



UNIVERSITY OF GOTHENBURG

Entrepreneurship in Russia: Western Ideas in Russian Translation

Oksana Shmulyar Gréen

Gothenburg Studies in Sociology No 40
University of Gothenburg
2009

© 2009 Oksana Shmulyar Gréen

**Entrepreneurship in Russia:
Western ideas in Russian translation**

Oksana Shmulyar Gréen

ISBN: 978-91-975405-5-1

ISSN: 1650-4313

<http://hdl.handle.net/2077/21128>

Printed at Geson Hylte Tryck, Gothenburg 2009

Cover by Gunnar Linn

Layout by Nina Romanus

This dissertation is included as number 40 in the series Gothenburg
Studies in Sociology, Department of Sociology, University of Gothenburg



Abstract

Title: *Entrepreneurship in Russia: Western ideas in Russian translation*

Written in English, 432 pages

Author: Oksana Shmulyar Gréen

Doctoral Dissertation at the

Department of Sociology, University of Gothenburg

Box 720, SE-405 30, Göteborg, Sweden

ISBN: 978-91-975405-5-1

ISSN: 1650-4313

<http://hdl.handle.net/2077/21128>

Gothenburg 2009

The aim of this thesis is to outline, both historically and in our own time, the development of entrepreneurship in Russia, a country where the very existence of the phenomenon has for a long period of time been either denied or confined to the margins of illegality and semi-legality. The primary focus of this work is on the emergence of a new generation of entrepreneurs that came to thrive in the 1990s, the most turbulent but also the most promising years of Russia's economic, political, and social transformation.

Theoretically, the thesis is based on both current research on entrepreneurship in Russia and abroad and classical theories on entrepreneurship crosscutting economics, sociology, anthropology, and history. Methodologically, the work relies on empirical observation conducted during periods of fieldwork in the St. Petersburg, Russia, supplemented by a broader qualitative analysis of documentary sources such as official statistics, mass media, and other circulars and publications, in addition to existing scholarly literature on the subject. One specific case, Western business education in Russia, was selected for a closer study to provide a better picture of the development of new entrepreneurship, in particular independent entrepreneurship in the Russia of the 1990s.

Given the primary focus of the work, special attention is given to the country's transformation processes in the 1990s, and their relation to broader issues involving the development of capitalism, the role of the middle classes, gender and networks, and Western influence on economic and social developments in Russia throughout history. The study summarises and critically evaluates the existing body of knowl-

edge in these areas while adding new data and hypotheses to improve our understanding of the subject.

First, the thesis challenges the widespread belief about the absence of entrepreneurship in Russia prior the economic changes of the 1990s. The various meanings of the concept of entrepreneurship are defined in different historical contexts, with the pre-revolutionary, the Soviet, and the post-Soviet Russian economy and society serving as significant landmarks in a continuum helping us to better understand the opportunities and constrains within which the contemporary Russian entrepreneurs have to operate. Two major historical continuities are analysed: the close relationship between entrepreneurship and the Russian state, and the significant overlap between the social categories of the entrepreneurs and the middle classes. The phenomenon of entrepreneurship in Russia is further examined as a creative response to the new opportunities opened up in a society undergoing change. Thus, although the new entrepreneurship in Russia evolved from within the collapsing communist system, it was also born out of great expectations and efforts, originating in the East and West alike, for a new society, a new type of economy, and new opportunities in life. Thirdly, the thesis extends the analysis of contemporary Russian entrepreneurship beyond its three commonly identified origins in the Soviet second economy, the Soviet cooperative movement, and the Soviet state and ministries. The fourth origin for entrepreneurial initiative was the new private business sector that became professionalised in aftermath of the 1998 economic crisis. The study looks at Western business education as one of the major channels for the recruitment and training of a new generation of entrepreneurs in Russia and one of the key mechanisms of influence and interaction between Russia and the West from the early 1990s onward. The argument is then developed that Western notions of capitalism, business, and entrepreneurship, instead of replicating the original patterns of development they reflect and refer to, produced considerably more varied results when intersecting with local conditions and the country's historical legacies. On the one hand, the ideas they represented had to be "translated" to better suit the Russia realities; on the other hand, they lent themselves to the creation of an alternative source of authority among Russia's new entrepreneurs, showing a potential to influence their business practices and business ideology in general.

Keywords: Russia, entrepreneurship, capitalist development, Western business education, Russian merchants, Soviet managers, middle classes, networks

We shall never cease from exploration
And the end of all our exploring
Will be to arrive where we started
And know the place for the first time.

T.S. Eliot

To my families in Sweden and Ukraine

Acknowledgments

Finalising this thesis, I am looking back at the last ten years, during which many people have provided invaluable support and encouragement helping me to bring my work to a closure. I would like to express my deepest gratitude to all of them, even when not everyone involved can be mentioned here. First of all, I want to thank the Department of Sociology at the University of Gothenburg, which has been my host and my employer for a number of years by now. I owe most to my dissertation supervisor, Per Månson, who has always listened, understood, and promoted my initiatives with wisdom and care. A true mentor, he has inspired my research interest in Russia, always ready to learn from what I have learned. My deepest thanks to you, Per! I am especially grateful to Lennart Svensson and Abby Peterson, who read the original manuscript and provided constructive commentary and criticism. Thank you for your encouragement and faith in the future of my work. There are many other colleagues at the Sociology Department and at the Department of Political Science to whom I would like to extend my gratitude for their helpful comments on my ongoing work, for their support and inspiration, for the many interesting discussions we have had, and for the curiosity with which they have responded to what I am doing.

My special thanks go to Timo Lyyra, my English language editor, for his meticulous reworking of the original manuscript, for his patience and intelligence, as well as his warm encouragement of my individual style of writing. For the latter I shall always be indebted to my inspiring teachers and supervisors in sociology, Sergej Makeev and Claire Wallace.

I am particularly indebted to researchers whom I met in Russia, Anna Temkina, Elena Zravomyslova, Oleg Kharkhordin, Olga Zdravomyslova, Vadim Mezhuev, Vadim Radaev and many others. Their input and insights have been invaluable to the development of my own thinking, especially during the initial stage of this thesis. I am most grateful to all my respondents in the city of St. Petersburg, who agreed to be interviewed and generously shared their personal experiences on Western business education, entrepreneurship, and life in general. Thanks go

also to the staff of the Western business school in St.Petersburg who kindly allowed me to do observations and interviews on their premises. I owe a special gratitude to the family of Pavlovyh-Fedorovyh in St. Petersburg, who always received me as a family member and allowed me a privileged access to everyday life in today's Russia.

Several centres and institutions have supported my research with grants and scholarships. I would like to acknowledge the valuable support of the Swedish Institute, the University of Gothenburg, Swedish Research Council, and The Axel and Margaret Ax:son Johnsson Foundation for their assistance in enabling my fieldwork in Russia and my participation in several international conferences and seminars. I extend my special thanks to my colleagues at CERGU, the former CREES and European Studies Programme for their helpfulness and active collaboration around joint research and teaching projects that in many ways inspired me to pursue the research on the issues related to my dissertation, as witnessed by several publications coming out along the way.

This work would not have been possible without dear friends who in various ways contributed to the emergence of the final product. My special thanks to Liudmila Sharipova for being a true friend and an insightful reader of several chapters of this thesis. I am also sincerely grateful to Gunnar Linn for designing an imaginative cover for the manuscript. Warm thanks go to Nina Romanus for putting her creative hands on the manuscript layout. I am grateful to Andrea Spehar who has been my sincere friend and colleague during all these years.

Many other friends outside the academic world have been of enormous help in sustaining my motivation and lifting my spirits during these long years: thank you Liuda, Olena, Jenny, Marie, Sabina, Karin, and Helena, all your families included, for being good companions, caring friends, and inspiring individuals.

My large family in Ukraine has always been an indispensable source of love, support, and encouragement without which I would have never been able to reach this point in my life. Thank you for the spirit of "never giving up despite difficulties." I learnt it from you!

I am infinitely grateful to another family of mine: my husband Magnus and our daughters Veronika and Anna. You have been not only a steady anchor in my life, but also an inexhaustible source of energy, joy, love, and motivation. Thank you, Magnus, for always being there for me, for loving and caring, for not letting me languish in my fears and doubts, and for making me realise that life is much bigger than writing a thesis.

Gothenburg, 20 September 2009

Contents

Acknowledgments	7
Introduction	13
Part I	
Understanding Entrepreneurship: Classical Theories and Current Debates	27
1 Defining Entrepreneurship	29
Transformation in Russia: Social Change with Ambivalent Outcomes	30
Varieties of Capitalism	36
The Vogue of Entrepreneurialism	42
Current Ideas on Entrepreneurship	44
Classical Theories of Entrepreneurship	51
Entrepreneurship as a creative response to change	60
2 Entrepreneurship in New Russia: Formative Structures and Innovative Strategies	63
Entrepreneurial Governmentality and <i>Blat</i>	66
Social Networks and Social Capital	71
Gender and Class at Work	80
Part II	
The Evolution of the Russian Entrepreneurial Spirit: Historical and Sociocultural Preconditions	99
3 Entrepreneurship in Imperial Russia	101
Gosti: The Groundbreakers on the Margins	103
Serving the Tsarist State	104
Social and Political Inertia of Merchants	107
Tsarist Russia: Modernising Tendencies vs Backwardness	111
Local Entrepreneurial Communities	112
Foreign Entrepreneurs in Imperial Russia	122
The Middle-Class Issue: Russia vs Europe	126
Bourgeoisie in Russia: A Missing Class?	130

4	The Breeding of the Soviet Managers:	
	Entrepreneurs by Force	135
	Short-lived NEP and Seizure of Private Enterprise	137
	The Emergence of Soviet Economic Management	140
	The “Big Deal”: The Origins of the Soviet	
	Middle-Class Culture	149
	The “Little Deal”: The Erosion of the Socialist Ideals	157

Part III

	Russia’s Uncertain Transformation to Capitalism	171
--	--	------------

5	The Great Leap to the Market	173
	The Emergence of the Non-state Economy	174
	Public Discontent in Russia: Pro-Market or Anti-Soviet?	180
	The Collapse of the USSR as an Economic and Political Power	182
	The Neo-liberal Reforms in Force	188

6	Capitalism “from Above”: From Dubious Privatisation to Metropolitan Capitalism	195
	Spontaneous Privatisation	196
	Voucher Privatisation	198
	Permanent Privatisation	202
	The Economic Crisis of 1998	209
	The Legacy of the Uncertain Transformation:	
	Russia under Putin	213

7	Western Involvement in Transforming Russia:	
	A Historical Legacy of Recreating ‘The Other’	225
	“Transition”: A Grand Paradigm of Social Change	227
	The Paradoxes of Western Financial Aid to Russia	235
	Nurturing the New Private Business Sector in Russia	241

Part IV

	Entrepreneurship in Times of Change: Western Ideas in Russian Translation	253
--	--	------------

8	Entrepreneurs in New Russia:	
	Sociological and Public Images	255
	Did the Soviet Nomenklatura Become a New Capitalist Class?	257
	Identifying the Entrepreneur: Channels of Recruitment and	
	Spheres of Influence	269
	Conflicting Images of the Business Classes	285
	Russian Entrepreneurs and Middle Classes: Theory vs Reality	302

9 Western Business Education in Russia: A Case Study	309
Business Education in Russia: A Brief History	310
Western Business Education in Russia: Situating the Case	316
Converts and New Entrepreneurs:	
A New Generation of Entrepreneurs in Russia	321
Previous Employment and Entrepreneurial Motivation	323
Western Formulas for Russian Reality	331
Why Western Business Education for Russians in Russia?	337
Western Ideas in Russian Translation	344
 Conclusions	 357
 Appendix	
Methodological considerations	373
Interview topics	397
List of respondents	403
 Bibliography	 405

Introduction

When, in the early 1990s, Russia and other East European countries embarked on a path of economic and political reforms, there was a worldwide expectation that the state-socialist system along with its ideological underpinnings would now be a thing of the past, relegated to the darkest pages of our history books. In their stead, capitalism and democracy would in due course prevail, eventually guaranteeing both economic and social well-being for the new democracies in Eastern Europe. A special role in this process was assigned to entrepreneurship, as it was believed that entrepreneurs and the capabilities embodied in them could serve as key prerequisites for a modern capitalist economy and modern social life to emerge. On the eve of the reforms, hopes were running high that entrepreneurship in Russia would develop spontaneously, as soon as the state withdrew itself from its position controlling the economy, and most of the property, until now concentrated in the hands of the state, would be privatised.

Such hopes reflected the neo-liberal ideology prevailing in many Western countries at the time. Responding to a slowdown in capitalist economies, politicians in the West turned to the entrepreneurs for a number of reasons. Faced with increasing global competition and calls for greater flexibility on the market, entrepreneurial qualities such as risk-taking, creativity, and innovation were deemed critical to keep the economy afloat. It was also believed that entrepreneurs, by starting new businesses and expanding the sphere of private economic activities, through their very existence would contribute to job creation and thus promote the stability and sustainability of capitalist form of development. While such arguments may have rung true at the time, another, less convincing claim by the advocates of neo-liberal policies was that, since entrepreneurship was a feature belonging to capitalist economies

alone, to foster proper conditions for its emergence in Russia it would be necessary to eliminate all vestiges of the socialist past and leave it to market economy to create such conditions, as it were automatically in its wake.

Today, roughly two decades since the launching of the project to transform Soviet Russian economy and society, the view is increasingly taking hold in academic and political circles that neo-liberal reforms have failed to reach their intended goals in the country. One may, however, wonder if it ever could have been otherwise. True, the market economic reforms seem to have radically changed the face of the former planned economy and effectuated a decisive break with the previous communist order, now irreversibly left behind. Still, the question of what kind of capitalism it is that is being built in Russia continues to puzzle many researchers, and even more so the ordinary people on the street looking for ways to live and work in the country. That this question has been debated both domestically and abroad speaks of its increasing urgency as not just an academic but also a political issue (see, e.g., Lane 1999, 2000, 2006, 2007; King & Szelenyi 2005; Clarke 2007). It is to this discussion that I, too, want to contribute. Yet, I prefer to pose the general question from a somewhat different angle. For a sociologist, the task is to contribute to an understanding of the historical and socio-cultural preconditions making it possible for capitalist institutions to be established in a particular context. What this means is that instead of focusing on economic aspects of capitalism, which would include the analysis of firms, accumulation of initial capital, effective resource allocation and profit-making, and other such factors belonging to the problem domain of economists, I will attempt to bring into relief the social dimension of capitalist development in Russia. From this perspective, the main issues involved in the investigation might be formulated as follows: What are the driving forces behind capitalist development in Russia? What interests are involved, what social relations are produced, and what social institutions are established? Which of the possibilities and constraints affecting this development are specific to the historical and societal matrix shaping the country's transformation? Exploration of such broad topics, however, requires the effort of more than one individual researcher. To narrow down my own problem area, I will therefore focus more specifically on the role of entrepreneurship in the developments addressed by these questions.

Entrepreneurship in Russia: Framing the Issue

My argument in this dissertation is structured around four interconnected framing questions. Entrepreneurship, first of all, is widely recognised as a driving force of economic development. For their growth, capitalist and non-capitalist systems alike have become highly dependent on bottom-up rather than top-down stimulation, and it is here that the entrepreneurs – their willingness and capability to run enterprises independently and effectively – serve as a pivotal element, especially during profound economic crises such as the one most world economies today find themselves confronted with. In Russia, the institutionalisation of entrepreneurship as a legitimate component of an economy took place relatively late, not more than two decades ago, after a long period of official condemnation, prohibition and denial. At the same time, the roots of entrepreneurship reach deep in the country's past. By stressing such historical continuities, the argument in this thesis challenges the widespread belief that entrepreneurship did not exist in Russia prior to the economic changes of the 1990s. In actuality, alternative forms of entrepreneurial initiative have for long existed and left their imprint both historically and in our own time, even when they may remain concealed in an analysis abstracting from the formal principles of a capitalist economy proper. Accordingly, one of the key arguments developed in this work is that to understand the dynamics of entrepreneurial development in Russia right now, it is vital to consider not just the transformation processes of the 1990s but also the merchant capitalism of Imperial Russia and the Soviet management system.

Second, the rise of officially recognised economic entrepreneurship in the 1990s' Russia took place during a particular period, at a time when the entire society was undergoing changes of a scope and speed not commonly seen in history. It has been suggested that the transformations in Russia and elsewhere in the former Eastern block be looked upon as revolutions, given that “they constituted a major break in historical continuity, a complete and radical change at all levels of social life, for great masses of people” (Sztompka 2007:12). In the analytical perspective chosen for my study, what becomes of interest in this context is the ways in which entrepreneurs dealt with their changing environment, the kind of resources they relied upon, the driving force(s) urging them on in their actions, and, first and foremost, their contribution to the economic and social development of the country.

Many of these issues refer back to the work of Joseph Schumpeter, who was the first to argue for entrepreneurship to have a broader role in societal development. This, according to Schumpeter's thesis, was due to its capability not only of inducing a change in the economy but also – and more importantly – of spreading entrepreneurial mentality into the domain of societal beliefs, practices, and norms (Schumpeter 1991c). Admittedly, it would be difficult to provide empirical evidence on whether initiation of social change in post-Soviet Russia can be attributed to entrepreneurial efforts or the other way around – that entrepreneurialism has developed as a result of societal change. What nevertheless is possible to examine sociologically is the ways in which the development of entrepreneurship in Russia has been enabled or constrained by the processes of the social transformation.

Thirdly, while much academic work has been devoted to the transformation in Russia and other countries of Central and Eastern Europe, the focus in most of these studies has been limited to the large-scale economic and political processes taking place in the society, along with their devastating consequences for individual human lives. On a more theoretical level, researchers have been interested in elucidating the unevenness of the processes of social change, in terms of delayed modernisation and persisting cultural backwardness. The argument I am advancing below builds on the criticism with which such work has been met (see, e.g., Grancelli 1995). By incorporating it, my intention is to throw light on an area of transition studies that has remained virtually unexplored, namely, the enabling character of social change processes. As concerns new entrepreneurship in Russia, it is true that it emerged from within the collapsing communist system. However, as I argue throughout the discussion that follows, the phenomenon was also born out of the great expectations and efforts that, in the East and the West alike, were directed at the emergence of a new type of society, a new type of economy, and new kinds of opportunities in life. In this work, I therefore focus on entrepreneurship as something embraced by choice and not by necessity, in order to better illustrate, specifically, the enabling character of social changes.

Finally, the fourth framing issue around which my argument is structured concerns the flow of influence and interaction between Russia and the West in the course of the ongoing transformation. Following a research tradition in which ideas are regarded as important historical forces of social change (e.g., Sztompka 1993), I will examine how,

in their transplantation, adoption, and embodiment in the Russian context, Western notions of capitalism, market economy, and entrepreneurship have intersected with local circumstances and historical legacies, producing rather patterned results. Historically, such crossing of influences can be traced back to the 18th and 19th centuries already, when Russia for the first time was launched on the path of capitalist development. This analysis is followed by an in-depth discussion of four major areas in which Western initiatives in transforming Russia were particularly effective during the reforms of the 1990s. The “transition paradigm” in scholarship, financial aid to Russia, and support of new private entrepreneurship are all good examples of how Western schemes may have influenced the development of entrepreneurship in Russia, in both positive and negative terms. Yet, so far only very little has been written about the dissemination of the ideas and notions behind these initiatives through the educational initiatives undertaken by Western countries in Russia. This, then, comprises the fourth area of interaction between Russia and the West to be discussed. It is also here that the most novel contribution of this thesis may lie, centred on a substantive empirical analysis of Western business education as a major channel for training existing and potential new entrepreneurs in Russia today. Soon after the political transformation, attending Western business schools in Russia had come to provide a well-working way for amateur entrepreneurs to professionalise their practices and pursue their business ambitions. Those taking advantage of the opportunity regard Western business education not only as a major source for business knowledge but also as an arena of new business opportunities per se, where Russia represents but one of the many possible directions opening up for business expansion.

Aims and Analytical Framework

The main aim of this dissertation is to analyse new entrepreneurship in Russia, in particular the entrepreneurship that has evolved within the new private sector of the economy. As a generic term, entrepreneurship refers to “industrious, systematic activity of organising and operating a profit-making business venture and assuming the risks of possible failure” (Yurchak 2002:278). The new entrepreneurship in the focus of my research is not “new” in the sense that it did not exist before. Rather, the newness has to do with the relatively recent status

that entrepreneurship has in Russia as a legitimate and autonomous sphere of the country's economy. In this work, I extend the analysis of new entrepreneurship beyond the context of its three oft-studied areas of origination, or the Soviet second economy, the co-operative movement, and the Soviet state and ministries. These three economic spheres in Soviet Russia were indeed the first arenas within which private economic activities developed into legally sanctioned occupations. There is a large body of research to suggest that these spheres of the private economy be considered as the major sources of Russia's entrepreneurship in the 1990s.¹

Yet, surprisingly little attention has been paid to the new private sector within the Russian economy that was supposed to "eventually drive out or absorb the state enterprises" (Clarke & Kabalina 1999:422).² Despite its still relatively small size, this emergent sector in itself represents an outcome of the market-economic development making progress in the country, with its own logic and distinct types of relations. In this thesis, I will examine the conditions and patterns of what I designate as an *independent* type of entrepreneurship that has evolved within the business sector, consisting of enterprises set up as private companies from the start as opposed to those becoming privatised later on or remaining under state control. In particular, I will focus on the trajectory of this type of entrepreneurship in the 1990s, the most turbulent years in the country's economic, political, and social life but also the period fullest of promise in Russia's transformation. What, then, was qualitatively *new* in this particular type of entrepreneurship, compared to the other variants? Where did the entrepreneurs in question come from? What was the social and economic climate in which they operated? In what way was independent entrepreneurship enabled or constrained by the ongoing processes of transformation in the Russian society? Analysis of and answers to these and similar questions comprise the core of this work. To a notable extent, Russian entrepreneurship has been studied either through its external structures or focusing on the personal features of those involved in it. For a deeper understand-

1 While this particular classification may differ from others put forth in the field, it draws upon existing research deriving from a large number of both Russian and Western sources; see, for instance, Radaev (1993, 1994, 2002a,b), Bunin (1993, 1994a, 1994b), Silverman & Yanowitch (1997), Peng (2001), Humphrey (2002), Yurchak (2002), Ries (2002), Krystanovskaia (2002a, 2002b), and Djankov, Miguel, Qian, Roland & Zhuravskaya (2005).

2 For studies that nonetheless do look at the new private sector in Russia, see Clarke (1999, 2000, 2007), Clarke & Kabalina (1999), Roberts & Zhou (2000), and Kihlgren (2002, 2004).

ing of new entrepreneurship, these approaches need to be combined, asking questions such as *What are the motives behind the entrepreneurial function?* and *How does entrepreneurship accommodate, challenge, and transcend or go against the circumstances surrounding it?*

The nature of this enquiry is not particularly unique in my chosen country context, or in the historical circumstances with which Russia is faced today. Similar questions were posed already around mid last century by Schumpeter in his work on entrepreneurship as a mechanism of change in the economic sphere of society (see, e.g., Schumpeter 1991a [1947] and 1991c [1949]). In a larger perspective, Schumpeter's interest was in analysing how the entrepreneurial function enables change in society as a whole, and how a society in its different representations supports or inhibits entrepreneurship. In this sense Schumpeter, in my view at least, brings the economic conception of entrepreneurship very close to sociological concerns.

Sociology, however, offers no advanced theories on entrepreneurship as such. Symptomatically, it was economists who introduced the very notion of the entrepreneur, and it is within economics that the phenomenon has been theorised the most. While in sociology and in economics different aspects of entrepreneurship are thematised, neither of the disciplines has expanded on the topic to give us of it an exhaustive treatment on either a theoretical or an empirical level. Other disciplines, too, have contributed with essential aspects of entrepreneurial behaviour brought up within their own frameworks.³ On the whole, we can summarise that entrepreneurship continues to be an elusive phenomenon, with attempts to define it often turning into an “endless adventure” (Hjort, Johannisson & Steyaert, 2003:101).

Schumpeter himself attributed this slippery character of the entrepreneur to the fact that one can be an entrepreneur only in the process of doing something “new.” In his own famous words, “everyone is an entrepreneur only when he actually ‘carries out new combinations’” (Schumpeter 1968:77–78). Thus, entrepreneurs do not constitute a social group, nor are they engaged in long-lasting careers; and these two features alone will present the study of entrepreneurship with considerable challenges when it comes to elucidating its empirical foundations. At the same time, however, it is possible to glean important insights from Schumpeter's writings, which make it possible to specify the general phenomenon of entrepreneurship more suitably for our

3 See Chapter 1, pp. 44–61.

purposes. Firstly, it is *what* entrepreneurs do and *how* they realise new possibilities – that is, carry out the entrepreneurial function – that should be in the focus of analysis. Secondly, given the potential of entrepreneurship to influence, and to be influenced by, society's beliefs, norms, attitudes, and the like, one should in Schumpeter's vein look more carefully at "the interaction between entrepreneurship and its historical conditions" (in the words of Yang 2007:30). It is these analytical points, then, that will serve as the key observations guiding my discussion below.

In an attempt to understand entrepreneurship as a complex social phenomenon, I have chosen not to limit myself to one theory or to theories confined to one discipline. Instead, my analysis is based on a reading and critical examination of texts on entrepreneurship that stem from, besides sociology, also economics, history, and anthropology. Moreover, the body of research drawn upon in my analysis covers both current work on entrepreneurship in Russia and abroad and classical theories that show specific relevance for the goal of gaining a better understanding of contemporary entrepreneurship. Two important observations can be drawn from this work.

To begin with, theorising on entrepreneurship has certainly gained a new momentum when faced with the realities of the emerging market economies in the former Soviet sphere, especially Russia. It is in these still-transforming societies that the puzzle of the entrepreneurial process has been rendered ever more poignant today. For instance, how could entrepreneurs emerge so quickly in societies where private enterprising had been banned for decades or existed only on a limited scale? Or, how do entrepreneurs manage to establish business relations requiring trust when they show such great distrust towards both the state and other business partners? (see e.g., Radaev 2004; Aidis 2003, 2005; Yang 2007). To answer questions such as these we need to look beyond the surface level of routine entrepreneurial practices and strategies. It then becomes necessary to understand how entrepreneurs interact with their environment and one another, what their economic position is within a given society, what are their social origins, and so on.

Another observation to be drawn from the existing literature is that, as a social phenomenon, entrepreneurship tends to be regarded as something with an exclusively positive significance. In Russia, it should be noted, the issue has nonetheless remained contested. At the same time, however, attitudes even there towards entrepreneurs have been

shifting towards a more positive view since the introduction of market economic reforms. Alongside this process, and even more strikingly, the expectations that entrepreneurs resolve the economic troubles of the country have grown. Optimistic hopes have even been voiced that entrepreneurs may play a stabilising role in the country's social and political life, or contribute to the strengthening of Russia's position in the international markets by creating durable bonds of economic collaboration across countries (see GEM, Russian report 2007). However, instead of glorifying entrepreneurs and entrepreneurship as the solution to all problems in Russia (or elsewhere), my purpose in this thesis is rather to gain insight into the complex phenomenon of entrepreneurship, covering various dimensions of societal life of which the economy is but one. As will be shown in the chapters that follow, entrepreneurship indeed is about discovering new opportunities, developing new products and markets, practicing creativity, and attaining wealth; but it is also about an underground economy, violation of formal rules, calculation, and closed networks. In short, how entrepreneurial energy is used depends not on entrepreneurs alone. And this will be one of the tasks for my analysis to show.

Research Design

To study the development of entrepreneurship in a country caught in the midst of radical social change requires a special strategy. In this work I employ what Robert Merton (1976) has called “disciplined eclecticism,” referring by this term to “the controlled and systematic use of complementary ideas drawn from differing orientations” (cited in Sztompka 1995:239). Between 1998 and 2001, I participated in several research projects that all tackled different aspects of the Russian transformation.⁴ In my various research capacities I frequently travelled to Russia to conduct interviews, collect secondary materials, parti-

4 These projects included Modernity, Identity, Rationality (MIR): Transformation of Everyday Life in the Former Soviet Union (pilot project in 1998–1999), sponsored by HSFR in collaboration with Per Månson and Zaira Jagudina; Transition and EU-enlargement: economic, legal and social change in Eastern Europe (2000–2002), sponsored by the Axel and Margaret Axelson Johnson Foundation in collaboration with a group of researchers at the Centre for European Research at University of Gothenburg; Market, Public Sphere and Democracy (MOD): societal sphere and acting arenas in transition (2001–2002), sponsored by the Swedish Research Council in collaboration with Per Månson and Zaira Jagudina; Towards a New Russia: Images and Uses of Law in Contemporary Russia (2000–2002), an INTAS project carried out in collaboration with researchers from Sweden, Russia, and France. These research projects resulted in a number of publications, among them Shmulyar (1999, 2000, 2004, and 2005).

participate in conferences and seminars, meet Russian social scientists, and simply observe the ordinary flow of life out in the streets, in the metro, and in people's homes.

In the course of the three years of my involvement in these projects, I found myself developing an interest in the new economy of Russia. It was no longer subordinate to the Soviet state, as had been the case before the perestroika, but not yet the capitalist economy, either, as known to most citizens of the West. The more I learned about this new economy, the stronger was my conviction that despite its various imperfections, it carried a great deal of potential. It gave rise to new career patterns, new modes of self-realisation, and indeed a new social category within the transforming Russia society – the entrepreneurs. Given the novelty and complexity of the issue at hand, I embarked on a work on the subject following different casing procedures.⁵

The point of departure for my dissertation research was thus provided by empirical observation. In subsequent stages, I carried out systematic fieldwork in Russia, relying on qualitative analysis of documentary sources such as official statistics, mass media, and other circulars and publications in addition to existing research, with the intent of identifying key issues underlying my problematics.⁶ During the fieldwork phase the initial research questions morphed into new issue complexes that in turn prompted a search for specific empirical cases suitable for the purposes of this study. This was also motivated by the changing realities on the ground. For instance, recovering from the 1998 economic crisis, the situation in the Russian market economy in the early 2000s resembled somewhat the situation of the early 1990s. As Radaev (2001:20) put it at the time, “[i]n some respects there has been a retreat to conditions of a ‘juvenile market’ with many open niches and the lack of established conventions.” Meanwhile, the logic of the post-crisis market economy had nonetheless changed drastically. With regard to entrepreneurship, it is possible to argue that the “mass entrepreneurs” (Bunin 1994a:400) of the early 1990s had now been transformed into professional business(women) of the early 2000s who faced much greater challenges on their path to entrepreneurial success. In the post-crisis market economy in Russia, the entrepreneurial opportunities were no longer open to anyone with high motivation, a

5 Ragin (1992:218) defines casing procedure as a “methodological step [that] can bring operational closure to some problematic relationship between ideas and evidence, between theory and data.” See Appendix I, pp. 373–396.

6 See Chapter I, pp. 29–98, and Appendix I, pp. 373–396

venturesome character, and the right contacts. What was in demand instead were competent navigators in the highly competitive, hierarchical, and productively oriented market-economic realities, with high barriers for new business entries, a demand for new business strategies, and – most of all – professionalism in business matters (see, e.g., Barsukova 1999b, Radaev 2001).

The role of Western influence in the evolution of entrepreneurship in Russia is also central to this work. Historically, the strength of the Western pattern of economic development has often been compared to the backwardness and underdevelopment of capitalism in Russia.⁷ During the 1990s this tendency was seen resurfacing once again when Western conceptions (and institutions) of capitalism, market economy, private property, and corporate law were introduced in Russia as models for emulation. As Barbara Czarniawska and Bernard Joerges (1996:16) have argued, “when ideas go places” they may generate a change; but what they certainly do is transform both the initiator of the idea and those receiving it in the process of translation, or in the micro-communications between people through which the ideas become not simply linguistically translated but rather displaced, mediated, modified, and formed in “a new link that did not exist before” (ibid.:24).

These empirical observations helped me to narrow down my empirical focus to study one specific case: Western business education in Russia. Usually, cases are selected for further analysis owing to either their particularity or ordinariness, and in that instance they are characterised as *intrinsic* (Stake 2005). Intrinsic cases are difficult to compare to others, yet they can lend themselves for the purposes of testing or developing new theories about poorly studied phenomena. In my own research, it seemed expedient to draw upon already existing theories, if re-combined in useful manner. Moreover, in subjecting a specific case to a closer study my aim was not only to study a case per se, but “to advance understanding of [more general] interest” (Stake 2005:445) – in other words, the case study would serve its purpose by being used *instrumentally*. In Charles Ragin and Howard Becker’s (1992) terminology, Western business education can also be described as a *specific* and *theoretical* construct because, given its specific historical, social, and cultural contexts, it serves as a good illustration of other processes of interest for my analysis. These include the way in which Western notions of business and entrepreneurship spread in Russia through edu-

⁷ For criticism of this tendency, see Chapter 3, pp. 101–134.

cation, and the contribution of business schools to the creation of new business practices that in the long run may determine career prospects in business. Seen in this perspective, Western business education can be identified as an *instrumental* and *theoretically specific case study* that serves as a theoretically significant illustration of the development of new entrepreneurship, in particular independent entrepreneurship in Russia of the 1990s. To investigate the case under consideration, I relied on in-depth interviews and participant observation with the graduates and staff of one Western-modelled business school in St. Petersburg, complemented by documentary analysis of databases and mass-media publications along with analysis of previous research on business education in Russia.⁸

Given my interest in the reception of Western ideas in Russia in the 1990s, the choice of St. Petersburg as a major site for my empirical study was also quite natural. Since its foundation, the city has been exposed to ideas of modernisation and Westernisation, initially through the deliberate efforts of Tsar Peter the Great. Throughout the centuries, this city has accommodated large foreign communities of scientists, manufacturers, merchants, and bankers.⁹ Their presence has left an undeniable imprint on the developing entrepreneurship in St. Petersburg, which even today shows a strong Western orientation. The fact that, through the entire 1990s, the city was able to experience exceptional growth in the small-business area and in entrepreneurial activities further validates its choice as a primary site for my research.¹⁰ There is yet another reason for the choice of this city, however: “St. Petersburg is not only a window to Europe but also a door to Russia” (Hellberg-Hirn 1996:76). Various cultures and nationalities living in the city across decades and even centuries have left their traces in its architecture, in the street names, in the many churches jutting out of its skyline, in its residential buildings, and certainly in the spirit of the people living in it. For me, personally, the position of St. Petersburg in spanning cultures and epochs, and the spirit of people I met there during my research, symbolises my own position in between Russia and the West. Straddling that middle ground myself, I hope to be able to encourage more people to open the door to Russia and that way learn more about themselves, too, in the process.

⁸ See Appendix I, II and III, pp. 373–404.

⁹ See Chapter 3, pp. 122–125.

¹⁰ See Appendix I, pp. 381–386.

Structure of the Thesis

This thesis consists of four parts. Part I includes a theoretical discussion in two chapters (Chapters 1 and 2). In them, the development of entrepreneurship in contemporary Russia is examined against the backdrop of broader processes of social change, nature and varieties of capitalism, and the vogue of entrepreneurialism prevailing in the West as well as in Russia today. In this connection current literature on these subjects, along with key texts on entrepreneurs and entrepreneurship in economics, sociology, and anthropology, is reviewed. In addition, Part I introduces three sets of conceptual lenses that provide a key to the analysis of the social and political mechanisms both enabling and constraining Russian entrepreneurship in our time. An analysis of the notions of (1) *entrepreneurial governmentality* and *blat* (economy of favours), (2) *networks* and *capitals*, and (3) *class* and *gender*, along with their mutual interrelations, brings to the fore the inner logic of the new entrepreneurship, including its roots, conditions, personnel, and legitimacy in contemporary Russian society.

Part II, comprising Chapters 3 and 4, provides a historical sketch, tracing the origins of the entrepreneurial spirit in Russia back to the economic activities of pre-revolutionary merchants and the Soviet managers. The social status of these groups and their relations to the Russian state from the mid-19th century through the Soviet period is examined. From this analysis it emerges that the marginal economic position of merchants in Imperial Russia was later transformed into the role of Soviet managers as “entrepreneurs by force” who had to manipulate or even deceive the Soviet bureaucracy in order to meet the expectations set for them. Part II also introduces the question of the Russian middle classes that remains closely intertwined with the analysis of entrepreneurship, sharing many of the latter’s ambiguities.

Chapters 5, 6, and 7 forming Part III cover the development of entrepreneurship in Russia from the time of perestroika to the years of Putin’s reign. Chapters 5 and 6 concentrate on the emergence of a legalised private sector within the Russian economy, evolving, once the reform work was launched, into an organic element of the economy while nonetheless remaining in the shadow of the larger, recently privatised state industries. Chapter 7 analyses the Western input in the country’s transformation, looking at the different forms and initiatives through which this involvement took shape, such as the academic de-

bates on the necessity of transition from socialism to capitalism, foreign aid, and promotion of the private business sector in Russia.

Part IV consists of two chapters (Chapters 8 and 9) that provide the empirical foundation of the thesis. Chapter 8 addresses itself to four major economic and social arenas through which private enterprising gained a foothold within the late Soviet economy and the newly emerged market economy in post-Soviet Russia. Focusing on the conflicting sociological and public imagery attached to Russian entrepreneurs, this chapter serves as a background against which the reader can better appreciate the distinctness of the social and cultural environment in which entrepreneurs in Russia operate.

Chapter 9, finally, presents the findings from the case study on Western business education in Russia. The argument is made that Western business education ought to be considered an important channel of education and recruitment for Russia's current and potential entrepreneurs. The case under consideration provides a highly illustrative example of how Western ideas about capitalist economy, entrepreneurship, and business are translated into the Russian reality, yielding a frame of reference for the country's entrepreneurs eager to work according to world standards with the hope of contributing to Russia's prosperity and making it a better place to live in.

In the concluding chapter, the key themes emerging from this thesis are brought together. An argument is developed to the effect that the future prospects for entrepreneurship in Russia depend not only on the economic and political initiatives being formulated today, but also on conditions and capabilities inherited from the more remote historical past. Indigenous entrepreneurship nevertheless holds promise of great economic potential for the country; judging from the evidence, it contains within itself the capacity to make a mark on the society as a whole, impacting the directions of its development and its ability to harness its forces, if given a fair chance to evolve.

Part I

Understanding Entrepreneurship: Classical Theories and Current Debates

Chapter One

Defining Entrepreneurship

Modern entrepreneurship relies on the exploration of the unknown, not on the perfect knowledge of the market for such knowledge is unattainable to humans. (Zafirovski 1999:365)

Introduction

In this and the next chapter of my thesis, I will discuss the theoretical framework informing my study. Usually, theory would be treated more distinctly as a subject in its own right. By using terms such as ‘framework’ or ‘frame’, however, I indicate that, instead of addressing the theory in a more formal fashion, this chapter rather brings together the key analytical points that I find useful for the understanding of the phenomenon of entrepreneurship. The theoretical themes running through these chapters constitute major landmarks in theory formation that in my view yield a fairly comprehensive vision of entrepreneurship as a complex social phenomenon. Outlined only in brief, these themes will therefore require further elucidation, and hence they all will be continuously brought up again, resurfacing in the subsequent chapters of this work with special reference to the Russian case. At the outset they represent a set of key organising ideas that inform the empirical analysis to follow.

My study deals primarily with the development of entrepreneurship in Russia historically and in our time. More specifically, I analyse the emergence of new entrepreneurship that grew within the new private business sector firmly established in Russia by the end of reform period in the late 1990s. It is worth emphasizing that the context in which entrepreneurship emerged was highly particular in a number of ways, especially in cultural and economic terms. Yet, as indicated by a grow-

ing body of research, there are many general features as well that entrepreneurship in Russia shares with entrepreneurship in other countries. To take but one example, entrepreneurship as a practical enterprise has always been considered a driving force for development, with many political regimes putting their trust in entrepreneurs as the engine of society. Theoretical debates about the meaning of the concept, however, are still ongoing. Instead of leaning on some grand sociological theories, I will therefore allow myself to be inspired by interdisciplinary and international theoretical sites in which the concept of entrepreneurship arises. As inferred above, understanding entrepreneurship requires a strategy of “disciplined eclecticism”¹ if it is to reveal its complexity and variable nature in a given society and/or culture.

Transformation in Russia: Social Change with Ambivalent Outcomes

New entrepreneurship in Russia can only be understood in its specific historical and cultural context. Most immediately, this was provided by a society caught up in far-reaching social change or, what researchers of post-communism most frequently define as ‘transition’ or ‘transformation’. Theorising about entrepreneurship inevitably calls for discussion about these two notions and their relationship to another generic sociological term that is social change. This entails a veritable theoretical challenge already in itself. Study of social change has been at the core of sociology since its origins. It has been a changing pool of ideas in itself aiming at understanding of ongoing transformations from the traditional to the modern and then to post-modern societies (see e.g., Sztompka 1993). Theories of social change have been accentuated once again in relation to historical events of 1990s, when the fall of the Soviet Union set in motion deep transformations within the societies under the communist regime. The very notions of ‘transition’ and ‘transformation’ were coined to help the analysis of the unprecedented departure from socialist to capitalist economies; and from communist to democratic political rule. Both of them, ultimately, stop short of providing the necessary tools to determine what was actually taking place in Russia and other formerly communist societies.

According to Stephen Cohen (2001:25), the basic premise of the transition paradigm is the assumption that “transition from Communism

¹ See Introduction, p. 21.

to free market capitalism and democracy” was both inevitable and progressive. The ideas underpinning the concept itself have their roots in the post-war theories of modernity and in Sovietology. What they all share is a notion of lineal progression from one type of society to another. The more orthodox beliefs in the importance of transition not only resulted in theoretical assumptions better known as the idea of the *shock therapy*, but also framed the key policies governing economic reform in Russia and elsewhere.² However, the very project of transition, as imported by the Western consultants and international organisations, and keenly embraced by top politicians implementing it in Russia, has been notably unsuccessful in achieving its stated aims. At the same time, “the vogue of transition”³ brought a new era of post-Communist and, specifically, Russian studies in its wake. Eastern and Central Europe became a kind of academic laboratory for many social scientists interested in testing the thesis of inevitable transition. Yet, compared to the Cold War period, the challenge faced by the theories of transition was new. The societies analysed were changing too quickly and, as it soon became clear, in no kind of agreement with the rigid formulas proposed for the process by the transitology camp. Internal criticism within the paradigm grew stronger, and by the mid-1990s already it was declared deficient in terms of its explanatory power.⁴

The most serious objections to the transition thesis came from sociological, anthropological, and ethnographical studies that looked into transition as being “lived through” and not only as “theorised about.” Instead of focusing on the wrong sequence of reforms in Russia or the fact that the Russian case is a specific one that does not fit into the model of transition, many scholars proceeded to put under question the very premises of universal theories embraced both in the West and the East. As Caroline Humphrey (2002:xx) accurately points out:

Most books about the postsocialist change take certain big notions for granted, such as the market or electoral democracy or the global economy [...] [but] these generally accepted ideas have run into sands in Russia. ‘The market’ is there, and yet somehow it does not operate as theory predicts, and the same is true for ‘electoral democracy’ and other such categories developed to explain Euro-American actualities.

2 See Chapter 5, pp. 173–193.

3 The term is borrowed from Wedel (1998).

4 For a more detailed discussion of the criticism directed at transition studies, see Stiglitz (1999), Cohen (2001), Reddaway & Glinski (2001), and Service (2003).

Humphrey underlines that the failure of universal theories in particular in Russia, but also in other countries of the post-Soviet space, was not due to “the Russian culture” or “the Russian mentality” as many of those embracing an essentialist notion of culture would argue.⁵ Instead, the problem with these broad and abstract categories is their inability to properly accommodate the actual responses of people “living through” the transition.

What the critics within anthropology declared was necessary was to shift the focus from institutional and macro processes to micro processes. By placing an emphasis on agency and strategies “from below,” new theoretical and methodological issues were formulated for transition studies. The market economy could no longer be defined in economic terms alone; localities, cultures, gender regimes, and class specificities turned out to play a decisive role in how people perceived and reacted to change. In addition, “the sudden importance of the micro processes” (Burawoy & Verdery 1999:2) meant attention to the fact that changes not only happen to people but people actively create change through their everyday actions. In this fashion, ethnographies of post-communism brought up evidence of uncertainty, loss, and instability caused by the collapse of the communist rule. At the same time, they bore witness to the enormous creativity and improvisation exemplified by ordinary people’s ability to make sense of their new social situation.⁶ On the foundation of these studies arose then a new theoretical approach, centred around the notion of ‘transformation’. The term was quickly adopted by Russian sociologists, using it to designate the changes in Russia during the 1990s as either *transformatsia socialnyh otnoshenij* (transformation of social relations) or a *krisis* (crisis) (see, e.g., Zaslavskaja 1998 and Zdravomyslov 1999). It was seen as a more accurate description of social change in Russia and elsewhere, allowing it to be seen as uneven, gradual, and not necessarily pro-market or pro-capitalism in orientation. The theme of counter-market processes is rather important in this body of work and I will readdress it in the chapters to follow.⁷

Interestingly though, the growing evidence of counter-market processes in Russia in particular prompted scholars to revive yet another the-

5 See, e.g., Codagnone (1995:65-69) who argues that the modernisation idea was advocated not just by Western academics, but also by many Russian social scientists who took the difficulties of the Russian transformation to be the result of Russia’s cultural backwardness.

6 Several anthologies documenting the uncertainties of transition deserve special attention, such as Bridger & Pine (1998), Burawoy & Verdery (1999), and Humphrey (2002).

7 See Chapters 7 and 8, pp. 225–308.

oretical notion, that of involution. Borrowing it from Geertz, Michael Burawoy (2001b) applies it to the Russian context, albeit through the prism of Polanyi's work on the Great Transformation. Burawoy argues that the process that has taken place in Russia in the course of the last twenty years is "transition without transformation." While, in this perspective, the rise of capitalism in Russia during the 20th centuries had some obvious parallels to the rise of the self-regulating market society in Polanyi's 19th-century England, it nonetheless failed to evolve along the same three key dimensions: the expansion of production, the rise of a vibrant society, and the building of an effective nation state. The economic involution, according to Burawoy, has come about as an effect of the increasing power of speculative and mercantile exchange. In turn, it has given rise to both the social and political involution, characterised by the mutual detachment of the society and the state. As Burawoy explains (2001b:281):

in Russia society took a headlong retreat from the market to more primitive economic forms. By the same token that state, rather than forging a synergic alliance with society, hooked itself into the global economy, and became enmeshed in the organisation of transitional flows of natural resources, finance and information. At the same time it became detached from the local economy, riding it for immediate riches without concern for its reproduction, let alone expansion.

Another important factor that Burawoy brings to our attention is the class basis of the involutory processes in Russia. The ideology of the market economy and capitalism did not capture the public imagination in Russia the same way it did in England in the 19th century. What it did accomplish, however, was to contribute to the rise of various power groups pursuing their political and economic interests in a very narrow sense.⁸

Either way, these notions make it abundantly clear that the issue of how to interpret postcommunist development is not unambiguous. As the American feminist writer Peggy Watson (2000:188) asserts, "The perception of events in Eastern Europe cannot be separated from their interpretation – and whether or not it invokes the language of 'transition', the study of postcommunism, of system of transformation, inevitably involves the active production of meaning." It means that by writing this work also I become actively involved in this meaning production.

8 See Chapters 5 and 6, pp. 173–223.

Rethinking the sufficiency of transition and transformation as theoretical paradigms we can draw from an already existing sociological toolkit when trying to understand the events since the 1990s. What has taken place in Russia and other post-communist countries during the last two decades can be described sociologically as multiple processes of social change. The changes are highly complex and profound in nature, and yet they are not wholly unique. Following Piotr Sztompka (1995:236), a leading theorist working within the paradigm of social change:

it is an illusion to believe that there is anything like a theory of social change *as such*, precisely because there is nothing like social change *as such*. What exists in history are multiple, varied processes embracing selected aspects or dimensions of social reality.

Giving priority to the notions of agency and historicism, Sztompka (1993) suggests an alternative way of theorising about social change as social becoming. In this perspective social change is a historical process in which every society goes through repeated self-transformations. To understand the social dynamics of this process, Sztompka develops three concepts: “ ‘Functioning’ [as] all that is happening in society at some moment in time. ‘Social change’ [as] a single transformation of society from one, earlier state to the next, later state. ‘Historical process’ [as] the sequence of self-transformations that society undergoes in a long span of time” (ibid.:227). Using these lenses of analysis, the theories of post-communist transition and transformation briefly discussed above obviously fail to grasp the historical dimension of social change.⁹

Observing the societies undergoing changes and trying to investigate them empirically one can detect their temporary ‘functioning’ and even to some extent anticipate a general direction in which social change will take place. This is what most transitologists have been doing while analysing changes in post-communist societies. What is missing in this line of thought, if we follow the lead of Sztompka, is an understanding that communist and post-communist society “are not different societies, but different states, phases of functioning, of the same society” (ibid.). It means that there is continuity between the earlier and the following stages of societal development. This continuity should not be treated in teleological fashion. It means that neither

⁹ See Chapter 7 on more detailed discussion of ‘transition’ and ‘transformation’ as grand paradigms of post-communist studies.

present nor future state of society are strictly predetermined by its past. Instead, if we follow Sztompka, the ongoing social events, or “praxis”¹⁰, are a manifestation or actualisation of that “potentiality”¹¹ that emerges when structures and agents meet and materialise themselves in “agency”, or in the author’s own terms “‘really real reality’ of the social world” (ibid.: 217). The relationship between agency and praxis are dynamic, producing the feedbacks in both ways. It is in this sense that we can speak about the prolonged effects that praxis may have on the agency of the later time, which in its turn produces the effects on the future praxis. The theory of social becoming, in Sztompka’s own words, focuses “on the transformative force of human agency” (Sztompka 2007:50).

This abstract mechanism of the theory of social becoming is specified further on in the analysis of post-communist transition. Sztompka (2000) argues that for better understanding of the dilemmas of the post-communist transition we need to pay attention not only to the institutional and organisational structures of the former communist states, but also, and to a greater extent, to the common *bloc culture* that underpinned these societies and retained its legitimacy long after the demise of communism.¹² As the author tellingly described it “Life under communism has produced a unique legacy, a lasting cultural syndrome” (Sztompka 2000:5). Again, the lasting legacy of communism should not be seen as an obstacle, or a heritage that can simply be negated. The linkage between communist past and post-communist reality is much more dynamic, complex and imbued with ambivalence.

Simon Clarke (2007) has expressed a similar argument in relation to development of capitalism in Russia, which is of great importance to this work. The author criticised the dualistic interpretation of transition as “an interaction of liberalising reforms and state socialist legacies, the latter being seen as barriers to and distortions of the former” (ibid.:5). In accordance with theory of social becoming Clarke asserts “What is at issue is not the transition or transformation of one system to another, but the historical development of the existing system” (ibid.:8). It means that the capitalist development in Russia should be

¹⁰ Sztompka (1993:217) defines praxis as “a dialectical synthesis of what is going in a society and what people are doing”.

¹¹ Potentiality is further specified as “a set of capacities, dispositions and tendencies immanent in the social fabric and allowing praxis to emerge” (Sztompka 1993:217).

¹² By culture, Sztompka (2000:4) means “underlying *patterns for thinking and doing*, commonly shared by the members of society, and therefore, external and constraining with respect to individual member”.

understood against the background of those preconditions and contradictions that it inherited from the socialist economy, and not against the ideal model of capitalism, promulgated by the neo-liberal theorists. This is one of the theses that I am going to pursue in this work. It is in the context of transformation as a historical change where human agency is of crucial importance that the phenomenon of entrepreneurship, the case in concern in this study, will also be analysed.

My second thesis is that there is another reason to remain critical of the common theme behind many narratives of post-communist studies: that of “surviving” post-communism or of recuperating from its traumas. No doubt survival represents the major pattern of orientation of those dealing with the drastic changes brought about by the last decades. For mass entrepreneurs of the early 1990s this also was the major motive to engage in business. On the other hand, the success stories of the post-communist period more often than not reveal linkages to fraud and corruption and lack of public morality. Discussing entrepreneurs in Russia could easily proceed on either of these models of behaviour. Entrepreneurs were indeed the first to engage in new economic activities in order to make life more bearable for themselves and their families. They were also the first group to be despised by the Russian public for becoming “accidentally rich.” In between these two extremes I propose an alternative approach, based on the need to broaden the framework used in transformation studies by emphasising the enabling character of this transformation. Regarding the new entrepreneurship in Russia, it indeed emerged from within the collapsing communist system. But as I argue throughout this thesis, the phenomenon was also born out of great expectations and efforts, originating from the East and the West alike, for the new society, a new type of economy, and new opportunities.

Varieties of Capitalism

While rethinking the merits of transition and transformation as paradigms for understanding and explaining developments in Central and Eastern Europe since the end of 1980s, researchers have actually begun to doubt another, seemingly indisputable thesis: that concerning the universal character of modern capitalism. The emerging doubts have led to fundamental debates in contemporary sociology on whether the markets economies that have emerged in the former communist

countries can actually be classified as varieties of capitalism or whether in fact different criteria should be used to define them.

The “varieties of capitalism” thesis can be traced back to classical theories of capitalism, such as the work of Karl Marx and Max Weber. Both stressed the unique and ultimately unitary character of capitalism. At the same time, however, they also recognised the varying origins of the capitalist systems that stem from different modes of production or individual rationality. What Marx and Weber also shared was a concern for the social relations involved in capitalist production. We can distinguish a common argument to the effect that capitalism as a system cannot be limited to the economic institutions and modes of production alone; it needs to be embedded in political and social institutions as well to ensure social cohesion. For classical sociology, the modern type of capitalism represented the highest stage of capitalist development whose defining features included the institution of private property, pursuit of profit by means of rational enterprise, the continual growth of the forces of production, and market mechanisms for exchange and interaction that also presupposed a freedom of choice.¹³

Contemporary theorists of the “varieties of capitalism” school offer a different perspective. They ascribe capitalism’s diversities not so much to its origins as to the various existing forms of coordination and institutional complementarities. In his recent work, David Lane (2007) describes two major groups of theories that are central in the literature of the varieties of capitalism strand. The first one distinguishes between two ideal types of coordination in the capitalist system, the liberal market economy and the coordinated/co-organised market economy (Hall and Soskice 2001). The second group identifies five different types of the market, by including in analysis such aspects of economies as welfare, education, finance, and labour markets (Coates 1999; Amable 2003). Yet another well-known classification to be added here is that of different types of welfare regimes as conceptualised by Gösta Esping-Andersen (1990). What is common for all these theories is that when describing the varieties of capitalism they refer primarily to the advanced capitalist societies with a long history of capitalist institutions. Moreover, as Lawrence P King and Iván Szelényi (2005:2) point out, all these different types of capitalism share another essential feature: “they all exist within legal-rational authority.”

¹³ For a concise discussion of this vast topic, see Burawoy (2001), King & Szelényi (2005), and Lane (2007).

Towards the end of the 1990s, the thesis on varieties of capitalism experienced a new momentum. This was much owing to the realization that while the market economies emerging everywhere in the former Communist block represented components of capitalism, the features of these components seemed rather alien to the core principles of capitalism. According to Lane (2007:21), what was typical for all these economies was that they were characterised by “non-market economic relationships, the absence of a complementary ideology, of classes of entrepreneurs and capitalists.” The question that puzzled many social scientists and policy makers was why indeed it had to happen this way. As was commonly assumed, the postcommunist countries were all united by their common point of departure, in that they shared the same past in centralised economic systems characterised by extensive public ownership and ideologically dominating states. In addition, they had all been exposed to the same model of transition, based on the so-called “Washington consensus.” It was further agreed that the socialist order lacked legitimacy, thus nothing of that order could be preserved while building new capitalist economies. Yet, already by mid-1990s it was evident that the economic and political performance in the different countries caught up in the “same” transformation had taken rather different trajectories, with social outcomes that were highly variable (see, e.g., EBRD Transition Report 1999).¹⁴

Such unexpected results from the project of capitalist development in the former socialist economies provoked much debate, giving rise to a busy field of research. Some researchers offered an explanation resting on the idea of differing forms of socialist heritage, with even the idea of “plural socialisms” becoming singled out (Verdery 1991; Lane 1999, 2000). Others define the root cause for the divergent directions taken by postcommunist economies in the very process of the break-up with a crumbling communist regime (Stark & Bruszt 1998). Another interesting line of investigation stressed the importance of elites and elite constellations as a factor behind the emergence of various types of capitalism in the former communist block (Eyal, Széleányi, Townsley 1998). A shared conviction emerging from these writings was that the variations between the transforming countries were to be understood simply as an indication of the different types of capitalism possible; the question was only whether this diversity could be explained using the same tools as in the case of the Western economies.

¹⁴ On diverging social policies in the former communist countries see Manning (2004).

But critical voices reacting to this new way of analysing capitalism in the post-communist countries were not long in joining the debate, either. One of the avenues opened up for criticism was pointed out by Burawoy (2001a). A prominent ethnographer of industrial relations in the country, Michael Burawoy takes up the Russian case to argue against the plurality of post-communist capitalisms. His criticism of both David Stark and Lazlo Bruszt (2001) and Gil Eyal and his collaborators (2001), to my view, clearly reflects his notion of involutionary transition discussed above. Put simply, the author contends that the idea of a singular capitalist logic has been abandoned too early. Consequently, he finds it more important to discuss the limits of global capitalism than debate its possible diversities. Connected to this, Burawoy's second claim is that his opponents neglect the relations between classes in the post-communist societies, in particular the conflicting interests between the elites and the working class. He also insists that the authors he criticises have never considered alternatives to capitalism, thereby neglecting to discuss the potentials of socialism by now wholly eclipsed by neo-liberal ideals. This argument prompts no objections, as indeed the non-capitalist alternatives have never been given serious consideration in the West as a credible mode of transformation.

As for the rest of the criticism advanced by Burawoy, however, Eyal and others (2001) along with Stark and Bruszt (2001) have provided useful arguments in response to it. Two points merit special attention. To begin with, as Eyal and his colleagues argue, it is no longer fruitful to compare capitalism and socialism as two monolith systems. Once at the core of the Cold War discourse, simplistic comparisons in this vein are today severely undermined by the wide empirical variety of existing capitalist societies needing to be rigorously studied first. Secondly, Stark and Bruszt point out that beyond the mere variety of post-communist capitalisms per se, sociologists should pay attention to the diversity of their organising principles. The authors believe that capitalism prospers by the constant need to accommodate democratic constraints. Thus we should discuss the diversity of capitalisms not only in economic but also in political terms. This stimulating discussion, which I can only mention cursorily, leads me to one important thesis. The theories focusing on the "varieties of capitalism," previously applied only to the advanced capitalist countries, are now confronting the need to extend themselves to the realities of capitalist formation in

post-communist countries as well. This is how the thesis of “comparative capitalisms” comes about.

One of the many volumes published on the topic “varieties of capitalism in post-communist countries” (Lane & Myant 2007) brings together comparative empirical data that measures the scale of capitalist development across the former communist domain. At the same time, the authors try to evaluate the extent to which the newly emerging capitalisms have merged into already existing capitalist societies or created new types. Several important, if mostly economic, indicators are considered. Among them are the extent of private ownership of assets; the presence of a free market and price liberation; the accumulation of capital; inclusion in the global economy; mechanisms for coordination of capitalist firms; and the levels of income distribution and inequality (see Lane 2007:21). It is important to note that these indicators are measured in relation to each other, which makes them better suited as the basis of comparison between the different economic systems. Varied as they may be, the post-communist capitalisms distinguish themselves from the Western ones along two primary dimensions. According to David Lane (2007:34), “they all have a higher level of state ownership and control of the economy and have serious deficiencies in the levels of internally sourced investments.”¹⁵ Following on this line of thought, Lane defines two major types of capitalisms developing in the region. The first one, the continental type, includes almost exclusively the countries of Central Europe, with close proximity to the European Union and largely positive inclusion in the global markets. Russia, the case in concern in the present study, belongs to a second type of capitalisms, a hybrid state/market uncoordinated capitalism. This type can be generally described as being less exposed to global markets, and having high income differentials and high levels of unemployment, with mainly extracting sectors prevailing in the economy.

A complementary analysis is provided by King and Szelényi (2005) who, by revisiting the classical sociology of Marx and Weber, create a typology of capitalisms combining the mode of privatisation with the nature of the market institutions and types of authority. The authors focus mainly on the ways “out of socialism” and the social and political implications these ways have for the current situation in the different postcommunist economies. King and Szelényi distinguish between three different types of capitalism: state capitalism built from below,

¹⁵ In case of Russia, these tendencies go back much further in history, as is shown in Chapters 3 and 4, pp. 101–169.

as in China and Vietnam;¹⁶ political capitalism built from above, as in Russia and the rest of the former Soviet Union; and liberal and globalised capitalist systems built from without, as primarily in the countries of Central Europe.

The first two types of capitalisms, the authors contend, are dominated by the neopatrimonial type of authority, while the last one exists under legal-rational authority. This classification bears a clear resemblance to the one provided by Lane (2007), especially as concerns the role of the state, the decisive importance of the inclusion in global economies, and the extent of privatisation in the countries in question. King and Széleányi, however, go on to emphasise two additional key factors: *who* became the owners of private property, and *what methods* of privatisation have been employed in each country in question. These two factors have been highly consequential for the type of economy that has set roots in Russia, as well as for the possibilities and constraints therein created for the domestic entrepreneurs. In a nutshell, King and Széleányi (2005) revisit a problem previously formulated in the *Making Capitalism without Capitalists* by Gil Eyal, Iván Széleányi, and Eleanor Townsley (1998), attempting to analyse how it became possible to build capitalism without capitalists.

Having thus outlined the emerging theories of “comparative capitalisms,” the question poses itself: In what sense can these theories enable a better understanding of the phenomenon of entrepreneurship, as aimed at in my thesis work? In my view, recognizing theoretically the diversity of capitalist systems amounts to a de facto endorsement of the circumstance that capitalism cannot be held up as a universal model of development. Moreover, the variety of capitalist formations also generates a variety of entrepreneurial functions. As I will show later on, looking at entrepreneurship from novel angles allows us to identify the entrepreneurial function in the context of a much wider range of actors than what is commonly considered. Furthermore, the fact that capitalism is assuming different forms in the postcommunist countries is bound to influence also the “rules of the game” by which entrepreneurs must play. It will be suggested below that while the mere presence or absence of entrepreneurs will not determine a country’s economic performance, the processes through which they identify and cultivate available opportunities remain decisive.

¹⁶ In contrast to King and Széleányi, Lane and Myant do not consider the Chinese economy as being capitalist proper, but rather a statist one. For all these authors, however, China presents itself as an extremely interesting case for comparison with the Russian path. See also Yang (2007).

The Vogue of Entrepreneurialism

The latter part of the 1980s can be generally described as the time of increasing international interest in the issues of entrepreneurship. Several researchers point out that the period leading up to the early 1990s resulted in an unprecedented number of new books, articles, journals and periodicals, and conferences on entrepreneurship, and more generally in a kind of linguistic upheaval adding to our consciousness pressing issues like self-management, self-help, and success-promising solutions (Hjort & Johannisson & Steyaert 2003:94-98). One of the leading economic sociologists working on the theory of entrepreneurship, Richard Swedberg (1998), explains this fact by a number of interrelated processes in Western societies. According to him, during this time period both Europe and the United States witnessed a revival of small entrepreneurship. Other key factors involving governments worldwide have to do with rising unemployment and intensifying global competition, which both had an encouraging effect in promoting entrepreneurial activities in various spheres of social and economic life. We might suggest, then, that the revival of interest for entrepreneurship was connected with an awareness on the part of many governments and politicians that capitalism as an economic and social system needed to be revitalised. What was at stake was the belief in capitalism as a superior form of societal development that was capable of enduring crises and challenges arising from global competition.

Seen in this perspective, the vogue of entrepreneurialism of the late 1980s can indeed be related to the efforts of the right-wing governments of the era, especially those under Margaret Thatcher in the U.K. and Ronald Reagan in the U.S., to build their political power by evoking a belief in a new type of political human being. According to Nicolas Rose (1998:151), these new human beings are perceived “no longer as subjects with duties and obligations, but as individuals, with rights and freedoms.” Rose argues that the political vocabulary of the time became permeated by the rhetoric of the “enterprise culture,” according to which the individuals living in advanced liberal democracies ought to deal with their personal lives in a manner modelled on successful capitalist enterprises, that is, by striving after “autonomy, fulfilment, responsibility and choice” (ibid.:152). To understand how the enterprise culture works Rose applies Foucault’s theory of power. He contends that instead of thinking of power as something opposing individuals one should, like Foucault, perceive power as something

that creates and utilises subjectivity. Politically speaking, enterprise culture in this logic denotes subjectivity that is capable of taking responsibility for itself, of acting in accordance with certain institutional norms, transforming them if necessary, and striving to improve itself in order to achieve better quality of life. Thus, acting as an enterprising self becomes loaded with positive value, while absence of entrepreneurial qualities can only be associated with weakness and failure. Discussing the rise of entrepreneurial attitudes, Alf Rehn and Saara Taalas (2004:236) pointedly make the remark that “the state of ‘being entrepreneurial’ is in modern political and economical discourse shorthand for efficiency, development, energetic communities and similar moral goods.”

These circumstances have also stimulated considerable academic interest in entrepreneurship, both in theory and as a practice. Entrepreneurship has become a hot topic in many academic journals and one of the core courses in numerous business school curricula. Indeed, it was the business school teachers who took the lead in answering the question: “What do entrepreneurs do when they are entrepreneurial?” (Swedberg 1998:4). Swedberg further notes that many members of the business school community have simply tried to “demystify entrepreneurship and transform it into a skill that can be routinely taught to the average MBA student” (ibid.:3).

In this way the technologies of enterprising soon were no longer limited to economic life. Entrepreneurialism became a mode of activity desirable in all arenas of social life, from workplace to family life. The trend is clearly reflected in the theorising on entrepreneurship during the same time period. According to Hjort et al. (2003:96), entrepreneurship has been considered largely in the realm of management studies, serving as a kind of “magic boo” that would make managers more entrepreneurial. Within this discourse, the prevailing theoretical assumptions implied that entrepreneurship could be controlled, formally organised, and motivated by purely material incentives. The managers, moreover, were expected to perform quite a new role as well. Instead of just efficiently managing “what is there” (ibid.:97), focus was shifted to self-management, opportunity-seeking, and innovative risk-management. This way demystified, the idea has gained even greater currency, with entrepreneurship becoming proposed as a straightforward cure for growing economic problems emerging elsewhere in the world.

Current Ideas on Entrepreneurship

The dominant belief in the powers of entrepreneurialism became even more obvious in the early 1990s with an increasing number of Westerners now fully involved with the project of exporting entrepreneurship to Russia and other Central and Eastern European countries. The prevalent view among most Western advisers and academics derived from classical economics, namely that entrepreneurship was the key catalyst in the emergence of capitalist economy. Thus, to sow the seeds of capitalist principles in what used to be planned economies, it was assumed that one should strongly encourage the development of entrepreneurship in the region. The underlying assumption in this belief, as Rehn and Taalas (2004) have noted, is that entrepreneurship is confined to the capitalist settings and that, independently of its context, it should be defined according to one and the same logic.

This way of looking at entrepreneurship, however, soon ran into difficulties when it became obvious that local entrepreneurs in the region did not follow the prescribed logic, choosing instead to act in accordance with the requirements of the local conditions than with the prerequisites of “imagined” capitalist settings. Acknowledging this reality requires new ways of thinking and writing about entrepreneurship. Alternative approaches to entrepreneurship are rather pronounced among the Scandinavian school of researchers who offer what I take to be an innovative vision on the subject. For instance, Hjort and others (2004:109) argue that a complementary way of theorising on entrepreneurship is to consider it:

as one of local knowledge, where stories give access to the local context and its own “peculiar” way of creating and continuing things. Entrepreneurship is, then, an area of local theories and local practices, which can be exchanged, but not as ready-made tools.

The message here is that entrepreneurship is not only about the creation of new organisations, but also, and more importantly, about the creation of new practices of living: in other words, cultural innovation. Indeed, the economic dimension of entrepreneurialism is only a surface of many other aspects and meanings contained within the phenomenon. Hjort and his collaborators further contend that “[t]he stakes of entrepreneurship is what it does to society” (ibid:99), meaning that the impact of entrepreneurial behaviour cannot be measured by economic indicators alone. To a great extent, acting entrepreneurially has the

effect of transforming worldviews and relations to one's environment. These illuminating insights are drawn exclusively from the realities of the Scandinavian context. Unfortunately, local and international discourses on entrepreneurship in Russia remain little influenced by views like them, with the exception of the study by Rehn and Taalas (2004), which consequently has been drawn upon in my own work.

Below, the perspectives of Russian social scientists are presented together with the views of their Western contemporaries, along with those of classical authors writing on entrepreneurship one hundred years ago. Viewing entrepreneurship from these contrasting angles makes it apparent to me that each historical and cultural epoch, as well as each of the disciplines involved in the discussion, highlights a different dimension of entrepreneurship unnoticed by those using fixed and rigid definitions from the very start of the analysis. At the same time, the inclusion of a wider span of historical and disciplinary fields reveals obvious generalities related to the entrepreneurial function that come into play independently of its contexts. For this reason, in the following discussion I will delineate the theoretical meanings of entrepreneurship that stem from various disciplines and fields of inquiries.

Views from Within

Several of key texts referred to in this thesis provided the initial impulse for my own interest in entrepreneurship. Among the Russian authors, Vadim Radaev's is perhaps the most prominent work, rather widely disseminated elsewhere as well. Since early 1990s, Radaev has been engaged in research closely focusing on the emergence of small businesses in Russia, carrying out surveys of experts, interviews with entrepreneurs themselves, and, most importantly, systematically analysing "the rules of the game" that the Russian entrepreneurs have to negotiate to manage their businesses (see Radaev 1993, 1994, 1999, 2000, 2001, 2002a,b, 2003a,b and 2004). Another Russian sociologist well known internationally is Olga Krystanovskaia, whose main contribution has been in the analysis of the origins of the post-Soviet entrepreneurship within the economy and polity of late socialism. Her focus remained mainly on the country's "oligarchs," which can partly explain the enormous attention that Krystanovskaia's findings have attracted among Western authors (see Krystanovskaia 2002a, 2002b; and Silverman & Yanowitch 1997). Worth noting here is also Ivan Bunin, who together with other Russian social scientists has written an original volume of

personal life stories of the first Russian entrepreneurs. The approach behind this work has dispelled many prejudices regarding the early 1990s. Bunin argued, among other things, that on the whole, Russian entrepreneurs owed little to the past, except perhaps their extremely high levels of education.¹⁷

Finally, Tatiana Zaslavskaja, the author who put entrepreneurship on the map of Russian sociology, was probably among the first to attempt a sociological definition of entrepreneurship.¹⁸ Zaslavskaja argues, among other things, that the entrepreneurial function is performed by various actors within the Russian business stratum, and this is why it is difficult to define what entrepreneurship actually means. She differentiates between core and peripheral layers of entrepreneurship first and foremost based on the ownership factor, with only the core (and actually very small) group of entrepreneurs in Russia actually owning their businesses. The majority of those making up the Russian business stratum are businessmen/managers and managers/co-owners who work mainly in the private sector without wholly owning their businesses.

What is common to almost all of the above-mentioned is that they on the whole believe entrepreneurship to be a positive phenomenon, contributing to the development of Russian society in general. This view reflects the expectations towards the entrepreneurs among many Russians, and among Western politicians and state officials, as indicated above. However, domestic sociology has also produced rather gloomy images of entrepreneurs, especially studies made during the early 1990s.¹⁹ Nevertheless, both strands go on to identify the defining features of Russian entrepreneurship through a comparison to the so-called classical or “ideal-type” definition of entrepreneurship given by Schumpeter. In many cases, Schumpeter’s work is used rather uncritically, leaving out any discussion of the main premises of this ideal typical definition and of how helpful these might be for understanding of entrepreneurship in an entirely different context. On the other hand, such a fascination with a classical statement on entrepreneurship is understandable. To begin with, given the dearth of the domestic schol-

17 Bunin (1994a:385) refers to the data from the survey carried out by the foundation “Public opinion” revealing that in early 1990s more than 80 per cent of all entrepreneurs in Russia had a diploma of higher education. See also Bunin (1993, 1994b).

18 Zaslavskaja (1995) was in fact one of the very few articles she wrote about entrepreneurship in Russia, even if it became one of the most cited texts in the field both in Russia and abroad.

19 See Chapter 8, pp. 285–302.

arship on the issue, Schumpeter's theory will indeed continue to serve as a main reference point for many Russian authors of entrepreneurship. Second, I assume that what makes his views informative from the point of view of understanding entrepreneurship in transition is that unlike the economists of his time, Schumpeter suggested a theory of entrepreneurship based on the assumed ability of entrepreneurs to induce change in the economy, and in society more generally, instead of merely responding to it. Given how central these arguments are for any definition of entrepreneurship in a transitional context, I will return to Schumpeter's theory in a later section below.

