2013

Political Culture of Post-Soviet Economic Change: The Case of Financial-Industrial Groups

Jeffrey K. Hass

University of Richmond, jhass@richmond.edu

Follow this and additional works at: http://scholarship.richmond.edu/socanth-faculty-publications

Part of the Economics Commons, Sociology Commons, and the Soviet and Post-Soviet Studies Commons

Recommended Citation


This Book Chapter is brought to you for free and open access by the Sociology and Anthropology at UR Scholarship Repository. It has been accepted for inclusion in Sociology and Anthropology Faculty Publications by an authorized administrator of UR Scholarship Repository. For more information, please contact scholarshiprepository@richmond.edu.
Political culture of post-soviet economic change: the case of financial-industrial groups

JEFFREY K. HASS

Beneath the seeming chaos and conflict of Russia’s post-socialist experience were structured dynamics of contentious reconstruction of fields (collective relations of power and culture institutionalized as authority and definitions of “normal”). This essay argues that the Russian experience was driven in no small part by contention over remaking core meanings and authority of field relations, practices, and boundaries. Contention over field reconstruction emerged as three groups’ interests and taken-for granted meanings of normality collided: those of Soviet-era managers, a new class of financial entrepreneurs and elites, and state elites and officials. Post-socialism has been a story of competing elite culture as well as interests.

JEFFREY K. HASS (jeffhass89@post.harvard.edu, jhass@richmond.edu), Department of Sociology & Anthropology, 28 Westhampton Way, University of Richmond, VA 23173.

FINDING THE LOGIC OF ECONOMIC CHANGE: CULTURE AND FIELDS

Since 1989 East Europe and the former USSR have witnessed historic post-socialist market-building. Alas, twenty years on we still inadequately understand dynamics of these economic revolutions (especially power and culture). Many studies have focused more on correlation in outcomes rather than causation (e.g. Eyal et al. 2001; Iankova 2002; Gerber and Hout 1998). Alternatively, social dynamics of post-socialist economic change are assumed: analyses focus on institutions and elite coalitions, while presuming that individual rational action is the engine of strategic and practice (e.g. among others: Åslund 1995; Frydman, Rapaczynski, and Earle 1993; Frydman and Rapaczynski 1994; Frydman, Gray, Hessel, and Rapaczynski 2000; Gaddy and Ickes 2002). Understand the institutions...
(laws, organizational procedures, etc.) and political alliances, and, following the principles of rational choice (utility maximization or optimization), you understand (supposedly) why things happen. Yet such analyses, so plentiful in economics and political science, do not always rise to the challenge of making sense of such complex and grand events as Russia’s post-socialist, post-Soviet experience. This is unfortunate, given that market-building in transitional economies provides a glimpse into the dynamics of the birth of capitalism, e.g. alteration of social practices, the rise of classes, and the imposition of new economic logics in the face of tradition. In particular, there has been little direct attention to dynamics of power and culture and their coalescence into emergent properties (but see Kennedy 2002). The meaning of categories, which structure social action (cf. Berger and Luckmann 1967), are the meat of post-socialist transitions; only a critical sociology aware of this can begin to approach cultural and power dynamics of market-building.

Yet a growing number of non-economists, and a minority of economists, accept that economies are stranger than mainstream theory suggests. Neoliberal theory assumes efficiency and a natural evolutionary selection process where the fit survive and the unfit fail. This may be true in some contexts but is far from satisfactory as a general model, especially for post-socialist transitions—no surprise, as efficiency theory does not explain the rise of the corporation in its birthplace, the United States (Roy 1997). Efficiency theory assumes the rule of law and state capacity to support property rights and market rules. Costs and calculation are assumed to be objective. Actors assess existing costs, benefits, opportunities, and dangers, and they then address existing rules as they see fit. Mechanisms of change and reproduction remain surface manifestations of deeper, multidimensional change processes that remain in a black box. Even explanations that introduce institutions (e.g. laws or formal rules) eventually run into problems. High taxes, legal barriers, weak infrastructure, a state “captured” by social classes to support rent-seeking, or weak contract law are invoked to explain problems of economic growth or restructuring (cf. Schüsselbauer 1999; Hellman and Schankerman 2000; Hendley, Murrell, and Ryterman 1999, 2000). Weak institutions, or weak state enforcement of capitalist laws, is a main culprit here. Yet this instrumental approach to institutions—where institutions (rules and procedures) affect action by shaping costs and benefits—is too simple (Woodruff 2000). Institutions are invoked—but what are these, and how do they operate? Institutions as formalized rules—whether legal codes or organizational schemas—emerge from strategies for dealing with existing costs and benefits in an environment, and shifts in those institutions constitute economic change. For example, in economic literature, economic change is the outcome of managerial attempts to minimize
transactions costs and improve effective and efficient coordination (Williamson 1985; Chandler 1977). Political scientists usually add a dimension of elite struggle for political power and profit; strategies for institutional design are a result not only of the goal of improving efficiency and profit, but also for expanding influence (Barnes 2006; Wegren 2005; see also North 1990). Institutional change ends up reduced to agents’ interest-centered actions without explanation of where interests come from (Friedland and Alford 1991). If this means maneuvering to change those rules—e.g., lobbying Boris Yeltsin’s Kremlin during privatization (Barnes 2006)—then economic change results. Problems of property rights are reduced to bad policies or rent-seeking, rather than analyzed as clashes and claims of different normalities. Neoclassical theory cannot conceptualize power and culture, and economists cannot examine how change has a multidimensional nature.

