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Jeffrey K. Hass
University of Richmond, jhass@richmond.edu

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Rethinking the Post-Soviet Experience

Markets, Moral Economies, and Cultural Contradictions of Post-Socialist Russia

Jeffrey Hass

Associate Professor, University of Richmond, Virginia

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Introduction: Rethinking the Political Economy of Post-Socialism

By the end of 1991, the West's significant other was replaced by fifteen independent countries undergoing experiments of remaking complex social structures, what one group of scholars called a "quadruple transition" (D'Anieri, Kravchuk, and Kuzio 1999): transforming economies (marketization), politics (democratization), state structures, and political identities and communities (nations and ethnicities). This event, whose echoes reverberate, is among the most important events for the social sciences, as these experiences provide social laboratories to study theories of economics and politics (unfortunately for those enduring the experiments). Yet social science failed to address adequately the massively complex process unfolding there. On the economic front, early predictions, hopes, and analyses growing out of the neoliberal model (Lipton *et al* 1990; Lipton, Sachs, and Summers 1990; Fisher and Gelb 1991; Åslund 1995) could not adequately account for confusion, conflict, and multiple trajectories in their overly simplistic and normative accounts of economic and political life. Actors themselves, from political elite and *nomenklatura* to steelworkers and students, understood little more than academics: while not wedded to problematic formal theories, their common sense told them some kinds of change were needed, such as releasing the polity and economy from the grip of the state and hegemonic Communist Party. On the political front, the consolidation of democracy has been far from uniform and smooth across post-socialist countries, and several have taken steps "backward" into various forms of authoritarianism, whether covert (Ukraine and Russia) or overt (Belarus). State structures remain sturdier in East Europe than in the former USSR, as corruption and state capacity to enforce policies have haunted the latter for twenty years or more. National and ethnic boundaries and identities remain explosive, leading to disintegration

(Yugoslavia) and internal conflict (Russia) as well as tensions that are less explosive but still troubling (e.g. Ukraine).

While the label “post-socialist” is used less often in academic and public discourse, this does not mean we should discard the label or the meaning behind it. The socialist experience and the process and dynamics by which Soviet-style socialism fell—along with the countries, politics, economies, and societies involved—remain important issues. Dynamics of social, political, and economic change after 1991 deserve yet more study, but scholarship has continuously been dogged by obstacles and problems: access to necessary data, language barriers, trying to make sense of a moving target (when scholarly production is a drawn-out process), and the intersection of scholarly debates with political agendas. I would add another: meta-theoretical narratives themselves, with their categories and narratives of social normality, clouded scholarly judgment. Scholars were not sufficiently reflexive about their own categories of analysis. Consider the fate of the category “post-socialism” (not the phenomenon). Without the “post-socialist” category, there would not be “post-socialist” research. As of late, the vague label “emerging markets” seems a favored term that lumps post-socialist countries with others of different historical backgrounds and trajectories, driving potential attention away from the socialist experiment and experience. Yet the assignment of this category across the board assumes an ambiguous “one-size-fits-all” “market” is “emerging” inexorably in these post-socialist countries. This fits the universalizing logic of economic theory: all contexts of time and space lose their specific meanings and significance.¹ All of social time and space become one generic whole, less from any particular insights than from the attempt to fit human empirical reality into a theory and method that cannot account for meaning, power, and other social factors that are contextually dependent. This hides issues of complex mechanisms of social, political, and economic change, and denies fundamental variation in processes and trajectories. (Or if there is variation, it must be marginal—else we would not have “emerging” and “markets” together.) This clumps Russia (and Ukraine, Belarus, etc.) with other “emerging markets”—yet this makes sense only if we presume history, culture, and “path dependence” do not matter.² While the majority of economists and political scientists in the rational choice tradition might assume thus, empirical studies on many fronts show that path dependency remains powerful and that history matters through preexisting practices, stocks of knowledge, and assumptions of social normality and legitimate social organization. To make sense of how the Soviet Union as a complex of ideology, institutions, practices,

organizations, and structures shifted and was remade, we have to take seriously the past as well as contingent processes of social construction.

This means moving beyond the instrumental rationality that dominates much of the social sciences, especially economics but also political science and some sociology. Instrumental rationality denotes a way of thinking primarily in terms of means to reach goals most effectively and efficiently; goals are generally taken as given. Actors calculate costs and benefits of action for achieving those ends, and they view their social world in terms of tools to use toward those ends. Tools, costs and benefits, and ends are generally *materialist*: money, time, or other “real” objects that can be measured, or whose worth (utility) can be measured. In the rational actor model that dominates economic theory and increasingly political science, the typical individual is not far from being a lawyer or accountant (only without special training).³ Certainly, there are moments when we calculate costs and benefits of action, pursue materialist goals, and think of rules, other people, and the like as instrumental tools. My goal is not to deny instrumental rationality exists. Yet to ground analyses entirely or primarily in instrumental rationality severely oversimplifies social life. Norms, meanings, assumptions of how the social world operates normally,⁴ and the like—what social scientists lump under “culture”—are important in everyday social, political, and economic life. We might calculate—although the degree to which we do so clearly and consciously, even “rationally,” remains debatable—but calculations are embedded in our assumptions and understandings of what we *should* and *can* calculate, how we measure and embody value, and categories by which we code other actors and actions around us. Actors don’t merely respond unconsciously to “incentives”; they turn to “tool kits” of norms, strategies, and symbols (Swidler 1986) to make sense of and to respond to contexts.