Views from Without

Western scholarly interest in entrepreneurship in Russia picked up in the late 1990s. The studies conducted by British and U.S. social scientists brought attention to not only entrepreneurs per se but also the spheres of economy where these operate. As I argue throughout this thesis, it is essential that we understand that the emergence of the new businesses and the growing need for new entrepreneurs were two mutually inducing processes. Many Western studies have adopted a comparative approach, which makes it possible to situate the Russian case in a broader perspective and thus set both general and particular features of the country in greater relief. In my view, these studies all demonstrate a great difficulty that I, too, faced when collecting material for my research. Although the development of the new private sector has been the paramount aim of the reformers in the region, very little attention has been devoted so far to estimating its scope and major characteristics. It is a rather well known fact that the official statistics for the former socialist countries were notoriously unreliable. Therefore, as several authors indicate, many newly established firms refuse to participate in the system of official statistical reporting, or they are habitually lumped together in the same category with all non-state enterprises. Furthermore, official statistics do not account for private firms with less than ten employees, which in fact is rather misleading as the majority of newly established firms as a rule have only a few employees each.²⁰

One of the first researchers to attempt an outline of the new private sector in Russia was Simon Clarke, who suggested making a key dis-

²⁰ For an extended discussion of this question, see Clarke (1999:17-19) and Aidis (2005:29-30).

inction between the new private enterprises and the privatised state enterprises. Clark (1999:19) writes:

A new private enterprise is the one which has been created either *de novo* or by reassembling the assets of a former state enterprise or organisation within new management structures: the key features in the definition of the new private enterprise is discontinuity not only in ownership and management but above all in management structure. Moreover, most people can usually tell the difference between a “new private” and a privatised enterprise almost as soon as they walk in the door.

The author estimates that approximately 15 to 25 per cent of the primary employment in Russian cities is concentrated in the new private sector. Furthermore, this sector accommodates the most dynamic and fastest-growing sectors of the economy, in which trade, catering, personal services, and financial services stand for the greatest numbers of those employed.

Ken Roberts and Changcheng Zhou (2000)²¹ present a number of interesting insights into new private enterprise. They examine new entrepreneurship in three different contexts: Central Europe, the former Soviet countries, and China. Their work bears resemblance with the varieties of capitalism theory in that they differentiate between these particular regions and consequently between various contexts for the development of entrepreneurship. I do, however, want to stress their point regarding similarities shared by all new enterprises in the region. To begin with, in all the countries undergoing transformation there was a clear tendency for the new businesses to generate new careers, meaning that only rarely, if ever, have the entrepreneurs in Russia, Hungary, or China continued an already established family business. Another similar feature of the new businesses was an inevitable shift in business methods. While initially, entrepreneurs *de novo* could survive by using rather primitive technological and management skills, by the end of 1990s “more capital, more skills and more effort have been needed because of the existence of the established competitors” (Roberts & Zhou 2000:192).

In my own case study I observed a clear similarity with this tendency. Additional commonalities are found in the facts that new entrepreneurs are better educated and connected than other businessmen. The importance of friendly assistance and contacts within the official structures of economy are but two crucial prerequisites for successful

²¹ The article also contains an extensive bibliography on the topic.

enterprising in the whole region. Moreover, these factors bear important theoretical implications for the analysis of entrepreneurship, to which I will devote a special attention below in the present chapter. Finally, Roberts and Zhou point at two other essential features associated with new entrepreneurs that I, too, was able to recognise in my own empirical case: long hours at work and devotion to one's business career are hallmarks distinguishing their behaviour. This may have to do with gender discrepancy among the employees that characterises the sector: namely, new private firms are more willing to employ men than women, and male and female entrepreneurs seem to occupy rather distinct niches in the newly emerged branches of the market economy.

Ruta Aidis (2003, 2005) has also made an important contribution to the study of entrepreneurship in transition from a comparative perspective. In an earlier work, Aidis critically reviewed key writings in classical and contemporary economics, arriving at a working definition of entrepreneurship in transition. The author is one of the few to maintain that entrepreneurship existed even within the Soviet system. Two types of entrepreneurs are specifically distinguished: the economic and the systemic entrepreneurs. While the former transformed the existing system through their innovative solution to specific problems, the latter can be seen as using the system to pursue particular interests, for instance to serve the Party, to enrich themselves, and the like. Both types of entrepreneurs could assume productive and non-productive roles during socialism.²² However, at the onset of the transition, the systemic entrepreneurs clung to the status quo while economic entrepreneurs actually became recruited as new entrepreneurs, prepared as they were to meet the challenges of the market economy. Stressing the specificity of both the nature and the environment of entrepreneurial behaviour during the transition, Aidis (2003) argues that it is the 'productive entrepreneurship' that we have to consider as the innovative one. This the author defines as follows:

Productive entrepreneurship is the manifest ability and willingness of individuals to a) perceive and create new economic opportunities through innovative activity (new products, new production methods, new organisational schemes and new production-market combinations) and to b) introduce their ideas in the market in the face of uncertainty and other obstacles; and c) their efforts result in a viable business that contribute to national economic growth and personal livelihood (ibid:13).

²² This distinction was originally introduced by William Bamoul; see below, p. 56.

In her later work Aidis (2005) develops further a framework for the analysis of entrepreneurship in Central and Eastern Europe, by distinguishing three major dimensions to be considered: the environment, the role of the state, and business owner characteristics clearly determine the success or failure of entrepreneurship in the region. Moreover, as Aidis points out, there is an additional key distinction of vital importance for also my own research: she argues for the importance of recognising entrepreneurship on the one hand as a need and on the other hand as opportunity. To what we know from the evidence, many entrepreneurs in Central and Eastern Europe represent the first of the two, meaning that they ventured into private business and career in self-employment owing to the lack of alternative opportunities. Opportunity entrepreneurs, on the other hand, are:

individuals who feel pulled into entrepreneurship due to the desire to apply a marketable idea or to apply their skills to starting a business venture (Aidis 2005: 25).

Aidis also underlines the importance to study 'knowledge based entrepreneurship', that is, innovations in sectors with high levels of human capital, technology, and research, largely played down by researchers thus far. This approach to entrepreneurship as opportunity and knowledge-based activities is of particular importance for my own empirical research because most of respondents interviewed for the case study belong to the new private sector of the Russian economy, which provides advanced technology goods and services.

Lastly, I have made use of an anthology edited by Victoria E. Bonell and Thomas B. Gold (2002). In a certain sense, the articles collected in their book accurately reflect general tendencies within the new enterprising as briefly noted above. At the same time, the findings presented in the articles form an excellent frame for my own research, along at least two additional dimensions. Looking at business patterns and entrepreneurs in the former socialist countries from a comparative perspective, the authors combine macro and micro perspectives in their analyses. The spread of entrepreneurship, for instance, is closely related to its possible effects on democratisation and on the emergence of the institutions required for the development of entrepreneurship. At the same time, the authors argue that the new entrepreneurship is in fact not completely new, in the sense that it would have never existed before: it is new in the ways it accommodates both the perils brought

by the new conditions and the legacy of the old system – a theme that will be frequently revisited in this thesis. One final contribution of the articles gathered in the volume is that they emphasise the role of the foreign sector in the domestic economies of transforming countries. Western ideas resonate in most of the newly established private businesses in the region, and it will be a major challenge for the present study to reveal how these ideas are translated and applied in reality.

Having now briefly examined the growing body of literature on entrepreneurship in times of change, it becomes clear that the newly kindled interest in the subject matter calls for further efforts in (re)analysing the theoretical debates on entrepreneurs and entrepreneurship as it evolved historically. In the next part, I would like to turn to the key writings on entrepreneurship in economics, sociology, and anthropology, with each of them one way or another helping us to better understand the phenomenon in the novel historical conjuncture. None of the texts I have in mind can be fully examined here.²³ Instead, I would like to focus on the most important points generated by these disciplines that together may comprise a fair definition of entrepreneurship as a complex social phenomenon.

Classical Theories of Entrepreneurship

There are many ways to define the concepts of entrepreneur and entrepreneurship and, as the discussion below will attest, some of the today-classical definitions coined within economic thought are still worth revisiting. At the same time, I will also stress the importance of non-economic disciplines for the understanding entrepreneurship in the context of transformation. According to Swedberg (2000), the first economic theory of entrepreneurship was introduced by Richard Cantillon in the middle of the 18th century. However, the notion itself appeared as early as the Middle Ages, in the meaning of “a person who is active, who gets things done” (ibid:11). In a similar, broad sense, an entrepreneur has also been described as someone “working in an ambience of uncertainty” (Black 1983:4) or as “anyone who buys cheap and sells dear” (Blaug 2000:84), or, again, as a person “whose task is to make economic decisions” (Gerschenkron 2000[1966]:129). These definitions are extremely general, however, and can in principle be applied to any active individual in modern times.

²³ For a comprehensive overview of social science theories on entrepreneurship, see Swedberg (1998, 2000), Aidis (2003), and especially the comprehensive bibliographies appended to these three works.

Joseph Schumpeter

An alternative, narrower way of defining an entrepreneur is associated with the work of the Austrian economist Joseph Schumpeter, in particular his concept of *innovation*. Since the whole body of research produced by Schumpeter has exercised such a profound influence on the sociology of entrepreneurship, and especially on the way in which Russian sociologists conceptualise the phenomenon, it deserves to be scrutinized more closely, paying attention to a few central ideas behind Schumpeter's theory that are of particular relevance to my own work. To begin with, Schumpeter's basic ideas about entrepreneurship were outlined in his book *The Theory of Economic Development* (1968 [1934])²⁴. Schumpeter challenged the economic theory of his time by arguing that the normal state of economic development is not equilibrium but a change. As Swedberg points out, "*The Theory of Economic Development* can be characterized as an attempt from Schumpeter's side to flesh out his vision of an economy that is changed *from within* and where the sole agent of change is the entrepreneur" (Swedberg 2002:232).²⁵ Accordingly, behaving in an entrepreneurial way, claims Schumpeter (1968 [1934]), means to break the equilibrium, to go beyond the boundary of routine economic actions, or, in other words, to bring about a change in the economic system from within. This view was quite contradictory to the prevailing current in economic theory at the time, which argued that economic systems change by adapting to outside stimuli and striving towards a new equilibrium.

What was novel in this approach was, among other things, its focus on the entrepreneur as a special function or behaviour, and not as a distinctive personality. Schumpeter's theory specifies the entrepreneurial function in several useful typologies. One of them describes the nature of entrepreneurial behaviour, meaning the *innovation* that takes place when the entrepreneur makes *new combinations* of already existing recourses. These become possible through "1) the introduction of a new good; 2) the introduction of a new method of production; 3) the opening of a new market; 4) the conquest of a new source of supply of raw material; and 5) the creation of a new organisation of an industry" (Swedberg 2000:16). A second famous typology of Schumpeter's

²⁴ According to Swedberg (2000), Schumpeter made several attempts to develop his ideas of entrepreneurship, resulting in revisions made to *The Theory of Economic Development* (cf. the different editions published in 1911, 1926, 1934, and 1961). It is mainly the 1934 edition, especially its Chapter Two, in which Schumpeter's theory of entrepreneurship is most directly presented.

²⁵ The emphasis is original.

deals with entrepreneurial motivation, which has three main sources: “the desire for power and independence; the will to succeed and the satisfaction of getting things done” (ibid.). Schumpeter also suggests a typology of entrepreneurship, which covers different fields of activities: industry, finance, and commerce. Schumpeter argued that the entrepreneurial function should be clearly distinguished from other economic functions such as managerial, capitalist, financial, and others of this kind; at the same time, however, “[t]he entrepreneur of earlier times was not only as a rule the capitalist too, he was also often [...] his own technical expert, [...] buying and selling agent, the head of his office, his own personal manager, and sometimes [...] his own legal adviser in current affairs” (Schumpeter op. cit., cited in Swedberg 2000:59). Such a *mélange* of functions was unavoidable but also undesirable, states Schumpeter, for, at some point, performing of all these functions will fill the day and becomes a routine. In contrast, “everyone is an entrepreneur *only*²⁶ when he actually ‘carries out new combinations’, and loses that character as soon as he has built up his business, when he settles down to running it as other people run their businesses” (cited in Swedberg op. cit.:60).

What all these typologies point to is a special kind of function and behaviour or, in Schumpeter’s terms, leadership that besides an ability of making new combinations relies heavily on two other abilities, transforming the new ideas into reality and convincing other people to assist the entrepreneur in his ventures.²⁷ To put it differently, many people can see new possibilities but very few can use them. A true leader – and those, according to Schumpeter, are few – is the one who is able to carry out a new plan without certainty of its consequences, to use intuition, to see things and grasp the essential facts. Psychologically, a true leader has the willpower to step out of the routine and carry out new combinations. Related to that is the fact that it is not uncommon that entrepreneurs, in their function as a leader, must work against the legal and political impediments created by their opponents adverse to innovations. The fact is an extremely interesting one, and Schumpeter discussed it more in detail in his later work. In *Capitalism, Socialism and Democracy* (1976), for example, he argued that the entrepreneurial function may become obsolete at later stages of capitalist develop-

26 Emphasis added.

27 According to Swedberg (2002:234-5), in the original version of Chapter 2 of *The Theory of Economic Development* Schumpeter strongly emphasises the combination of these three elements, while in the later versions of the book it is the innovative behaviour, or making new combination, that mostly comes forward as a standard definition of entrepreneurship.

ment when innovation and leadership, as the core of entrepreneurial behaviour, tend to be reduced to routine. To put it more poignantly, Schumpeter believed that the more there was opposition to entrepreneurship, the more original and innovative would the entrepreneurs be. From this follows that there is no special prestige attached to the social position of an entrepreneur, since being one often means having a precarious economic position, lacking the cultural tradition of success and being subsequently unpopular among other social classes (ibid.).

Max Weber

Another often cited source for Russian sociologists, and undoubtedly prominent figure in sociology of capitalism, is the German sociologist Max Weber. Contemporary scholars as they were, Joseph Schumpeter and Max Weber have also influenced each other when it comes to theorising on modern capitalism.²⁸ Weber's scholarship contains many original ideas germane for understanding of entrepreneurship, which are however scattered in several of his writings. As Swedberg (2000) cautions, however, one should not confuse Weber's contribution to the theory of entrepreneurship with his theory of charisma, which many sociologists tend to do. In *The Protestant Ethic and the Spirit of Capitalism* (1992[1976]), Weber brought to scholarly attention two crucial issues. The first had to do with a change in the attitude towards entrepreneurship following the Reformation, from "one of hostility and alienation to one of acceptance and active promotion"; the second involved the role of ascetic Protestantism in the emergence of "a positive attitude towards moneymaking and work" (Swedberg 2000:26). One should keep in mind that in Europe prior to the development of the modern capitalism there had been a strong depreciation in the status of businessmen. For instance, Erasmus of Rotterdam could still in the 15th century describe people who conducted business as:

the most foolish and vulgar people who exist [...]. They are involved in the most pitiful and degrading craft one can imagine, and besides that they do it in the most shameless way; even though they lie, take false oaths, steal, swindle and always try to cheat on other people, they always force their way in order to be the first, that is why they always have their hands full of gold. (Cited in Partapuoli 1998: 10)

What Weber was able to observe in his analyses of post-Reformation capitalist economies is that ascetic Protestantism, which previously had

²⁸ See Swedberg (2002) for an illuminating comparison of Weber's and Schumpeter's ideas on the development of modern capitalism.

mainly a religious character, had now become secularised and spread to other domains of society, in particular to the economic sphere, where it generated a new spirit, or a new mentality characterised as: “a methodical and quasi-ascetic attitude to work,” in the words of Swedberg (2000:26). From then on, moneymaking was no longer considered a “degrading craft,” having rather become the very core of the capitalist enterprise. In addition, in his later works, Weber (1978) laid an emphasis even stronger than Schumpeter’s on enterprise and opportunities in the market, as opposed to the personality of an individual entrepreneur. Weber was also the first to point out the important role of entrepreneurship as a counterbalance to political bureaucracy: in Weber’s scheme, should bureaucracy succeed in assuming control over the economy, democracy would tend to veer towards dictatorship, and in this equation entrepreneurs played a substantive deterring role allowing for better maintenance of the critical balance between the two spheres. Obviously, Weber believed that business and politics (to speak in terms belonging to our time) were quite distinct and separate as objectives in society.

Analysing capitalism primarily within their own fields, sociology and economy, Weber and Schumpeter have both observed an interesting puzzle. Their studies reveal that a change from traditional to modern capitalism, in Weber’s schema; and a qualitative and sudden spurt in the development of capitalism in general, in Schumpeter’s terms, occurs not due to a change in existing economic institutions but due to “something else”. As Swedberg (2002:250) tellingly summarises their answer on what else is needed for vigorous capitalism to develop:

you need a number of individuals who are driven to be creative in economic affairs by their own inner motivation – not by pressure from the outside and from institutions. These individuals are driven [...] to try out new approaches in economic life because this is perceived a deeply meaningful to them. What you need can alternatively be characterized as a rational capitalist spirit (Weber) or a strong entrepreneurial drive, in the form of healthy capitalist civilization (Schumpeter).²⁹

Following the lead of Weber and Schumpeter we have to put entrepreneurial activity in focus when we attempt to understand the dynamics of economic development. If we expand their legacy furthermore, studying entrepreneurship may shed a better light on a broader change in societies as well.

²⁹ The emphasis is original.

Other Sources in Economics

Numerous theories of entrepreneurship have been proposed in both economics and sociology and even in anthropology and psychology. Among the contemporaries of Schumpeter, two economists stand out for their contributions in supplementing Weber's theory with new elements. Frank Knight emphasised the aspect of uncertainty in the function of the entrepreneur: while indeed risk could be calculated, uncertainty would always remain there as a challenge for entrepreneurs to cope with if they were to make profits (see Swedberg 1998:22; Aidis 2003:4-5). Another key idea was put forth at around the same time by Maurice Dobb, who believed that an entrepreneur is not necessarily a capital owner or a manager; rather, "entrepreneurship is something essentially active and creative" (Aidis 2003:5). This latter statement might as well be considered as the beginning of the "devaluation" of the concept of entrepreneurship. Perceiving entrepreneurship in such general terms, mainstream economics would leave the theorising of entrepreneurship outside of its problem domain up until the late 1960s. Instead, it directed its focus to theories of firms, whereby economic progress was assumed to be automatic and the role of entrepreneur no longer important.

The revival of interest in entrepreneurship in modern economics is often associated with the names of Israel Kirzner and, especially, William Baumol. For Kirzner, an entrepreneur is not a bearer of uncertainty or a manager; rather he/she is someone remaining permanently "alert to profitable opportunities" (Kirzner 1973, cited in Aidis 2003:6). Baumol, on the other hand, incorporates the innovative role of the entrepreneur into the role of the manager who, depending on the economic incentives on offer, may become either a productive or an unproductive entrepreneur. This division between the productive and the unproductive entrepreneurship represents a key contribution that brings the economic view closer to a sociological perspective. Baumol gives rent-seeking activities during the war as an example of innovative behaviour, albeit one that impinges upon the fortunes of others. On the other hand, the group regarded as true representatives of productive entrepreneurs is generally speaking merchants. In other words, the socio-economic context may be crucial in determining whether the innovative economic activity serves productive or unproductive aims.

Other Sources in Sociology

Sociology does not offer many theories on entrepreneurship as such. Nonetheless, as Swedberg (1998) maintains, there is a number of other interesting sociological theories that help us better understand entrepreneurship as a practical activity. Sociological studies are also more often empirically informed and comparative in nature. Robert K. Merton (1968), for instance, suggests that entrepreneurship can be considered in terms of the theory of crime and deviancy. These theories are especially relevant for cultures abounding with incentives to succeed economically but offering only limited means for achieving that success. It is a widely accepted fact among sociologists that cultural values affect entrepreneurship very deeply. Mark Granovetter (1985) has made the most extensive contribution to this topic in his theory of embeddedness of economic action. In a nutshell, Granovetter argues against both the economists who “under-socialise” human action and his own fellow sociologists who “over-socialise” it. Instead, as Granovetter (1985:487) argues:

Actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy. Their attempts at purposive action are instead embedded in concrete, ongoing systems of social relations.

This means, for example, that economic behaviour, such as tax evasion or informal settlement of conflicts, may seem irrational to the outside observer, while in fact remaining perfectly rational as responses, given the established business relations. Instances of this abound among the new Russian entrepreneurs, and I will return to these later on.

Related to the category of embeddedness is trust, which, according to Granovetter, emerges in everyday social relations between individuals, and in the case of economic action forms a major precondition for cooperation. It is important to underline that Granovetter does not regard trust as something absolute or unlimited. Unlike generalised morality, so appreciated by economists, trust is a precarious social phenomenon that can be easily misused, and which only proves that human action can never be fully anticipated and depends to a great extent on the circumstances in which it is situated. Granovetter (1995) also argues that trust enables the development of stronger horizontal ties – networks – between entrepreneurs, and thus the creation of smaller

firms. At the same time, networks of trust may become a liability in the expansion of businesses, as has been observed specifically in the case of ethnic entrepreneurship.³⁰

The idea of personal networks as enabling entrepreneurship has been further developed by Roland Burt (1993). Assuming that markets are competitive social arenas, Burt claims that some actors exhibit greater propensity to profit on that arena than others. Where this advantage derives from, notes the author, is the structure of these actors' networks and the location of these networks in the social structure of markets. Burt explains that the actors bring three different forms of capital to the competitive arena: financial, human, and social capital. The first two are individual properties, as is the return they may bring. Social capital is different in this sense in that it concerns the relations between parties and, especially, functions as a critical variable in the rate of return of the individual investments. As Burt (1993:67) summarises it, "New life is given to the proverb of success being determined less by what you know than by who you know." Social networks and social capital, in particular, can work both ways. As will be shown in the following chapter, social capital in Russia not only compensates for the lack of formal regulations in business, but also tends to become a serious obstacle when exposed to competition.

Contribution of Psychology and Anthropology

One, already classical, example of psychological theories on entrepreneurship is a theory of achievement motivation by David McClelland (1961). As the author explicates it, achievement motivation, or the need to perform well, is a necessary precondition for economic development and, in particular, for entrepreneurial activities. Perceived as a universal mechanism, the need for achievement is associated with several behavioural and attitudinal features of personality. On behavioural side, one can mention such indicators as a drive to compete, desire to accumulate capital, putting long hours at work, and striving for upward mobility. Among the attitudes that characterise the achievement motive we can find the innovative drive, rational calculation and high sense of responsibility. As a micro-domain of human motivation for action, the theory of achieving society is indeed inspiring for studies of entrepreneurship. Yet, its major weakness is that by focusing exclusively on

³⁰ There have been many studies in sociology connecting the concepts of entrepreneurship and ethnicity. A good example is Portes (1995). Most of the theorising in this area remains nonetheless beyond the scope of the present study, given that entrepreneurship in Russia tends to be ethnically rather homogenous in composition, both historically and today.

individual explanations of entrepreneurial drive, the theory pays too little attention to historical, economic and political circumstances that may turn entrepreneurial drive into dysfunctional feature.

Anthropologists have provided yet another illuminating perspective on entrepreneurship. Most of the studies in this field dwell on aspects of non-capitalist societies, yet they can reveal essential features of entrepreneurial behaviour that are generalisable and valid for other fields of inquiry as well. A prime example, referred to by Swedberg (1998), is given in the work of the Norwegian anthropologist Fredrick Barth, who defines entrepreneurship as an ability to make connections between the various spheres of society. In his study of a village in Central Africa, Barth observes how a merchant coming from outside the community breaks up the conventional division into cash economy, or selling fruits and vegetables on the market, and non-cash economy, or doing favours for others in exchange for beer. What the merchant does instead is exchanging help for growing vegetables for beer and selling the products on the market for quite a reasonable income. This type of creating connections between various spheres of economic behaviour is indeed innovative, although it might not always be legitimate in the eyes of the local community. In this regard, we can see a correlation with the relationship between the “first” and “second” economies in Soviet Russia. The second economy indeed constituted a sphere in which the logic of the planned economy and that of the market economy went hand in hand. Many of the activities previously belonging to the shadow economy became legitimate dimensions of the Russian market economy, such as brokering, middleman activities, renting out property for profit, and the like. But those carrying on with these activities remained long concealed from the public eye, given that, as Merton (1968) stresses, their entrepreneurial zeal went against the established societal values.

Another significant contribution to this strand of research can be traced to William Gartner (1988) who, in the tradition of Schumpeter, argues that it would be misguided to ask who the entrepreneur *is*. Instead, one should look at what an entrepreneur *does*. Based on an extensive literature review covering all major works on entrepreneurship, Gartner arrives at the conclusion that most of the research done in the area exhibits what he calls a “trait approach” where a “behavioural approach” instead would be more productively applied. A behavioural approach means that researchers concentrate on the creation and

emergence of organisations, and consequently on what entrepreneurs do to enable this process. This mode of procedure has several practical implications for research on entrepreneurship. Gartner asserts that fieldwork plays an important role in examining the entrepreneurial role. It enables close investigation of the following questions: What creative skills do entrepreneurs possess? How are these skills acquired? What sort of knowledge do entrepreneurs draw from their previous experience for the benefit of current projects? How do they team up? What kind of strategies do they employ to facilitate their venture? These and other similar questions also underpin my own study to a considerable extent.

Entrepreneurship as a creative response to change

Each of the analytical perspectives discussed above takes us closer towards an understanding of the irreducible complexity of entrepreneurship as a social phenomenon. Born at concrete historical and cultural conjunctures, these definitions nonetheless carry insights beyond their temporality and locality. In attempting to understand entrepreneurship, as the research accounts above suggest, we must seek to incorporate in our analytical model the issues of innovation, risk, uncertainty and making new connections; but also those of embeddedness, trust, and network building. Furthermore, we should also attempt undertaking a challenge urged for by Schumpeter for almost 80 years ago, to be precise, to analyse the *interaction* between institutions, or social environment, and entrepreneurial activities. It is not by studying the entrepreneur as a physical person or the social and economic institutions per se that we can arrive at understanding of the process of economic change. Our inquiries into economic development, and societal development in general, would bring us much further if we focus on “The interaction of institutional forms and entrepreneurial activity – the “shaping” influence of the former and the “bursting” influence of the latter [...]” (Schumpeter 1991a [1947]:414). While attempting to understand this interaction Schumpeter insisted on using a historical perspective. In his view theoretical analysis of entrepreneurship remains inconclusive if it does not take into consideration that “every social environment has its own ways of filling the entrepreneurial function” (Schumpeter 1991c [1949]:260), and thus we need different analytical models “for different countries and periods” (ibid.:262) in order to

comprehend how entrepreneurship takes shape in a particular society and how it gives an “effect to the possibilities inherent in a given legal and social system both of which change in the process” (ibid.).

Some recent applications of this mode of thought have already demonstrated that it is relevant indeed to study entrepreneurship in the countries undergoing deep social, economic and political changes (e.g., Yang 2007; Blokker and Dallago 2008). To many people in these countries “being entrepreneurial is a way of life” (Yang 2007:9). At the same time being entrepreneurial is a “creative response” (Schumpeter 1991a [1947]:411) to changing conditions, which can take different forms and follow different motives. In this thesis, the development of entrepreneurship in Russia will be analysed as such “creative response” shaped but the legacies from the past but also advanced by the new opportunities emerging in a society undergoing change. To create an analytical tool for describing these complex processes I used a combination of theories of entrepreneurship and theories of social transformation because, in my view, they constructively unify the formative structures of the Russian society and the transformative force of human action.

Chapter Two

Entrepreneurship in New Russia: Formative Structures and Innovative Strategies

Introduction

Let us recall the fact that this thesis examines entrepreneurship, both historically and in our own time, in a country where the very existence of the phenomenon has been suppressed for a long period of time. Western historians often argue that the absence of capitalism in the Imperial Russia did not allow for the creation of the necessary pre-conditions for entrepreneurship. Many classical economists continue to contend that there was no way for entrepreneurship to set roots in Soviet Russia, either due to the total dominance of centralized economic planning or of the heavy party bureaucracy. The issue of entrepreneurship, moreover, has hardly been publicly debated within the country for almost a hundred years. Thus the assumption of the non-existence of entrepreneurship has served as a self-fulfilling prophecy, with many scholars embarking on researching the issue at the early 1990s.

What these researches saw was a great opportunity to observe how the collapse of the socialist economy and the communist rule, followed by the introduction of market-economic principles and democracy, would finally prompt many post-Soviet people to out of their own initiative build up a competitive economy and a free society. The paradox that soon revealed itself was therefore puzzling. On the one hand, already in the late 1980s, or prior to any market institutions' establishment, many Russians used innovative strategies combined with shrewdness, skill, and enthusiasm in setting up private businesses. As Alexei Yurchak (2002:278) expresses the quandary, the mere introduction of laws on private economic activities and the lifting up of various restrictions "could not teach anyone overnight how to be a businessman." On the other hand, many of the business initiatives im-

plemented according to plans devised in the West failed to live up to the intentions or otherwise ran into sand.

To better understand this paradox I suggest applying the concept of ‘translation’. Using the metaphor of the ‘travel of ideas’, developed by Barbara Czarniawska and Bernard Joerges (1996:16), we can then observe that “when ideas go places,” they may generate a change, but what they certainly do is transform both the initiator of the idea and those receiving it in the process of translation. Borrowing their notion from Latour, Czarniawska and Joerges explain that translation usually takes place as a micro-process of communication between people, through which process the ideas do not simply become linguistically translated but rather displaced, mediated, modified, and formed in “a new link that did not exist before” (ibid.:24). Czarniawska and Joerges use the metaphor of translation in particular to explain how an organisational change may occur in several places at one and the same time, and why none of the local actors end up following the original idea received from outside. Following in their vein, Guje Sevón (1996:54) argues that when organisations are undergoing change they tend to imitate other, usually more successful entities, because the imitator often “perceives uncertainty or ambiguity about how to act given its own experience”. A process of imitation, however, is not a mere copying of the original. Instead, as Sevón underlies, it happens in “chains of translations” whereby ideas become objectified first, then institutionalised, and finally enacted, only to turn into new ideas once more. On a more general plane, the ideas of imitation and translation might be relevant to an understanding of social change as such. As Czarniawska and Joerges (1996:47) themselves put it:

[W]e show change as adaptation to the institutional requirements of the environment. But such an adaptation is far from unconscious or passive: it activates the intentional process of creation of meaning [...]. Describing actions of collectives and individuals as separate realms is as futile as the common wish to build bridges between them afterwards. The picture we want to convey is not dualistic: it is an image of how contingency is made meaningful (sometimes downright functional) by interpretation.

Regarding the relevance of the idea of ‘translation’ for the present work, there are two arguments speaking for its applicability. To begin with, what we now observe as Russian entrepreneurship is in fact a clear example of the “chains of translation” involving many actors and innu-

merous ideas about the market, capitalism, and entrepreneurship that have flourished in the country since the times of perestroika. Among the actors of translation processes we can find individuals, organisations, business corporations and firms on both sides, in Russia and in the West. The ideas as well were neither purely Western nor simply Russian; rather, they evolved at a particular historical conjuncture when fascination with all things “Western” not only among pro-reform politicians but also many ordinary people was at its peak. With time, these ideas were adopted, transformed, and manipulated by some actors as much as they were insisted upon and promulgated by others.¹ Similar developments have taken place in Russia at several points in history. Hence the results of the translation as we see them today cannot be attributed to the ideas or the actors involved in the process themselves. Instead, what I argue throughout my work is that the present state of entrepreneurship in Russia has as much to do with the transformation processes of the 1990s as with the merchant capitalism of the Imperial Russia or the managerial Soviet system. This means that contemporary entrepreneurship can only be understood through a careful analysis of the prerequisites (human, institutional, and ideological) that have come into play at the times when the various waves of entrepreneurial engagement have arrived in Russia. That is why we need to first familiarise ourselves with the extensive historical background as outlined below in this work.²

Related to this, there is also another process of translation going on in my study, namely translation of concepts defining the phenomenon of entrepreneurship. What makes entrepreneurship possible in Russia? What does it mean to take entrepreneurial risks or create new products in the contemporary Russian society? What abilities and skills should an entrepreneur possess to successfully compete with others? What is the working environment like for the new entrepreneurs? These and other similar questions need to be answered by “translating” abstract categories into representations meaningful to the entrepreneurs themselves. Here there are three sets of conceptual lenses that, in my view, provide a key to the analysis of the social and political mechanisms that both enable and constrain Russian entrepreneurship even today: As we will see next, through their mutual interplay (1) *entrepreneurial governmentality* and *blat*, (2) *networks* and *capitals*, and (3) *class* and *gender* bring to the fore the formative structures and the inner logic of

1 See Chapter 7, pp. 225–251.

2 See Chapters 3 and 4, pp. 101–169.

new entrepreneurship, including its roots, its conditions, its personnel, and its legitimacy in the contemporary Russian society.

Entrepreneurial Governmentality and Blat

I first encountered the concept of ‘entrepreneurial governmentality’ in the work of the Russian-American anthropologist Alexei Yurchak (2002, 2003, 2006). In preparation for his book *Everything Was Forever, Until It Was No More* (2006), Yurchak conducted extensive fieldwork, including personal interviews with people he defined as “the last Soviet generation.” In the author’s usage, the term denotes those born between the mid-1950s and the early 1970s who came of age and graduated from the school before the onset of perestroika. According to Yurchak, their shared cultural background gives them a rather uniform perception of, as well as capacity of adapting to, the changes taking place in Russia during the last decades. A large portion of these interviews was conducted with representatives of the first generation of new entrepreneurs. From these interviews, Yurchak could make the observation that many of these individuals found themselves well prepared for the new economic conditions *thanks to* their background in the Soviet system and not in spite of it. To explain this paradox, Yurchak employs several analytical tools. To begin with, using the Foucauldian concept of government as “a form of activity aiming to shape, guide or affect the conduct of some person or persons” (Yurchak 2002:279), he implies that entrepreneurship can be considered as a form of government. Following this logic, claims the author, to be an entrepreneur:

is to have an entrepreneurial governmentality that makes it “thinkable and practicable” to relate to different aspects of the world – people, relations, institutions, the state, laws – in terms of symbolic commodities, risk, capital, profit, costs, needs, demands, and so on. (ibid.)

Secondly, Yurchak resorts to the concepts of the *officialised-public sphere* and the *personalised-public sphere*. The two, however, are not two fixed and divided types of the public sphere; rather, they represent “two types of practices that could coexist and overlap in the same space and context” (ibid.:287).

A product of the Soviet system, entrepreneurial governmentality represents the response to the Soviet reality by active, industrious, and ambitious people lacking political or economic frames required for individual initiative, profit-seeking, and effective conduct of business.

Soviet entrepreneurship in its various forms, goes Yurchak's argument, was thus possible thanks to the ability of these individuals to manoeuvre between the *officialised-public sphere*, with its official rhetoric of institutions, laws, and ideologies, and the *personalised-public sphere*, where the official codes were interpreted according to the needs of the actual reality. On the one hand, Soviet entrepreneurs, just as the rest of population, had resigned to the Soviet rhetoric, with many of them personally believing in the ideals expressed through it; on the other hand, the Soviet people in general routinely personalised their relation to the state by adjusting the meaning of the official slogans to their personal needs. As Yurchak asserts (*ibid.*:279):

in the Soviet context the officialised and personalised relations between the individual and the state were marked by an extreme form of hybridity. This translated, in everyday practice, into necessity to constantly switch back and forth between the officialised and the personalised terms in one's relations with the state.

It is then, contends the author, this ability to switch between the codes of the two public spheres that constituted the core of the entrepreneurial technologies during the Soviet period.

Examples of such technologies are abundant. Soviet managers were involved in various forms of procuring and resource bargaining. Other employees compensated for their low wages by moonlighting, left-hand work, or simply stealing from the state.³ Moreover, almost all ordinary Soviets had learned to survive the hardships of the deficit economy by using their extended personalised networks, or *blat*, as will be shown below. In a nutshell, then, the Soviet system as it was organised had in itself fostered an environment in which entrepreneurial skills blossomed. This is how Yurchak explains the enthusiasm with which many Russians launched into private economic activities already by the end of 1980s, prior to the institutionalisation of the market economy or the enactment of business rules.

Another notion that carries a number of resemblances with the entrepreneurial governmentality is that of *blat*. The term was promulgated in an excellent study by the Russian-British sociologist Alena Ledeneva, *Russia's Economy of Favours: Blat, Networking and Informal Exchange* (1998). Building upon interviews and extensive documentary

³ Bernabé (2002:17-20) defines several types of illegal activity common during the Soviet period. Among these, left-hand work designates the earning of informal income at the formal workplace; moonlighting is another form of illicit production that took place for private gain outside the official working hours.

analysis, Ledeneva (2000:7) defines *blat* as “the use of personal networks to obtain goods and services in short supply and to influence decision-making.” By its nature, *blat* belongs to a larger family of informal practices, such as corruption, bribery, or the second economy. Yet, according to Ledeneva (1998:52), *blat* differs from those because it is more omnipresent, thanks to its moral innocence in the eyes of ordinary people; it necessitates a broader spread of horizontal, compassionate personal contacts. It is also a culturally bound form of exchange that takes place according to a specific ethical code, such as reciprocity. Finally, *blat* thrives in rather specific conditions, which typically combine shortage economy and a state system of privileges, which makes it less prone to exist in other types of societies. This rather complex phenomenon has been a day-to-day practice of overcoming the social and economic constraints faced by the Soviet people. *Blat* was activated when one needed a better job or a new flat, commodities that were in short supply, specialist medical or other services, and so forth.⁴ At the same time, without *blat* it would have been impossible to sustain the formal institutions of the Soviet system. For instance, the Soviet economy would have never been able to meet the objectives set for it by the Party without the use of *pripiski* (account padding) or *tolkachi* (those pushing for the interests of enterprise). The socialist ideal of egalitarianism was promoted through *blat* as well, given that it offered an access for ordinary people to the goods offered on the black market or through closed distribution systems, thus making the society of shortage more tolerable to them. It is this “mutual exploitative dependence between the formal and informal within the [Soviet] system” that Ledeneva (2000:8) calls “the economy of favours.”

Ledeneva’s attention to the phenomenon of *blat* was in the first place motivated by the fact that it has been overlooked by many social scientists and in particular by Sovietologists who failed to predict the collapse of the Soviet rule. For them, *blat* was small scale, elusive, and not particularly significant for understanding the Soviet society. The difficulties experienced by those implementing market-economic principles in the country and promoting the transparency of its institutions, however, were soon to speak otherwise. Understanding *blat*, for Ledeneva, appears to be crucial if we are to explain these difficulties. *Blat* was not only an individual habit of outwitting the state; it was also a set of practices that corrupted its institutions, its structures, and its

⁴ See Ledeneva (1998:104-119) for a wide range of everyday needs for which *blat* could provide a solution.

legitimacy. Ledeneva's later work on the economy of favours has led to broader attention given to the role of social networks in post-communist contexts (Ledeneva 2004). As indicated earlier, below in this thesis I will address the role social networks and social capital more concretely in the emergence and challenges of Russian entrepreneurship. For now, however, it seems important to consider the ways in which the notion of *blat* can contribute to the theorising on entrepreneurship.

In this connection, I would like to bring up again the study conducted by Rehn and Taalas (2004). Inspired by Ledeneva's analysis of *blat*, Rehn and Taalas, unlike many other researchers, do not limit their interest to the pervasiveness of this social phenomenon in the post-Soviet conditions. Instead, drawing upon their knowledge of the functions of *blat* in the Soviet society, the authors proceed to challenge the widespread belief that there was no entrepreneurship in the Soviet Russia. Claiming the opposite, the authors consider *blat* as a form of "mundane entrepreneurship," meaning that it was "undertaken by regular people in an economic space of the everyday" (ibid.:249). Such a view is largely discarded by the mainstream theories of entrepreneurship. Rehn and Taalas explain this by the fact that much of the debate around the more mainstream theories has focused on entrepreneurship as taking place in a market economic society or at least as something that enables market economy to grow. This implies, among other things that being entrepreneurial means to be beneficial for the society. Besides, entrepreneurship is not seen as a common phenomenon but rather as a case of exceptional individuals driven by the idea of profit and accumulation of capital. A corollary to this is the belief that entrepreneurship is something one does by choice, and not by necessity.

Apparently *blat* does not correspond to any of these characteristics. As it appears from Ledeneva's study, the economy that produced *blat* was a planned economy plagued by constant inefficiencies of distribution. To compensate for this state of affairs the Soviet public was self-organising in "blat circles" to allow for an exchange of the benefits to which they happened to have an access. Consequently, *blat* networks covered practically all Soviet citizens, although some clearly benefited more from this involvement than others. Obviously, *blat* made it easier to endure and tolerate an imperfect society; yet, at the same time, it undermined its legitimacy as well, making it difficult to argue that, ultimately, its existence was somehow beneficial for the system. Finally, as Rehn and Taalas underline, using *blat* was rarely an issue of choice

but rather of survival. What, then, can speak for *blat* as a factor fostering Soviet entrepreneurship?

According to Rehn and Taalas, *blat* (1) added flexibility to the rigid economic system, (2) enabled people to make most of the possibilities available to them within the society, (3) was based on relations of trust and reciprocity it thereby fostered, and (4) demanded participation and engagement beyond ordinary loyalty. In other words, “[t]o ignore phenomena like this is to willingly ignore specific making of markets and bases of opportunity formulation,” as pointed out by Rehn and Taalas (*ibid.*:244). I agree with the authors in that by opening up towards theories on entrepreneurship we can better comprehend that entrepreneurial activity may emerge in settings more variable than the model of a clear-cut market economy. Subsequently, it needs to be recognised that the way entrepreneurship works will depend on the rules and requirements imposed by the environment in which it emerges, and is not determined by some rules prescribed so to speak from the outside. These arguments work very well to explain why the development of entrepreneurship in Russia has taken place at a considerably different pace from what was expected by market economy experts and advisers.

To summarise briefly, I have argued above in this section that the strength of notions like entrepreneurial governmentality and *blat* lies in their analytic power to explain the preconditions of entrepreneurship in current Russia. The roots of the phenomenon reach back far into the early Soviet period, when the country’s political leaders, having extorted most of the bourgeoisie specialists, began to create a new class of specialists and a new rhetoric for Soviet entrepreneurship. During that time, both specialists and managers of various ranks were lead to be entrepreneurs by force of circumstance, as it were, as the conditions of the socialist economy compelled them to manoeuvre between the requirements of the high party officials and the realities of production at the shop floor.⁵ Such an economy, full of contradictions and temporary solutions, has eventually induced what we now may call entrepreneurial governmentality. Later on in this work, I will illustrate how, by the end of 1980s, various technologies for supplementing the economy of shortages, including entrepreneurial governmentality and

⁵ See Chapter 4, pp. 135–169.

blat, were thriving, giving rise to unique preconditions for the new entrepreneurship to emerge.

The meaning of these notions has changed, however. Soviet entrepreneurs had to master the entrepreneurial governmentality and the possibilities offered by the *blat* in order to create some space for the private businesses to evolve without disturbing the official rhetoric of state socialism. After the collapse of communism, the Russian state adopted the basic market-economic principles. At the same time, these principles have failed to become associated with key properties such as transparency and predictability. Instead, unpredictability is what post-Soviet entrepreneurs have had to struggle with almost daily. The personalised public sphere still substitutes for the absent market economy institutions, but the circles of those trusted keep shrinking drastically. Under these conditions, post-Soviet entrepreneurs have to protect their businesses against not just the increasingly unreliable business partners but also the grabbing hand of the state (see Volkov 1999; Radaev 2000, 2002a, b, 2003a, 2004; Aidis 2003, 2005; Aidis & Estrin 2006). Towards that end they are developing new tactics with striking resemblance to the entrepreneurial governmentality and *blat*.

Social Networks and Social Capital

From above it is clear that the nature of the Soviet society itself functioned as an impetus for many people to master the art of networking. It can also be assumed, as is frequently done, that social networks did not weaken but on the contrary grew stronger in the post-Soviet context (see Dinello 1999; Clarke 2000; Ledeneva 2004, 2009). The question I pose in this connection is: How have the social networks facilitated or inhibited the development of Russian entrepreneurship during the last decades? Before answering this question, social networks themselves must be defined. Broadly stated, a “network refers to a large number of people, groups, institutions that have a connection with each other and work together as a system” (Ledeneva 2001:4). In this thesis work, I use the notion to refer to the building of social ties among individuals, friends, colleagues, and firms. These can be bound with one another by the means of face-to-face communication or via other, less personal means, such as internet, association, clubs, school, etc. However, I leave out of consideration electronic networks, the media context, and other such networks discussed elsewhere: in the case in concern, the

focus is not on the variety of different kinds of networks, but rather on the critical manner in which they were constructed and their significance for Russian entrepreneurship today.

The field of post-Communist network studies, including the development of social networks in Russia, is relatively busy yet somewhat eclectic in orientation. According to Ledeneva (2004:2), the interest in network analysis in the region was prompted as “a response to the difficulties of the theories of transition” rather than by some inherent appeal having to do with the nature of the networks themselves. In a number of ways, the idea of networks is drawn upon to explain a variety of tendencies observed. On the one hand, it is argued that Russian network society is still in its advent, where the new economy continues to coexist with parallel barter and natural resource economies, while all of them rely on the new social institutions and new economic agents created by the transformation (Castells&Kiseleva 2000). On the other hand, present-day Russian economy is often discussed in terms of corruption, client-patron relationships, and extended informal networks distorting the development of formal market institutions (Ledeneva 2001). It is also in personal relations that people often diagnose an erosion of trust, signifying the increase of suspicion in one’s own neighbour and the deterioration of solidarity among colleagues and friends. In other words, one could even speak of the collapse of networks in the post-Soviet Russia.⁶

Yet, the phenomenon of network formation or private connections is not a particularly Russian phenomenon or inherent to that country’s situation only. Networks and connections are drawn upon in many places, at different times, and for various purposes, and in economic terms they are often necessary for raising a capital, for establishing a stable collaboration, or for finding the best solution to a particular business problem. Increasingly many sociologists and economists have busied themselves with the role of networking when looking for a job, a promotion, or an opportunity to launch a private venture.⁷ What is interesting, though, is that despite the fact that networking is considered a vital part of the functioning of any economy, sociologists and economists tend to make a clear distinction between networks based purely on economic (rational) relations and those based on non-economic (or personalized) relations (Granovetter 1995). According to Granovetter,

6 The idea is suggested by Wallace (2003) who argues that the empirical evidence from the region shows that many previously strong social networks have broken down, leaving people in isolation and deprivation.

7 See extended bibliography in Granovetter (1973) and (1995).

there is a widespread belief that in pre-capitalistic societies it is the personalized and binding networks that dominate economic relations. Such networks, furthermore, not only hold back, but also stand in the way of “true” (modern) economic development. Granovetter (1995) himself rejects these arguments through a thorough analysis of pre-capitalistic societies in which personal connections, combining a specific structure of social interaction based on trust and wider social networks, in fact lead to economic success.

In order to adequately grasp both the enabling and the constraining features of social networks, along with their personal and impersonal manner of utilisation, a modified analytical frame is needed. Towards this end, I will borrow from Ledeneva, who argues that the ambiguity of social networks can be captured in the following scheme (Ledeneva 2004:4):

Types of networks <i>Focus on</i>	Personal (centered or multi-centered)	Impersonal (de-centered)
<i>Internal constitution (micro)</i>	Sociability	Enabling structures
<i>External influence (macro)</i>	Access to resources	Social capital

Table 1.

In analytical terms, networks can emerge as a system of ties between concrete individuals, and thus be *personal*; but they can also develop among various institutions and chains on a rather *impersonal* basis. Similarly, networks can be interesting in themselves, that is, on account of their *internal* structure; but they can be of equal interest because of the effects they produce on *external* structures, other groups of networks or the society as a whole. When these four aspects of networks are set in interaction, we will be able to distinguish four other modes of network operation: *sociability*, *access to resources*, *social capital*, and *enabling structures*. According to Ledeneva (op. cit.), making the linkage between these various modes of networking allows us to really comprehend their ambiguity and context-bound nature.

Sociability

Sociability (micro/personal relations) would be the first source as well as the outcome of the personal networks. Creating social ties is what

friends, colleagues, and professionals do in order to exchange information, give emotional support, or build an informal association. To a great extent, sociability implies that the members involved trust one another and have rather altruistic relations amongst themselves. Under certain circumstances, as Ledeneva (2004) points out, sociability may result in rather calculated utilisation of the personal relations. Many examples can be found in the Soviet reality. Friends and to a great extent colleagues were not only personally close but also gatekeepers controlling access to goods and services in short supply, helping one another in what are basically instrumental ways. In this sense, personal networks have provided “an unauthorised access to institutional resources, and thereby form certain patterns of mediation between state and society, the public and the private” (ibid.:4). This is what *blat*, a phenomenon discussed above, was all about. Pragmatically drawn upon, personal relations became closed networks in which only people with certain resources were allowed a role. Importantly though, such networks tended to be highly exclusive with respect to the rest of the society, thereby undermining both impersonal modes of trust and the efficiency of formal institutions.

Access to Resources

When sociability translates into access to resources (macro/personal relations), personal networks leave behind the domain of intimate relations: they now acquire an aspect of external influence. This is where they can play both ways, as Ledeneva contends. On the one hand, they can serve as a “safety net” that good friends can enjoy; on the other hand, they can turn into a burden, considering their binding character based on reciprocity and trust. This double nature of networks as access to resources became clearly manifest in Russia during the early years of the transformation. According to Peter Huber and Andreas Wörgötter (1998), most of the Russian business networks of the early 1990s were built upon personal ties forged under the planned economy. These ties were horizontally integrated and more target-driven than what impersonal business networks usually are. Huber and Wörgötter call these networks “survival networks,” since they were activated to minimise risks and high transaction costs that the businesses increasingly had to deal with during the chaotic years of institutional collapse and reconfiguration. Survival networks served, for instance, as a kind of shortcut in the privatisation process, when many previously state-owned

enterprises were handed over into private hands belonging to insiders “in the circle.” They were also mobilised to avoid bankruptcy, protect a power position, or preserve influence. As Huber and Wörgötter (op. cit.:85) summarise it, “[s]urvival networks encompass enterprises that see little future for themselves in competitive market conditions.” In accordance with this function, survival networks tend to be vertical and oriented towards short-term benefits.

Another example of personal relations converging with networks as access to resources is the case of the Russian banking sector around mid-1990s. Natalia Dinello (1999), who studied Russian bankers for a number of years, has coined the expression “The Russian F-connection,” meaning the connections prevailing between friends:

Whereas a friend is important for both an individual’s cultural identity and goals, relying on personal connections becomes a rational strategy in terms of both value (connections for their own sake) and instrumentality (connections as means of to a calculated end) (ibid.:24).

Involved in an extremely prosperous and just as dangerous business, Russian bankers were keen on employing friends, dealing with them, and relying on other banks where their friends or former colleagues were working. Dinello asserts that although banking and finance have been one of Russia’s most booming business sectors, they operate in largely non-commercial ways. Using “the F-connection” has provided a rational strategy that Russian bankers resort to “as a minimum protection against irresponsible borrowers and fraudulent dealers” (ibid.:26). However, this strategy, while situationally efficient, can also inhibit the efficiency of the business area in the long run.

Social Capital

For their existence and maintenance, networks of any kind require material and other investments but also time and dedication. When the altruistic aspect of networks recedes into the background with their instrumental aspect pushing to the fore, it is easy to make an analogy between networks and financial capital. This has been observed by several sociologists who link the concept of network to that of the social capital (macro/impersonal relations). Ledeneva (2004), for instance, considers the various definitions of social capital as provided by well-known authors such as Pierre Bourdieu, James S. Coleman, and Robert Putman. To my view, only Putman’s theory of social capital

fully corresponds to the impersonal macro perspective presented in Table 1 above. Two other contributions, however, are equally crucial if we are to comprehend the broad range of arenas on which social capital emerges and operates. For Bourdieu (1986:248):

Social capital is the aggregate of the actual or potential resources which are linked to possession of a durable network or more or less institutionalised relationships of mutual acquaintance and recognition – or in other words to membership in a group – which provides each of its members with the backing of the collectively owned capital, a “credential” which entitles them to credit, in the various senses of the word.

Social capital is then one of the four forms of capital – economic, cultural, social, and symbolic – distinguished by Bourdieu. As Bourdieu sees it, there is a tight relationship between these different forms of capital, although it is the social capital that requires most energy, time, and sociability because the returns from it are never immediate. The returns rather depend on solidarity, reciprocity, obligations, and gratitude exchanged by network participants among one another over a long time period before being able to expect something in return. Thus, on the one hand, social capital is instrumental in the sense that it helps in reproducing the social relationship loaded with eventual material and symbolical rewards. On the other hand, however, as Bourdieu asserts, social capital always entails the risk of ingratitude inherent in the subtleties of social exchange.

In Coleman’s theory of human action, social capital is understood as the sum of an individual’s relational capital, “making possible the achievement of certain ends that in its absence would not be possible” (1988:98). Similarly to Bourdieu, Coleman defines social capital as something governed by the norms of reciprocity and reputation. Contrary to both Bourdieu and Putman, Coleman asserts that social capital is based on informal relations that are highly situational, meaning that some situations may encourage cooperation and some not. When the cooperation does emerge, though, social capital has a capacity to enhance public institutions and promote economic activity. The latter assertion brings Coleman closer to a third, rather more controversial theory, that by Putman. For Putman (1994), social capital is a major resource making democracy work. Unlike Bourdieu and Coleman, Putman underlines the collective nature of social capital, claiming that it becomes a property of society, although it emerges on the grassroots level within civic organisations and other institutions

of the public life. Accordingly, encouraging people to participate in public life (clubs, associations, etc.) strengthens social capital, meaning that bonds of trust and reciprocity transcend the micro level and build a strong ethics of trust coming to mark the society as a whole.

Comparing these three perspectives it is possible to argue that the authors believe the capacity of social capital to facilitate economic exchange. This means, quite obviously, that social capital is always perceived as something positive. To continue Putman's line of thinking, it would then be desirable to help create social capital in societies where it does not exist. Yet there is a large body of research questioning the assumption that increased levels of social capital would automatically correlate with higher degrees of social or economic development. Claire Wallace (2003), for instance, argues that capitalising on the social capital from the Soviet time was indeed a common strategy among many Eastern Europeans. It could at times serve as a substitute for the lacking market institutions, or as networks of self-help. At the same time, points out Wallace, social capital also became a mechanism of exclusion. In business and labour market in general, for instance, social capital tends to reinforce existing inequalities, by excluding women from lucrative employment or isolating the unemployed and disabled from connections vital to their survival.

Steven Buttrick and Joan Moran (2005), who have gone on to test Putman's hypothesis (positive correlation between social capital and economic performance), express another reservation concerning the case of economic development in Russia. They contend that Russia is widely seen as a country where development of social capital remains generally weak. Having measured social capital in various regions of Russia,⁸ Buttrick and Moran (ibid.:362) observe that "regions with strong social capital tended to be mediocre economic performers, while several of the best performing regions in economic terms had no social capital." Noting this discrepancy, the authors put forward two possible explanations. To begin with, they suggest that Putman's idea about *positive* social capital should be augmented with a view including *negative* social capital as well, which would then better explain why the Russian regions with strong but *negative* social capital perform poorly in economic terms. Secondly, Buttrick and Moran argue that the absence of social capital in the top-performing regions can be explained by a stronger presence of entrepreneurs as the agents of growth:

8 Buttrick & Moran used four different indicators of Putman's civic index: the number of associations, newspaper readership, referenda voting turnout, and preference voting turnout (see Buttrick & Moran 2005:360-362).

There must be entrepreneurs willing to take risks and start businesses before the wealth is created. Social capital, depending on its orientation, can enhance or slow economic growth, but it does not create wealth (ibid.:366).

Thus, to sum up the points above, the ambiguity of social capital lies not in its mere presence or volume, but rather in the role it plays for individuals and the society at large.

Enabling Structures

The fourth perspective or mode (micro/impersonal) distinguished by Ledeneva in the operation of the networks is the function they have as enabling structures. This view is best represented by Michael Castells (1998) in his idea of a network society. The idea itself stems from his theory of information society that can be characterised through reference to the permanent flow of information, capital, and cultural communication distinguishing its operation. According to Castells, networks constitute a new social morphology of our societies, and thus their logic transforms the logic of social relations. Castells' network society is made possible by a broad spectrum of "connecting devices" such as microelectrical applications, computer technology, telecommunications, and other types of networks. But he also argues that it is not purely the technology that defines modern societies, but also the cultural, economical, and political factors that contextualise the network society.

In the case of Russia, the enabling capability of networks has basically exploded since the end of the 1980s. Travelling abroad, establishing joint ventures, studying at foreign universities, using the Internet, and the like are all very important factors contributing to the emerging network society. Among the driving forces for the network society in Russia, Castells and Kiseleva (2000) point out a tiny layer of professionals, mostly concentrated in the big cities of Moscow and St. Petersburg and working within those economic sectors that are widely dependent on the global economy and business networks. The new private economy begins to operate on the foundation of what the authors consider as less personified, enabling, and more open networks.

The enabling aspect of networks is also emphasised by Huber and Wörgötter (1998), who, in addition to the survival networks discussed above, have drawn attention to the entrepreneurial networks on the rise in Russia. The authors observe that the impetus behind entrepre-

neurial networks lies in profit-seeking and not mere economic endurance. Such networks are usually generated among the new entrants into the Russian business, younger entrepreneurs or companies that did not get a helping hand from the Soviet establishments in making the transition to the market economy. Their position seems weaker in comparison to those with closer ties to the older economy and thus to the networks created within it. Consequently, the new entrepreneurial networks tend to be more open so as to attract larger numbers of possible partners. The cooperation and contacts with partners abroad in particular nourish this type of networks that aim to compete on the harsh local market but remain also willing to enter the global markets.

In their most positive sense, then, enabling networks function as a means to increase business opportunities, to open up for wider cooperation, and to ensure competitiveness. On a more pragmatic level, enabling networks can be taken advantage of to “beat the system” (Ledeneva 2004:7), or to provide some insulation from risk. There is, however, a reverse dimension to these networks as well. Channelling opportunities for individuals to connect to the larger groups and societies, these networks may also produce so-called “lock-in effects.” The openness of most entrepreneurial networks in the country often remains relative at best. As I will show with the help of my empirical case,⁹ the dilemma is that entrepreneurial networks emerge in rather secluded corners of social life – through membership in business clubs, associations, and elite schools – all of which sooner or later are faced with the necessity to protect their information, resources, or simply reputation from outsiders. While broadening such networks is crucial for many new entrepreneurs in the country, their very existence remains jeopardised by the low levels of mutual trust prevailing in the society.

To summarise just briefly, networks and social capital are analytical categories that help to shed a better light on the day-to-day workings of entrepreneurs. They say a lot about the entrepreneurs themselves, although primarily they address themselves to the environment in which the entrepreneurial function is performed. As appears from above, networks and social capital have in many ways served as crucial links connecting the Soviet and the post-Soviet realities. They have served as the constituents of a safety net among relatives and friends,

⁹ See Chapter 9, pp. 309–356.

as keys to new economic arenas, capital, and connections. They have also compensated for the inadequacies of incomplete market economic institutions, enabling newcomers to establish businesses in closer cooperation with global economic actors. Networks and social capital do, however, play a double role. The reverse side of their functioning displays a much more inhibiting character. For networks and social capital also make possible and even encourage effects such as calculation, exclusion of outsiders, exploitation of mutual trust, and subversion to larger social institutions. Understanding the ambivalence of networks and social capital may explain how, by the end of the 1980s, they had already contributed to the erosion of socialist ideals, and how they have subsequently enabled the first entrepreneurial generation of the post-Soviet era to emerge. No less important is to see the way the role and significance of these resources have changed during the later stages of the Russian transformation, with new entrepreneurs creating new types of networks as a pragmatic response to the legacies of distrust still crippling the country.

Gender and Class at Work

The classics in the field pronounce neither class nor gender as a defining feature of entrepreneurship. This may be so much under the influence of Schumpeter (1991b:268), who himself claimed that entrepreneurs “do not [*per se*] form a social class,” insisting as well in addressing entrepreneurs as male.¹⁰ For several decades, neither his proponents nor opponents challenged the assumptions. However, it would be impossible to consider contemporary entrepreneurship without drawing upon the analytical power of these very categories. In fact, a large body of recent research reveals entrepreneurship in our time to be increasingly gendered and class-bound (see, e.g., Gal & Kligman 2000; Czarniawska & Höpfl 2002; Pollert 2005).

This is especially the case in Russia and other countries of Central and Eastern Europe. For instance, UNICEF (1999) and OECD (2000) reports show that although entrepreneurship in the region remains a male dominated occupation, the number of female entrepreneurs has grown dramatically, well reaching the levels common for Europe as a whole and the United States. At the same time, the data indicates the presence of a strong legacy deriving from the Soviet period, namely,

10 Although Schumpeter admits that entrepreneurs may acquire positions of capitalist class in the case of success of their business (1991c:268).

that male and female entrepreneurs are sequestered to specific sectors of business, allowing them to only rarely mix or concur with one another.

Similarly, several researchers have underlined the role of class in the transformation processes in the region (Pirainen 1997; Eyal et al. 1998; Balzer 2001; Krystanovskaia 2002a,b; Lane 2006). Their main point is that certain social classes effectively contributed to the collapse of the Soviet regime at the same time as they paved the way for new entrepreneurs to emerge. The connections between the notions of entrepreneurship, gender, and class are thus empirically apparent even when they remain analytically understated. This is partly because each of these notions independently forms a highly popular topic in social science literature. As a consequence, they connote very different meanings depending on the historical, social, and cultural contexts in which they are applied. Thus, similarly to the issue of entrepreneurship discussed above, the notions of gender and class need to not only be defined more closely, but also “translated” before we can properly understand their implications for the phenomenon under consideration.

The Question of Class

The concept of ‘class’ has been among the most contested notions in the social sciences. Defining classes and empirically studying them has given rise to a rich field of class analysis. The resulting theories, however, are far from consistent. According to Rosemary Crompton (1993), we can, to begin with, distinguish at least four principal usages of the term itself. ‘Class’ is used to describe a hierarchical societal order; to indicate social standing or prestige; to express material inequality; and, finally, to identify forces with the potential to drive the transformation of society. These meanings of the term can be traced back to the writings of Marx and Weber, who inspired generations of social scientists to search answers to questions concerning 1) the source of value; 2) the conditions of reproducing capital or labour; 3) the possibilities for political organisation and mobilisation of classes; 4) the distribution of wealth; and 5) the proper way of life (Sulkunen 1992; Crompton 1993). Within this class paradigm the focus was on the relations of production, and thus the working class was pronounced the chief historical agent in resolving the contradictions of capitalism. Viewing the society from this perspective, many researchers have underlined the close relation between the societal structure, consciousness, and action. This model has been widely used in empirical studies where occupation has

served as a proxy for class position and occupational stratification has been seen to generally represent the social stratification of the post-war Western societies (Crompton 1993:10-11). As Pekka Sulkunen (1992:11) points out, “[i]n early capitalism the form of revenue matched most other observable and important divisions in social life: income level, relations of authority in the work place, education, way of life, style and taste.”

By the early 1930s, another theory had started gaining momentum in the West: a theory of a new class, also known as “technocratic-bureaucratic class theories.”¹¹ These theories claimed that a new class consisting of technocrats and managers was about to replace the old ruling class of capitalist owners. A similar process was detected in the Soviet Union, where the Stalinist bureaucracy of the early 1930s had begun to shape into a powerful political and economic force. Inspired by the writings of Trotsky (who was not a new-class theorist himself), many analysts identified the Soviet type bureaucracy as the one most closely related to the new-class projects in the West, i.e., the technocratic and the managerial elites that were struggling to dissolve the institution of the private property and replace the private owners of the capitalist order. Moreover, as King and Szelenyi (2004) point out, the Soviet bureaucrats fit into this category very well, given that they managed to acquire new structural positions with many attributes characteristic for a social class. All strands of theorising on technocratic-bureaucratic class have nonetheless remained rather utopian, and none of the new-class projects either in the West or the East were become realised in full. In the West, family capitalists mobilised for firm resistance to managerial influence, while in Russia, in particular, the Stalinist bureaucrats became the collective owners of the state property while continuing to exercise their power in a highly coercive manner, which according to King and Szelenyi (2004) precluded their development into a class proper.¹²

By the end 1970s, however, the traditional class paradigms had run out of steam. The processes that characterise late capitalist societies rose to challenge the old structures. Large-scale mass industries started mutating into smaller and more competitive productive units, with flexible terms of employment and more diffuse structure of ownership. Computer-based production was on its rise, fostering a new type of labour force with no objective class interest. Another important disrupt-

11 The term of King & Szelenyi (2004:xviii-xxi).

12 See *ibid.* for a profound analysis on the rise and fall of the new class theories.

tion with the past was that neither economy nor politics continued to be solely dominated by men. In most of the West European countries women came to increasingly enter these arenas on equal footing with men, as a result of the second wave of the feminist movement. New consumption patterns, concern for environmental issues, and other similar changes further concealed any extant boundaries delineating clear-cut class identities and class actions. As a result, social scientists began to seriously question the utility of class as an explanatory concept.

The most cited article on this issue is Jan Pakulski's "The Dying of Class or Marxist Class Theory?" from 1993, written in response to an earlier argument put forth by Clark and Lipset under the topic "Are Social Classes Dying?" After examining Clark and Lipset's thesis, Pakulski arrives at the same conclusion, namely that in the modern capitalist societies we can observe a "fragmentation of stratification," which means that the relation of property and production can no longer serve unproblematically as criteria of class affiliation. The older industrial classes are disappearing, with new patterns of stratification taking their place on the foundation of ethnic affiliation, gender identification, minority position, or religious aspiration. Pakulski does not mean that the very concept of class has now been made useless, but rather that, in the light of current developments, 'class' alone can no longer determine the social or political standing of individuals in society. The argument, we will understand, only gained strength from the Central and Eastern European transformations occurring at around the same time.

Classes in Russia: Historical Heritage

Several observers have pointed out that traditional class analysis possessed no explanatory value when it came to understanding the collapse of socialism and its long-term transformation.¹³ To some extent, the lack of class analysis in the study of Central and Eastern European transformations can be explained by its weak position in the scholarly discourses in the West. However, the main reason why 'class' was not immediately adopted as a variable in the analyses was the fact that the stratification of the Soviet society was rather peculiar in comparison with the West. Historically, for instance, the concept of 'class' was introduced in the political and social vocabulary in Russia as late as in the first decade of 1900s (see e.g., Freeze 1986). The state preferred to

¹³ This argument is developed among others in Eyal et al. (1998), Piirainen (2000), and Lane (2005, 2006).

address its citizens in terms of urban estates, *sosloviia*, in observation of a long-lasting custom in Imperial Russia to exercise control over the population through privileges, taxes, and juridical judgements. The bourgeoisie, or the middle classes, was divided into the economic and the educated segment. Compared to the rest of Europe, they remained essentially powerless, owing to the disparity of their social backgrounds and political aspirations and due to economic and professional regionalism. During the early Soviet time, the Bolsheviks drove out all the remnants of the weakened imperial classes, among which the proprietors suffered the hardest fate. However, already by the mid-1930s there was another process underway, the moulding of the Soviet middle class culture.¹⁴

The mature Soviet state put forward an ideological construction, habitually described as “the 2+1 formula,” according to which the society consisted of the working class, peasantry, and a small stratum of intelligentsia straddled “in the middle.” Using this artificial classification the country’s leadership tried hard to maintain an egalitarian profile for its society, with no elites and no masses and everyone appearing as everyone else’s equal. In reality, though, the three categories represented nothing more than pure statistical units, often giving a misleading picture of the Soviet society. Indeed, there were great many workers in industry and in farming; however, they were all deprived of their rights to private property and to their own labour. Strictly speaking, they were therefore hardly representative of any class at all, in the proper sociological meaning of the term.

With regard to the intelligentsia, this social category, too, acquired a very loose connotation. According to Kendal Bailes (1996:52), “The meaning of the word intelligentsia changed in official Soviet jargon to stand for all non-manual occupations for which specialised secondary and higher education was generally required.” This implies that all educated people, independently of their social background, were collapsed in one category (intelligentsia), having to carry on with social missions inherited from the pre-revolutionary and early Soviet time. Opposition to the state, enlightenment of the uneducated masses, and promotion of reforms were always expected to be the main functions for the intelligentsia. At the same time, the Soviet intelligentsia was “increasingly involved in professional and bureaucratic roles within the official structure of Soviet society” (*ibid.*), which demanded their loyalty to regime. Accordingly, the relationships between the state and

¹⁴ See Chapter 4, pp.149–157.

Soviet professionals (now also officially named as *intelligentsia*) were further complicated. Many specialists with entrepreneurial skills were habitually placed within the intelligentsia, as they often were employed by the state in the leading positions in industry, trade, and science. Many of them could also be found within the so-called *nomenklatura*, which, as commonly argued, was one of the social groups best prepared to benefit from the transformation. Generally, looking back at the Soviet Russia from the perspective of the ongoing transformation, the Soviet *intelligentsia* came to be broadly described as the core of the Soviet middle classes. An equally illusory category, the Soviet middle classes, did not designate any particular demographic or social position, but stood rather for a particular middle class ethos upholding the values of high education, stable income, *kulturnost*¹⁵, and a decent style of life.

Why Russia Needs Middle Classes?

The collapse of state socialism clearly revealed that neither the proponents nor the opponents of independent Russia belonged to some one particular class. Instead, it was a popular mass discontent with the Soviet system as a whole that set the Soviet demise in motion.¹⁶ What this means is that people from all layers of society engaged in reforming Russia, independently of their differing social positions and standings. Eventually, however, during the early years of the shock therapy, the Russian government, headed by Yeltsin, renounced the social contract with the broader masses of intelligentsia and workers, and introduced a new contract addressing itself to radical liberals and the old guard of industrial directors, or the industrial *nomenklatura*.¹⁷ Since then, the concept of the middle classes has regained its centrality in both the political and the academic vocabularies.

According to Vadim Radaev (2003b), such an appeal to actually existing or would-be middle classes in Russia can be looked at as myth creation; nonetheless, it was politically necessitated for two main reasons. To begin with, when assessing the results of the reforms, pro-liberal politicians needed to show that the population had managed to

15 *Kulturnost* is a very peculiar concept indispensable for an understanding of the Soviet way of life. It means basically the "proper conduct in public" (Dunham 1976:22). However; beyond this behavioural connotation it is further loaded with heavy ideological significance: during the Soviet time every individual was obliged to act as an example of "self-righteousness," reflecting some kind of a "fetish notion of how to be individually civilised" (ibid.:22) and striving for self-improvement and self-education (see Kharkhordin 1999).

16 See Chapter 5, pp. 182–188.

17 For a more detailed discussion of this issue, see Reddaway & Glinski (2001:236–243).

adapt to the new political and economic conditions. Emerging middle classes are generally considered to be a guarantee for a stable and democratic development of society. Growing middle classes are often seen in this light. A second reason why it makes political sense to engage this sociological category, argues Radaev, is to promote the chances that there will be mass groups in society who are able to pay the social costs of reforms. Given the deep polarisation of Russian society today, the image of the middle classes serves as both a positive identity for those who succeeded during the transformation and as a moral example for those aspiring for good education, employment, and a standard of living usually associated with this social category. Frequently, the Russian middle classes are also considered to be the most loyal constituent of the present regime, which keeps promising a good life for all those willing to vote on stability.¹⁸

Social scientists, however, turn to the notion of the Russian middle classes for other reasons as well. In the course of reforms, the Russian society has been confronted with the necessity to re-evaluate many cultural norms inherited from the Soviet past. One of these is the idea of the egalitarian Soviet society, where no classes were even necessary. Looking back at that time with a critical eye, Andrei Zdravomyslov (1999:33), one of the more prominent Russian sociologists, observes that “the history of the Soviet society was first of all the history of the middle classes.” Today nobody any longer doubts the existence of a Soviet middle class culture or of emerging new Russian middle classes. That brings us to the second concern shared by the social scientists, namely finding the proper criteria for identifying the middle classes.