While an instrumental approach gives us part of the story, it remains unsatisfactory as the basis for a full account of economic change, especially of the radical variant that has been Russian post-socialism. In particular, an instrumental approach misses two important facets of economic practice: the source of actors’ own preferences and “tool kits” of perceptions and strategic responses (which fit under the broad heading of “knowledge”); and emergent properties of institutional systems and actors. Thus, sociological studies of economies and organizations have challenged assumptions about instrumental rationality that dominate mainstream economics and political science (cf. Hass 2007). In particular, the development and refinement of field theory has been important in bringing together power, culture, and institutions. Based primarily on work of the late Pierre Bourdieu (1990, 1993, 1998), field theory has produced important insights into the historical structuring of economic organization and behavior (cf. DiMaggio and Powell 1983, 1991; Fligstein 1990, 2001). However, field theory still requires greater refinement (Martin 2012; Fligstein and McAdam 2012; Emirbayer and Johnson 2008), and it has been rarely applied to post-socialism. One goal of this essay is to apply rudimentary insights of field theory to Russian post-socialism—using the theory to make better sense of the empirical case, while also using the case to develop the theory. Field theory can help us see deeper social dimensions to the conflict and confusion at the heart of privatization and property since 1991. And in turn, Russia’s experience can help us develop that area where field theory is currently weak: change and conflict in field boundaries, structures, and rules.

According to Pierre Bourdieu, social stratification is a function of fields, habitus, and capital. Habitus is, crudely put, an individu—

---

1. This essay follows my earlier work (Hass 2011a: chapter 5; also 1997, 1999).
al’s structured knowledge and the logic of how to use that knowledge. While habitus does not control—people are not automatons—one’s knowledge does constrain and enable how one interprets and responds to the world. Capital is existing resources actors can deploy. There are various forms of capital: economics (e.g. money and property), social (quality and structure of networks), and cultural (cultural knowledge) capital are most often cited, although other forms are conceivable. Habitus and capital are related as strategy to resource: through experience and socialization actors learn particular techniques for deploying what capital they have, and existing capital can restrict or expand available strategies.

Fields are arrangements of actors—the dual metaphor is a magnetic field orienting actors in a particular way (e.g. categories and strategies of action), and a field of battle with actors arrayed in alliances and confrontations (Bourdieu 1990, 1998; Emirbayer and Johnson 2008). Behavior in the field is governed by doxa, taken-for-granted rules of entry into and engagement within the field. Capital are actors’ resources: social (e.g. networks and reputation), economic (money or shares), cultural (tastes and behavioral skills), and institutional (access to formal rules and organizations). Russia’s post-socialist doxa unraveled with radical reforms and emergence of new agents developing new claims and acting on new interests. Owners and oligarchs, holders of shares and money, wanted economic capital to be triumphant. Managers preferred social capital and their variant of cultural capital (technical knowledge). State officials preferred institutional capital (the state) dominate over other forms. And naturally, all had different forms and degrees of social capital, playing off networks with local elites, different Kremlin insiders and “clan” representatives, and alliances with parties and other groups in an attempt to advance their claims and conceptions of the normal doxa.