To use the language of economic sociology, not enough scholarship of the post-socialist experience has placed sufficient emphasis on embeddedness (Granovetter 1985). Those studies that have attempted to do so, for example invoking networks or aspects of culture (Humphrey 2002; McDermott 2002), provide good first steps forward, except that embeddedness in too many cases is not sufficiently systematic or is conceived of in only one dimension, such as networks, political alliances, or legal frameworks. It is also as if networks or culture is added on top of the analysis, rather than providing core ideas guiding the analysis. This book makes embeddedness central and seeks to explore the *social* roots and nature of the politics of post-Soviet, post-socialist change—to open up those tool kits of norms and responses. Most work by economists

and political scientists has provided important insights and grist for debate (albeit not always the best policies). However, much of that discourse suffers from flaws that narrow their analytic vision and contribute to errors of omission and commission. In particular, these works tend to assume *instrumental rationality* as the sole or predominant logic of human decision-making and action; as a result, these myriad works tend to focus primarily on *technical* aspects of change, that is specific legislation or actors' narrow material interests. Again, I do not claim material interests, instrumental rationality, and technical details of policies are unimportant—but they are only part of the picture. To fixate on them without considering broader “culture” and “authority” in which social action is embedded risks oversimplifying or erroneously identifying roots of action and processes of change. Thus, a key goal is to use an overview of Russia's post-Soviet history, especially the turbulent 1990s, to examine just how culture and authority mattered in contextualizing instrumental rationality and the operation and outcomes of reforms. In particular, I examine the confrontation between two logics of social-economic practice, organization, and legitimacy: market and moral economies.

Post-Soviet scholarship, theory, and social-economic normality

When the iron curtain fell in 1989 and the USSR vanished in 1991, scholarship was already studying political transformations in Latin America and East Asia, especially the turn from state-led economies to freer markets and military or single-party dictatorships to more open polities. Trajectories and processes of economic and political change depended on relations to the global economy, policy timing and sequencing, and relations between states and domestic elites (Gereffi and Wyman 1990; Haggard 1990; Haggard and Kaufman 1992; Evans 1995). It would seem that scholars should have been ready to make sense of post-socialism. At first glance, Latin American and socialist economies seemed similar: strong state roles, including property ownership and price controls; protectionist insulation from the global economy; and politicization of the economy (Przeworski 1991; Clague 1992). However, there were important differences between the Soviet economic system and Latin American Import Substitution Industrialization that would lead to differences not only in initial conditions but also in the learning and reform processes (Beltrán and Hass 2010). Twenty years later it is apparent how the depth of difficulties in post-socialist reforms was not

so well appreciated or expected in the early 1990s. Latin America had private property, capitalist elites, and operational relations of exchange and investment with foreign corporations and institutional investors. Latin American states intervened in the economy more through price and wage controls and ownership or subsidization of important, large firms (e.g. oil, telecommunications, finance). In the Soviet economy, the economy was embedded in the state; the state *was* the economy. Price and employment stability were closely linked to ideological legitimization of regime and system. Civil society existed only in shadows of the Party-state. Not ready to burst out with liberalization, civil society instead had to create itself once the Soviet Union and its satellite states were sufficiently weak. Often overlooked, Latin American and East Asian transitions did not entail reconfiguration of nation-states. The collapse of the USSR meant rebuilding not only economic and political institutions but also identities and confronting legacies of practices that were consciously anti-capitalist and verged on the theocratic.

Post-Soviet change entailed confronting these legacies—a harbinger of conflict. Reality did not let us down. Yet limitations of popular paradigms in economics and political science restricted capacity to foresee problems and trajectories that did not conform to hopes of the early 1990s: conflict over privatization was no surprise, but the confusion inherent in post-socialist change was underestimated, the degree of *economic* conflict was not expected, and emergence of Putin's *dirigisme* was not a great surprise but required more thorough understanding. Inflation, macroeconomic instability, turf wars between the center and regions or competing elites—these are the stuff of neoclassical economics and political science, and we have learned from studies in these traditions. But post-Soviet reality was much richer. Even if we focus on one country, as I do here (Russia), the reality includes issues of power in all its complexity, culture in all its nuances, and contention driven not only by material interests but also by moral economies and notions of normal and legitimate politics and economics. When additional countries are added into the comparative mix, the story becomes even richer.

In the 1980s, Stephen Cohen (1985) launched an important critique of Soviet studies and the consensus of the “totalitarian school” that could not contemplate reform emerging within the system. Nearly fifteen years later, Cohen (1999) launched an attack on “transitology.” If many of his remarks were unfair to the full discourse (e.g. Cohen 2009), he is correct that we need to rethink that discourse and its object. I suggest broad waves of scholarship on post-socialist change

to help us identify what might need more investigation. While waves are never perfectly demarcated, this should serve as a basic starting point. The first wave of post-socialist studies, sometimes called “transitology,” ended in the later 1990s, when it was clear that post-Soviet reforms were more painful and complicated than originally envisioned (cf. Amsden, Kochanowicz, and Taylor 1994). It was characterized by optimism for a natural progression to a single market model (regression to a norm), neoclassical assumptions of economics, and a fixation on prices, exchange, property, and macroeconomic factors (e.g. money supply).

That first wave of post-socialist scholarship was in part an extrapolation of experiences and “received wisdom” from Latin American reforms. While the basic assumptions in First Wave’s literature were straightforward and shared by most involved—reliance on the rational actor, simplistic notions about institutions and institutional change, and simplistic and abstract constructs of an ideal-typical “market”—the conclusions drawn from these assumptions grouped First Wave scholars into two camps: shock therapists and gradualists. The discourse was dominated by economists, as in such journals as *The Journal of Economic Perspectives* (e.g. Ericson 1991; Fisher and Gelb 1991; McKinnon 1991; Murrell 1991; Svejnar 1991). The First Wave was marked by seminal statements on the problem of market-building by Lipton *et al* (1990) and Lipton, Sachs, and Summers (1990). The major problem of the Soviet-style economy was price deformation from strong state control of production and exchange and lack of private property. Given how neoclassical economic theory relies heavily on prices and equilibrium to make the model work—prices make the rational actor at the heart of the model work, equilibrium makes markets “clear” and allows the assumptions of market efficiency to be fulfilled—this is unsurprising. Liberalization and privatization were key remedies, although as Clague (1992) noted, market-building also required institutional change (e.g. bankruptcy law, defense of property rights, governance law). The shock therapy school claimed rapid liberalization and privatization were necessary to end the goods famine and create viable market institutions and infrastructure, while tight budgets and foreign investment would repair macroeconomic deformations. Initial shock would cause pain, but rational actors maximizing profit in a liberalized environment would quickly accommodate. Gradualists disagreed, making more of the importance of learning and making new institutions operative: it was not enough merely to legislate change, for business actors had to learn and the state had to enforce the post-socialist market. Scholars in this camp