The most commonly used criteria based on income, occupation, or property are not readily applicable in the case of the new middle classes in Russia. As several authors have pointed out, high level of education and professional status often do not correspond to high income and high social status in the context of today’s Russian society. Moreover, we can identify a deep cleavage within the country’s middle classes. The “old” middle classes have come to denote those social categories that remain economically weak and predominate in the spheres of educa-

¹⁸ Several liberal mass media outlets in the country provide regular coverage on the “Middle Russians,” as they call the phenomenon. The first piece on the issue was published in the journal *Expert and Kommersant – Dengi* in September 2000, and since then the argument about the existence of the middle classes has been debated in extenso by Russian mass media. See Blazenkova & Gurova (2000), Fadeev (2000), Gurova & Fadeev (2000), Gurova et al. (2000), Holodkova (2000), Raff (2000), Starobin & Kravchenko (2000) and for a critical assessment of these discussions Radaev (2003b).

tion, culture, and social work, while the “new” middle classes are usually described as the winners of the transformation, characterised as they are by the strength of their economic capital, entrepreneurial zeal, and connections to the global economy. This latter category is also frequently overrepresented in the surveys and interviews conducted with the Russian middle classes. The difficulties in drawing a clear boundary line between various classes are further exacerbated by the fact that the Russians’ own self-identification is often very contradictory. On the one hand, when asked to locate themselves somewhere within the social stratification system, they often see themselves as being “in the middle.” On the other hand, if asked, “Would you consider yourself as belonging to the middle class?” many will respond, “There are no middle classes in Russia.”¹⁹ Such ambiguity of the middle class phenomenon is not uncommon in other contexts, either.

Middle Classes in the Global Age

Researchers worldwide point out how challenging it is to define the middle classes in the age of globalisation. As Harley Balzer (2001) puts it, globalisation adds new complexity to economic and social relations with the eroding political and economic boundaries caused by the free movement of money, products, and people, even when the overall economic growth is achieved at the expense of increasing local disparities. In this scheme, explains Balzer, better life chances for wealth and power are reserved only for a smaller layer of professionals, consultants, and employees of multinational companies moving across the international borders. Locally, however, middle classes tend to shrink under exacting pressures of both economic and political nature. The functions of the welfare states, on which most European middle classes depend upon, are increasingly redefined to be more restrictive. The weakness of professional organisations is also well pronounced worldwide. To be in the middle no longer means to have a stable employment and life-long security, but rather having to combine multiple jobs, organise one’s priorities, and steer clear from precarious situations. Even in the United States, where during the early post-war period most people would identify themselves as middle class, there are presently many examples to be found of “falling out of grace.”²⁰ Viewed in the global context, notes Balzer (2001:373), “[t]he evolving post-communist

19 For more detail, see Gorshkov et al. (1999:244-250), Iljichev, *Izvestia*, 13 January 2006.

20 There is an important sociological debate initiated around the issues of downward mobility among the U.S. middle class; see esp. Sennett (1998), Newman (1999).

middle classes are joining an industrial world where the middle class enjoys unprecedented levels of material consumption, yet is less easily defined, less secure, less well-organised for collective action, less affluent in comparison to wealthy, and less capable of making family status hereditary than was the case a generation ago.”

Middle Classes and Entrepreneurialism

In this perspective, ascending to the middle-class position means not merely joining some concrete social groups or striving after a higher salary. It increasingly assumes a certain type of mentality and moral temper that permeates large groups of people who nevertheless do not consider themselves as a class. This perplexing position of the middle class is analysed well by Pekka Sulkunen (1992) in his book on new middle classes in Europe. As I see it, there is a clear parallel between Sulkunen’s arguments and the idea of the vogue of entrepreneurialism discussed in the previous chapter. According to Sulkunen, the middle class mentality is simultaneously permeated by the values of individuality and tribalism. Individuality here (as Sulkunen defines it) differs from universal individualism, a doctrine usually associated with capitalist development that postulates a set of rights that individuals can exercise as citizens of a state. The individuality of the new middle classes, on the other hand, originates from another perception; namely,

to be an individual now is more a duty, a set of responsibilities, than a series of rights. As an individual citizen, one is responsible for how much money one makes for the kind of work one has chosen to do; one is responsible for the choices one makes in matters of marriage and the family, in case of illness one will be evaluated for one’s merits in taking care of one’s health. (Sulkunen 1992:42-43)

The cult of individuality does not contradict the fact that people in contemporary societies choose to belong to both close communities and larger social movements at once. At the same time, as Sulkunen emphasises, such belonging is ruled more by emotional cohesion and elective association than instrumental needs.

The rhetoric of individual responsibilities, a specific mentality, independence, and self-reliance brings the notions of the middle class and entrepreneurship closer to each other. Some scholars even argue for the need for a specific analytical category, that of the entrepreneurial middle class.²¹ Linking the two phenomena is common in the context of

²¹ For an example of this line of research, see Scase & Goffe (1982).

the Central and Eastern European transformations as well, even if less systematically explicit in methodological terms. In Russia, for instance, in all empirical studies regarding the middle classes it is the entrepreneurs and business people in general who constitute the majority of the respondents included in the sample. Likewise, focusing on entrepreneurship/business as an occupation, many researchers come to see in it as the most common career pattern for the Russian middle classes. Acknowledging the link between the two notions is then important but hardly enough to capture the social mechanisms enabling this linkage. For instance, why did some representatives of the Soviet middle class manage to successfully retain their position in the aftermath of the transformation while others did not? Another interesting question would be why younger Russians born to the urban Soviet middle class families are proportionally overrepresented among new entrepreneurs in today's Russia. These questions call for further exploration into possible conceptual affinities as well as empirical discrepancies between the notions of the middle classes and entrepreneurship.²²

Gender

Next to class analysis, gender analysis as applied to the study of transformation processes and entrepreneurship in particular, emerges as a much more recent trend in social science research. Entrepreneurship, usually looked at as gender-neutral, was implicitly taken as a male practice in the past. To some extent, the whole history of Russian entrepreneurship, before and during the Soviet time, is based on the male experience. The post-Soviet reality, though, has altered this picture. The general awareness of societal relations as something gendered has grown dramatically in the former socialist space as well. It nonetheless remains true that “gender issues” are generally perceived as “women’s issues,” and the very logic behind the construction of gender remains almost entirely unexamined.²³ The bias is quite understandable considering how long the subject of gender had been neglected in its entirety. To better comprehend how new entrepreneurship in Russia is gendered, it is essential to investigate, first of all, the concept of gender itself and, second, the underlying features of gender relations in the Soviet and post-Soviet Russia.

²² See Chapter 8, pp. 302–308.

²³ There are some exceptions from this rule. See, for instance, materials from the International Seminar in Tver on *Gender in Russian: Constraints and Limits*, 10–12 September 2004, <http://tvergenderstudies.ru/co03002r.htm>. Many of the seminar participants have published extensively on the topic.

According to Olga Voronina (2000), gender and feminist issues began to be addressed in Russia relatively recently, not until the early 1990s. Sensitivity to gender questions, though, did not emerge with creation of a domestic feminist movement, as it had happened in the West. Instead, most of the theories and concepts underlying the debates were imported by Russian academics under the influence of leading Western authors such as Michel Foucault, Judith Butler, or Nancy Chodorov, to name just a few. Considerably open to various influences, the feminist and gender discourse in the country soon became rather chaotic or “omnivorous” (*vsejadnij*), as observed by Elena Zdravomyslova and Anna Temkina (1999). The initial period of collaboration among researchers from the East and the West was extremely productive, resulting in a great number of joint research projects and publications. Eventually, however, the relationship between the “West” and the “East,” whether it was about discourses, ideas, or individual research projects, again assumed the pattern of what Peggy Watson (2000) has pointed out as asymmetrical relations of power. The whole rapport, as it originated, was based on the idea of similarity or even identical nature of the problems that concerned both the Western and the Eastern feminists. Opposing this idea, Russian sociologists suggested to either avoid the Western feminist categories, or adopt them critically. Temkina and Zdravomyslova, for instance, argue for making a distinction between the content of gender studies and their methodology, one reason for this being the fact that gender theories and discourses in the West show a strong relation to the specific cultural and social context in which they have arisen. Consequently, such theories cannot be directly used to explain the realities in other cultures. Nevertheless, the methodology of gender studies can be fruitfully utilised as an instrument in “the analysis of a certain fragment of [other] social reality” (Zdravomyslova & Temkina 1999:177).

Despite the differences in their arguments, gender scholars in both the East and the West would agree upon a broader definition of gender:

as the socially and culturally produced ideas about male-female difference, power, and inequality that structure the reproduction of these differences in the institutionalised practices of society (Gal & Kligman 2000:4).

Accordingly, conducting gender research does not mean simply to “describe the distinctions in statuses or other aspects of life between men and women”; instead, it leads one “to analyse power and domination

hierarchies, asserted in the societies via gender roles and relationships” (Voronina 2000:14). During the last twenty years Russian sociologists have produced a number of stimulating works, in which the issues of gender and culture in country are given much attention. Giving the priority given in them to gender as a socially constructed category, individual authors and research groups have been able to collaborate both within and outside Russia, resulting in several quite innovative studies based on narratives and interviews focusing on topics such as women’s entry into politics and the formation of feminist and dissident movements; new professional and gender ideals and sexuality; and different aspects of the Soviet and post-Soviet gender system, including the issues of motherhood, fatherhood, and the transformation of masculinity. These represent only a few of the many noteworthy research topics actualised in the recent years.

Russia’s Changing Gender System

What emerges from studies such as those just mentioned is a radical shift affecting gender relationships in the post-Soviet Russia. The core of the Soviet gender system²⁴ has been described in terms of “the ‘resolved woman question’, the contract of ‘working mother’ and construction of the ‘failed masculinity’” (Zdravomyslova & Temkina 1999:181). These were all constructs of the official gender contract,²⁵ proclaiming egalitarian values while women and men in actual reality both carried on with their shadow roles as well,²⁶ namely, being “married to the state” or “breadwinners by default” (Kiblitckaya 2000:56-61). Soviet women, while working full time, had to assume full responsibility for childcare, the household, and the moral order, while at the same time carrying on with the traditional expectation of men as principal *kormilets*, or breadwinners. Men, in their turn, were frequently disengaged from the domestic life and fully occupied with their public role, performed in the sphere of work and politics. Often perceived as the “weak link in the family” (Kukhterina 2000:83) due to their alcohol consumption pat-

24 Influenced by the ideas of Yvonne Hirdman and Michael Connell, the concepts of ‘gender system’ and ‘gender order’ have been widely embraced by Russian sociologists engaged in gender studies. The term, for them, is defined as “a multileveled phenomenon that structures the social, institutional, and symbolic practices of men and women in ways that both segregate the sexes and posit them in asymmetrical relations towards each other” (Temkina & Rotkirch 1997:184).

25 Each gender system may have several ‘gender contracts’ that describe “the dominant types of gender relations, in practice as well as in their symbolical representations, at a certain historical period in the development of the gender system” (ibid.: 185).

26 For further detail on official, shadow, and illegitimate gender contracts in Soviet and post-Soviet Russia, see Temkina & Rotkirch (1997).

terns and role in domestic violence, Soviet men were deprived of any potential role endowed with the institutional and emotional authority of the patriarch and concretely involving caring, protecting, and controlling. Instead, it was the Soviet state that took over these roles.

Obviously, the retreat of the state from the domestic and other spheres of life starting in the early 1990s proved a great challenge to the Soviet gender system. Now “divorced from the state,” post-Soviet women were no longer celebrated as heroic mothers (Kiblitckaya 2000:69). The contract of the “working *mother*,” officially still in force, had started to gradually transform into one of a “*working mother*”²⁷ (Temkina & Rotkirch 1997). Indeed, the survival of the Russian families now largely depends on the ability of both the men and the women to find a job, especially in the case of the single-earner families. At the same time, the new economy has opened many previously nonexistent possibilities for women to pursue professional careers or, on the contrary, to opt staying at home instead, as a traditional housewife or a “sponsored” woman (*ibid.*). Despite the fact that work involvement among women and men in the post-Soviet Russia is approximately the same,²⁸ there is still a gap of approximately thirty per cent separating their respective income levels. Nor have the domestic power relationships been significantly transformed. It is remarkable that both successful and less fortunate women equally wish for themselves a partner who would take over the role of the principal breadwinner and the family father involved in both economical and emotional management of the household (Kiblitckaya 2000). In other words, even if they have assumed the role of the main earner in times of hardship, post-Soviet women still tend to maintain the belief that it is their husbands in whom they have the heads of their own families (Meshcherkina 1999, 2000). Post-Soviet men, again, seem to do very little to oppose this assumption. Rather the opposite, they keep trying to re-establish their dominance in the family, independently of their current economic position. To some extent, then, “both the men and the women are contributing to current vogue for what could be termed ‘new traditionalism’” (Ashwin 2000:21).

²⁷ Emphasis added.

²⁸ The unemployment rate does not seem to be disproportional in terms of gender: Both men and women equally suffered the loss of jobs during the transformation process. See e.g., Sätre Åhlander (2001), Pollert (2005).

To sum up, the basic paradox illustrated by these empirical studies is that Russian men and women tend to have significantly differing ideas about what their new roles ought to be. The tension in gender expectations is reflected further in more general problems regarding gender identities. There are several studies that indicate that post-Soviet gender identities remain notably fragile and under pressure from several challenges. It is often argued that the meanings of masculinity and femininity should be approached as something intimately related to each other as individual practices. Yet, it is also important that these meanings should also be understood as being embedded in institutions. The dilemma, as I perceive it, lies in the fact that very few researchers, whether Russian or internationally, have so far given enough attention to the new channels through which gender identities are shaped. To give an example, the Russian discourse mediates a variety of identities, such as “independent professional” and “self-made man” (Oushakin 2002; Yurchak 2003), or “career women” and “housewife” (Barsukova 1998). These images are increasingly becoming broader points of reference, hegemonic gender profiles that are then institutionalised within the family, through employment, in the economy, and in other spheres. In other words, the categories of sex and gender are not neutral. They are equally stratifying as class or ethnicity.

Entrepreneurship in Gender Terms

Relating gender to entrepreneurship in the Russian context makes it possible to argue that although the Soviet gender system was implicitly biased for both men and women, it fostered individuals capable of perceiving themselves as potentially self-sufficient and equal with respect to each other. This explains the fact that entrepreneurship became equally attractive for women and men once the structures of the Soviet state gave way to the new freedoms. Comparative studies show that both women and men entrepreneurs tend to be higher educated, younger in age, and strongly motivated to engage in business activities. Regardless of their sex, the new entrepreneurs also acknowledge their necessity to work in conditions of high economic and political uncertainty and under more or less clearly defined legal constraints. In order to compete they therefore need to constantly improve their business skills. Another general feature shared by men and women entrepreneurs especially in the early years of the transformation was the lack of initial capital and the lack of experience from working in the private sector (Chirikova & Krichevskaja 2002; Aidis 2003).

It remains a fact, however, that not even 20 per cent of the private business owners in Russia are women. The situation is slightly better in other post-communist countries, where, in this area, Poland and Lithuania lead the way with a 31 and 43 per cent share respectively (Aidis 2005:39). The numbers are quite comparable to the situation in the United States, Canada, Germany, and Finland, a fact that is often proclaimed as a great achievement of East European women (Aidis 2003). Yet, what they indicate more immediately is that the Soviet gender order still prevails in many spheres of the post-Soviet everyday life, regardless of the economic and political conditions that have become fundamentally altered. But not only are there all too few women among the business owners; there is also a clear dominance of women in specific sectors of the market economy, consisting of the “traditionally female sectors” as they are known today. Several studies have shown the highest concentration of female entrepreneurs to be found in public food services, consumer services, retail trade, education, culture, health, hotel management, and other similar areas of activity. In these sectors the proportion of entrepreneurs who are women ranges from 39 to 56 per cent, while in areas such as construction, transport, and wholesale trade women make up between 13 and 20 per cent of all the business owners (figures from Chirikova & Krischevskaia 2002:39).

The questions we need to ask here include, first, why the number of women entrepreneurs has remained smaller in Russia than in other European countries and, second, what the consequences of this state of affairs are for the broader prospects of entrepreneurship in the country on the whole. That, proportionally, the number of women business owners in post-Soviet Russia is comparable to the trends in the West cannot be seen merely as an achievement of East European women entrepreneurs. According to Katja Loderstedt (1999:2), already during the Soviet times women occupied up to 11 per cent of the top manager positions compared to the mere one to two per cent in the United States, Australia, and the United Kingdom. Even if the number of women entrepreneurs has doubled in Russia during the last few years, the initial conditions for men and women to venture out into business were laid out by the Soviet gender contract already. Even if men and women were proclaimed equal before law and in their access to economic participation and welfare, their chances of being recruited into the higher positions within economy and politics differed considerably from each other. Women were less willing to become party members,²⁹ and so they

²⁹ Loderstedt (1999:2) notes that only two and a half per cent of total female population in the Soviet Union were members of the Communist Party.

could hardly use political capital as their main resource in entering into business. Moreover, the emphasis laid by the Soviet state on women's "biological destiny" also contributed to an ambivalent situation for women in general, and especially for those among them striving for a career. On the one hand, all Soviet women, just as men, considered work as their most important occupation; on the other hand, the state deliberately integrated women into the labour force as "second-class workers" (Ashwin 2002:23), meaning that through various sets of welfare protections women were actually encouraged to perform their role as mothers and wives at the expense of their role as workers.

Following Loderstedt, gender stereotypes and women's lack of confidence in their own abilities are plausible explanations for the fact that Russian women entered the sphere of business significantly later than men. But her point also suggests why women- and men-run businesses have come to occupy separate sectors of the Russian economy. Alla Chirikova and Olga Krichevskaja (2002), for one, confirm that prior to the years of the large-scale privatisation in 1989-1991, women comprised no more than 17 per cent of all new business entrants in Russia, while by 1996-97 their share was 33 per cent. Keeping in mind that the majority of the businesswomen in Russia entered the market on the eve of the economic crisis in 1998, it is easier to understand that what they did in fact was to take the opportunity to fill in the empty space left by the larger companies and firms specialised in consumer services but heavily damaged or even brought down by the crisis, owing to their dependence on imported resources. In addition, given the Soviet experience of the *dostavanie*³⁰ culture, or the reliance on a particularly feminised competence in "how-to-get" things and goods in the conditions of a "shortage economy" (Kornai 1980), woman entrepreneurs in Russia were comparatively well equipped to manage the spheres of economy requiring more flexibility, long-term strategies, and communication skills. According to Temkina and Rotkirch (1997), women's active participation in the how-to-get sphere of the Soviet system required both creativity and organisational and communicational experience:

Knowing how to organize the household so that even unexpected guests could be invited to a table loaded with food and drink when

³⁰ As only few things were available for purchase in the Soviet shops, *dostavanie* or, literally, "getting hold" of something usually in short supply became a key strategy for consumers in the country. Soviet women were exceptionally good in the skills this required, not only because they were predominantly employed in the service and trade industries, but also because they were put in the position of having to act as primary household maintainers. For further discussion see Temkina & Rotkirch (1997), Ledeneva (1998), Ashwin (2000, 2006).

the shops are almost empty, was one of the most important ways of displaying female competence. Another result of the *dostat'* or how-to-get sphere was a feminine outlook. (ibid.:192)

Such specific qualities of the Soviet women constituted an important element of their self-image, but they are also used to highlight women's enormous flexibility in adapting to the market economic conditions.³¹

Despite any such implicit advantages that women entrepreneurs, compared to their male competitors in Russia, may have possessed at the outset, there is a distinct pattern of formation of "male" and the "female" styles of entrepreneurship that ultimately leaves the women with the short end of the stick. For instance, companies and firms owned or controlled by women tend to have a smaller turnover of capital and fewer employees. Svetlana Barsukova (1999a), to be sure, notes that the same tendency can be observed in the Western European economies as well. Looking at the Russian case, Barsukova attributes the weaker economic parameters found for the businesses owned and/or operated by women to several different factors but especially the following: the technology in the sectors dominated by women does not necessitate large workforce; women entrepreneurs tend not to work overtime, which often causes lesser profits; striving to combine family and work also has the effect of curtailing women's ability to invest in the expansion of their businesses, requiring as it would increased involvement in the work. On the other more positive side of it, as shown by a number of studies, having a business less profitable than others leaves the women owners also less immediately vulnerable to various types of "violent entrepreneurship"³² such as contract infringement, extortion, and coercive pressure. In comparison to their male counterparts who often refer to this darker side of their jobs, women entrepreneurs therefore tend to be more positive when evaluating their career prospects and satisfaction with their work performance (see, e.g., Barsukova 1998, 1999a; Radaev 2003a).

Networks also benefit men and women unequally. As Irina Tartakovskaya and Sarah Ashwin observe (2006:190), "the networks of men and women tend to be dominated by members of their own sex." This tendency grows stronger with age, as in Russia women and men are increasingly inclined to perform gender-specific roles after entering marriage. Secluded to separate areas of economy and social

31 For further discussion of the image of the Soviet "superwomen" and its implications for the post-Soviet conditions, see Ashwin (2000, 2002).

32 The term coined by Volkov (1999).

life, men and women provide sex-specific information to their friends, colleagues, and acquaintances who usually are of the same sex. This means, for instance, that men in top management positions will most probably be taking part in recruitment processes and select other men as their co-workers. Women, on the other hand, are more likely to influence the decisions in the areas where they themselves are active, which predominantly are dominated by jobs with much lower incomes. Consequently, the benefits from the networks created will depend not so much on the quantity of contacts as on the quality of the assistance that can be provided. The observation seems to accord with what was discussed above concerning the role of networks.

There are, however, also more specific business implications emanating from the gendered nature of networks. Woman entrepreneurs will have a male helper more often than the other way around, the help varying from moral support to material investment. Some studies indicate that successful businessmen go on to encourage their wives, too, to open their own businesses, increasing as they do the men's self-esteem and feeling of being rich (Barsukova 1998). In any case, women can seldom succeed in business without some degree of support. Susan Gal and Gail Kligman (2000) indicate that in many post-Communist countries women entrepreneurs continue to carry major responsibility for both the work and the family, although there is a systematic pattern of divorcing husbands who fail to provide emotional support and at least some practical assistance at home allowing their spouses to pursue their economic ambitions.

Common for both sexes is that the images of entrepreneurialism have become at times obscure and governed by particular stereotypes. Mass media, both in Russia and abroad, have played a primary role in the production and dissemination of such images. New entrepreneurs are featured as "New Russians," "the New Rich," the "true careerists," and the like.³³ One can, however, clearly detect the existence of two different sets of norms when it comes to portraying successful women- and men-run businesses in the media. Analysing the discourse of major business publications in Russia, Yurchak (2003) has drawn attention to the imagery governing the masculine model of pursuing a business career, centred on work and only work, with leisure, love, and emotions are seen as something belonging to the trivial margins of life. For a true male careerist, family life represents nothing but an extension of one's professional life, freed from household responsibilities

³³ See Chapter 8, pp. 285–302.

to better allow recuperation for another hardworking day. The male norm of success in business is viewed as a deviation in the eyes of female careerists, however. Currently, a shift in the imagery governing the career choices of women business owners and managers seems to be underway. The traditional view, according to which a woman's destiny consists primarily of her family and children, is beginning to fade away. Neither is genuine femininity any longer seen as beauty alone, but rather as beauty with a reasonable salary from a relatively prestigious job (Barsukova 1998). Nevertheless, it is perceived as more natural for women (businesswomen included) "to assist in shaping a figure of a male true careerists" (Yurchak 2003:85). The continuing dominance of such norms, as Yurchak stresses, liberates men from their responsibilities in family life while preventing women from advancing to higher positions.

While class and gender in all likelihood cannot be regarded as *the* determining factors in the formation of entrepreneurial trajectories, they certainly assert an influence in the complex interplay with other political, economic, and cultural aspects shaping the local practices of the entrepreneurial function. Examining the significance of the two conditions in their immediate cultural and historical contexts enables us to see both continuity and novelty in their mutual relationship. Even if private business has emerged as a legitimate occupational choice opted for by many Russians since the early 1990s, there are nonetheless many entrepreneurs, especially women, who have made this choice out of necessity. For instance, in the late 1990s a significant number of women entrepreneurs indicated that they moved into business in hopes of higher earnings needed because their husbands earned too little or because they were the sole breadwinners. For a much smaller group of entrepreneurs, including both women and men, venturing into business was motivated by a desire for financial independence and self-realisation. It is this particular group of entrepreneurs that I focused on in my empirical research. Based on the materials I obtained from a case study, it seems important to be able to distinguish under what conditions entrepreneurship may unfold within a realm of opportunities and how it might be stratified in terms of class, gender, and social networks.

Part II

The Evolution of the Russian Entrepreneurial Spirit: Historical and Sociocultural Preconditions

Chapter Three

Entrepreneurship in Imperial Russia

Introduction

Russian capitalism came of age much later than in the rest of Europe, namely, at the end of the 19th century.¹ Even though Russia had achieved rapid industrial growth already in the pre-Revolutionary period,² the leading forces of Russian capitalism remained both extremely fragmented and subordinated to the state. Sidelined from capitalist development for another 70 years, the country, as a consequence, has been deprived even of those basic premises of capitalism that emerged prior to the communist rule. This is mainly why it is customary to presume that the Russian society failed to give rise to a “full-blown” bourgeoisie, which in its turn predetermined the weak status that the Russian entrepreneurs had up until the late 1980s.

Although such assumptions are not entirely without basis in the real world, it would be simply wrong to consider the precursors of the current Russian capitalist class only from the particular angle they offer. In analysing the case of Russia historically, Cyril Black (1983:8) argues that “A particular challenge is represented by the need to distinguish *form* from *function*³ – to discover the essential roles of entrepreneurship that may be concealed under various institutions and titles that may seem alien or irrelevant when viewed from the vantage point of the West.”

1 There is an obvious disagreement on the matter of whether one can characterise Russian economy before the mid-19th century as a capitalist one; see, e.g., Kaser (1978). However, I think it is nonetheless plausible to speak of the existence of some elements of capitalist economy in Russia prior to 1861, the year of emancipation of the serfs, which is also associated with the turning point in the development of the modern capitalist system in Russia; see Gerschenkron (1976 [1962]) and Owen (1983).

2 Throughout this work I will use the terms ‘Tsarist’ and ‘Imperial Russia’ interchangeably to refer to the historical period from the 17th to the early 20th century, while the terms ‘pre-Revolutionary Russia’ and ‘late Imperial Russia’ will more specifically be used to denote the period from the late 18th century till the Revolution of 1917.

3 Emphasis added.

The point has been reiterated by another historian, Alfred J. Rieber (1982:xx), who has suggested that Russian capitalism be considered as one of the “alternative forms of social evolution within the capitalist economic systems.” Presuming without further ado that Russia was a commercially and industrially backward country up until the early 1830s, many scholars have not looked further into the actual evidence of the “intermediate social structures” (ibid.) that played a decisive role in the foundation of Russian capitalism during the 18th through the early 20th century. It is these structures that were also responsible for conveying the spirit of entrepreneurship to the present time.

Regarding Russian entrepreneurs, in both Western and Russian historiography of the early 20th century, despite their ideological differences, there was a tendency to reinforce each other’s belief that Russia possessed a great potential for commercial activities, thanks to its great wealth of natural resources, large networks of navigable rivers, vicinity to sea ports, and the propensity of Russians to trade. However, as Samuel Baron (1983) has argued, the Russian state exercised too much control over this sphere, and in doing so basically prevented effective exploitation of this potential. Earlier on, already Alexander Gerschenkron (1976 [1962]; 2000 [1966]) repeatedly drew attention to the issue of substitutions, or those economic and social patterns of behaviour that provided a stimulus for industrialisation and capitalisation in Russian economy; this despite the fact that the key pre-requisites of industrialisation, including the pre-industrial accumulation of capital, high level of education, and advanced technologies, were not present in the country. It is mostly this perspective, too, that served as an inspiration for my argument in the present chapter.

Accordingly, the underlying task in this chapter will not be to search for the “missing ingredient” (Rieber 1982) preventing Russia’s economic and social development from running its course – a role often assigned to the country’s (absent) entrepreneurs. Instead, I will delineate the general context in which the Russian entrepreneurship has evolved over time, identifying a set of social and economic actors that in fact performed the entrepreneurial function in the same period. This historical sketch outlines the origins, geographic spread, and nature of the Russian entrepreneurship, covering the period from the Tsarist time to the onset of the Soviet era. It will help shed light on the complexity of the issue in question, and lay the groundwork for identifying and understanding Soviet entrepreneurs and what we could term the pre-

cursors of the post-communist entrepreneurial spirit. In addition, the argument will suggest that there are clear continuities and disruptions in the history of the Russian entrepreneurship that moreover can be closely related to the contours of the present situation.

Gosti: The Groundbreakers on the Margins

Most of the authors discussed here are in agreement that the origins of Russian entrepreneurship can be traced back to *gosti* (guests), the first group of professional merchants⁴ figuring already in 10th-century historical documents and surviving into the 19th century. As Michael Kaser (1978:424–425) has observed:

The *gosti* were entrepreneurs neither in having ‘the desire and the capacity to apply accumulated wealth to profit making by organisation of industrial enterprise’ [...] not in Schumpeterian role of innovator, but they were for the long alone in Russian society in making collective fixed investments and enjoying full property rights.

This description, although somewhat contradictory, points out to several important features of these forerunners of the Russian entrepreneurs. Firstly, *gosti* were mostly Russian in their origin, although later one it became possible for some of the foreign merchants to also acquire the title. It is worth mentioning that the presence of foreign entrepreneurs in Russia was especially significant in such areas as agriculture, foreign trade, finance, and industries, whereas the *gosti* were engaged in economic activities consisting mostly of commerce, trading with foreigners, money lending, and retail. Secondly, all these activities were enabled by the privileges that *gosti* enjoyed in contrast to the rest of the Russian, predominantly rural, population. These privileges included ability to travel abroad, mediate in the flow of goods between the East and the West, as well as exemption from certain tax levies and, most importantly, protection from the mistreatment by local officials. In addition, as Baron (1983) has noted, designated merchant families possessed an exclusive right to exploit the country’s natural resources and receive state loans for expanding of their businesses, all the while being favoured by the rulers of Muscovy attempting to keep foreign

⁴ The flourishing of the professional merchants was mostly in the times of Muscovite Russia during the 16th and the early 17th century, when Moscow was both the political and the economic centre of the country. All the major governmental and ecclesiastic offices were located in Moscow, and all the three honoured segments of merchantry, or *gosti*, *gostinaia*, and *sukonnaia sotni* (the second and third privileged corporations) were obliged to reside in the capital. For further details see Kaser (1978), Rieber (1982), Baron (1983).

merchants out of the Russian domestic markets. As a result, domestic merchants soon held major control over the production and distribution of such commodities as fur, salt, leather, fish, hides, and grain that were obtained from all around the country and in high demand on the Western markets.

The favourable position that these merchants enjoyed, to be sure, was certainly not obtained for free. Despite the evidently privileged economic status associated with *gosti*, the very term itself, used mainly for merchants from a Russian background, implies a certain degree of strangeness and being outside. Accordingly, it, as pointed out by Kaser (1978), also serves as a signifier for the ambiguity of the position in which merchants found themselves in Russia at the time. For instance, merchants remained few in their numbers, and it would be more accurate to speak of individual merchants or merchant families and dynasties than of a merchant class per se. In addition, few of the merchant dynasties that developed survived for more than just two generations. The explanation for this is at least twofold. On the one hand, Russian merchants were not fond of creating large corporations or becoming involved in any kind of collective action. This attitude considerably weakened their ability, for instance, to compete on the market with foreign commercial entrepreneurs.⁵ The issue deserves to be addressed in its own right, and I will return to it later on. On the other hand, however, the weak position of the merchants was also related to circumstances external to their own ranks. These could involve events and activities such as regime shifts, wars, and other hardships, or discontinuity of markets, and non-payment of debts, ultimately leading to a considerable decline of the merchants' fortunes by the end of the 18th century (Baron 1983). There is, however, yet another dimension that needs to be discussed regarding the status of merchants in Imperial Russia, namely, their relation to the state.

Serving the Tsarist State

Many historians have repeatedly argued that to properly understand the rise and the eventual fall of the Russian merchants, one should closely analyse their relations to the state. This is one of the historical continuities that can be clearly seen running through the whole history of the Russian entrepreneurship, up until the present time. This statement, however, needs some explication. To begin with, the social or-

⁵ This view is substantiated by especially Kaser (1978), Rieber (1982), Baron (1983), and Owen (1983).

ganisation of the Russian society from the 17th through the 19th century was based on one single principle, that of state service. The foundation of this social system was laid down in 1649,⁶ and for long after that the Russian society was hierarchically divided in social categories of hereditary character, composed of nobility, clergy, merchantry, and peasantry. According to Kassow et al. (Kassow, West, Clowes 1991:4), these identities were mainly legal concepts “created by the tsarist state for its own administrative and fiscal purposes”. Consequently, each social group had its duties and obligations before the state. In return, each of them could enjoy certain privileges and favours, as the example of merchants clearly shows. However, the system was not as straightforward as it seemed. For one, each of the social categories making it included several other social layers in turn, with their own legal and economic privileges as well as ranks. In addition, the social mobility between these categories as well as between the various ranks within each of them was extremely limited. Nevertheless, urbanisation, growth of educational possibilities, and general transformation of the Russian society since the 17th century provided all provided a stimulus for new social categories to rise, eventually eroding the legal connotation of the social hierarchies.

In this connection, two main shifts in the structuring of the Russian imperial society need to be mentioned, bearing on the status of merchants. As Rieber (1982) has pointed out, following the ongoing changes it was Peter the Great who made the initiative to substitute the birth principle by the principle of service. Aiming at a new political concept, Peter sought to unite the fragmented Russian society around the service classes and to distribute the financial and military burden more evenly within the whole population. The imposition of the service principle as something applicable to all significantly weakened the social and economic status of the merchants. They were no longer guaranteed the inheritance of their status, nor could they run their own businesses without the petty supervision of state bureaucrats. Besides, excessive fiscal and service obligations kept Russian merchants mainly in towns and undermined their competitive status in other parts of the country, where foreigners could then exploit the commercial opportunities opened up.

The social status of the merchants became even more precarious during the reign of Catherine II. At that time the hierarchical divisions

6 1649 was the year when the state administration in Muscovite Russia adopted its “Collection of Law” (*Ulozhenie*), aimed at binding inhabitants to their local communities and this way enable more effective fiscal and administrative functions; see Rieber (1982) and Gleason (1991).

of the Russian society came to find their expression in a new system of *soslovie* (estate). To create a state with citizens driven by self-interest instead of duty and obligation, the government imposed a new form of taxation, which not only sharply differentiated merchants from other *soslovie* but also distinguished merchants according to their status and wealth within their own *soslovie*. This meant, for instance, that unlike nobility and clergy, who were largely freed of tax obligations, merchants remained heavily taxed, having moreover fiscal and administrative duties in the towns in which they operated. Their primary duty was to maintain the integrity of urban communities and that way secure the commercial opportunities, and along with them a taxable income base, for urban dwellers only. However, by sharpening the distinctions regarding wealth and status among different guilds of merchants, the state reforms contributed to the creation of deep segregation processes within the merchant *soslovie* itself. The state delegated to the wealthier and stronger merchants⁷ responsibilities that enabled them to exercise power and control far beyond that possible for less affluent merchants. The general effect of all these reforms, described here only in brief, was the isolation of the merchant *soslovie* from the rest of the Russian population. As Rieber (1982:17) has accurately noted:

Over the entire range of administration, from taxation, military service, and the right of movement to commercial-industrial law and *soslovie* organisation, the merchantry was sealed off from the nobility and clergy above it and *meshchanstvo*⁸ and peasantry below it.

Judging from these two historical circumstances alone, it would not be an exaggeration to assume that *soslovie* was a hybrid system designed to exclusively serve the interests of the state rather than of people. With regard to merchants, placing them in one *soslovie* did improve their standing somewhat in economic terms, but their social status remained extremely ambivalent. According to Rieber (1982), many historical sources dating from the time refer to the merchantry as an occupation (*zvanie*) and not an estate (*soslovie*). This may reflect the contemporary

7 The wealthy merchants were called *pervostateiny* or, literally, the “first-rank” “because of their top rank on the tax rolls” Rieber (1982:4).

8 The terms *meshchanin* and *meshchane* originated in the 17th century from the old West Slavic *mesto* or city. The term was used as a denominator of either entire commercial-artisan class of cities and towns or petty traders and craftsmen. In the 19th century, when the latter sense gained currency, *meshchane* became a special legal class (*soslovie*) of a lower economic position, having its own society, executive board, and elected heads. Since then the term has acquired a pejorative meaning, critical of *meshchanstvo* for their “narrowness, flatness and lack of individuality” Dunham (1976:253); see also Balzer (1996).

discussions with regard to the role of estates in Western and Central Europe at the time. It has been generally assumed that the estate system represents a historical feature characteristic of all European societies. In this scheme, the estates were presumed to have a specific relationship to the crown and within the estates themselves. However as the closer studies of the Russian *soslovie* have showed, “Russian estates were nothing like the kind of entities that can be imagined banding together and challenging the monarch” (Gleason 1991:24). Rieber (1982:xxii) has clarified this statement in relation to merchants:

the [Russian] nobility and merchantry lacked the autonomous, self-governing, representative institutions and the juridical rights that enabled them to govern jointly with the ruler as the estates did in the Western and Central Europe during much of the early modern period.

Considering this discrepancy, it would hardly seem plausible to look for correspondences between the Russian *soslovie* system and the Western system of estates.⁹ Although peculiar in its connotation, the social category of *soslovie* (estate) was still widely used for demarcating the merchantry against other social groups active in Russian society, in order to better define the common legal identity and collective privilege of this category and to ensure its obligations towards the state. However, the concept itself does not adequately convey the meaning and content of the corporate rights belonging to the merchantry. At this juncture therefore, it would be useful to address the question of the reluctance that the merchantry showed in promoting its collective action opportunities and initiatives both economically and politically.

Social and Political Inertia of Merchants

Despite the general impediments to the development of entrepreneurship in Imperial Russia, the contribution of merchants to the Russian economy was quite significant. Baron, for instance, has argued that capitalist merchants played a leading role in the establishment of the all-Russian market:

in exploiting their respective natural resources, people in different parts of the country produced particular kinds of goods while they lacked others. Merchants took advantage of the situation to transfer goods from where they were produced to where they were needed, thus performing a service to producers and consumers alike, and netting gains in the process. (Baron 1983:46.)

⁹ For a concise discussion of this issue, see Freeze (1986).

Indeed, among merchants there was no lack of commercial initiative, profit seeking, risk-taking, and efforts to expand of the markets beyond the larger cities of country. However, at the same time, merchants never tried to challenge the demands and duties systematically imposed on them by the Russian state.

This reluctance of the Russian merchantry in resisting state domination has puzzled many historians. A number of authors¹⁰ focusing on this period have pointed out that merchants neither demanded nor consciously sought local self-government, group autonomy, or security of their property. Neither did they show capability of defending their business interests in foreign trade against their foreign competitors. As Baron (1983:51) has put it, “Rather than confront established institutions, traditions and forces, the Russian merchants manoeuvred around, over and between these obstacles, to maximize their opportunities, status and security.” It is not difficult, however, to understand such behaviour, given the insecure status of merchant property in the country and the close bureaucratic supervision extended on the merchants’ activities. Another explanatory factor is that merchants continued to rely on the state in questions of their own economic¹¹ and social well-being, especially because they saw other *soslovie*, in particular the nobility and the peasantry, and not the state as their opponents. Besides, the few times that the merchants engaged in political conflicts with the state turned out to be disastrous for the former in their consequences.

Other important facts to note here include the small overall numbers of merchants and their area of operation in the countryside, where the majority of population lived in rural and predominantly non-commercialised settings. One of the characteristic features of the peasant milieu was distrust for commercial activities, something well illustrated by the old Russian proverb *Ne obmanesh, ne prodash* (If you do not cheat, you will not sell).¹² On this point, one can see a clear resemblance in the attitudes towards merchantry in most European countries in the 15th through the 17th century. According to Gerschenkron (2000 [1966]),

10 Using somewhat differing interpretations of the role of merchantry in the formation of Russian bourgeoisie and Russian capitalism in general, historians such as Kaser (1978), Rieber (1982), Owen (1983), and Baron (1983) all agree on the fact of the social and political immobility of merchantry.

11 Rieber (1982:21) mentions the fact that in contrast to the Western experience, it was the Russian state and not the merchantry who took the initiative to open the first commercial exchange. The same is true regarding the banking institutions, which according to Anan'ich and Beliaev (2001) were as a rule established and run by the state.

12 English translation as cited in Gerschenkron (2000 [1966]: 131). Gerschenkron also draws parallels in other languages, for instance, French, German, and English, in which the verb trade or barter has connotations to dishonesty and deception.

the very nature of the merchant enterprise, being done as a “fleeting affair” or “once-over transaction,” could not preclude the possibility for deception, cheating, and an unscrupulous orientation by the seller towards the buyer. In this sense, then, the public image of the Russian merchant was not unique compared to his European contemporaries.

In his earlier work, however, Gerschenkron (1976 [1962]) observed that in Russia as well as in other backward countries,¹³ many manufactures and traders were able to reach successful business careers despite the lack of social approval. Owen, for one, has suggested that Gerschenkron may have exaggerated the generality of such negative public attitudes, because, in Owen’s estimation, the entrepreneurial success in Imperial Russia could be explained by “the legitimising function of the merchant-*Slavophile* ideology of economic nationalism” (Owen 1983:82). Gerschenkron himself proposed another, in my view more plausible explanation, pointing out that adverse social attitudes alone can never fully explain or determine the course of capitalist development in a country. However, seen in a wider perspective, and bearing in mind other crucial factors such as, in the case of Russia, the liberalising policies of the state, the emancipation of peasantry, and the tangible general improvements in human capital and economic conditions, unfavourable attitudes towards Russian entrepreneurs rather contributed to the “specific compression of the industrialisation processes into periods of rapid growth” (Gerschenkron 1976 [1962]:62). This was to such an extent that:

one cannot help being impressed by the rapidity with which the numbers of native entrepreneurs multiplied in the 19th century Russia and also by the speed with which their behaviour became more and more consonant with the Western practices (ibid:70).

However, beneath all these obviously restraining conditions, there was also something more profound that can explain the merchants’ reluctance to embrace collective initiatives. As Rieber has pointed out, Russian merchants lived a very secluded family life infiltrated by patriarchal values in all its spheres from child rearing, education, and religious preferences to business practices and codes of business behaviour. Business was considered to be safe only with those belonging to the family, and the “family meant not just blood relatives and relatives

¹³ In his works Gerschenkron repeatedly compares the path of industrialisation process in several (economically) backward countries. The parallels drawn between the economic development in Russia, Germany, and France at the end of the 19th century are especially illuminating.

by marriage but also dependent people” (Rieber 1982:26). Trying to preserve strong loyalty to the family and traditions, values that clearly served the basis of the business affairs as well, merchants were not keen on formal education, often preventing their sons, as the natural heirs of the businesses, from attending secondary schools or getting higher education.¹⁴ In addition, the extended family as an economic unit was a stronger guarantee for survival in times of economic hardship or social turmoil, which can also partly explain why merchants were unwilling to change their business practices or confront the state with calls for social and economic reforms.

To summarise, the merchants’ rejection of formal education, reliance on state authority, and cautious stance towards outsiders are all indicators of ambivalence in their relation towards their own *soslovie*. On the one hand, the merchants eagerly strove to preserve their status and avoid any kind of radical change that could affect their already precarious situation. On the other hand, they were forced to take steps to secure the social position of their descendants, which led them to seek for themselves a way out of their own *soslovie*. Having experienced how suddenly wealth and a favourable position vis-à-vis the state could crumble, merchants craved for a higher – that is, noble – status that could provide them with both the social prestige and the economic security they craved for. Another strategy that merchants adopted in their pursuit of a more secure status was a shift away from commerce with its low turnover of capital, turning towards industrial production where both capital investment and hiring of free labour promised better economic fortunes. For some merchant families, though formal education of their children became one of the most reliable means to climb the social ladder. Together with other ways of attaining higher social status,¹⁵ higher education, which here meant commercial education of merchants, afforded a way to advance their chances for personal ennoblement. Generally speaking, the status anxiety shown by merchants during this period not only undermined their willingness to

14 Rieber (1982) calls attention to an interesting fact, revealing that while merchants comprised approximately five per cent of the urban population in Russia between the 1830s and the 1850s, the number of their children enrolled in schools and institutions offering secondary and higher education barely exceeded this figure. Their participation, in other words, was extremely low, compared to others attending these schools who came from lower *soslovie* and experienced more economic hardship to obtain their education.

15 Rieber (1982:36) explains that there were three ways of entry into the nobility *soslovie*: “by imperial favour; normally in return for some outstanding public service to the state; by promotion in rank (*chin*) for those merchants who served as town official or tax collectors; and by imperial decoration (*orden*) of the first class.”

organise but also propelled them out of their own *soslovie*, in both cases rendering them even more dependent on the state.

Tsarist Russia: Modernising Tendencies vs Backwardness

In a well-known collection of essays, Gerschenkron (1976 [1962]) has related the notion of backwardness to the ways in which industrialisation advanced in Europe. In his view:

The typical situation in a backward country prior to the initiation of industrialisation process may be described as characterised by the tension between the actual state of activities and the existing obstacles to industrial development, on the one hand, and the great promise inherent in such a development, on the other (Gerschenkron 1976 [1962]:8).

The very root of the idea of backwardness, according to Gerschenkron, can be found in the Marxian thesis that the more advanced countries show the way for the less advanced ones. Thus, already in the 19th century the Western type of capitalism was supposed to constitute an ideal type which Russia was to emulate. Yet, as the example with the merchants shows, Russia's capitalism was driven by highly traditional economic actors. The coexistence of modernising and backward tendencies in Russia forms a powerful historical legacy that remains clearly discernible even now.

In relation to the Russian merchants I would agree that they shared the destiny of many other Russians, even of later generations, who preferred the strategy of adjustment before open confrontation with the state that customary subordinated the interests of individuals to the interests of the Great Power. The late Imperial Russia was driven apart by two quite contradictory tendencies. On the one hand, Russian government itself acted as a driving force of economic progress, promoting the import of advanced Western technology and application of modern industrial equipment, in order to better compete with other countries on the international market. On the other hand, the Russian state remained entangled in a number of ongoing military conflicts with the West, forcing a redirection of all that progressive energy to satisfy military needs instead of overcoming the general backwardness of the Russian economy and society.

The reforms initiated by Peter the Great illustrate this paradox well. According to Gerschenkron (1976 [1962]), Tsar Peter was himself an

entrepreneur, in the light of all the efforts he expended in the westernising Russia (for instance by adopting Western techniques and inviting Western specialists into the country, to increase the productivity and the skills levels of the broader Russian population). Yet, the result of these efforts was virtually more of a retarding than a modernising character: in an era of military expansion, the economic and social burden on the Russian population was pushed to its limits, with the greater mobilisation of resources being then the effect of oppression and sacrifice rather than reflecting true economic progress. Such a mode of economic development, proceeding by fits and starts, could only lead to short periods of intensification followed by longer periods of stagnation. In addition, the state's priority was to promote large-scale industries that could satisfy the requirements of state power most effectively. Consequently, as James West (2001:79) has observed, "The Russian economy was characterised by a marked imbalance between the towering state sector, shaped by a tradition of patrimonial autocracy and the more modest private enterprises that emerged in its shadow." The Russian state both funded and administered all state industries, while the private enterprises made their living laboriously on the periphery of the state power. Moreover, as indicated above, the cultural peculiarity of the Russian economic development was its continued reliance on peasant values, shared however by the majority of the society, that overtly discouraged individual initiative for private profit and favoured collective solutions as a guarantee for survival. For this reason it is more common than not to see the origins of Russian entrepreneurship traced back to marginal social groups such as national and religious minorities, serfs and foreigners. This interesting fact obviously deserves more attention, not the least because, in order to fully understand the origin and peculiar nature of the Russian entrepreneurship, one should admit the geographical dispersion and the variety of economic interests characterising different entrepreneurial groups.

Local Entrepreneurial Communities

Alfred Rieber (1982) and Thomas Owen (1983), among others, have proposed that the advent of modern capitalism in Russia be dated to the 1840s, a time when important changes were transforming leading industries in the country, such as cotton, textile, weaving, and spinning factories along with shipping, railways, and metallurgy. The rapid

industrialisation over the following twenty years brought with it free labourers,¹⁶ more education and training in capitalist techniques, as well as the search for foreign markets to stimulate the rising Russian economy. There was no lack of financing for the newly established industries. Among the sponsors were not only the Russian state, whose input could be expected, but also a number of private credit networks existing among business circles of various cultural backgrounds. It is during this time that, as Rieber (1982) has suggested, a new social grouping, that of entrepreneurs, can be seen emerging (Rieber calls them “the industrialists”). This social category was extremely heterogeneous and included “path breakers” (ibid.) from various social backgrounds such as peasants, noblemen, and merchants. Its most important characteristics were social dynamism and vision to influence the development of society. At the same time, as admitted by many historians, entrepreneurs remained few in numbers and disparate in their origins, facts which predestined them to either be fully associated with the rising bourgeoisie or remain basically ignored, owing to their minor impact on the general development of Russian capitalism. Following Rieber (1982:134–135), I am in favour of considering the entrepreneur as a:

social type emerging in Imperial Russia in the decades from 1840 to 1860 who was engaged in large-scale private economic activity, yet was distinguished in a variety of ways from both the capitalist, who was merely an owner of the means of production, and the bourgeois, who would have been a member of numerous, politically conscious, and nationally organised class, striving for a share in a control over political power.

I would argue that awareness of this middleman position occupied by the entrepreneurs is crucial for our understanding of the nature of the Russian entrepreneurship as it evolved over a long historical span, representing as it does yet another historical continuity of interest for the discussion in this chapter.

The fact that the core of the merchant *soslovie* remained traditionally and conservatively oriented made the more progressively acting merchants pursue their interests elsewhere. Several historians have suggested that much of industrialisation process was in the hands of the so-called interest groups, or local communities of entrepreneurs, which first appeared spontaneously and later purposely organised themselves

¹⁶ 1861, the year of emancipation of serfs, is normally considered a turning point in the Russian industrialisation process; see Gerschenkron (1976 [1962]).

in defence of their specific economic and political goals.¹⁷ These entrepreneurial interest groups were mostly manifest in the three larger geographical regions of Moscow, St. Petersburg, and the southern region with its centre in Donets Basin. Besides this geographical variety, however, the entrepreneurial interest groups were also ethnically and culturally diversified. Consequently, it is important to consider the contribution of both foreign and ethnic minority groups on the Russian entrepreneurship. Below, I will focus my description mainly on the Moscow and St. Petersburg entrepreneurial interest groups, given their more direct relevance for the present argument.

Entrepreneurs of the Moscow region

To begin with, Moscow was a strong economic and symbolical centre uniting the entrepreneurial groups of its wider geographical surroundings, including the central industrial region and upper Volga, especially the provinces of Kostroma and Nizhnyi Novgorod. Moscow entrepreneurs are considered “the most important group of indigenous capitalists who owed their wealth and influence to their own efforts” (Rieber 1982:135). This group was comprised of three main elements: Old Believers, noble industrialists, and long-established merchant families. Of these three sub-groups, the Old Believers have attracted most academic attention among social scientists, with their mode of business representing the most peculiar paradox between their intentions and impact on the Russian private entrepreneurship. For this reason, I would like to dwell a little more at length on this particular group before proceeding with my overall argument.

The emergence of the Old Belief is one of the most mystifying events in the Russian history of the 17th century, and it has been thoroughly analysed elsewhere.¹⁸ My own interest in this group is more of a sociological nature, and the question I seek to answer is: What forces combined to compel this traditional religious minority to perform in the most rational economic manner possible at the time? Generally speaking, the patterns of behaviour characterising the Old Believers, such as evasion of authority and retreat into a separate belief system, should be regarded not only as indicators of religious separatism but also as a response to the spirit of time. To clarify, Old Believers, similarly to

¹⁷ Several authors strongly support the argument regarding the ethnic diversity and economic regionalism as factors affecting the country's early capitalist development; see, for instance, Rieber (1982), Guroff and Carstensen (1983), Gleason (1991).

¹⁸ See West (2001) and his extended bibliography on the issue. Other key texts here are by Blackwell (1965) and Gerschenkron (1970).

many other social groupings of the time, stood in defence against the official establishment, the state and the church of the imperial Russia, and their patrimonial and oppressive practices. James West (2001:82), for example, has stressed that “The Church Schism at bottom was less about faith than it was about power, the authority of a new, centralising state to impose its will on the people.” As a result of severe oppression from both the Russian state and the dominant Orthodox Church, Old Believers, unwilling to concede, were forced to seek refuge in the remote areas of the empire. Living at first in scattered and secluded communities, they then began to eventually develop a collective identity, which later on could serve the groundwork for the accumulation and utilisation of wealth, as a way of defence against the hostile attitude of the state.¹⁹

With the policy of official toleration during the rule of Catherine II, Old Believers began to return from the far peripheries to the central provinces, above all to those around Moscow but also to a lesser extent St. Petersburg, where by the early 19th century they had already grown influential in the large industries, especially textile, commerce, and finance. Their communities were known for “cleanliness, honesty, reliability, frugality, industry and drift” (Gerschenkron 1970:34); however, other features such as conservatism in family and social relations were predominant as well. This combination of conservative and modernising drifts within one and the same social group presents a puzzle that has attracted many social scientists to apply various theoretical tools on the case. To name just a few, Weber in his classical work (1976) drew strong parallels between the Old Believers and the enterprising Calvinists in Europe. Gerschenkron (1970), on the other hand, argued that the foundation of the Old Believers’ value system could only loosely be connected to their religious faith. In fact, it, in his assessment, was more thanks to their marginal position as a “penalized minority” (Gerschenkron 1970:47) that Old Believers were able to affect the development of the Russian capitalist spirit to such a great extent. To consider the issue from more productive angle, a cultural perspective may prove useful. West (2001), for instance, has drawn attention to the pioneering work of the Russian semiotician and culturologist Yuri Lotman, who maintained that much of the country’s history can be analysed and understood in binary extremes, such as the state and *narod*, revolution and reaction, and the like. Following this logic, “the

19 In West’s (2001) estimate, during the years of their retreat the Old Believers managed to amass the largest and the most active resources of non-state capital in Imperial Russia.

new” in Russia has often turned to be “the old turned inside-out” (West 2001:86), which in the context of the Old Believers’ capitalist endeavours means that they strove for the modernisation of Russia using measures most genuinely Russian, or believed to be such. Therefore, the Old Believers’ opposition to the tsarist regime, their dynamism in entrepreneurial life, their yearnings for the rule of law, and their defence of religious and social freedoms all coexisted with their intense nationalism and hostility to foreigners. In addition, the Old Believers were probably the only stratum among Russian entrepreneurs whose economic objectives intersected most decisively with moral responsibilities. Their business practices, for instance, are a good example of how collective wealth could endorse the creation of the private wealth. At the same time, the Old Believers considered personal enrichment to oblige one to serve the public good (Blackwell 1965; West 2001).

All this notwithstanding, Old Believers were nonetheless not the only group making up the entrepreneurial core of the Moscow region. Moreover, over time the very economic success the Old Believers achieved came to attenuate their religious zeal, with the result that they grew more attuned with the values of the Western culture and education. It was largely this fact that led them to seek alliance with other entrepreneurial groups in the region. Socially and culturally, Old Believers were very close to the established merchant families and Slavophile²⁰ entrepreneurs. Together they shared not only the market places and the neighbourhoods of the Moscow city, but also the strong faith in technical innovation and rational organisation of business. In addition, their economic focus was primarily on Russian national industries. However, given that Moscow entrepreneurs managed to build a whole infrastructure of banks, railroads, and technical schools, in which they actively invested their capital, often at their own risk, they could sustain a strong economic position without having to depend heavily on either the Russian state or foreign investment. Rieber (1982: 139) has described the Moscow entrepreneurial group as “united in their struggle to counterbalance harmful Western influences.” This meant preference for a modern, progressive form of leadership, even when Western materialistic values remained largely unacceptable. As pointed out by Rieber (1982), a growing number of merchants’ and Old Believers’ sons could thus acquire Western education and entre-

²⁰ Slavophiles were members of a 19th-century intellectual movement that strove to build Russia’s future development on values and institutions derived from the country’s early history. Many of the Slavophiles were wealthy, well-educated, and well-travelled members of the old aristocracy.

preneurial skills while remaining strongly dedicated to their Russian cultural identity.

Yet, it is necessary to emphasise that during this time there was also an interesting shift in the entrepreneurial echelons, in particular in the Moscow region.²¹ According to Gerschenkron (1970), during the rapid industrialisation in the late-19th century Russia entrepreneurship had nothing to do with either ethnically or religiously marginalized groups. While sharing the sentiments of the capitalist spirit and a national pride for their pre-runners, the successors of the Moscow entrepreneurial group were young, highly educated descendants of gentry, for whom distrust in the state and foreign customs were alien as feelings. Instead, “entrepreneurship for the sake of Russian power became an honourable calling” (Owen 1983:82), and the new generation of capitalist entrepreneurs was prepared to make use of whatever Western skills, techniques, and capital were available to strengthen the economy of Russia.

St. Petersburg Entrepreneurial Groups

While the Moscow entrepreneurial groups demonstrated at least some unity in values and economic aspirations, the entrepreneurs of the Northern region, including St. Petersburg and the Baltic provinces, represented a rather opposite case. To begin with, as an imperial capital St. Petersburg was the home of the tsarist administrative apparatus, the largest seaport of the empire, and the most industrialised and urbanised region. The spirit of the capital city welcomed experimentation, along with an international mixture of people and ideas. A world city in the modern sense of the term, St. Petersburg gave rise to cosmopolitan entrepreneurs “Western in outlook and citizenship” (Blackwell 1983:17). This apparent Western attachment, as well as the unique ability the city’s entrepreneurs showed in diversifying its industries and adjusting the existing investment structures to both Western and Russian needs, left a strong imprint on the structure and relations of the entrepreneurial groups of the Northern region.

According to Rieber (1982), the entrepreneurs of the region comprised three main groups: the merchants, the industrialists, and the bankers. The merchants of St. Petersburg were predominantly of Russian nationality, while ethnic Germans dominated in the Baltic provinces. The St. Petersburg merchants were active mainly in retail,

²¹ While this shift receives only brief commentary from both Gerschenkron (1976 [1962], 1970) and Owen (1983), I would nonetheless dare to assume that it could have had a major impact on the capitalist expansion in Russia in the end of 19th century.

domestic, and foreign trade, standing for up to two thirds of the entire Russian trade volume at the onset of the 1790s (see, e.g., Lebedev 2001). Foreign trade, however, experienced a considerable decline towards the end of the 19th century, due to the construction of the railroads that created new markets in southern Russia, now more accessible for the merchants of the centre and the peripheries. Even before, however, the position of the Russian merchants in foreign and domestic trade had been weakened by the circumstance that they were not only competing with foreigners on the commercial market but also fully depended on them for financial credits.²² By the early 19th century, dearth of free capital in Russia in general, and absence of credit institutions and private banks in particular, had come to present a real problem for the St. Petersburg entrepreneurs. The Russian state, seeking to increase its profits from foreign trade and emulate the European example, promoted the idea of monopolistic trade companies. At the same time, for the Russian merchants it was, however, the opposite tactic that was more productive. Joining monopolistic companies was not desirable for at least two different reasons: as previously noted, there was a general reluctance to engage in any form of collective action and, more substantially, a lack of trust among the merchants in preserving their own capital.

The second entrepreneurial group in the region, the St. Petersburg industrialists, seemed to hold a more beneficial position. To begin with, the Northern region's economy was dominated by heavy industries promoted by both state contracts and foreign sponsorship. Usually holding the lead in new branches of manufacturing, St. Petersburg industrialists had to yield their position in metallurgy and textile industries to the southern and the Moscow regions respectively. The economy of the whole region, however, was still able to successfully compete with Moscow, for instance, due to the large influx of foreign capital. It should be noted, however, that foreigners residing in the capital city did not invest directly in domestic production, which remained in predominantly Russian hands. Instead, it was the Russian government that benefited from the foreign loans, often later on redistributed to various enterprises. Another way to receive credit was via the foreign banks, flourishing in Russia until 1914 and the outbreak

22 Lebedev (2001) comments that despite the efforts of the Russian government to protect Russian merchants through strict prescriptions given to the foreign visitors regarding their rights and limitations in commercial and banking business, there were numerous cases in which the foreign agents carried out their business without legal mandate or applying standardised fees. In doing so, foreign merchants seriously undermined the competitiveness of Russians on the market.

of the World War I (Kaser 1978). With the support of foreign funds, the St. Petersburg industrialists could branch out in such new areas as chemical and electrical industry, both at a high technological level comparable to contemporary Western and Central Europe. As already mentioned, many foreigners themselves settled and also ran industrial enterprises in Russia. I will return to the issue of foreign presence in Russian economy more specifically later on.

At this junction, it is necessary to emphasise that unlike their counterparts in the Moscow region, the St. Petersburg industrialists were mainly of foreign and noble origin. Despite the lucrative government contracts and foreign sponsorship they could enjoy, as Rieber (1982) has shown, there were still few industrialists in St. Petersburg, except the famous Nobel dynasty, who were able to withstand the financial pressure and retain control over the shares of their own enterprises. As a result, many successful concerns of St. Petersburg were operated by foreign interests or Russian ministries. But besides its entrepreneurial accomplishments, the first generation of St. Petersburg industrialists was able to leave their imprint on the city's economic life in other ways as well. They were deeply involved in a variety of educational, informational, and public activities, headed by the Technological Society. Bringing together industrialists from various regions and professional intelligentsia from the technical schools, the Technological Society provided an important arena from which entrepreneurs could exert influence on the much too powerful Russian bureaucracy. In addition, the alliance was meant to provide a means to better cope with the numerous large strikes organised by the strengthening workers' movement in the region. Unlike their Moscow counterparts, the industrialists of St. Petersburg did not entertain lofty sentiments towards their workforce, and on this particular issue they sought sympathetic ear in the Russian government as well. The latter, however, did not have much interest in protecting the rights of the capitalist owners, either, frustrating the search for the powerful alliance.

The bankers, also to be called the financial oligarchy as they were to be termed in historical research on the issue, were the third constitutive group among the St. Petersburg entrepreneurs. The emergence of this group can be directly linked to the international profile of the city and the amount of the foreign capital operating there. According to Rieber (1982) and Anan'ich and Beliaev (2001), throughout the 19th century St. Petersburg was the centre of the most influential banks in the

whole empire, and all major international transactions were conducted via the capital. For instance, in 1875 there were twenty-five banks in St. Petersburg and only five in Moscow, while by 1914 their number had grown to 567 and 153 respectively (see Lebedev 2001). The fact, of course, was crucial for the leading position of the financial elites within the economic and cultural arenas. As mentioned above, the country's banking system, unlike anywhere else, was originally created by the state itself. In this the main objective of the state's financial policy was not only to ensure the stable profit from foreign trade, but also, and no less importantly, to stimulate the accumulation of small savings among domestic entrepreneurs active in agriculture, trade, and industry. After the establishment of the new State Bank in the 1860s²³ the city experienced a banking boom, which eventually led to the emergence of private banks in 1864 and later on, in 1905, also private investment firms.

The founders of the private banking institutions in St. Petersburg were mainly foreigners from German, Jewish, and French backgrounds. Unlike in Moscow where local industrialists themselves – mainly textile tycoons – managed to develop a wide range of private banks using their own profits from industries, in the northern region the foreign professional banking families played the key role. Taking advantage of St. Petersburg's position as a major port city and a hub of foreign trade, prominent merchants at first opened trading houses, becoming then engaged in banking operations and establishing financial partnerships and, later, banks proper to invest in other businesses and arrange foreign loans to Russian actors. Eventually, when the Russian state withdrew from its position of leadership in this area, the new financial oligarchy could fully assume power over the banking sector. Many of those belonging to the city's financial elites had in fact started their careers in state service, pursuing moreover state interests and working on state contracts. Curiously enough, they found their way into private banking institutions using their previous positions as springboard for their future financial careers (Anan'ich & Beliaev 2001). The second layer of the financial oligarchy consisted of the previously prominent Russian and foreign merchants who carried on with their old ways of doing business even in the new commercial spheres, preferring to work within or between families even when establishing private banking institutions. Finally, following Anan'ich and Beliaev (2001), the third layer of these elites was composed of famous Russian economists,

²³ Prior to the reforms of the 1860s, the financial operations were conducted via Assignment Banks and later on also court banks, trading houses, and private banking houses; see Anan'ich and Beliaev (2001), Lebedev (2001).

who were among the founders and directors of the capital city's major banks. Aiming ultimately to control the economy of the entire country, the financial elites invested their capital in the leading industries, including metallurgical and machine building industries along with railroad construction. Nonetheless, as Kaser (1978) has shown, until 1908 the domestic industries remained almost wholly dependent on credits from foreign banks, with the Russian banks only later on taking the lead in financing the domestic economy. Besides their economic influence, the financial elites also contributed to the cultural and intellectual life of the capital as well as the whole country. The prominent leaders of banking institutions, especially those coming from Jewish, Polish, and German backgrounds, used their wealth to sponsor intellectual societies, newspapers, schools, and churches. Even the urban landscape of the city became profoundly affected by the active presence of their commercial institutions.²⁴

These financial reforms, extremely important for the development of capitalism and not least entrepreneurship in the country, were nonetheless frustrated owing to a number of circumstances. Most importantly, they were monopolised by the Russian state, motivated in part by the foreign competition. As reported by Gerschenkron (1976 [1962]), in Central and Western Europe there were first craft guilds and then banks that assumed a crucial role in the rapid industrialisation process, providing both the capital and the element of trust necessary to build a successful enterprise. In Russia, however, no such traditional role for craft guilds and credit institutions existed, and it was instead the state that stepped in to substitute for the lack of the capital, honesty in business, and business spirit. Therefore, the creation of banking institutions can be regarded as an attempt to transform the typically Russian mode of commerce, namely, the individual and family firms, to extend their principles of honesty, reliability, and diligence to a larger corporation. Sanctioned in a special statute enacted in 1836, the joint-stock companies were supposed to enhance the mobility of domestic capital and the transfer of foreign funds. Although they failed to gain momentum until much later on, the very fact of their creation as an alternative to the state loans and direct foreign investment constituted a turning point in the modernisation path of Russian capitalism.

A comparison between the domestic entrepreneurial interest groups in the north and the central region presents a rather ambiguous pic-

²⁴ Several articles in Brumfield et al. (2001) (see Anan'ich and Beliaev 2001) provide interesting material regarding the impact of the commercial institutions on the development of modern urban architecture in St. Petersburg in the late 19th and early 20th centuries.

ture. The Moscow entrepreneurs were largely driven by a nationalist impulse, giving rise to a most unusual co-operation between the merchants, industrialists from among the Old Believers, and intellectuals representing the gentry. The economic interests of all three groups were set against both the autocratic Russian government and the Western capitalists. At the same time, the cultural values these groups shared were informed by their “Russian-awareness” going hand in hand with European values. At the same time, the entrepreneurs in St. Petersburg had much less in common with one another both economically and culturally. Moreover, their diverse ethnic origins prevented them from intersecting in the same business circles. While the close ties with the West were apparently the strength of the northern region, in the long run they turned to be also its weak point. All Western notions regarding the formation of an enterprise as introduced in Russia had to undergo important modifications in order to become successful tools in the country’s economic life. Furthermore, even if St. Petersburg entrepreneurs were more modern in terms of their business skills, they were still deeply intertwined with the Russian bureaucracy, continuing to seek the support of the Russian state in all major economic questions. Consequently, it can be argued that the St. Petersburg entrepreneurs, as well as the Moscow ones, too, saw their greatest success in defending their narrow professional interests, which, however, held little general political importance for the wider Russian public. This discouraging fact became decisive for the outcome of the entrepreneurial destinies during the Revolutionary period.

Foreign Entrepreneurs in Imperial Russia

The issue of foreign presence among the entrepreneurs of Imperial Russia deserves considerably more attention than what is possible here due to considerations of space.²⁵ Nevertheless, given the topic of this study, I want to stress the importance of the role that foreigners and ethnic minorities played in the rise of capitalism and entrepreneurship in Russia. As already implied above, the non-Russian nationals were deeply involved in basically all spheres of the economic and social arenas beginning with the innovations of Peter the Great and up until 1914. The Russian empire, having never been a country of one nation, went on to incorporate ethnic minorities in ever-greater numbers as a result of its policy of annexation and colonisation of huge territories,

²⁵ For more on this topic see instead articles by Armstrong, Kahan, and Carstensen in Guroff and Carstensen (1983).

from North to South and from West to East. In this fashion, Jews, Poles, and Germans, among many other nationalities, appeared on the multicultural map of Russia. According to Kaser (1978), many of these minorities engaged in entrepreneurship of various kinds, in order to better assimilate into the Russian society. Nevertheless, it was not through activities of these settlers representing various non-Russian nationalities that capitalist enterprise became a reality in Russia, as Kaser (1978) has shown. Rather, the majority of the foreign entrepreneurs active in Russia were in fact descendants of expatriates returning to Russia at various times to take up occupations in business.

Pursuing high imperial ambitions, Peter the Great had brought foreigners to Russia more for their technical skills than any direct financial role. At any rate, foreign capital and competence were regarded with scepticism by the nationalistic capitalist elements. Such feelings, however, remained within moderate limits and in fact stimulated native entrepreneurs to respond to the presence of their foreign competitors. British, French, American, Danish, and Swedish entrepreneurs quickly gained dominant positions in economic life by furnishing the state-run industries with the most advanced technology. However, it was not until the reign of Catherine II that foreign specialists could fully enjoy rights to manage and own the Russian enterprises, although for a short while, and again during the reforms of 1860s. The economic status of foreign nationals was thus never easily acquired and held. The treatment of the non-Russian businessmen before the law was never unambiguous, either. As William Blackwell (1983) has correctly noted, it is very difficult to distinguish between the “foreign” the “Russian” entrepreneurs in Imperial Russia. Some of them acquired dual citizenships, others never did, while all of them operated in Russian territories, sometimes leading Russian enterprises, with almost all of them assimilating into their home communities both linguistically and culturally.

Obviously, what attracted foreigners to Russia were the favourable policies of the country’s rulers. Another important incentive, however, were the opportunities that the large and unexplored market could offer. It was, in fact, the foreigners who stood for most of the significant innovations serving as an impetus for the country’s capitalist economy (see, e.g., Kaser 1978; Owen 1983; Carstensen 1983). Possessing specialist knowledge and advanced technology, foreign entrepreneurs were obviously the first to set up pioneering industries in the areas of steam engineering, textile manufacturing, metallurgy, electricity, and chemistry.

Many foreigners also assisted in railway construction, decisive for connecting major economic centres across Russia's large territory. In addition, agriculture was assisted out of its semi-natural existence through the efforts of foreigners and ethnic minorities in initiating schemes for advancing funds for food and seed growers, as well as for importing agricultural equipment from abroad (Kaser 1978). Eventually, besides their technological expertise, foreign businessmen could effectively exercise their power as managers of large industries and investors of risk capital. As already noted, the absence of free capital along with the underdeveloped banking system created a strong incentive encouraging foreigners to invest in the expanding industries and in trade. This is how one can explain their active role in direct investment and in the establishment of the country's banks and joint-stock companies, which then for a long time remained conduits for Western business culture. In their role as managers, foreigners also showed indifference to the ethnic background of those working for them, which made a positive contribution to business culture and expansion by helping the promotion of specialists of various nationalities, especially Jews, Poles, and Germans who otherwise would have been discriminated against, to higher and more effective positions within the foreign-managed enterprises.

The influx of foreign specialists and finance into Russia gained its momentum between 1885 and 1903, the years when the Russian government more than ever before favoured foreign participation in the domestic economy.²⁶ The Russian finance minister Witte,²⁷ in his various appeals to the Tsar and the government, convincingly argued that:

successfully attracting foreign enterprise would force the emergence of a native entrepreneurial spirit, a spirit which would eliminate the need for government initiative and foreign enterprise (cited in Carstensen 1983:140).

Even though foreign entrepreneurs did enjoy favourable economic conditions in Russia, as brought by the governmental initiatives, there is still an unresolved question, as pointed out by Carstensen (1983), as to how effective these governmental policies actually were in sti-

26 According to Carstensen (1983), foreign entrepreneurs and firms accounted for roughly half of all new industrial investment during the spurt of industrialisation in Russia towards the end of the 19th century. Owen (1983) provides other statistics in support of the argument, giving the number of foreign citizens among corporate management in Moscow and St. Petersburg at 24 and 39 per cent, respectively, by 1899.