Fields are the context for strategic and collective action, and their reconstruction should be a matter of contention. Even more contentious is contention within and over the “master field” or “field of power”—the specific field that, through a constellation of material symbolic resources, has the greatest potential force to shape general principles of practice and structure for other (e.g. economic) fields. The battle over doxa, especially in the master field, was linked to the battle over property and principles of control—although temporally this battle began after battles of internal enterprise control had been underway (and in many cases were being resolved). This battle pitted managers, property owners, and state officials against each other, and sometimes property owners versus other property owners (especially majority shareholders versus and minority, and Russian and foreign shareholders). Because property filters throughout the economy as a fundamental rule of authority, the battle between elites over high-profile,
potentially lucrative firms (Norilsk Nickel, Iukos, aluminum firms) set the tone for overall meaning of and claims to property. These conspicuous cases became totems or signposts that other owners, managers, and state officials could use for negotiating power relations and structures. Attacks on oligarchs, for example, created a temporary panic that renationalization was imminent.

These three entities interact in Bourdieu’s framework. Field location shapes an actor’s habitus and capital, the first from experience and the second from rules of resource access. Actors internalize field rules, and resulting habitus influences how they judge and respond to contexts (opportunities, threats, etc.)—although habitus does not overwhelm individual agency. This suggests that post-socialist economic change has not been only competing elites and interests. Rather, it has been competing assumptions and knowledge of how a “normal” economy operates, and conflict over ritualizing and normalizing these assumptions—and primacy of particular knowledge, habitus, and capital—in organized fields of property and governance.

**COMPETING HABITUS AND FIELDS LOGICS: A HISTORY OF POST-SOCIALIST ECONOMIC CULTURE**

Economic organization is not merely the evolutionary emergence of efficient means for producing, trading, and making profit. Rather, economic organization is the institutionalization of norms and logics of what constitutes a “normal” economy (Roy 1997). Actors compete and struggle to defend and enforce what they consider to be the ultimate meaning of economic action, which acts as a measuring rod for the status and legitimacy of economic tactics and relations. Victors in such struggle impose their versions of normality through formal laws, organizational structures and procedures, and arrangements and rights of property ownership. In this regard, post-socialist economic change has been no different than the emergence of capitalism or state socialism. To better understand the post-socialist process, we must broaden our vision, beyond the usual political economy of state and business elites and their immediate interests, to their logics of normal economic action—logics inculcated in their own biographies and manifest in personal habitus of knowledge, strategies, and practices.

While there are multiple dimensions to logics of practice that are then institutionalized as field doxa, I will focus on three, all of which are related to conceptions of the normal economic order. The first is risk: assumptions of fundamentally abnormal behavior that not only violates norms and assumptions of legitimate action, but also threatens the existence of those very norms and, by extension, of economic entities. By positing what is risk—either
through claims or through deeds—actors are also constructing in an oblique fashion the normal economic order that is to be defended (cf. Boeva, Dolgopiatova, and Shironin 1992; Dolgopiatova and Evseeva 1994; Gurkov and Avraamova 1995). The second dimension is the source of authority: what position, status, or skills and knowledge are crucial to the normal operation of a normal economy. A particular vision of a normal economy presupposes a hierarchy of necessary, functional positions and knowledge. Thus, those actors with these functional positions and knowledge are deserving of social and economic authority. The third dimension is rights and limits of property governance. Property governance involves normal, natural claims to resources. As such, assumptions about fundamental rights regarding the use of property, as well as limits, underpin models of how power or authority should be distributed in a normal economy. Note that this does not rule out opportunistic behavior, such as claiming property rights in order to rent-seek or guard one’s privilege. Property and governance rights are, like any rights, claims for legitimacy. Unless it is a purely naked grab for resources—such naked grabs are rare generally, even in post-Soviet Russia—opportunism ultimately is cloaked in these claims of normality, which in turn constrain the behavior of those who make these assertions by making them accountable to their claims.\(^2\)

I now turn to the key actors in the drama over reorganizing post-Soviet fields—Red Directors, financial entrepreneurs (so-called “oligarchs”), and state elites—and their corresponding property empires, financial-industrial groups (finansovo-promyshlennye gruppy, FPG)—Defensive FPGs, Financial FPGs, and State-Centered FPGs\(^3\). A summation of their logics of economic normality is in Figure 1. The coexistence of these three types of property and organizational principles was problematic because all three sets of elites were fighting not only of money (investment, state money, etc.), but also over legitimacy. Defensive FPGs were the first property empires to emerge, and Red Directors began to exercise influence over the field of power in the early 1990s, for example hindering tight budget policies and using privatization to gain further control over their enterprises. However, as the Yeltsin regime consolidated its own power through the 1990s and made an informal