(cf. Murrell 1991, 1993) argued that market-building would take longer; a state sector should be retained while (small) private business became established and necessary institutions (bankruptcy, property law, courts) were created, activated, and came over growing pains. After the introduction of limited reforms, actors would be given time to adjust to new institutions and their logic (Murrell 1991). The drawbacks were obvious to each side. Shock therapy risked political backlash and might not correspond to social reality (especially the rational actor and equilibrium assumptions); gradualism risked crashing on the rocks of corruption and reform backsliding. Shock therapists pointed first to Latin America and then to Poland as successes (albeit this claim to victory is not without controversy); gradualists pointed out China (Murrell 1993).

In spite of the debate, both sides had overlapping assumptions. The first was a single ideal-type “market” toward which Russia and other post-socialist economies should move. While the contours of this “market” were never concrete—had they been, variation in capitalist economies could have been built into models to aid policy-making—they were also specific in an abstract manner.⁵ Markets had liberalized exchange, private property defended by the state, infrastructure for information flow (and hence for efficient investment of resources), institutions of entrance (capital markets) and exit (bankruptcy), and in more sophisticated models governance structures to minimize transaction and agency costs (cf. Clague 1992). This ideal type, no doubt a holdover from the Cold War era of socialism versus capitalism (rather than capitalisms), could not allow for adequate inclusion of different forms, such as state-centered oligopolies (France or South Korea), state/firm cooperative models (Japan), state-sheltered small-firm models (Taiwan), or bank-centered economies (Germany), in addition to the American model. Given the level of abstraction from reality, the oversimplified understanding of institutions, and the ahistorical bent of neoclassical thinking, the focus on a single ideal-typical market is not surprising, even if this was in the end highly problematic for the First Wave. Had First Wave scholars incorporated variation, policy choices would have been more open and would have paid attention to historical, power, and cultural factors. The second assumption of both camps was that institutions are laws and regulations that shape costs and benefits; the actor (entrepreneur or firm) was assumed to be a profit-maximizing rational actor. This is the basic blueprint for New Institutional Economics (cf. Williamson 1985; North 1990). Certainly rules matter, and some First Wave scholars are to be commended for jumping over pure neoclassical theory to take institutions into closer

account. Yet even so, post-socialist economic reality remained oversimplified, no doubt because even New Institutional Economics remains oversimplified (cf. North 1990).

By 1996 it was clear that early perspectives could not adequately answer more sophisticated questions; as a special set of articles in one issue of *American Sociological Review* noted (volume 101, issue 1, 1996), much was misunderstood in East Europe. Arguably the toughest nut to crack, Russia, was even more badly understood, and extrapolating from Poland or Hungary to Russia was a dangerous leap of theoretical faith. By the August 1998 financial collapse, the First Wave of post-socialist scholarship was in tatters, leaving some of its champions (e.g. Anders Åslund) to retreat into apologetics. Michael Burawoy's (1997) critique of neoclassical approaches hammered home that Russian post-socialist economic change did not unfold as envisioned by shock therapists or even gradualists: the landscape was littered with cheap imports, falling wages, oligarch on the loose, and economic dependency. Further, in comparative context, variation of outcomes could not be captured adequately with economists' tools. Even early sociological analyses (Burawoy and Hendley 1992; Burawoy and Krotov 1992) suggested that hopes for Russia were at best mixed; some firms could adapt to rapid changes, while others had a difficult time of it. What was clear was that muddling through versus adaptability was *not* directly correlated with "efficiency," except tautologically. Later studies (Clarke *et al* 1994; Blasi, Kroumova, and Kruse 1997; Hass 1999) suggested that variation could be accounted for only by introducing power, culture, and a deeper understanding of institutions. Russian data (Boeva and Dolgopiatova 1993; Dolgopiatova 1994; Dolgopiatova and Evseeva 1994; Ryvkina 1998) suggested the transition was anything *but* straightforward. Neither shock therapists' nor gradualists' questions, answers, and models could make sense of where Russia was headed and why.

While there was no single work heralding the Second Wave, several writings and events make up the initial swell. Arguably, among the most important was Thomas Graham's (1995) article in *Nezavisimaja gazeta* analyzing political "clans." This wave of scholarship, driven by political science and political economy, appreciated elite intrigue and the state. If some first wave economic studies proposed reform policies, second wave literature asked where real policies came from and why implementation had not created a vibrant market. In particular, the protracted pain of post-socialist reform and the emergence of oligarchs bred much second wave scholarship; the repercussions of the August 1998 ruble meltdown and the rise of Vladimir Putin consecrated the

new wave of scholarship, in which politics reigned supreme. Political stability and authority became central issues in the second wave, for example weak monitoring and “bank runs” on state resources and authority (Solnick 1998), problematic financial institutions and policy tools (Johnson 2000), regional variation stemming from elite coalitions (Stoner-Weiss 1997), informal privatization of security and violence creating multiple sites of power and thus instability (Volkov 2002), and competition between the regions and the center over political and financial sovereignty (Woodruff 1999a), among other issues. The Second Wave of post-socialist studies, especially *vis-à-vis* Russia, was more heterogeneous than First Wave literature, which was dominated by economists and their generally shared paradigm. However, one can find common threads in the second wave. Because political scientists had entered the fray, politics and the state had become the main actors to the various stories. Assumptions of efficiency gave way to assumptions of competition over power and gain; economies were no longer assumed to move to equilibrium and a state of efficiency. Instead, the prevailing theme was that *political* competition would breed contention and conflict. Most First Wave scholars assumed state leaders were willing and able to impose some kinds of reforms; Second Wave scholars problematized reform by making politics endogenous. Russia’s oligarchs are not so odd in Second Wave scholarship; in fact, we should have seen them coming: wasn’t this what had happened in Britain (wealthy aristocrats turning to textiles and trade) and the United States (industrial robber barons)?