27 Sergey Yulyevich Witte was the minister of finance in 1892–1903 and the first constitutional prime minister of the Russian Empire in 1905–06. He sought to wed firm authoritarian rule to modernization along Western lines.

mulating both the foreign enterprises and the domestic business. The available statistics from the period, as Carstensen has shown, reveals there to have been a regional and sectoral concentration of foreign ownership rather than ownership of commercial and manufacturing assets in general. Moreover, it remains unclear what the motives of the foreigners were in launching businesses in the country, and what kind of problems they may have encountered in their dealings with the Russian bureaucracy, law, labour force, and so forth. These questions, indeed, call for further research and analysis that cannot be conducted here. Nevertheless, there is documentation of attacks against foreign and ethnic minorities' economic interests and firms both in Moscow and St. Petersburg, as well as in other regional provinces, that cannot but confirm the doubts expressed by Carstensen.²⁸

Whatever the merits of such statistics, there is no question that foreign participation in Russian economy played a paramount role, especially during the burst of industrialisation. In fact, following Gerschenkron (1976 [1962]), it can be concluded that importing educated foreign specialists and Western technology, as well as compensating for the lack of business ethics and credit institutions in the manner of the Russian state during the pre-industrial period, were all effective ways to substitute for the otherwise absent basic preconditions required for industrialisation, as found in the majority of the Western countries. Paradoxical as it may seem, such substitutions may explain why, despite the inadequacies of its entrepreneurial sector, Russia could experience a remarkable wave of modernisation towards the end of the 19th century. Another interesting process taking place at the same time, as Carstensen (1983:142) has observed, was "a shift in entrepreneurial energy and ability, a shift from the foreigner [...] to the Russian." Kaser (1978:472) has pointed to the same phenomenon: "the ultimate tribute to foreign entrepreneurs was that they forced and encouraged imitation and brought their own relative decline." To summarise our discussion thus far, we can therefore distinguish at least four major types of contribution that foreign entrepreneurs made to the evolving Russian economy. First, they invested in the growing Russian industries and trade, which otherwise lacked their own working capital. Second, they prompted the mobilisation of domestic capital for ventures conceived abroad. Thirdly, the foreign specialists supplied the technical skills and equipment needed by the main industries in the country. Finally,

28 For more on this issue, see Kaser (1978), Rieber (1982), Kahan (1983), Armstrong (1983), Owen (1983).

foreign participation in the economy, thanks to the competitive pressure it exerted in its environment, prompted the emergence of native entrepreneurs and gave rise to more positive attitudes towards entrepreneurship in Russia. It is worth noting that a new opportunity for foreign entrepreneurs to create a similar effect on the Russian economy would not arrive before the 1990s when Russia was to build capitalism from scratch.

The Middle-Class Issue: Russia vs Europe

Having thus outlined the major features of the Russian entrepreneurship during the pre-Revolutionary era, I would like to conclude the discussion thus far by bringing up the question of the middle class(es).²⁹ The relation between this issue and entrepreneurship may not seem obvious at first glance, as already indicated in the discussion of theoretical frameworks above. Furthermore, directly borrowing and applying Western concepts and notions may obscure rather than reveal the actual meaning and significance of these and other phenomena in the Russian context. However, convinced that Russian history and social life cannot be perceived and understood only in terms of their singularity,³⁰ I find it necessary to make the connection between the issues of entrepreneurship and middle class for at least two major reasons. To begin with, placed in comparative perspective, the rise of the middle classes, or bourgeoisie, took place both economically and culturally everywhere in Europe in the 18th and the 19th century, which certainly did have an impact on the formation of similar groupings in Russia, albeit in a particular way.³¹ Secondly, discussing the various propertied groups in the pre-revolutionary Russia in terms of the middle-class culture proves to be relevant for the understanding of both the Soviet middle-class phenomenon and the formation of the middle classes in the post-Soviet time, to which issue I will be returning later on. In this

29 According to Kocka (1995), 'middle class' in singular is more appropriate as an analytical category, whereas in the regional and national contexts the term 'middle classes', in plural, may be particularly useful. The same line of argument can be found in Balzer (2001).

30 I share this conviction with many other social scientists who argue that perceiving the history or social development of Russia only in terms of uniqueness and tradition often leads to "path dependency" explanations and precludes drawing the parallels with contemporary developments in other countries that may show a clear resemblance or enhance the understanding of the phenomena under the question. For more on this point, see Rieber (1982) on Imperial Russia, Gerschenkron (1976[1962]) on Imperial and Soviet Russia, and Service (2003) on Soviet and post-Soviet Russia.

31 This theme is splendidly developed by Pilbeam (1990), who in particular stresses the importance of a comparative perspective.

conjunction, I will briefly address the issue of the middle classes in Russia versus Europe prior to the revolutions of 1917.³²

As the discussion above suggests, the reforms of the 1860s brought great economic, political, and social changes in Russia. These reforms indeed created a fertile ground for the emergence of capitalism in the country, which process then escalated at the end of 19th century, stimulated by rapid industrial growth, construction of railroads, creation of banks and joint-stock companies, intensive urbanisation, and advances in popular education. These developments created an arena for a new type of businessmen and new kinds of entrepreneurial organisations to arise and operate. A new class of entrepreneurs thus emerged, which, according to Rieber (1982:422), “occupied a new set of social roles free from the attachment to *soslovie* and characterised by the technological innovation, economic risk taking, and political activism.” These capitalist agents, comprising bankers, managers, merchants, and industrialists, while regionally based, strove for the development of solid economic infrastructure for the whole nation, and established technical schools as well as credit and transportation institutions. Moreover, they strongly resisted any bureaucratic interference in the commercial and industrial enterprises as well as in labour relations, using petitions to the government, membership in various commissions, and personal strength as their means. All this, however, does not imply that the entrepreneurs’ independence from the authorities was in any way complete. Quite the contrary, given the circumstance described above, entrepreneurial groups, both in the centre and the peripheries, remained largely dependent on governmental loans, contracts, and protective tariffs for their economic security. This contradictory position vis-à-vis the Russian state gave rise to a notable ambivalence in the relation between the propertied classes and the autocratic power.

The question that many social scientists pose today is whether this new entrepreneurial conglomerate could be perceived as a Russian middle class or bourgeoisie.³³ Moreover, the question remains whether the groups in question can be compared to their contemporaries in Europe. As only a brief introduction into these issues, I want to point out some key tendencies in Europe at the time. The very terms ‘middle class’ and ‘bourgeoisie’, so fundamental for the analysis of modern

32 It is customary to speak of the great October Revolution of 1917 as one of the most important events in the history of Russia. However, it was preceded by a revolution of February 1917 that profoundly affected the economic and political position of entrepreneurs for many years to come; see, for instance, Rieber (1982).

33 For further detail on this issue, see Clowes et al. (1991); but see also Balzer (1996), Rieber (1982).

history, are not neutral either in their meaning or in their political import. As Jürgen Kocka (1995) has correctly noted, these concepts refer to descriptive, analytical, and normative patterns of the phenomena they describe. Far from analytically precise, then, the concept of the middle class was generally used to signify a largely urban phenomenon in Europe in the 18th through the 19th centuries. Pamela Pilbeam (1990), for instance, argues that the terminology of classes came to substitute the concept of bourgeoisie in response to the new situation brought by social change. In other words, by the end of the 18th century the term 'bourgeoisie', previously denoting the "wealthy, corporate members of the urban community" (Pilbeam 1990:3), had already become vague since the accelerated urbanisation and industrialisation brought to surface other social cleavages, in a situation "where a man's job and the amount he was paid counted for much more" (ibid.:2). Nevertheless, the terms bourgeoisie and the middle classes are often used interchangeably in the literature regarding the 18th and 19th centuries, given that they both assume certain levels of education, wealth, lifestyle, and not least political activism among the social groups they designate.³⁴

According to Kocka (1995), the middle class in Europe consisted of two major sub-groups: the economic middle class, or manufacturers, entrepreneurs, bankers, rentiers and their families, and the educated middle class, comprised of doctors, scientists, lawyers, and other professionals as well as functionaries serving the administrative and official apparatuses in both public and private spheres. Obviously, including individuals with such differing market positions, the middle classes in fact could hardly be seen as a unified corporate group. However, as Kocka has also argued, there are two major characteristics that these groups shared in common. To begin with, searching for their common identity the European middle classes were strongly opposed to the privileged aristocracy and the monarchy in their home countries. Rejecting unconstrained autocracy and religious orthodoxy, those in the middle classes upheld "the principles of achievement and education, work and self-reliance, a vision of modern, secularised, [...] self-regulating civil society" (Kocka 1995:785–786). At the same time, the middle classes showed critical distance towards the "small people," meaning the working classes, peasantry, and even petty bourgeoisie. Therefore, seeking cohesion through contrast to those both below and above themselves, the middle classes acquired a specific code of cul-

34 Following Pilbeam (1990), Clowes et al. (1991), and Kocka (1995), also I use the terms 'bourgeoisie' and 'middle classes' interchangeably in this discussion.

ture, which forms the second crucial feature of their social position. Besides the emphasis on education and individual achievement, this culture embraced the values of family life, based on privacy and emotional unanimity. Another important feature of this culture was communication (*sociabilité*), which by means of political and professional association came to evolve into the powerful ideologies of liberalism and nationalism.

In a comparative perspective, a look at the question of boundaries between the various classes reveals essential differences between the countries of Western, Central, and Eastern Europe.³⁵ Perhaps the most striking aspect here is the fact that despite their strong opposition to the nobility, in Western and Central Europe there was much mixing between the middle classes and the aristocracy. “This *mélange*,” as Kocka (1995:790) has stressed, “permitted a gradual and relatively smooth decline of the aristocratic component and similarly gradual ascent of the middle classes, which by 1914 had become the dominant partner in the alliance.” In addition, the bourgeoisie of the Western Europe was clearly dominated by the economic middle classes, namely bankers, manufacturers, and the like, while the educated part of middle classes, while respected, remained less influential both politically and culturally. In Central and Eastern Europe, on the other hand, the situation was quite different. To begin with, the boundaries between the middle classes and the nobility, as well as between the middle classes and the lower classes, were more sharply drawn. Although the aristocracy had lost most of its previous privileges, its symbolical power remained undiminished. In addition, the middle classes were dominated by the educated strata, which had very little contact with the merchants, the entrepreneurs, and the bankers. In contrast to Western Europe, the gradual fusion between the middle classes and the nobility was not possible, either, as most of the Central European states were supranational empires ruled by foreign elites, a circumstance which nourished nationalistic ideologies rather than a tendency to form alliances.

Viewed in this substantially broader perspective, the position of the entrepreneurial class in Imperial Russia no longer seems particularly exceptional. Nonetheless, there are several reasons why it has remained customary to speak of “the missing middle class”³⁶ in Russia. The very term ‘class’ did not figure in the rhetoric of the different entrepreneur-

35 Kocka (1995) includes France, the Netherlands, Belgium, and England in the western part of Europe, Prussia, Bavaria, Austria, and Bohemia in the central part, and Russia in the eastern part.

36 This topic is a key issue informing several anthologies; see, e.g., Clowes et al. (1991), Balzer (1996).

ial organisations in Russia until 1905, as Owen (1991) has pointed out (see also Freeze 1986). It was only towards the end of the Imperial era that it attained some currency, although only in the largest cities and mainly under the influence of the Marxian left. Instead, the official terminology persisted in referring to various social strata in terms of urban estates or merchants, *meschanstvo*, industrialists, and the like. These titles were the direct remnants of the *soslovie* system that, while artificially preserved, firmly served the purposes of the Russian state's economic and social policies when it came to privileges, taxation, and jurisprudence. The paradox pointed out by several researchers here is that having embarked on a course of reforms that eventually undermined the autocracy, the Russian government simultaneously kept attempting to bulwark monarchy.³⁷ As Boris Anan'ich (1983:139) has put it, "The government stimulated the private enterprise and private initiative, but only to the extent that it did not affect the political interests of the autocracy and on condition that control of industrial development was concentrated in the Ministry of Finance and other state organisations."

The parallels with contemporary Russia seem obvious. In both cases, it was primarily the state that opposed the emergence of the bourgeoisie in Russia. Characterised by its "accumulative drift [and] acquisitive and organising genius," the bourgeoisie was closely associated "with a dynamism of social change, with capitalism and its attendant expansion of productive capacity and accelerating technological innovation" (Monas 1991:30). Furthermore, the bourgeoisie advocated personal and property rights and freedom from any intrusion by the institutions of state power. Obviously, for the Russian state the bourgeoisie could then but represent a revolutionary force.

Bourgeoisie in Russia: A Missing Class?

The question that arises at this point is: Who was there to claim the title of bourgeoisie in Russia? The fact that various entrepreneurial groups along with the growing numbers of free professionals indeed represented new social and economic forces challenging the Russian autocratic rule does not in itself mean that these groups acted as a class. For apart from any common aspirations in terms of culture, income, or political ambition that they may have had:

[s]uch individuals cannot act as a class unless they share certain beliefs and attitudes, communicate these ideas among themselves, and

³⁷ For a closer analysis of the contradictions implied, see Anan'ich (1983), Monas (1991).

organise group action in pursuit of common goals, using permanent mechanisms such as membership organisations, based on economic or professional function (Owen 1991:76).

It is exactly these features, the corporate spirit and self-consciousness, that the Russian bourgeoisie lacked, compared to its counterparts in other European countries. As Rieber (1982:416) so tellingly put it, "In Russia social groups that normally composed the bourgeoisie in Western Europe moved into this space separately without giving any indication of joining together or moving forward at some future time." To elaborate on the point a little further, I will briefly describe the major impediments to the formation of class identity among the Russian middle classes.

To begin with, the Russian bourgeoisie did not consider itself as a unified social class since it comprised of diverse social categories from nobility to prosperous peasants. Their interests and political dedications differed significantly from one another. This divergence of origin and aspirations distinguished not only the entrepreneurial groups, the so-called economic middle classes, comprised of managers and owners running both the state and private industry, commerce, banking, and business; even the educated part of the middle classes was marked by the same discrepancy. Since, similarly to other East European countries, the educated middle classes in Russia were notably more influential than the entrepreneurs, a brief discussion of their general position is in order. The category that did not fit in any *soslovie* of the tsarist system, yet grew rapidly after the 1860s, was the *raznotchintsy*,³⁸ or "people of various ranks," who acquired higher education at universities or specialised institutions and pursued teaching, research, law, journalism, medicine, and other intellectual professions.³⁹ Inspired by the Western liberal and radical ideals, these professionals became the fore-runners of Russian *intelligentsia*, whose dedication to their careers was as strong as their aspiration to serve the people and the Russian nation was high. In Russia of the pre-Revolutionary period in particular, to be "a professional" often meant not only to be educated, but also to uphold an "intelligentsia ethos," which included "a strong element of social service and responsibility for the enlightenment of

38 Balzer (1996:xx) describes *raznotchintsy* as "often sons of priests and or other individuals who attained some education which enabled them to rise above their hereditary social status but did not confer new status." Others discussing the role of *raznotchintsy* in the emergence of the middle class ethos include Timberlake (1991) and Gleason (1991).

39 Balzer (1996) offers a profound analysis of the development of Russian professions, including an extended bibliography on the subject. See also Balzer (1991).

people (*narod*), tinged with opposition to the tsarist government,” emphasising also the role of “*vospitaniie* (literarily upbringing, but implying moral education and inculcation of values)” (Balzer 1996:9-10).⁴⁰ The most perplexing feature of this social category, the professionals, was that, as Harley Balzer (1991: 185) puts it, “most educated specialists [were] employees of the very state they [sought] to challenge.” Given the fact that the Russian state monopolised both the institutions of the higher education and the occupational opportunities, professionals had very little choice when it came to employment. Nonetheless, those educated specialists who aspired to the intelligentsia tended to seek their employment at various *zemstva*, the organs of provincial self-government in Russia, and were also perceived as working “in the midst of *narod*” (Timberlake 1991:164).⁴¹ On the other hand, career-oriented professionals preferred to pursue their jobs either within the capitalist industries or in the Russian ministries and institutions. The latter fact has significantly contributed to the professionalisation of the Russian bureaucracy.⁴²

Another dividing line within educated middle classes formed based on their own self-identification. It is interesting to note in this connection that while professionals in Russia largely identified themselves as part of the larger international community, the self-perception of the intelligentsia was rooted in their service to the Russian masses, seen as a compelling duty (Balzer 1991). The fragmentation within the educated middle classes accentuated even further when it came to political activism and the preservation of hierarchies within the professions.⁴³ As the Russian bourgeoisie was already a product of authoritative arbitrariness and preferential policies towards nobility, a “historic divorce between the entrepreneurial stratum and educated society” (West 1991:41) deepened even further at the arrival of the early 20th century, and remained

40 Even if the categories of the Russian professionals and intelligentsia significantly overlap, Balzer (1991:186) emphasises that “[o]ne could be an intelligent without being a professional, much less a member of a profession; not all professionals meet everyone’s definition of an intelligent.” This division, albeit a very fine one, is crucial for the understanding of the specific mission that intelligentsia was and has been expected to play in the Russian society.

41 On the role of *zemstva* in nurturing middle-class values in provincial and rural Imperial Russia, see Timberlake (1991).

42 This alliance between the professionals and bureaucracy in Russia and Europe more broadly is given a thorough discussion in Pilbeam (1990) and Balzer (1991).

43 Several authors have pointed out to these divisions both within and between the various professional communities. Engineers, for instance, were the most radical among professionals when it came to participation in strikes and demonstrations and the formation of mutual aid associations. At the same time, many professional unions remained ambivalent about accepting auxiliary employees into their ordinary membership: see Rieber (1982), Pilbeam (1990), Balzer (1991, 1996).

apparent for a long time. Striving after independence from the authoritarian Russian state while simultaneously seeking to reform it, the entrepreneurial stratum and the educated society seemed to possess differing cultural legitimacy in the eyes of the Russian population. The entrepreneurs advocated capitalism as “the only vital and practical system for the conduct of economics” (ibid.:48). They promoted a particular moral ethos, centred around “creative egoism” and nationalism (West 1991:49). At the same time, Russian entrepreneurs continued to lack political influence, which remained a privilege of the educated society, or the *obshchestvennost'*, which in turn “displayed scepticism or hostility toward what they called ‘the narrow economic interest’” (Rieber 1982:424).

The second major impediment to the formation of the class identity capable of uniting the middle classes was ethnic differentiation among the entrepreneurial and, to lesser extent, the educated corporate elites. As indicated above, ethnic minorities such as Poles and Jews, along with foreigners operating in the country, largely dominated the small and highly urban community of entrepreneurs and merchants. The heightened political and economic situation of the pre-revolutionary times did not lead to any greater unity of this community, which was already victimised by reverse favouritism and arbitrary administrative action from the side of the Russian government and bureaucracy (Armstrong 1983; Kahan 1983; Carstensen 1983 and Owen 1991). Even though the presence of foreign entrepreneurs served as an impetus for the development of native entrepreneurs, it was often met with attacks and discrimination against the ethnically non-Russian businessmen and their local interests.

Finally, the economic and professional regionalism in Russia was the third factor standing in the way of any formation of corporate middle-class identity. All the major entrepreneurial groups and educated specialists were remained concentrated in the big cities, and only to a lesser degree scattered around in the provinces and villages.⁴⁴ The availability of capital for entrepreneurs and of employment for the professionals was crucial for these groups' economic and social survival. In these respects, it was the Russian state that represented both the greatest impediment and the most promising source of assistance in the pursuit of their goals. As concerns the entrepreneurs, most of them were engaged in operating family-based firms. Many, however, were

⁴⁴ With the help of the *zemstva*, however; by 1909-1910 as many as 70,000 of university-educated teachers, statisticians, lawyers, doctors, and the like were working in 358 district towns in Russia. The estimates are from Timberlake (1991:171).

able to take advantage of lucrative state contracts and protective tariffs, receiving also much of the flow of the foreign capital. In contrast to other European countries, the entrepreneurial careers in Russia became open even to people from “below,” namely, the small craftsmen and trading peasants (Pilbeam 1990). At the same time, the state remained strictly opposed to the formation of an all-Russian organisation for trade and industry, this way only strengthening the divided loyalties of the local entrepreneurs. Torn between nationalist attitudes in the centre and more cosmopolitan orientations in the north-western regions, as well as rejecting the mixture between the commercial and industrial elite in all the regions, the entrepreneurial classes willingly turned to occupational loyalties as an option safer than any political or national attachments.

To conclude, the circumstances described above undoubtedly contributed to the “disarray of the Russian corporate elite,” which, given the traditional estate, ethnic, and regional loyalties, made effective resistance to the “autocratic models” of the Russian state impossible (Owen 1991:87-88). The case of Russia was not, however, unique, in view of similar tendencies witnessed in other East European countries. Indeed, studies on the middle classes everywhere in Europe reveal more diversity than unity among their constituent parts (see, e.g., Pilbeam 1990; Kocka 1995). Yet, in Russia this fragmentation led to unprecedented consequences, culminating in the collapse of the Tsarist regime and the adoption of a profoundly new economic and political path affecting the entrepreneurial sources and systems of authority to this day.

The absence of capitalist institutions did not serve as an impediment to the emergence of entrepreneurship. In Russia, entrepreneurs emerged from the margins, helped by the modernising role of the state, its preferential policies and the freedom of movement, but also controlled by the state adopting an activist stance with respect to funding, the necessity to compete with foreigners, and the like. The growth of local entrepreneurial groups, specifically the modes of entrepreneurial spirit and culture that they were carriers of, was stimulated by the presence of and the competition with foreign counterparts. Compared to other European entrepreneurs, who were predominantly economic middle class, the Russian entrepreneurs remained in a weaker position: comprised of bourgeoisie who were torn between the economic and educated middle classes, various ethnic groups, and regional interests.

Chapter Four

The Breeding of the Soviet Managers: Entrepreneurs by Force

Introduction

When we move into the Soviet period, the question of what contemporary social and economic actors can be identified as performing the entrepreneurial function comes up again, although in a new context. This context, often described as the “Soviet system,” “Soviet order,” or “Soviet rule,” is intricate in nature and far-reaching in its future implications. Moreover, describing it is theoretically and methodologically challenging, owing to the fact that the official Soviet ideology had both intended and unintended consequences for society as a whole along with its members’ lives quite individually. What this means is that, among other things, despite the numerous efforts to characterise the Soviet system as a totalitarian regime, the society it produced turned out to be full of paradoxes and subversions undermining the system, eroding it from within, as well as concession and internal alliances within the system itself, considerably increasing its strength and survival capability.¹ The phenomenon of the Soviet entrepreneurship epitomised the same ambiguity. As Joseph Berliner (1983:192) has described it:

the Soviet system has found a way of stimulating a significant level of entrepreneurship in its population, but nevertheless those who carry out this function operate under a variety of restrictive conditions.

Katherine Verdery (1991) has correctly observed that compared to capitalism, which ultimately is driven by the maximisation of surplus value, the driving force of socialism was its goal to maximise its redistributive or allocative power at the centre. Given this objective, the central power of the socialist state “often persecutes the small-scale production,

¹ Several studies give us a cogent analysis of this paradox between the triumph and vulnerability of the Soviet system. See, e.g., Dunham (1976), Kotkin (1995), Ledeneva (1998), Kivinen (2002), Yurchak (2006).

even though this production might increase the resources available to society as a whole: such production constitutes a threat to the central monopoly on allocation” (ibid.:421). This conception of socialism may help to explain why entrepreneurship, as an independent form of economic activity, has, as soon as signs of it have appeared, been instantly eradicated from the face of the Soviet economy, with some exceptions during the NEP period.² Despite these efforts, however, the entrepreneurial function did not disappear entirely during the Soviet period. In this chapter, I analyse the Soviet economic management as a realm in which entrepreneurialism was to survive.

Much of the managerial knowledge, to be sure, was used to create various strategies ensuring the achievement of the planned targets or making it appear as if the targets were achieved. Such strategies can be conceptualised as “entrepreneurial governmentality.” Even ordinary Soviet citizens had to resort to *blat* or, as Rehn and Taalas (2004) designate it, “mundane entrepreneurship,” in order to manage in the everyday.³ Consequently, the approach I adopt here is to trace the various ways in which the Soviet system and ideology affected the development of entrepreneurship during the period in question by producing “entrepreneurs by force.” This I will do by looking at the specific economic and social policies of the Soviet state, along with the impact they had on the entrepreneurial economic condition and the system of authority. Given the locational diversity of the entrepreneurial function within the Soviet economy, I will focus primarily on the industrial (non-agricultural) management and the second economy, with less attention paid to the management structures in the scientific and technical establishments. These two areas correspond to the position of the pre-revolutionary entrepreneurial and professional middle classes and are also the primary locus of entrepreneurship in contemporary Russia.⁴

2 NEP or the New Economic Policy was implemented the government of the Soviet Union from 1921 to 1927(8), representing a temporary retreat from the previous policy of extreme centralisation and doctrinaire socialism.

3 For discussion on the concepts of “entrepreneurial governmentality” and “mundane entrepreneurship,” see Chapter 2, pp. 66–70.

4 Berliner (1983) has indicated that because of the specific nature of the Soviet economy, the entrepreneurial function was performed by at least five different agents, or the managers of production (industry and farm), ministries and state apparatus, scientific and technical establishments, the Communist Party, and the second economy. For a good overview of these areas of the Soviet economy, see Guroff and Carstensen (1983).

Short-lived NEP and Seizure of Private Enterprise

The collapse of the imperial regime was welcomed by many entrepreneurs, who after many years of arbitrary policies and constraints could now finally look forward to the opening up of new opportunities. Even if for a short time only, several prominent entrepreneurs, together with representatives of *zemstva* and the liberal *intelligentsia*, came to occupy advisory positions within the ministries and other organs of the Provisional Government.⁵ The advent of the Bolshevik rule eventually put an end to these promising prospects, although the changes it brought did not happen overnight. It can indeed be argued that the legacy of the Russian pre-Revolutionary tradition of entrepreneurship was never fully dismantled during the Soviet time. Instead, it was heavily transformed under pressure from the Soviet power and as a consequence of the new policies it implemented. At the inception of the Soviet regime, Lenin advocated for “state capitalism” as a form of mixed economy on the way towards socialism. Socialism was meant to be an “organisation of production not indeed by the state, which was to ‘wither away’, but by the free collectives of ‘associated producers’, the task of management being discharged by salaried specialists” (Gerschenkron 1976 [1962]: 276–7). However, as Alexander Gerschenkron has also demonstrated, the claims about the “unvarying and unerring purpose” of the Soviet regime proved erroneous in closer scrutiny.

The policies during War Communism, giving workers full control over industrial management, had caused a wave of spontaneous nationalisation⁶ and brought the national economy close to a collapse by 1921. The key elements of the official policy during this period were the dictatorship of the proletariat, egalitarian ideals (*uravnilovka*), rapid social mobility of rural population transforming it into a working class, socialist economy, and the rule of the state. In these circumstances those of a privileged affluent background had to often hide their family background if they were to be able to pursue their careers and even simply to survive.⁷ As a consequence, the majority of the big industrialists left Russia at approximately this time, heading for the West. The educated

5 Provisional Government, appointed by the Russian Duma, succeeded the autocracy in the aftermath of the February Revolution of 1917, being subsequently replaced by the Bolsheviks after the October Revolution in the same year.

6 Several authors argue that nationalisation was rather more of an unintended consequence of the Bolshevik rule than its conscious policy; see, e.g., Gerschenkron (1976 [1962]), Kaser (1978).

7 On the expropriation of bourgeois families in the course of the October Revolution, see, e.g., Bertaux (1997).

specialists staying behind found themselves in a precarious situation. On the one hand, the Bolsheviks had little technical and managerial competence to draw on, and for this reason they were willing to employ the “bourgeois” non-party professionals as “useful specialists and knowledgeable workers” (Valentinov, Magee, Guroff 1971:157).⁸ On the other hand, the bourgeois specialists were often suspected of disloyalty towards the new regime, and their treatment remained personally disrespectful at best. A specialist in engineering and textile, a certain Fedotov, provides us with a first-hand account of what this meant in practice:

Why did we specialists work so poorly before the NEP? It was not only because we were poorly paid and were regarded as servile followers of capital, saboteurs, and secret counterrevolutionaries. We used to waste away at work. We were forced to do nonsensical things such as carrying water in a sieve. We were disheartened by the senseless assignments given to us by various managing boards and centres. (Cited in Valentinov et al. 1971:160).⁹

This excerpt clearly reflects the tensions marring the relationship between the non-party specialists and the Bolshevik leadership, which by the early 1930s would develop into a more consequential dichotomy between “the Reds” and “the experts.”

Under pressure to maintain the party’s hold of power, the Communists soon introduced the New Economic Policy (NEP), aimed at rehauling the country’s collapsing economic base, increasing productivity, and eventually competing with the ascendant West. Although it turned out to be no more than a temporary deviation from the original political and economic course, the initiative was not without importance. Within the NEP framework, all small industry as well as most of agriculture and retail trade were returned to private hands in terms of both ownership and management. The state retained control over heavy industry, transport, banking, and the foreign trade, much the same way as in the pre-revolutionary period. According to Michael Kaser (1978), the relaxation of the centralised grip over the economy resulted in the fact that only 8.5 per cent of industrial enterprises remained in state control; yet, paradoxically as it may seem, these enterprises had more

⁸ Guroff (1983) gives the telling example that only seven of the thirty-four staff members of Gosplan (State general planning commission), established in 1921, were members of the Communist Party. In 1924, when the number of staff at Gosplan reached 527, only forty-five of them were party members.

⁹ Valentinov himself was a prominent member of the informal non-party circles under the Revolutionary regime.

than 80 per cent of the Russian labour force in their employment. However imperfect in both its design and its implementation, NEP nonetheless served as a stable framework (even if only for a period) within which to re-introduce domestic and even foreign entrepreneurship¹⁰ back into the country, stimulating a general growth of economy and, most importantly, allowing economic actors other than the state to gain control of basic production units.

The departure from the principles of War Communism, which NEP clearly represented, also had the effect of encouraging non-party specialists to seek collaboration with the Communists. As Nikolai Valentinov, Randell Magee and Gregory Guroff (1971:156) expressed it, “the only path left open to intelligentsia, which did not want to remain inactive, was to work honestly and conscientiously within the Soviet regime,” which in fact many of the non-party specialists also hoped they could influence with their standard of culture. In its turn, the Communist Party, prompted by the perennial lack of qualified workforce, resolved “to cherish the specialists,”¹¹ which obviously released the energy of many educated professionals and encouraged them to work for the existing regime with even greater zeal. Overall, then, the leadership in industrial enterprises was largely exercised by a “troika,” consisting of the director, the local party cell, and the representatives of the local trade union (Gerschenkron 1976 [1962]). David Granick (1983:235) has presented interesting statistics showing that in 1924, fifty-six of a total sixty-four heads of the industrial trusts¹² were members of the Communist Party. At the same time, half of all factory directors belonged to the party. The majority of specialists working under their supervision were, however, still non-party members. The resulting situation has been eloquently described by Sheila Fitzpatrick (1979a:378):

This arrangement sometimes produced frictions, but it was equally likely to lead to a comfortable working relationship in which the experts made the decisions and the Communists signed the papers and attended the meetings.

10 Kaser (1978) emphasises the role of domestic concessions to foreign owners dating from the pre-revolutionary times as the most important factor leading to the blossoming of entrepreneurship during NEP.

11 The call for this came from Lenin himself whose appeal was subsequently adopted as a resolution by the Eleventh Party Congress in 1922; see Valentinov et al. (1971).

12 As a result of the industrial mergers during the NEP era, trusts (*tresty*) were set up as integrated unions of producers that competed with the *Glavks* (branch-specialised agencies controlling the productive sector of the economy) for the position of the key agent of state industry; see Kaser (1978:489-490).

The fact that the state still maintained its firm grip on the leading branches of economy did not discourage or even surprise these pre-revolutionary experts. This was the legacy from the Tsarist time that they were closely familiar with (Valentinov et al. 1971). In addition, due to remaining market mechanisms on the level of the individual enterprises, both the state- and privately owned enterprises were profit maximisers (Granick 1983). Moreover, state domination over the economy was not unique either for the Tsarist or for the Soviet Russia, as similar processes were at work also in other, economically less advanced countries (Gerschenkron 1976 [1962]); Berliner 1983). However, by the end of the 1920s, the Soviet state had abruptly changed its existing policy, fully reasserting its control over industry and commerce. The introduction of the centrally planned economy was accompanied by the elimination of private ownership and private capital, forced collectivisation of agriculture, and, by the extinction of individual entrepreneurship from the Soviet economy. Following this shift, the state not only controlled the leading branches of economy again; it now fully “monopolised the entrepreneurial decisions” (Kaser 1978:493). It was under this banner that Stalin was then to set in motion the process of “superindustrialisation” with its far-reaching consequences for the Soviet economy and its management, as well as for the society as a whole.

The Emergence of Soviet Economic Management

The social and economic transformation of the Soviet Russia during the 1920s and the 1930s was characterised by an unprecedented turnover of positions. Sorokin has described the consequences of the Russian Revolution in a unique sociological study dating from the time:

The [Russian] revolution reminds one of the great earthquakes which throw topsy-turvy all layers in the area of geological cataclysm. Never in normal periods has Russian society known such a great vertical mobility [...]. In one or two years [...] almost all people in the richest strata were ruined; almost the whole political aristocracy was deposed and degraded; the greater part of the masters, entrepreneurs, and the highest professional ranks were put down [...] On the other hand, a great many Communists, new businessmen, profiteers, swindlers and underhanded dealers, who before the war and revolution had not been anything, now became nouveaux riches. (Sorokin, cited in Bertaux 1997:231.)

The building of socialism can as a matter of fact be imagined as a huge construction site where expansive industrial projects¹³ advanced as rapidly as the need for educating people to manage them.

Driven by the objective of rapid industrialisation, the Communist Party also had to tackle the dilemma that although ten years had passed since the October Revolution, there were still few Communists and workers among the leaders of the Soviet industry. According to Fitzpatrick (1979a), by 1927 less than one per cent of the Communists had completed higher education. Even fewer of them possessed the kind of technical expertise called for in the modernisation of the Soviet industry.¹⁴ Thus, the majority of the specialists effectively in charge of the Soviet economy, especially among the technical experts, still were non-party or “bourgeois” professionals. The fact was more than mildly disturbing to the Soviet leaders, who in 1928 launched a political debate on the polarising dichotomy between “the Red” and “the experts.” Such oppositional terminology, as Gregory Guroff (1983) has argued, was in itself nothing unusual in countries undergoing socialist transformation. However, the way in which it was resolved in the Soviet Russia had a major impact on the nature and consequently the peculiar character of the Soviet economic management.

The Soviet Affirmative Action

Convinced that “education was a necessary prerequisite for leadership” (Fitzpatrick 1979b:9), Lenin had raised the issue of social mobility via education already long before the October Revolution. The educational policy of the Soviet state was subsequently highly dynamic, although always anything but uncontested. Already in 1918 cohorts of young workers and peasants were sent to the *rabfaks* (workers’ faculties) for foundational courses preparing them for further education. But this was only a minor phenomenon compared to ten years later, when the Communist Party launched its project to provide “basic education for the masses of the population” and create “the proletariat intelligentsia” (Fitzpatrick 1979b:3).

13 Under Stalin’s rule, “building socialism” literally implied the party’s inclination to build on the largest and most ostentatious scale. New cities, new factories, and new river canals were built up from scratch in the most remote places of the Soviet Union.

14 To make these figures more comprehensible, the total number of the Communist Party members by 1928 is estimated at 304,400, according to Guroff (1983:220). Fitzpatrick (1979a: 378) has suggested that only 8,396 of them had received higher education. Yet, almost one half of all the party members were working in administrative positions within health, education, and welfare.

These new objectives for the Soviet educational policy were prompted by several factors. Aimed at breeding ideologically committed cadres,¹⁵ many poor young peasants and workers were given further education to fill the rapidly multiplying positions of managers and specialists, in high demand during the construction of the new Soviet state.¹⁶ Arrivistes from these backgrounds started to a large degree dominating the very Communist Party apparatus, too, which at the inception of the Soviet regime had been mainly manned by intelligentsia and white-collar workers. The pressure within the party to adopt discriminatory policies favouring the proletariat at the expense of bourgeois intelligentsia is thus easy to understand. At the same time, the Soviet leadership began to fear that the bourgeois experts, who were actually in charge of the practical management of the industry, would sabotage the socialist economy simply by one way or another undermining their Communist bosses.¹⁷

Thus, beginning in 1928 one can clearly differentiate two major trends within the new strategy of the Soviet state: the propagation of a new generation of cadres and the beginnings of the first wave of purges of the experts and other bourgeois elements from both industry and the administration. The new-cadres policy was motivated by the desire “to use working-class upward mobility to create a loyal elite capable of leading an industrialisation state” (Fitzpatrick 1979b:14), while the elimination of the bourgeois elements from among the specialists concerned not only the experts but also the Communist administrators working closely with them or sympathising with their destiny. The two strategies in a peculiar way complemented each other, as they both served the aim of consolidating and legitimising the Soviet regime.

Paradoxically, the paranoia and the purges coming to the fore during Stalin's reign produced not only victims of the system but beneficiaries as well.¹⁸ The latter consisted mainly of Communist workers and, to lesser extent, peasants who became workers during the first years of the Soviet regime. In seeking an alliance with the workers, the Communist

15 Fitzpatrick (1979a: 378) identifies “cadres” as “Communists in responsible administrative positions.”

16 For further details see the thorough accounts by Dunham (1976), Fitzpatrick (1979a, 1979b), Siegelbaum (1988), Kotkin (1995), and Gronow (1997).

17 Fitzpatrick (1979a) describes how experts, in good faith, criticised their Communist directors for lack of technical competence and increasing bureaucratism.

18 This circumstance is discussed more in detail by Fitzpatrick (1979a, 1979b) and Hough (1969). A similar argument can be found in Kivinen (2002), who suggests that the productive consequences of the Stalinist period are usually overlooked in accounts giving priority to its destructive impact.

leaders gave expression to their emotional commitment to the revolutionary course, although practical considerations played a big role, too. As Fitzpatrick (1979b) has argued, neither pre-revolutionary intelligentsia nor peasants were politically reliable in the eyes of the Soviet power. Therefore the creation of the new Soviet elite was proclaimed as a necessary and justifiable tool serving Stalin's industrialisation project premised on the existence of highly educated and politically loyal cadres. To achieve this goal, the Soviet leaders launched the policy of *vydvizhenchestvo* ("worker promotion into the apparat") (Fitzpatrick 1979a:383) that came to be implemented simultaneously with the efforts to realise the first Five-Year Plan (1928–1933). *Vydvizhenchestvo*, at least in official terms, was an educational policy, even if it had far-reaching consequences for the socio-political structure of the Soviet society in the years to come.

As specified by this policy, which Fitzpatrick (1979b) has seen fit to categorise as the Soviet affirmative action, adult Communist workers, especially those from lower-class backgrounds, were actively recruited to the institutions of higher, mainly technical, education, or promoted to white-collar jobs in industry as well as mid- and upper-level administrative positions within the Communist party apparatus. In all this, increase in the technical expertise of the Communist workers was the ultimate and, as it turned out, also the most challenging aim the Soviet leaders had. Despite the difficulties, the impact of the policy turned out to be unprecedented, considering that already by 1933, 106,000 Communist workers were enrolled in institutions of higher education, of whom approximately two-thirds studied engineering (Fitzpatrick 1979a:385). At the same time, approximately 141,000 workers had been promoted to administrative and specialist positions, even if no more than one half of them were Communists (*ibid.*: 386). A much larger group saw upward mobility taking them from manual-labour to white-collar occupations. Altogether, by the end of the first Five-Year Plan, as estimated by Fitzpatrick (1979a: 387), around one and a half million of *vydvizhentsy*, or those targeted by the *vydvizhenchestvo* policy, had advanced from manual-labour occupations to study full time or taken white-collar positions or managerial jobs within the administration. Another way to estimate the effect of this affirmative action scheme is to follow the personal biographies of the highly educated *vydvizhentsy* who not only survived the purges of 1937–1939 but rose to

top administrative or political positions in the Communist state in the next twenty years.¹⁹

Creating Cadres Faithful to the Party

The *vydvizhenchestvo* policy deeply affected the social and political composition of the Soviet elites and the society more generally. Even though the majority of the specialists in the Soviet industry in 1937, especially among engineers, still remained non-Communists,²⁰ the very existence of a possibility to rise to the ranks of the new ruling elite had an enormous political significance for many Soviet citizens. By 1931, the Soviet leaders had to terminate the *vydvizhenie* policy on a large scale, mainly because of the inability of the educational system to prepare the technical specialists at the needed pace.²¹ However, the task of producing the leading cadres loyal to the regime remained as the main imperative of the regime. During this time, even if temporarily only, the bourgeois experts were rehabilitated. In addition, the general policy of recruitment to educational institutions and managerial positions became less strictly class-based. Instead, criteria such as “good performance record” (Fitzpatrick 1979a:391) or, for the younger workers, “signs of practical initiative and energy” (ibid.) grew more important for career promotion than social background.

This shift in the cadre policy was followed by another, more profound ideological turn, namely the abolishment of the equalisation (*uravnilovka*) ideals and the introduction of income differentials. These measures were meant primarily to stimulate productivity in the rapidly growing Soviet industry, although indirectly they also signalled the emergence of new hierarchies and new social divisions clearly at variance with the original Bolsheviks idea of the egalitarian state. Using the means of “shock labour” (*udarnichestvo*) and socialist competition, the Soviet regime promoted the creation of a labour aristocracy: of workers and industrial cadres enjoying special privileges in the form of additional living space, higher income, and other social benefits.²² In so doing, the system started rewarding party-loyal individuals regardless

19 Fitzpatrick (1979a, 1979b) and Hough (1969) both emphasize the predominance of the *vydvizhentsy* in the Soviet government in the 1950s.

20 See Fitzpatrick (1979b:242).

21 For other plausible explanations for the termination of *vydvizhenchestvo*, see Fitzpatrick (1979b:236–237).

22 On the origin of the mass movement of *udarnichestvo* in 1929 and later on Stakhanovism in 1935, see Kotkin (1995); for further details more specifically on the Stakhanovist movement, see Siegelbaum (1988).

of their previous social background, to subsequently display them as good examples for imitation by other Soviet workers.

The Soviet Manager: Functionary of the State with Hidden Reserves

It is in this economic and political climate that the Soviet type of management then took shape. Due to the imperative nature of the Soviet industrialisation project, the directors of the industrial enterprises may be well considered as a core of the Soviet managerial group, growing increasingly homogeneous in training, performance, and aspirations, especially during the Stalinist period. This particular group of managers, which was also the best educated one, may also serve as a reference group for the all the Soviet managers and planners because its origin and mode of production gives us a good insight into how deeply the Soviet state and management remained intertwined.²³ (When referring to managers in this text, I mean mainly the directors of industrial enterprises or industrial managers in both the heavy and the light industry, unless specified otherwise.)

As pointed out by Lewis Siegelbaum (1988), the drastic character of the Soviet industrial reforms of especially the early 1930s required from managers not only special (ideally technical) skills and education, but also the dedication and personal ability that allowed them to successfully manoeuvre in the cross-pressures between the high party officials on the one hand and the specialists and workers at the shop floor on the other hand. The peculiar managerial style that emerged as a consequence was thus induced by the Soviet economic policy, fraught with contradictions and temporary solutions. On the one hand, managers gained an unprecedented degree of authority over their enterprises and employees following the introduction of the “one-man control” (*edinonachalie*) principle in 1929. According to this principle, the managers became “the fully empowered and individual leaders of the productive-economic activity of the enterprise [...] [answering] completely for the results of the work of the enterprise” (Hough 1969:80). Denouncing the previously enforced “troika” principle, the Soviet leaders certainly did not intend to decentralise economic decision-making. Quite the contrary, as Alexander Gerschenkron (1976 [1962]), Jerry Hough (1969), and Michael Kaser (1978) have emphasised the assertion of the *edinonachalie* principle formed an important precondition for the strengthening of the Soviet economic control system, within which

²³ For an extended bibliography on the studies on Soviet managers especially in the Stalinist period, see Hardt and Frankel (1971).

the managers of the individual enterprises could effectively execute the orders coming from the central administrative power. In this way, superficially endorsing the autonomy of the enterprise as an industrial and commercial unit, *edinonachalie* came to pave way for the strictly hierarchical structure²⁴ of the Soviet industrial management which, according to Gregory Grossman (1983:284), was “in fact managed simultaneously by two parallel hierarchies, the economic administrative hierarchy and that of the Party.”²⁵

This may give an impression that the managers were completely constrained and had no room for personal initiative and decision-making without the approval of the Party organs. To be sure, through the means of a planned economy allocating resources from above, along with its monopoly on all managerial positions, the aim of the Party leadership was to gain full control over the managerial actions and decisions even on the level of the individual enterprises. According to David Granick (1983:240), the rotation of managerial personnel was extremely high especially during the 1930s, when 56 per cent of all the directors had a tenure lasting no more than three years, and up to 40 per cent of those leaving their posts doing so because of demotion or reassignment. As Gerschenkron (1976 [1962]:288) described it:

Shifting the managers from factory to factory, maintaining a well-developed system of informers, increasing control over the ‘monocrat’ by the local party organs – those are some of the devices by which the central authorities attempted to shorten a manager’s tether or at least to control its length.

Rather paradoxically, as Gerschenkron further pointed out, this kind of a relationship between the central authorities and the managers at the shop floor level made rapid industrialisation possible while legitimising the very existence of the strictly imposed regulations from above. In same vein, John Hardt and Theodore Frankel (1971) have suggested that the rapid turnover of managerial personnel contributed to an increase in personal contacts and a greater articulation of common interests between individuals. Yet, it would be wrong to conclude that

24 On the level of an individual enterprise this hierarchy consisted of a manager on the top, the engineers and the technical staff below him, followed by the heads of various departments and finally the supervisors and foremen. All these positions were based on the principle of individual responsibility and wages: see Kivinen (2002:129).

25 On the relationship between the directors of the enterprises and the Party secretaries supervising the enterprise, see Hough (1969). On the ambiguity of this relationship, see also Gerschenkron (1976 [1962]), Grossman (1983). All of these sources contain an extended bibliography on the subject.

managerial autonomy was totally impossible under such circumstances. Adhering to the official image of the Soviet economy and society as many scholars unwittingly have done, it becomes easy to overlook the inner mechanisms that allowed the Soviet managers much more freedom than could be assumed. To begin with, the Soviet managers had never experienced such a lift in career advancement as they did during this time. In Hardt and Frankel's (1971) estimation, the total number of enterprise directors grew rapidly from 20,000 in 1926 to 95,000 by 1939. In addition, as a result of the purges of bourgeois specialists and the promotion of workers from the bench, the social profile of the industrial managers had radically shifted, now showing a clear emphasis on former workers. A curious fact, pointed out by Hardt and Frankel (1971), is that while the category of enterprise managers was dominated by former workers, both their superiors, or the heads of ministerial offices, and their inferiors, or the engineers and other specialists, were still predominantly of the white-collar background. This disproportion was also apparent in the overall trend in the educational qualifications, showing that while up to 90 per cent of the chief engineers and 65 per cent of the heads of ministries had engineering degrees, only 36 per cent of the industrial managers were graduate engineers by the mid-1930s (*ibid.*:181). It should also be pointed out that the training of the Soviet managers was still focused primarily on engineering, while management and business studies along with humanities were given only scant attention.

According to Fitzpatrick (1979b), the most common pattern of further advancement for managers in this period was to move from a directorial position in an enterprise to administrative positions in the government or to political positions. The same tendency has been observed by Hough (1969:47), who suggests that the directors showing more technical proficiency were picked for top government positions to supervise the industry, while those who were more effective in the "broker or trouble-shooter roles" were selected to perform the role of the so-called "Soviet prefects."²⁶ In both cases, the appointees were mainly engineers who took their career advancement as a natural consequence of the rapidly growing economy. This is also where the famous division between the technocratic and bureaucratic sectors of

²⁶ According to Hough (1969:6), the system of prefects derives from the 18th-century French system of administration. In the Soviet case it, however, was "the local Party organs [that were] seen as a prefectorial institution responsible for the orderly fulfilment of the economic development programme in their respective areas (and, of course, also for political stability)."

the Soviet *nomenklatura* received its origins, playing a crucial role in the post-Soviet transformation.²⁷

Analysing the peculiarity of the Soviet incentive system, Granick (1983), for instance, has argued that especially during the 1930s it was career promotion rather than material rewards that served as the most effective tool for the Soviet leaders in stimulating management performance. The supervising authorities relied exclusively on their own subjective assessment in determining “the overall success of the managers in their previous and current positions as well as [in their] evaluations of ‘potentials’ (both managerial and political)” (1983:240). At the same time, Hardt and Frankel (1971) have asserted that the legitimacy of the large bonuses and the higher status prospects for managers and not the other categories of workers had major implications for the managers’ economic performance as well as their group solidarity.²⁸ To secure their career prospects, for instance, managers scored exceptional successes in carrying out innovations such as copying and modifying foreign technology to suit the Soviet conditions, and in effectively using this technology for improving their output production.

Another resource in the managers’ hands was their power to influence the quality of the labour force by resorting to various compensations available within the framework of the income differentials policy. This mechanism was especially effective in the capital industries of the Soviet economy that enjoyed the benefits from resource allocation as more high-priority from the national standpoint.²⁹ As suggested by Gerschenkron (1976 [1962]), the Soviet industrial managers enjoyed extraordinary freedom in their decision-making, especially as concerned their ability to influence the planned output and profits whose attainment first and foremost depended on the “hidden reserves” at the managers’ disposal, used so as to substitute for the shortcomings of

27 See Chapters 5, 6, and 8, pp. 173–223, 255–308.

28 The managers’ income came from three different sources: their basic salary, various benefits such as privileged housing, access to restricted shops and medical services, and finally bonuses that constituted a per centage point of their salary paid monthly or quarterly. Regarding the size of such payments it should be noted that the managerial bonuses were ten times higher than the salaries of average unskilled workers. These wage differences also reflected the nature of the priority principle in the Soviet economy, according to which the salary of a coal mine manager was almost double that of the manager of a textile plant. See Lockwood (2000:93), Kivinen (2002:130).

29 It is a well-know fact that the Soviet economy was strictly divided in high-priority (military, heavy industry, energy, etc.) and low-priority sectors (consumer industry, education, social services, etc.) that, accordingly, received a differential degree of material resource support, remaining dependent not on their productivity but on their priority status for such de-facto reward allocation. For more details see Hardt and Frankel (1971), Granick (1983), Sätre Åhlander (2001).

the Soviet system of allocation. In a contrary fashion, Markku Kivinen (2002:130) has argued that the Soviet managers had only limited managerial autonomy, given that “[t]he whole economy was about bargaining and negotiation between the company departments, between enterprises and ministries, between different ministries”: in this bargaining it was the acquisition managers (*tolkachi*) who played the key role in resolving systematic shortages of supplies and frequent interruptions in the production. In any case, the living conditions and the privileges accessible to managers and other highly qualified specialists, contrasting starkly with the modest living conditions in which most of the population lived, put them in a special category at the top of the Soviet hierarchy.

In a number of respects, then, the position occupied by the Soviet managers during the 1930s remained highly ambiguous. Similarly to other Soviet specialists, managers were:

‘representative’ of the state and a victim of the state, an object of domination and an agent of discipline in the labour process, insecure and socially privileged (Lampert 1979:159).³⁰

Needless to say, this built-in contradiction between the politicisation of the managerial role and its genuine mission of technological and institutional innovation had a profound impact on the Soviet managerial style, which ever since its inception remained characterised by working overtime, sacrificing own ambitions, and struggling to cope with the emergencies. Another one of its notable features had to do with the fact that the very nature and intensity of industrialisation called for the creation of a new type of elite group on which the Soviet leaders could rely especially in the midst of the dramatically shifting political priorities following the Second World War.

The “Big Deal”:

The Origins of the Soviet Middle-Class Culture

These new elites, in Stalin’s definition the Soviet or *narodnaja* (people’s) *intelligentsia*, consisted mainly of young, technically educated arrivistes from working class backgrounds who, as Stalin himself explained it, “had not betrayed their class origins [...] but had shown how to rise above them” (Fitzpatrick 1979a:399). Committed to the project of rapid modernisation and industrialisation, the Soviet regime

³⁰ Lampert’s study (1979) is devoted to the technical intelligentsia in particular.

recruited its elites mainly from among engineers, a pattern that was common also in France, Germany, and Sweden at the time. The very fact of creating a new elite was one of the main achievements of the industrialisation process as defined by the Soviet leaders. Moreover, according to Fitzpatrick (1979a), the existence of new elites ready to occupy the position of the party cadres formed a necessary precondition for the second wave of purges that unfolded between 1937 and 1939 and resulted in mass demotions, arrests, and a straightforward liquidation of the old Bolshevik core, especially those who were not technical experts. The purges also served as an instrument for the eradication of all other vestiges of the bourgeois times, such as pre-revolutionary specialists and small proprietors both in the cities and in the countryside. The new Soviet intelligentsia, mainly former workers, were nonetheless not supposed to carry on with propagating the pro-worker ideology. Quite the contrary, as Fitzpatrick (1979a) has pointed out, comprising new elite the Soviet intelligentsia was treated as a privileged social layer and all kinds of discriminative practices and policies aimed at the Old Russian intelligentsia, were now considered inappropriate.

The emergence of the new Soviet elites with access to luxury goods and services, still in short supply for the rest of population, is considered to be a turning point in the Soviet ideology, now abandoning many of the previously sacrosanct Bolshevik ideals. This process started already in 1934, as well depicted by Nicholas Timasheff who brought it to the public attention only a decade later in his famous book *The Great Retreat*. According to Timasheff, the Soviet regime had resorted to seemingly new cultural and economic politics that basically amounted to a revival of traditional norms and values. “The Great Retreat” was noticeable in the educational sphere, where the authority of the old universities and the academics working at them were re-established and well-rounded education was given a much higher priority than the polytechnic education proclaimed as a panacea in the early years of the Stalin era. Stressing formal procedures, discipline, respect for teachers and parents, as well as high academic standards became an intrinsic feature of the Soviet education system, marking it ever since.³¹ Education furthermore came to form a key channel for upward social mobility and new life opportunities.

31 For more on the implications of “The Great Retreat” for Soviet education, see Fitzpatrick (1979b:249-251; 1988), Gronow (1997:55).

Ku'lturnost' and Vospitanie:**Emulating the Bourgeois Intelligentsia**

The Soviet culture (*ku'lturna*) also acquired a new character during the Great Retreat, coming to represent “the achievement of intelligentsia in the sense of higher culture, a synthesis of ideas, knowledge and memories” (Dunham 1976:22). Accordingly, areas such as classical music, literature, and art were canonised and soon supplied the artefacts of Soviet luxury, while folklore, Soviet cinema, popular songs, and jazz symbolised the emergence of “mass culture” accessible to all.³² Moreover, the Soviet culture embraced a special code, that of the *ku'lturnost'* (cultured behaviour), which implied a wide range of abilities from “the proper conduct in public” to “the fetish notion of how to be individually civilised” and from “a slick decorum and a new kind of self-righteousness” to “the only desirable conduct, the self-image of dignified citizens” (Dunham 1976:22).³³ Overall, the Great Retreat provided a major impetus to the ascendance of a spirit nourished by the maxim “happiness lives in the country of plenty” (Gronow 1997:57), as officially propagated by the party and certainly well-needed by the Soviet population ravaged by the consequences of coercive industrialisation, collectivisation processes and war. The perception of “life as it is” dominated by severe shortages of food, housing, and culture, with homeless children and pauperised workers roaming the streets, was contrasted in the Soviet press to the new “life as it is becoming,” with its possibilities for material rewards and culture for all those who through their outstanding achievements in work or education could be seen as deserving of them. The official view on the elite privileges was, however, rather more restricted, although the existence of the privileges in real life was difficult to deny.³⁴ To all accounts, the regime had nonetheless embarked on a path of accommodation, with new policies that in combination with systemic reprisals could ensure a general stabilisation process of the country.

The need for political adjustments grew even deeper in the post-World War II years and up until Stalin's death, when the Soviet leaders had to look for new social and economic incentives to lift the country from its ruins. Naming this new turn as the “Big Deal,” Vera Dunham (1976) has argued that as its main implication a new middle class was

32 Kitsch and luxury in the Soviet Union is a central theme developed by Gronow (1997).

33 Kharkhordin (1999) has suggested another interesting interpretation of *ku'lturnost'* using the example of the self-improvement and self-education strategies prominent in the Soviet way of life.

34 On the “life as it is” and “life as it is becoming” images in the Soviet life in the 1930s, see Fitzpatrick (1988).

coming into being. This group represented a social hybrid, consisting, according to Dunham (1976:4-5):

of many Soviet Babbitts and organisation men, as well as of white-collar and mid-culture men and women. They are the solid citizens in positions and style of life below the top officials and the cultural elite, yet above the world of plain clerks and factory workers, of farm labourers and sales girls.

What was common for these people was obviously not their social background or their economic status, but rather a common ethos, “an attachment to specific values, to a way of life which partly crosscuts differences of positions, of occupation and of income” and which “expresses the embourgeoisement of Soviet manners, values, and attitudes” (Dunham 1976:4). The nurturing of this ethos, in Dunham’s analysis, was achieved in a kind of alliance between the state power and a new Soviet middle class, a partnership which turned out to be beneficial for both parties in the long term. For the political establishment it was important to transform the revolutionary allegory into a conservative status quo, while for the newly emerging middle class the values of upward mobility, social normalisation, and material progress were the main priorities.

To realise its aims the Soviet regime had to accept the values and aspirations of the new middle class as a legitimate political aim for the whole society.³⁵ Accordingly, the previously rejected ethos of *meshchanstvo*, or apolitical conformism, self-interest, and instrumental commitment to the system, was revived and glorified as the Soviet *kul’turnost’*, which, according to Dunham (1976:23), “helped to channel the direction of sanctioned aspirations” and “bestow on material possessions attributes of dignity and of virtue.” In my view, Fitzpatrick (1988) raises an interesting issue by saying that the “tacit concordat,” as Dunham (1976) puts it, between the Soviet state and the new elites should be considered as a three- instead of two-way deal. Indeed, the cultural values promulgated by the Big Deal were not genuinely working class values; rather, they emulated the values of the pre-revolutionary educated classes that were in fact also incorporated by the new Soviet intelligentsia, even if in smaller numbers only. Thus it would be plausible to suggest, as Fitzpatrick (1988:35) does, that “the regime endorsed the arrivistes’ efforts to acquire (and in the process, no doubt,

³⁵ Importantly though, as Fitzpatrick (1988) has argued, the acceptance of the middle class values by the Stalinist regime did not necessarily mean acceptance of the middle class itself; rather, these values were now presented as common for all civilised and cultured people.

debase) the culture of the old bourgeois intelligentsia.” In a similar vein, Hardt and Frankel (1971) infer that by ascribing higher value to home training (*vospitanie*), which allowed the arrivistes from the white-collar families become more achievement-oriented, the regime showed its readiness to acknowledge the phenomenon as a general code for the Soviet culture.

The Soviet Meritocracy: Managers as Professionals

It is possible to argue that the main import of the Big Deal consisted not of deepening social differentiation or increasing the possibilities for advancing on the social ladder. Rather, what it brought first and foremost was a shift in the political alliance towards the professionals instead of the workers. To put it differently, the need for production engineers, administrators, organisers, and managers was so pressing that, paradoxically, it also predetermined the social proliferation of these groups. The system overtly rewarded skills, talent, and special competence. These rewards, in turn, were seen by the professionals as the “symbols of middle class normality, such as a happy and harmonious life” and an investment “in the future of [their] children and their education” (Gronow 1997:61). Dunham (1976:17) has further emphasised that the success of the Big Deal consisted in “the fact that it worked at more than the material level. It appealed to the partner’s [middle class] complex of self-interests, involving his prestige, involving his pride in his work, the satisfaction derived from his professionalism, and from his apolitical conformism.” Jukka Gronow (1997:61), again, has described this phenomenon of justification of the rewards as follows:

The moral of the new Soviet middle class could [...] be summarized as follows: inequality, the aspirations of the higher income and better material living standards, and a better life, are legitimate insofar as they are righteously earned by one’s own labour and/or talents.

Under these conditions, one can assume, making a professional career was indeed a matter of individual achievement, however strictly within the framework of the new Soviet ideology. In consequence, already by the end of 1950s most of the leaders of the Soviet economy were of a genuinely “Soviet” upbringing, meaning that they shared a common ethos built around an instrumental commitment to the system, even when coming from different social strata of the society.

It is also noteworthy that during this time the value of mental labour came to be deemed higher than that of physical labour.³⁶ Consequently, the “creative intelligentsia,” as noted by Fitzpatrick (1979b), was allowed or even encouraged to develop its own professional identity, which had suffered dramatically during the revolutionary years.³⁷ As Hardt and Frankel (1971) have observed, professional conferences, personal contacts among the industrial managers, and various ways of lobbying the ministerial authorities served as effective channels for the articulation of managerial professional interests during the Stalinist period. This strengthening of the professional identity significantly contributed to the fact that managers, among other Soviet specialists, could possess the professional autonomy or, as Kivinen (2002) has defined it, “the power resource” that, although limited in scope, put them in the core of the new middle classes also during the post-Soviet period.

As noted by Granick (1983), the post-war period in particular has dominated the attention of most Western academics interested in Soviet management and entrepreneurship.³⁸ What a majority of their studies point out is a general change in the economic environment during the post-war years, from a preoccupation with the aim of economic and social stabilisation to the realisation of the five-year plan. The latter became the top priority for the Party and, consequently, also for the managers who effectively run the economy. The shift is reflected in the fact that managers were now (in 1955) also officially given new rights, including many that already existed in practice but were never officially tolerated in the past. As analysed by Gerschenkron (1976 [1962]:290), among the newly permissible activities were “unplanned purchases and sales of materials, equipment, and finished goods to other enterprises, as long as they remained on a small scale.” Another adjustment of the Soviet economic control system occurred in 1957, when the *Sovmarkhozy* (Regional Economic Councils) replaced the central economic ministries and began to supervise the economy at local instead of central and republican levels, although all strategic decisions were still made in Moscow. These changes, together with a broader flexibility in the way wages and other expenditures were paid, did in fact provide some relief for the managerial conscience previously burdened with responsibility for evading the prescribed rules.

36 Kivinen (2002) directly links the expansion of mental labour during the Soviet industrialisation to the emergence of middle class positions.

37 On the history of the various professions in Russia see Balzer (1996).

38 For an extended bibliography on the post-war Soviet industrial management, see Granick (1960, 1983), Gerschenkron (1976 [1962]), Hardt and Frankel (1971), Guroff and Carstensen (1983).

Moreover, the high rotation of managerial personnel characterising the pre-war period was now replaced by career security, with young executives brought into office “to grow old in their posts, thoroughly clogging the lines of promotion” (Granick 1983:242).

What also contributed to this career security was a significant decrease in the usage of demotion as a means of political control over the industrial managers. The statistics regarding the number of industrial managers during the mid-1950s show that the size of this professional group was becoming stabilized or even declined: in 1957 there were 131,000 industrial managers while in the 1959 census the figure has dropped just slightly, to 129,000 (Hardt and Frankel 1971:192). In general, compared to the early years of industrialisation, the managers of the Big Deal period could no longer count on the possibilities for rapid upward mobility; however, provided that they could “bring the enterprise across the magic line that separates the underfulfilment from overfulfilment” (Gerschenkron 1976 [1962]:285), they could still enjoy substantial bonuses and stable careers as a compensation for their performance.

The Soviet Middle Class at Last:

The Case of the Red Executives

To better understand the situation of the Soviet managers, we may turn to Granick’s (1960) classic account *The Red Executive*. This profound study of the Soviet managers focuses on their ways of life and work as contrasted to the American experience. According to Granick, at the end of the 1950s most of the Soviet managers were engineers by education, possessing no more than basic knowledge of statistics and accounting. In contrast to their American counterparts, Soviet managers had to gain their organisational and administrative skills by experience, and not through business education. As reported by Granick (1960:21), there was a strong belief in the USA that:

the Russian [manager] [...] was the dedicated professional revolutionary, moving into whatever line of endeavour the Communist party sent him, knowing little about the technical details of his industry, convinced that proper theory – both in social sciences and in the natural sciences – is a salvation of a mankind.

Accordingly, Soviet managers were met with strong prejudice and unfounded assumptions in the West, something that Granick was trying

to change. Among the Western beliefs was that Soviet managers had no authority in decision-making, that they were placed at their positions arbitrarily and not according to their qualifications, and that they had little economic incentive to perform well at their job.

Questioning such assumptions, Granick presented extremely interesting findings, collected in close contact with Russian managers at the time. Some of Granick's data, as analysed in the book, is relevant for the present study as well, pointing out as it does several underlying principles that differentiated the Soviet managerial class from other social groups in the society. To begin with, most of the industrial managers of the time came from families where at least one parent (often the father) was highly educated and held a position corresponding to her or his qualifications. This circumstance corresponded perfectly well to the American realities as well, as Granick emphasised. It serves as yet another indication of the fact that the Soviet regime leaned towards the values of stability and growth, which in their turn could ensure the smooth reproduction of the middle class positions. At the same time, this political strategy remained ambivalent, as in the eyes of the Soviet public there still lingered an image of equal opportunity for the children of the lower classes (workers or peasants) and of the accessibility of higher education and availability of highly qualified jobs.³⁹ Furthermore, as Granick (1960:307) summarised it, the Soviet managers, keen on their jobs, "were not party fanatics."

Yet, most of these managers had to be members of the Communist Party, as it was the only way to secure a stable career growth and a possibility to reach top governmental positions. Moreover, the motives behind any career ambitions they had were by and large not economically determined, for the economic capital, in terms of possession of property or receiving high income, was limited to a very narrow stratum of party officials in the Soviet system of hierarchy. Managers, linked to the Communist Party apparatus in their status mostly, enjoyed something that could be called 'political capital', granting the privilege of "the private acquisition of common goods and services" (Bourdieu 1994:27). Without the ability to pass their economic resources on to the next generation, the Soviet managers were nonetheless hardly empty-handed, with no access to other resources. Namely, they, just as other highly educated specialists, showed great success in promoting their ambitions and style of life in obtaining higher education for their chil-

³⁹ Analysing the findings of Soviet sociologists, Kivinen (2002) also argues that upward mobility drastically decreased during the 1950s and the 1970s, and that was mainly middle-class arrivistes who occupied the middle-class positions.

dren, better jobs, and in general a lifestyle in “democratic luxury.” In Gronow’s (1997:62) account, the latter implied solid material culture for these people who were “full of good cultural will. They [wanted] to distinguish themselves from the masses but [did] not dare to be too different from their neighbours or colleagues, too individualistic.”

This description brings us to the conclusion that post-war industrial managers constituted a relatively homogeneous social group coming from mainly white-collar backgrounds, possessing diplomas in engineering, having stable career patterns, and, most of all, manifesting their Soviet training and indoctrination. Thus the ultimate aim of the socialist economic transformation, meaning among other things the substitution of the capitalist managers by salaried specialists, seemed to be successfully achieved. In fact, as Gerschenkron (1976 [1962]) has argued, Soviet scholarship paid little attention to the problems of management, for the official view was that the relationship between management and innovation, just as that between the management itself and the state, was unproblematic. It was, moreover, expected that a manager “who administered an enterprise that was not his could be presumed to act more vigorously, more boldly and more rationally than an individual owner-entrepreneur,” who, as it was assumed, was “restrained by anxieties and personal considerations of all kinds” (ibid.:276). For this reason, it was taken for granted that managers would also assume the role of innovators or entrepreneurs with a greater zeal than private owners. Moreover, the expectation of innovative managerial performance grew even stronger when it became obvious that the Soviet economy had to be urgently reorganised if the growing consumer needs of the Soviet population were to be satisfied.

The “Little Deal”: The Erosion of the Socialist Ideals

Because of the enduring discrepancies built into the Soviet economic planning system, as outlined above, by the 1960s the Soviet economy was already experiencing ever-greater problems. The overall indices of economic growth and the efficiency of managerial performance were on the decrease. As James Millar (1988) has shown, the annual GNP growth rate dropped from 6 per cent in the mid 1950s to less than two per cent by the mid-1960s.⁴⁰ The need for a new, more optimal type of planning and management now became crucial. It was obvious that

⁴⁰ Similar figures are given by Hardt and Frankel (1971), Granick (1983), and Lockwood (2000).

the Soviet economy could no longer neglect the increasing demand for consumer goods, housing, health care, and education, or the needs of the long-suffering agricultural sector. The rising consumer demand can be explained by the fact that the overall material standard of living had significantly improved for an ever-greater share of the Soviet population during the post-war years. Besides, the ideology of consumerism was steadily taking hold of ordinary Soviet citizens inspired by the ideas of “Imaginary West,”⁴¹ expanding the interest in fashion, music, films, and the like. The Soviet economy, however, continued to struggle, unable to overcome shortages and effectively address the problem of ineffective management which both were exacerbated by the country’s exclusion from the global economy. Eventually, however, as Lane (2006) argued, the changes in values and aspirations as stimulated from without brought with them the seed of capitalist thinking as well, corroding the Soviet system from within.

The ‘Good Life’ and Its Limits

The Soviet ordinary people were not spoiled by luxury. As Jukka Gronow (1997:66) puts it:

the system promoted mediocrity and decency under the banner of *‘kul’turnost’*, which could almost be translated as conformism, more than cultural dynamism, innovation and differences.

In other words, the Soviet system of social distinctions was extremely rigid and based on imposed self-limitations. The attributes of a ‘good life’ included limited items of food and drink, modest domestic and personal accoutrements, admiration for light art and theatre, and visits to restaurants or a concert from time to time. These “delights of luxury” were mainly associated with festivities and constituted the core of the modest aspirations characterising the middle classes. There were of course prominent artists, scientists, and others belonging to the *no-menklatura* in particular, for whom the possession of summer villas and exclusive clothes, trips abroad, and institutionally owned apartments formed part of the professional privileges enjoyed in the everyday life, however discretely and away from the public scrutiny. In any case, for an ordinary citizen, and this is how one can describe those in the middle class, such luxuries were “apt to corrupt a man” (Gronow 1997:66).

41 Yurchak (2006:161) defines the “Imaginary West” as “a diverse array of discourses, statements, products, objects, visual images, musical expressions, and linguistic constructions that were linked to the West by theme or by virtue of their origin or reference.”

Already in the beginning of the 1960s, however, the Soviet luxury had acquired quite a new meaning. Encouraged by Khrushchev's policy of *otstepel* (thaw) and new "peaceful economic competition," the aims of the economic planning turned away from their exclusive focus on expanding production to also include extensive consumption of goods comparable at least in some respect to the Western standards. As a result, the Soviet economy of the early 1960s reached the capability, even if only for a short duration, to satisfy not only the basic needs of the Soviet consumers but also to provide a strong sense of optimism for the future.⁴² The new Soviet luxury was no longer "home-made" or, as Gronow has argued, genuine in the sense that it imitated the way of life of the Russian aristocracy before the Revolution. Instead, it now drew its inspiration from the images of life as it was thought to be in the capitalist Western world. Goods produced abroad became extremely sought after and highly priced. The core of the middle class aspirations now consisted in the possession of a small but privately held flat, a car, and other basic durables. The rapidly diversifying consumption patterns could hardly be countered by changes in the output of the economy, pursuing as it did a reverse logic; as Gronow (1997:68) has accurately described it:

A socialist society of mass consumption is a *contradictio in adjecto*. The reasons for its failure were not technical ones, neither did they result from the inability or corruption of its politicians and leaders. A planned economy can only follow the logic of needs, not that of desires.

Mercantile Managers in Demand

The first steps to optimise the production and consumption equilibrium were taken through Khrushchev's decentralisation reforms. The new approach was also aimed to stimulate innovation and initiative among the managers of the Soviet economy. As Hardt and Frankel (1971) have pointed out, during Brezhnev's reign these reforms were supplemented by another important measure: a change in the style of guidance from the central authorities from direct interference to more indirect regulation via financial incentives and penalties. The new orientation was also reflected in the general reversal of the egalitarian wage reform adopted by Khrushchev. According to Granick (1983),

⁴² This optimism has been usually associated with the international thaw brought by Khrushchev's ascendancy along with his prediction that communism could be completed by the beginning of the 1980s; see Millar (1988), Lane (2006).

the managerial bonuses rose from the average of 8.9 per cent in 1964 to almost 27.5 per cent in 1973, the year when one third of the top management in the industrial enterprises made double the base salary set for their positions.⁴³ In addition, the bonus system created in 1965 was for the first time in the Soviet history based on indicators other than the gross output. The quality of the goods produced as well as their cost and marketing began to play a crucial role. This fundamentally new development put new pressure on the managerial staffs. A novel type of manager “capable of thinking and acting according to scientific data, a resourceful man with a mercantile spirit” (Hardt and Frankel 1971:196) was to substitute the old type of an engineering manager. The need to accelerate technological development in the Soviet industry was regarded as imperative, preoccupying and dividing the Kremlin leadership during the 1970s. On the one hand, the Soviet leaders soon understood that technological innovation represented a new demand associated with the new industrial revolution taking place all over the world. Thus it was also an arena where the two opposite ideological systems competed with each other. On the other hand, in addition to the international pressures the Communist leadership had to respond to domestic pressure as well, given the growing awareness that the Soviet economy was reaching the limits of its expansion. In countering these challenges, Brezhnev singled out two key factors whose contribution would ensure the continuous intensification of the economy: modern technology and modern management.