---

2. I not suggesting that opportunism (theft, rent-seeking, etc.) is absent or marginal. However, I suggest that theft and opportunism are not agnostic to culture: Red Directors, oligarchs, and state elites as a rule do not steal in any old way, just as they do not organize economic practice in any old way. Habitus, and fields also shape knowledge and strategies available for opportunistic behavior.

alliance with the oligarchs, the balance tipped from Red Directors and Defensive FPGs to financial elites and Financial FPGs. Financial capitalism seemed dominate over the field of power and Russia’s economy. However, the 1998 ruble crisis shattered their seemingly inevitable domination and ushered in the return of the state, eventually consolidated under the leadership of Vladimir Putin.

Socialized and on the job in Soviet industrial enterprises in the Soviet era, Red Directors as a rule were knowledgeable primarily about the process of production. Supply of necessary inputs, coordination of labor and provision for the labor force, and ensuring output were key to Red Directors’ survival and success in the Soviet era. Those individuals who best played the game of using networks and maneuvering the Plan were most likely to rise to the ranks of general directors. Long experience in the politics of production and the Plan shaped their habitus and logics and knowledge of practice. For Red Directors, the core risk to normal organization was the disruption of supply and labor—resources that were key to production and to political legitimacy, especially because “success” in the Soviet era meant fulfilling or overfulfilling output norms and providing for the enterprise’s workers. The source of authority for Red Directors was their organizational knowledge and position. Atop the enterprise structure, they could see the entire production process and apply knowledge they had gained through experience to guarantee proper running of the enterprise, so that it could fulfill its productive function. While Red Directors came to accept that property rights allowed claims to residuals (i.e. profit), it did not allow total interference within the enterprise if such interference would hinder production and employee provision. Red Directors often articulated a “moral economy” of the enterprise as a sacred collective that could not be hurt
by the mere pursuit of profit, because such naked pursuit was little different from rent-seeking and theft (Hass 2011b).

Natural variation aside, the general logic of the generic Red Director habitus—generated by long-time experience in the Soviet era and thus reflected Soviet logics of everyday economic life—was institutionalized in interorganizational relations, and later through property ties, in the Defensive FPG. The fundamental logic to this structure was interlocking property relations that defended firms against outside control or accountability, and against uncertainty of supply and finance by solidifying supply relations and literally by pooling and distributing funds for support, as in a mutual aid society. Exchange partners needed to group together to support exchange and supply of goods linked in production cycles, and so this FPG emerged as a safety net embodying production logics and relations. Thus, Defensive FPGs often began as voluntary associations in the late 1980s of enterprises that had produced for each other or made similar products and were often enough in the same ministry or glavk. Older directors used to state-centered planning saw risk in collapsing exchange and distribution, finances, and unsettled rules of the new economic order. After one interview I conducted in 1995, a manager of a chemical FPG in St. Petersburg mentioned heatedly criticized bankers and Financial FPGs as bloodsuckers who drained Russia’s wealth and cared little about production, educating a new generation of chemists and engineers, and maintaining Russia’s competitive edge in chemical production and research. The head of a local Petersburg furniture FPG intimated the same. When I asked about pursuing outside investment, perhaps by entering a Financial FPG—dominant in 1997, when the interview took place—he responded quickly and forcefully that he did not trust “bankers,” who, he claimed, bought enterprises only to squeeze them dry and discard them.

To build a Defensive FPG, participating firms created a central holding company—sometimes some kind of financial institution—to which they turned over shares. (Defensive FPGs usually had an associated bank as well, for attracting private investment or funneling state subsidies or other funds.) Holding company shares were then split among FPG members, whose directors sat on the FPG board of directors. In this way the FPG would defend managerial autonomy and enterprise security. Comments by the director of a Petersburg bread factory are instructive. Former Party and state-ministerial elites actively aided creating some Defensive FPGs, using networks and the ministerial template (Prokop 1995; Gorbatova 1995, Starodubrovskaia 1995). Defensive FPG Fin Prom was created by a coalition of local state officials, enterprise managers, and the State Privatization Committee; mining companies, real estate firms, a bank, trading company. FPG Konsensus was formed from the Soviet Ministry of Light Industry. Petersburg’s
Energomashstroitel’naia Korporatsiia (EMK), originally MGO Energomash, was founded on a former state structure and sector. The raison d’être was to reorganize inter-enterprise relations in the economic crisis and privatization.