Yet if the Second Wave reminded us of the importance of politics, both “politics” and “economics” remained trapped in assumptions or oversimplifications, often related a reliance on instrumental rationality and rational choice to make theoretical arguments work. “Politics” was primarily the intrigues and actions of elites, whether in the Kremlin or regional satraps. Economic structures emerged from elite competition. There is much to recommend such an approach, and my goal is not to dismiss political economy out of hand: I learned much from it, as have many students of social change. Still, the empirical and theoretical pictures left out much reality. Elites are embedded in webs of meaning, and their authority is never as automatic as political economy assumes. In fact, one dilemma of post-socialist elites was creating and maintaining authority over subordinates. One powerful contradiction in much political economy is that analyses assume states and elites are so central because their word literally is law enforced by officials and subordinates. The scholarly image of post-Soviet Russia was a war of sorts between

generals and colonels (national and regional elites), with everyone else foot soldiers ready to move at their commanders' orders. Yet in the same breath, scholars of political economy easily admit the problem of corruption in post-socialist countries. So, institutions assumed to operate through the actions of subordinate officials, who are often enough corrupt, meaning that laws, policies, and institutions do not operate as they should. The result is a theoretical dilemma.

Cultural contradictions of post-socialism

In fact, these lacunae are one launching point for this book: rather than assume institutions and organizations are operative, I claim we need to examine just how states, economies, authority, and the like are reproduced or change in everyday practices of "little people." These practices are more than cold, instrumental calculations that are the basis of human behavior in economic theory. People have material interests, but they also have identities and norms: people are usually not one-dimensional cold, calculating actors. In addition, market-building also requires learning a new economic logic and everyday routines as well as skills (Nelson and Winter 1982), and these cannot be imposed rapidly by governmental or managerial commands from on high. These dimensions have not gone entirely ignored, and I suggest their importance, overlooked for most of the 1990s, has helped generate what might be the beginnings of a third wave, although whether it will swell to a real "wave" remains to be seen. Caroline Humphrey (2002) was one such early scholar: her anthropology of post-socialism dug into rituals, practices, and meanings underlying "corruption," *mafia* and organized crime, consumption, identity, and the real implementation of privatization on the ground. Russian scholars (Boeva, Dolgopiatova, and Shironin 1992; Ryvkina 1998) noted the importance of culture, power, and institutions to the Russian case. Herrera (2004) used Bourdieu's concepts of field and *habitus* to make better sense of regional variation in economic change, asking just how regional elites and actors took different paths to change.

These point to "cultural contradictions" in economic change in Russian post-socialism, which was not only a period of the collapse and reconstruction of the economic, political, and legal systems, but also the very meanings making up those systems. While institutional and structural contradictions have been the usual focus on a legion of studies in economics and political science, the cultural dimension—symbols, meanings, practices—unfortunately has been badly analyzed, badly

conceptualized, or even ignored altogether. For example, Shiller, Boycko, and Korobov (1992) use a cultural model that is a straw man; Soviets, they claim, wanted enrichment just like Westerners, which they claim disproves any unique Soviet "culture." However, this use of values—and an egregiously oversimplistic use and coding of "values"—went beyond the "straw man" label, as it ignored thirty years of advances in conceptualizing and operationalizing culture. (In average sociology, anthropology, and history, culture means more than simplistic opinion measured through unsophisticated closed-ended surveys; even political scientists are moving beyond this outdated conceptualization.) In another example, Solnick (1998) pitted institutional economics against Brzezinski's (1989) theory of the exhaustion of Soviet ideology to explain the collapse of the USSR. Again, we have a straw man: Brzezinski's "ideology" is superficial values and norms of the kind easily measurable in opinion surveys but that ultimately says little of importance when analyzing practice and change. An overreliance on instrumental rationality blinds us to narratives that actors tell and use to map out strategies and justifications, to themselves as well as constituents and competitors—yet we ignore these even though they surround us. We literally swim in a sea of discourse and frames of interpretation; economic theory and economists are no different. Their frame and narrative is a "science" that claims "objectivity" in unlocking the Truth of human social behavior. Only by understanding power, culture, and the power-culture link do mysteries of the transition (e.g. different rates, trajectories, and success of change *within* the Russian economy) start to make sense (cf. Hass 1999, 2005).

Yet ironically, culture, power, and institutions were never out of view.⁶ James Millar (1995) understood their centrality to empirical reality in his criticisms of neoliberal analyses. Hendley's (1999) *empirical account* of inter-enterprise payment structures oozes culture and power, even if her theory does not. The problem is theoretical. The logic of New Institutional Economics, whereby action is a result of the costs and benefit of action as set by laws, still holds sway, but doubters have been emerging, especially from the direction of economic sociology. Mercifully, there are some quality analyses that apply culture in a sophisticated fashion to make sense of the confusion and contention that marked post-socialist transformations (e.g. Humphrey 2002; Kennedy 2002), and this work builds upon those. This book also draws on insights from the study of culture and structured meanings in international relations and the outbreak of war (Hopf 2002; Smith 2005), public policy (Dobbin 1994), and money (Zelizer 1997), among other subjects of political and economic

sociology. Smith's (2005) study of war is particularly informative. The decision to go to war is often understood in terms of instrumental calculations of gain and loss; this is the central point of realism and neorealism, and it is also the foundation of institutional approaches to war (much as rational choice underpins New Institutional Economics). Yet as Smith shows, culture helps predict whether states go to war and their degree of participation. The key is in a combination of categories and narratives. Categories of sacred and profane—objects and entities given meaning and placed into one of the two dichotomies—provide structure to the social universe. An object is some degree of normal or abnormal; otherwise, it is an object of ambivalence, off of the discursive map. These categories are then ordered into logics or narratives of how they interact and to what their interactions lead.