Reluctant Modernisers

The expectations set by the Communist leadership, however, turned out to come into collision with the interests of the industrial managers at the shop floor. Research has shown that the general response of managers to the changing economic environment was rather negative (see e.g., Hardt&Frankel 1971, Granick 1983, Lockwood 2000). There was, in fact, no significant change in either the strategies of innovation or the initiative shown by the industrial managers. Looking for the causes behind the persistence of previous conditions, Lockwood (2000) has suggested several possible explanations. First of all, the system of bonuses, which obviously served as a powerful mechanism for both stimulating and controlling the production output, reduced the managers’ willingness to take risks where there was a possibility of not

⁴³ According to Lockwood (2000), in the 1970s the size of the managerial bonuses was limited to 60 per cent of their salary.

meeting the planned targets. In the same vein, it was risky to rely on new technology even when it promised economic growth in the long run, given that it might mean initial problems at the introduction stage, disrupting the production process which again could jeopardise the final output targets. Moreover, the very Soviet system, with its virtual economic isolation, monopoly over decision-making, and huge business units, created obstacles for the advance of new technology, whose acceptance in turn would have meant opening a door to innovation and change, a necessity to reform the static system with all its rigidities standing in the way of such innovation, and closer connections with the global market.

Connected to this is the second explanation suggested by David Lockwood, which relates to the pressure felt by the managers to meet the planned targets. The heavy expectations simply left them with no time nor motivation to experiment with innovations, as these would never be rewarded the same way as the attainment of planned goals. Finally, the character of the managers themselves seemed to play an important role in this context. Many industrial managers had lived through the process of forced industrialisation during Stalin's reign, learning from it the importance above all of obedience and resistance to abrupt changes. But even if the economic and political environment of the early 1970s was already much less punitive, at least immediately it failed to give rise to a new type of manager for the economy's needs.

As Lockwood (2000) has argued, the relationship between the industrial managers and the Soviet rulers, as well as the intermediate level of various ministries which in fact had their own political and economic agenda, could well be described as a vicious circle of sorts. Strictly pursuing the production targets set from above, the industrial managers were forced to often manipulate and even deceive the bureaucracy in their attempt to meet the expectations directed at them. Accordingly, there could be but little effort from above and from managers' side to mould a more innovative spirit and alter the inherently bureaucratic environment in which innovation took place. This in turn led to many inefficient practices within the enterprises, such as doing things at the last minute, giving preference to quantity over quality, false reporting of resources and output, waste, and so forth. All this served to maximise the managers' interests within the existing system while at the same time undermining it. The most paradoxical feature of this arrangement was that managers themselves seemed to oppose

any market-oriented changes in the economy, as these would quickly render their skills and expertise obsolete – a fear proven correct by the events of the late 1980s.

Another important factor contributing to the managers' ambivalent position in the Soviet economy of the 1970s was their training. The preparation of industrial directors was predominantly handled by engineering faculties instead of business schools and economics departments, contrary to the needs of the economic reforms of the time. To be sure, there is no doubt that the general professional qualifications of the industrial directors had significantly increased by the mid-1970s. As shown by Hardt and Frankel (1971), 68 per cent of the industrial directors had completed higher education in 1967; however, the vast majority of them were still engineers. Only 9.8 per cent of all the professionals employed at industrial enterprises had an economist's training. Given this prevalence of engineers among the industrial directors, it is worth noting that only five per cent and 36 per cent of the curricula taught at the more advanced engineering institutions were devoted to economics and business administration, respectively, including production economics, management studies, business law, and accounting. The first priority was given to hard sciences and engineering (40 per cent of the curricular offerings), with political subjects given a significant share of 17 per cent of all instruction offered. There was not a single university where business and management studies would have had a leading role. The Communist Party, it should be noted, did make an effort to offset this bias by offering various seminars and training courses to redirect managers' attention to profits and sales instead of mere conformity to official targets. Moreover, there were professional conferences, informal meetings, special sections in technical journals and other specialised newspapers, such as the *Ekonomicheskaya gazeta*, and other organised events and channels that offered many opportunities for managers to exchange views and articulate their interests as a group (see, e.g., Hardt and Frankel 1971:193-201). These, however, did little to diminish the resistance shown by managerial staffs to the abandonment of the planned volume as a solid criterion of their performance.

It is obvious that the preparing a new type of managers through reliance on such an educational and professional strategy was an impossible task. At the same time, the Soviet analysts themselves admitted that the lack of directorial personnel in industry would grow critical by the mid-1980s, when an additional four million specialists would be

needed in administrative positions to substitute for the directors, heads of departments, and chief engineers moving into higher positions or going on retirement. The number of managers needed by that time was estimated to be around one and a half million (ibid.:199). Thus, even the pure magnitude of the problem was practically overwhelming; and still, the future of this group remained highly uncertain. An excerpt from *Pravda*, the leading newspaper of the time, illustrates this point quite specifically:

At present the economic managers (*rukovoditeli*) who grew up in the days when administrative methods were supreme, do not meet the new requirements of the economic reform and the technological revolution [...]. To be a 'manager' under present day conditions means having a special profession, a post that can no longer be held by an engineer or an academic economist. The personal capabilities of a man are the conditions for practising this profession, and these capabilities can only be brought to perfection by hard practice, combined with a constant broadening of one's knowledge of the theory of management. (Cited in Hardt&Frankel 1971:205.)

The "Little Deal" in Action

Unable to solve the deficit problems affecting most primary goods and services through stimulating the official economy, the Soviet leadership had no option but to resort to another accommodation strategy. Using an analogy with the Big Deal, James Millar (1988) has termed the period of the 1970s and the early 1980s as Brezhnev's Little Deal. The main elements of this strategy consisted of institutional stability at the macro-level and a clear retreat of the state from its close supervisory role over the everyday life of its citizens. What this implied, in particular, was greater tolerance towards petty private activities and increased political and economic freedom of individuals within close kinships and friendship networks. These activities, which Millar (1988) has lumped together under the general term "wheeling and dealing," constituted effective mechanisms for redistributing and in some cases supplementing the Soviet national product, usually not meeting the demand of the population. At the same time, the Brezhnev regime further extended the system of privileges and opportunities for consumerism for limited elites, as a way of rewarding loyalty and as an incentive for work performance in areas important to the state.⁴⁴ The ten-

⁴⁴ For a good analysis of privilege and the way it was actively promoted and administrated up until the late 1970s, see Matthews (1978).

sion between the egalitarian ideology and outspokenly non-egalitarian practice further contributed to the increase in petty trading and the usage of personal networks. These activities, having a legal existence “both shade from the legal and overt into the illegal and covert, passing through a region in which legality is a matter of juridical discretion” (ibid.:7).

Such activities could be about buying products at the legal consumer goods market (*rynok*)⁴⁵ or services via personal networks of people having access to them, or about using equipment from one’s workplace for an extra job done at one’s spare time, and the like. These are just few examples of the many different types of direct market transactions with an illegal or quasi-legal character that were accepted as “a matter of fact” under the banner of the Little Deal. According to Granick (1983), the great expansion of these activities, often associated with the second economy, is closely linked to the demise of the priority principle in the Soviet economy after Stalin’s death. When it was officially declared that heavy industry no longer was a top priority for the Soviet economy, it did not, however, automatically mean that other industrial branches, or agriculture, would now be allocated more resources and acquire a higher status than before. What in fact changed on the macro level was that practices such as exchange of favours among enterprises, bargaining, and simple corruption now replaced the previously enforced priority principle that served to reconcile the actual output with the planned allocations. On the level of everyday life, practises like shoplifting, petty middleman operations, and small private enterprise also became widespread. Yet, the most striking feature of the second economy was not its sheer size, but the pervasive character it acquired: it not only supplemented the “first” or the “official” economy but also subverted it.

The Second Economies of Late Socialism

To understand the type of relationship prevailing between the first and the second economies, a brief overview of the terms may be useful. The study of the second economies goes by a variety of names, em-

⁴⁵ Already during Stalin’s reign collective farm markets were allowed, as a compromise with peasantry who sold foodstuffs produced at private plots directly to consumers. There were approximately 50 million of such small plots in private hands, amounting to three per cent of the total cultivated land in the country and with the growth output equal to one quarter of the total production of the Soviet agriculture. During Brezhnev’s time, various other types of markets (*rynki*) mushroomed all around the country, dealing in both agricultural and other consumer goods as well as second-hand goods. Such markets also constituted a lucrative hub for the disposal of stolen goods. For more details, see Grossman (1977), Millar (1988).

ploying the attributes of ‘informal’, ‘parallel’, ‘underground’, ‘shadow’, and ‘black’, to name just a few. In his widely quoted pioneering article, Georg Grossman (1977:25) has defined the second economy of the USSR as an economy “where production and exchange often take place for direct private gain and just as often violate state law in some non-trivial respect.” Grossman accurately points out that the Western image of the Soviet economy, at least at the time, was seldom informed by the existence of another side of this economy, where illegalities permeated all of its spheres. As concerns the managers in the focus of this chapter, their involvement in the second economy ranged from diversion and black-marketing of finished goods to bargaining with ministries and other economic partners, as a way of going around the formal rules. But the second economy also served as an umbrella for private market activities of various kinds.

In line with Millar (1988), it is important to note that petty private enterprising was not illegal in the Soviet Union. Carried on a small-scale by individuals or families (*chastniki*), private enterprises provided various kinds of products and services that otherwise would not have been available for the Soviet consumer “in the service-starved economy” (ibid.:10). Apart from the production and marketing of agricultural products, private enterprises offered services like repair of consumer durables, hairdressing, clerical help, housekeeping, tutoring, and medical care.⁴⁶ Such activities were legal so long as the profits they generated went to the producer alone, that is, to an individual or a family co-operative. All other enterprising common to market economies elsewhere, such as hiring labour or renting one’s property for profit, middleman activities, or money-lending against interest were prohibited, confining legal private enterprising, as Millar has stressed, to a narrow set of activities conducted on a small scale in both production and distribution.

According to Grossman (1977), who was the first to assess the size and significance of the legal private sector in the Soviet Union, only ten per cent of the Soviet GNP (in the sense of value-added product) could be attributed to this sector: 76 per cent of this total share originated in agriculture, 22 per cent in housing construction, and two per cent in consumer services. Even if the share of legitimate private entrepreneurship thus remained quite low, its importance was disproportionately high as it was oriented almost exclusively to consumer goods in high

46 For estimates regarding the extra income obtained via private teaching and privately offered medical care, see Matthews (1978:29).

demand. Besides, according to Grossman's rough estimates, the second economy in general stood for approximately 30-40 per cent of the total personal income earned by the Soviet population, which goes a long way in explaining the reasons for its omnipresence.⁴⁷

At the same time, while being legalised economic entities, the petty private enterprises often crossed the line of lawful performance in using public enterprises for the benefit of private transactions, which clearly points to the complex interdependency between the first and the second economy. Moreover, an illegal private sector was also in existence, the size of which is difficult to estimate, even if to all accounts it was quite significant involving numerous private actors in their day-to-day conduct (see, e.g., Grossman 1977; Millar 1988; Sik 1995). Underground entrepreneurship (*teneviki*), for instance, was widespread, with production often organised on a substantial scale and involving hired labour, acquisition of materials and machinery, and sale of the output on the black market using the protective facade of a state-owned factory or a collective farm. Both the legal and the illegal private enterprising, however, ultimately served the interests of the consumer. In this respect, the second economy was not something standing outside and apart from the official economy; rather they both were parts of a symbiotic relationship in which, in Grossman's (1977:50) words:

the second economy is a spontaneous surrogate economic reform that imparts a necessary modicum of flexibility, adaptability, and responsiveness to a formal set-up that is too often paralysing in its rigidity, slowness, and inefficiency.

Undoubtedly, such a surrogate economy was a fruitful ground for entrepreneurial governmentality to develop, utilising as it did various technologies for exploiting the opportunities for profit.⁴⁸

In this connection, it ought to be emphasised that the second economy was not exclusively a Soviet phenomenon. Rather, it has been an intrinsic feature of all socialist economies. Grossman's pioneering contribution has subsequently stimulated a number of studies on the issue in other former socialist countries as well.⁴⁹ Besides admitting that the second economy accounted for a significant share of social-

⁴⁷ Similar figures are given by Jones and Moskoff (1991:xiii).

⁴⁸ See Chapters 2 and 8, pp. 66-70, 269-284.

⁴⁹ Sik (1993, 1995), along with Rose and Haerpfer (1992), provide a good starting point with an extended bibliography included.

ist economies,⁵⁰ these studies also introduce an important distinction between the second and the informal economies. According to Endre Sik (1993:155), the second economy is a “shadow” of the first economy based on the distributive principle and including “all activities which fell outside the direct control of the socialist state.” These activities, both legal and illegal in character, were mainly part-time economic activities, meant to supplement the income from one’s formal employment within the first economy. On the other hand, during the transformation of the Central and Eastern European societies in the late 1980s and the early 1990s, the second economies of the socialist states were gradually substituted by informal economies that function according to market principles. These can be defined as “all productive and distributive income-earning activities which take place outside the scope of public regulation on the macrosocietal level” (Sik 1993:155). Another distinctive feature of the informal economies is that they usually rely on fulltime activities and keep increasing in size. More importantly, however, it has been recognised that under certain circumstances, activities outside the official sector can constitute a new private sector for the emerging market economies, steadily on the rise in all of the former Central and Eastern Europe. In this respect, many economic activities, including private entrepreneurship, retailing, self-employment, and petty private farming, have today come out of the “shadow” and become an integral part of the new market economic structures.⁵¹

The Flourishing of Personal Networks

The symbiotic combination of the first and the second economies had yet another, rather more specific effect on the socialist societies. Namely, it led to the creation of a broad subculture and a dense formation of personal networks often identified as “reciprocity relationships” (Millar 1988), “connections” (Sik 1995), or “the economy of favours (*blat*)” (Ledeneva 1998). These came to form a crucial strategy in the politics of survival characterising the socialist shortage economies. Although non-monetized and not strictly economic in their nature, such personal networks flourished under all sorts of economic systems.

50 Read for example Sik (1995:22-24) on the volume and methods of estimation of the second economy in Hungary, Poland, Bulgaria, Romania and the Czech Republic. See also Sik (1993).

51 Wallace (2000) has argued that compared to Russia, where informal economies still make up a considerable element of survival strategies, the scope of the informal economies has tended to decrease in the more developed countries of Central Europe such as Poland, Hungary, and the Czech Republic, where many previously informal activities now form part of the core of these countries’ market economic systems, generating stable income for those engaged in them.

With few exceptions, however, the personal networks in the Soviet society in particular have been poorly examined.⁵² One of the recent attempts to trace the contours and scrutinise the nature of this phenomenon is by Alena Ledeneva (1998, 2001), who suggests making a clear distinction between “the economy of favours” and other forms of personal networks such as corruption, fiddling, or patronage, or simply exchange of favours between friends and family members as common in many Western societies as well. According to Ledeneva (2001:61), “the economy of favours” should be understood as a system that:

excludes personal networks which serve domestic or purely illegal exchanges, and includes personal networks which operate by penetrating institutional structures and diverting institutional resources.

This distinction is indeed highly pertinent, as it clarifies the peculiar nature of the economy of favours, based on the reciprocity relationships, trust, and non-monetary exchange. Accordingly, in everyday life the phenomenon of *blat* (the economy of favours and personal connections) was often associated with sharing, helping out, and mutual care, as the goods and services obtained through the relationships in question often came from friends (*po družhbe*), acquaintances (*po znakomstvu*), or protection of others (*po proteksii*). However, at the same time these favours were performed at public expense, given that the personal networks were mobilised ultimately to gain access to or influence decision-making. It is in this respect that several researchers speak of “the economy of favours” which, similarly to the second economy as a more generalised practice, represented a means of both coping with and circumscribing the existing socialist order (see Millar 1988; Sik 1993, 1994; Ledeneva 1998, 2001, 2004, 2009).

To summarise the discussion thus far, the Little Deal, as an “ideological retrenchment” (Millar 1988: 17), came to eventually erode the potential of the socialist idea, encouraging people to take matters in their own hands. The second economy and *blat* created connections among people throughout the entire society in such a way that, as Rehn and Taalas (2004) have noted, their practices started epitomising modes of mundane entrepreneurship possible in the Soviet conditions. These modes of entrepreneurship did not, however, come to existence by individual choice alone; neither were they simply beneficial for the

⁵² Kornai's (1980) was among the first to recognise the role of personal connections as an important component in the adaptation to the socialist economic realities marred by shortages; however, even he does not discuss the social consequences of using such personal networks in the everyday life.

system. Yet, one of the incontestably favourable effects that these practices entailed, as observed by several authors (Sik 1993; Yurchak 2002; Lane 2006), was the emergence of the petty bourgeoisie, that is to say, of entrepreneurs of various ranks along with larger groups of professionals who invested in and developed asset-specific capital, including personal networks, knowledge, know-how, and other individual skills. Accordingly, even if making a business career in the Western sense of the term would hardly have been possible in the time period in question, as neither the private property rights nor accumulation of profit were allowed, it will still be plausible to assume that the agents for the new market economy had now been effectively created within the Soviet economy. Russian economic sociologist Vadim Radaev (1997:44–45) has proposed a distinction between four main types of Soviet business people (*delovih lyudey*) as encountered at the end of the 1980s: of these “almost 80–90 per cent were disciplined managers, followed by experimentators, few shadow entrepreneurs (*teneviki*) and private entrepreneurs (*chastniki*).” Three of these categories then can be said to have arisen within the framework of the second economy. Other categories not mentioned by Radaev include professional party functionaries and the technocratic intelligentsia, which also played a major role in loosening up the command economy and bringing socialism to an end. It would be an exaggeration, however, to claim that these actors represented anything like a consolidated force pushing for change within the Soviet society; nonetheless, in different ways they all contributed to the fact that the Soviet system had eventually collapsed.

Part III

Russia's Uncertain Transformation to Capitalism

Chapter Five

The Great Leap to the Market

Introduction

The phenomenon under investigation in this thesis, namely, the development of entrepreneurship in contemporary Russia, has its roots in at least two previous historical epochs: those of Imperial and Soviet Russia. Such a broad historical context is therefore necessary to understand the critical phases through which the history entrepreneurship in Russia has evolved, changing its form and switching its agents but never altering its function. Namely, it has been and still remains an economic activity performed on the margins of the larger state economy, most of the time substituting for the latter's inefficiencies. This chapter offers an analysis of the economic and political reforms that took place in Russia between the late 1980s and the early 2000s. These reforms were closely intertwined with deeper social changes taking place in the entire region up until then under Soviet domination. I refer to these changes as "the uncertain transformation," because despite the uniformity of the reform packages introduced under the banner of the "Washington Consensus" in the various socialist countries, the social and economic processes unfolding in these societies were often vastly different in both kind and effect. Below, I will focus on the local processes and events that lead to the collapse of the Soviet Union, the emergence of the new Russia, and the new Russia's road to capitalism.

All these events form an important background informing the way in which entrepreneurship has subsequently developed in contemporary Russia. Ideologically, this was the time when entrepreneurship as private enterprising was no longer considered as illegitimate. Implementing market economic reforms has required a broad array of new laws and rights to be recognised, for the protection of private enterprising and to unbind its full potential. Economically, however, the new entrepreneurship represented an embodiment of both the collaps-

ing Soviet economy and the emerging capitalist economy in Russia. As I will show below, an initial enthusiasm of Soviet co-operative movement was followed by a period of much more controversial practices of privatisation that then gave rise to the specific type of capitalist economy that Russia today stands for.¹ My point in this analysis is to show that the principles and practices of entrepreneurship in contemporary Russia cannot be properly understood by looking merely at its institutional or legal foundations. Rather, it demonstrates its origins in a complex interplay of historical legacies, political decisions, public reactions, and economic interests that originally set in motion the collapse of the socialist system per se and created a realistic opportunity for entrepreneurs to come out of the woodwork and seize the momentum. It nonetheless remains an open question whether the Russian capitalist economy in its present shape will actually be able to create conditions for a stable and supportive environment to arise in which entrepreneurship can grow.

The Emergence of the Non-state Economy

By the time Mikhail Gorbachev assumed the leadership of the Communist Party and the Soviet state in 1985, it was already obvious that the Soviet economy and society were in a deep crisis. Yet the first steps of the reform, known worldwide as *perestroika*, were designed to improve the socialist system without undermining its foundations. The approach adopted by Gorbachev and his cabinet was a top-down campaign aimed at accelerating the economy and resolving its three main defects: inefficiency, poor quality, and lagging technological development.² To achieve these goals, Gorbachev believed that decentralisation of decision-making in the state sector should be combined with stimulating innovation and initiative in the small-scale private enterprises. At the same time, Gorbachev's ambition was to have the Soviet Union soon join the world market on equal terms, although this hope was hardly substantiated given the impending economic and political collapse of the country. Generally very cautious in his attitude towards the market economy, Gorbachev favoured the so-called socialist market solution, which David Lockwood (2000:121) has characterised as the introduction of the "internal market mechanisms, while

1 See Chapters 6 and 8 for further analysis of private capitalist economy in Russia.

2 On Gorbachev's populist strategy between 1985 and 1989 more specifically, see Reddaway and Glinski (2001:118-136).

(for the moment) protecting most of the economy against external competition.”

Individual Labour Activity

Formally, the first legislative act publicly encouraging petty private enterprising in the country was the Law on Individual Labour Activity of 1986. While permitting a broadened range of private economic activities to complement those already actively pursued in the service, retail, and consumer good production spheres, the new law nonetheless was quite limited in its scope. To begin with, it still left the Soviet authorities with the power to decide on the products being produced, the prices of these products, and even certain moral issues such as whether the new individual enterprises applying for their permits indeed served the interests of the broader society and whether their business was based on reputable and honest practices. It did not take long before the law turned more confining than emancipatory with regard to the entrepreneurial energies it was to release. Analysing the period of re-birth of entrepreneurship in the Soviet Union in considerable detail, Anthony Jones and William Moskoff (1991) point out that individual entrepreneurs³ soon encountered serious problems in the pursuit of their activities that arose from the application of the law and the pre-conditions making it meaningful. Among these were the arbitrary nature of the licensing system, disruptions in the supply of materials, the public stigma attached to individual entrepreneurs, and even the fear among the entrepreneurs themselves about the future of their businesses. At the same time, the law of 1986 could not but set in motion the development of entrepreneurship beyond the originally intended scope. According to Jones and Moskoff, 65 per cent of individual entrepreneurs at the time held a second job within the state economy, and most of them were engaged in hiring out their labour, which in fact was then strictly prohibited by the law. In addition, while the initial ambition of the law was to promote new kinds of co-operatives that would compete with the state sector, many of the new cooperatives simply turned to be essentially the same old units given nothing more than a new appearance. Such practices of getting around the law were a clear sign of uncertainty facing the co-operative enterprise and of the fact that the alternative economy was developing much more rapidly than could have been predicted.

3 It is worth mentioning that the law still prohibited hired labour and confined allowable labour activity to the individual entrepreneurs and their families only, and prioritised those who were unemployed; see Jones and Moskoff (1991).

The Co-operative Movement

In May 1988 a new Law on Co-operatives came in force. This “surprisingly liberal law,” as Hedrick Smith (1990:264) has characterised it, became an umbrella under which an entirely new economic structure could organise itself during the “expansion in the size and realm of non-state property” (Andrusz 1999:23). As pointed out by Jones and Moskoff (1991) as well, the law was a step forward in the sense that it removed the previous limitations on the size of the co-operatives, the scope and range of their activities, the size of their business assets, as well as on the magnitude of the earnings and income for the parties involved. The major change brought by this law was the new right given to co-operatives to form the joint ventures and engage in export and import activities directly with foreign partners. This became possible thanks to two additional acts already in force, namely the Law on State Enterprises and the Law on Joint Ventures enacted already the previous year. The former abolished the state planning apparatus, giving state enterprises more freedom in setting their targets, choosing their management without the Communist Party’s intervention, and retaining a greater share of the profits for themselves. The latter, although still restrictive in regard to investment of foreign capital, came to play a key role in the dismantling of “the economic iron curtain” (Hertz 1997:22). Both of them, however, opened up a window for the world market forces to enter into the Russian economy (Lockwood 2000: 117-126).

Another important shift reflected by the Law on Co-operatives was the legal recognition of the rights and status of individuals working in the private sector of the economy. In the new view, the members of the co-operatives were expected to not only serve the interests of the society but also work to improve their own working conditions and be able to enjoy a material prosperity corresponding to their workload. In fact, as several researchers have pointed out, it was now difficult to draw a clear line between the new Soviet co-operatives⁴ and any capitalist enterprises as operating in the West. Both obtained and invested capital, hired labour, shared risks, sold their products at the market price, and distributed their profits according to the needs of the enterprise. The resemblance, however, is superficial only, at least in juridical terms,

4 The 1988 law gave rise to a new wave of co-operatives that differed from the consumer co-operatives common throughout the Soviet period and accounting for one fourth of the annual domestic trade volume in the country; see Jones and Moskoff (1991). The consumer co-operatives remained a mere appendix to the state system of redistribution for goods and services, while the new co-operatives challenged this principle, without however succeeding in completely shedding themselves of “the economic costs of freedom from state tutelage” (Andrusz 1999:29).

given that in their core the new Soviet co-operatives still preserved the socialistic idea of collective and equal ownership. Although in actual practice they functioned as a form of private enterprise, ideologically they were still camouflaged as a socialist creation. Nevertheless, the overall outcome of the new legislation encouraging private enterprise was a profound shift in property relations, indicating that the Soviet state was no longer the sole property owner in the country. By the end of 1980s, the new economic structure already represented a mixture of different types of ownership where individual family firms, co-operatives, joint ventures, joint stock companies, and leasing companies had emerged as *de facto* economic subjects competing with the state enterprises (see Lockwood 2000).

The possibility to channel entrepreneurial initiative into the legally sanctioned economic spheres that, even if only to a degree, were independent of the state scrutiny may then be seen as a likely explanation for the rapid growth in the number of co-operatives, their size and turnover, level of employment, and income among their membership. As Jones and Moskoff (1991) have shown, the number of co-operative units increased from 14,000 in 1988 to more than 77,000 by the early 1989. By the beginning of 1990, more than five million Soviet citizens were employed within the co-operative sector, with their sales output equalling 46.5 billion rubles.⁵ The average monthly income of a co-operative member in 1989 was about five times the average salary of a state employee.⁶ Although the figures should be taken with caution,⁷ they clearly testify to the rapid growth of the co-operative movement showing great potential in promoting legitimate forms of private enterprise and opening up the Soviet economy to the market forces.

The Elusive Status of the Non-State Economy

One of the principal contributions of the co-operative movement was that it unavoidably generated property group interests within the Soviet economy. Nonetheless, it did not naturally lead to the appea-

5 Clarke's (1992:11) assessment of the same developments is less optimistic. According to his data, no more than two per cent of the Soviet labour force was employed at the 200,000 co-operatives existing in the country in 1989.

6 This was so for the scientific-technical cooperatives, while in other types of co-operatives such as those engaged in construction or foreign trade the wage gap was even wider; see Jones and Moskoff (1991:28).

7 Jones and Moskoff (1991), as well as Andrusz (1999), stress that the official statistics on the co-operative movement are far from accurate. For example, the number of registered co-operatives was usually larger than that of the actually functioning co-operatives, while numerous private enterprises remained unaccounted for in the recesses of the informal economy.

rance of propertied classes as such. A general explanation to this is that the process of reshaping the Soviet economic landscape by introducing co-operatives and other types of private enterprise was counteracted by another profound process, namely the collapse of the Soviet system in general. Despite all the legislation, plans, and programmes promulgating the birth of the co-operative movement, as culminated in the Law on Ownership and the Statute on Joint Stock Corporations and Securities, both adopted in 1990,⁸ the Soviet government therefore remained only half-heartedly committed to the very core of the private property issues.⁹ The very term 'private property' was loosely defined in the law and it contained many loopholes allowing certain private economic activities and criminalising others (see Jones and Moskoff 1991:78-93).¹⁰ Therefore, even if co-operatives represented a great challenge to the previously state-dominated Soviet economy, they remained clearly subordinate to the state in terms of their financial resources, labour force, and not least political protection. Clarke (1992), for instance, has argued that most of the co-operatives enterprises, being concentrated in the non-production spheres, remained very small in size, and almost 80 per cent of them were not pure private enterprises but rather quasi-private organisations sheltered by or directly sponsored by state enterprises.

Neither showed public opinion much enthusiasm for the co-operatives, especially so in the commercial sphere. The high prices of the scarce goods produced by the co-operatives as along with the comparatively high income levels often enjoyed by workers at co-operatives provoked suspicion among the broader populace regarding the whole co-operative idea, as it was often incorrectly associated with other attributes of the collapsing economy such as the inflation, increasing un-

8 The 1990 Law on Ownership created crucial distinction between socialist and personal ownership, and permitted a whole range of non-socialist forms of ownership over the means of production. It also opened up a possibility for foreign citizens, companies, and international organisation to hold property (except land) in the USSR; see Hertz (1997:23). The ratification of the Statute on Joint Stock Corporations, allowing Soviet citizens to own shares in companies where they were not employed, constituted another important recognition of the centrality of the privatisation process to the programme of perestroika; see Jones and Moskoff (1991), Clarke (1992).

9 In relation to this vacillating stance of the Russian government on the issue of private property, it is interesting to note that even after several years of 'shock therapy' applied in the name of speedy privatisation, Chubais, one of the radical reformers in the Yeltsin cabinet, regretted that the private property issue continued to be ambiguous in Russia. It is also worth noting, however, that Chubais blamed the Russian culture and people for the failure to acknowledge the main principles of capitalist economy; see Reddaway and Gliński (2001:299-300).

10 For a subsequent analysis of criminal activities within the co-operative movement, see Solnick (1998), Volkov (1999).

employment, decreasing living standards, and the like. In a survey of Moscow residents in 1990, only seven per cent of the 801 respondents expressed desire to work for a co-operative, compared to 33 per cent who wanted to work in a joint venture with a foreign company or be involved in other activities within the private sector (see Jones and Moskoff 1991:126). Justly or not, the low esteem of the first group of private entrepreneurs had therefore prompted a corresponding attitude regarding the co-operatives themselves. Several analysts of the co-operative movement point out that given the ambiguity of the legislation, the uncertainties regarding the property issue, and the popular disdain with which they were regarded, many co-operatives adopted no more than short-term strategies based on the pursuit of immediate profit and consumption rather than investment and further development of their business (see Smith 1990; Jones and Moskoff 1991; and Andrusz 1999).

One could conclude that co-operatives emerged in Russia at a critical point of its social, political, and economic evolution. The great enthusiasm among the individuals “who carried the germ of the capitalist spirit” (Andrusz 1999:40) could only partially be translated into broader practice with the help of the new legal and economic framework allowing the exercise of entrepreneurial skills. According to Andrusz the majority of the co-operators came from the state sector and not from the second economy as might have been expected.¹¹ In fact, those active in the Soviet second economy were rather reluctant to legalise their economic activities, given the heavy bureaucratic procedure this process implied. Instead, the vanguard of the co-operative movement consisted of middle-aged well-educated men whose values were not greatly at variance with the rest of Soviet population.¹² The main constraints, however, that prevented full utilisation of the potential offered by the co-operatives had to do with the persistent tradition of a centralised economy, with its dominant state sector relegating petty private enterprise to the margins, the unclear legal status of the private property, and not least the antagonism of the cultural attitudes towards the new market forces often marked by corruption and criminality lingering on from the Soviet underground economy while at the same time opening up an opportunity for private entrepreneurship on a larger scale.

11 Solnick (1998:229-233), along with Reddaway and Glinski (2001:265), has put forward quite the opposite view on this issue, arguing that co-operatives were the major channel of reallocation of state assets into the private enterprises using the methods of the shadow economy. This view may partly explain the extreme anti-cooperative propaganda in the Soviet press and among the broader public. See Jones and Moskoff (1991:110-120).

12 For a more comprehensive sociological portrait of the co-operators, see Smith (1990), Jones and Moskoff (1991:27-33).

Public Discontent in Russia: Pro-Market or Anti-Soviet?

A brief look at the first *perestroika* years suggests that the attempts by the Soviet government to decentralise the system produced an expected outcome, namely the emergence of elements of private capital and private enterprising within the Soviet economic structure. Yet, such efforts were not entirely new, in view of the decentralisation policies of the 1960s and the 1970s. Moreover, they were not notably radical either. One of the government members at the time, Prime Minister Nikolaj Ryzkov, explained the irresolute stance of the Soviet leaders on the market economy issue with the fact that “the Soviet views on private property and market relations were based on nineteenth-century notions” (cited in Jones and Moskoff 1991:131). Consequently, there was basically no market culture to rely upon, and no example to follow. In such conditions, the government had to essentially just act fast in response to the growing anxieties of the population concerning the coming changes. As the public opinion polls indicate, in January 1990 65 per cent of respondents supported the idea of the market economy, while six months later no more than 43 per cent were still in favour of this proposition. In the rapidly worsening economic climate, 48 per cent of those surveyed admitted that they were personally unprepared for a transition to the market economy. Major concern was expressed in this respect about higher prices, increasing shortages of consumer goods, rising unemployment, and a general decline in the living standards (ibid.: 125-126).

Any results from public opinion surveys in Russia, to be sure, especially during the early 1990s, should be viewed with some skepticism, as pointed out by two profound analyses of the transformation process in Russia. Robert Service (2003), for instance, found out that ordinary people in Russia had grown accustomed to being asked about their opinion already in the Soviet period, having consequently gotten used to expressing dissatisfaction or concern with their society on moral grounds (ibid.: 89). On the other hand, many also knew from experience that expressing one’s personal views in public was unsafe, which is why ordinary citizens only seldom would venture to openly question the legitimacy of the ruling power. The sensitive relationship to the state had left its imprint on the attitudes of Russians also when it came to the economic and political reforms of the 1990s. According to Service, the public opinion regarding the ongoing changes was thus never monolithic or coherent. Rather, people could express even con-

tradictory opinions depending on whether they spoke in public or in private. Service further assumes that the Soviet citizens may not have expected the introduction of the market reforms to lead to the collapse of the communist system as a whole. Yet, they were not entirely against such an idea. Moreover, the very notion of the market, especially in the Russian context, encompassed not only economic but also and even primarily social and moral issues. The issues of equality and justice continue to be extremely important to a Russian citizen, especially because these basic values have been frequently violated or betrayed in the history of the country. Therefore the objective of a “transition to democracy,” giving hope for better living standards, equality, freedom of opinion, and openness of the society, could not but trigger public expression of discontentedness with the communist leadership and the society it had created. Following Service (2003:109), I would agree that on the eve of the reforms, Russians “wanted something different” and “were willing to be surprised,” nonetheless hoping that a better life under capitalist conditions would not turn out to be yet another utopian project of the kind they had lived through in the course of the previous seventy years.

The role of popular discontent in Russia as a catalyst of political, social, and economic reforms has been also emphasised by Peter Reddaway and Dmitri Glinski in their well-documented study (2001). The authors push Service’s argument even further, drawing attention to the long tradition of dissent in Russia that has remained relatively little studied. Reddaway and Glinski further stress that it was popular mass discontent under the Soviet system that together with other internal and external pressures set in motion Gorbachev’s reforms. In the midst of reforming Russia, as the authors assert, this popular discontent was readily treated as an expression of “anticommunist,” “reformist,” and “pro-Western” attitudes in the society. Regardless of their orientation, these attitudes were simplistically associated with a “pro-market” or a “pro-capitalist” agenda, whereas in reality all those opposing the regime either actively or reflexively¹³ actually shared quite a different objective. As Reddaway and Glinski (2001) have pointed out, it would

13 As Yurchak (2006:132) has argued, the Soviet intelligentsia, especially in the late 1970s, was on the whole not pro or against the Soviet regime, with its position better characterised by the term *vney*, or “being inside and outside at the same time.” Moving around in intellectual circles, close networks of friends, clubs, and cafes, what was debated was literature, philosophy, and meaning of life more generally, keeping a certain distance to social and political questions as something “uninteresting.” This lifestyle, according to Yurchak (ibid:146), could be perceived as “a kind of ‘normal life’ in everyday socialism, a life that has become invested with creative forms of living that the system enabled but did not fully determine.”

be wrong to assume that all discontented Russians were in favour of a total withdrawal of the state from the country's governance. Rather, what the majority of the Russians wanted was to put an end to "the unjust and unwarranted distribution of power in favour of the Party establishment" (ibid.: 97) that had undermined the legitimacy of the communist regime and its ideology already for a long time by then. Yet, it should not be concluded that this resentful attitude towards the Soviet establishment permeated all the layers of the Russian society.

*The Collapse of the USSR
as an Economic and Political Power*

The reasons for and the outcomes of the break-up of one of the most powerful states of the 20th century continue to puzzle many social and political scientists, with literature abounding on the subject. My aim in this section, however, is not to discuss *all* the thinkable scenarios of why and how the Soviet Union came to an end. Instead, I will focus on the underlying economic and political processes that led to the demise of the Soviet system, as viewed through the angle of their consequences for entrepreneurship in particular. In addition, I will briefly describe the role of various social actors that in different ways all contributed to the radical divisions forming within the Soviet ruling elites, in a long run pre-determining the dramatic emergence of the Russian market economy. This overview is necessary to gain a better insight into the present conditions affecting entrepreneurship in Russia, with the very specific framework for its development being laid out during the events of the early 1990s.

**The Disintegration of the Soviet System:
An Economic Inevitability?**

To start with the economic factors, the imbalances of the Soviet planned economy, accompanied by low productivity, monetary problems, inefficient management, and increasing lack of consumer goods, have simplistically been identified as the main reasons leading to the collapse of the entire economic system. What is true in this perception is that there were endemic features in the Soviet economy that rendered it dependent on the export of raw materials and the import of Western consumer goods. Limited access to technology and the selective employment of it in the service of the giant military sector should be also mentioned as important factors in this respect.

During the later years, however, a number of analysts focusing on the Russian transformation have drawn attention to external factors that, as it is claimed, played at least equally important role in the dismantling of the Soviet economic power. David Lockwood (2000), for instance, has argued that it is rather due to the impact of globalisation and the encroachment of world market forces that the Soviet economy was doomed to collapse. Taking this argument even further, David Lane (2007) has asserted that Russia, and the Soviet Union in general, having been less exposed than other socialist countries to foreign trade and foreign investment, were unable to benefit from the advantages that the country's increasing involvement in the global market offered. Reddaway and Glinski (2001), on the other hand, describe the Soviet economic demise as something connected to the worldwide economic slowdown: it exacerbated the already shaky economic situation of the USSR, which was already part of the world market. In this line of argument, the post-war economic growth focused on consumer goods is seen as a tendency common to both the Western and the Soviet economies, as is the subsequent economic decline during the 1970s and the 1980s.

Connected with these factors, however, is a condition that has gone unnoticed by many Western analysts, namely the fact that prior to the official establishment of the market economy, its embryonic structures were already in existence in the Soviet economy, intersecting furthermore closely with the illegal spheres of the second economy. As shown by a number of analyses of the Soviet economy of the late 1970s and 1980s, it was hardly possible to describe that system as a pure socialist economy any longer. As pointed out in the previous chapters, the value of the legal second-economy activities amounted to ten per cent of the Soviet GDP, while the illegal activities must have amounted to at least twice as much (see Grossman 1977; Sik 1995; Reddaway and Glinski 2001). What is more, the existence of these "grey," "black," "pink," and other colour markets greatly impacted the everyday life of Soviet citizens, who developed an extraordinary capacity in handling the situation on their own. As Service (2003:92) has described it, "[t]hey formed groups based on patronage; they coped with shortages in the economy by use of favours, barter and outright fraud."

As already indicated in the theoretical chapters of this work, a large number of studies have been published recently on the networks and various types of capital drawn upon in Russia and other former

socialist countries today, with an emphasis on the specific role these resources have in the societies in question. On all levels, from exchange of favours between friends to nepotism and corruption within the ruling elites, networks function in two ways. They are used as the means of coping with everyday life situations marked by shortages and social hierarchies, and as a means for counteracting the ruling system.¹⁴ Moreover, there is substantial evidence that these informal aspects of the Soviet way of life have left a deep imprint on the post-Soviet realities as well.¹⁵

The Social and Political Forces of Change

Economic factors alone cannot provide an adequate explanation of why the Soviet Union vanished so abruptly. What must in addition be accounted for is the role of the various political and social forces that, once awakened by the Gorbachev's reforms, emerged to challenge the whole Soviet order. Their interests were not necessarily shared by the general Russian public to a large degree still entertaining hopes of one way or another retaining their Union. Yet, historically speaking, the new social and political actors embodied the ambitions of the late 19th century Russian bourgeoisie, namely their capitalist spirit, anti-bureaucratic stance, and nationalist impulse.

In their political analysis of the domestic factors contributing to the Soviet demise, Reddaway and Glinski (2001:103-109) distinguish three major "currents of rebellion against the Soviet system." First of all, there were the democrats and the westernisers of the Gorbachev era who were eager to remove the *nomenklatura*¹⁶ from power positions. Both the intelligentsia and many ordinary Russians shared these anti-*nomenklatura* sentiments as part of their strong anti-establishment orientation. Following Lane (2006), who has advanced a class explanation for the fall of socialism, "the acquisition stratum," including intelligentsia in particular but also other qualified workers, had much to win from the demise of the *nomenklatura* order. According to Lane, these layers of society had become particularly frustrated during the Soviet time when their occupational mobility and incomes were to a

14 The topic of networks and informal exchange during the Soviet period is given a thorough discussion by Sik (1993, 1994, 1995) and Ledeneva (1998, 2001, 2009).

15 For a more detailed discussion of the role of networks in the post-Soviet context, see Kharkhordin and Gerber (1994), Dinello (1999), Ledeneva and Kurkchian (2000), Alapuro and Lonkila (2000), Clarke (2000), Shmulyar (2004), Ledeneva (2004, 2009).

16 By the term *nomenklatura* I refer to the privileged administrative stratum made up of Communist Party members holding top positions in the Soviet system; see Service (2003:80-82).

large extent determined by the *nomenklatura*. The weakening of the *nomenklatura* power allowed the acquisition stratum to benefit from their skill assets using the mechanism of the market economy.

For many Soviet citizens, though, the very term *nomenklatura* was quite alien. Rather it was the system it stood for that was painfully familiar to almost everyone. As Service (2003:82) has poignantly put it, “[i]nequality of opportunity and circumstance was built into the foundations of the Soviet order.” Even if people lacked the chance to critically scrutinise this order, they were perfectly aware of the existing privileges, special shops and resorts, comfortable apartments, and all that that was not available for the majority. The awareness of the duplicity of the system grew even stronger during Khrushchev’s reign. Eroding from within, the socialist ideals towards the end of the 1980s had become heavily corrupted by the *nomenklatura* order, which increasingly came to symbolise nepotism and futility of the communist bureaucracy (see Silverman and Yanowitch 1997). Undoubtedly, the *nomenklatura* was very well equipped to survive the transition from communism. Among the important resources that the *nomenklatura* possessed were high organisational and managerial skills, expertise in various industries, access to valuable assets, and, first and foremost, an oligarchic type of leadership. There are, however, many conflicting views on whether the *nomenklatura* should be regarded as effectively forming the ruling class in socialism. Alternatively, the question is often posed whether it was the winner or the loser of the transformation process.¹⁷ In any case, it is clear that the Soviet “politics imposed very strict limitations as far as economic structures were concerned” (Kivinen 2002:81) and that the role played by the *nomenklatura* in this process was considerable.

Another wave of reformers emerged inspired by the principles of the free market that were supposed to weaken the power of the administrative command system, promoting the freedom and initiative of firms, local governments, and ordinary citizens who, as it was rather simplistically expected, would immediately start behaving according to the rational rules of the market economy. Paradoxical as it may seem, the “administrative stratum” itself, to use Lane’s (2006) preferred designation, was eager to participate in this process of dismantling the Soviet state when the political opportunity arose. As Lane has further explained it, the administrative stratum had become accustomed to having executive control over the means of production and reproduc-

¹⁷ This much-debated issue is discussed in more detail in Chapter 8, pp. 257–269.

tion of the Soviet system. Preserving that system was their highest priority until it became obvious that it was more profitable to “turn their administrative control into ownership of property” and “valorise their administrative and executive capital through the market” (ibid.:146). It is in this sense, claims Lane, the top layers of the administrative stratum could to a certain extent enjoy their position as part of an ascendant capitalist class moving the market reforms forward.

In a broader perspective, the anti-bureaucratic stance shows deep historical roots, as depicted by Russian writers, Western travellers and observers, as well as social scientists of various description.¹⁸ The enduring hostility towards the state bureaucracy at all levels was often given expression by Russian intellectuals on behalf of the people (*narod*), and it was used in the same manner by the radical reformers of the early 1990s who advocated for a stateless society and absolute freedom, values they mistakenly associated with the West, rather than the democratic state and a disciplined market.

Finally, one more influential force on the eve of reforms was the so-called national patriots of various kinds, whose common objective was to return to the genuine Russian or Slavic roots. Although this group carried within itself a number of mutually contradictory nationalistic sentiments, ranging from those represented by the dissident and patriotic elements to anti-Semitic and xenophobic currents, its closest affinity was with the Russian intelligentsia of the 19th century and its preoccupation with “the Russian question.” The mentality of many Russians is deeply permeated by the idea of a unique mission that Russians always have had and will still have to fulfil. At the same time, Russia has never been a country of one nation, a fact that the country had to face once more at the beginning of the 1990s (and continues to do so even now), with various long-suppressed ethnic sentiments rising to the surface, seeking political representation and turning to armed revolt as a means for defending group interests.

To sum up briefly, the three political and social forces then obviously represented differing agendas. Similarly to the Russian bourgeoisie of the late 19th century, they were poorly organised and divided along political and economic lines. Thus, to use Lane’s terminology, they were not a capitalist class, but rather potential aspirants to this role without any common capitalist ideology. Yet, the interests of these social and political actors were not entirely incompatible. What they shared in common was a hybrid populist ideology, characterised by

¹⁸ Cf. Guroff and Carstensen (1983), Reddaway and Gliniski (2001), Service (2003).

Reddaway and Glinski (2001:109) as a “a socio-political and cultural revolt against the duplicity, incompetence, and caste-like exclusivity of the rulers.” It should be immediately added, however, that the interests of grassroots movements were rarely represented in this revolt. It was, typically, “a lead from the front,”¹⁹ appealing for popular support but hardly representing the interests of the populace. Moreover, there was no prospect of agreement even among the leading figures of the Soviet Union. As Service (2003) has described it, Gorbachev advocated for a social-democratic Russia within a reformed Soviet Union, while Yeltsin favoured quick introduction of political democracy and the free market in Russia as a free and independent country. At the same time, many nationalist forces continued to crave for a return to the Russian values of orthodox spirituality, even though with no common national agenda to speak of. Instead, “each protagonist and its supporters fought in a limited area against all-comers” (Service 2003:76).

The Soviet Union Is No More

While the various political and cultural elites of the Soviet Russia remained preoccupied with their own political struggles, the country, already weakened by its diverse social problems and ethnic conflicts, began to approach its point of collapse. Other dramatic events taken place during the early 1990s both in the USSR and abroad also paved the way to the demise that would subsequently be perceived as unavoidable. The growing mistrust and resentment of Gorbachev’s leadership and his “shaking up” (Reddaway and Glinski 2001:118) type of reforms was made manifest in mass labour strikes that for the first time cut across the borders of the Soviet Republics and prompted similar demands among the workers all around the country. The Communist Party became increasingly fragmented and its regional and local organisations could not but feel themselves let down by the rulers at the centre. Also of primary importance were the growing anti-Soviet and anti-Russian sentiments that spread around the Soviet Republics and the entire Comecon region. The latter, in particular, eventually led to the fall of the Berlin Wall in 1989 and the subsequent “velvet” revolutions in Central and Eastern Europe.

On the domestic front, the secession of the Baltic States in 1990 was soon followed by the August 1991 coup that seriously undermined the

¹⁹ This is how Reddaway and Glinski (2001:121) have characterised Gorbachev’s political efforts, but the same expression is applicable to many other Soviet and Russian leaders as well.

chances of keeping the Soviet Union intact.²⁰ The formal break-up of the USSR is usually associated with the summit held in Belovezhskaya Pushcha outside Minsk between the presidents of three Slavic states Russia, Ukraine, and Byelorussia at the end of 1991. The meeting itself was not authorised by the countries' respective Supreme Soviets, neither was it meant to put an end to the Union. Yet, in retrospect, the decision taken by three presidents has often been referred to as something inevitable. By all means, the summit can also be considered as the simple liquidation of the remaining ties between the former Soviet Republics.²¹ Indeed, when Yeltsin announced his policy of shock therapy earlier in October 1991 it was already clear from that moment on that the future of the Soviet Union would be short-lived.

The Neo-liberal Reforms in Force

From its first days of existence, the independent Russian Federation faced problems of historic dimensions. When Boris Yeltsin declared that his government would follow “the path of democracy, of the market economy, of the defence of human rights in accordance with international standards” (Service 2003:24), he made no promises that this path would be painless. Neither did he or his cabinet inform the Russian population that there existed a variety of “real” market systems that all had their own pros and cons. Instead, what Yeltsin obviously believed in was the necessity to break with the communist past and the possibility to create a regular market economy solely by strong political will. Paradoxically, as Joseph Stiglitz (1999) has correctly pointed out, what Yeltsin and his cabinet adopted for their purposes were “the Bolshevik methods” of making reforms, previously applied in Russia to transform its capitalist structures into communist ones; by the end of the century, the same methods had thus come to be used for the opposite goals.

The Shock Therapy Project and the Consultants of Capitalism

The theory of shock therapy was initially developed with extensive support from the International Monetary Fund (IMF) and the World Bank. Before reaching Russia in 1991, the reform package it entailed had been introduced in Poland with quite disastrous results. The approach

20 I deliberately leave out the analysis of the August 1991 coup, preceding the formal disintegration of the USSR, as it has been thoroughly addressed elsewhere.

21 Several authors have convincingly argued that the Soviet Union did not collapse but was instead disassembled by the Soviet political elite driven by interests of power and money; see Reddaway and Glinski (2001), Cohen (2001), Service (2003).

was based on three main pillars: liberalisation of prices, restrictive fiscal and monetary policies including public spending, and speedy privatisation. Rapid adoption of these measures was to provide a shortcut to regular market economy, or at least so it was claimed by the Western and Russian proponents of the reforms. Yeltsin himself opted to push the reforms through as soon as possible, believing that they would enable Russians to reach their aim in a short run. The attractiveness of this alternative for Russia was helped by the efforts of the most vocal supporters of the approach in the West, such as Jeffrey Sachs and Anders Åslund, who came to be known as the “consultants for capitalism” (see Wedel 1998) and advised also on the neo-liberal reforms in Russia. Promoting the idea of the economic transition before the democratic one, they expected the former to naturally lead to the latter, and therefore the overall project could still be accomplished within the framework of democratic means.

According to these “consultants of capitalism,” the radical change was to take up to two or three years to be completed. Instead, as for example Reddaway and Glinski have pointed out, the shock therapy lasted for almost seven years, from 1991 to 1998, resulting in something they have define as “market bolshevism” or:

an inclusive political, social, economic, cultural and ideological strategy of stabilisation for the ruling group that came to power on the crest of the wave of democratic revolution – a ruling group that was itself neither democratic nor genuinely reformist, and that had a morbid fear of a grassroots revolution that might escape from its control (Reddaway and Glinski 2001:236).

This all-inclusive definition might sound exaggerated, but what it means to imply is that the measures of the shock therapy, introduced by its proponents as a pure economic programme, in fact transcended the economic sphere thus creating the conditions for the long durée of Russia’s uncertain transformation.

Criticising the approach of the Western pro-reformers, Stiglitz (1999:22) has made the point that “[i]t is almost as if many of the western advisers just thought the Bolsheviks had the wrong textbooks instead of the whole wrong approach.” Janine Wedel (1998) has also scrutinised Western aid to Eastern Europe, concluding that, compared to the “Third World,” the “Second World” or the former Soviet Union and Central and Eastern Europe was expected to change quickly not

only in economic terms, but also and mainly in its entire institutional structure, even though it was obvious from the start that none of the international actors were willing to give full financial support for such a grand project.

Without aiming to fully assess the economic and political consequences of the Yeltsin-era reforms, it is nonetheless important to point out the major effects that the neo-liberal reforms had on the Russian economy and, specifically, in the creation of the kind of business environment known to many as the “hostile maze” (Puffer and McCarthy 2001)²² in which the new Russian entrepreneurs have had to navigate since then. The controversial role played by the Western proponents of the neo-liberal reforms, especially in the development of the new business sector in Russia, will be discussed in greater detail in the subsequent chapters. At this point, it will suffice to merely mention the Western involvement to help us keep in mind that Yeltsin and his cabinet did not act alone in committing themselves to the project of radically reforming their country.

The Politics of the Neo-liberal Project

An economic project as radical as the one implied by Yeltsin’s shock therapy had to be anchored in a wider matrix of social and political transformation. To do so Yeltsin employed a specific rhetoric in justifying the reforms, stressing that these would bring order and stability to the “wild,” “ugly,” and “criminal” ways with which market economy had already become associated in the public mind. Moreover, in talking about the reforms, Yeltsin never used the term “capitalism.” As Service (2003) has accurately noted, capitalism as a phenomenon had an obvious negative connotation in the ears of ordinary Russians, given that up to then they had been taught “that there was not more evil thing in the world” (ibid.:25). Nor was the habit of contrasting the West and the East, or capitalism and communism, any longer popular in the political parlance. Instead, what Yeltsin advocated for was popular capitalism without mentioning the very word, using the examples of other post-communist countries such as Poland and East Germany to convince his audiences of the fact that “Russia was following the well-trodden path towards democracy” (ibid.:26).

Another manoeuvre favoured by Yeltsin’s political strategy was reflected in the choice of his cabinet that comprised both the conserva-

²² For a closer political analysis of the years of the Yeltsin administration, see Shevtsova (1999); for a political and economic assessment of the impact of its policies, see Reddaway and Glinski (2001); and for a critical analysis of the privatisation process, see Stiglitz (1999).

tive core of the late Soviet oligarchy (Gennadi Burbulis, Alexander Korzhakov, and Viktor Chernomyrdin) along with representatives of the “young liberals” or the so-called “Chicago Boys”²³ (Yegor Gaidar, Anatoly Chubais, and a few others). The cabinet makeup was a clear compromise to which Yeltsin had to consent in order to secure broader support for his shock therapy project among the various conflicting forces in the Russian economy and politics. Moreover, as noted by many analysts of the Russian transformation, Yeltsin’s major concern throughout the years of his reign was economic stabilisation rather than a decisive break with the past. Accordingly, Yeltsin’s strategy has often been described as relying on “a balance of conflicting forces” (Clarke 1992:17) or as “a seesaw system” (Reddaway and Gliński 2001:243) referring to the highly pragmatic style of governance prevailing at the time. However, given the fact that the decisive power in the Yeltsin’s cabinet was in the hands of the neo-liberal reformers led by Gaidar, the content and the sequence of the reforms as they took place in Russia came to firmly set the terms for the development of the Russian economy and society for almost a dozen years to come.

The Immediate Outcomes of the Shock Therapy

Many among the more critical analysts of the Russian transition suggest that the causes for the failure of the Russian reforms should be sought in “a misunderstanding of the very foundations of a market economy [and in the] failure to grasp the fundamentals of reform processes” (Stiglitz 1999:3), rather than in the actual implementation of the reforms.²⁴ Even though, these authors argue, there were alternatives to shock therapy and for the way it was implemented in Russia, the Yeltsin cabinet stubbornly adhered to the recommendations of their Western advisers. The outcomes from the first reform years speak for themselves. Russia’s path to market economy was more of a leap than about gradual development. The primary focus of the reforms was placed on the liberalisation of prices. This strategy went hand in hand with the general conviction of Gaidar and his associates that resolving

²³ The original “Chicago Boys” were the young Chilean economists who reworked the Chilean economy after the coup of 1973. These pro-Western Chileans drew their inspiration from the writings of the economist Milton Friedman, himself a graduate and the leader of the monetary economics school at Chicago University, according to whom capitalism and general freedom went hand in hand. In Russia, monetarism was embraced as the key element of the neo-liberal reforms by Gaidar and his followers, for which reason they too became known as Chicago Boys; see Reddaway and Gliński (2001:236-241).

²⁴ Besides Stiglitz (1999), the critics of the way in which Russia was transformed into a market economy also include Clarke (1992), ETC (1998), Cohen (2001), Reddaway and Gliński (2001), Service (2003), and Reddaway, Lapidus, Ickes, Saivetz and Breslauer (2004).

the country's monetary problems would subsequently sort out all other economic problems, at least if one followed the letter of the economics books written in the West. In consequence, free market and a large service sector came to form the primary aims of the Russian liberals. At the same time, any elements of planning in the market economy, rejection of economic determinism, and incorporating Russian cultural traditions and public opinion became anathema to their vision.

The abrupt removal of price controls led to devastating consequences, with hyperinflation and a drastic drop in the real wages and material production only of the more dramatic ones among them. After the state had withdrawn itself from the business of importing and exporting consumer goods, however, the Russian market was flooded with goods produced abroad, which had a calming psychological effect on the population, tired of the constant deficit of basically all ordinary consumer products. Yet, the high prices on the consumer goods prevented Russian households from spending on anything other than food.²⁵ At the same time, this measure had another result as well, as the domestic production was severely undermined by the low effective demand for it. In addition, the restrictive fiscal and monetary policies were meant to target the Soviet safety net as well, given that the latter, according to Bertram Silverman and Murray Yanowitch (1997:22), was considered by the liberal reformers as "the relic of the past that needed to be radically modified." With the same purpose, budget constraints were issued on the state enterprises with the intent of encouraging the adoption of market economic rules for their operation. However, fearing social turmoil the government nonetheless made significant concessions to labour collectives during the first years of the shock therapy. The Soviet social safety net, ensuring not only job security but many other social provisions from housing to maternity care as well, was never effectively undermined as a result. Neither was the level of salaries ever frozen to avoid inflation.

Yet, what happened was that the employers let many workers go unpaid for many months instead of simply letting them go. Moreover, the real value of salaries and social benefits has slowly dilapidated, with the result that they have ceased to serve as the main source of income and wealth as they used to do before the transition. Eventually, the end of

²⁵ The scope of the price escalation is well illustrated by the fact that one kilogram of meat that used to cost two rubles now sold for 3,000 rubles (in 1992), while the cost of a one-way trip on the metro, the most common means of transport in Russia, increased by 8,000 times. Overall, according to various estimates, by 1995 consumer good prices were on the average 3,668 times higher than in 1990 (figures per ETC 1998:21).

the state's commitment to full employment caused not only a rapid rise in unemployment,²⁶ but also a substantial decline in living standards and an increasing likelihood of falling below poverty levels. All these and many other outcomes of the market economic reforms came as a shock to many Russians, and to cope with the new situation, to borrow Service's (2003:7) expression of it, "Russians turned to their tested techniques of survival," meaning scepticism towards politics, retreat to the family, and ever-increasing recourse to informal and patronage networks.

26 In 1995 the rate of unemployment was estimated to 13 per cent of the total working population; see Remington (1999:200).

Chapter Six

Capitalism “from Above”: From Dubious Privatisation to Metropolitan Capitalism

Introduction

As well known, rapid privatisation constituted the third pillar of the shock therapy project. This part of the neo-liberal programme is probably the most studied aspect of it, owing to the profound criticism with which it was met (see, e.g., Clarke 1992; ETC 1998; Remington 1999; Stiglitz 1999). The main criticism directed at the Russian privatisation process is summed up well by Simon Clarke (1992:3): “The fundamental error underlying the conventional interpretation is its implicit identification of the development of a market and the privatisation of the enterprise with the development of capitalism.” Many other critically-minded analysts share this argument.

In what follows, I will examine the process of privatisation more closely with at least two different purposes in mind. To begin with, the way in which the privatisation processes unfolded clearly reflects the general path of market reforms in Russia. Following Joseph Stiglitz (1999) and Peter Reddaway and Dmitri Glinski (2001), I would also argue that the Bolshevik attitude to reforms, or the “top-down” imposition of social institutions, clearly prevailed over a “bottom-up” approach favouring popular participation and broad-based citizen involvement in the reforms. Secondly, the privatisation process, in my view, set in motion both the political and social forces that eventually “privatised the state” as well, creating a market economy in Russia with a very peculiar nature.

Looking back at the privatisation processes of the 1990s, many authors agree that it evolved in three main phases (e.g., Medvedev 1998; Solnick 1998; Radaev 2001; Krystanovskaia 2002b). These included spontaneous privatisation, voucher privatisation, and, finally, permanent privatisation, also known as the time of the financial oligarchs. By

examining each of the phases making up the overall process my purpose is to delineate the most important sectors of the Russian capitalist economy that emerged during the transformation. I also aim to show, however, that the new private sector in which new entrepreneurs were mainly concentrated played a key role in these developments, while nevertheless remaining in the shadow of the larger privatised industries. This overview will help clarify the strong continuities with the past that Russia's economic divisions and priorities show, especially in the area of private initiative.

Spontaneous Privatisation

Already in 1990 Gorbachev had called attention to the importance of property relations for any success with his economic reforms. What he meant was that it was “necessary to awaken people’s interest, to give them motivation for increasing production [...]. There is no other way” (cited in Clarke 1992:9). The pressure to privatise the state’s productive assets was thus felt already much before the neo-liberal ideas gained momentum in the country. Therefore, even though privatisation was seen as a core element of the Western idea of how the Russian transition should proceed, it is possible to argue, like Simon Clarke (1992), that at the same time it was also an inner project of necessity, required to accommodate all the changes occurring in the Russian economy and society since the end of the 1980s.

Many initiatives in this direction were already taken in connection with the perestroika reforms when, even with only negligible amounts of state property being transferred to private hands, independent capitalist activity especially in commerce, finance, construction, and consumer services expanded at a rapid pace. The period was later labelled as the years of “spontaneous privatisation,” referring to the abrupt transfer and absorption of state enterprises into the sphere of capitalist activity (ibid.). What took place during these years was basically the private appropriation of the property and financial assets previously belonging to the Komsomol and the Communist Party on the one hand, and the lucrative urban property in the largest cities of Russia on the other hand. At the same time, the Law on Co-operatives opened up a possibility not only for legal private enterprising on a small scale, but also for the creation of banks and intermediary financial institutions, which then served as channels for siphoning off the profits from

the sale of state enterprises, helping them also to sell their products at market price.¹

The dominant feature of the privatisation process during these years was nonetheless the creation of leasehold private enterprises as subsidiaries of the state enterprises. These enterprises tended to be rather small but numerous. The creation of privately held startups, on which most of the reformers pinned their hopes, took nonetheless place on a minor scale only, in terms of both the number and the size of the new businesses set up (see, e.g., Kontorovich 1999).² Several scholars have argued that the distinction between the privatised enterprises and the enterprises of the new private sector in Russia was obvious from the start, given the highly different management structures and, I would add, also business ethos in these two areas (e.g., Clarke and Kabalina 1999). According to the Russian economist Pavel Minakir, beginning in 1991 it had become possible to differentiate between two private sectors in Russia: "that which was connected with the administrative structure (large production enterprises); and that which was not – [that is,] the *real* private sector, which the administration regarded as *chuzhaki* (aliens)" (cited in Lockwood 2000: 141).

Even though the approach to spontaneous privatisation remained obviously vigorous, it also drew significant public and political criticism. What it gave rise to, according to Clarke (1992:10), was in fact "a handful of multi-millionaires" with "no significant implications for the development of the social relations of production." Indeed, the figures on the expansion of private enterprise during this time speak for themselves. According to Clarke (1992), by the end of 1991 there were 21,945 state-owned industrial enterprises in the Russian Federation, of which

1 For more on this issue, see Chapter 8, pp. 274–278.

2 It should be noted, however, that the official statistics on the private sector in Russia, on which most of the studies cited in this work rely, are far from reliable. According to Kihlgren (2004), the definition of the private small enterprises (SMEs) and their size, as well as the accounting methods used, have changed several times since 1987, the year when Goskomstat began keeping records on the emerging co-operatives. Up until 1996, for instance, all accounting of the SMEs was done along the sectoral lines and defined private enterprises as SMEs if their size was between 10 and 200 employees. Moreover, active firms that owned foreign property were excluded from the statistics. The very definition of the 'private sector' did not officially exist, either. In 1998 a new methodology was introduced in statistical accounting, now covering the data on SMEs as well. Regardless of the sector of activity, all Russian enterprises have since then been obliged to fill in the reporting forms to provide the data for Goskomstat. Yet, full information on the small private enterprises is not available on an annual basis, and it covers only specific aspects of the firms' operation. Moreover, enterprises with less than 15 employees are excluded from the reporting obligation. Thus, any figures regarding the small businesses in Russia can but remain incomplete. Given their inherent limitations, they are also not fully comparable with data from other countries. For more details, see Kihlgren (2004:363–369).

3,042 were leased, while only 992 non-state industrial enterprises were in existence, of which no more than 70 were in private hands; of the rest, 272 were collectively owned and 162 were joint-stock companies. In other words, by 1991 the new private sector and the hybrid one including the co-operatives, joint-stock companies, and leased enterprises together accounted for no more than 15.2 per cent of total employment in Russia, indicating how dominant the status of the state enterprises still was at this point in the country's economy (Lockwood 2000:140).

Voucher Privatisation

Beginning in 1992 the privatisation process in Russia entered into a second, more formalised phase, known today as large-scale or voucher privatisation. Without going into too much detail regarding this process thoroughly described elsewhere,³ I would nonetheless like to draw attention to the ways in which privatisation on a large scale influenced the development of the private market economy in general and the new private sector in particular. Voucher privatisation was made possible by the decree on privatisation enacted in July 1991 and carried out in a rather peculiar fashion. According to Thomas Remington (1999:188), two different methods were combined in this effort: “distributing free vouchers to all citizens, who were then able to use the vouchers to bid for shares of privatised firms at special auctions,” and promoting the so-called populist idea of capitalism, in which approach every citizen was to become a property owner instantly. Something very different occurred in reality, however. For ordinary Russians, this period is better known as *prikhvatization*, or “grasping” and “clutching on to” the property among those who had access to it along with the power to acquire it from the state on lucrative terms. There were certainly many reasons to see it that way.⁴ Several analyses of this period have designated it as “The Big Grab” (Reddaway and Glinski 2001) or “The Great Grab” (Wedel 1998). The years between 1992 and 1994 are often described as the years of rapid enrichment during which sudden and easy fortunes were made within the market-oriented sector of the Russian economy (see, e.g., Medvedev 1998; Radaev 2001). Indeed, this was a period of boom for privately owned small enterprises other than co-operatives, which for all practical purposes ceased to exist during this time. What

³ See, in particular, Clarke (1992), Remington (1999), Stiglitz (1999).

⁴ For more on the plundering of Russian state property and the detrimental consequences of the first years of the radical reforms, see ETC (1998).

flourished in their stead were all kinds of financial establishments such as commercial banks, commodity exchanges, and stock markets, which dealt in wholesale trade and currency exchange, activities that promised quick profits.

Insider Privatisation of the Larger State Industries

The key processes in this period involved the so-called "insider privatisation" of the larger state industries and the equally eruptive growth of small-scale enterprising. In the former, the state-owned resources went mainly into the hands of working collectives rather than outside investors (Radaev 2001). Some 70 per cent of the large and medium-size firms changed ownership in this way. As a result, almost forty million Russian citizens, or roughly one third of the whole population, had become property owners (Remington 1999). However, as Remington has noted, given its aim of extending property rights to as broad layers of the population as possible, the government could not but allow directors of the enterprises in question certain specific advantages. There were directors and senior managers of state enterprises who still could ensure both the economic and social stability of their position while for everyone else employment prospects remained rather uncertain at best. Many directors and senior managers acquired direct control over the privatised state enterprises through majority ownership of shares in them, although formally it was the labour collective that was to possess the property.

As Clarke (1992:13) explains this ambiguous character of the Russian privatisation:

management has in the past been able to keep a firm grip on the organs of worker's representation, while the ownership of the enterprise by the labour collective provides the material base for a strategy of 'social partnership' through which the management hopes to reproduce the subordination of the labour force in production, motivating the workers and reducing labour turnover, while consolidating political allegiance of the worker's to the enterprise administration.

It is because of this power of the enterprise managers over their working collectives that several authors have characterised the policy of this period as "nomenklatura privatisation" or "the alliance with directors" (Clarke 1992; Remington 1999; Reddaway and Glinski 2001). This alliance, moreover, became increasingly pervasive as the reforms

evolved, as both the state and the managers, particularly those running the non-viable enterprises, sustained the relationship by playing by the rules of the “virtual” economy and not the market economy.

The phenomenon of the virtual economy has received considerably much attention recently. Considering the various interpretations of the term, Clifford Gaddy and Barry Ickes (2002) have argued that the core of the virtual economy consisted in the adapting practices of the economic agents in response to the threats posed by the environment for their survival. The use of non-monetary barter transactions and taxes paid in kind were all symptoms of an economy in which many “enterprises survive despite their performance rather than because of it” (Gaddy&Ickes 2002:3). Relational capital, which managers resorted to in order to influence state officials on whom their survival depended, provides the key to the understanding of why virtual economy remains so firmly rooted in Russia even today. Thus, despite the efforts of the liberal reformers to introduce market economy through large-scale privatisation, most of the enterprises did not change the way they were managed. They still continued to enjoy cheap loans and subsidies from the state in exchange for preventing the economy from crumbling entirely.

Small-scale Enterprising on the Rise

While large-scale privatisation was not especially successful during the period of 1992 through 1994, small enterprises experienced something of a boom. This was partly due to the tax privileges they could enjoy in their operation. There are conflicting views as to what gave rise to this boom, and even more so around the question why the rise of small enterprises had practically come to an end by the beginning of 1995, even yielding to a period of stagnation in 1996. To consider the issue very briefly, the very category ‘small firm’ was introduced through a decree of the USSR Council of Ministers already in 1990. In the definition, any firm, whether state- or privately owned, was considered as small if it had fewer than 200 employees.⁵ In 1996, however, the category of a ‘small firm’ was transformed into the one of a ‘small enterprise’ or ‘small business’, as per the Law on the State Support of the Small Businesses adopted by the government that year.⁶ From this time on,

5 The size of a ‘small’ firm could vary from 10 to 200 employees depending on the sector of economy in which the firm was operating; see Kontorovitch (1999), Kihlgren (2004).

6 Radaev (2001) has pointed out that this law required that no less than 15 per cent of state orders should be allocated to small enterprises, legislation that remains to be effectively enforced still today.

'small enterprise' was defined as an economic entity with no more than 100 employees and a maximum of 25 per cent of its share capital belonging to non-small businesses such as the state and the religious and charitable organisations (Kihlgren 2004:365).⁷ It is worth noting that medium-size enterprises were not distinguished as a specific category in either legislative measures or statistical reporting (see Radaev 2001:25). For this reason they are usually referred to as a combined category, the SMEs, or the small and medium-sized enterprises.⁸

At the end of 1994, the majority of the small enterprises in retailing, catering, and consumer services that previously belonged to the municipal authorities were privatised on mandatory terms. Between 1991 and 1993, the number of the SMEs had increased from 268,000 to 865,000. The figures then remained more or less the same until 2003, when the total number of SMEs was estimated at 883,000 (see Kihlgren 2004:369). The small-business sector grew most rapidly in larger cities, with St. Petersburg and Moscow in the lead. Compared to other countries undergoing transformation at the time, such as Poland or Hungary, the development of SMEs in Russia nonetheless remained less vibrant.⁹ Moreover, by the end of 1994 the share of SMEs in the total economic units had begun to shrink.

Several alternative explanations have been proposed to the sudden and continuous drop in the number of small businesses ever since. Vladimir Kontorovich (1999) has argued that the most likely causes for this decline included higher economic barriers to market entry, burdens of taxation, inconsistencies in the legislative basis, and lack of financial recourses. Radaev (2001) has claimed that there was a profound shift in the role that SMEs played in the Russian economy. Initially small enterprises emerged to take over assets from the large state enterprises, transferring their resources to the market economy sector. These transfers then served to increase accumulation of private capital

7 The question of property still remained ambiguous when it came to SMEs. Kihlgren has observed that Goskomstat considered SMEs as state property if they were fully owned by the state, while the ownership share of less than 100 per cent was defined as "mixed Russian" or "mixed Russian-foreign ownership." Kihlgren has suggested defining any firm as "private" in which the state share was/is less than 50 per cent. The consequence of this ambiguity in the ownership definition is that not all SMEs in Russia can be considered as privately owned. However, all new start-ups in the country today are as a rule private businesses; see Kihlgren (2004).

