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Power, Culture, and Economic Change in Russia

To the Undiscovered Country of
post-socialism, 1988–2008

Jeffrey Hass

Introduction

To the Undiscovered Country: a journey through post-socialism

There are more things in heaven and earth, Horatio,
Than are dreamt of in your philosophy.

(*Hamlet*)

Russia is lacking some fundamental economic logic.

(Russian graduate student in economics)

Russia's post-Soviet story is one of conflict, confusion, and innovation. In 1988, with a narrative of viable socialism, Mikhail Gorbachev introduced reforms to stimulate the moribund Soviet economy; early hopes were dampened as the Soviet economy unraveled. Ten years later, in early 1998, as inflation declined, the economy improved, and privatization had rewarded a few over the many, a myth of a liberal market and polity was starting to take root. By August 1998, this narrative was a shambles. Ten years later, in 2008, it seemed Vladimir Putin had rebuilt state power with a new narrative of a strong and economically active technocratic elite, as he dispensed with democratic procedure and played to the myth of the state as guarantor of stability and growth. Yet Russia's health, based on high hydrocarbon profits for state-owned companies, was again exaggerated and the narrative oversimplified reality. Elites and a small middle class benefited, but poverty and social inequality persisted.¹ Oil wealth reduced state debt and made Russia an investor's darling (despite lessons of *Soviet* oil wealth), but the trap of oil rents exacerbated corruption and Kremlin *hubris*, retarded structural reforms, spurred enormous corporate debt in foreign loans, and hid economic problems all too clear by 2009.² Traditional economic weaknesses persist twenty years after socialism's end: low-quality output, weak business reliability and marketing, low competitiveness, weak research and development (e.g. patentable output), low transparency, rising state predation and corruption, underdeveloped financial structures, and an unbalanced economy aimed at resource extraction.³ Recent policies of national champions and innovation by fiat (e.g. in nanotechnology) or reducing inflation by prosecuting food producers for "speculation" betray quasi-Soviet logics.⁴ Russian leaders are anxious that WTO entry will betray suboptimal productivity and practices.⁵ Russia's economic revolution is not over.

Russia's journey to its post-socialist Undiscovered Country is a laboratory of social change and an opportunity for theory and data to interact, to enrich analyses while concurrently improving theory and leaping beyond present confines. The death of Soviet socialism and birth of Russian post-socialism as project and journey involved remaking and imposing narratives while reconstructing fundamentals of power and authority, culture and meaning, and everyday practices.⁶ In fact, this has been two journeys: that of Russians, and all those who experience social change; and that of theory. The usual analysis of post-socialist economic change involves identifying elite alliances and conflicts, laws and institutions, state capacity, and financial structures.⁷ The Soviet/post-Soviet crisis was primarily financial and legal, to be solved with liquidity, financial controls, and smarter laws. Weakened control of rubles and resources in the late 1980s unraveled the Soviet economy; inflation, taxes, and capital hunger forced firms to use barter, avoid formality, stay small, follow short-term planning, and avoid major changes in production and output. I do not deny these are important pieces of the puzzle as to why and how post-socialist change—or any change—occurs; but such accounts are at best incomplete, at worst misleading on sources and mechanisms of action. Concretely, such explanations of post-socialist change and economic change generally 1) too readily assume the primacy of instrumental action and rationality, to the neglect of meaning-laden action or multiple rationalities, 2) fixate on how contexts (e.g. laws or finances) shape actors and actions without sufficiently examining how actors negotiate these in the first place, and 3) take “institutions” for granted rather than problematize them. To make sense of our stories, we must look beyond macro-level indicators or “institutions” and explore dimensions of power, culture, and practices, and how these are intertwined.