This reveals a problem of the majority of work on post-socialism—ironically, their own “cultural” problem. First Wave scholarship took the market for granted in Western terms, in the process assuming a single form of “market” economy and translating it into optimistic but simplistic policy. Economists in particular, but enough political scientists as well, took their own categories and narratives of “objective prices,” “markets,” “efficiency,” “private property” and the like as natural for human nature and human social evolution (e.g. private property corresponding to a natural desire of territoriality and ownership, utility maximization as natural).⁷ Russians could be us if their elites enforced proper policies and everyone obeyed. This made politics of developing and implementing policy, including the inevitable pain of adjustment, exogenous—an egregious sin, especially as legitimization of policies and rationalization of pain were crucial to the narrative but unspoken. For shock therapists, there would be inevitable early pain of inflation and unemployment to make up for decades of structural “deformations” (a normative label already).⁸ Surviving early distributional conflicts would be rough waters, but eventually—in theory—the economy would improve as resources found their proper use and foreign investment flowed in. As Kennedy (2002) noted, shock therapy was part of a Western narrative of the triumph of liberalism. The market economy was the state of nature and progressive; anything else was unnatural and regressive. Because instrumental rationality was central to shock therapists’ paradigms and even identities as economists, it is unsurprising they could not escape their own narratives to see the importance of culture. What is somewhat surprising was how some more noted scholars, such as Åslund, Schleifer, and Sachs, continue to beat the neoliberal drum (I return to this later); what we label “cognitive dissonance” is

really the difficulty or inability to escape one's categories and narratives in the face of stronger empirical evidence and counter-arguments.

In the Second Wave, scholars began to take post-socialist economies on their own terms: as historically and culturally bounded set of practices, structures, and identities, with the *process* of making these the focus of study. If the First Wave's mistake was it's a central question of "How will Russia build *the* market," the Second Wave asked, "Whose economy is emerging?" and "Who gains?" Yet even then, Second Wave studies undertheorized power, culture, practice, and process. While political economy made its reappearance as scholars looked at elite machinations, unexpected outcomes of reforms, and struggles over power, instrumental rationality and a one-dimensional view of power once again predominated. Consider seemingly instrumentally rational phenomena. The return of the shadow economy, tactics of getting into quick trade and getting out for quick money, hiding from the tax police—these were "rational" responses to state predation and problematic laws. Russian entrepreneurs did not work long hours to give more than 100 percent of profit to the state; most would pay all their taxes and act legally were that not a threat to solvency. First Wave and Second Wave work did rightly point out that Russians are rational, and that the design of policies should keep this in mind. However, this was only one dimension of the shadow economy. As Humphrey (2002) pointed out, shadow economies, like "corruption" and privatization, are practices with multiple dimensions of meaning. The shadow economy was not simply an instrumentally opportunistic response to tax laws and state corruption; it was also a game of power and meaning, for example in which "bribes" were also "fees" entrepreneurs were prepared to pay to navigate the overly complex system of rules and red tape—in the process contributing to the reproduction of "corruption." That corruption has become worse under Putin is partly a result of the Kremlin elite's own practices of taking private property selectively (i.e. taking Boris Berezovskii's and Mikhail Khodorkovskii's empires while others such as Roman Abramovich flouted wealth they gained in histories that remain secret): such practices from above legitimated local authorities, use of state authority for personal gain.

One problem is that much scholarship on economies and economic change overlooks that which post-socialism clearly revealed, especially in Russia: "economies"—Soviet and reform socialism, American and French capitalism—are manifestations of power-culture and practice reified via narratives into socially ontological, autonomous essences. Analyses of "economies," especially by economists, assume

particular categories as objective, ontologically real, and universal (e.g. “prices” and “costs”), order those categories into normal/abnormal or sacred/profane, and then organize those binary sets into narratives of seemingly evolutionary, natural social normality. Yet we need to question what “economies” to make sense of “economic change,” “post-socialism,” and so on. Post-socialist change is akin to processes Timothy Mitchell (2002) noted for Egypt, William Roy for America, and William Reddy and Karl Polanyi for French and British capitalism. A “market economy” is a set of meanings and narratives (Foucault 1970; McCloskey 2003). As Mitchell notes, “economy” once meant many connected practices; later, autonomous practices with their own laws that, in some discourses, are the core of human nature. Post-World War II translations of Simmel added the definite article “the” to “economy,” so that Simmel wrote of “the economy” rather than “economy”; or inserted “system” into Weber’s definition of “economy” (Mitchell 2002: 80–81, 323n9). Today, bankers, accountants, journalists, and state officials make up a “community of discourse” (Wuthnow 1989) using market language, even if many do not know the math or speak different dialects. This discourse is not only categories; it is a meta-narrative of normality that reifies “economy” as a distinct social sphere.⁹