The institutionalization of Red Directors’ status and habitus in Defensive FPGs was the first manifestation of post-socialist economic culture, because Red Directors were best situated and had the best capital early on to benefit from the collapse of Soviet socialism. They did not have to “emerge” as financial elites and oligarchs did, nor were they initially attacked and deligitimated as were state officials and state-held property. However, the manager-centered and production-centered logic of the Red Director habitus and the Defensive FPG faced several potential problems. First, they did not fit so well with the emerging “transition culture” (Kennedy 2002) that favored finance over production and that posited “Soviet” and “socialist” (which Red Directors were) as illegitimate and abnormal. Second, while some Defensive FPGs could earn profits from sales of some products (e.g. exports of electricity generating equipment) or temporarily attracting capital to the FPG’s financial institution, Defensive FPGs did not always follow sufficiently fundamental restructuring or generate sufficient capital to develop in the post-socialist world, leaving them at an eventual disadvantage vis-à-vis competitors. Third, once Defensive FPGs had been created, it was possible for a director of the central financial organization to turn the tables on its founders and gain control over the members of that particular Defensive FPGs. Exactly this happened in the late 1990s to Energomash (EMK)4. Aleksandr Stepanov attempted to use various financial machinations to gain personal control over the members of EMK. While this violated a core principle of the Defensive FPG—to guard the autonomy of the member companies—Stepanov was initially successful. However, the principle of autonomy eventually generated resistance, especially from Stepanov’s eventual target, Leningradskii Metallicheski Zavod (LMZ). After a protracted battle in various courts, LMZ, Elektrosila, and allies defeated Stepanov and EMK, depriv ing EMK of core companies.

Finally, the status of Red Directors and Defensive FPGs would wane because, at the center of the field of power—the Kremlin (which had not yet devolved that much real institutional power)—the managerial clan had lost the battle of the clans in the mid-1990s. Instead, a new clan representing an emerging financial elite had gained influence within the Kremlin and Yeltsin’s inner circle (Hoffman 2002). The state began to favor this new elite and its habitus and logics of fields and organization. The time had come

4. For an analysis of internal conflict at EMK, see Hass (2011 a: chapter 5).
for the oligarchs and a new organization and use of property, and a new set of principles for fields.

**TEMPORARY CAPITALIST HEGEMONS: OLIGARCHS AND FINANCIAL FPGS**

The second set of actors was financial entrepreneurs, especially those who became the superrich “oligarchs.” Financial entrepreneurs often came from the ranks of the Komsomol, research institutes, or similar bodies, in which knowledge of production was less important than other knowledge, in particular manipulating access to financial and similar resources (dues, funds for research projects, etc.). Outside the managerial hierarchy in the late Soviet era, some Komsomol leaders and institute employees saw opportunity for speculative profits during Gorbachev’s reforms—where their managerial bosses saw the repetition of an earlier pattern of talk about reform ultimately failing to reach fruition (Hoffman 2002). Whether using access to hard currency to initiate import and resale trade for profit, or setting up early financial institutions, these younger financial wizards learned how to work in the shadows and on the margins of the slowly liberalizing and unraveling late Soviet economy. Their experience was in organizing resources; organizations were less about production than about procedures and capital. As these younger entrepreneurs turned to speculative trading in the late 1980s, they conceived a core risk as losing control over capital and the return of investment. Their conception of authority was grounded in knowledge and control of resources, especially money. Finally, property was the rights not only to profits and principal of investment, but also decision-making authority stemming from the provision of capital. In short, financial entrepreneurs were the closest thing to nascent capitalists in post-Soviet Russia. To managers of banks and Financial FPGs, enterprises were commodities to be bought and sold (via shares) through market means. Not the enterprise itself, but capital and shareholding were sacred.