Diving into the wreck: from institutions to power, culture, and practice

Post-socialism's story, like the rise of the West, is often told in terms of institutions. Economics, political economy, much sociology, and post-socialist research elide what “institutions” are or take this intellectual elephant in the seminar room for granted as formal rules.⁸ In instrumental approaches, institutions are rules that shape costs; research in this vein addresses legal details. This risks tautologies: institutions construct interests, begging where institutions come from; or interests construct institutions, begging the reverse. “Institutions” in state-centered theory are close to formal organizations and elide mechanisms of reproduction and change. These approaches have produced insights: analyses of East Asia and Latin America note how historical constellations of actors and rules begat policies and structures. If this partly answers “how,” “why” still beckons that we examine what lies underneath. As David Woodruff notes, “institutions” involve meanings and justifications that give sense to structures.⁹ We need a dynamic model, not a simple input–output model with little concern for process,¹⁰ that unpacks what “institutions” are and how they operate and change. This will help us tackle thorny issues of change and continuity. For example, contingency is important in

historical change: power structures weaken and normality of existing narratives comes into question, especially if alternatives emerge as challenges. One key aspect of contingency is what components of the dominant narrative are questioned: this helps shape the nature of change and continuity.¹¹ We must pay attention to interpretations, categories, and practices as they are worked out, challenged, and enforced.

I conceptualize institutions as manifestations and collective instantiations of power-culture brought to life via practices. In sum: culture, power, practices, and logics. *Culture*: institutions are categories and meanings people use and reproduce, “experienced as existing over and beyond the individuals who ‘happen to’ embody them at the moment,” that we use to navigate uncertainty. This includes knowledge and considerations of legitimacy and normality for the context. Institutions as cultural phenomena are collectively but imperfectly shared, ritualized meanings of normality, reified and externalized as objective, natural procedures and categories, embodied in and enforced by everyday practices and logics that involve “symbolic signposts” such as laws.¹² *Power*: institutions enforce meanings by sanction against deviations that threaten interests or certainty, or by smothering actors with meanings, as institutions “by the fact of their existence, shape action through defined patterns of conduct, which channel it in one direction as against the many other directions that would theoretically be possible.”¹³ *Practices and logics*: institutions exist as actors perform and justify sets and sequences of meanings and authority in particular contexts. Change involves creating new meanings and knowledge and enforcing them in relations of power, practices, and logics of justification.

Power and culture, practices and logics are the heart of our story. Reforms and shocks broke power relations and made existing meanings and practices appear abnormal, undermining institutional reproduction. Creating new culture, power, and practice depended on how actors—managers, entrepreneurs, financiers, employees, and state officials—used existing culture, power, and practices. *Legislating change* involved reacting to shocks (articulating blame) and proposing new procedures and practices. *Learning change* entailed adapting to changes by coming to grips with new strategies and logics of action and categories for perceiving the social world. *Enforcing change* involved creating capacity to implement new strategies and practices by imposing them on others or defending autonomy. Further, these processes occurred on several fronts simultaneously: remaking firms and work, reorienting sales and exchange, redefining and enacting property and governance. All the while, managers, employees, owners, and state officials were embedded in a patchwork discourse of global logics and local knowledge. With no strong, central power to impose uniformity, processes and trajectories varied. Alongside this was institutional design—i.e. *social reconstruction* of reality. Economists expect information asymmetries or distributional conflicts; I expect confusion over articulating and grasping new knowledge to make policies operative as practices. We should see contention over *competing normalities*, stemming from differing interests and differing views of normality. We should see conflict over new authority, as remaking institutions reshapes participation in discourse and

deliberation and breeds contention. Preexisting knowledge and assumptions color design: Soviet-era knowledge and logics not delegitimated in shocks or deliberations could survive. Small wonder institutional design faced hurdles in Russia; small wonder the crisis of 2008 frightens us as it does.

All this occurred against the backdrop of sometimes dramatic politics: shock therapy and protest in Moscow, privatization and industrial collapse, surprising electoral outcomes, and changes in the state's structure and role. I do not ignore big politics, but one goal is to move beyond a restricted focus on Moscow elites, to average Russians whose everyday practices made big politics important. To assume the Big Event occurs and the remainder of the populace automatically follows in step, like soldier ants, is problematic. Ethnographic studies easily show that in everyday life non-elites may follow commands from above; but they also maneuver within and around them, negotiate them, warp or misuse them, even resist them (perhaps in a hidden, passive manner). Further, *empirical* discussions of post-Soviet Russia reveal the problems inherent in implementing new practices, codes, categories, and the like of the post-Soviet economy. Let me note here briefly that studies of enterprise change paid little attention to conflict and authority relations, let alone variation in change; and while many scholars raised the issue of fit between Soviet-era managerial skills and intended post-Soviet reforms and normality, they did not sufficiently explore or problematize this issue as one of culture (knowledge and skills, but also categories), practices, and authority to define and enforce (or resist) "normal" skills.