Culture and narratives are never far from power. Categories and language games are buttressed by the economics profession and institutions (the IMF, WTO, central bankers, multinational CEOs) with material and symbolic resources to force acceptance of this narrative and assumptions of “economy” that these keepers of truth understand (Centeno and Silva 1998). This power dynamic is hidden by hegemonic discourse of mainstream economics. Analyses end up caught in the meta-narrative, losing reflexivity and trapping analysts and readers inside categories that should be subject to study lest power-culture become invisible. In one pristine example, economist Andrei Shleifer, a student of Russia who advised its leaders, and co-author Donald Treisman (Shleifer and Treisman 2005; see also Shleifer 2005) dubbed Russia “normal,” as its current problems (e.g. corruption) are “normal” for a country in Russia’s position on the road to market utopia. Yet Shleifer is really providing less analysis than more grist for the reigning meta-narrative, where rational actors, markets, and material incentives play leading roles, and linear historical “progress” is assumed.¹⁰ Shock therapy, while imperfect, set Russia on the straight and narrow; oil wealth sped it further. Rather than study post-socialism as change on its own terms, Shleifer and Treisman shove it into a grand narrative that reifies “markets” and “economies”

and blinds us to questions of power and meaning—the heart and soul of economies, polities, societies, and change, as scholars in the nineteenth century saw with more sober clarity.¹¹

As a rule, in too much First and Second Wave work power and authority tend to be instrumental outcomes of laws, institutions, and elite games—which raises the tautology of assuming institutions to be operative in the first place. Culture has been ignored *theoretically*, although in informal discussions economists, political scientists, historians, and sociologists (Russian and non-Russian) readily admit the issue of Russian culture's impact on post-socialism. "These people just don't get it"—the cry of exasperation I heard so often from American and some Russian academics over twenty years of studying Russia—means culture lurks in informal analyses (and also in the worldviews of those making such comments, for what were Russians supposed to "get" anyway!). But this raises the question of just what "culture" is. Certainly, I am not accusing political scientists of ignoring ideology and "values" *per se*: public opinion polls, elite and party ideologies, and the like are grist for political science research. However, there is an interesting theoretical disconnect, especially in Public Choice theory and positive political economy (and increasingly in institutionalist political science): How do "ideology" and material interests or utility interact? Is ideology merely part of preferences or a framing of preferences?¹² To reduce ideology or ethics to a preference is to push the issue off to the side and define it away—but this does not remove the impact of culture as a social process and product. Culture is dynamic and historically contextualized and does not allow easy quantification and statistical modeling. I do not propose a model for quantification (but see Franzosi 2004); I do propose a structured approach to culture in post-socialism. Following Wuthnow (1987), Kennedy (2002), and Smith (2005), I view culture as the symbolic-expressive dimension of human action, which involves meaning through articulation (discourse), use of symbols, and material practices related to a particular context (i.e. not just any generic material practice). One approach is culture as tacit knowledge and logics underlying practices (cf. Hass 2005).

A complementary approach is to examine categories of meaning through which people order the world and the logics and narratives they construct to link those categories to create a blueprint for social order and structure.¹³ First, categories. Durkheim (1965 [1915]), Douglas (1966), Bourdieu (1990), Foucault (1977), and others demonstrated how people make sense of the vast physical and social environment by creating categories and placing objects or other entities into them ("boy,"

“girl,” “community,” etc.). Many categories (not all) are ordered into dichotomies of sacred and profane or normal and abnormal. This provides a second degree of order, along a continuum of positive–negative. (Status hierarchies are a variant of this, with low status equivalent to profane.) If categories order the social world in physical, social, or virtual space, logics and narratives order the social world in time (Hass 2011: chapter 1). A “logic” is a linking of categories and practices presumed to have affinity. Logics structure categories and practices into processes; these are linked to contexts, although they might be transposable. A “narrative” is an ordering of categories and practices with teleological foundation (ultimate outcome): particular sequences of particular categories and practices lead to something. A logic of capitalism would be connected practices in a context; a narrative of capitalism would involve teleology of capitalist practices *leading to* something, for example exploitation and enrichment.¹⁴

One important aspect of this approach is that narratives are not relegated to façades or mere accounts of material, institutional processes: narratives act as independent variables as well as outcomes. Narratives result from actors combining and creating categories and their arrangements; they reduce uncertainty and create a template that at least proposes the possibility of agency. In a powerful insight, Nietzsche (2000: 46) wrote, “In this sense the Dionysian man is similar to Hamlet: both have at one time cast a true glance into the essence of things, they have acquired *knowledge*, and action is repugnant to them; for their action can change nothing in the eternal essence of things, they feel that it is laughable or shameful that they are expected to repair a world which is out of joint. Knowledge kills action, to action belongs the veil of illusion . . .” True knowledge of the complex reality of economies, or of anything social, would paralyze actors: narratives and cultural schemas let people believe that they can attempt action or even succeed.¹⁵ Such narratives and cultural frameworks not only provide illusions necessary for action; they can then act back on actors as templates for legitimacy and knowledge. The illusion becomes taken for granted as the true nature of reality. Regimes, elites, or other actors who champion and impose narratives risk losing legitimacy if they suddenly turn from them, unless they successfully pull off a “road to Damascus” moment of contrition—and even this is a risk to competency, as admitting mistakes often can be, and to trust, as others might suspect dishonesty. Narratives can also be templates of knowledge, acting as the equivalent of ritualized, simplified theory or common sense. As Dobbin (1994) noted, different countries have different narratives about policies that guard

sacred sovereignty *and* produce economic growth, and standing against such narratives can encourage resistance.¹⁶ Let me provide a brief illustration to make my point concrete and to draw attention to cultural contradictions of the post-Soviet experience. Russian business discourse paired central categories of economic activity into profane Soviet versus sacred post-Soviet (market) groupings. Three such categories I list in Table I.1 below.