Financial entrepreneurs’ (Khodorkovskii, Berezovskii et al.) experience of making money in the Komsomol or trading deficit goods extended into Financial FPGs. After 1992 major commercial banks expanded beyond financial games with currency and treasury bills (GKOs, OFZs) to acquiring shares in privatized firms. Oneksimbank and finance company Mikrodin united as Interros and acquired shares by various means in such privatized enterprises as Norilsk Nickel or Moscow car factory ZiL (later saved by Mayor Iurii Luzhkov). Menatep, Al’fa-bank, and Inkombank invested in oil, confectioneries, and metals. Komsomol experience gave these elites skills to manipulate finances and rules and use loose laws for gain; they could also apply market vocab-
ulary to engage Western investors. They had sufficient capital to interest the cash-strapped state, and they had as allies some Kremlin insiders who came less from nomenklatura than from the Komsomol or other institutes. These entrepreneurs and organizations built empires by obtaining shares through privatization auctions and the secondary market through a variety of means, usually indirect and difficult to trace formally. Because they conceived of risk primarily in terms of control of and return on investment, i.e. property ownership and governance, their property empires differed in two ways from Defensive FPGs. First, this elite made sure to have a presence on boards of directors and managers in their newly-acquired properties. As Menatep president A. Zurabov noted, “in Russia it is still impossible to make financial investments without real control over the debtor... If we control management, the situation, capital streams, account transactions, and the like, then of course the probability of a return of such loans in order are higher than loans by a clientele on the side...” (Pappe et al 1997:52). Second, unlike Defensive FPGs—where risk was equated with losing control of exchange and supply or losing subsidies—Financial FPGs were organized around the principle of diversification—spreading risk around. As one manager at FPG Sokol noted, “we operate on the principle of the submarine, where there are several compartments—this helps keep it afloat during difficult times when one compartment is suffering” (Ekonomika i zhizn’ #33 1994: 37). Menatep invested in firms organized around exports to gain control of those hard-currency accounts—but this also left Menatep with diverse holdings (even if oil was an important part of the Menatep empire). Bank Rossiiskii Kredit began buying shares to engage in speculation, but ultimately the bank found it had a diversified empire.

Financial elites and their FPGs were temporary hegemons after the 1995 loans-for-shares (zalogovaia privatizatsiia) auctions, which were rigged in their favor. Upon gaining controlling packets of shares, the financial elite moved to consolidate governance. This was not so easy at the start. The test case for oligarch power was the battle for control over Norilsk Nickel, which pitted new owners Oneximbank against entrenched managers. After a long struggle through various courts, Oneximbank emerged victorious. Khodorkovsky also faced resistance from managers within his newly acquired Iukos oil empire. Only by using various machinations with share offerings did Khodorkovsky consolidate his control over that empire. As the 1990s wore on, it became clear that the financial elites had Yeltsin on their side, and that they could play the new formal laws of Yeltsin’s regime and the broader logics of emerging Russian capitalism. Thus, after 1995 the Financial FPG and financial elite eclipsed the Defensive FPG and Red Directors for hegemony over Russia’s economy. However, the story was not yet over.
In 1998 the oligarchs and Yeltsin’s Kremlin were seriously wounded by the ruble crisis. Not only did many oligarchs and Financial FPGs lose capital in the crisis; they also lost the halo of inevitable ascendance. Suddenly they seemed not only the prime villains behind inequality and crisis in Russia; they also seemed vulnerable. The crisis hurt Yeltsin’s image and emboldened his political opponents. Eventually, Yeltsin turned over the reigns of power to a previously badly-known state operative everyone presumed would follow the whims of the oligarchs. It turned out Vladimir Putin had other plans, and he had tools to realize them in the face of oligarch opposition. The stage was set for, yet again, a transfer of hegemony to another elite and another set of principles for the organization of property and fields.

THE WINNERS THUS FAR: STATE ELITES AND STATE-CENTERED FPGS

A third “class” and logic of economic organization was ever-present but in the 1990s latent: state elites and officials—especially the siloviki, elite from the security apparatus—and a dirigiste logic of organization. In the 1990s on its contours were somewhat blurry. State elites were often outmaneuvered or co-opted by Red Directors and later by financiers. The latent logic of state-centered elites and organization centered on state authority and security; production and profit were secondary to the prerogative of the state and the security and prestige of the nation for which state officials spoke. Correspondingly, the main risk was loss of state influence (but not necessarily ownership) over economic activity. The converse was that authority was linked to state and national security: Russia was not unique in that the raison d’être of the state was security and control, but this logic was stronger in Russia than in most other European states. Finally, the logic of property and governance was shifting in the post-Soviet period. Total state ownership and control of the economy had proven disastrous; however, state control of or influence over sectors crucial to national security was not so odious. Majority share ownership was no worse than total ownership, and in fact brought a benefit: minority shareholders could be persuaded to invest in modernization in return to a portion of future profits (although without much say in the running of these companies).