8 This is also how I will be referring to the small and medium size private enterprises throughout this text (SMEs).

9 In Poland with its 38 million inhabitants there were two million SMEs by 1997, while in Hungary the number of SMEs had reached 500,000 in a population of ten million; see Kihlgren (2004:369).

that still remained in short supply. The role of SMEs in this respect was extremely important in filling gaps in the consumer goods and services sectors, lingering on from the times of the Soviet economy. Since 1994 the profile of the SME function in this respect dramatically changed, though. To begin with, SMEs tended to perform more of a mediating and subcontracting role vis-à-vis the larger establishments. At the same time, their survival depended not on the scarcity of the products they produce, but rather on the flexibility and the lower transactions costs they could offer, often premised on tax evasion and concealment of profits. Finally, and most importantly, the SMEs have lost their priority as entities offering new opportunities and higher incomes compared to other sectors of the Russian economy, being no longer as attractive for highly qualified specialists. Instead, SMEs have become largely converted into the domain of individual entrepreneurs and other more vulnerable economic groups.¹⁰

Acknowledging the importance of these arguments, Kihlgren (2004) has accurately pointed out that the confusing methodology of defining SMEs may have played a major role in why the share of small businesses seems to have been diminishing ever since 1994. For example, no statistics are available on how many of the SMEs actually grew in size and thus remained in the private sector. Another explanation to the decrease in the number of SMEs is the shorter survival rate of the Russian SMEs, with over 80 per cent of them failing during the first two years of their operation. Thus, as Kihlgren has argued, the size and the impact of the small business sector should not be discounted too readily. This understanding will be further substantiated in the discussion of the SME development during the late 1990s below.

Permanent Privatisation

Already in 1993 it had become obvious that the drastic measures of the shock therapy were not producing the expected results. The anticipated incentives of the large-scale privatisation had low impact on the way in which the large enterprises were managed (see Clarke 1992; Randall 2001). In addition, many large industries, instead of economic restructuring, opted for survival strategies based on the principles of

¹⁰ According to Radaev (2001), by 1999 the number of SMEs and individual entrepreneurs in Moscow had reached 175,000 and 195,000 respectively. As but one example of the entrepreneurial practice, widespread in other cities of Russia as well, smaller businesses improve their chances of survival by registering as individual entrepreneurs, in which case they have fewer obligations before the authorities, lower tax rates, and easier procedures to start anew.

virtual economy rather than market economy. What this meant is that, similarly to the realities of the Soviet planned economy, many parameters according to which these enterprises worked, including prices, sales, wages, taxes, and even budgets, remained illusory or deceptive rather than reflecting the market economic reality.¹¹ The new private sector began to grow in numbers but its share of the total economic production was still very low. As the expected economic growth failed to materialise, the need to strengthen the state economically and politically became a top priority for the Russian leaders. This was not least owing to the negative response with which the initiatives of Yeltsin and his pro-liberal reformers were met among the broader Russian population, still expressing support for market economic reforms but clearly rejecting the way in which the large factories and mines were disappearing in the hands of their new private owners.¹² For Yeltsin, much concerned with maintaining his own political power position, changing the orientation of the economic policy thus presented itself as an effective way to regain the public support he had lost in the process. In consequence, between 1994 and 1996 the Russian economy pursued another path somewhere in between the original shock therapy and the authoritarian-corporatist model. The new economic strategy consisted of:

slowing privatisation, restoring a degree of government regulation and control, instituting measures to halt the flight of capital, pursuing the industrial policy with neo-corporatist or state capitalist overtones, restoring subsidies for the farm sector and heavy industry, and embarking on reflationary monetary policy (Reddaway and Glinski 2001:458).

Russian Financial Oligarchs

The years of turbulent economic and political development in Russia enabled a powerful new elite to arise: the Russian financial oligarchs. Principally holders of assets of significance on the national level (World Bank report 2004:90), the oligarchs became well known both within the country and internationally, due to the political control they

¹¹ When the virtual economy reached its peak in 1997, it has been estimated that almost 75 per cent of all domestically produced goods in Russia were traded in barter; and up to 40 per cent of all taxes collected by the federal government were in non-monetary form (Ledeneva 2000:12; see also Gaddy and Ickes 2002; and Radaev 2002b).

¹² As Service (2003:114) has noted, in 1993 almost 68 per cent of Russian citizens were in favour of private ownership in the case of small manufactory enterprises, cafes, and shops. Moreover, almost 87 per cent expressed their support for the transfer of the numerous small plots of land in the Russian countryside into private ownership. Very few respondents, however, or no more than 21 per cent, favoured full privatisation of the large state enterprises.

managed to exercise over the Yeltsin government by pulling the strings of economic development. Previously, the Russian economic policy was largely based on advice received from Western experts, as backed up by the IMF and Yeltsin himself. Now, much of the design of the economy depended on financing from a small group of bankers who called themselves “New Russian oligarchs.”¹³ Besides the top elite of seven bankers, among the oligarchs were counted another 25 capitalist magnates controlling Russia’s most lucrative industries such as oil, gas, nickel, and other metals. Their rise to power would not have been possible without Yeltsin’s tacit approval and the ambivalent stance of the West.

The oligarchs obtained their initial fortunes during the years of spontaneous privatisation, and even more so during the “The Big Grab.” By 1995, Yeltsin was already growing desperate to secure the success of his coming election campaign the following year, and thus he deliberately permitted the oligarchs to acquire the controlling shares of the most lucrative industries and firms. In return, what was expected of the latter was campaign finance contributions to help him win the forthcoming elections, which they also did. The temporary ownership of the industry allowed for the oligarchs, however, quickly turned into a permanent one. For this reason, it is indeed possible to speak of permanent privatisation during these years. This scheme by which the transfer of ownership was completed was subsequently labelled as “loans for shares,” implying provision of favours for political allies in exchange for economic benefit (see Stiglitz 1999). Indeed, many oligarchs, in addition to their economic power, came to also enjoy high political positions, in which they could then repay their indebtedness to the Yeltsin’s government.¹⁴ The advisers from IMF and the World Bank expressed no objections to the arrangement. Even if the loans in question were granted on questionable conditions, the main concern of the advisors was that Russia would not by and large deviate from the path of capitalist development. Moreover, no other, “more democratic” leader candidates were seen to exist in Russia with the capability of guiding Russia through the considerable challenges on its way towards capitalism and free-market economy, in the Western estimation at least. In consequence, the oligarchs could gain unprecedented freedom in en-

¹³ On the Russian oligarchs, see Reddaway and Glinski (2001:477-486, 491-500, 520-523); among other things, what the authors provide is a detailed profile of Berezovsky’s way to the top of Russian politics. See also Service (2003:145-148, 297-298).

¹⁴ See Reddaway and Glinski (2001:493) for the list of key positions, which oligarchs occupied within the Yeltsin’s government.

riching themselves at the expense of the state and the public, without having to fear for adverse domestic and international reactions.

Property in the Hands of Few

By the mid-1990s the concentration of main economic property in hands of few powerful people in Russia had already become a fact. Little agreement, however, exists on the question of whether this narrow concentration of ownership was beneficial or damaging for the Russian economy.¹⁵ However, some of the key features that still today can be seen as dominant in the Russian economy undeniably have their roots in this period, during which larger financial actors and members of upper management in the firms were able to acquire nearly total control of the country's main economic assets. To begin with, driven by its objective of finding strategic investors to assist Russian enterprises, the government sold the shares of key industries at open auctions to the highest bidders. These shares were usually acquired by senior industrial managers and leaders of large commercial organisations, who together with other members of the old Soviet elite could then establish major financial and industrial groups (FIGs). According to Remington (1999:195), by 1996 there were 34 FIGs that altogether owned nearly 1,500 enterprises accounted for ten per cent of Russia's GNP.¹⁶ Within the FIGs, large commercial banks owned by the oligarchs played a key role in setting the course of the Russian market economy: in granting the loans that the government needed to cover its debts and make possible the implementation of its policies, the oligarchs succeeded in setting the terms of much of the economic development in Russia. In this process, the state and the oligarchs grew largely dependent on each other. As Ledeneva (2000:10) soon afterwards described the rationale from the oligarchs' side, "it [was] more gainful for Russian banks to engage in business with the state rather than in risky and not very profitable credit business." Given these conditions, many newcomers into the Russian economy, usually smaller entrepreneurs and firms, were basically prevented from entering the market, as they lacked both the financial and the relational capital necessary to launch new businesses.

¹⁵ As stated in the World Bank report of 2004, the ownership concentration in the hands of a small number of owners can be beneficial for restructuring of and investing to the economy, while it can also be damaging for the economic growth by preventing competition. On both issues further research remains necessary.

¹⁶ Slightly different figures are presented by Puffer, McCarthy, and Naumov (2000:21), who suggest that there were 72 FIGs registered in 1997, controlling 1,500 enterprises and 100 financial institutions.

Another feature of this “monopoly capitalism” that have remained visible up until our time was the way in which the oligarchs obtained and held on to their wealth. The “general” of the privatisation process and one of the oligarchs himself, Anatoli Chubais, went on to admit that the new business leaders “steal and steal [...] they are stealing absolutely everything [...] but let them steal and take their property. They will then become owners and decent administrators of their property” (cited in Silverman and Yanowitch 1997:109). As well known today, such decency nonetheless never materialised. Instead, according to various estimations, between 1992 and 1997 approximately USD 140 billion disappeared from the state budget funds, being transferred to personal accounts and investments abroad (Puffer, McCarthy, and Naumov 2000:19). Much of that money, moreover, consisted of international aid received by Russia during the same period. Despite the doubtful legal nature of many privatisation projects at the time, there was nevertheless little interest in investigating the matter in either Russia or abroad. For a long time, as Ledeneva (2000:11) has argued, “a conspiracy of silence” prevailed over the issue that was quite obviously too sensitive for the Russian and foreign authorities to tackle.¹⁷

Smaller Businesses Struggling for Survival

While the oligarch capitalism dominated at this stage, and the state enterprises further deteriorated,¹⁸ the small-business sector in fact saw a positive growth. Even though the number of SMEs reached its peak already in 1994 as mentioned above, the number of employees within this sector was estimated at 20 million in 1995, continuing to grow by another 600,000 during the period 1995 to 1997. Private small businesses moreover employed almost 15.7 per cent of the total Russian labour force (Kihlgren 2004:371). Accordingly, hopes were expressed that SMEs might play a leading role in the general economic growth of the country. Indeed, in 1996 almost 60 per cent of Russia’s GNP was produced in small and medium-sized private firms (Remington 1999:192). In addition, in 1997 there were 2.7 million newly established businesses operating in Russia (Puffer, McCarthy, and Naumov 2000:20). According to Radaev (2001), SMEs could benefit from a rapid increase in support programmes and legislative initiatives, with

¹⁷ During the early 2000s, however, the Putin government put a high priority on keeping firm control over strategic assets formally owned by the oligarchs; see Reddaway, Lapidus, Ickes, Saivetz, and Breslauer (2004), especially as regards the “Khodorkovsky affair.”

¹⁸ The state enterprises have lost around ten millions of employees due to restructuring processes between 1994 and 1997, see Puffer, McCarthy and Naumov (2000:20).

a special State Committee for SME Support and Development becoming established in 1995. Prior to this, the international institutions, including EBRD, EU-TACIS, USAID, and several others, had already launched a large-scale campaign to stimulate the creation of business centres and consulting and training agencies for the small entrepreneurs, in addition to the greater involvement of Russian commercial banks in the development of small businesses.

Notwithstanding these legislative and financial efforts, which certainly helped to stabilize the status of the entrepreneurial sector in Russia, most of the entrepreneurs still had to overcome a great number of formal and informal constraints to carry on their business. The former included all the steps to be taken to ensure market entry, access to premises, conformity with administrative procedures, and the like. The more informal constraints, however, were of rather specific kind, consisting, as Laura Randall (2001:11) has described them, of "the normative rules covering what is customary [...], transmitted from one generation to the next, creat[ing] a structure that works for the business community." This type of constraints, taking the form of, for instance, bribes, corruption, and false reporting, often emerge as a means to compensate for the gap between the laws and their implementations. In the case of Russia, these informal rules and practices had deep roots in the Soviet second economy that, as discussed in the previous chapters, was a natural component of everyday life and defending one's economic and social interests in its vicissitudes. In the course of the Russian transformation, these practices were nonetheless also transformed without diminishing their significance. What several researchers have noted is that during the late 1990s, Russian entrepreneurs resorted to such informal practices even more frequently than before, in order to save their businesses from the chaotic conditions surround them (e.g., Ledeneva and Kurkchiayan 2000; Puffer and McCarthy 2001; Randall 2001; Radaev 2002a, 2002b, 2003a).

Criminal and quasi-legal practices that permeated the large businesses in Russia could not but spread to the domain of smaller entrepreneurship as well. As reported by Vadim Radaev (2002a), a 1999 study of 1,200 small enterprises found that approximately ten to twenty per cent of all the small enterprises still remained in the shadow economy,¹⁹ accounting for up to 30 per cent of all sales, 25 per cent of all workers and employees, and up to 35 per cent of all wages. Based

¹⁹ Radaev (2002a:193) defines shadow economy as "the set of economic activities that are not displayed in official reporting and/or formal contracting due to deliberate concealment or noncoverage in official statistic."

on his multi-year research on the issue, Radaev (1999, 2000, 2002a, 2002b, 2003a) has argued that many private enterprises, especially start-ups, had to pay bribes and protection to various groups, and rely more on personal business networks than on formal contracts to carry on their business. According to Vadim Volkov (1999), the reason for the flourishing of criminal economic activities in Russia in the small-business area as well was a prominent gap between the growing need of the new market economy for protection from potential violence and the state's incapability to act on its monopoly over the means to counteract this violence. This gap was promptly bridged by other social actors such as organised criminal groups, private protection companies, and even state-owned security forces using illegal means of protection, which all then compensated for the inabilities of the weak state. As a result, many entrepreneurs were ready to admit being more troubled by corrupt government officials than by purely criminal groups (see, e.g., Puffer, McCarthy, and Naumov 2000). In other words, the criminalisation of private economic activities in Russia shows deeper roots than what may appear at a first glance. It is not surprising that most research on Russian entrepreneurship during these years was focused on its deformed features rather than on their actual contribution to the Russian economy.²⁰

Despite the clear economic stabilisation achieved by 1997, the Russian government was nonetheless unable to break the vicious circle of non-payment of taxes, non-payment of wages, and inter-enterprise arrears, which jointly caused a chronic lack of liquid means in the Russian economy. The years between 1996 and 1997 are often described as “a big drift” (Reddaway and Glinski 2001) of the Russian government, or its vacillation between tightening and loosening its grip over the economy and society. A new, more offensively-minded economic policy was then launched in 1997, as suggested by Puffer, McCarthy, and Naumov (2000), as a logical next step by the Russian government, in a situation in which the major economic and political assets had become concentrated in the hands of a few and the economy was not showing any signs of stable recovery. The aim of the new policy was to reverse the trend toward a greater role of the Russian state in economy and other spheres of the society.

²⁰ For a more in-depth discussion of this issue, see Chapter 8, pp. 285–302.

The main elements of the new programme included the adoption of a new tax code, establishing control over "natural monopolies,"²¹ reform of the pension system, reform of housing and public utilities, and, finally, a military reform. The key objective in these initiatives was to effectively address the problem of shortages in the state budget revenues. To achieve this, however, the government policies put a priority on bolstering the country's major industries, instead of developing the small-enterprise sector. Another central issue tackled by the reforms was the linkages between the capital resources of major Russian industries and banks. Obviously the reforms themselves had little to do with the improvement of the situation for the majority of the Russian people. It is not surprising, then, that when the proposals to reform the pension system and housing and public utilities were beginning to be implemented, they immediately provoked a popular upheaval and an outpouring from the critics in the opposition, as both of these areas represented the strongest remnants of Soviet social security system. At the same time, reinstating control over the natural monopolies would have eventually undermined the political power of many Russian state officials who were large shareholders or members of boards of the monopolies targeted. These and many other circumstances ultimately proved insurmountable obstacles for the whole project, with none of the suggested policies ever becoming implemented.²²

The Economic Crisis of 1998

By the mid-1998, the many hopes of Russia's economic boom were dashed in a great financial collapse. Among the causes of the collapse was the so-called "Asian flu"²³ that left several economic giants shuddering. The country's unstable economy was affected on the whole, too, even though for reasons ultimately found in Russian politics itself, especially in the economic policies practiced. Over the many years of reforms the Russian government, as Service has put it (2003:147), "had become over-reliant on its borrowing facilities at home and abroad and state debts had become mountainous." At the same time, the Russian

21 By these are usually meant the fuel and energy sectors; see Shevtsova (1999), Reddaway and Glinksi (2001).

22 Shevtsova (1999:229-232) and Reddaway and Glinksi (2001: 550-594) nevertheless maintain that further research is needed to settle the question of why the Chubais team and their project eventually collapsed.

23 The term refers to the deep recession marring Asian real estate markets, beginning in Hong Kong, Singapore, and South Korea in 1997 and bottoming out in 1998.

economy had grown less attractive for both domestic and foreign long-term investors, owing mostly, as Lydia Shevtsova (1999:233) has claimed, to “overregulation, arbitrary administrative rule, and unprecedented changes in tax legislation” that ran counter to the proclaimed principles of free market economy. Another factor behind the collapse in Russia was the weak state. The long-standing fragmentation of the state had caused it to lose control over its main economic and financial assets, taken over by various monopolies. As a result, many fortunes were illegitimately made at the expense of the state budget that was weakened further by inefficient tax collection, leaving the state chronically in debts.

The devaluation of the Russian ruble in August of 1998 came therefore not entirely unexpectedly. What, however, was more unpredictable was how Yeltsin and his cabinet would handle the situation politically and economically. In political terms, the time period between August 1998 and the end of 1999, when Yeltsin finally resigned, can be described as a myriad of political nominations and resignations that seemed to serve only one purpose, the defence of private interests of Yeltsin himself and his closest allies.²⁴ Given these circumstances, it was unrealistic to expect that economic issues would receive primary attention. One of Yeltsin’s nominees, Yevgeni Primakov, who served in the position of the prime minister longer than anyone else, and moverover with the most legitimate credentials,²⁵ nonetheless attempted to draft a new economic plan. The plan, however, proved to be both contradictory and vague, and, most importantly, clearly departed from the principle of market economic reforms.²⁶ Generally averse to any kind of political confrontations, Primakov nonetheless made an attempt to challenge the nexus of the presidential and oligarchic power within the Russian government, which probably caused his dismissal in the early spring of 1999.

24 For a comprehensive analysis of the events within the Russian political realm during this period, see Shevtsova (1999:237–293), Reddaway and Gliński (2001:595–622).

25 Several authors have point out Primakov as the least controversial figure in the Yeltsin cabinet. From 1993 on he was the only Russian politician enjoying broad public support, being thus a suitable person to ensure the feeling of stability in times of trouble. For further details on Primakov’s appointment and career, see Puffer, McCarthy and Naumov (2000:25–28).

26 The cornerstone of Primakov’s economic plan was understood to consist in the restructuring of the banking sector; an idea viewed apprehensively by many who disagreed that the Russian government should support poorly managed banks; see *ibid*.

The Post-Crisis Stabilisation

In economic terms, Russia recovered from the crisis much quicker than expected (World Bank 2004). Although the basic economic policy did not change drastically after 1999, the financial crisis had the unexpected positive effect, first and foremost, of stimulating the growth of domestic industries, as the importation of the foreign goods and materials became too expensive. This growth was largely enabled by the escalating oil prices and Russia's capacity to export many other natural resources. According to Sheila Puffer, Daniel McCarhty, and Alexander Naumov (2000), the circumstance that now both the Russian and foreign companies began to invest in Russia bolstered economic growth further. An informal survey conducted at that time showed that 97 per cent of foreign executives operating within multinational companies expressed most positive intention to stay and continue doing business in Russia.

To help the stabilisation of the Russian economy, IMF planned to approve another loan programme worth \$4.5 billion.²⁷ This investment was especially valuable because it was designed so as to prioritise the country's small businesses that, according to Radaev (2001), suffered most during the crisis. The lack of financing had inhibited the development of the new private market sector more or less throughout the period. Yet, the Russian state, formally promoting market economy, provided significantly more financial support to the privatised businesses, compared to the newly established ones, as pointed out by Radaev.²⁸ The allocation of the foreign investments was also skewed towards the natural resource industries and other privatised establishments, although these were often less productive than the new private businesses. The 1998 crisis made the problem of financing even more acute, as the country's banking sector collapsed and the barter economy diminished the role of "live" money in the market transactions. Despite such unfavourable conditions, SMEs did not disappear from the face of the Russian market economy entirely. Moreover, as Radaev (2001) has argued, while some SMEs were forced to close down, others could in fact prosper in the new economic situation.

SMEs and other private enterprises that had previously used imported raw materials for their production or dealt in foreign consumer

²⁷ It should be mentioned, however, that the total investment in Russia declined sharply after the crisis, while direct foreign investment remained at low but stable levels. On the investment climate in Russia after the 1998 crisis, see Ögutcu (2002).

²⁸ Radaev (2001:16) has noted moreover that the state authorities and the commercial banks were the major sources of financial capital for the large and medium sized enterprises in Russia, while SMEs had to rely mainly on loans from private persons and, to a significantly lesser extent, commercial banks.

goods did in fact suffer severe losses. At the same time, the local producers and those who could quickly adjust to the changing situation emerged as the winners of the post-crisis period. Many entrepreneurs interviewed by Radaev reported that the crisis, in some paradoxical way, had re-opened the window of opportunity for those who wished to access the business sectors as newcomers. As explained by Radaev (2001:20), “Before the 1998 crisis there was a tendency for business circles to become more exclusive. Nearly everyone knew one another in his/her area of activity, and reputations were built up for years within these business networks.” Thus, many market sectors had in effect become de-monopolised due to the new entrants, and the smaller-sized entrepreneurs could overtake the market spaces vacated by the large but unproductive establishments. At the same time, labour became cheaper, with the workers more concerned to keep their jobs and the management more sensitive in terms of holding back on bribes and favours for the similar reasons. Another, more unpleasant side of the coin was that the post-crisis market economy in fact resembled the situation of the early 1990s, when the “wild market” relations prevailed. Infringement of contracts, extortion, and the usage of violence in settling conflicts among the entrepreneurs were revived as common business practices (Radaev 2002a).

In summing up the post-crisis economic environment in Russia, one could thus conclude that the turbulent transformation towards the market economy culminated in the events of 1998 and the subsequent years. Contrary to what was expected, the financial crisis exposed not only the weak points of the Russian economy, but also its great and unused potentials. These potentials resided first of all in the productive capacity of capital and labour within the new private sector that began to assume a more competitive role in terms of its capacity in job creation and productivity improvements (see, e.g., World Bank 2004; Kihlgren 2004). In this sense, one could characterise the process in terms of Schumpeter’s “productive destruction”: Russia’s growing new private economy began to take shape as an alternative force next to the declining but still powerful state economy. At the same time, the economic crisis exposed the fact that many private enterprises still dwelled on the kind of “grey schemes” that permeated other sectors of the Russian economy as well. As Radaev (2002b: 44) has put it:

A stereotype that prevailed for a long time is that there are ‘white’ and ‘black’ firms, or in other words legal and illegal ones. Now we un-

derstand that the spectrum of the economic activity of firms is much wider and many of them work by the schemes of the official and quasi-legal economies at the same time.²⁹

The Legacy of the Uncertain Transformation: Russia under Putin

When Vladimir Putin assumed the reins in Kremlin as the second president of Russia in 2000,³⁰ he inherited a country tired of the long-standing confrontations and protracted change. Although a comprehensive assessment of Putin's presidency is beyond the scope of this dissertation,³¹ a brief consideration of some of the major features of Russia's capitalist economy under his reign is in order. To begin with, Russian economy under the Putin presidency has been described primarily in positive terms. The optimistic judgements have been based mainly on the outcomes of the macroeconomic development up until the early 2000s. The cumulative growth of the economy was estimated to be 38 per cent between 1998 and the end of 2003. There was regularly a surplus in the domestic budget and trade, and inflation and foreign debt figures went steadily down.³² In other terms as well, Russians seemed to live better. One of the leading analysts for CEFIR,³³ Sergej Guriev (2004), described this improvement as follows:

The average Russian household is now 53 per cent better off in real terms than four years ago; real wages are up 86 per cent. Inequality is still very high, but poverty and unemployment have declined by a third. About one in four Russians now have a mobile phone, up from about 0.5 per cent of the population four years ago, and the number of Internet users has tripled. Real estate prices have doubled in dollar terms, and car ownership has increased by 10 per cent. (*New York Times*, 25 March 2004.)³⁴

²⁹ My translation.

³⁰ As well known, Putin was appointed as the country's prime minister already in August 1999, and only in March 2000 became formally the President of the Russian Federation.

³¹ For the most recent treatise on Russia under Putin, see Shevtsova (2005), Sakwa (2004), Reddaway et al. (2004). The first years of Putin's presidency are analysed thoroughly in Reddaway and Glinski (2001) and Service (2003).

³² For further details on the country's economic stability since 2000, see Ögütcü (2002), World Bank (2004), Guriev (2004).

³³ CEFIR stands for the Centre of Economic and Financial Research, with head office in Moscow. CEFIR is a sister institute of SITE (Stockholm Institute of Transition Economics) at Stockholm School of Economics, Sweden.

³⁴ Russian statistics on the years before the 2008 global financial crisis revealed that the economic growth continued, but that it benefited the Russian population extremely unevenly. The

Although not all of these positive trends can be directly attributed to Putin's leadership in Kremlin, as Guriev and others are careful to stress, there is a clear link between the political stability that Putin came to represent and the stable economic growth that Russia could experience following the 1998 crisis (e.g., Sakwa 2004; Reddaway et al. 2004). Putin, to be sure, had first to deal with several significant non-economic challenges when coming to power. The first one was the war in Chechnya. Resumption of the operations in Chechnya in 1999 brought Putin enormous popularity at home as well as open but rather mild criticism from the West. The newly appointed president's main objective was to restore the national pride of Russians, which he managed to do even if only by resort to military action.³⁵ Another problem for Putin to resolve was the issue of the de-centralised state, driven apart by the corrupt interests of the oligarchs and the governors of the Russian regions. Aiming to bolster the role of the state both politically and economically, Putin challenged the power of these two interest groups. In the words of Guriev (2004), "nobody [had] any illusion about Mr. Putin's respect to property rights or democratic values: he simply pays them lip service in order to consolidate his power" (*New York Times*, 25 March 2004). Adding to these challenges was a number of domestic social problems that had reached an alarming point by the end of the 1990s. In responding to these problems, Putin by no means aimed to restore the "one party and one economy" state known to Russians from the past. Yet, one can see a clear continuity in Putin's strategic choices, focusing on restoring Russia's national pride and the country's international position through means of authoritative rule and the newly introduced economic liberalism.

In 2002 the United States officially declared Russia to be a market economy, closely followed by the European Union.³⁶ To all accounts, Russian economy today represents a mixed economy still harbouring clear legacies deriving from the Soviet and even the pre-Soviet times, which at the same time both enable and constrain the country's

largest differences in income and well-being levels were found in Moscow, where the top ten per cent on the income ladder were 40 times better off than the lowest ten per cent. The same coefficient was only three to four in Scandinavian countries and ten to twelve in USA; see Anna Garandenko, *Izvestia*, 9 August 2007.

35 Service (2003:152-180) gives a concise but valuable analysis of the wars in Chechnya and the legacy of the violent rule which Putin did nothing to address. See also Reddaway et al. (2004:10-19).

36 See Sakwa (2004:188), who also pointed out that Russia was no longer on the blacklist of the Financial Action Task Force, established by the OECD in 1989 to bring an end to money laundering.

growth. However, attempting to characterise the capitalist institutions built in Russia in the course of the reforms, several researchers have argued that what we observe in Russia today is "state-led capitalism" (Lane 2000) or "political capitalism" (King and Szelenyi 2005). In any case, the outcome is not what the shock therapists intended it to be: a system in which "the government [would] limit its activity in the economic sphere to the maximum extent possible and let the market, money and entrepreneurs work" (Reddaway and Glinski 2001:247). To substantiate this argument, I will next discuss five major features that characterise the current Russian economy; they clearly demonstrate that private businesses are still very much dependent on the state and its patrimonial authority.³⁷

Ownership and Control: Rights without Substance

The Western advisers who designed the liberal economic policies that Russia and other Eastern European countries were to follow and implement treated the issues of ownership and control as one and the same thing. As Stiglitz (1999) has pointed out, most of the Western enterprises are in fact based on the division between ownership and control that logically entails the divergence of interests between the owners and those who control the business. In their work in Eastern Europe and Russia, Western advisers failed to observe this distinction. What they advocated instead was that private property rights would naturally regulate the relationship between ownership and control. According to Stiglitz, this approach turned out to be painfully wrong. Imposing this idea on the transitional post-communist economies, and on Russia in particular, led to the fact that while there emerged a large number of formal owners of private property, ultimate ownership was to a significant degree concentrated in the hands of a few who actually controlled the Russian economy.

Another analysis of this issue is presented by the World Bank (2004), similarly focusing on the nature of the ownership arrangements in Russia as highly non-transparent. Due to this ambiguity it is much easier to determine the degree of control over the businesses than the specifics of their formal ownership. Furthermore, in the case of Russia, the concentration of ownership was common not only on the level of enterprises, where the managers effectively controlled their businesses, but also on the national level, explaining why controlling ownership of

³⁷ Following King and Szelenyi (2005:5), I use the term 'patrimonial' as "a generic description of all types of authorities where obedience is due to the person in command who operates with a staff."

Russian properties is still concentrated in the hands of a small number of owners. As noted in a World Bank report (2004), this group consists of the so-called Russian Big Business (or large private businesses), federal and regional governments, and foreign owners. A 2002 study revealed that among the Russian companies listed on the stock market, eight business groups controlled 85 per cent of the shares in the 64 largest firms of Russia.³⁸

The ambiguous status of property rights in Russia remains an extremely sensitive issue in the smaller private sector as well. According to Radaev (2002a), more than 80 per cent of the smaller entrepreneurs suffer from contract violations. Moreover, over-regulation and interference by state authorities has become one of the most disturbing issues for small entrepreneurs, who prefer to resolve the matter through bribery and corruption, rather than through the equally ineffective court system. Another distinctive feature related to property rights is that few entrepreneurs in Russia are the sole proprietors of their businesses. The arrangement may be a consequence of inadequate financial capital affecting business establishment. However, as Ruta Aidis and Saul Estrin (2006) have pointed out, multiple ownership may significantly weaken the chances of entrepreneurial units to become competitive and effective. Thus, the problem of low enforcement of property rights, compounded by other important factors discussed below, remains one of the major impediments for the growth of private business in Russia.

Larger Business Units Prevailing

A second contemporary characteristic of Russian market economy that similarly derives from the longer historical past is the continued focus on large establishments rather than firms. In addressing this peculiarity, the 2004 World Bank report (2004:78) defines large establishments as “individual physical production units, whether industrial plants or hairdressers,” while firms “are legal entities, as understood the world over, which may be spread over many physical locations (with subsidiaries).” Given the country’s historical legacy, the large establishments have been easier to organise and control. Accordingly, the Soviet plants were standardised and vertically integrated, and firms as independent legal units did not exist prior the transformation. According to the World Bank report above, Russia still lacks large and horizontally integrated firms of the Western type. Research suggests that one explanation to their absence could be the fact that in Russia there are only two

³⁸ This study is cited in both the World Bank report (2004:90) and Sakwa (2004:191).

major forces capable of bringing modernisation to the country: the state and the big business (see, e.g., Sakwa 2004).

The convergence between the state and the big business in both aspiration and practice is not accidental. As described above, during Russia's leap to the market economy the powerful economic forces could establish themselves in the form of FIGs which, following Sakwa (2004:191), stand for "officially registered combines, usually based on traditional enterprises; and unregistered conglomerates of banks and enterprises." Subsequently, the FIGs, initially created to offset the risks of the transformation process, have evolved into relatively stable and self-sufficient conglomerations. Besides the industrial enterprises forming their core, FIGs came to control also surrounding businesses, including banks, transportation companies, mass media holdings, distribution networks, and so forth. Despite Putin's considerable effort in challenging the increasing might of FIGs as well as the oligarchs running them, limiting their influence and sphere of power has not been an easy task. Since the early 1990s, big business has to all practical purposes appropriated several functions of the state, being the main source of financing the country's political process as well as the state bureaucracy. In addition, FIGs have for a long time served as the main source of investment in the country's economy, while the Russian banks and financial mediation services have continued to be weak with foreign direct investment remaining at levels considerably below the actual needs of the economy.³⁹

The paradox to be considered here is that the prevalence of large establishments in the current Russian economy does not in any way mean that they stand for higher productivity or greater job creation. On the contrary, as observed in the above World Bank report (*ibid.*), it is the medium-sized private enterprises running market services that create most of the new jobs in the Russian economy.⁴⁰ The share of the market services in the country's total employment was 27 per cent in the early 2000s, which is fairly comparable to the levels found in wealthy economies (usually 30 to 45 per cent). The general situation for SMEs in Russia has however not significantly changed since Putin.

³⁹ For a more detailed discussion of foreign direct investment (FDI), see Chapter 7, pp. 245–247.

⁴⁰ Some clarification is needed here. The 2004 World Bank report actually makes a distinction within the category of SMEs, stating that SMEs with 31 to 100 employees have been the most productive, while those with fewer than 30 or more than 100 employees have remained far less successful. Among market services the report includes transportation, trade, communication, and finance.

Complicated bureaucratic procedures as well as the lack of financial sources still constitute the main burden affecting new establishments and the effective functioning of SMEs. The latter still account for no more than ten to fifteen per cent of the Russian GNP (Sakwa 2004: 190), a level that ought to have been considerably higher in different circumstances. As Natalia Tikhonova, one of the leading Russian sociologists, notes in an interview with *Izvestia* (9 August 2007), the small businesses that once served as “mobility corridors” for many highly educated Russians are now basically closed. The boundary lines between the various economic sectors have stiffened dramatically since the end of the 1990s, and very few new businesses are being started. In addition, the cost of entry into the business sphere, arising from state regulations and bureaucracy, remains too high for most of the potential entrepreneurs in the country.⁴¹

A 2004 Grant Thornton International Business Owners Survey (Grant Thornton 2004) also confirms the fact that while the general optimism among the Russian SMEs had gone up from the previous year, the greatest constraints seen by Russian businesses to affect their prospects include government regulations and the lack of working capital.⁴² Overcoming these constraints has different implications for SMEs depending on their size. In line with the findings of the 2004 World Bank report, Radaev (2001) has argued that medium-size and larger entrepreneurial establishments find it much easier to obtain bank loans or sponsorship by state authorities compared to the small enterprises and, especially, individual entrepreneurs, who must rely mainly on personal savings or borrow money via informal networks. This state of affairs, according to Radaev, seems to push small entrepreneurs towards the domain of informal activities in other aspects of the business life as well. For instance, small enterprises tend to be more often engaged in tax evasion and law violations in general, while medium-size and large

41 Aidis and Estrin (2006:17) also confirm that between 1999 and 2002 the entry rates of new firms in Russia went down to almost half of the previous levels in spite of the overall macro-economic stability.

42 The 2004 Grant Thornton IBOS draws on the European Business survey conducted between 1993 and 2002, in addition to the findings of the 2003 survey, providing a twelve-year perspective on changes in the key areas of the business environment in the European Union and other countries across the world. The report is based on interviews among others with SME managing directors, owners, and senior executives. In Russia the study covered approximately 260 SMEs with 50 to 250 employees. One hundred of these SMEs were based in Moscow and the rest in St. Petersburg, Yekaterinburg, Nizhny Novgorod, Rostov-on-Don, Novosibirsk, and Vladivostok. I am grateful to Lisbeth Larsson, the marketing director at Lindebergs Grant Thornton AB, Stockholm, Sweden, for kindly providing me with a copy of the report.

enterprises perceive themselves as being more thoroughly scrutinised by external control mechanisms, necessitating greater accountability in their market behaviour.

Extracting Industries: The Core of Russia's Growth

The third fundamental feature of the current economic situation in Russia is the sheer significance of natural resources and other commodities in determining the country's prospects for economic growth. That Russia has impressed the world with its stable GNP growth rate over the last ten years⁴³ should not be allowed to divert our attention from the fact that this economic growth has heavily depended on the country's natural, by the definition exhaustible, resources. Many authors have pointed out that Russia's major advantage is also its main dilemma: even if the country performs relatively well due to the high world prices on oil, gas, and other energy sources, its other industries continue to suffer because of unsatisfactory structural reforms.⁴⁴ Of the eight leading FIGs in Russia in 2002, only one's core business area was in the so-called post-modern industries, namely high technology and science. Others were purely raw-material producing conglomerates with enormous financial power capable of withstanding the competition from the Russian banking system and even foreign direct investment (see, e.g., Sakwa 2004). As concerns the productivity of these industries, as analysed by the 2004 World Bank report (2004), they were more productive in terms of volume and value than labour.⁴⁵

Russia's current economy is still very dependent on the enterprises representing Russia's "old economy."⁴⁶ These are vertically integrated large enterprises in which many features of the Soviet planned economy are still visible. Their destiny still depends on the state involvement and preferential treatment next to, for instance, the firms of the new private sector. Although consisting largely of loss-making enterprises, these industries, together with other providers of non-market

43 Prior to the global financial crisis bringing destability also to the Russian market economy, the annual average GNP growth in the country was six per cent in the period 1999 to 2003 (Sakwa 2004:186-190).

44 See Broadman (2002), Ickes (2004), Guriev (2004), and World Bank (2004), which all explore this issue more thoroughly.

45 According to the report, only one per cent of the total Russian working force was employed in the oil and gas industries.

46 As instances of the 'old economy' Broadman (2002) identifies the industries involved in the production of construction materials, textiles, electronics, food and beverages, machines, and the like.

services,⁴⁷ still remain the main employers for the Russian labour force, and they are therefore allowed to survive in spite of their low overall economic value.⁴⁸ It may be assumed that if Russia eventually qualifies for the WHO membership, this will:

force Russian business to become more transparent and prevent certain companies from enjoying an “exclusive” relationship with the state – and as the result enjoying preferential tax breaks and other privileges that would be illegal under WHO rules and would render Russia liable to large fines (Sakwa 2004:203).

The international pressure and involvement in the efforts to make the Russian economy more viable remain significant factors in these prospects. However, they alone are not enough, calling for intensifying domestic effort to diversify the country’s economy with priority given to those who “play by the rules” rather than the survive in the absence of their enforcement.

Regional Divergence in Economic Performance

The fourth underpinning characteristic of the Russian capitalist economy today is a large regional divergence in economic performance. The difference between the regions on the one hand and the capital city along with its surrounding provinces on the other hand is a long-standing historical fact. This divergence in performance cannot be attributed to economic factors alone. Politically, the relationship between the capital and the provinces has always been a delicate issue for the Russian leaders. As Service (2003:271) has put it:

The tsars before 1917 and the communist party leaders through 1991 sometimes came to power with simplistic notions about policy; but nearly always they were pushed into recognising the complexity of the administrative needs of the vast territory under their rule.

However, during the turbulent years of the transformation the responsibility for the regional needs was left to the regions themselves, with near-disastrous results.⁴⁹ Several authors have pointed out that the regional differences in Russia were exacerbated from the mid-1990s on (see, e.g., Broadman 2002; World Bank 2004; Ickes 2004). Many local

47 In the ‘non-market services’ the 2004 World Bank report (2004) includes housing, health, education, and government that all are still predominately state-run.

48 According to the country’s official statistics, 40 per cent of the Russian industrial enterprises were unprofitable at the time (Ickes 2004:25).

49 On the complicated relationship between the Russian Federation and the regions composing it, see Service (2003:259–275).

politicians in the provinces considered their regions being exploited by the advocates of "wild capitalism," who moreover more often than not were their fellow Russians. Even the efforts of Putin in re-centralising the country indicated to them more of an ambition to control than to regenerate the provinces, and even less so to revive their national peculiarities.⁵⁰ There is one positive development, however, that can be attributed to the role of SMEs in regional economic performance. According to Steven Buttrick and John Moran (2005), whose main focus was on the general connection between social capital and economic performance in Russia, there is a strong link between the density of SMEs per population in a region and this region's economic performance. Obviously, Moscow as the Russian capital and St. Petersburg as the second largest city in the country rated high in this respect. Yet, the data also revealed that the regions where extracting industries formed the core of economic activities performed equally well in terms of the value of the economic performance, despite the low number of entrepreneurs in them.

Metropolitan Capitalism

To all appearances, Russia's capitalist economy at the moment is more of a metropolitan than of national character. One can clearly argue that the true winners of the transformation included the capital city of Moscow and few other larger cities. Anyone visiting Moscow recently can agree that it is today among the world's great metropolises, where opulence is well demonstrated in new architecture, shiny boutiques and designer stores, fashionable clothing, and expensive cars, while at the same time poverty and misery are pushed to the backyards out of the city centre.⁵¹ Even St. Petersburg, often called the Northern Capital of Russia and the city where the major part of the empirical materials for this thesis work was collected, has been less privileged when it comes to distribution of resources and influence, both concentrated in Moscow. Nevertheless, the vast majority of the new businesses that emerged during the transformation are located in these two wealthiest

50 Soon after his accession to the Kremlin, Putin issued a decree dividing Russia into seven regions with capitals in Moscow, St. Petersburg, Yekaterinburg, Rostov-on-Don, Nizhny Novgorod, Novosibirsk, and Khabarovsk. As Service (2003:274) has accurately noted, "none of the regional capitals lies within a 'national' republic. Putin has chosen Russian provincial capitals."

51 On the emerging ghettos around Moscow where the poor, immigrants, and the homeless are being concentrated, see the article "Strashno bogatyie" [Terribly Rich] in *Izvestia*, 9 August 2007, by Anna Garanenko. Notably, though, "ghettos for the well-off" are also on the rise, with the richest inhabitants of the city moving to the luxurious villa neighborhoods outside of the city centre.

cities of Russia, exacerbating the discrepancies between the regions, the cities, and surrounding villages (Broadman 2002).

The 1998 financial crisis reinforced this skewed pattern even further. According to Barry Ickes (2004), the after-crisis recovery was most pronounced in Moscow where it was felt in almost all areas ranging from life expectancy to income levels.⁵² Moscow also stands out in the area of foreign direct investment flowing into the country since the launching of the reforms: in Ickes' estimate, Moscow absorbs 50 per cent of the total FDI into Russia, and its share has only been increasing since 1998. In contrast, the corresponding share of St. Petersburg amounts to less than five per cent of the country's total (*ibid.*). Although FDI is only one of the many factors that today determine the progress of economic development in Russia, understanding why FDI flows more readily to Moscow than anywhere else in the country may help in providing a clearer picture of how the Russian economy functions. It would not be an exaggeration to say that it is an economy steered from the centre. The headquarters of the major businesses are all based in Moscow, as are the most booming market-oriented sectors of the economy.⁵³ Naturally also most of the jobs are available in the capital, where the wages and the productivity remain correspondingly higher than in other parts of the country. An additional factor of importance, as noted by Ickes, is that the Russian economy continues to rely heavily on relational capital, for which reason the proximity to political power that Moscow offers makes it even more attractive to business. For this thesis work, however, I deliberately chose to study the development of new entrepreneurship in St. Petersburg instead. In spite of the comparatively lower concentration of wealth and lower commitment shown by the city administration in supporting business, St. Petersburg experienced a significant entrepreneurial boom in the 1990s. According to Kihlgren (2002), some of the factors facilitating this development were a "Western mentality" and the prominent presence of a Western community in the city. Given the topic of my research, St. Petersburg

52 As shown by Ickes (2004:27), "[a] male child born as a legal resident of Moscow in 2001 could expect to live 7.2 years longer than a male born elsewhere in Russia, and 9.1 years longer than one born in Karelia [...] [and] real incomes in even the most successful regions are half of those in Moscow."

53 My interviews with the entrepreneurs educated in a Western business school in St. Petersburg confirm the fact that if before the crisis the city was a centre for many Western multinational companies where headquarters of the largest Western multinationals had concentrated, after the 1998 crisis most of these firms moved to the capital and now operate from there. In consequence, many of the remaining businesses have to consider moving to Moscow if they want to work within the core international business areas.

presented an interesting historical and cultural site, where Russian and Western ideas have been intermingling for centuries.

Following the argument of Lawrence King and Ivan Szelenyi (2005), the type of capitalist economy that Russia has built in the aftermath of the transformation could be described as political capitalism or, as they themselves have put it, "capitalism from above." Compared to two other types of capitalist development, "capitalism from below" in China and "capitalism from without" in the countries of Central Europe, political capitalism may be described as an economy where a significant share of the property is controlled by the former nomenklatura and concentrated in the hands of a few. It is an economy where the state still continues to exert great influence on business development. Furthermore, in political capitalism informal networks and patron-client relationships became "the fabric of society" (ibid.:5). Accordingly, even if needing to be revised in parts, the thesis of political capitalism remains relevant for study of Russia even today, when the major struggles in the country, as Szelenyi (2008:170) has summarised it, are weighed as a "struggle for political power and not struggle against private ownership," and when "social relations [remain] still rather patrimonial [...] [among] a populace ingrained in Orthodox respect for authority" (ibid.: 171). As can be inferred from above, Russian capitalist economy carries within it a strong imprint of a metropolitan economy, in which several economic sectors co-exist side by side: the big business operating in the largest, high-priority industries of the Soviet era, the old state enterprises and institutions with many features inherited from the Soviet economy, foreign businesses, and, finally, a vibrant although still marginal in size new business sector comprised of smaller entrepreneurs.

Chapter Seven

Western Involvement in Transforming Russia: A Historical Legacy of Recreating 'The Other'

Introduction

When the winds of the great change began to blow at the early 1990s, it was far from the first time that Russia and the West, or, rather, the images of 'Russia' and 'the West', met in competition in this national arena. Juxtapositions of Russia and the West had become a norm already many centuries before, encompassing many different aspects of the country's social life, most prominently its religion, culture, economy, and politics. Historically, though depending on the vantage point, Russian spiritual life and moral values have been considered superior to the Western ones, and the Western military and economic progress has been set above what has been seen as the Russian backwardness and disorganisation (e.g., Neumann 1996; Malia 1999). Travellers and observers from both sides have often reinforced the contrasting notions through mutual images of 'the other', presenting the addressee as not only something fearsome to be looked at with aversion, but also a source of fascination commanding our respect. Describing this complicated dynamics of mutual 'otherness', the American historian Martin Malia (1999:8) has noted that:

Russia has at different times been demonised or divinised by Western opinion less because of her real role in Europe than because of the fears and frustrations, or the hopes and aspirations, generated within the European society by its own domestic problems.

Iver Neumann (1996:206), working on the question of Russian identity formation from the perspective of Europe as 'the other', has pointed to another important characteristic of this process of producing the 'other':

Whether Russia has been constructed as the Barbarian at the gate, as the ambiguously Christian bulwark against the Barbarians or indeed

as the Land of the Future, the overwhelming tendency has been to conduct a European heterologue *about* Russia, rather than a dialogue with Russia.

In this section, it is not my intention to enter into the debate on the relations between Russia and the West in any more comprehensive historical perspective. Instead, I will narrow down on the question of how the Western initiatives in transforming Russia under the 1990s have intersected with the local circumstances and historical legacies, producing results that vary considerably. Looking at this dynamic as a process of translation (see Chapter Two above), this chapter attempts to analyse “how local action emerges and becomes institutionalised on a more global scale in a way which goes beyond received models of change” (Czarniawska and Joerges 1996:13).

The point of departure in this chapter is, then, ‘the West’. The category, however, is not singular in any sense, even in geographical terms. From the perspective of this thesis topic, ‘the West’ may be considered to represent the governments, the institutions, the influential persons, and other such actors in the USA and the Western, mainly Northern, Europe. What they share in common is that in the eyes of the Eastern Europeans, and in particular Russians, as Dina Khapaeva (2002) has reminded us, these agents are significant not as representatives of different Western cultures, but rather as a reference point for the “West” as an imaginary entity. Regarding the Western businessmen, for instance, Russians imagine them to be more civilised, more businesslike, and morally more upright, but also more individualistic and professional in their actions and behaviour.

Thus, this chapter deals with the images of ‘the West’ and ‘Russia’ not in their general meaning per se, but rather through the lens of how these notions shaped the concrete initiatives of Western countries and institutions during the transformation period in Russia. These initiatives had at least four different components to them: the Western, or rather the American, academic paradigm of “transition”; the Western financial aid to Russia through international organisations and institutions such as IMF and the World Bank or as direct aid by the world’s richest countries; Western promotion of the (domestic and foreign) private business sector in Russia; and the fourth dimension, Western business education at the Russian premises, which is of particular interest to this work and will thus be treated separately.¹

¹ See Chapter 9, pp. 309–356.

“Transition”: A Grand Paradigm of Social Change

While there might be reason to retain a critical distance to some of Malia’s writings as coming from one of the chief opponents of the Soviet system, it is nonetheless possible to agree with his argument that the Western opinion on Russia has never really followed the actual trends of divergence and convergence between Russia and the West. Rather, it has fluctuated depending on the prevailing cultural climate (Malia 1999). This cultural climate, according to Malia (*ibid.*:11), is not the public opinion or the mentality of the people; rather, it is:

high or elite culture – those long term constellations of ideas that have been conventionally treated under the rubric ‘intellectual history’, which privileges such luminaries as Voltaire and Hegel, Marx and Nietzsche. For this is the level of discourse that has governed the West’s representations of Russia.

The relations between Russia and the West became obviously polarised since the great October Revolution, which resulted in the emergence of a socialist state standing in opposition to the capitalist world. However, such “otherness” setting Russia apart in the eyes of the West only assumed full significance beginning at the end of the World War II, when the Soviet Russia, having newly defeated the Nazi regime, extended its political and military power over the Eastern European region, which led to the formation of the so-called Communist block staying in existence until the end of the 1980s. This meant that the relations between Russia and the West, and the perceptions they had about each other, became even more difficult to analyse, as the two came to represent not only great geographical entities but also, and even to a greater extent, foils for each other’s historical destinies, sets of values, and ways of lives that over time evolved in direct opposition, making the images of ‘the other’ even more rigid and often synonymous with moral notions

The collapse of the Berlin Wall in 1989 and the dismantling of the Soviet Union soon thereafter were met with a euphoric response from the world community, probably more so in Western and Eastern Europe and the USA than in Russia itself.² The sheer scope of these events has often caused them to be compared to the revolutions of global character. According to Sztompka (2000), no one was able to predict these revolutions, and even less so could anyone foresee their consequences

2 See Service (2003:30-59) for the complexity of the issues of national identity that the new Russia had to deal with after the demise of the Soviet Union.

for the nations of Eastern Europe and the rest of the world. Thus the academic circles on both sides found themselves unprepared for the task of both analysing the rapid changes taking place in the post-communist world and tackling the phenomenon of communism as something suddenly “past” as far as its consequences and legacies for people’s lives were concerned. The Western, and especially the American, scholars, journalists, advisers, and observers became preoccupied with the first task in particular. They were not overly concerned with developing theoretical models that would best suit the Russian realities reflecting her historical and cultural heritage, and not even with what Russians themselves thought or wrote about those realities. Instead, much was invested in the magic of ‘transition’, a notion that was soon extended into an entire paradigm of research, “the transition to democracy and the market economy.”

The Legacy of Totalitarian Theories

The transition paradigm has its roots in Sovietology, an umbrella term encompassing a number of disciplines dealing with the study of the Soviet system that expanded in the West during the Cold War. According to Erika Svedberg (1999), two main currents can be distinguished within Sovietology: one adhering to the idea of the totalitarian Soviet state, and another stemming from the pluralist school. Both of these branches were dominated by a number of key writers who, while otherwise representing a variety of schools of thought, produced largely categorical images of the Soviet Russia that then continued to live on for long after the Soviet time had already come to an end. As Svedberg (1999:31) describes it:

the totalitarian model in Sovietology stipulated that the Soviet other, man or woman, would be socialised to become passive, simple-minded and not creative [...]. [O]n the other side of the East-West divide, in the Soviet Union, the image that was reproduced and nuanced, told the story of the West as a vulgar, imperialist or capitalist “non-society,” where good old family values were long since lost, and women had forgotten how to be proper wives and mothers. Moreover, from a Soviet perspective, the capitalist other-world produced lonely individuals who were either passively exploited, or simply motivated in life by ferocious consumerism coupled with extreme egoism.

Despite their obvious obscurity, the arguments of “the totalitarianism school” prevailed over the pluralist ideas, and laid the ground for its

own post-Soviet offspring, the transition school, to emerge. Explaining this ancestry, Stephen Cohen (2001:24) has claimed that “the totalitarianism approach was an ideologically satisfying way of condemning the Soviet Union – pinning a ‘boo’ label on a ‘boo’ system.” Much inspired by Hannah Arendt’s work on the two most destructive political systems of the century, those erected by Hitler and Stalin, the totalitarianism model either equalised the Soviet system with that of the Nazi Germany or Mussolini’s Italy, or presented it as something profoundly alien from the Western experience. In both cases, this meant resorting to a narrow explanation of a system that was far more complicated in reality (Svedberg 1999:31–33).

In the totalitarianism approach, the relation between the “total” state and an anonymous mass of people provided the sole nexus of analysis. This school did not seek the explanation for the Soviet system and its demise in the dynamics of the relationships between various social classes, or the processes of social mobility and distinctions. Neither did it take into consideration the “rather less tangible, though undoubtedly important, realities of social life that shape[d] the experiences and actions of large sets of anonymous individuals” (Ledeneva 1998:74). Such realities, like the subversive and distorting practices of economic, social, and political behaviour, as is well known, were examined by other scholars of the Soviet system who brought attention to the inner mechanisms of the Soviet society, which could be more readily discussed in terms of culture, power, and class relations. Even if the totalitarian school within Sovietology underwent several waves of transformation itself, the underlying approach marking all its versions was a top-down, ahistorical, and positivist methodology, which could not but deliver an image of the Soviet system as something radically different from the West. Nevertheless, the legacy of the totalitarian school remained very strong for years to come, and it dominated both academic curricula and publications emanating in the West. In Russia, other branches of Sovietology, such as the modernisation school, attracted more attention.³

The Neoliberal Turn

Faithful to its roots, the paradigm of transition tends to suggest universal and rather orthodox explanations for what was taking place in the post-communist countries. Although transition, as Michael Burawoy

³ See Beliaeva (1997) for a discussion of Russia’s transformation in terms of modernisation theory. Also Zdravomyslov (1999) provides a good example of the particularly Russian sociological discourse on the transformation with modernisation as its key theoretical concept.

and Katherine Verdery (1999:4) have put it, can be understood as “a process connecting the past to the future,” the theories based on this paradigm are “often committed to some pre-given future or rooted in an unyielding past” (ibid.). In their analysis of the transformation processes using ethnographic methods, Burawoy and Verdery have criticised the transition paradigm in the first place for being prescriptive. The authors have differentiated two main models of transition, which then became strong ideological metaphors for the post-communist changes. The first model stems from the totalitarianism theories and relies for its remedial tools on an arsenal of neoliberal reforms. The second one derives from various theories tackling the legacies of the communist past, seeking a solution in evolutionary economics. While the essence of the first model can be described as the “extinction” of the communist order and the “genesis” of the free market economy using the methods of the shock therapy, the second model has focused on the “legacy of the past” as manifest in cultures, elites, and institutions, making the emergence of the new order possible only via “incubation” of the previously existed institutions and their reconstruction in a new form (ibid.:4-7). As already mentioned in the previous chapter, the transition model with its neoliberal underpinnings came to prevail over other models of the reform making, giving rise to a capitalist economy of a highly peculiar character, described variously as “market bolshevism” (Reddaway and Glinski 2001), “political capitalism” (King and Szelenyi 2005), or comparable. The question arises as to whether there were other alternatives to this development.

The Enigma of Transition

Scrutinising the transition paradigm from within, Stephen Cohen’s *Failed Crusade: America and the Tragedy of Post-communist Russia* (2001) becomes of interest for at least two related reasons. On the one hand, Cohen represents one of the few self-critical voices within the American Sovietology, arguing that the Soviet Russia should be analysed starting from its own logic and not in comparison with the West. On the other hand, Cohen was one of the first who advocated for a new methodology in the study of the Soviet Russia, namely “the narrative voice,” which could help to better understand the Soviet experience in its political and historical context (see also Svedberg 1999). In his criticism of the totalitarianism approach behind the new theoretical paradigm of transition, Cohen (2001:24) has proposed that it be open-

ly called “‘transitionology’ in order to underline all its assumptions and implications.”

To begin with, transitionology has embraced the notion that there was one single path to be followed by the post-communist states, the transition from Communism to free market capitalism and democracy. Moreover, despite its painful consequences, a quick transition was believed to lead the post-communist countries to a more progressive and better future, which capitalism and democracy were proclaimed to offer. These ideas were clearly part of the indoctrination aimed at convincing both Eastern and Western audiences of the fact that “capitalism is still fully functioning” (Bridger and Pine 1998:7). This may partly explain the resounding (if short-lived) success of the paradigm both in the West and in Russia, along with other East European countries.

By the end of the 1980s the image of the Western capitalism in the East had grown very attractive, despite the efforts of the official power to distort it. Living with the constant deficit of consumer goods, low wages, and modest living conditions, East Europeans saw in the Western capitalism “a source of precious goods, money, and opportunities” (Wedel 1998:23). Moreover, for the countries of the Communist bloc that shared deeper historical ties with the West, the collapse of the Communism implied hope of “returning to Europe.”⁴ On the Western side these sentiments were equally shared because, according to Wedel, the East was treated as an ill cousin who, in comparison to the “underdeveloped” Third World countries, was simply “mis-developed” needing special assistance. Discussing the rhetoric used by the Western proponents of the quick reforms, Janine Wedel (1998:18-19) has stated that:

[t]he region’s “transition” was linked to the recovery of an ill patient with whom “we” had close cultural and historical bonds and from whom “we” had been separated only by an accident of history.

It is by these means that another metaphor, the “Second World,” was created with which the West could much more easily identify. What subsequently took place under the cover of Western assistance to the East was not because there were no alternatives to the neo-liberal remedy of the shock therapy; rather, it was because academics, advisors, practitioners, and politicians on both sides were unanimous in their conviction that transition was the best and the quickest solution to

⁴ Both Wedel (1998) and Sztompka (2000) use this metaphor.

catch up with modern development. No other alternatives were even discussed,⁵ as no awareness of the plurality of the trajectories of transition, to say nothing of the plurality of socialisms in the former communist region, existed as of yet.⁶ Perpetuating the misconceptions, the Western proponents of the transition model, especially in the USA, simply believed that their system was “the best” and advocated for its advent in the Eastern Europe. In the East, the public readily endorsed the West as a “model” because, as David Lane (2006:148) has accurately pointed out, among Eastern Europeans there was almost a messianic belief that “the boat of capitalism would return all that had been taken away by communists and lacking under socialism.” Such expectations among the populace and also the politicians were readily aroused, as Wedel (1998:16) has observed, considering that “[w]ith little warning of impending difficulties from within or from the West, they hoped that their transition to democracy and free markets would be easy.” Both sides, however, as we are able to state in retrospect, turned out to be wrong.

Catching Up with the West: Failed Expectations

The logic of transition, both lineal and unmistakable, showed its weakness in both theoretical and practical terms within only a few years after its ascendancy. As Piotr Sztompka (2000) has noted, it came as the second surprise of the recent history that even though the proverbial “Wall” indeed was dismantled, the East and Central Europeans failed to accomplish the goals of democracy, market economy, and open society. Preoccupied with institutional solutions, transitologists for their part failed to recognise the fact that “re-entering the European ‘house’ is not the same as being accepted to the European home” (Sztompka 2000:2). Borrowing this well-known distinction by Brzezinski, Sztompka further explains that the “house” symbolises a set of institutional and organisational structures of economy, law, and administration that have been easier to implement through formal procedures. The “home,” on the other hand, conveys the meaning of family and therefore the interpersonal bonds, loyalties, and networks that could not be easily abandoned and were even more difficult to acquire anew.

⁵ For possible alternatives to shock therapy in Russia, see Reddaway and Glinski (2001:252–255).

⁶ First discussions about the possibility of plural outcomes in the transition came about much later, towards the end of the 1990s; see Chapter 1, pp. 36–41.

Analysing the mutual approach between the West and the East via the prism of the Western aid, Janine Wedel (1998) has taken this argument even further by distinguishing three main phases in the relationship between the East and the West during the 1990s. The euphoria of the first years of the transformation, its “triumphalism,” was eventually substituted by “disillusionment,” and in the end the phase of “adjustment” took hold at least in some countries of the Eastern Europe. Regarding this last phase, Wedel presents a clear distinction between the countries of Central Europe and Russia, arguing that Russia has never demonstrated the same willingness to learn from the West and adjust its standards as other countries of the former Communist bloc. Other studies on Russia dating from the same time, for instance Svedberg (1999) and Khapaeva (2002), have also confirmed this assumption by noting that the “disillusionment” phase was more prolonged in Russia than in the other countries, and that no “adjustment” period ever took place there, or, rather, as I will argue below, it took other, very different forms.

Lessons from the Counter-Transition Studies

As already noted in Chapters One and Two above, anthropologically and ethnographically informed social scientists were able to introduce valuable evidence “from the field” that contradicted or at least challenged the basic assumptions of the transition model (Bridger and Pine 1998; Burawoy and Verdery 1999; Sztompka 2000; Berhahl 2000; Burawoy 2001b; Humphrey 2002). Applying what Cohen has broadly defined as “a narrative voice” methodology, these scholars engaged themselves in discovering how people in Eastern Europe actually experienced “the transition” and how they themselves shaped its outcomes. Insights from this body of research also guides my own theoretical and methodological reflection in this work, for which reason re-addressing them in more detail may be warranted.

The key argument of those studying social transformations in Russia and East Europe “from below” is that agency permeates all the processes of social change. What this implies is that the transformation occurred not only via institutional and organisational change, but to an even greater extent via the actions of “people inhabiting those institutions, running organisations, producing and consuming, ruling and obeying, utilising resources and applying technologies” (Sztompka 2000:2). In terms of their economic lives under transformation, people actively

and simultaneously both enabled and hindered market economic reforms. Why and how these processes took place became then a major focus for the “counter-transition” studies.

As Burawoy and Verdery (1999) have argued, there are at least four main lessons to be learned from the studies of markets and counter-markets. To begin with, there is no pure notion of economy as it is always embedded in the political, social, and cultural structures of the society, as well as in the perceptions of these held by ordinary people. From this follows the second lesson, that transition cannot be seen as something predetermined and defined, but rather as a process being negotiated as it is taking place. The implication here is that the outcomes of transition processes can be both uneven and multiple, which, as a matter of fact, is also what happened in the region. Consequently, Burawoy and Verdery have suggested using a concept of *transformation* instead of the more prescriptive notion of transition, to gain better insight into how the changes actually took place. The third lesson the authors present is connected to the previous two in the sense that conceiving the transformation as something progressive, either by revolution or evolution, does not allow full accounting of the dynamics of both the progressive and the regressive processes in which people always actively take part. Therefore, it is important to challenge any attempts at general application of categories such as ‘the market’, ‘capitalism’, and ‘democracy’ as if they worked the same way anywhere, and to instead seek for an understanding of the multiple variations of these phenomena. Finally, Burawoy and Verdery (1999) underline that any implicit comparisons between post-socialist countries and the actual realities as found in the West make the former look as deficient while presenting the latter as an ideal to be striven for. This challenge presented to the transition paradigm already in the mid-1990s did in fact result in an expansion and substantive enrichment in the fields of study addressing the post-socialist space. The increased knowledge, however, did unfortunately not reach those who represented the West in Russia and in Eastern Europe in general, giving cause to characterise Western aid to Eastern Europe in terms of the “collision and collusion” (Wedel 1998) caused largely by the dichotomised images of ‘the other’ upheld since the Cold War.

The Paradoxes of Western Financial Aid to Russia

Besides the academic endeavour to grasp the changes taking place in Russia, the West also actively participated in financing “the project of transition.” Western financial aid to Russia comprised loans, foreign direct investment (FDI), and grants to various projects, managed through international organisations and institutions such as IMF and the World Bank, and also as direct contributions by the world’s richest countries. As can be assumed from above, the financial assistance from the West was not ideologically neutral. As Wedel (1998:10) has correctly observed, “although aid agencies promise neutral technical solutions, they nonetheless reflect political ideologies that have important unanticipated consequences for the recipients.” In the case of Western assistance to Russia, the main efforts were geared “to enlighten Russians with symbols of capitalism such as the market and privatisation” (Bruno 1998:171). However, as Wedel (1998) has argued, the expectations went beyond mere enlightenment: there was also a clear ambition to profoundly change the recipient institutions.

Russia was “the second cousin” to be helped by the West, given that the first aid initiatives were directed at the Visegrád countries,⁷ considered more developed and therefore more capable of catching up with the West. Although, as Wedel has asserted, the aid strategies aimed at Central Europe, Russia, and later on Ukraine differed based on the premise of uneven development among the target countries and regions, what remained common to all these strategies is that in all countries of the broader region the outcome of the financial aid heavily depended on who mediated the aid and who received it. The human factor, indeed, played a crucial role. The task of assisting Russia in her way to a Western-style democracy and capitalism was seen as more demanding than the case of Central Europe, for at least two reasons. On the one hand, Russia still carried the legacy of one of the world’s most powerful nations, while at the same time the communist ideology had stronger roots there than in the rest of the recipient region (Bruno 1998; Service 2003). Indigenous traditions of democracy and capitalism were considered to be absent in Russia, or at least very weak. Therefore, Russia was still regarded as a potential threat to the West

7 In 1991 the Visegrád declaration was signed by the leaders of Hungary, Poland, and the then Czechoslovakia, expressing the will of their nations to join Europe and NATO, and that way secure their independence against the Soviet Union, still in existence at the time. This is how the notion of the Visegrád countries and later on even the notion of Central Europe came to being; see Wedel (1998).

that in turn mobilised enormous economic and human resources to prevent any reversion to the times of the Cold War.

Donors and Receivers: Uncongenial Partnership

A whole array of new Western aid agencies were set up in order to meet the challenge of post-communism. In the USA alone, there were 35 federal agencies, including the United States Agency for International Development (USAID), involved in the aid operations. The Western packages consisted of both multinational aid such as loans from IMF and the World Bank and bilateral assistance, provided by various consulting firms and NGOs. Other actors in the field included various initiatives funded by European and U.S. governments, such as TACIS, INTAS, TEMPUS, KNOW HOW, and others that were specially designed to promote development within the areas of education, economy, politics, and social policy in the post-communist states. Unable to effectively transmit their recourses on their own, the Western donors heavily relied on a large body of consultants and accounting firms, the so-called “Big Six,”⁸ that had to compete for contracts enabling the mediators to work in the recipient countries. These mediating aid agents were working on a broad front with their tasks ranging from privatisation and auditing to the promotion of gender equality and environmental policies. Most of the aid budgets went to payments to Western subcontractors and consultants. However, the hunt for partners in the East became also an important objective for the Western donors. In addition, for their day-to-day operation the West-East aid machine needed its “fixers,” to use Wedel’s (1998:4) coinage, or “people who could arrange things – who could ‘play on any team.’” To all appearances, the programmes of the Western aid to Central Europe and Russia were a huge initiative on behalf of the Western governments and other establishments aiming to realise a specific political agenda: the financing of the complete “recovery” of the East Europeans from their communist past.

The key feature of the Western aid meant to support economic reforms in Russia was its wholesale reliance on specific politicians and elite groups. The Yeltsin-Gaidar government at first and later on the Yeltsin-Chubais cabinet were the two power allies on whom the international donors trusted as a guarantor of their investments. IMF and the World Bank, as the two main sources of foreign loans and invest-

8 “The Big Six” were some of the largest international accounting firms: Deloitte & Touch, Coopers & Lybrand, KPMG Peat Marwick, Arthur and Andersen, Ernst and Young, and Price Waterhouse.

ment in Russia, not only stood close at hand for the needs of the Russian reformers; they actually set conditions on and often even drafted the policies implemented in the name of liberal reforms. Between 1992 and 1998 the main priorities of the international donors were quick privatisation of the Russian economy and the stabilisation of the Russian currency and budget, measures that went under the name of the shock therapy. None of these priorities had much regard for the social and economic consequences of the reforms. Moreover, linking the loans to the certain economic conditions, as Lane (2007) has observed, in fact precluded the development of other, more national types of capitalism in Russia, such as its more social democratic or corporatist variants.

Few critical analyses of Western donor policies in Russia and Eastern Europe have appeared to date. Wedel (1998), along with Reddaway and Glinski (2001), while differing in their methods, are notable exceptions in this respect. As these authors have shown, Western contributions to the Russian economy were characterised by extremely low transparency, which in turn led to a steady outflow of financial capital from Russia to other countries, a process that started slowing down only in 2003 (Ickes 2004). Another factor worth noting here is political manipulation of the recipient governments through the means of delaying or even refusing the promised payments. Such donor practices were relatively common in Russia, especially when the donors' requirements were not fulfilled in the expected manner. Moreover, IMF and other international organisations became involved in sponsoring activities of a quasi-economic character at best, such as Yeltsin's 1993 offensive against the Russian parliament or his re-election campaign in 1996. At the same time, investments aimed at privatising the Russian economy turned out to be more often counter-productive and even destructive than revitalising in character.

The Myth of the Russian Privatisation

As well recognized, the Russian privatisation project was carried out by a small group of self-appointed reformers who became known as "the Chubais Clan" (Wedel 1998) or "the Chicago Boys" (Reddaway and Glinski 2001). Led by Yegor Gaidar and Anatoly Chubais, the post-Soviet liberals were highly educated and harboured strong pro-Western attitudes, and were thus received with open hands by the Western donors. With a broad intellectual support from Harvard University's Institute for International Development (HIID), also known as the

Harvard Project, and the financial support of the USAID, Gaidar and Chubais could launch speedy privatisation using the platform of the Russia's new privatisation agency called the State Property Committee (GKI). At the same time, the benevolent attitude from the West helped Russia's liberal reformers to become promoted to influential positions within the Yeltsin government.

Thanks to their access to Western money and close personal relations with Russia's top political leaders, Gaidar and especially Chubais came for years to represent "the most powerful elite clan of Russia" (Wedel 1998:126). Enabled by the Law on Mandatory Privatisation of 1991, Chubais, then the head of the GKI, initiated a plan according to which 15,000 state enterprises would be privatised in the short term. Overall, over 139,000 entities, including small enterprises, retail shops, and medium-sized and large state enterprises, were potentially targeted for privatisation (Randall 2001:91). Soon after, the same agency developed the plan for voucher privatisation aimed at transferring ownership and control of property from the government to private owners and institutional investors. One result of these policies was that most of the state-owned enterprises were turned into joint stock companies at the end of the mass privatisation stage. The means by which the privatisation process was accomplished were quite controversial, notwithstanding the essential role that Western funding played in making it possible.

Apart from several enabling economic and social effects that privatisation entailed, many key issues were left unresolved, allowing us to consider the privatisation process in Russia a myth and not reality. Bringing together the pros and the cons of the results achieved presents a paradoxical picture. Generally speaking, a shift in ownership did take place, even while the majority of the industrial enterprises deemed essential to the country's national security remained largely under state control. In many cases, even the large industries that were privatised turned out to be half as productive as they were still under socialist economy, with many of them staying alive using the means of the "virtual" rather than the capitalist economy. Ordinary Russians were supposed to be the beneficiaries of the privatisation process of the country's industries in their role as voucher-owners, and yet the whole process was based on the preferential treatment of managers and other insiders who could effectively control the property of the enterprises. What is more, while the enterprise managers could effectively control

the ownership transfers, they at the same time represented the most reluctant force standing in the way of the reforms, embracing the status quo rather than market mechanisms.

In her book *Reluctant Capitalists* Laura Randall (2001) has explained this behaviour as a reaction to the uncertain outcomes of privatisation, which the managers considered a threat to their relatively stable control position inherited from the Soviet times. The same inconsistency in the outcome of the privatisation process has been noted by David Lockwood (2000:136), who has argued that:

most of the industrial managers, plus local officials and former Party workers, moved into positions of power not in order to transform themselves into a new bourgeoisie, but in order to survive as best they could.

Among the Soviet managers, this will for survival was much more pronounced than the will to change and work according to the principles of the market economy. Marta Bruno (1998) has added another dimension to the managers' lack of enthusiasm about the privatisation process. What Western aid agents overlooked was the close link between the managers and their employees that stemmed from the Soviet times when both groups were part of the same nexus in either accomplishing or subverting the tasks of the central planners. Owing to this circumstance, when the economy was to be restructured and as a consequence make many employees redundant, managers often took the side of their workers and resisted the decisions that would lead to the layoffs.

Bringing Democracy by Non-democratic Means

As has become obvious in retrospect, the privatisation policies conceived by GKI and the Harvard Project had many detrimental consequences. As several scholars have underlined, bypassing the legitimate channels of decision making such as the Russian Duma and the relevant ministries, the "Chubais Clan" could implement most of their policies in an undemocratic fashion using private organisations channelling in the Western aid as their cover. One such organisation was the Moscow-based Russian Privatisation Centre (RPC). Exercising even greater authority than GKI, RPC could in fact enact privatisation measures by decree without the scrutiny of the Russian parliament, with money from the Western donors including the World Bank, EBRD, USAID, and the governments of the USA, Japan, Germany, and the Great Britain.