Table I.1 Soviet and post-Soviet business meanings

Soviet-era term (profane)	Post-Soviet term (sacred)	(General meaning)
<i>Upravlenie/direktor</i>	<i>Menedzhment/menedzher</i>	(Economic leadership/leader)
<i>Predpriiatie</i>	<i>Firma</i>	(Business organization)
<i>Obedinenie</i>	<i>Kholding/korporatsiia</i>	(Enterprise conglomerate)

The reader can guess the etymology of the second column, business terms used since 1991. More than buzz words, these were central to new constructions of normal practice and the intended trajectory of change. *Upravlenie* meant bureaucratic administration of enterprises; the goal was to fulfill state orders to use labor and resources to make commodities, provide jobs, and so on. The goal was political-social. In contrast, *menedzhment* is a scientific approach for using labor and resources to make profit, oriented to the market rather than bureaucratic rules. These two words are not interchangeable, even if both are ostensibly a small group commanding a larger group. Power disappears in the new normality: *direktor* uses authority, but *menedzher* negotiates by rationally aligning incentives.¹⁷ Further, *predpriiatie* (enterprise) and *obedinenie* (production association), Soviet-era categories of bureaucratic organization, gave way to the profit-oriented *firma*, *kholding*, and *korporatsiia* (firm, holding company, corporation). These shifts in meanings were significant, hand-in-hand with contentious enterprise privatization and organizational restructuring. The Soviet *obedinenie*, concerned with fulfilling Plan targets and providing welfare to workers while inculcating collective Soviet identities and practices, was to become a *kholding* oriented to efficient use of resources to make profit for shareholders—a shift in loci of organizational power, normality, and everyday practices.¹⁸ Those categories were also linked in narratives. A central aspect of late Soviet and post-Soviet politics involved defending versus changing the “sacred” or “profane” location for these categories: for reformers,

Soviet-era *upravlenie* was profane, related to unnatural Soviet socialism. Once categories were ordered into sacred or profane, narrative construction could occur. Reformers could devise a narrative of *menedzhment* applying (Western) rational processes of using labor and capital to raise efficiency and profit. This involved creating private property to raise investment and to make *menedzhery* accountable.

Post-socialism was new meanings, discourses, authority, and practices that were not crystal clear; they were confused, contentious, and retained elements from the past. Meanings do not jump into people's minds fully formed; Russians undertook a journey to make sense of them in practice. This requires that Russians, and those of us who study their economic practices and history, pay closer and more nuanced attention to culture: we should pay heed to Viviana Zelizer's (1988) call to study "multiple markets." Zelizer's main concern was the American economy: that within one economic system exchange took on multiple forms, based on different norms, relations, and cultural understandings linked to the different contexts (e.g. from market exchange to exchange of gifts). But her idea can be extended to the study of transitions as well: that within and between emerging markets there will be multiple forms of exchange and production. What this means is that Anders Åslund may be right—Russia may have a market economy, only it will not have much resemblance to Britain's or Poland's because of differences in institutional, cultural, and structural trajectories and processes. While the usual response is to invoke "institutions," this is as much smoke and mirrors as a real answer: what are "institutions," anyway, but cultural categories about everyday practice enacted collectively, with formal mechanisms of enforcement? This opens the door to making more sense of the chaos and conflict of Russian post-socialism: culture is not universal, shared, straightforward morals or values, but contested, not always coherent systems of meaning. Further, as scholars such as Anthony Giddens (1984) and others realized (e.g. Nelson and Winter 1982), consciousness and knowledge of practice work at two levels, tacit and conscious. I may change my title from *direktor* (*upravlenie* logic) to *menedzher* (*menedzhment* logic) and have no idea how the latter works in practice: labels are an illusion of change. As well, creating *menedzher* and *korporatsiia* involves remaking status hierarchies—an invitation to conflict and confusion (why should a *menedzher* be legitimate?). Small wonder Russia was a mess until oil wealth provided a fig leaf. Given their attention to power and culture, economic sociologists should have seen this coming. We did not.

Culture and economy at work: Moral and market economies

Categories, structured in sacred–profane dichotomies and ordered in narratives, are further ordered as *moral and market economies*. The hierarchy of meanings is as follows:

categories (sacred–profane) → logics/narratives of categories → narratives of “economies”

While I discuss moral and market economies in more detail in the next chapter, let us set the stage here. A moral economy (cf. Scott 1976) is not just norms and practices of redistribution and reciprocity for survival; it is categories (community, collective property, etc.) embedded in narratives (redistribution as necessary for survival, threats of individuals acting on their own, etc.). I use “market economy” in an unorthodox way: not as social space or institutions of exchange, but as a set of narratives of how normal exchange is supposed to operate. The narrative of markets is a narrative of individual autonomy, prosperity (individual and collective), efficiency and competition, and evolutionary progress. This all need not be empirically true; narratives are interpretations, and like myths they may contain elements of truth, but they are as much stories as embodiments of truth. My use of market economy as narrative is also not so far from the usual institutional understanding of market economy: after all, institutions involve logics and narratives themselves that justify those institutions and make them understandable.

Alas, that narratives have little room in post-socialist analyses reflects limitations in existing scholarship on post-socialism. Microeconomics and political economy produced insights about barter and trajectories of change (e.g. Gaddy and Ickes 2002). However, these theories are limited by areas of inquiry—for example economic exchange alone, rather than exchange and interaction more generally—and by compartmentalization within and across disciplines. Economic theory remains locked in assumptions of behavior (rational choice), obsolete cognitive models, and obsession with efficiency explanations (Roy 1997; Herrera 2004: chapter 2), such that other social forces such as power and culture are ignored, not simply undertheorized; this leads to problematic policy recommendations or analyses that are plain wrong (Millar 1995). Much of this is inexcusable when a well-developed, sophisticated literature on culture (often including criticisms of economic theory that economists have avoided) has existed for decades.¹⁹ Political science and economic

sociology have fared better, but there remains room for improvement. General variables are elite politics, state structure and capacity (or, more likely, state *incapacity*), regional social capital or networks, and formal law and policies (Stoner-Weiss 1997; Stark and Bruszt 1998; Hendley, Murrell, and Ryterman 1999; Eyal *et al* 2001). Social relations are not unimportant, but to conceptualize them as structure alone, rather than addressing their meanings—and changes in meanings—is an enormous oversight (cf. Humphrey 2002).