Privatization and liberalization meant the state was withdrawing from the economy. Only a few giants stood in the arena: railways monopoly Rossiiskaia Zheleznaia Doroga (RZhD), electricity monopoly Edinaia Elektricheskaia Sistema (EES), and natural gas monopoly Gazprom. Gazprom had survived the fate of the oil sector, where the state monopoly was broken up and its pieces pri-
This structure, along with its control over potentially lucrative national gas, made this a potentially important vehicle for the exercise of state power. In particular, Gazprom and Gazprombank were a key part of Putin’s strategy of subordinating the oligarchs to the state—once Putin had ousted Rem Viakhirev from Gazprom and installed Aleksei Miller as director. Putin’s attack on his competitors was two-pronged. First, he used Gazprom’s wealth and some debts Gazprom or Gazprombank held over some oligarchs’ holdings to gain control over the media—in particular, Gusinskii’s media empire. The second prong was to use kompromat against recalcitrant oligarchs—to put them in jail (Khodorkovskii), to force them to turn over their property and flee the country (Gusinskii, Berezovskii), or to keep quiet and toe the Kremlin’s line (other oligarchs). By 2004, state-owned giants Gazprom and Rosneft were the main instruments of state power—initially used to take over oligarch property, and then to redistribute hydrocarbon wealth to increase dependency on the state.

Eventually, this model of post-socialist dirigisme spread in the creation of new goskorporatsii. OAK and OSK are two familiar state corporations, but one of the more interesting has been Rossiiskaia Tekhnologiiia. Rostekhnologiiia, headed by Putin contact Sergei Chemezov, was an attempt to reunite heavy industry and “strategically important” companies and sectors under state control once again. One purpose for creating Rostekhnologiiia was to guard underdeveloped, unreconstructed, and vulnerable Russian industries from market competition, especially foreign competition (Hass 2011 b). While these state-centered FPGs have, like Defensive FPGs, helped defend production, they have not focused primarily on defending supply or managerial authority: manages are subordinate to the state, and production is framed in terms of state or national importance rather than as important for its own sake (the Soviet logic of Defensive FPGs). And while state-centered FPGs have not focused primarily on a “bottom line” of profit as was the case for Financial FPGs, profit and share ownership are not unimportant. Member companies in state-centered FPGs are state-owned precisely because the state owns a majority of shares—which the state could sell if need be. One tactic has been to sell minority groups of shares to foreign investors, to raise capital in return for longer-term access to a percentage of profits (but not of ultimate decision-making authority). Thus, while the new

5. Technically, Gazprom was reorganized into many daughter firms, but in reality these remained under centralized control by Rem Viakhirev.

6. For sake of space, I will not go into detail over the politics and strategies Putin and siloviki pursued to subdue the oligarchs and augment state power. These general events are well-known to the readership of this volume, and I recount these details elsewhere (Hass 2011 a, 2011 b).
CONCLUSION:
ECONOMIC CULTURE, HABITUS AND FIELDS, AND POST-SOCIALISM

In this essay I have tried to show that one cannot understand the broader picture and deeper processes of post-socialism change only by focusing on efficiency, markets, or state and elite interests—as economists and political scientists usually do. Rather, economic culture plays an important role in post-Soviet economic change. However, that economic culture does not exist in some disembodied, free-floating, vague and amorphous form. Rather, economic culture is related to authority, and it operates through individual actors who reproduce economic structures through their practices (as driven by habitus), and through the institutionalization of habitus and culture through the organization of property and formulation of risk and authority in FPGs and fields. Marx, Weber, and Durkheim all saw culture operating (although in different ways) through collective expressions and social processes and forms. Where we see collective practices, institutions, and organizations, we are seeing culture. And in recent years, the story of post-Soviet property has been not only a story of elite interests, intrigues, and power—it has also been the drama of competing forms and content of economic culture and the battle over which meanings would dominate the post-socialist landscape. And one thing is certain: this drama is not yet over. Red Directors seemed in charge initially once they emasculated shock therapy; oligarchs seemed in charge after privatization. To assume siloviki and their dirigisme are eternal would be foolish as well. For is history teaches us one thing, it is that culture is ever-changing—even in economies.

REFERENCES