As noted by Wedel (1998) the legal status of RPC was extremely confusing. Established as a non-profit, non-governmental organisation, its founders were members of the Russian government, and treated by the West accordingly as official representatives of the Russian state. This ambiguous status of RPC could not be resolved even by establishing local privatisation centres (LPCs) outside of Moscow, so as to provide advice on the reform policies in other regions. Instead of acting as a balancing force in the regions, the LPCs became an arm of the Moscow office of RPC, which not only appointed the directors of the LPCs but also closely supervised their performance. Other private organisations implementing and overseeing the policies of the liberal reformers shared the same destiny. They all remained subordinated to the “Chubais Clan” and sponsored by the Western donors as if they represented the country’s political leadership enacting the reforms. As Wedel has stressed, the Western associates involved in the aid project did not deny that their money was purposefully targeted to a small group of reformers whom they considered capable of making an impact. The problem was rather that by using this approach the Western donors de facto stipulated an economic reform that did not have a wide political or public support in Russia. A balance of power in favour of the liberal reformers was thus simply a result of their preferential treatment by the West, alienating any alternative or potential reform actors within the Russian elites.

As can be inferred from above, most of the Western aid agents acted in line with the “transition model,” believing in the possibility of leaving the communist past behind by “extinction” and creating a new capitalist society in its stead. What they failed to recognise is that it is impossible to build long-lasting institutions of the market economy through financial support to a small clique of hand-picked reformers only. Following Wedel (1998), it is possible to argue that the way in which the Western aid for privatisation was administered and actually used reproduced and even created anew many of the communist-style patronage relationships that this aid was intended to transform in the first place. Underestimating the legacy of the nomenklatura networks and the loyalties of the managers and employees fighting for the survival of the work collective, the Western donors indirectly contributed

to the imagery of the West as an imperialistic and hostile outsider. Moreover, many privatisation projects continue suffering even today from allegations that quasi-legal and purely criminal practices were employed in their implementation, including acquiring state property for a nominal price and making personal fortunes on the Western aid money. Consequently, the prolonged process of “disillusionment” with the West remains closely connected to the fact that the market economy and capitalism that the Western donors advocated was far too often associated with economic fraud and enrichment of those in the power.

Nurturing the New Private Business Sector in Russia

Promotion of the new private business sector in Russia was one of the key objectives of the Western aid, in addition to privatisation. This initiative had a high symbolic value for the Western donors. As Wedel (1998:166) has expressed it, helping East Europeans to establish a new business sector “was an integral part of entombing the socialist state and creating a capitalist one.” For the recipients in the East, however, the same issue carried a slightly different meaning. Given the fact that initial capital was sorely lacking in almost all countries of the region, the would-be entrepreneurs of Eastern Europe likely perceived Western aid as a good complement or even substitute for the constantly lacking support from their respective governments. Money, however, was not the only issue.

Joint Ventures: An Uneven Co-operation

Foreign businesses began to establish themselves in Russia a few years before the large-scale Western aid programme unfolded in full scale. At the time, not one single initiative was directed to support the embryonic private sector in Russia. Instead, most of the efforts were aimed at launching joint ventures between large Soviet enterprises and their foreign partners. Already prior to the Law on Joint Ventures of 1987, there were approximately 150 such co-operative undertakings which included mainly foreign partners from Asia, Africa, and Latin America. From the time the law was enacted and up until the first years of the liberal economic

reforms, joint ventures were considered as the most effective form of international cooperation, giving Russian enterprises access to advanced technology, managerial knowledge, and financial assistance that promised to improve the capabilities of the Russian enterprises in both global and domestic markets. During the early 1990s, the Russian government enacted further measures in support of domestic enterprises, especially those in the extractive industries, allowing them to actively seek foreign partnerships around joint ventures. To make market entry more attractive for foreigners, many local governments also set up tax-free enterprise zones within their jurisdictions.

Soviet managers endorsed the foreign investment and technology with open arms. Less positive, however, was their response to the concomitant need to change managerial style. What managers really wished for was better economic opportunities for their enterprise, something that access to foreign resources could obviously bring; however, they were not willing to relinquish control over their firms, especially after having only recently acquired it in the course of the market economic reforms. Regarding this issue, Randall (2001) has described joint ventures not as pure partnerships but rather as alliances with unequal balance of power and money. Foreign partners provided mostly the latter, while the questions related to marketing, domestic distribution, and especially contacts with the authorities were left to the Russian partners in their entirety. It is therefore not surprising that an average life span of a joint venture was not more than two and half years. Moreover, of the 10,000 joint ventures registered in the early 1990s only 20 per cent were still in operation in 1998.

Promoting the New Private Sector: The Challenges of the Task

By the time the large-scale Western aid programmes started unfolding Russia in the early 1990s they had quite a specific task to achieve. On the one hand, the private sector had already set roots in the economy, albeit tentatively. Besides the joint ventures, the co-operative movement had emerged as one of the main forms of legitimate private enterprising on a smaller scale. However, many of the private initiatives remained sheltered within the second economy, which precluded them of becoming stable partners in

the co-operation with the West. On the other hand, the legacies of the Soviet economy were still strongly felt. While the emerging private sector was very attractive in terms of the higher salaries, flexibility of work, and opportunities to personal initiative it offered, the state economy still served as the major employer, more reliable in terms of social benefits and guaranteed work. As several authors have emphasised, by the early 1990s most of the Russian households already combined formal employment in the state sector with other types of economic activity, including ventures in the market economy, earnings from a second job, favours and help from friends, growing own food, and the like (see, e.g., Piirainen 1997; Wedel 1998; Wallace 2000).

A key priority of the Western donors, though, was not to concentrate on this rather rudimentary private sector that was operated on the margins the country's economy. What the donors aimed at was to build a new private sector, which would then constitute the core of the post-socialist Russian economy transforming into a Western-like market system. The grand task of the Western aid programmes was thus more than the mere provision of financial and institutional resources. Their clear ambition was to breed an entirely new type of managers, entrepreneurs, and businessmen that would think business, do business, write business, and talk business in a manner quite different from their Soviet prototypes. This task, however, has proved to be more complicated and sometimes even impossible to achieve given the initial premises guiding the work of the donors.

Administrating Business Support

Similarly to the privatisation initiative, support to businesses in East Europe, and in Russia in particular, was administered by programmes and organisations set up specifically for the purpose, a task in which the United States played a leading role. The investment strategies of the U.S. government and the European Union differed on one issue in particular. While the EU directed its aid via local governments, U.S. organisations chose another arrangement, namely the Enterprise Funds that the U.S. government authorised as the core of the bilateral schemes behind direct investment into the business sector in the region since 1989. Each of the eleven Enterprise Funds covering the different post-communist countries functioned as a private non-profit corporation which acted independently of the recipient governments. Helping the businesses directly without a need for heavy bureaucratic

procedures on the side of the respective states was extremely beneficial for both the donors and the recipients.

Yet, as Wedel (1998) has pointed out, the Enterprise Funds apparently faced a serious dilemma in defining their mission. On the one hand, their task was to promote a genuine business environment and competitive markets in the region. At the same time, however, the new businesses in the recipient countries were risky, sometimes illegitimate, and definitely lacking accountability in case of failure. Therefore the question of “were they in the aid business or were they in business” (ibid.:171) was unavoidable for the Enterprise Funds in tackling with this dilemma. It was especially difficult to solve, too, as the expectations that the Western aid programmes had raised in the East Europe were running high among both the recipients and the donors. Many businessmen supported by the U.S. Enterprise Funds perceived the money they provided more as a grant and not as a loan to be paid back. The issue soon became a source conflicts between the donors and the recipients. In addition, the need for the financial assistance outside the supervision of the local governments was much higher than what the Funds were prepared to meet.

The matter of making investment priorities also turned out to be complicated. Wedel (1998) has shown that the American Enterprise Funds had developed three major investment strategies in the region. The first one involved direct investment of equity or debt-equity to joint ventures and privatised enterprises. Secondly, the Enterprise Funds financed joint bank lending programmes enabling small businesses to receive direct credit up to USD 200,000. Finally, the third strategy was to provide small loans to small businesses and offer lending programmes to specific industries. The overarching purpose of all these aid forms was to encourage the development of native private enterprises and not to finance Western companies active in the region. What proved to be the most common experience of the Enterprise Funds, however, was that they more often supported established medium-sized and large privatised enterprises than smaller start-ups. This strategy was quite controversial in terms of both the U.S. Enterprise Funds’ articulated mission and the economic accountability of the recipients.

The tension between “taking risks and playing it safe” (ibid.:175) was most pronounced in Russia. According to various estimates, the small loans programmes turned out to be the most effective in terms of re-

turns, where the Russian banks administered the loan financed by the Enterprise Fund and both of them received equal returns. Despite this, most of the money went to foreign direct investment (FDI)⁹ made in small and medium-size companies working within machinery, equipment, trade, manufacturing, and finance sectors. Many of these operations were difficult to carry out owing to the pressures felt by the Russian business community in struggling for its survival between the heavy bureaucratic requirements of the Russian government on the one hand and organised crime performing the functions of the protector where the state has failed to do so on the other hand (see Volkov 1999, 2000; Randall 2001). The strategy of FDI is, however, of interest from another perspective still. Given the fact that most of the respondents interviewed for this study were employed in foreign-owned or Russian private firms partly financed by foreign partners, it will be instructive to consider the possible effects of FDI on the current Russian business environment a little more in detail.

Foreign Direct Investment

Foreign direct investment can be seen as one important indicator of the extent to which a country has become integrated into the global economy. According to Randall (2001), the cumulative amount of FDI in Russia between 1992 and 1998 was USD 14.8 billion, while in Poland, a country of a far smaller size, the same figure was USD 24.8 billion. The discrepancy is even more striking on the per-capita basis. Looking at the year 1998 alone, the total FDI per capita amount in Poland, Hungary, and the Czech Republic was USD 141 billion, 193 billion, and 140 billion respectively, while in Russia it remained at slightly below USD 15 billion (Randall 2001: 163).¹⁰ The low amount of FDI inflow to Russia was, however, not due to lack of interest by Western companies.

Since the opportunity emerged to work directly with local Russian partners in the early 1990s, many Western businesses began anticipating better working conditions to emerge in Russia. The largest country investors into the Russian economy were the United States, Germany, the United Kingdom, Switzerland, Cyprus, Ireland, and Canada. A longitudinal study of the American Multinational Companies (MNEs) operating in Russia of 2001 showed that the major pull factors as iden-

9 FDI, as commonly defined, is an investment of capital by a government, company, or other organisation engaged in production (assembly or manufacturing facilities) and marketing operations that are located in a foreign country (www.oxfordreference.com).

10 Comparable data is also available in Ögütçü (2002:3).

tified by the MNEs themselves were the significant human and natural resources in the country, the opportunities offered by the expanding consumer market, as well as the underdeveloped infrastructure (see Puffer and McCarthy 2001). Many Western companies recognised Russian market as a growing potential in their global strategy, and the expansion eastward was seen as a natural step in the business strategy. Western businessmen also mentioned serious obstacles to business's entry into the Russian market. Absence of laws protecting business interests, oppressive tax policies, and bureaucratic barriers to conducting business had enormous implications for the Western presence.

According to a recent study by the *Economist* intelligence unit survey (2007), Western businessmen are still broadly optimistic about Russia's economic potential. Sixty per cent of roughly 400 respondents indicated that the major motive of their presence in Russia was access to the country's domestic market. Western executives perceived the business environment in the country as something equal to that found in India or China in the benefits it offered. In addition, of the firms operating in Russia at the time, almost 40 per cent planned to increase their investments there in the coming years. Despite the fact that many Western businesses then obviously aim to make money in Russia also in the future, one can at the same time also notice a concern among Western businessmen for the levels of corruption and inefficient bureaucracy, which continue to constitute major obstacles for business in the country. Interestingly, the political risk of changing presidency in 2008 was considered by the majority of respondents as no more than of moderate importance, which also turned out to be the case.

Besides the persistent optimism regarding business prospects in Russia, there is another stable feature characterising foreign investment in the country during the years in question. There is a tendency to invest into lucrative high-visibility deals instead of small businesses, something which has been typical of FDI not only in Russia but also in the entire Eastern European region. The sectoral division of FDI is a clear indicator of this trend. According to a survey by Yudaeva and her collaborators (Yudaeva, Kozlov, Melentjeva, and Ponomareva 2003), most of the FDI inflow to Russia went into industry, especially the food and fuel industries, which stood for 49 per cent of country's total output in 1997. Trade, transportation, and communication were also important beneficiaries of FDI even if to a lesser extent.

Effects of the Western Presence on Russian Business

Besides enabling the creation of joint ventures, multinationals, and other forms of foreign entry into the Russian economy, the 1991 Law on Foreign Investment in Russia made it possible for foreign companies to open a representative office or become whole owners of foreign firms' subsidiaries in the country. Establishing a representative office upon the entry into the Russian market is still today the most common strategy among Western firms. There are at least two major reasons for this strategy: it offers a possibility to bypass the mandatory currency conversion requirement and entails fewer management obligations than for examples joint stock companies (Skyner 2003). Eventually, most firms therefore chose to convert their status into either a joint stock or a limited liability company to improve their commercial opportunities. However, judging from the numbers, the initial inflow of foreign investment was quite low and remained so up until very recently. According to Ksenia Yudaeva et al. (2003), there were only 2,533 foreign-owned firms operating in Russia in 1992. By the end of 1996, their number had increased to 16,000, with their growth, however, slowing down for a period of few years thereafter. Of the total output of the Russian industries during the same period, the share of the foreign-owned firms stayed consistently below two to three per cent, with the exception of food industry where the same figure, remarkably enough, was 11 per cent in 1997.

One may wonder why, despite the high interest level by the foreign investors, their numbers and share of the total output in the Russian market remained ultimately so low. Several factors may help to explain the fact. To begin with, due to a steadily and swiftly changing business environment in Russia, most of the foreign-owned firms had to seriously evaluate the risk and return upon the entering the market. While their investment strategies differed, heavy investment, early entry, and continuous commitment proved to be the most decisive factors determining success on the Russian market in a longer term (Puffer and McCarthy 2001). The valuable assets on which the foreign-owned firms relied included the access to new technology, managerial experience, and distributional networks that their parent companies offered. In Russia as well as in other emerging market economies, these factors alone guaranteed higher productivity and effectiveness for the firms that were either foreign-owned or -controlled, compared to the Russian-owned and -controlled firms. This tendency has remained clear

despite the superior knowledge of the local markets, distributional networks, and administrative culture possessed by the domestic firms.

The issue of productivity should not be considered in economic terms alone, however. Several studies have pointed out major variations in the performance of the Western firms, depending on the region in which they operate within Russia (see Broadman 2002 ;Yudaeva et al. 2003; World Bank 2004). There is a clear parallel between how far the reform process has progressed in the region and the productivity of the Western firms operating in it, linked also to the likelihood of investment in the same region. Why is this so?

According to Yudaeva et al. (2003), one plausible explanation for the fact is that even though the transforming economy as a whole may benefit from FDI in the form of technological and managerial improvements as well as a higher level of competition forcing the domestic industries to restructure and -organise themselves, the effects of especially the increased competitive pressure have not always been productive from the point of view of the Russian firms. Foreign firms, for the most part relatively small in size,¹¹ have been able to outcompete the smaller Russian firms in the market. In response, where possible owing to the market economic reform situation, regional governments have attempted to protect local firms, even those that are loss-making, from the effects of the foreign competition by offering them preferential treatment in terms of tax breaks, access to state property, and the like. Such advantages favouring the prospects of domestic firms undoubtedly affect the productive capacity of the Western firms. What is more detrimental still, however, is that such preferential treatment renders the process of reconstructing the domestic economy less resolute and effective.

Nevertheless, FDI, even if moderate in its total amount, along with the presence of the Western firms on the Russian market has had a number of clearly positive effects as well. The Russian labour force is considered to be relatively well educated and willing to learn, and many domestic private firms, especially the medium-sized ones, have been able to effectively benefit from the existence of the Western competitors on the market. The positive spillover effects include technological and managerial leakages that in their turn stimulate quick restructuring and higher productivity of the Russian firms. The opportunities for

¹¹ Most of the foreign-owned firms are significantly smaller than the domestic ones and employ in average around 70 employees, compared to 500 in the case of the Russian firms; see Yudaeva et al. (2003:11).

the Western investors have further improved since 1998 as the country's economy has demonstrated steadier growth. The positive developments during the first part of 2000's have been ascribed first of all to the effects of political stability achieved during the Putin government.

Leaving aside for a moment the various criticisms directed at Putin's autocratic rule, the fact remains that his governments have managed to consolidate control over the Russian regions and bring regional legislations in line with the federal law, thus reducing the administrative risks and barriers especially to foreign investment. International organisations, for instance the OECD, have however expressed their desire that more needs to be done in this direction still. The fact that there is a clear misbalance in supply and demand between the export-oriented raw materials sectors and the rest of the Russian economy craving for financial credit, remains a matter of concern for the OECD and other Western partners wishing to enter the Russian market. Encouraging FDI in the raw materials sectors while simultaneously restricting it in other, less prioritised sectors of economy, the Russian government has hindered not only foreign but also domestic investors from making a contribution. In the proceedings from the 2002 OECD-Russia Investment Round Table, it was pointed out that there are still several obstacles standing in the way of the Western investors aiming to explore opportunities in the country. Among these are the poor implementation of laws, the weakness of the banking sector, widespread corruption, and heavy tax system (see Ögütcü 2002).

Accepting the Local Rules of the Game

The issue of foreign presence in the Russian economy has another important dimension as well. There remains a great deal of skepticism towards foreigners in Russia, in particular towards Westerners invest in the country's economy, founded on an assumption that they tend to be socially irresponsible and interested only in quick profits to be moved out of the country. The attitude may seem rather exaggerated, but it is in line with the feelings of disillusionment that, according to Wedel (1998), have their roots in the donor behaviour itself. Pursuing fairly standardised investment policies premised on their efficacy on a global scale, the Western donors have often underestimated the legacies of the communist economy and politics, leading to ill-conceived investment projects and predominance of investment experts lacking all familiarity with the local conditions. Even those business undertakings that

seemed to succeed in the donor's eyes did so not by following the rules that the Westerners themselves ascribed to, but by "working through" or adopting the strategies of informal networks that proved to be more readily applicable in the context of the uncertain Russian economy.

An interesting example of such adaptation is described by Pär Gustafsson (2003) in his study of Scandinavian businessmen working in Russia. Himself a Western researcher, Gustafsson (*ibid.*:71) nevertheless experienced something that he refers to as the "rhetorical façade" put up by his study participants, meaning "a strategy employed by managers toward strangers, which consists of distorting and hiding facts about company's market behaviour." A closer look behind this façade showed that the Western businessmen often employed this strategy in order to avoid of being associated with the illegitimate ways of doing business in the eyes of their fellow countrymen or other foreigners. As one of the businessmen interviewed for the study admitted:

Well, there is one thing we have learned. We are in Russia, and here it is Russian laws and regulations that matter and you just have to adapt to the fact. It's another story if we can add something to it. However, we cannot just come here and always do as we like; we have to adjust. (Gustafsson 2003:79.)

Examples like this abound. The fact does not imply, however, that the foreigners working in Russia have to engage in purely illegal business practices. Rather, what the study in question illustrates is that foreign businessmen resign themselves to using the "survival networks" similar to those drawn upon by the domestic businessmen. These survival networks bring not only advantages helping the Western companies succeed in business, but also high risks. Using a friend of a Russian employee as a gatekeeper in a market transaction or information exchange, for example, or in the recruitment of new personnel, is considered to be a matter of course and part of "how things are done in Russia." Such strategies can, furthermore, secure a positive outcome for the whole business undertaking, helping it to maintain its position on the highly competitive Russian market. On the other hand, as Gustafsson (2003) has emphasised, the survival networks also mean additional risks for the Western businessmen. Such risks include losing control over property to intense informal control structures, or coming to employ personnel from within "the circle" who are not hired based on

their professional merits. To alleviate such risks, foreign businessmen have developed counterstrategies that help them to at least minimise the possibilities they entail, as entirely avoiding them remains a practical impossibility. For instance, participating in the life of the company on the daily basis, keeping the wages of the local employees relatively high, and building good relations with the personnel through various forms of socialising constitute some of the most effective ways to secure stable business in the long term. Maintaining a “clean” façade for the firm, however, remains an essential of this strategy for the Westerners, which may then also explain why studies of Western businesses operating in Russia are so sparse.

The various forms that the Western involvement took in transforming Russia and other Eastern European countries, as described above, seem to all have a common element to them. The intention behind all of them was to seize the historical opportunity “to hold communism at bay, to ensure economic and political stability, and to create markets to the West” (Wedel 1998:21). Yet, as will become clear later on, this intention contained within itself another, more obscure agenda: the recipient nations were supposed to rid themselves of the communist legacies altogether. The expectation, however, was premised on a more comprehensive and thoroughgoing notion of change than what the Eastern Europeans were prepared for. In this sense, it may be warranted to speak of the “unintended consequences” of Western aid to Eastern Europe and Russia in particular. These consequences, to be discussed in chapter nine, grew to become a powerful force of their own and led to “creative imitation” (Sevón 1996) of the Western ideas on the Russian soil, rather than direct copying. The topic of this chapter concerned the Western initiatives in Russia, and yet the story above has much to do with the perceptions that Russians and Western had of each other; moreover, as Malia (1999:10) has put it, the significance of it all also consists in the fact that “tracing the West’s evolving perception of Russia inevitably entails assessing the West’s own evolution.”

Part IV

Entrepreneurship in Times of Change: Western Ideas in Russian Translation

Chapter Eight

Entrepreneurs in New Russia: Sociological and Public Images

Introduction

One of the major consequences of the market economic reforms implemented in Russia and other Eastern European countries was that entrepreneurship now became an organic component of these countries' economies. According to various estimates, the number of entrepreneurs and self-employed persons in the region during the 1990s grew rapidly enough to force one to go back all the way to the early 19th-century United States and Western Europe to find anything like a parallel phenomenon (see Peng 2001; Paci 2002). Yet, the question of who the Russians entrepreneurs were and today are, where they came from, and what their entrepreneurial strategies and aspirations have been, remains puzzling to social scientists both in Russia and elsewhere. With the evolving sociological interest in the subject, different aspects of entrepreneurship have come to dominate the attention at different phases of the country's development, as I will show below.

Given the relative novelty of the phenomenon of entrepreneurship in the context of the economy and society in Russia, the definitions used in its analysis often remain ambiguous and even conflicting. For guidance, many researchers turn to classical theories, merely revising them for greater relevance. On the whole, the theorising on the specifically Russian form of entrepreneurship has shown at least three characteristic features. First, many scholars relate the phenomenon of entrepreneurship back to the transformation processes of 1990s, and in particular to the thesis of *nomenklatura* capitalism. Very few studies delve deeper into the country's history attempting to place the issue of entrepreneurship in a broader cultural and social context.¹ Second, the images of entrepreneurs in this discourse remain conflictual. On

1 Randall (2001) is a good example of a study that does elaborate on the issue of entrepreneurship from a broader perspective.

the one hand, entrepreneurs are posited as the major beneficiaries of the transformation process; on the other hand, their their contribution to the country's moral fabric, and societal ethos more broadly, is constantly being challenged. Finally, in the discourse on entrepreneurship in Russia, both scholars and politicians portray the entrepreneurs as the core of the country's middle classes. This brings another interesting dimension into the research and theorising on the subject, as what it signifies is that many studies focus not on the actual qualities of the Russian entrepreneurs but rather on the expectations that the broader society has towards them.

In many ways, then, the current sociological and public debates on entrepreneurship remain mired in ambiguity and indeterminacy. Accordingly, my main purpose in this chapter is to carefully unravel the multiple meanings built into the notions of entrepreneurship and the entrepreneur, as perceived in present-day Russia. Drawing primarily upon sociological research and mass media reports emanating from within the country itself, and secondarily upon Western scholarship, I will focus on the four distinct tasks. To begin with, I will analyse the notion of "nomenklatura capitalism" and its possible implications for any sociological discussion on entrepreneurs. Next, I will turn to a number of empirical studies focussing on various other channels and mechanisms through which the entrepreneurial strata came into existence in the country. Thirdly, I will look into the notion of entrepreneurship as something closely related to the symbolical imagery of capitalism, including in the first place money, profit, and consumption. Finally, I will draw conclusions from this discussion, in the form of theoretical and empirical considerations regarding any association between the notions of the entrepreneur and the middle classes, again as the terms are understood in Russia. My main argument will be that in order to understand the entrepreneurial function in Russia of the 1990s, that is, the way in which new entrepreneurs recombined already existing recourses within the socialist economy and created new opportunities for themselves within the market economy, we must look beyond the institutional structures of the emerging capitalism. What we need to investigate is rather the social and cultural prerequisites that have come into play with individual energies of entrepreneurs and how their mutual interaction influenced the development of entrepreneurship in the country. Given the key role of the entrepreneurial function as a propellant of economic growth and market stability, we can expect that only

by proceeding this way can we gain a better understanding of capitalist development in Russia also more generally.

Did the Soviet Nomenklatura Become a New Capitalist Class?

The initial contradiction built in to the Communist societies, as Daniel Bertaux and Marina Malysheva (2004:26) have accurately noted, was that their “central resource [...] was not money, as in the West, but power.” This argument is well applicable to the Soviet system of production, to the extent that, as Simon Clarke has summarised it (1992:6), in it “there was no way in which money could appear as the independent form of value, and so no basis on which social property could assume the independent form of capitalist property.” In other words, the Soviet system of production functioned according to another kind of rationality, which fact may then better explain the outcomes of the transformation process. It is generally considered that the system was predicated on a symbiotic relationship between the Soviet central government² and the country’s industrial managers. While both of these actors strove for control over the Soviet enterprises, to accomplish their goals they drew upon different power bases.

During the early years of the market economic reforms, managers could utilise the resources at their disposal in a very specific way.³ Given their alliance with directors of state firms, neo-liberal reformers introduced policies with favourable terms to the managers, allowing them to take advantage of the opportunities offered by the years of voucher privatisation and so increase their ownership stake in the existing firms. The arrangement suited well both the neo-liberal reformers, whose concern was to get the market economy up and running using any means possible, and the company managers themselves, whose organisational capacity offered them an obvious position of advantage in the complicated process of privatisation. In addition, the reformers strongly believed that the managers, once endowed with privately held property, would be able to transform themselves into capitalists proper and eventually even hand over their job to a next generation of younger managers (Lockwood 2000). Even workers on the shop floor, in whose core interests it was to cut back the privileges and bonuses of

2 The Soviet central government consisted of a number of institutionalised functions, among them Gosplan (the State Planning Committee), Gosstab (the State Committee on Material and Technical Supply), Gosbank (the State Bank), and Gosstandart (the State Committee for Quality and Standards). See Randall (2001:99).

3 For further readings on these, see Clarke (1992), Randall (2001), Kivinen (2002).

the management, came to accept prevalent model of insider privatisation, enabling as it did the survival of the enterprise as a whole. These and other circumstances have led many researchers to conclude that the alliance between the Russian government and the old economic elites would ultimately be the factor sealing the success of the managerial revolution.⁴

The Political Capitalism Thesis

Building on the discussion advanced in the previous chapters, we may now pose the question of whether, and in what sense, we can actually speak of any real managerial revolution taking place in Russia. Put differently, the issue is about whether the Soviet managers actually had the capability of transforming into a new capitalist class for the country. During the early years of the transformation, a common assumption was that all the post-communist countries were moving towards political capitalism. This so-called political capitalism thesis derived from the work of Staniszki and Hankiss, who have argued to the effect that:

the former communist *nomenklatura* knew by 1988 that the destruction of the old communist order was inevitable. They therefore designed a scheme to convert political office into private wealth, and attempted to transform themselves into a new *grand bourgeoisie* (cited in Eyal, Szelenyi and Townsley 1998:114).

Indeed, looking at the path of the market economic reforms in the region and the methods by which these were implemented, many would agree that what was happening looked very much like “nomenklatura privatisation” and “nomenklatura capitalism.” In other words, there was a strong belief that the communist bureaucrats and political bosses (what we refer to by the ‘nomenklatura’) were successful in transforming their political power into economic one.

This postulate has for long enjoyed high credibility among the researchers of the post-communist transformations.⁵ During the recent years, however, the political capitalism thesis has been subjected to closer scrutiny and its tenability has come under question. A comparative survey of six Central and Eastern European countries⁶ carried out by Gill Eyal and others (1998) was one of the first to do so. The authors

4 The key argument of the theory of managerial revolution is that, “the rise of professional managers would create a new class to replace the old ruling class of capitalists” (Abercrombie et al. 1984:245).

5 For references to studies assuming or supporting the political capitalism thesis, see Eyal et al., (1998), Kivinen (2002), King and Szelenyi (2004).

argue that “in Central Europe the Communist Party and state apparatchiks, with few exceptions, missed the opportunity to convert themselves into a propertied *grand bourgeoisie*” (Eyal et al. 1998:168). This conclusion was based on empirical data that clearly indicates downward mobility of the nomenklatura, in terms of occupational development and business ownership in the years leading up to 1993. Socialist managers and technocrats in Central Europe, on the other hand, did seem to turn into new business owners, even though, looking at this trend more carefully, the extent to which this happened remained rather insignificant in the end. Moreover, even when the members of these groups did formally become business owners, they did not start exercising their newly acquired economic power as capitalists proper. Instead, there was a tendency to focus on the preservation of the existing positions of privilege at state-owned enterprises, and to follow short-term strategies to derive benefit through buy-outs and “parasitic satellites”⁷ without having to incur risks associated with a privately held ownership share in the parent company.

The data from the Russian case, analysed in the same study, significantly diverges from the Central European one. To begin with, as also Eyal and his collaborators stressed, it was much more difficult to draw a line between the various fractions of nomenklatura in Russia. Historically, both the technocratic/managerial and the bureaucratic parts of the Soviet elite were recruited from the same social backgrounds. By the 1960s, however, the entrance into these positions was basically closed off to the general populace, despite the Soviet propaganda about a classless, egalitarian society. Besides, as Eyal and others show (1998), the Russian nomenklatura was relatively speaking also much larger in size, compared to the other post-communist countries. It would therefore be plausible to assume, as the authors of the study did, that what the Communist nomenklatura accomplished was to basically reproduce itself during the early years of transformation. Consequently, the political capitalism thesis as formulated by Staniszkis and Hankiss would then seem to have stronger relevance in the Russian case. Eyal and his colleagues thus arrived at the conclusion that:

The former Russian *nomenklatura* seems to have been much more successful than its Central European counterparts in converting its

6 The survey was conducted in Russia, Poland, the Czech Republic, Hungary, Slovakia, and Bulgaria.

7 As Eyal et al. (1998: 168–173) have pointed out, managers of these enterprises subcontracted other companies as satellites to the firms they were actually in charge of. Through these, they could reap additional benefit by siphoning off the income from the mother firms, whose ownership status was often diffuse and operations lacking in close supervision.

political power into either private wealth, or managerial or political power (Eyal et al. 1998:166).

In a later article, Lawrence King and Ivan Szelenyi (2004) re-examine the validity of the political capitalism thesis. Seeking a narrower formulation for it, they admit that in general it would be erroneous to apply this notion to the post-communist systems of the region as a whole, for in the emerging capitalist systems in Central Europe “the winners were not the members of the nomenklatura full stop, but rather its technocratic fraction” (ibid.:131). But even this technocratic fraction failed to constitute a new grand bourgeoisie for the region more broadly, as the authors have emphasised. What happened instead was that most of the technocratic and managerial personnel were able to retain their power without acquiring any property at all, as “the new post-communist power elite converted personal networks and managerial human capital into economic power, occasionally though not typically into private wealth” (ibid.:135).

In the case of Russia, the nomenklatura reproduction was largely taken for a fact, with the same understanding remaining predominant to date. In this very vein Kivinen (2002:154), for instance, has asserted that:

[t]he theory that the new class is picking up the role of the old elite is supported by the fact that the people who now occupy the top positions are largely the same as before. This applies equally to “new Russians” and to managerial positions in general.⁸

Several Russian social scientists and economists have also subscribed to the idea of the nomenklatura capitalism, which in their interpretation involved not only the Soviet ruling elite but also the directors and senior managers of the industrial enterprises that had closely collaborated with the regime. Considering all these groups under one and the same category has then led many authors to assume that the Soviet managers were indeed the sole winners of the transformation process (see Zaslavskaja 1995; Medvedev 1998).⁹ The conclusion one may eventually arrive at is that the managerial revolution in Russia did in fact take place, as the managers succeeded in assuming control over several important processes during the privatisation stage.

⁸ Another example of work sharing these premises is Bonnell (1996).

⁹ Other Russian sources can be found in Lockwood (2000:132-143) and Silverman & Yanowitch (1997:113-118).

Russian Managers' Rush to Capitalism: A Losing Battle

Any confident assertion that in Russia it was the nomenklatura in general, and managers in particular, who were the winners of the transformation process becomes seriously undermined as soon as we examine a broader array of studies on Soviet and post-Soviet managers. New empirical findings have been put forward by both Western and Russian researchers, based mainly on interviews with Russian business executives busy converting the state-owned enterprises under their managerial command into various types of private venture. These studies, without showing any uniform theoretical or methodological approach, all point to a small number of key conditions determining the outcome of the transition in each case considered. To begin with, it seems incorrect to assume that Russian business managers even on the whole were able or willing to undertake the task of supporting and promoting market-oriented economy in Russia. This was not a matter of mere managerial will, however, but rather a result of a combination of factors. The general viability of the industry in question, the malleability of the inner structure of economic production or the extent to which it could be modified, and the ability of the leadership to take risks and assume responsibility – all these affected the chances of success in making the adjustment to life under capitalism. Hence, several studies suggest looking at managerial behaviour rather as a response to both the possibilities and constraints that the introduction of market economy meant. Company managers, like all the other social actors in the transformation, developed various strategies in response to the new situation, courses of action that sometimes endorsed and sometimes circumvented the changes in the broader Russian society.

Indeed, as Clarke (1992) has noted, there was a widely shared assumption among the reform advocates in the West that as soon as the inherited political and economic constraints were lifted, post-Soviet company managers would swiftly internalise capitalist rationality in their everyday economic action. What happened in reality, however, was something different. The industrial nomenklatura emerged as clear winners in the Russian context, demonstrating survival skills beyond anything shown by the party functionaries and the political managers of the state apparatus. However, as Clarke reminds us:

this stratum [was] not motivated primarily by financial gain, since there [were] far easier ways of making money, but by a combination of professionalism and power, expressing their functional role within the soviet system (Clarke 1992:12).

In fact, those unscrupulously enriching themselves during the first years of reform activity represented only a small minority within the broad spectrum of managerial and bureaucratic elites, while the majority kept struggling merely to keep their positions. In their attempts to retain control over their enterprises, most managers turned out to be ill prepared in practice for the challenges of the market economy.

A similar argument can be found in Randall (2001). The very title of her study, *Reluctant Capitalists*, gives out its key finding, namely that post-Soviet managers actually found themselves quite uncomfortable in their new roles as leaders of capitalist business ventures, despite the high expectations invested in them in precisely this mission. Randall's attempt to detail the historical and cultural management patterns in Russia from the pre-Revolutionary period to the present time is quite rare. In a sense, this is also what my own work attempts to do, although with the different aim of specifying the entrepreneurial function within the Russian society, identifying in particular the various actors undertaking the entrepreneurial role at different historical moments. Managers have been the key group carrying out the entrepreneurial function in Russia for quite some time, even if they have operated in an environment significantly less business-friendly than that found in other countries. Looking at the management phenomenon historically, Randall could thematically bring up the subtle processes of resistance and reluctance to change that many post-Soviet managers actually themselves set in motion; she describes these patterns of behaviour as attributes of a "survivalist mentality" (Randall 2001:194) that has its roots in the Soviet past but receives a new boost in the post-Soviet reality. On the surface of it, many Russian enterprises, their managerial strata included, appeared to act in accordance with the principles of market economy, while in actuality, as Randall has argued, the past premises of economic behaviour nonetheless remained intact. Reliance on informal rules, or the economy of favours, was the most pervasive legacy from the past, permeating all levels of decision-making and having a bearing on how quickly and in what extent the market economic mode of operation was introduced in practice.

While sharing this understanding on a general level, I do not, however, fully agree with Randall's heavy reliance on institutional theory as her main explanatory framework in the context of this is particularly problematic. The problem with the approach, as I read her, is that the institutions, or the formal rules of the market economy, sud-

denly acquire a universal explanatory power. Accordingly, any informal rules that do not comply with this universal model are interpreted as constraints or impediments to formal arrangements. What is missing in this picture is any space for the understanding that informal rules, or “the informal social capital”¹⁰ as they have also been called, may in fact facilitate economic performance in settings where trust in the institutions and their functioning remains generally low. In addition, Randall’s discussion abounds with examples comparing the market economic institutions emerging in Russia to the well-established institutions operating in an environment like the one found in the United States. Such comparisons, in my view, are counterproductive for our understanding of the actions and orientations of business managers in both contexts. Indeed, they only reinforce the false perception that the American, and any other Western, model and even idea of management essentially constitutes the norm to which the Russian variant is to eventually conform, too. In consequence, little attention is given to the circumstance that the formal market economic institutions set up in Russia during the 1990s were largely an invention of American pro-reform activists and scholars, established from above by Russian neo-liberals without any particular concern for how well they could be able to accommodate the unwritten rules of locally developed business practice. In spite of such cause for criticism, Randall’s findings remain valuable, especially in uncovering the ways in which managerial efforts could promote adaptation to a new situation by resisting it. This resistance was not organised in the form of protests or as lobbying activity carried out through managerial associations; rather, managers on the shop floor circumvented the reform efforts by resorting to informal business structures and mobilising support from their employees, in this way reducing the risks inherent in their line of activity. As a result, concludes Randall in full agreement with the findings of Clarke (1992):

[t]he reluctance of Russian managers to accept privatisation created a number of private fiefdoms ill equipped to be transformed into a market-oriented entity. Privatisation was successful in the transfer of wealth to the managers, but it did not result in the creation of market-driven companies whose purpose was to enhance shareholder wealth. (Randall 2001:96.)

10 For a further discussion of this concept, see Wallace (2003).

Responding to Global Economic Developments

A very different perspective, yet one that bears closely on the topic at hand, emerges from David Lockwood (2000). This study was only partially aimed at investigating the role of the Soviet managers during the transformation. Nonetheless, the author's contribution to the analysis of the Russian transformation as a global project is significant. Viewed from this angle, the dynamics of both the Soviet and the post-Soviet economy can be said to have been shaped as a response to the economic developments taking place elsewhere, internationally. The primary implication of this thesis is that the success or failure of the majority of Russian enterprises at the onset of the reforms depended not only on the conditions on the internal market but to a great extent also, and often even more, the conditions of the world market. As Lockwood (*ibid.*:136) summarises this situation:

For enterprises and industries (and their managers) that could achieve world standards, adjust their management methods, and somehow plug into the globalised manufacturing system, the collapse of the command economy created the opportunity to accumulate capital and slip into the circle of productive investment. For those that could not, the abyss beckoned. It soon became apparent that much of Soviet industry fell into the latter category.

In other words, a distinction can be made between viable and unviable enterprises, whose managers then proceeded according to the dictates of the situation. It is the managers in the latter category that tended to adhere to the patterns discussed by Clarke, Randall, and others following them. Any deviation from this prerequisite meant simply the destruction of the enterprise under the hard laws of capitalist competition. Striving to survive on the market as best they could, the managers of these enterprises could however still enjoy the unlimited support of the state, and had thus no incentive to transform themselves into capitalists proper. In fact, argues Lockwood, these same enterprises and managers dominate the economic landscape in Russia even today (see also Gaddy & Ickes 2002; Reddaway&Lapidus& Ickes&Saivetz 2004).

Already at the beginning of 1990s, however, these managers started feeling strong competition from another group: those in charge of the "viable" enterprises. The most striking feature of the latter was not so much their personal confidence in reforms or their business acumen. Rather, as Lockwood (2000:138) explains it, this limited number of

managers “had to make the move from being employees of the Soviet state to be entrepreneurs/owners – from a position in which their decisions were based on central directives, to one in which they were based on market mechanisms.” This shift in the management’s relationship to the means of production was indeed a momentous one, and there was no way personal skills alone could have enabled it, as Lockwood accurately points out. To succeed in this transition, what was needed was managers “who had such qualities as enterprise, an inclination to innovation, commercial skill” (ibid.:139). Drawing upon a broad body of research emanating from both Russia and the West, Lockwood, along with other scholars working on the topic at the time, therefore began to employ the term ‘entrepreneurs’ for the specific managerial type that, albeit still in minority, in its economic actions demonstrated precisely these novel traits of behaviour.¹¹

Managerial Business Ethics in Transition

In connection with this discussion, we should note the studies by Oleg Kharkhordin (1994) and Kharkhordin and Theodore Gerber (1994), both of which involve Russian company directors and address the issue of business ethics during the most turbulent years of the transformation. Anticipating this research we also have the findings of Boeva and her colleagues (see Kharkhordin 1994:406–409), who through repeat interviews with several hundred former Soviet managers over a two-year period in 1991–92 were able to draw the conclusion that most of the Russian industry was able to survive the shock therapy thanks to a specific business ethic demonstrated by its managerial sectors. The particular orientation in question was not dissimilar from what Randall might call the “survivalist behaviour,” relying as it did on the same three basic principles of close cooperation with colleagues in the field, rejection of new market entities, and a moral obligation of care towards the labour *kollektiv* (staff). In a sense, this set of values is not at any significant variance with what an ordinary Soviet manager of the late 1980s would have exemplified. Yet, in just the one year, when Kharkhordin (1994) and Kharkhordin and Gerber (1994) addressed the issue anew, the results obtained turned out to be substantially quite different.

¹¹ A comparable development can be observed in business administration and management studies. Empirical research in these fields points to a clear distinction between the so-called “Red director” and the market-oriented manager; insofar as their work ethic and general cultural values are concerned. See, for example, Ivancevich, DeFrank, Gregory (1992), Puffer (1994), Veiga&Yanouzas&Buchholtz (1995), Puffer& McCarthy&Naumov(1997).

To begin with, by 1993, when most of their interviews were conducted, a large share of the enterprises in the country had already been made subject to large-scale privatisation measures. These in turn had set in motion a conflict of interest within the country's managerial strata, resulting in the creation of two distinct, even if ideal-typical, categories of managers, evident in Kharkhordin and Gerber's research. One of these comprised managers who still adhered to the kind of ethics and attitudes described in the Boeva report. The second group included managers who challenged this ethic either in part or more broadly in terms of its substance. Addressing the actions they entailed as "anti-ethical behaviour,"¹² Kharkhordin and Gerber have characterised these new patterns as less committed to the mutual-help rhetoric and more inclined to break away from reliance on the *krug* (circle or network).¹³

What was observed, furthermore, was that the decline in the mutual-help schemes in fact meant the construction of new networks, or the so-called "essential few," with whom the managers could sustain contacts of similar nature as with those implied by the *krug*. The "essential few" strategy usually meant breaking off from many of the old industrial connections or even completely disconnecting from them. Using various pretexts such as pursuance of price incentives or turning to external markets, the managers in these cases were able to suspend ethical obligations with regard to their previous partners. But now they also behaved differently towards the new market entities entering into the equation. While their transactions with commercial banks and new business partners were still characterised by suspicion and doubt, the managers departing from the old ethical code were nonetheless willing to take risks on one apparent condition: selling products to new customers was taking place on a pre-payment basis. Purchases from new suppliers, on the other hand, still conformed to the previous practice, being made through the channels of the "essential few."

The suspicious attitude towards the new business partners here had much to do with the moral precepts that the old guard of managers shared in common. More often than not, it was the case that behind the new economic entities there one way or another loomed ties

12 The authors have stressed that in their usage the terms 'ethics' and 'ethical' only refer to a particular custom or behavioural inclination prevalent among the membership of the managerial community at large; they have nothing to do with the moral dimensions of the concept. Accordingly, anti-ethical behaviour is simply behaviour that deviates from or breaks against such common ethics. See Kharkhordin & Gerber (1994:1106-1107).

13 Kharkhordin & Gerber borrow the term *krug* from the vocabulary of the Russian peasantry, referring with this community term to the mutual control and assistance on which the managerial business ethics was based before the reforms (Kharkhordin & Gerber 1994:1076).

to organised economic crime. The managers working in these companies and enterprises were then judged accordingly. However, also non-moral factors, including the risky and unstable conditions in the new private sector, played a major role in managerial considerations and decision-making. Finally, the concern for the *kollektiv* that characterised this group of managers remained by and large unchanged. The managers subscribing to the “anti-ethical” code still pursued the rhetoric of “conscience and care” (Kharkhordin & Gerber 1994:1083) with respect to their employees. What Kharkhordin and Gerber did observe, however, was a small but significant change in the managerial responses, indicating their readiness to abandon the attitude of moral obligation towards the *kollektiv* if transferred to another company. This fact serves as an important indicator of the heavy moral pressure that most of the Soviet managers had to endure ever since the onset of the reform period, a burden they have not been able to dispense with even in the new economic conditions.

To explain the differences in managerial behaviour in the period 1991 through 1993, Kharkhordin and Gerber ran a series of statistical analyses with the aim of detecting any associations between, on the one hand, the “ethical” and “anti-ethical” code of behaviour and, on the other hand, a set of other key variables (Kharkhordin & Gerber 1994). These other variables included factors like the size of the enterprise, the type of property and industry in question, and possible affiliation in any of the Russian business managers’ organizations active at the time. One of the main discoveries of this study was to cast severe doubt on the inherited assumption that state-socialist and market-enterprise features by necessity are incompatible. Kharkhordin and Gerber observed that the two types of business ethics could co-exist, and even within the same type of enterprise. Examples of such paradoxical coexistence included cases where the managers of state-owned enterprises observed the ethical code within their sub-units while relying on the networks of “the essential few” in dealing with external business partners. Although the type of property did not seem to play a decisive role in the managers’ choice between the “ethical” and “anti-ethical” behaviours, the size and the type of the industry involved showed some influence in the outcome. Post-Soviet managers of smaller, more consumer-oriented enterprises showed stronger support for pro-market ethics than managers of military enterprises. In any case, following the old and the new ethical code in combination was, according to Kharkhordin and

Gerber, probably the best way of ensuring the eventual construction of a stable market economy in Russia (ibid.:1100).

Using the same empirical data, Kharkhordin (1994) in another study developed the argument further by raising the question whether the changes in the management ethics could be looked at as indicative of the managers' support for the project of capitalist development. Kharkhordin now described the ethical and anti-ethical behaviour of directors in different terms, as exemplifying a corporate ethic or an ethic of *samostoyatel'nost'* (self-reliance) respectively. Turning to Polanyi's theory of market building, in particular his emphasis on the strong state, Kharkhordin claimed to have found a better explanatory framework for analysing the discrepancies in the functioning of these two ethics in Russia, compared to what neo-classical theories could yield. From the new perspective, the reliance of the Russian managers on the state and corporate ties established among the old guard of industrial directors could indeed represent but a natural way to respond to the changing conditions of the country's economy. In addition, Kharkhordin (1994:413) concluded following in Polanyi's footsteps, "[this response] should be considered as one of the existing conditions of the process of national market-building in Russia." Should one wish to take the argument a little further still, there was probably no other realistic way for the market institutions to emerge except through the corporate networks of the industrial directors. Yet, immediately afterwards Kharkhordin states that the managers adhering to the corporate ethics had no desire to act as facilitators of market reforms in the country. This assumption is reflected also in the comparable propositions put forth by Clark (1992), Randall (2001), and Lockwood (2000), for instance.

There was, however, another group of managers, designated by Kharkhordin as 'the entrepreneurs,' who differed from the industrial directors in their motivational core. What the entrepreneurs laid their stake in was not the preservation of old ties and structures; instead, the ethics they followed were oriented to values such as "self-reliance, self-assertion, self-fashioning" as well as "independence from somebody else's will or from this will embodied in institutional constraint" (Kharkhordin 1994:421). Practitioners of such ethics of *samostoyatel'nost'* were a minority group among managers, however, and their mode of independence was rather unique at the time of the study. Nevertheless, with the expansion of the market economy this type of ethics became

more of a norm than an exception, to which also the interviews I myself conducted with entrepreneurs in Russia quite clearly attested.¹⁴

To summarise the above discussion briefly, there seems reason to maintain that neither “the managerial revolution” nor the nomenklatura capitalism thesis are very helpful for our understanding of what actually happened in Russia. In theoretical terms, the transformation of power and positions during the early years of the country’s economic reforms could indeed be described in terms of increasing managerial control and influence, made possible by the creation of corporate networks and support from the state. However, one might just as well argue (as I wish to do) that the former Soviet managers by and large did not serve as a potential capitalist class. As many empirical studies quite readily reveal, the managers, despite gaining wealth and control over the property of major Russian enterprises, eventually failed to embrace (and even resisted) any effective market-oriented principles turning these enterprises into proper capitalist ventures. Although professionally committed as a cadre, most of the post-Soviet managers of the older generation still bore the imprint of the Soviet managerial habitus, adapting to the new situation by resisting it. As noted above, shedding off the Soviet garb was not a question of managers’ personal will only. Constrained by the institutional framework and the capacity of the enterprise of which they were in charge, many managers did not have much choice but to drift along. There was, however, a smaller group of managers and experts who moved into private business with rather different intentions. Experienced in navigating the requirements of the Soviet system of production, these managers demonstrated clear individualistic and instrumental attitudes, that is, the ethic of *samostoyatel’nost’*, which enabled them to also meet the challenges of the emerging market economy in the most constructive possible way. In the section that follows, I will make the argument that this group of managers indeed constituted one of the most influential segments of the entrepreneurial strata in Russia, especially within the country’s new private sector providing the primary focus of my research.

*Identifying the Entrepreneur:
Channels of Recruitment and Spheres of Influence*

Most of the studies on the entrepreneurs in the post-Soviet Russia cover the decade between the late 1980s and the late 1990s when the

¹⁴ See Chapter 9 below.

new social constellation was still on the rise. The term generally describing the status of the new actors on the scene was *predprinimatel'*, which may be variously described as referring to entrepreneurs, businessmen/-women, business operators, and the like. Many social scientists both in Russia and abroad have subsequently devoted their attention to the question of who these entrepreneurs are, where they come from, and what does it mean to be an entrepreneur in these cases. In one of the early studies in this direction, *Russian Businessmen: Forty Stories of Success*, which made a popular reading abroad, Bunin (1994a:367) defined entrepreneurship as “an activity or a process aimed at creating new social networks or social structures where none existed before.”¹⁵ Several others have subsequently taken their lead from this Schumpeterian interpretation of the phenomenon (see, e.g., Radaev 1993; Vosmitel' 1997; Barsukova 1999b).

Another prominent Russian sociologist, Tatiana Zaslavskaia (1995:3), has described entrepreneurship more narrowly as “an activity that aims at profit-making, freedom, autonomy of economic decision-making, and self-reliance, leading to risk-taking and responsibility for the consequences of one's decisions.”¹⁶ These two examples already indicate that entrepreneurship is not a uniform phenomenon. In today's Russia, we can easily detect various active forms of entrepreneurship and, consequently, a mixed business community, with a certain core and many peripheries.

I suggest that we distinguish between four different economic arenas within which entrepreneurial initiatives developed into an independent field: the Soviet second economy, the cooperative movement, the state-run institutions and ministries, and finally the independent private business sector.¹⁷ I want to stress that a classification like this one does not aim at trying to determine the size or the importance of the various entrepreneurial groups involved in the larger Russian business community. Rather, what it concerns itself with is the genesis of entrepreneurial activities, the sectors of the economy that these activities came to dominate, and the social backgrounds of the individuals involved in these activities. All these factors have played a significant role in the shaping of the image of entrepreneurs among the Russian public and academic community.

¹⁵ My translation.

¹⁶ My translation.

¹⁷ See Introduction, p. 18, footnote 1

Shadow Entrepreneurs

Several researchers have correctly argued that entrepreneurship existed in Russia even prior to the reforms of the 1990s; it simply was never properly conceptualised. There are several reasons for this. According to Svetlana Barsukova (1999b), the theoretical neglect is due to entrepreneurial activities that mainly took place in “the shadow economy”: they never seemed legitimate in the eyes of the ordinary people and remained unanchored to any particular social class. Indeed, it is true that the first wave of Russian entrepreneurs emerged on the margins of the dominant Soviet system. Conforming closely to the classic Weberian-Schumpeterian definition of the entrepreneur as an “outsider,” in the Russian context the position of outsider nevertheless implied certain features quite specific to the circumstances. In general, entrepreneurs in Russia do not belong to any ethnic minority, contrary to what has been common elsewhere in similar situations of economic distress.¹⁸ Rather, as research has shown, the majority of those involved in entrepreneurial activities from the early 1990s on seem to have been ethnic Russians.¹⁹ Neither are these entrepreneurs involved in family businesses: most of them abandoned careers in other fields to start in business, an area often drastically at variance with their formal professional qualifications. At the early stages of their entrepreneurial careers a common characteristic of all those involved was nonetheless courage to challenge the predominance of Soviet economic relationships, which effectively rendered them all “outsiders.”

Before individual entrepreneurship on any larger scale was rendered legitimate, the main sphere of entrepreneurial initiative undoubtedly was the Soviet second economy. Describing the second economy as something ideologically alien to the Soviet system, Gregory Grossman (1998:30), for example, has at the same time conceded that the official Soviet economy and its “shadow” counterparts were not really separate entities, resembling instead dual partners in a relationship that was “symbiotic, often both mutually parasitic and mutually protective, always highly interdependent.” The symbiosis went rather deep, given that private accumulation of wealth often occurred under the cloak of the state enterprise, as in the case of illegal production for private account (*tsehoviki*) or at any rate diversion of state property for personal use with the means of false reporting or plain theft (*pripiski* and

¹⁸ On the importance of ethnic minorities in the evolution of entrepreneurship, see Portes (1995).

¹⁹ See, e.g., Bunin (1993, 1994a, 1994b), Radaev (1993), and the more recent work by Roberts & Zhou (2000) and Djankov & Miguel & Qian & Roland & Zhuravskaya (2005).

vynos).²⁰ Frequently, the direct benefactors of such activities were the state officials and bureaucrats, as their existence depended entirely on the allocation of resources, raw materials, and currency available, or subject to control, from above.

It is frequently argued that by the end of 1980s, shadow economy, or *'tenevaya ekonomika'* as it was most often termed by the Russian writers, had grown into a significant even if still illegitimate source of capital and entrepreneurial skills. During the Soviet time, the term covered illegal and semi-legal economic activities such as working off the books, moonlighting, speculation, corruption, bribery, invisible investment, tax evasion, smuggling, foreign currency exchange operations, and the like. Most of these activities were of course to be found in the post-Soviet economy as well, although their importance for raising the initial capital decreased significantly. It is also important to stress that the shadow economy cannot be traced back to any specific sphere of the official Soviet economy; rather, it permeated all its levels and sectors. Similarly, as Grossman (1977, 1998) has argued, it would be impossible to identify any particular social group as its backbone, as the beneficiaries from its operation were to be found everywhere from the top bureaucrats to the ordinary workers.

The critical question here is how the shadow economy may have contributed to the emergence of the new entrepreneurship in Russia. According to Grossman (1998), there were both virtues and faults to the shadow economy that predetermined its pervasiveness. Of all the contributions it made to the subsequent developments, the most important one was that:

It stimulated enterprise, ingenuity, self-reliance, and saving, as well as general familiarity with a private exchange economy, in advance of their time. It inculcated mutual trust into transactions where nothing could be committed to writing. (Ibid.:32.)

Thanks to these characteristics the shadow economy could serve private accumulation and concentration of capital, so indispensable at the early stages of the transformation when private enterprises were only starting to emerge in the country. Yet “it also confirmed such practices as robbing the state, tax dodging, cheating the customer, and every form of corruption, as a natural and durable way of life” (ibid.:32). This controversial nature of the shadow economy led social scientists to take sides on whether the shadow economy could at all be considered

²⁰ On illegal production see Grossman (1998:31-34) and on false reporting and theft see Ledeneva (1998: 47-52).

legitimate or valid as a source of entrepreneurial spirit in Russia. Many have identified in it a core of the country's nascent entrepreneurship, while at the same time faulting entrepreneurs themselves for immoral and criminal orientation. Similar indecisiveness was common among the ordinary Russians well (e.g., Medvedev 1998; Ries 2002; Humphrey 2002). Others have downplayed the role of the shadow economy as something of a forerunner of the more proper entrepreneurial initiatives to come.²¹

To my understanding, however, it would be misleading to insist on any of the positions along these lines, as they all stop short of comprehending the full complexity of the nature and strategies typical of a shadow economy. Instead of debating the pluses and the minuses of its contribution to the emergence of entrepreneurship, it would be more important to understand why the shadow economy was as functional as it seems to have been within the Soviet system, and how its tactics, although essentially changed, still continue to keep many Russian companies in business today.²²

On a general level, studies on the shadow economy of the Soviet and post-Soviet period abound (see, e.g., Bernabé 2002). As concerns its contribution to the development of entrepreneurship in Russia, one particular point needs to be emphasised. Contrary to Grossman and Barsukova who propose that those involved in shadow economic activities came from all segments of the Soviet population, Radaev (1999, 2001) has argued that participation in them has always been highly stratified. To deploy state resources for one's benefit "in the shadow," one must have access to such resources in the first place. Thus, the higher the position of the Soviet employee, the more she or he could financially gain thanks to the privileged access to such resources. In addition, the Soviet era saw the flourishing of a great variety of shadow activities, as each professional category could use its own advantageous position in a particular way: truck drivers stole gasoline, workers took home their tools, and so on. Radaev quite logically concludes that what the Soviet shadow economy did was to channel the entrepreneurial zeal of the most active and industrious groups of the country's population, for these were:

prepared for the extra work besides their formal employment. They possessed unique qualifications making it possible for them to work

21 See in particular Bunin (1993, 1994a, 1994b) who is the strongest proponent of this view.

22 See especially Ries (1999), Humphrey (2000), and Radaev (1994, 2000, 2003a) for the views of Russian businessmen regarding their everyday encounters with corruption, bribery, and violence and their dreams of lawful enterprising.

on the side (*nalevo*), and they were well positioned within the system of exchange networks, securing them access to scarce resources.²³ (Radaev 1999:18.)

It might therefore be plausible to assume that those active in the Soviet shadow economy also stood for the new entrepreneurial landscape emerging in the late 1980s. These actors came equipped with the necessary skills and experience, had access to the economic resources of the Soviet system, and showed a great zeal for innovation. Ultimately, however, using the tactics of the shadow economy, based more or less on stealing from the state, could but fail when confronted with the task of building a legitimate and reliable business sector for the country's needs. True, some of the shadow entrepreneurs did end up among the independent entrepreneurs of the late 1980s. However, many more opted for not legalizing their businesses, preferring to remain "in the shadow."

Co-operative Movement

Another important arena where new entrepreneurs emerged was within the new co-operative movement that grew rapidly between 1987 and the early 1990s.²⁴ In earlier chapters I have already discussed the key legislative acts that enabled the development of cooperatives, and considered their status within the context of the time. In this subsection, I will therefore focus on individual entrepreneurs, whom I call co-operators (*kooperatory*), and their contribution to the development of new entrepreneurship in Russia. At the initial stages of the Soviet transformation, the law on individual labour activity of 1986 encouraged a great number of individuals and their families to open small workshops all around the country. This was the first time in memory that Soviet citizens were given a chance to act upon and realize their business ideas, albeit still on a fairly limited scale; for anything more major, the often family-run businesses in question were usually all too small in size and managed without the hired labour needed for the expansion of their operations. In fact, many of the companies were set up by private undertakers known as *chastniki*, who had previously run them as part of the shadow economy where most of the repair,

²³ My translation.

²⁴ Following Andrusz (1999), I designate this period, from 1987 through roughly 1990, as that of the new co-operative movement in order to differentiate the latter from the co-operatives existing during the Soviet time and even long before the Soviet system was in place. For a historical discussion of co-operatives in Russia, see Andrusz (1999).

construction, and other similar services were made available during the Soviet time.

Eventually, the idea of the expansion of non-state property nevertheless started to dominate the political debate. While the wider public in the Soviet Russia still scorned any type of activities associated with profit-making, state managers began to express strong support for the formation of co-operatives. According to Gregory Andrusz (1999), Gorbachev himself repeatedly brought up the inexhaustible capacity of co-operatives as providers of support for the Soviet economy, preventing its collapse. Moreover, in turning to Lenin's ideas culminating in the New Economic Policy (NEP) of the 1920s, Gorbachev was able to find a precedent legitimizing the final break he was about to make with the Soviet economic orthodoxy.

Co-operatives were expected to be flexible, produce services for which there was great demand, and, most importantly, provide employment opportunities. Indeed, there were many gaps in the economy that the decimated Soviet state could no longer patch up, ranging from domestic work in the service sector to construction, repair services, and the operation of public cafes and restaurants. Thus, capital accumulation in the early co-operatives took place mostly in the production sphere.²⁵ Encouraged by the liberalising structures of the non-state enterprising, many industrial directors tried to convert the entities in their charge into co-operatives. As Hedrik Smith (1990) has reminded us, the Soviet ministries would have never allowed large industries, even when clearly unprofitable, to close down. Therefore, the best way to use their capacity was to lease their equipment and premises to the new co-operatives taking their place. For the industrial directors themselves, freedom of economic decision-making, or *samostoyatel'nost'*, provided what was probably the most important motivation for going forward with such conversions. Besides, the salaries the co-operatives could pay were up to three times higher than those paid out at state enterprises. As a consequence, many qualified workers, especially those from the more profitable industries, left their jobs for the emerging co-operative sector.

Another distinctive group of co-operators consisted of younger people, or the agents of the so-called "Komsomol economy." This term, according to Olga Krystanovskaia (2002a), was introduced already

²⁵ According to figures provided by Andrusz (1999:26), 39 per cent of registered co-operatives were engaged in consumer services, 16 per cent in public catering, and 27 per cent in some form of material production. Other areas where co-operatives became a popular form of enterprise included medical services, housing construction, and vehicle repair.

in 1987, becoming quickly popular among Russian and foreign analysts. In trying to retain control over the development of the non-state businesses mushrooming under the banner of perestroika, the Soviet Communist Party had to start making some concessions. One of these was allowing the members of Komsomol, or the Young Communist League, to engage in business activities. Its cadres, to be sure, had been given considerable economic opportunities already during the Soviet time, for example around remote construction projects and the revival of virgin lands. In addition, beginning in 1986 and with the support from the party, Komsomol cells all over the country began to operate so-called Youth Centres for Scientific and Technical Innovation, permitted to engage in construction projects, video saloon operations, production of consumer goods in high demand among the Soviet youth, and other similar ventures.

A unique opportunity for the Komsomol functionaries emerged in 1988, when the Central Committee of Komsomol managed to persuade the Supreme Soviet to adopt an amendment to the Law on Co-operatives, providing a possibility not only for the state enterprises and private individuals but also public organizations and institutions to set up co-operatives. The loosening of the legislation brought immediate results. By the end of 1989, the economic activities performed by the Komsomol youth centres had definitely moved beyond the niches previously neglected by the state industries. The key area of interest for the young and active co-operators partaking in the new initiatives had by then switched from construction and consumer services to trade and commercial spheres. The co-operatives now made large fortunes from foreign trade operations, importation of computers and video technology, stock markets, brokerage activities, and various entertainment schemes such as gambling (see Medvedev 1998; Krystanovskaia 2002b; but also Smith 1990; Jones & Moskoff 1991; Solnick 1998.). The co-operative banks run by Komsomol, in particular, proved highly profitable during these years.²⁶ The “Komsomol economy” thus became a fact. Even after 1990, when Komsomol had already been disbanded as a Soviet organisation, the agents of the Komsomol economy continued

²⁶ Andrusz (1999) explains that the banks established by the co-operatives were initially supposed to ensure the financial survival of many cooperatives otherwise dependent on state banks for loans. However, as others have argued (e.g., Solnick 1998, Yurchak 2002), cashing services (*obnalichivanie*), or converting non-monetary assets into cash, were soon being provided to state enterprises and institutions lacking other access to funds necessary for the purchase of equipment crucial to their survival. In due time, however, the banks engaged in other, less legitimate activities as well, such as money laundering and siphoning off profits from state enterprises.

to prosper. Their ability to survive was ensured through one of their strongest advantages: their networks and organizational skills enhanced by the financial capital accumulated over a short period of time.

In her analysis of the essential mechanisms of the Komsomol economy, Krystanovskaia (2002b) has argued that the rapid development it saw nonetheless had a clear ideological component to it. The Komsomol economy was an economy of the elites, of the young, highly educated businessmen “authorised” by the Communist nomenclature to run the wheel of emerging capitalism. If earlier on the members of these elites had enjoyed a privileged access to the material and cultural property of the state, they were now given an exclusive right to enrich themselves by operating within economic spheres beyond the reach of ordinary entrepreneurs. The Komsomol co-operatives, for instance, could already at this point much more easily take advantage of the possibility to engage in, and benefit from, joint ventures, while the general liberalisation of foreign-trade operations came only in 1991 (see Hertz 1997:24).

Other lucrative business areas in which Komsomol had a privileged stake included real estate and commercial leasing of property owned by Komsomol and the Communist Party. As convincingly argued by Krystanovskaia (2002a, 2002b), these exclusive privileges possessed by the Komsomol cadres during the early stages of capitalist development in Russia provided for many of those involved in them an entry path into the business elites of the present time.

One may wonder what made it possible for the higher echelons of the Young Communist League, meant to act as the bulwark of Communist ideology among the Soviet youth, to so quickly shed off their political ideals and morale and adapt to the logic of “wild capitalism.” According to Alexei Yurchak (2002), the Soviet system itself provided a fertile ground for the exercise of entrepreneurial skills, long before anything of the kind was officially legitimised. Driven by practical necessity, the Komsomol entrepreneurs learned how to achieve the official goals set by the Communist Party, despite all the existing obstacles and constraints; this they did by resorting to the hybrid logic of entrepreneurial governmentality.²⁷ For a reason, then, has Steven Solnick (1998:118) described the Komsomol organisation as a “primitive business school.” Looking at such features in the light of Krystanovskaia’s analysis of the Komsomol economy suggests that organisational skills and access to state resources alone could not make it possible for so

²⁷ For a discussion of this term, see Chapter 2, pp. 66–70.

many of the Komsomol functionaries to become successful businessmen. Rather, it was these skills and privileges in combination with the ability to manage them in an entrepreneurial fashion that provided powerful enough a mechanism to make rapid advancement of business careers possible in the early days of the post-Soviet period.

To summarise the discussion above, the co-operative movement of the early 1990s attracted a heterogeneous group of economic actors. According to Smith (1990:283), the profile of an average co-operative member was anything but ordinary in the context: “young, well educated, and highly skilled – a natural risk taker.” The majority of those able to benefit from the opportunities offered by the movement had also held managerial jobs before joining it. One of the more prominent features common to all co-operators was their apparent willingness to take risks, engage as they did in the now-legal private enterprising on a larger scale, still unthinkable for the majority of average Russians. Co-ops thus become a breeding ground for many future entrepreneurs, an arena where they could practice and learn self-reliance, freedom of action and decision making, individuality, and responsibility – all necessary preconditions for the new entrepreneurship to emerge. For many of those in the co-operative movement, money was not the main issue; rather, what spurred them on was a sense that their lives could finally be headed for an inspiring and challenging turn, notwithstanding the formal constraints. Even within the Komsomol economy, as Yurchak (2002:311) has pointed out, the main efforts were “directed not so much at personal enrichment at any cost as at building a meaningful personal reality in different spheres of everyday activity and within different and quickly changing regimes of power.”

From Middle-rank Nomenklatura to Big Business

When the Soviet co-operative movement was nearing its end, other processes fuelling property interests in country were just beginning to unfold. Referred to as “the privatisation of the state by the state” (Krystanovskaia 2002b), or as insider privatisation, these processes took place primarily through the hybrid means of entrepreneurial governmentality described above. In the period 1990 through 1998, entrepreneurship started to evolve through other channels, primarily state-run institutions and government ministries, giving rise to large businesses where the state managed to preserve a leading role. To an extent, it may seem paradoxical to consider this sphere of economic

activities as a precursor for new entrepreneurship in Russia, given that my focus is primarily on non-state, private entrepreneurialism. The factual composition of the business elites in present-day Russia, however, speaks for the inclusion of this sector: as the overwhelming majority of those representing the top echelons of the business world originally followed the nomenklatura path there. For this reason, the important task remains to identify the key characteristics of this entrepreneurial sector in Russia.

Before going further into such discussion, however, we need to define certain concepts and notions more precisely. When using the term ‘business elites’ here, I am not referring to leading businessmen in Russia who, let us say, control the biggest businesses there. On the contrary, following Krystanovskaia (2002b), Russian business elites should be understood in terms of the economic and financial capability of those belonging to this category to influence or even dictate the key political decisions made by the state. Krystanovskaia distinguishes two generations of such elites, one with its roots in the Komsomol economy and another originating in the Soviet ministries and other apparatuses of the state. What is common for the two groups is that they both are dominated by well-educated businessmen (and not, to reiterate, women) with close ties at the time to the Soviet institutions.

It needs to be kept in mind, though, that even when arguments such as those advanced by Krystanovskaia seem like approximating the thesis of the nomenklatura capitalism, the issue is more nuanced than that. At several occasions Krystanovskaia (2002a, 2002b) herself, for example, underlines the fact that it was not those from the highest echelons of nomenklatura who ended up in the elite positions in the post-Soviet market economy, but rather its mid- and low-ranking functionaries. Three main strategies were available for the agents of Soviet ministries and institutions to integrate themselves into business structures. The first and most common of them between 1993 and 1995 was the so-called exchange of power for property (*peresazivanie*); in this scenario, state functionaries engaged in commercial activities using the public property of ministries and institutions. A second way to accomplish the goal was called “delegation” (*delegirivanie*), meaning the creation of commercial structures not by the nomenklatura themselves but by a younger and more energetic group of functionaries, invested with the authority to manage businesses on behalf of their protectors. Finally, a third strategy often cited by the analysts of Russia consisted

of the privatisation (*privatizatsiia*) of the industrial enterprises where the directors themselves transformed into the de facto owners of the new companies.

It was through these three main strategies that the Russian business elites largely came into existence. Obviously, the main asset that the economic actors making use of these strategies had at their disposal was access to state-managed property, which could be effectively utilised for commercial purposes. The phenomenon, also known as “state capture,”²⁸ has characterised the relationship between the Russian state and big business for almost a decade by now. The process itself entailed several stages. First, during the great boom of the early 1990s, commercial banks quickly became key agents in capital and money markets stimulating the market economy. As is well known, it was within these new commercial structures that the Russian oligarchs emerged. Their initial power was based primarily on their financial capital, but also on their close ties with the political establishment. As several authors have pointed out, the financial oligarchs were not as powerful as they claimed to be, given that their fortunes largely depended on the preferential treatment given them by the state (Krystanovskaia 2002a; Hanson & Teague 2005). Still, given the weakness of the state institutions during the Yeltsin regime, both the oligarchs and the state could derive benefit from the symbiotic relationship conjoining them. The financial oligarchs were able to strengthen their position further in 1995, first owing to the creation of the financial-industrial groups (FIGs) and then thanks to the loans-for-shares scheme meant to create cash revenues badly needed by the Russian state budget.²⁹ A result of these developments, claims Krystanovskaia (2002b), was that the connection between the state elites and the big business in the country grew only stronger.³⁰

The year 1998 brought in many ways a turning point for these developments, as the financial crisis shook the fortunes of many oligarchs and businessmen and led to the re-division of markets. The question remains, however, as to whether it was oligarchy as such or merely certain oligarchs that the Russian state attempted to rid itself of. Following Krystanovskaia (2002a), it is plausible to assume that the

28 According to Hanson & Teague (2005:676), “State capture denoted a situation where a set of narrow interests, such as a firm, uses corruption to shape the political and legal environment to its own advantage.”

29 Read more in Chapter 6, pp. 202–209.

30 Hanson & Teague (2005) gives more examples of the convergence between the oligarchs and big business towards the end of the 1990s.

fall of some particular oligarchs does not imply the weakening of the Russian oligarchy; quite the contrary, while those making up the country's business elites changed, their close relation to the state did not. Drawing a social portrait of the contemporary Russian business elites, Krystanovskaia (2002a, 2002b) shows that they continue to be dominated by men with high education, even while in age terms they have now become somewhat younger, down to the average of 48 from the previous 52. Another interesting change is that the members of these elites now more often come from the Russian provinces and not the large cities. Relatedly, also their sphere of influence has changed: while the country's oligarchs still in the late 1990s were financial tycoons, today they are mostly owners of the Russian industries. Notably, the current business elites have become less personified and are less recognisable to the Russian public. The business tycoons are known now more by the names of their companies than by their family names. In other words, the current business elites in the country have undergone a change of profile while their economic power is still real.