While existing scholarship provides a cornucopia of data and concepts, richness remains circumscribed because interesting theoretical approaches that could deliver powerful insights are pigeonholed into specific areas of study due to academic compartmentalization. For example, Pierre Bourdieu's work on class inequality and reproduction provides an interesting foundation for new thinking about the nature of post-Soviet institution-building, especially the importance of fields of struggle and power and their rules of engagement. While Stark and Bruszt (1998) discuss post-socialist fields, their use of the concept makes it feel tacked on rather than elucidated and applied innovatively. We are in a position to take Bourdieu's ideas of field and *doxa*, *habitus*, and capital and expand them in a context of radical change. Work on professions accentuating the complex nature of authority (Starr 1982) can provide insights into relations between different social groups, such as managers and employees or managers and owners, in the post-privatization era. Advancements in the understanding of power (Lukes 1974; Foucault 1977; Scott 1990) have not been so well utilized in social science, and for post-Soviet transformations they may provide powerful insights into why we see existing trajectories and variations.

Thus, one goal of this book is to challenge and expand our understandings of post-Soviet transformations by tapping theories so far underutilized (if used at all) in analyses. I will draw on various sources of data—original primary-source data as well secondary data from various disciplines and accounts—to map out a theoretical landscape. One important goal is to rethink how to look at these data. Thus far post-Soviet institutional change has been a story of legislation by parliaments and presidents or struggles between elites for control of polity and economy. Following seminal insights from Pierre Bourdieu, I want to look deeper into social dynamics of institutional change. Institutions as sets of collective rules and practices—often assumed to be formalized rules and procedures but possibly informal, reenacted through everyday practices and informal sanctions (cf. North 1990)—are embedded in fields of social interaction structured by statuses, classificatory schemas, and

assumes rules of the game (*doxa*). Thus, I suggest that rebuilding post-Soviet economies (and polities and societies) involved not only policies and laws but also remaking broader assumptions and classifications of the “post-Soviet” game—what the game is. State actors played key roles, but they were far from alone and could not escape fields. States engage fields through material resources (i.e. financing some actors over others) and coercion (enforcing laws). This dimension to state power is well known. Yet this is only part of the picture. Following Bourdieu (1996), I suggest that states also accumulate and wield (or lose) *symbolic* resources, especially *status of legitimate authority and the capacity to confer social legitimacy*. This dimension of the state is usually lost in accounts of post-Soviet change (but see Humphrey 2002). When states grant or enforce rights, they are not simply throwing the weight of material resources force behind social claimants; they are signaling social legitimacy, including the status of social actors to make legitimate claims and rely on the state to enforce them—as if the state is conferring some of its social status and authority to these private actors.

To draw out these themes, in Chapter 1 I work out the symbolic dimension of economic fields and moral and market economies as structured normative frames in fields. The sources of authority and sovereignty become issues of contention, and I will suggest that post-Soviet Russia has gone through three phases or “acts” (in the theatrical sense) of authority, and that this helps us make sense of the various forms of struggle and conflict that emerged. Chapter 2 examines cultural foundations of enterprises and enterprise restructuring, in particular how moral and market economies coexisted and then contradicted one another, as managers and workers negotiated remaking the structure and meaning of the late Soviet and early post-Soviet firm. Chapter 3 examines how actors restructured the foundations of exchange, especially structuring and defending obligations such as contract. Given the weakness of the state and problematic laws related to exchange, moral economy provided a normative dimension of defense that Durkheim once called the non-contractual dimension of contract. Chapter 4 turns to the manifestation of value. The ruble was not the only means for storing value and facilitating exchange; the multiplicity of “currencies” was a response to uncertainty and state incapacity to enforce the ruble as uniform currency in local fields. Private actors devised alternative “currencies” to avoid state regulation and taxation in games of resistance and survival. Chapter 5 examines the moral economy of the state, property, and fields of power: how state elites and officials were embedded in moral economy norms, and change and continuity in

those norms; and how state actors contributed to the development of market and moral economies through legislation and participation in discourse.

This book is not a study of one firm or set of firms/sectors to control specific variables. My goal is to elucidate particular cultural processes too often elided. For such model *building*, a more general empirical investigation is justifiable.²⁰ While focused studies facilitate rigorous data collection and analysis, especially the capacity to control for different variables under scrutiny, they are also limited in making sense of the post-socialist experience because they are so focused on narrow issues and data sources. My goal is to take a broader look, and this requires a broader set of empirical issues and cases, and a wider net for capturing data. I use both primary and secondary data sources here. To the extent there is a case, it is the political economy of Russia; specific cases most often come from St. Petersburg, because I did extensive research in that city owing to networks allowing data access, familiarity with the city, its size and variation in types of economic activity. When possible, I will draw on work done by others so as not to reinvent the wheel. In other cases I will draw on data I collected: interviews and fieldwork from the 1990s, enterprise newspapers from the late Soviet and early post-Soviet periods. The analysis is qualitative and interpretive, in the tradition of historical and cultural sociology and much political and economic sociology. In the process of rethinking the post-Soviet experience, I engage some previous scholarship, but I will be judicious in doing so. Literature reviews have their place, but the massive amount of scholarship on post-socialism would risk a literature review devouring this work, and engaging too much risks distracting attention from the argument at hand. Further, not all work on post-socialism is sufficiently useful or relevant. I also admit a bias: my experience at job talks, conferences, and other presentations convinced me that many engagements of scholarly literature are exercises in posturing or creating “enemies” to signal one’s position or to add a halo of legitimacy to one’s work. I invite the reader to be the ultimate arbiter.²¹