Beyond instrumental rationality and institutions assumed

A market economy does not arise magically.¹⁴ As Max Weber, Emile Durkheim, Karl Marx, and others noted, the social world is enacted through meanings and practices that, as socially constructed collective rules and rituals, govern social life.¹⁵ Part of post-socialist reconstruction was rewriting a "narrative of normality" of a post-Soviet landscape and how to create it.¹⁶ Michael Kennedy called this "transition culture," a shift in meanings for interpreting and framing events and claims; Elaine Weiner dubbed this a metanarrative of post-socialism.¹⁷ Yet too often scholarship misses or does not adequately address how change operates because it assumes institutions and relies on instrumental rationality.¹⁸ My goal is not to discard existing scholarship *in toto*, nor to subject competing approaches to empirical tests, as has been done;¹⁹ but we must be aware of weaknesses to be addressed. Take economic theory. Armies of economists have produced observations and insights, especially in game theory, but these gains have come with costs: e.g. assumptions of instrumental rational action and the supremacy of efficiency persist despite numerous critiques from research on cognition, social psychology and small-group interaction, and broader economic organization.²⁰ Neoclassical economic theory works best in certain contexts of collective meanings and stable power relations that economists take for granted. Yet economists' discourse is trapped in its own assumptions and categories. Mainstream theory

assumes change through market clearing and adaptation of efficient practices, backed by threats of market exit and consumer power. Strategies, structures, and change follow costs; efficient strategies and structures survive competition to become the norm. In Russia, the Soviet state corrupted possible market signals,²¹ and shock therapy thus prescribed reduced the state's role via rapid liberalization, privatization, and austerity policies to unleash rational market forces.²²

Yet seeming irrationalities confounded economic theory. Why did Russian managers have difficulty altering sales and production strategies—especially when they confronted serious collapses in income and sales? Why adopt “marketing” departments that provided few material returns and only drained resources? How did enterprise restructuring lead to conflict in some cases but not others? At the micro-level, the atomized rational actor at the heart of economic theory is problematic: people are not as instrumentally and objectively rational as economists assume,²³ and the classic view of cognition assumed, where the brain merely sorts objective data, is problematic.²⁴ Information costs and asymmetries are important, as game theory suggests, but as used these concepts cannot capture the complexity of heuristic devices and *interpretation* of information. Put differently, economic theory cannot handle *framing*, and why individual interests and actions do not fit with predictions.²⁵ Thus, economic life is inadequately problematized: what are “prices” or “costs,” how are they interpreted, how do people act on them? Just because managers consider “costs” (but which?) does not make them objective rational actors; they are embedded in meanings and power and need to interpret contexts and formulate and justify actions to colleagues, competitors, and themselves. Meanings are elided, especially for the very concept at the center of economic theory, “market,” which remains vague and undefined.²⁶ Yet humans are not amoebae reacting automatically to supply–demand stimuli; they are creative, confused, and confusing. To make sense of economic behavior and change, we cannot leave culture, power, and institutions exogenous. They must be scrutinized, not cast off as epiphenomenal.

James Millar noted, “Standard [economic] theory assumes...the existence of the necessary legal, social, financial and regulatory institutions essential for a market economy to function.”²⁷ New Institutional Economics (NIE) and political science correct this by taking institutions as their point of departure.²⁸ Economies reflect constellations of “institutions:” instrumental rules of procedure and structure (akin to the definition of “organization”). By structuring access to and use of resources (including people) and sanctioning transgressions, institutions shape costs and benefits of action. Post-socialism becomes a process of institutional design, creating rules and governance structures that shape costs, hopefully to society's advantage. In particular, the state plays a crucial role as the ultimate enforcer of these rules.²⁹ To NIE's analysis of how institutions shape economies, political economy adds politics of institutional design and implementation, and conflict over allocation of rewards and pain.³⁰ Economic institutions arise from conflicts and compromises between the state, elites, foreign powers, and other organizations, with interests and power bases whose operation is sometimes unquestioned.³¹ Identify interests, institutionally shaped costs, and loci and balances of power, and you explain or

predict change. Extrapolating, we could say that post-socialist change is a struggle of identifiable groups such as *nomenklatura* and Red Directors, financial elites, and state officials to shape rules to maximize resource returns. The engine of change is a mesh of transactional efficiency and accumulation of property, social capital, or legal power.³² Political economists and *dependentistas* should be ecstatic over how Russia's recent history supports their overall framework.

