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ABSTRACT**SPHERES OF SEMI-LEGALITY: DISCOURSE, MEDIA AND INFORMAL ECONOMIC PRACTICES IN ST. PETERSBURG, RUSSIA (2000-PRESENT)**

by

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My dissertation project focuses on how the post-Yeltsin (2000 onwards) market economy actually works and how people define, identify and engage within this newly structured market economy. In order to understand this phenomenon my ethnographic study focuses on business in Russia from two perspectives. First, it discusses how Russian enterprises operate in Russia with the socially embedded informal economic practices inherited from the Soviet system, including trust, personal networks, patron-client relationships, system avoidance, bribery, and corruption. Second, it examines how foreign firms operate under these existing economic conditions in Russia while simultaneously still following FTC regulations and international law. Keeping in mind that the informal economic practices used in Russia are survival strategies which allow Russians to survive in extreme situations, to navigate through the web of the complex bureaucratic rules, and to be able to conduct business with contradictory laws; my research focuses on informal behaviors as a method for entrepreneurs ability to manipulate the formal rules and to be creative under these restraints in their pursuit of economic gains. Further, my project challenges the Western concept of economics belonging either in the ‘legal’ or ‘illegal’

spheres since the Russian market economy is not based on Western models of economic exchange.

During my recent fieldwork in St. Petersburg, Russia (2010-2011) I used a variety of different methods to obtain this information; observation at a business organization, attendance at business lectures and seminars, interviews with Russian entrepreneurs, Russian business lawyers, foreign directors of multinational corporations, foreign trade diplomats and foreign lawyers, and data from popular culture and media (jokes, music, movies); to understand the complexity of informal practices in business and its relationship to the broader Russian economy. Through this focus, my dissertation attempts to understand how governmental rules and laws, create informal economic practices. In more conceptual terms, my research project seeks to understand how the market economy is not a product of market forces, but of historically embedded practices that continue and transform within a society.

AUTOBIOGRAPHICAL STATEMENT

The ideas for this dissertation developed after several years of Russian studies. I focused on the informal economic practices in the Russian Federation because of the growing influence of Western enterprises operating in Russia and Eastern Europe. My goals of the dissertation were to identify the difficulties for Western firms operating in Russia as well as to understand informal economic practices in Russia and the implications in the globalizing market economy. My previous research experience focused on applied anthropology with its emphasis on identification of problems in order to create strategies and creative solutions to the identified problems. During the course of my research I used several methods to obtain this information. These research methods, as well as the focus of my research, have implications for my future professional career plans in marketing and business consulting.