This brief overview of NIE and political economy does not do justice to their insights that guide my way. My concern is that core ideas are underdeveloped due to fixating on instrumental actions, e.g. elite tactics, governance rules, distributional politics. While I do not deny costs and benefits, analyses cannot end with this oversimplistic approach. One key problem is that these approaches are caught in a *one-dimensional analysis*: constrained within instrumental rationality, where ends are assumed and the focus is on calculating optimal means to obtain those ends.³³ This blinds analysts to meanings and socially constructed knowledge.³⁴ As well, most of these analyses are trapped in a single dimension of power, material resource control. How policy leads to multiple outcomes depends on heuristics and assumptions of interpreting and implementing them (culture, power). This will be a recurring theme: reforms invoked different reactions because of different material interests *and* because of different logics of normality and of interpretation. Further, reliance on instrumental rationality misses everyday practices and claims that make up laws and institutions; knowing rules and actors' institutional contexts does not warrant assuming we know their interests and thinking. Ethnographic work suggests that rules provoke myriad reactions; whether laws and institutions "work" depends on how actors' meanings and practices (re)constitute them.³⁵ NIE in particular faces unpleasant historical evidence that inefficient economies persist over time and that institutional configurations might not emerge because they improve efficiency gains.³⁶ Our data will suggest that in Russia's post-Soviet journey, efficiency, productivity, and profit were not absent from considerations of strategy and structure; but they were not alone, and *aiming for* efficiency is not devising means *to obtain it*.

Organized power enters as class or group struggle over resource allocation, but power itself is undertheorized (e.g. mere superior access to material resources), and meaning is left out.³⁷ Classes, states, authority do not emerge full-blown like an economic Athena; they are socially constructed and reconstructed.³⁸ This is a problem in state-centered approaches, where the state is a universal magic wand of explanation, even in works that investigate state capacity. The state is important as a ganglion of power in the body politic, but we must not assume or reify power—we must explore its creation and operation. "Authority" is absent: legitimation and cultural sources of obedience are foreign to political economy, and we cannot explain how new rules appear as everyday practices are disseminated or enforced.³⁹ To fixate on classes and states or to assume institutions blinds us to deeper mechanisms of how agents construct meaning and authority. The picture of elite wars over Russia's soul is oversimplistic: where does all that authority come from, anyway? This will help us avoid an all-too-common tautology: to invoke bad institutions to explain failure is saying that laws are weak because laws are weak.

That is, NIE and political economy elide *what* institutions are, *how* they operate, and how they *change*.

In short, despite insights they have generated, economic theory, NIE, and political economy *do not adequately explore social forces that make costs, finances, property, institutions, organizations, states, and the like operational in real social life*. They are stuck in the worldview of lawyers and accountants: institutions, strategies, and structures are formal or informal rules and relations in which agents calculate costs and constraints (of capital, information, mobilizing allies and assets, contract). Such is one point of economic sociology, which leaves the lawyer's office and moves beyond the one-dimensional analysis, taking a *constitutive* approach to institutions and institutional design: institutions constitute not only costs but also identities, knowledge, and consciousness. Much good economic sociology fits in political economy, especially state-centered analyses of social change, policy, and the like,⁴⁰ and analyses of networks and culture have added micro-level mechanisms and forces.⁴¹ Yet despite rich insights on social construction, power, and culture, economic sociologists focus too much on refuting economists' oversimplifications and devote too little time to elucidating mechanisms of power, culture, practice, and change. Also, few economic sociologists have ventured into post-socialism. David Stark and László Bruszt have addressed East European post-socialism: post-socialist managers and states were embedded in networks that constrained or facilitated deliberation and institutional reconfiguration; yet conflict and power are missing from their analyses.⁴² Other economic sociologists have extolled post-socialist innovation amid uncertainty,⁴³ but some innovation was superficial adaptation decoupled from practice, and with innovation came conflict.⁴⁴

One approach has emerged to help us face the eternal challenge of developing structure and culture, change and reproduction, and investigating institutions: sociological neoinstitutionalism. Seminal work by John Meyer, Brian Rowan, Paul DiMaggio, and Walter Powell outlined this framework to address such troubling issues as why organizations in different niches resemble each other or follow seemingly irrational practices.⁴⁵ Neoinstitutionalists posit that organizations and economies are "myth and ceremony," with an important cultural, non-rational dimension. Organizational actors seek to minimize uncertainty and pursue legitimacy. Organizational fields—communities of organizations with perceived affinity—create pressures via isomorphic mechanisms to conform to set practices and structures.⁴⁶ Thus, neoinstitutionalism introduces power and culture in a more sophisticated view of culture than elsewhere.⁴⁷ This allows neoinstitutionalists to explore efficiency as contextualized social constructions and make variation across space and time more intelligible; convergence to a norm works through isomorphism and fields. Adding political sociology, Neil Fligstein created an embryonic theory of institutional change. Field leaders defend "normal" strategies and structures in fields, maintaining status hierarchies and certainty. When such shocks as depressions or state policies weaken field structures, field leaders or "raiders" from outside the field use these opportunities to enforce new field logics.⁴⁸

Paradoxically, power and culture still remain underdeveloped, including power dynamics and actual cultural meanings. While Meyer and Rowan noted

“decoupling” between form and practice, the possibility of contradictory meanings within and between fields and organizations is missing. Neoinstitutionalists often elide actual practices that produce meanings and institutions.⁴⁹ Fields and isomorphism are inherently about power, but *how* power operates requires more study; resistance is also marginal.⁵⁰ Neoinstitutionalism also does not adequately engage change and continuity, not as opposites but as simultaneous occurrences, in different spheres, practices, and levels of organization. Action and agency are often elided as well.⁵¹ Finally, neoinstitutionalism dances around “institutions.” Many oversights stem from a research focus on stable economies or gradual change, which restricts exploration of how power-culture and practice produce meanings underpinning institutions, structures, organizations, and economies. Engaging neoinstitutionalism with Russian post-socialism will address this because Russia approaches *revolutionary* change: depths of institutions, structures, and practices are unveiled.⁵²

Finally, neoinstitutionalists use Bourdieu incompletely, as Mustafa Emirbayer and Victoria Johnson claim.⁵³ As Bourdieu himself noted, fields are sites of struggle and status competition. Also, Bourdieu used fields *fractally*, as social dynamics and patterns recurring at different levels; this is related to his principle of homology.⁵⁴ As well, neoinstitutionalists must better integrate capital (cultural, economic, social, human, institutional, etc.) and *habitus*. Fortunately, some studies have started addressing these weaknesses, and I draw on their rich insights. In his study of Arthur Andersen & Co., Tim Hallett showed how *habitus* was critical to change and continuity: newcomers to the firm brought new meanings and practices, yet existing routines were a counterweight inculcating existing practices into *habitus*.⁵⁵ In an innovative study of Russian post-socialism, Yoshiko Herrera uses Bourdieu to explain variation across regions that, from a structural perspective, should have had *similar* interests and identities. Her explanation invokes *habitus* and *doxa*, social rules taken-for-granted as natural and beyond human intentionality. System shocks weaken *doxa*; elites reassemble orthodoxy to maintain social order, but this allows heterodoxy (alternative claims about normality) to emerge. However, questions still remain, e.g. *how* shocks and challenges weaken *doxa* and orthodoxy, or how heterodoxies develop.

Before examining how post-socialist change in Russia occurred *on the ground*, in social reality, in Chapter 1 we dive into the dimensions of culture and power and how they change, and the logics and nature of those practices through which power and culture come alive as institutions at the heart and soul of analyses, policies, and everyday life—the wreck of Russia’s post-socialism *and* of that very modernity we share. If we are to enhance our understanding of how change really operates, as real practices of real people—and if we are to make sense of the massive and confounding changes that have beset Russia over the last twenty years (helping bring about Putin and company, with consequences for geopolitics)—we can no longer elide or assume micro-level power, culture, and practice that are everyday life. This is hunting big game; given globalized crises, peak oil, and ecological threats, it may be big game is hunting us. This heart of modernity beats in us as well, and Russia’s trials could one day be ours. To these fundamental building blocks of the social world we now turn.