The direct assault by the Russian state on Yukos, one of the leading oil firms in the world, has moreover taught many a businessman a valuable lesson. As Philip Hanson and Elisabeth Teague (2005:675) describe it:

Wealthy Russian tycoons controlling large business groups are driven by the treatment of Yukos to avoid tax avoidance, to be seen to support the party of power, and to acquiesce in state monopoly control of the natural gas industry and of oil export pipelines – both of which impede their own enrichment and Russia's economic growth.

The loyalty of big business toward the state, observed in the Russian context, does not in itself represent a particularly Russian phenomenon. Compared to other cases where state corporatism remains evident such as Italy or Japan, argue Hanson and Teague (2005), many similarities can be observed, for example in the weakness of the stock market development, state dominance in the banking sector, small size of the private sector, and not least the mutually rewarding practices³¹ between the state and big business. However, the relationship between these last two in the Russian case shows a specific character, involving a more powerful dominance of the state over business. The conspicuous imbalance is explained by several facts, among them the shady deals between the state and the business sector during the 1990s, the

31 Especially common are appointments of senior state functionaries to the boards of business companies, or the so-called "exile into business" strategy; see Krystanovskaia (2002a:12).

stronger monopoly of the state over key natural resources like oil and gas, and the relatively weak juridical mechanisms for exposing corrupt practices. These, as Hanson and Teague (2005) correctly point out, are all circumstances not easily modified, and so we can assume that the prevailing balance of power between the state and big business will remain in effect for a prolonged period of time.

Independent Entrepreneurs

The final source of new entrepreneurship in Russia to be discussed in this chapter is often referred to as the independent business sector. The entrepreneurs arising from this sector share one essential feature: they all entered into private business without the helping hand of the Soviet establishment. This is probably one of the least studied groups among the country's entrepreneurs, as the attention of the majority of researchers has been drawn to the more established channels of recruitment already discussed. At the same time, one should not underestimate the entrepreneurial zeal, degree of engagement, and resourcefulness demonstrated by this category in the milieu of the market economy.

Those belonging to this group, to be sure, by no means represent a solidified social stratum. One can distinguish at least three main constituents within it. To begin with, the increasing acceptance of non-state enterprising in the early 1990s encouraged more individuals to break away from state structures and run their businesses independently. This is how "the mass entrepreneur" (Bunin 1994a:400) came into the picture. The mass entrepreneur in Russia was nonetheless an entrepreneur by necessity and not by volition. As the economic conditions deteriorated drastically in the early years of the 1990s, many citizens found their income insufficient for their families and even survival alone. One of the most common strategies to supplement the falling income levels was to combine a regular job with another, less permanent arrangement for earning a living. Small-scale trading became one such way of income generation that has subsequently become a permanent feature of many post-communist economies. What enabled this type of economic activity in Russia was a decree on free trade signed by president Yeltsin in 1992; the new situation, as Peter Reddaway and Dimitri Glinski have expressed it (2001:247), allowed "anyone to sell anything at virtually any time, with no permit."

The ensuing mass trading took various forms and quickly took over the streets and squares of basically every larger city in the country. Even

before the explosion of the “bazaar economy,” thousands of the Soviet citizens had been commuting since 1989 to neighbouring countries like Poland, the Czech Republic, and Hungary (and later on to Turkey and China), where open-air markets were on the rise. The commuter traders brought with them cheap products from home, such as glassware, tools, clocks, and other commodities in demand in the destination countries. For their return journey they acquired products such as computers, cosmetics, faxes, and other desirable consumer goods that were then usually re-sold on the black market at home. Already in 1992, however, the outlook of cross-border small-scale trading had changed in the countries of Central Europe. Facing pressure from the tax authorities, wealthier traders had started moving into smaller shops and kiosks, while the “tourists” from Eastern Europe, often lacking sales permits, had been driven into the more remote corners of the cities.

Some analysts suggest that the expansion of the bazaar economy should be considered as a national tragedy, as the majority of the sellers in fact were highly educated individuals who in their earlier lives were part of the Soviet middle classes (see Reddaway & Glinski 2001:247).³² In addition, there were alarmist claims singling out cross-border traders for blame for the growing criminality and violence accompanying the trading on the streets. Countering these claims has been difficult, however, as noted for instance by Endre Sik and Claire Wallace (1999) who point out that they resonate with the long-standing moral disapproval and suspicion with which trading was regarded during the Soviet period, ignoring its actual contribution to the prosperity of post-communist households. Even though trading still represents an activity provoking much aversion and resistance, it has transformed into a booming sector of independent private business. Small-scale traders succeeded not only in making a living for themselves, but also in creating a system of alternative resources including “network capital”³³ that have effectively substituted for the lack of financial capital. Small-scale trading has also contributed to a new consumption culture, allowing consumer tastes and fashions to grow despite low incomes or an unstable economic situation.

There was, however, another independent group of entrepreneurs moving into business more out of preference than necessity. These were

32 Indeed, in contrast to other categories of temporary workers like illegal workers, the majority of these small-scale traders usually were university graduates; see, e.g., Chmouliar (1996).

33 According to Sik (1994:73), “network capital is equal to the sum of the existing networks, which [an] actor is able to mobilise when needed [...]. [It] includes long-term altruistic kin relations; balanced reciprocity; lasting and multipurpose patron-client relations; and instrumental barter; as well as corrupt exchanges.”

members of a younger generation of the Soviet intelligentsia coming from an academic background. Mostly men, they possessed university degrees and research positions mainly in mathematics, engineering, and other natural sciences. A distinct feature of this group, as Ivan Bunin (1994b) has argued, is that they had felt their full personal capabilities to be unengaged or underutilised at the workplace. Breaking with the system was risky, as their employment within academic institutions still provided at least theoretical prospects for career advancement and a stable salary. Yet, dissatisfaction with the bureaucratic mentality and unproductive research opportunities proved often enough to overcome any such considerations. At the early years of reform, members of this group set up co-operatives in the areas of scientific and technical innovation, closely related to their previous calling. Some of them deviated from this path, however, opting instead to use their organisational skills as managers in new ventures. With the advent of large-scale privatisation, this latter category started to increase in size, as the general economic climate, at least until the mid-1990s, remained supportive of start-ups. Many smaller firms began to operate in areas such as training, consulting, publishing, as well as managerial and legal advice.

While the previous two categories of new entrepreneurs in Russia moved on to business by changing their professional track, there was yet another wave of entrepreneurial actors in the independent sector. They are a concomitant of the Russian market economy already beginning to reproduce its structures. Younger in age and with credentials in education more suitable for the market economy this group of independent entrepreneurs moved into positions of junior managers in the small private enterprises or in the Western companies, in order to gain as much business experience as possible and move further on in their careers. So far there has been very little research on independent entrepreneurs in Russia, especially so on younger professionals with academic backgrounds and those who engaged in private businesses from the very start of their working careers. Therefore, I decided to study more closely these two particular groups of entrepreneurs, designated as converts and the new entrepreneurs, so as to advance our understanding of the conditions shaping their business careers within the overall context of contemporary Russian capitalism.³⁴

³⁴ See Chapter 9, pp. 309–356.

Conflicting Images of the Business Classes

As can be inferred from the foregoing, the images of the Russian entrepreneurs have substantially varied depending on the specific reform period during which the entrepreneurs in question emerged on the scene. Undoubtedly, most of the analysts of entrepreneurship in Russia will nonetheless agree that entrepreneurs are generally to be considered the winners of the transformation process as such. However, beyond this basic observation the views begin to differ considerably, especially when it comes to assessing the degree of legitimacy that the sources of the entrepreneurial success are taken to possess. Such divergences in estimation started to manifest themselves already at the early stages of the market reforms. The expert interviews conducted by Radaev (1993), for instance, reveal that while the very activity of entrepreneurship was viewed by most interviewees with suspicion, its outcomes, especially the material rewards produced, were deemed as desirable. Similar attitudes appear to permeate the broader Russian public as well. On the one hand, ordinary Russians have shown fascination with the unprecedented wealth of successful entrepreneurs, while on the other hand they seem scornful of the lifestyle, tendencies for conspicuous consumption, and evident greed of the businessmen in their midst.³⁵

To understand this ambivalence towards entrepreneurs, it is important to realise that the attitude remains intimately related to the process of endorsing the whole system that produced these people. As Geörgy Csepli and his collaborators (Csepli, Örkény, Székelyi & Barna 2004) have observed, Eastern Europeans in general had exaggerated expectations regarding market economy, hoping that it would decisively improve their living and working conditions. When the first round of results from the reform work turned out to yield anything but, a certain “generalised envy” surfaced that was shared by “all losers in the transition, who could cushion their failure by pointing to the undeserved enrichment of others” (ibid.:215). In a sense, raised on the principle of distributive justice, Eastern Europeans were ready to challenge egalitarianism when the opportunity arose. But the growing social differentiation within their societies called for the re-interpretation of the core moral principles inherent to the socialist idea, such as equity and solidarity.

³⁵ As I have argued elsewhere, this contradictory perception of the new business classes is reflected in the term “New Russians,” which stands for both the emerging economic elites in the society possessing a new mentality and a novel lifestyle, and simply those with lots of money and no culture; see Shmulyar (2000).

Accepting the fact that previously well-paid and stable jobs were now eliminated as redundant was therefore not easy. Moreover, the existing social security benefits and pensions eroded the actual purchasing power of ordinary citizens while others kept enriching themselves in the new areas opened up by the market economy. In such conditions of “wild capitalism,” moral approval/disapproval of the capitalist system in general was very much related to the ambivalence that characterised public attitudes towards issues such as *money* and *wealth*, *property* and *profit*, and *production* and *consumption*. The same ambiguity also came to imbue the images of, and the attitudes toward, entrepreneurs and their endeavours both in Russia and in Eastern European societies more broadly. To analyse the issue more closely, it needs to be considered in light of empirical material illustrating each of these cases.

Money and Wealth

Anyone familiar with the realities of the Soviet society, either through study or personal experience, is familiar with the proverb, *Ne imej sto rublej, a imej sto druzej* (haven't got a hundred roubles, but have a hundred friends). The expression captures one of the most intimate features of everyday life under the Soviet system. Money possessed no value of its own, or at least that was the general perception. The denial of the symbolical value of money has, however, deeper roots in Russian history. Natalia Dinello (1998a:295), for instance, has observed that, paradoxically enough, the Soviet cultural doctrine regarding money stemmed from pre-revolutionary ideals associating social status with civil service and not with material wealth. Even though inheriting money was considered legitimate, the “new” production and accumulation of money never became endorsed either by religious authorities or culturally. The pejorative connotation of money, emphasises Dinello, was made particularly evident in the low status assigned to entrepreneurs and the bourgeoisies in pre-revolutionary Russia. The Bolsheviks then only needed to push the point one step further to be able to declare money to be the root of all evil. Aiming at de-monetisation of the country's economy, the Soviet political elites nevertheless ended up constructing a society with rigid status differences in which money became an anonymous means for rewarding loyalty and exemplary dedication to work. It was not so much that the size of their salaries and bonuses allocated people to disparate social categories as it was about non-monetary attributes, assigned to various status groups for instance

through social benefits, luxury apartments, or personal cars, through which discriminatory barriers were erected among the citizens of the Soviet society.

In the official Soviet rhetoric, monetary concerns were depicted as shameful, unnecessary, and even criminal. This attitude, although a result of pure indoctrination, was subsequently adopted as something genuine by many Soviet citizens as well. As Yurchak (2006) reminds us, it is important nonetheless to understand that the broad popular endorsement of an official view in this case had nothing to do with oppression or double morals of the Soviet citizenry. Criticising the binary perception of socialism often reproduced in Western scholarship, Yurchak (2006:5) points out that, in couching the issue in these terms, “Soviet citizens are portrayed as having no agency: in this portrayal, they allegedly subscribed to ‘communist values’ either because they were coerced to do so or because they had no means of reflecting upon them critically.” In actual reality, many Soviet citizens truly did believe in the socialist ideals of “equality, community, selflessness, altruism, friendship, ethical relations, safety, education, work, creativity and concern for the future” (ibid.:8). At the same time, in their everyday practices these same individuals constantly reinterpreted and renegotiated the meaning of such values, and did so in a manner not quite congruent with the official creed. Seen in this perspective, the fact that money was so effectively devalued did not then in any way imply that Soviet society would have somehow subscribed to the ideals of asceticism.

In her study of the idealisation of the West in Russia in the 1990s, Dina Khapaeva (2002) brings up money and wealth as key issues underpinning the country’s ethical discourse during the period. For Soviet citizenry, it was not possible to multiply wealth or accumulate capital. Wealth did not derive from money, but consisted instead in one’s personal belongings, an apartment, dacha, or well-stocked library perhaps inherited from relatives and in turn handed over to the next generation. A fundamental change in this conception, however, occurred in the early 1990s. By that time, many had for the first time experienced the magical quality of money, realising that it was not just a mere means of survival, a practical necessity needed in the trivial life, but that it could also talk, walk, and beget (more) money. Similarly, wealth was no longer a matter of small private luxuries: it now became a measure of one’s success in utilising the possibilities brought by the

market economy, almost a yardstick of one's personal worth. Still, the personal enrichment of the "pioneers of money" was not considered morally right unless it served the public good.

Probably the greatest success the Soviet power had was to be able to win general acceptance for the notion that it was immoral to enrich oneself for one's own sake. At the beginning of 1990s, the precept was still strong enough to be reproduced not only in the public mind but also through the work of leading social scientists of Russia. One of the latter was Tat'iana Zaslavskaja, a pro-reform sociologist who, in an early study of the business stratum in Russia, felt prompted to state that:

Today the Russians who have the best chance to enrich themselves are distinguished not so much by their high level of skills, knowledge, and business energy and talent, as by their possession of advantageous connections, their impudence, and their disdain for the law and for morality. This state of affairs does not correspond to Russians' socio-cultural norms and values, and hence is perceived by the majority as a violation of social justice (cited in Silverman & Yanowitch 1997:106).

During the almost one and a half decades since the introduction of market economy in Russia, this perception has changed somewhat, although the general resentment towards the rich and their wealth remains strong among the populace. According to a recent public opinion poll, more than 80 per cent of the respondents in Russia believed the primary sources of wealth to be connections with the right people and an economic system that allows some citizens to become wealthy at the expense of the poor.³⁶ Especially in the country's provinces, where wealth is even more unevenly distributed, the attitude towards money remains mostly cynical. Nancy Ries (2002) posits this to be a reflection of the fact that many of her respondents, who mostly lived from hand to mouth, believed the rich to gain their money not through honest work (which for them clearly had not paid off) but by shady dealings, speculation, and other dubious business. No one, however, is any longer perceived to be immunised against monetary concerns. Ries's interviews reveal that "the thirst for money" provides a general leitmotif in current Russian discourses, in which some consider themselves as playing by the rules and becoming even poorer while others accumulate wealth through means less than honourable or downright dishonest (*ibid.*).

³⁶ The survey was conducted by the All-Union Center for Public Opinion Research (VCIOM), founded in 1988 and today the largest market and opinion research company in Russia (www.wciom.ru). For more detail, see Popov (2005).

But how do the objects of such representations themselves explain the position that they have succeeded in attaining? Based on her survey of bankers in Moscow and St. Petersburg, Dinello (1998a, 1998b) observed that none of those she interviewed expressed indifference towards monetary concerns or the prospects of their own personal self-realisation. At the same time, few of her respondents considered money as a measure of personal success; those who did so were mostly younger men, still inexperienced in the field but convinced that “money determines many things, if not everything” (Dinello 1998b:54). Most of the study participants, especially those with roots in the Soviet banking system, rather considered money as merely a means for achieving their goals, while real success was measured in terms of having a “good family” and developing a creative personality. As one of the respondents expressed it, “Money satisfies certain needs, but success is when one is needed by other people” (Dinello 1998b:55).

This picture is confirmed by Khapaeva’s (2002) findings from interviews among Russian businessmen. The respondents in her study, representing the so-called last Soviet generation as defined by Yurchak (2006), clearly demonstrated an ambiguous attitude towards money, even though their current careers were closely connected with economic sectors that were the most profitable. Despite their pro-market orientation, their attitude towards money still seemed influenced by the ideology of the old Soviet rhetoric. As one of the respondents expressed it:

They [businessmen] should strive for a level [of wealth] where they can do all of us good. Otherwise, why go for all these reforms? If you ask me, that’s only because we need to have lots of wealthy people who can then do good things to all of us. (Khapaeva 2002:103)³⁷

Considering money as the primary means for achieving their aims, the businessmen in this study were also highly cautious to not become associated with the “greedy” and “mean” money magnates. In this respect, they clearly had similarities to the rest of the Russian population who believe big money to be only attainable using (morally and legally) questionable methods. In addition, Khapaeva observed that many of her respondents felt psychological discomfort when talking about money or issues related to it, given the all too porous and easily violated moral boundaries of money acquisition. As a way to overcome such moral concerns connected with money, businessmen preferred to

³⁷ My translation.

consider money making as a game with given rules. Perceiving business as a game, Khapaeva (2002:110) has suggested, helped those engaged in it “to bring an order to the chaos of business and the human relations surrounding it.”³⁸ Viewing the problem this way makes it necessary for one to accept the rules of the game, even when they remain highly abstract and to a degree always negotiable. At the same time, the perspective also makes it easier to accept the casualties involved in any game, in this case as arising from failure, deception, or disillusionment.

Another way of reducing the moral pressure is through charity, which many Russian businessmen believe to provide justification for their enrichment through entrepreneurial activity. Regarding this point, however, Khapaeva underlines that the way charity is understood remains rather peculiar among Russian businessmen. For instance, there is a strong notion among them that only children and the handicapped should be entitled to receive benevolence, while others in need ought to go out and earn their bread by toil. At any rate, charity seems to compensate for the fear of potential retribution threatening those who made their fortunes riding the wave of economic reforms. Thereby it also reveals a paradox involved in both the Soviet and post-Soviet value systems: even if highly secularised on the outside, they remain permeated by conceptions of quasi-religious origin at the core.

Property and Profit

Another set of notions closely associated with entrepreneurs and entrepreneurial activities relates to the phenomena of property and profit. The two are barely distinguishable from money and wealth, and yet there is good reason to examine them separately, yielding as they do further insight into the contradictory imagery created of the Russian entrepreneurs. In Russia, an entrepreneur is perceived to either own property or manage it on someone else’s behalf (see Zaslavskaja 1995; Djankov et al. 2005). Indeed, the right to private property is now enshrined in the country’s constitution for the first time in a long while. Yet there is a deep contradiction in the fact that a positive attitude towards those operating the private enterprises is given expression at the same time as the public opinion keeps showing little trust in private property as a vehicle for social justice.³⁹

³⁸ Ibid.

³⁹ For example, in a public opinion survey from 2005 almost 62 per cent of the respondents expressed positive opinion towards company owners and businessmen, while another survey on social justice and inequality issues from the year before found that only 30 per cent

Obviously, private property is not the only area where public opinion shows incongruous tendencies. Looking at the historical context of the present situation, it should be kept in mind that from the very start, the Soviet power proclaimed itself to be the formal owner of all property, which through it belonged to the Soviet people. In implementing this right of ownership, the Soviet authorities abolished all private property, first within industrial production and later on in agriculture as well. Any form of work for personal gain was persecuted up until the years of the so-called Little Deal, when the political elites loosened the state's control over the lives of its citizens.⁴⁰ At the same time, state property was often dilapidated or only utilised for personal benefit, as if it belonged to no one. The official economic vocabulary managed to retain the terms 'property' and 'profit' as mutual opposites up until the mid-1990s. Property was associated exclusively with individual possessions that one could acquire as a result of engagement in productive labour; no other ways of creating wealth were seen as legitimate. As Caroline Humphrey (2002:59) has noted:

Even workers for state trade organisations received only wages for labour, and only directors knew (or cared) whether the firm was trading for profit or not [...] [T]he very existence of 'profit' [...] was incompatible with the unique institution that in fact gathered it, the Soviet socialist state.

The legacy of such contradictions became increasingly apparent in the early 1990s when Soviet citizens for the first time were invited to express their attitudes toward various forms of property. In a nationwide poll conducted by VCIOM in 1989, a more favourable opinion was expressed about private property than the Supreme Soviet, which was still against the introduction of such form of ownership. However, the liberal attitudes expressed in the poll were qualified in a number of ways. Russians at that point were more willing to acknowledge private ownership of things like a house, a car, or personal savings (67 per cent of those surveyed by VCIOM did so) which did not conspicuously contradict the official Soviet viewpoint on individual property. Similarly, small privately owned agricultural or light-industry enterprises that were family-run were also recognised as legitimate (by 63 per cent of all VCIOM respondents). Regarding co-operatives and individually

of the respondents believed private property to have the capacity of fostering social justice; see Rybakoba, *Izvestia*, 22 January 2004; Popov, *Novoje Vremja*, 8 May 2005.

40 See Chapter 4, pp. 157–169.

owned enterprises using hired labour, the acceptance rates remained significantly lower (below thirty per cent in the VCIOM study).⁴¹

In general, the most positive attitudes were found toward small-scale enterprises in the repair, dressmaking, food, and other service-oriented sectors. At the same time, the negative attitude toward private ownership in large-scale industrial production remained at previous levels. Yet, 47 per cent of the respondents believed that the introduction of private property on the national level would improve the country's economic situation. As Nikolai Popov (1995) summarised such findings, the majority of the population seemed to support the idea of private ownership in principle, even though in practice this endorsement was overshadowed by stereotypes and prejudices harking back to the many years of ideological indoctrination under the Soviet rule. It should be noted, however, that Popov's own study was conducted before the impact of large-scale privatisation had become fully manifest. At the time, there was still much faith in the positive outcomes from fostering private business, the assumption being that those succeeding in it would subsequently strive to improve the economic situation for the rest of the Russian population as well. Nonetheless, only a few years later, in 1993, as reported in another VCIOM survey, only five per cent of the respondents had actually started their own business, while approximately 30 per cent stated that they would consider doing so in the nearest future. At the same time, more than 50 per cent of those surveyed said that they would not want to have a business of their own.⁴²

The scepticism towards private ownership reflected in these results has prevailed to this day. The same conclusion was reached in yet another study conducted at the beginning of the 2000s. Its data, presented below, was obtained as part of a larger international project in which I myself was engaged in 2000 through 2002.⁴³ The aim of the project was to follow the development of legal consciousness among

41 For more data from this survey, see Popov (1995:86–95).

42 Ibid.

43 INTAS project, *Toward a New Russia? Changing Images and Uses of Law among Ordinary People*, coordinated by Chantal Kourilsky-Augeven with the participation of sociologists from France, Russia and Sweden. Prior to the launching of the project, the French and Russian researchers involved in it had carried out a comparative study "Legal Socialisation and the Images of Law among Russian and French adolescents." Inspired by the results from this undertaking, the decision was made to expand both its research group and the sample used. A new study including adults and teens in two cities in Russia (Moscow and the provincial city of Ivanovo) was then inaugurated. The new sample comprised a total of 700 adults and 300 teenage youths. The following categories were set for the analysis: pupils from 11 to 18 years of age, students at public and private universities, workers, employees at public and private sector, businessmen, and managers of state enterprises. For more details on the methodology and findings of this project, see Kourilsky-Augeven (2004).

Russian adults and teenagers and observe the evolution of their mentalities over time. The methods used in the study relied on spontaneous and selective association triggered by terms from legal vocabulary and everyday speech. The associations were then related to a certain values selected for the analysis, including responsibility, freedom, law, justice, property, entrepreneur, and other similar notions. For my part of this project, I analysed ordinary people's mental images related to ideas of 'property' and 'entrepreneur' in particular, with the aim of clarifying an apparent discrepancy prevailing between the current economic situation in Russia, characterised by the growth of market-oriented professions and entrepreneurial values, and the persistent lack of legitimacy that these professions and values suffer from in the eyes of the broader Russian population (Shmulyar 2004). By analysing the associational contents collected, a better understanding could be developed of how adults and adolescents in the capital city and the provinces perceived and operationalised the key terms in question. An additional aim was to investigate any symbolic meanings underpinning the analysed associations in relation to entrepreneurship in Russia.

The adults in the sample had direct experiences of the Soviet era and its ideology, whereas for the teenagers in it questions pertaining to Soviet reality were a matter more of fact than of ideology. This difference between the two age groups has been found to be significant in other studies investigating Soviet and post-Soviet reality. For instance Sergej Oushakine (2000) has noted that the younger-generation Russians, although exposed to the past only through the lifestyle of their parents and relatives, tend to reproduce the "Soviet" vocabulary even when describing the rather different reality in which they themselves live. What this interesting observation tells us is that in making sense of major societal changes, individuals undergo a complicated process of appropriating and/or rejecting concepts associated with the new reality. In this, they operationalise codes belonging to both their actual social environment and the context with which they have become familiar only through socialisation. Translating unfamiliar concepts into the vocabulary of metaphors and symbols familiar to them then helps these individuals to form an understanding of what the change is about and to articulate its meaning.

To illustrate the point, we may look at how the adults and the teens participating in our study incorporated unfamiliar value-laden notions into the vocabulary they had learned from the past. Overall, the adults

described their relationship to property in material terms. Most frequently, they referred to possessions as a house, car, and a flat when queried about the meaning of private property. Property was understood as owning something, as personal and private belongings with which one can do as one wishes. As one respondent put it, "Property is the possibility of having things in your control and being able to do anything you want with them: sell them, destroy them, or throw them away." Private property was seldom seen in terms of big money, capital, or real estate, or in general as something protected by law.

Like the adults, the teenage respondents in our sample associated property with exclusive and personal ownership over goods such as a car or an apartment. Unlike the adults, however, they expressed more concern about the owners' becoming deprived or divested of their property. Especially in Moscow, teenagers often referred to property as something that "cannot be taken away," "should belong to a person unconditionally," or "should be inviolable." On this point, the regional difference was as strong as the generational one. Given that the adolescents in our sample more often than the adults made a reference to "the right to own property," we might assume there to be a growing awareness among young Russians, especially in the big cities, of property as a legal right. As one adolescent put it, "Property is something I have a right to own," and another, "Property is a private possession belonging to you, and nobody has the right to take it away." Nonetheless, property was seldom associated with respect, responsibility, and authority; nor was its meaning elucidated in relation to society. Rather, it was articulated as an extremely personalised notion: respondents talked more often about property that was "mine," "personal," or "private" than anything belonging to the state or a company.

Surprisingly, the respondents in our study did not associate the notion of property with the idea of profit and profit making. They did, however, connect property with the notion of entrepreneurship that, in turn, is closely linked to the idea of profit. Both of these phenomena are heavily loaded with political and moral judgments, yet the spontaneous associations made with the notion of the entrepreneur were more inconclusive than with property. The responses differed by both generation and region. While adults in Moscow saw the entrepreneur as a businessmen, working exclusively for private or personal gain with the simple aim of making money, adults in the provincial city of Ivanovo drew the connection to "paying taxes," "making money," and "hon-

esty” more often than to anything else. The disparity may be explained by the fact that an estimated 80 to 90 per cent of all Russian financial capital is based in Moscow which, obviously, is home to most Russian businesses as well. (The same concentration, it should be noted, is true for tax evasion, which remains more common in the capital city than in the provinces.)

The youngest respondents in both cities turned out to be more alike than the adults in the associations made to the word ‘entrepreneur’. It is worth noting that they related the notion primarily to the conducting of business and profit making. Expressions such as to “sell and buy,” “draw a profit from,” “make money,” and “retailer” were employed far more often than to “work independently,” “create new products,” or even “own private property.” The adolescents, moreover, identified entrepreneurs as “New Russians” and “rich people” much more frequently than as people who were “self-employed,” “responsible,” or “members of the middle class.” But neither were entrepreneurs seen as “educated” or “intelligent” people who aim at something good for the country or the society.

All in all, the data suggests that there is a rather common attitude of suspicion toward property and entrepreneurs in the country. Conducting business is closely associated with making money and aiming for personal gain, and not at all associated with producing new things, acting as a professional, or working to improve society. Although the younger respondents demonstrated a higher awareness about the legal right to property, the vocabulary they used in addressing either of the terms (property and entrepreneurship) differed only very little from the adult respondents in our sample, allowing connections to be drawn to personalisation of property, associating entrepreneurship with trade and financial profit, and the like. What seems obvious from this imagery, too, is its clear continuity from previous times, in couching the issue of property, entrepreneurship, and profit in the language of social responsibility obligating the “haves” towards the “have-nots.”

The rhetoric of social responsibility and social justice fits very well within the argument advanced by Csepeli and his collaborators (Csepeli et al. 2004) regarding the “generalised envy” discussed above. Psychologically, many Russians have difficulty reconciling themselves with the outcomes of large-scale privatisation, which they consider lacking in legitimacy and as a cause of deepening inequality. One of

the largest dailies in the country, *Izvestia*, condensed the results from latest research on social justice and inequality in a succinct précis, “If only there were no rich people around” (Rybakova, *Izvestia*, 22 January 2004). In principle, Russians do not object to those who have become rich or the idea of becoming rich; however, their notion of wealth remains closely tied to being in the possession of what they see as the basic necessities in life, like a flat, a summerhouse, or a car. Big businesses and the oligarchs are understood as having enriched themselves through illicit means, and thus as having even greater responsibility before the society to share their wealth with others.

In sum, the status of property rights and private property remains very fragile in both the economic and social life of the country. While legally sanctified, the social and political significance of the two notions continues to be undermined by the weak institutional framework for their implementation. Although, in the perception of the public, entrepreneurs are closely associated with private property and profit making, their activities are perceived to be more concerned with personal enrichment than with public good.

Production and Consumption

A third set of value-laden notions affecting popular imagery about Russian entrepreneurs is centred around production and consumption. The two categories, somewhat paradoxically, in fact designate two distinct epochs: on the one hand, the Soviet era with its focus on extensive production capability and at least ostensibly equal distribution of the wealth produced; on the other hand, the post-Soviet period with consumption freed from state control and subsequently turned into an important signifier of the status, aspirations, wealth, and general lifestyle of individuals. At the same time, the two categories are not entirely separable: they represent value systems closely intertwined with each other.

The official aim of the socialist production system, in other words, was to fully satisfy the needs of the state and its citizens. In practice, however, the production itself, structurally centralised and non-monetised, suffered from continual inefficiency and shortages. As a result, consumerism in Soviet Russia was characterised by conditions of “scarcity and relative homogeneity” (Patino & Caldwell 2002:285), or the uniformity of the products available to all and the exclusivity of the products available to a select few. Even if it was common among ordinary people to publicly address shortages and even joke about them,

the analysts working for the regime never devoted much time and effort to address the problem due to its delicate nature. The mere existence of shortages and consumption restrictions contradicted the official tenet of Soviet superiority over the West, and any recognition of failures in such key areas of life would have amounted to admission of failure in living up to this ideal shared by many. Scholars in the West, however, pointed out that the Soviet state had to rely on a discreet but meticulously worked-out system of privileges and material rewards in order to compensate for shortages.⁴⁴

According to Jukka Gronow (1997:62), the material culture of the broader Soviet population was “democratic,” not imitating “anything better than itself.” It was limited in numbers but affordable, associated with feasts and promising “a better future already realised in the past” (ibid.:63). A range of Soviet-made luxury products existed, to be sure, such as brandy, caviar, or chocolate that could on occasion be enjoyed by the wider Soviet public, too. Concern for material possessions and consumption of high culture marked *kul'turnost'* (cultured behaviour), an invention of Stalin's signifying a model of behaviour and aspirations aimed at by the new Soviet middle classes.

Imported and foreign-made products also reached Soviet consumers, although deliberately made available only through special stores serving the party elites and other privileged groups. Consisting of fine clothing, pocket watches, silk stockings, and the like, such goods were luxury products beyond the reach of the common people. Yet, admired for their quality and level of technological advancement, imported goods were a lucrative commodity, funnelled through the black market for resale to other customers. The same mechanism was also used to compensate for shortages of other, more commonplace goods and services. In the long run, acquisition of goods and services via the black market and *blat* became an intrinsic feature of the Soviet everyday life. The consumption patterns made possible by the practice flourished towards the end of the Soviet period, fuelling a de facto parallel economy built largely on mutual assistance and the exchange of favours.

Regarding the peculiar character that consumption patterns acquired in the Soviet Union, Jennifer Patino and Melissa Caldwell (2002:288) have pointed out the “irreducibly social and interpersonal” nature of their underlying practices, standing in contrast to the more solipsis-

44 Much of the recent Western scholarship on consumption patterns in Russia derives from anthropological accounts. However, during the Soviet years it was mainly historians and researchers in cultural studies that explored the issue in the West; see Dunham (1976), Fitzpatrick (1979a, 1988), Matthew (1978), Millar (1988).

tic and self-regarding consumerism fed by the capitalist economy in the West. Also others have emphasised this distinctive feature. Alena Ledeneva (1998:179), for instance, has noted that “[b]y helping out, people gave out not goods of their own, but benefits of which the other was deprived.” Accordingly, those who channelled the consumer goods and services to the wider public came to play a special role. As argued earlier in this chapter, mediators of various kinds actively operated in the shadow economy who nonetheless could still be considered “true” entrepreneurs: thanks to their effort, scarce benefits and services were made available to common consumers. Indeed, most of the Soviet consumers also had to rely upon their services, as the problem with the deficit commodities continued up until the late 1980s. At the same time, patronising black marketeers and other non-sanctioned dealers presented a serious ethical dilemma. In explaining this paradox, Yurchak (2006:201) has stressed the fact that “[t]he black marketers constituted a small group and were recognised as being different from most people in their unapologetic interest in money and material possession”; but they also sold and made money on goods they themselves did not produce. For two reasons, then, such entrepreneurs appeared as morally compromised speculators in the eyes of many ordinary citizens.

A ‘speculator’ is a person who “assumes a business risk in hope of gain.”⁴⁵ Where, then, does the moral dimension enter the picture? Examining the changing patterns of consumption in the early 1990s’ Russia, Humphrey (1999, 2002), for instance, has discerned a parallel between the hostile Soviet orientation toward trade and commerce on the one hand, and similar attitudes in Europe and Latin America on the other hand. The latter have been documented by Parry in his work on the moral perils of exchange. As proposed by this line of argumentation, the traditional household economy has for long relied on self-sufficient provision, giving rise to an inclination to mistrust money and trade perceived as “a dangerous drain on subsistence needs” (cited in Humphrey 2002:60). Among such largely self-providing entities, it would appear, we must also count the Russian households, given the rural heritage of many urban communities. However, Humphrey questions this very supposition in the light of the fact that during the 16th and 18th centuries, many Russians were professionally involved in commerce and market trade, as also proposed above in the present work.⁴⁶ Instead, claims Humphrey (2002:60), it was the Soviet type of

⁴⁵ This is the *Encyclopaedia Britannica* definition given to the term (<http://www.britannica.com>, retrieved April 13, 2006).

⁴⁶ See Chapter 3, pp. 101–134.

production and the state monopoly on the distribution of goods, often in short supply, that made people to perceive “traders as siphoning off the scarce goods that the state should distribute to them as their due.” In other words, it was rather the unproductive character of trade and the thirst for money among those pursuing it that cast the shadow of moral doubt on the traders and their activities. At the same time, the services the traders provided continued to be in high demand, as it was due to them, especially those in the black market, that the Soviet consumer could gain access to anything beyond the ordinary.

The liberalisation of the Soviet economy in general and trading practices in particular did not resolve the underlying tension in the relation between the productive and the commercial spheres. In the early 1990s, when domestic production sank to its lowest level yet, Russian consumers embraced the open-air and street markets, kiosks, and bazaars flooded with globally sourced commodities, drinks, sweets, cloths, and other everyday items. While rushing to sample as many unfamiliar products as possible, the buyers still did it with a “certain knowledge that they [were] being ‘cheated’” (Humphrey 1993, cited in Ries 2002: 288).⁴⁷ Soon, however, the novelty of the foreign goods wore out and the suspicions about the manner of their provenance grew deeper. Yet, the traders continued to prosper, with the most successful among them soon able to move their stalls and kiosks away from the streets and into the large shopping malls and supermarkets where much higher prices could be obtained.

In the ongoing scholarly discussions on the meaning of ‘the market’, a clear distinction eventually emerged between the “true and fair” market economy, where production sphere was included, and the “immoral” or “wild” market becoming closely associated with commerce, resale, banking, and other such sectors. An attendant feature here is that the economic actors involved in profit-driven market activities became now viewed through the lens of the low or the high esteem accorded to the sphere in which they operate. Several arguments have been put forth to the effect that the new business operators consciously chose banking, middleman activities, and stock exchange operations precisely because these promised quick economic gain, without any substantial need for initial capital (Medvedev 1998; Silverman & Yanowitch 1997). Indeed, the private entrepreneurs involved in trading and commerce were the only ones with access to the needed funds, while the majority of the former state enterprises resorted to barter. Although perceived

⁴⁷ See also Patico (2003).

as outsiders preying on weak domestic producers, the commercial entrepreneurs of the early 1990s did not find themselves in a favourable position. The lack of effective regulation in the areas they were operating made entrepreneurs a target for incessant bureaucratic scrutiny and violent entrepreneurship alike (Volkov 1999; Radaev 2003a). Moreover, the image of trade as morally compromised speculation continued to dominate the public mind, and the new occupations emerging in the field never fully acquired an aura of legitimacy.

Those who in particular became subject of such suspicions were the so-called New Russians. The category has figured prominently in both Russian and Western media and scholarship ever since the beginning of the 1990s. Although the era of the New Russians seems to be fading now, the term continues to symbolise the profound break from the Soviet culture of production and consumption. Initially introduced as a positive marker for the “emerging elite of the Russian society with the new mentality and style of life” (Zarkov 1998), the term soon acquired a more pejorative meaning owing to the strong association it had in the public imagination with opulent consumption.⁴⁸ As most of the New Russians were identified with the new spheres of economic activities such as banking, corporate trade, stock exchange, and real estate, their public image could not but be influenced by the circumstance that they did not produce any “real value” but rather speculated on the products created by the labour of others.

There is another key dimension to the epithet, however. As Humphrey (2002:177) has accurately pointed out, the term New Russians labels people “somehow alien from the unmarked, ‘ordinary’ Russian crowd,” while at the same time “these new people are understood not to be intrinsically other but indeed to have derived and spun away from ‘us’, the unmarked mainstream.” This ambivalence in the meaning of the term suggests that the “New Russianness” should rather be perceived as a new cultural phenomenon and not simply an identifier for a particular social group. It is noteworthy that those targeted by the term do not themselves identify with it, or they do so with ironical intention only. The epithet is always meant to describe others: the often young, rich, innovative, and business-oriented Russians immersed in luxury consumption alien to ordinary citizens.⁴⁹

⁴⁸ On the origins and meanings of the term, see Shmulyar (2000).

⁴⁹ The rhetorical image of the New Russians gave rise to constant ironising around the country, especially among the intelligentsia which, besides consumerism, rejected the low culture and unsophisticated manners the former were seen as representing (Ibid.).

It is also worth noting that in judging the New Russians by their outward appearance, their consumption patterns are usually depicted in imaginary and often exaggerated terms. When speaking about the New Russians, the ordinary Russian most commonly mention their flashy cars, the expensive jewellery they wear, the lavish meals they have in restaurants, or the posh *kottedhz* (cottage) they own in the countryside. None of these, however, are entirely novel in the history of Soviet luxury or even alien to its idea; the difference is that they have now simply become bigger, heavier, or more plentiful. Moreover, as Humphrey (2000) reminds us, it is always the case that large material objects tend to confer an identity on those possessing them. A similar observation was made by Oushakine in his study involving young Russian students. When asked to describe the images they had of the “New” Russian men and women, the respondents “chose to follow the path of quantitative rather than qualitative representation, that is, they chose to express ‘the taste of luxury’ in terms of ‘test of necessity’” (Oushakine 2000:115).

Importantly, Oushakine and Humphrey have also investigated the gendering of consumer patterns in the post-Soviet era. Their findings indicate that the New Russian is an obviously male figure, even though his image remains incomplete without the accompanying figure of the New Russian woman. Compared to the Soviet time, when women were the key navigators of the *dostavanie*⁵⁰ culture, it is now the New Russian man who consumes expensive luxury goods and services. His female partner is often portrayed as glamorous but still interested in homemaking and decorating, thus motivating her partner’s increased spending behaviour. Peculiar as it may seem, the phenomenon of the New Russians deserves more attention in order for us to gain a better understanding of consumption cultures emerging in the contemporary Russian society. Perceived as a new cultural phenomenon, New Russianness is after all not that alien to Russians. As the prominent Russian historian and publicist Aleksej Kara-Murza (1999) has suggested, the New Russians are not an invention of the West, but a direct consequence of the communist ideology which, by suppressing individual initiative, made the phenomenon even more indispensable as a strategy of survival.

The economic crisis of 1998 brought new nuances into the discussion regarding production and commercial entrepreneurship. To begin

50 *Dostavanie* means literally, “getting hold” of things usually in short supply. For further discussion see Chapters 2, pp. 95–96, and 4, pp. 167–169.

with, it became generally too expensive to import ready-made foreign goods and even raw materials needed for producing comparable goods domestically. Many entrepreneurs were therefore driven to reform their business strategies to focus more on the potentials of the home market. Moreover, the foreign products that did reach Russia were either unaffordable or of an inferior quality, which caused local consumers to apply new pressure on the domestic producers. The reputation of domestic food and service industries has improved dramatically since. According to Patiko (2003), Russians consumers prefer locally produced milk and sausages to their imported equivalents from Europe and the USA not because of some patriotic sentiment but because they “taste better” and are available for less money. As consumers became more demanding and selective, healthier and fresher choices increased in popularity.⁵¹ These developments, among other factors, have certainly improved the image of Russian entrepreneurs in general. Nevertheless, a tendency still remains to believe in an underlying contradiction between “real labour” and “opulent consumption,” which continues to stamp the perception of entrepreneurs.

Russian Entrepreneurs and Middle Classes: Theory vs Reality

Conceptual Affinities

In analysing how the notions of the entrepreneur and the middle classes are employed in the sociological discourse on modern-day Russia, it becomes obvious that the two are often linked in both theoretical and empirical terms. The category of the middle classes is usually defined in broader terms, “as an interim position between the ‘upper’ and ‘lower’ strata of society” (Gorshkov&Tikhonova&Chepurenko 1999:242). Entrepreneurs, economically located in the middle, fit in this category along with other clerical workers, skilled labourers, commercial workers, government officials, and the like. What is interesting, though, as suggested by Maleva and her collaborators, is that:

the middle classes [in Russia] are largely more inclined toward entrepreneurial activity than those of other social groups; obviously this particularly explains their success and economic wealth. In the middle class, there are considerably more entrepreneurs (the owners of private companies) than in all other groups (8.6% vs. 2.7%). (Maleva et al. 2003:499.)

⁵¹ From my own observation in St. Petersburg it seems obvious that besides food and beverages, smaller domestic producers of also good-quality clothes and accessories are favoured over imported mass products, which may also and more often turn out to be fake.

Partly due to this intersection of the two notions, their definitions draw upon similar attributes, such as the value of personal freedom, professionalism, risk taking, and self-reliance.⁵² Both of these social categories are also characterised by non-manual labour positions and high levels of education. Moreover, as implied in their definition, those representing them tend to work longer hours and prefer spending their spare time on personal entertainment or continued education, despite the fact that financially they are in a position to organise their leisure otherwise, too (Roschina 1995; Gorshkov&Tikhonova 1999). Indeed, entrepreneurs and those in the middle classes in general are considered to be economically better off than other social categories among the country's population. As shown in several studies, they are employed within the more market-oriented spheres of the economy that generate higher incomes. Yet, many members of the middle classes do not themselves perceive their economic situation to be satisfactory.⁵³

More importantly, considered as the winners of the transformation process, entrepreneurs and those in the middle classes are generally subjected to higher cultural and moral expectations than the rest of society. Historically, this position was always associated with the country's intelligentsia, to which, by virtue of its moral and cultural ethos, was entrusted a national mission involving a strong element of social service and popular enlightenment. Today, however, it is the wider middle classes, including their intellectual and commercial segments that find themselves having to respond to this call. For instance, Russian sociologists frequently stress the importance of a stabilising task understood to belong to the middle classes, seen as mediators between the elites and the poor, defusers of social unrest, generators and supporters of economic reforms, and promoters of cultural values (Zaslavskaja & Gromova 1998; Gorshkov & Tikhonova 1999). The Russian state, and the country's president at the time in particular, employ a similar rhetoric vis-à-vis the business community as well. In addition to guaranteeing the stability of the privatisation results and protecting private property, businessmen are asked to take on a social responsibility in their relationship with the rest of the country's population, especially in the area of labour rights, health care, and environment. Looking at historical parallels, William Pomeranz (2004:2) has suggested that:

52 On this point see Beliaeva (1999), Gorshkov & Tikhonova (1999), Tikhonova (2000), Starobin (2000), Avraamova (2002), Maleva et al. (2003).

53 For further details see Maleva et al. (2003:257-389).

Putin's proposed deal with Russia's business community reflects the centuries-old bias. Like the Tsars before him, Putin offers land⁵⁴ not as a basic civil right but as a privilege, in return for the performance of larger social obligations.

It seems obvious that in Russia the category of those economically "in the middle," to which the entrepreneurs and those more broadly in middle classes belong, is rapidly growing, as are the expectations directed at them. The paradox, however, remains of a striking discrepancy between the ideal-typical definitions given to these two notions and the complex reality of social stratification processes in present-day Russia. A consideration of some of the main sources and forms of this incongruity is therefore in order.

Empirical Discrepancies

Many of those involved in empirical research on the situation of the middle classes and entrepreneurs in Russia readily admit the difficulty in defining the boundaries of these concepts and developing appropriate sociological indicators for delimiting their actual meanings. For instance, taking private property as the defining criterion for membership in the middle classes or the entrepreneurial category may only add to the confusion. As discussed above, the way ownership and property are understood is still permeated by ideals deriving from the Soviet society. Yet it is difficult to overlook the fact that the Russian middle classes, and to a greater extent entrepreneurs, are directly involved in economic and professional areas in which, to borrow Harley Balzer's (2001:375) formulation of it, "knowledge and intellectual property are crucial elements," even though these entrepreneurs might not themselves be owners of the businesses they work in.

Similarly, the income criterion does not seem fully adequate when it comes to defining these categories empirically. To begin with, in Russia it is rather uncommon to speak openly about one's actual income, given that, according to various estimates, 30 to 50 per cent of the total payments received in the country remain unreported.⁵⁵ Instead of relying on official statistics, Russian sociologists therefore employ an integral criterion of material well-being, which, besides the actual salary, also includes accumulated savings, movable property, possession of agricultural livestock, and the aggregate real estate property at the disposal of

54 The reference here is to an amendment to the Russian Land Code Putin signed in December of 2003, allowing Russian enterprises to purchase the land on which they stood.

55 See Maleva et al. (2003:32–85). One of the key reasons why the official income data remains so unreliable is the widespread involvement of Russian companies and industries in informal activities.

the household. Calculated solely on the basis of income, the average monthly wages in Russia in 2007 were approximately \$410, while the average monthly personal income was \$372 (Alyakrinskaia, *The Moscow News*, 27 September 2007). In terms of annual growth in personal income Russia, until the 2008 global financial crisis, was among the top ten countries in the world. This data, however, shows great regional variation, with those living in large cities and the oil-rich regions being significantly better off than the rest of the population. In applying the integral criterion of material well-being, the threshold for inclusion in the core group of the middle classes is in these analyses then set at the monthly per capita income of \$100.

But even the criterion of material well-being contains subjective elements relativising it somewhat. As discussed above, perception of money remains highly conflictual in the country. Entrepreneurs are more willing to take risks to increase their income, and would not likely stop working even if, say, they earned 500 times the Russian GDP per capita, because they would want to earn more still (see Djankov et al. 2005). Nonetheless, many other Russians, as Balzer (2001:377) has described it:

seem to think that the definition of middle class is someone who does not need to think about money, whereas in America, the definition of middle class has generally been precisely those people who *always* think about money. The rich don't need to worry; the poor don't bother to worry; it is the middle class that is consumed with constant fretting about social status; how to get through the next week; how to afford a new appliance.

It is probably for this reason that many studies have found Russians who consider themselves as positioned “in the middle” to regard their material status as unsatisfactory. At the same time, personal income level is not seen as crucial for these respondents' self-perception. Russians tend to also show a tendency to identify themselves as being in the middle based on their lifestyle, the prestige accorded to their occupation, and the respect they receive from others (see Gorshkov, Tikhonova, and Chepurensko 1999).

Self-identification, too, has shown itself to be a contested criterion for empirical classification in the case of both the middle classes and the entrepreneurs. Many Russian sociologists, for example, assume that in the more stable societies, which they take to be largely in the West, those who subjectively perceive themselves to be positioned in the mid-

dle in fact also are in the middle according to a number of objective criteria, such as income, property, professional qualifications, and the like. In Russia, on the other hand, the relationship between material criteria and self-identification is much more complex.⁵⁶ Compared to other societies, it is much more common in Russia that the emerging middle classes prefer to deny their own existence. Balzer (1998, 2001) explains this in part with reference to the persisting remnants of the Soviet ideology of the classless society, in part by the impact of global trends putting middle class positions under pressure both economically and politically. The most important consideration here is nonetheless the fact that the majority of those belonging to the former Soviet middle class, or the skilled workers, teachers, as well as cultural and medical workers, have experienced significant downward mobility since the onset of the transformation. What we can observe now is therefore two distinct types of the middle class: the old and the new one. The old middle class continues to subjectively identify itself as being in the middle, owing to its high levels of education, cultural values, and political engagement, whereas the new middle classes, while still valuing education, are more inclined to consider their income, lifestyle, and consumption patterns as the major identity markers indicating the middle position (Andreev 1999). The entrepreneurs included in my own study were more frequently from this latter group, while their parents in most cases belonged to the former category.

While the empirical indicators of property, income, and self-identification have shown themselves to be only partially useful in defining the middle classes in Russia, the vibrant consumption of non-luxury goods has soon become one of the most widely used criteria for determining that the middle classes indeed are on the rise. During the early years of economic reforms, many Russian households were forced to limit their spending to only basic necessities, including food, clothing, and utilities. Towards the end of 1990s, especially after the financial crisis of 1998 was over, it became obvious that a great number of Russians were not only increasing their consumption of goods, but also beginning to be able to afford paid services. As Tatiana Maleva and her colleagues (Maleva et al. 2003) have shown, middle class families in Russia take vacations abroad more than twice as often as the rest of the population. They also attend and use health clubs, cosmetic salons, cleaning services, babysitters, and paid medical services more often than others;

⁵⁶ Such assumptions, however, may no longer hold if we consider the recent developments in Western societies (for a good account of such developments see Sennett 1998; Balzer 2001).

moreover, “[n]ot only are they consumers of these [services], they are creating new jobs in the area of private hiring” (ibid.:501). Services related to, for instance, family feast planning, children’s private education, and home renovation were among those not available during the Soviet time, and only available for a select few in the early 1990s. Currently, up to 50 per cent of all those considered middle class can afford them (ibid.).

Unlike sociologists who study consumption mainly to determine the social and economic contours of the middle classes, the Russian mass media has been looking at the middle classes as the driving force of consumption. Already in 2000, the leading Russian business weekly *Expert* launched a study on the “Lifestyle and Consumption Patterns among the Russian Middle Classes” (Blazenkova & Gurova 2000). According to the first results from this project, the majority of the Russian middle classes (up to 50 per cent) consisted of *delovye lyudi*, or the “businesspeople,” who are either private entrepreneurs, top managers, or other salaried professionals. Mass media images of the middle Russians portray them as highly educated, family-oriented, and indifferent to politics. Moreover, as consumers they pay more attention to the product brand name and quality than others. This latter feature of the middle Russians has been in the focus of *Expert* magazine’s market research activities for several years now. A number of meetings, conferences, and reports initiated by the publication have examined how to better assist Russian businesses in their efforts to find niches more relevant to the needs of their middle-class constituencies.⁵⁷ Yet, many middle-class Russians consider themselves lacking even “regular” things and services. Many, for instance, keep dreaming about owning an apartment and being able to count on a reliable banking and financing system, with good education for children and reasonable summer-house prices also high on the wish list for a great number of those in this category.

To summarise our discussion so far, it seems reasonable to suggest that, despite the fluidity of the empirical indicators, there is a growing number of Russians that by both economic position and cultural aspirations can be identified as forming what sociologists term the middle classes. However, one of the major sources of confusion for both the Russian and Western social scientists in this respect has been the low political awareness found among the middle classes and entrepreneurs.

⁵⁷ See, for instance, in *Expert* Gurova (2000, 2004), Eskevich (2004). For ongoing projects along the same line, see also the homepage of the Comcon market research company at <http://eng.comcon-2.com>

To be sure, several studies point out that middle classes in Russia vote in greater numbers than others; they also tend to follow and debate political developments on a regular basis more often than others (e.g., Gorshkov et al. 1999:186-214). Nevertheless, one of the central assumptions of the early 1990s, that the middle class would be the vanguard of liberalism and democracy, has today proven itself to be only a myth. In a study by Maleva and her collaborators (Maleva et al. 2003:502), only nine per cent of the middle class respondents indicated that they belonged to an NGO, with five per cent considering themselves as “activists.” Participation in protest movements remained extremely low for this category. As observed by Mikhail Gorshkov and his colleagues (1999:274), “the Russian middle class is distinctly sceptical about any group forms of exerting influence on powers-that-be [...]. [There is] a clear trend to achieve development through stability.” Or, as another Russian sociologists have noted:

Western values such as individuality and liberalism may certainly be suitable for the Russian society. However, Russian middle classes prefer to see the state as the key manager of society [...]. The model that suits our society the best, according to the middle classes, is a combination of market economy and social state (Iljichev, *Izvestia*, 13 January 2006).⁵⁸

In other words, the middle classes in Russia remain more loyal than others to the state and its policies.

Russian businessmen exhibit a similar attitude. Radaev (2004:105) has considered this something of a puzzle, given that “[m]arket actors do not trust the state authorities. However, even more, they do not trust the institutions that are not backed by the state.” To put the problem differently, while it may be true that Russian entrepreneurs claim independence from the state, they, when entering into new business relations, at the same time expect the state to stand behind those new partners and this way remove uncertainty from the conduct of business. A peculiar trend among Russian businessmen is that unlike the majority of the population, they tend to unite in smaller professional associations and networks that help them both to sustain a professional identity and secure a circle of reliable partners. While political involvement seems to be too sensitive an issue for many in this group, a functioning business ethics is a must they have to nourish every day. Working in a low-trust environment, entrepreneurs create their own ways to cope with political discrepancies without having to directly confront them in the open.

⁵⁸ My translation.

Chapter Nine:

Western Business Education in Russia: A Case Study

Introduction

This chapter resumes the discussion of the Western initiatives in transforming Russia in the 1990s.¹ It addresses the fourth dimension of the Western influence and involvement: Western business education, which was launched in the country in the hopes of solving its lack of managerial and entrepreneurial culture, seen as one of the major obstacles to the progress of market reforms at the time. The very idea of business education as such was something new in Russia and in the rest of the Central and Eastern European countries. In contrast to the common tradition in the West, where management studies formed a separate discipline taught at the university level for many decades already, in Soviet Russia most directors and administrators performing the managerial function did not receive their management training as part of their formal university education, which in any case was in disciplines and often even fields with little or nothing to do with business and administration. In practice, one became a manager only on the basis of long-term work experience at leading positions. To bring a radical change in the Russian business environment, the agents of reforms in Russia and in the West believed that “the reform of people, specifically the entrepreneur and the manager” (Randall 2001:173), was just as important as a legal, financial, and institutional transformation of the country. A special role in this process was then assigned to business education.

The business education market in Russia expanded dramatically since the end of the 1980s. Today there are approximately 100 well-established business schools with both Western and Russian academic profiles. These schools represent an enormous variety in a number of

1 For the other three dimensions of this involvement, see Chapter 7, pp. 225–251.

aspects: their size, sources of financing, curricula, ownership structure, diploma types, and clientele differ often drastically. There now seems to be a general understanding that business education no longer represents an exotic career choice but rather has its place as a natural element of the Russian educational market. Yet, the impact that business education has made on the quality of management and entrepreneurship in Russia has only rarely been examined. Neither the presence of Western business schools in Russia nor their impact on the training of managers and the development of business practices has received academic attention worthy of a note.

To fill this gap, in what follows I will consider Western business education in Russia as a specific and theoretical case study,² representing one of the several actors involved in the chain of translation introducing Western ideas of capitalism, business, and entrepreneurship into Russian reality. In keeping with the aims of this thesis work, I will also examine the extent to which Western business education can influence, and may have already influenced, the entrepreneurial practices of Russians who aspire to professional business careers. The analysis draws from a number of empirical sources, including materials collected using in-depth interviews and participant observation at a Western business programme in St. Petersburg, mass media publications and the Russian press, and an internet database specifically designed to cover the issues of business education, in addition to the few academic publications that have appeared to date.³

Business Education in Russia: A Brief History

The Soviet Legacy

In Soviet Russia management education was arranged as a set of specifically designed courses and programmes (*programmy povychenija kvalifikatsii*) addressed to individuals who had already acquired their first university degree, most often in engineering, and worked as managers or aspired to higher managerial positions. These courses, like all education in Russia at the time, were organised and taught under

² On methodological considerations, see Appendix I, pp. 373–396.

³ The dearth of sociological studies on business education in Russia and elsewhere is quite striking. For my research, I had to rely mainly on internet sources and materials culled from the daily press to derive the kind of evidence I needed. Yet, a few academic publications proved useful for my purposes as well, among them Puffer (1994), Puffer, McCarthy, and Zhuplev (1996), Puffer, McCarthy, and Naumov (1997), Puffer, McCarthy, and Naumov (2000), Randall (2001), and Tim (2001, 2002).

close control of the Soviet State Committee for Public Education. Two other major institutions directly involved in the supervision of management programmes included the Academy of Social Sciences and the Academy of National Economy, which had the responsibility for the training of Communist Party officials and industrial managers respectively.

Along with everything else, also the profile of management education in Russia has changed dramatically during the last twenty years. Sheila Puffer, who has written on business education in Russia most extensively, has argued that three reform initiatives in particular affected the way management education was organised and carried out in the country, helping to establish a new goal for it: the training of managers with a new mindset (Puffer 1994). First, the general education reform of 1988 for the first time put emphasis on the professional certification of managers and their continuous education. In consequence, the demand for management education expanded across the whole country, and the number of under-graduate management programmes grew accordingly. The second legislative measure that encouraged the professionalisation of the managerial functions was the 1987 Law on State Enterprises, which prepared the ground for decentralisation of decision-making from the ministries to the enterprise level. This in turn helped make enterprises more competitive and self-financed. Such changes naturally required leaders capable of working in environments radically different from those of the planned economy. Finally, the new Law on Cooperatives, enacted in 1988, legalised private business in general and permitted among other things the creation of private business schools. Responding to the growing demand for knowledgeable business specialists in the country's newly opened-up economy, both Russian and Western business schools thus began to multiply.

Business Education in Post-Soviet Russia: An Establishment Phase

During the late 1980s and the early 1990s, business education schools expanded dramatically. It should be kept in mind, though, that the very concepts of business education and a business school had quite a particular meaning at the time. Almost any institution of higher education could be regarded as a "business school" if it offered one- to two-week courses in business. Naturally, such education varied drastically in both its quality and status. To begin with, there was hardly any qualified personnel available to teach market-based management.

Most of the instructors had a long academic experience in teaching their subjects but lacked all practical experience in working within the private business sector. In addition, many established universities had lost key faculty to private schools that could offer more attractive terms of employment.

The first educational experimentations in the area were also complicated by the fact that the Russian-language business vocabulary was rather limited. It was still dominated by concepts and theories inherited from the times of the planned economy. Thus, many key terms describing market economic reality were borrowed directly from English, such as, for instance, *biznes*, *biznesmén*, *markéting*, *menedzer*, *auditor*, *logistik*, and the like (see Randall 2001). The same was true about the first textbooks in business studies. Very often they were nothing more than straightforward translations of Western management literature, augmented by some Russian materials on the world economy and instructors' personal commentary (Ivanyuschenkova&Fukolova 2000). Lack of funding presented a third major problem. Unlike the rest of Russian education at the time, business education relied mainly on tuition and fees paid by the students, who remained still few at this point. The students, however, included many senior managers from state and private enterprises who were able to pay for their attractive market-oriented education. Undergraduate students, on the other hand, were given less priority, as they were not financially self-supporting.

While competing for scarce resources and prospective students, business schools used various strategies, of which the most successful was to enter into partnerships with foreign business schools and corporations. Early on, such partnerships largely amounted to a one-way transfer of knowledge, competence, and technical skills from Western business schools to their Russian partner institutions. Several reputed Russian universities like the Leningrad State Technical Institute (subsequently St. Petersburg Technical University) and the Plekhanov Russian Economic Academy in Moscow were able to establish contacts with universities in the United States and Italy, to help them build business curricula and invite Western teaching staff, among other things (Randall 2001). The latter of these collaborations also resulted in the first MBA degree programme in Russia in the late 1980s.

Planting Western-style business education on the Russian soil had an ambivalent effect. As Laura Randall (2001) has shown, few Western faculty were willing to travel to Russia teaching engagements. Those

who did went there on short trips only, with the intention of quickly transferring and disseminating knowledge to key university personnel and managers, who in turn would then readily use their new knowledge in furthering business education and workplace practices on location. Some of the local participants were also invited for short-term visits to the United States. This educational approach, similar to the one favoured by the econolobbyists⁴ helping Central and Eastern European countries on their way back to capitalism, met with immediate difficulties on the Russian side. Russian participants at the first Western business programmes constituted a very heterogeneous group. Managers from the large state-owned enterprises who were already in their 40s predominated over younger managers and entrepreneurs working in the private economic sector. The difference of the mindsets within the group was rather obvious as the younger participants were interested in concrete know-how without questioning the Western experience, while the older participants were reluctant to accept the fact that management studies dealt with economic models more than with relations between people. At the same time, the cultural connotations of many market-oriented terms, such as risk, bankruptcy, or debt, were quite unfamiliar and usually caused lively discussions among the participants, whose everyday market experience was still too far removed from the substance of the Western business courses. After several years of trial and error, it became obvious that both Western and Russian schools had to develop clear profiles and better strategies to meet the growing demand for professional managers.

Institutionalisation of Business Education

The Russian government had demonstrated its own concern for training managerial cadres by launching the “Presidential Programme” in 1997. The programme has since been extended to all of the country, and it aims at re-training managers and creating possibilities for them to gain additional training abroad and at the largest Russian business companies. Advances in business education in Russia have also been made possible through the activities of the Russian Association for Business Education (RABE). Since its foundation in 1990, RABE has worked to deepen cooperation with other business education associations both within Russia and abroad, with the goal of making the education of professional managers in Russia comparable to the

4 I use the term econolobbyists as coined by Wedel (1998) to describe Western consultants of capitalism in Central and Eastern Europe.

standards of Western-style business schools operating in the country and even of Western schools located abroad.⁵ It is also thanks to these efforts that the Russian government has officially recognised the MBA⁶ degree, with the result that in 1999 thirty-one Russian business schools were granted the right to award the state MBA diploma.⁷ By that time the first Russian MBA programmes could already celebrate their tenth anniversary of operation.

The experiment with state accreditation programmes granting MBA degrees in Russia between 1999 and 2003 turned out to have encouraging results. One key outcome was that the MBA programmes acquired a high reputation in the country for their foundation courses that prepared students to take on a number of specialised topics depending on one's interests (Svardovsky 2000; Thompson 2000; Buhovtsev 2003a, b; Kudashkina&Krotova 2004). Five years after the state diploma accreditation system was introduced, the number of MBA graduates in Russia rose to the level of those in Germany and even Japan; all of these countries, however, still lagged behind the United States where MBA programmes have been in existence the longest.⁸

According to Sheila Puffer (1994), from the mid-1990s on it has been possible to distinguish three main types of business education in the country: state business schools, private business schools, and private consulting firms. The distinction, however, becomes less than clear-cut once we scrutinise any given school in terms of its staff, programmes offered, diplomas granted, and the like. A private business school can, for instance, operate in a state-owned building leased for the purpose, teach business according to European standards, and employ staff from Russian state universities, private businesses, and Western business schools, while collecting tuition payments in U.S. dollars or euros and awarding its graduates a Russian MBA diploma. Various other combinations abound.

Based on various estimates, in 1998 there were about 200 schools in Russia offering a business education in some form or another, while

5 On the activities of the association, its partners and publications, see www.rabe.ru

6 Master in Business and Administration, a degree which Russian students can obtain both at home and abroad. According to Russian standards, an MBA degree can only be granted to graduates of higher education institutions.

7 According to various estimates there were approximately 70 business schools offering an MBA degree in Russia, of which only one third were licensed by the Russian Ministry of education; see Ivanyushchenkova&Fukolova (2000), Lukjanova (2000), Kartashova (2004).

8 See www.rbcnews.com/free/2003/1128/22533.shtml. In another estimate, approximately 100 business schools in operation in Russia produce 25,000 professional managers a year; while the actual need for these managers is nearly 1.5 million; see Buhovtsev (2003a; b).

after the financial crisis that broke out the same year their number had decreased by 30 per cent (Ivanyuschenkova&Fukolova 2000). At the same time, several sources indicate that the number of top business schools in the country has not changed since 1992, remaining somewhere between 15 and 20, a trend quite similar to the situation in the West (Puffer 1994; Buhovtsev 2003b). One could certainly wonder what business schools are included among the top ones in Russia these days; the question, however, will remain open for now, given that the latest survey, by the World Bank, dates from 1997 and no new ones are currently planned.⁹ At the same time, the question of the accreditation of Russian business programmes abroad has only started to become topical. So far, there are only three MBA programmes operating in Russia that have received international accreditation.¹⁰

Most business schools in Russia have engaged in some kind of co-operation with Western business schools, especially when it comes to fundraising, curricular development, acquisition of teaching materials, and faculty exchange programs. Frequently, Russian business schools also offer a second MBA diploma issued by their Western partners.¹¹ The highest concentration of business schools granting MBA degrees can be found in Moscow and St. Petersburg, the two largest cities in Russia. According to the database of the company Begin.ru,¹² nineteen of the institutions offering MBA degrees were located in Moscow in the year 2007.¹³ Of these, ten schools offered exclusively Russian state MBA degree programmes, five schools offered a combination of both Russian and Western degree programmes, and only four schools awarded a Western MBA degree from a business school located in Europe

9 See www.civilsoc.org/edadvise/top20bus.htm.

10 Among the internationally accredited MBA programmes are Moscow International Higher School of Business (MIRBIS), Moscow's Plekhanov Academy, and Kingston University in Russia. All three programmes are conducted in Russian.

11 Pursuing business education abroad is not very common among Russians. Business education in the West is more expensive and even less well adapted to the Russian realities. In addition, few of those who leave to study abroad return home upon graduation. See www.ourtalents.org.

12 Since the late 1990s, the company Begin.ru (www.begin.ru) has become one of the main sources of information on business education in Russia and abroad, including career opportunities and other events and activities related to business education. The publications of the begin.ru draw mainly on articles from several newspapers and journals specialising in business education, such as *Obrazovanie bez granits*, *Innostranets*, *The Chief*, and a few others. Begin.ru is closely associated with (and an offspring of) the professional association of Russian-speaking MBAs from the leading international schools of business, known as Clumba (www.clumba.com) and founded in 1995 to promote networking among the Russian-speaking MBA graduates around the world.

13 I limited my search to MBA degree programmes that last up to 2 years, which is the basic Western standard.

or in the United States. Twelve business schools with similar profiles operated in St. Petersburg. Of them, six offered exclusively Russian state MBA degree programmes, four awarded a Western MBA degree, and the remaining two offered a combination of both.

Western Business Education in Russia: Situating the Case

As noted above, the available data on foreign business schools in Russia is diverse and often contradictory. To distinguish between the “purely Western” business schools and the rest, I focused on the following criteria: The education needed to provided on the school’s own premises, possibly in co-operation with Russian institutions; the curriculum had to adhere to Western standards or correspond to a recognised business education curriculum as taught in the West; the main share of the school’s funding and staff came from its educational partner in the West; the education was held in English using English-language materials (the most common language of business education); the minimum length of the programme was 1.5 years; and the MBA diploma awarded upon graduation was issued by a partner institution in the West. Among the Western schools in Russia, American schools are in the majority, followed by the British and the French schools. Business schools from Sweden, Germany, Belgium, and other European countries are represented as well. Several analysts have argued that the European model of business education suits the circumstances in Russia better than the American one, which is more expensive and time-consuming (Krasnova&Mateveeva&Smorodina 2000; Slavskij 2001). The above criteria are, of course, provisional and by no means reflect the position of Western schools in their local educational markets or even the quality of their programmes in Russia.

The School

I chose to study more closely one particular business school in St. Petersburg that corresponds to all the above criteria of “a Western business school.”¹⁴ The school was founded in 1997 as the Russian branch of its European parent institution. Initially the school offered a one-year programme in *Modern Economics* and *Business and Entrepreneurship* with funding from abroad. The courses were conducted in English and covered topics such as accounting, human resources, marketing, and

¹⁴ To secure the anonymity of the interviewees and avoid influencing the school’s reputation, the name of this business school will be withheld throughout this thesis work.

quality management. The majority of the teaching staff came from abroad on a visiting basis, while the permanent staff was very small and dominated by native Russians. By 2000 there were already 130 graduates of this programme. About thirty of them applied for the one-year Executive MBA (E-MBA)¹⁵ programme that was launched in March 2000. The year after, in March 2001, I met with twenty-nine of these students (eight women and twenty-one men) during the last week of the E-MBA programme. Seventeen (seven women and ten men) of them agreed to in-depth interviews, forming one of the main sources used for this study.¹⁶

Besides the educational programmes, the school was also involved in applied research in the fields of economic theory, quality management, marketing, and entrepreneurship, and in publishing Western business literature in Russian, training business executives via open seminars, and offering company-specific training programmes.

The Mission

Western business schools in Russia have a clearly formulated mission. They aim to foster *local* business development by “assisting in the advancement of sustainable business in Russia,” “helping entrepreneurial young Russians to develop their business ideas,” and promoting “the gradual transformation of the minds of individuals, development of knowledge, exchange of ideas and networking.”¹⁷ The general aim of fostering a generation of professional Russian businessmen, individuals with whom Westerners can speak the same language, seems to go hand in hand with another, less apparent process, namely, the creation of exclusive educational symbols that in the long run might prove decisive for one’s prospects as a professional businessman operating within the country’s new economy.

Application Process and Student Selection

The fact that a Western business degree awarded in Russia is a symbol of exclusivity is assumed already at the start, namely by using strict

15 The Executive MBA (E-MBA) programme represents a somewhat different form of business education compared to the classical MBA. It runs on the part-time basis and is aimed at people who already occupy leading positions within their companies. The degree itself was introduced in Russia only very recently (at the end of the 1990s). Compared to other countries, it is more common in Russia to pursue both of these degrees, the MBA and the E-MBA, part time on the side of one’s main job.

16 Besides the interviews with participants, six interviews with the school’s staff have been conducted. See Appendix II and III for the interview data, pp. 397–404.

17 As stated in the school’s newsletters published between 1999 and 2001.

selection criteria in the application process for new students. In the early 1990s, it was enough to pass a few formal tests and pay for the education. Today, most of the business schools require minor exams, TOEFL or GMAT scores, and other types of verification tools helping in the identification of best candidates, such as interviews and short motivational essays written in English. The latter two requirements are, however, common at the Western business schools only. The high demands placed on applicants in a way reflect the corresponding demands of the MBA education itself, which in addition to the competitive selection procedures entails hard work and long hours in the classroom over several years, conditions not everyone is able to endure.

In the business school I studied, for instance, the selection process consisted of three different steps. First, their previous education and employment records were scrutinised. The requirement was that the applicant had to be a university graduate with a minimum of three or four years of business experience. Second, the applicants had to take four different tests, including mathematics, logic, English proficiency, and analogies tests. In the third phase, the applicants were invited to an interview with Russian and foreign faculty members where they were asked about their study motivations, their ability to handle stress, their level of self-reflexivity, and their strive for development and own initiative. In addition, one also had to be able to pay for the education, which for the first group of the E-MBA students amounted to approximately USD 2,000 a year.¹⁸ Another sign of exclusivity characterising the majority of business schools in Russia, and the one I studied in particular, is that no applicants who are either unemployed or new graduates from other universities are accepted to the program. This, as the official explanation goes, is mostly for pragmatic reasons, since the MBA students should also be able to implement their knowledge and skills in practice, a condition for which current employment is a prerequisite. Another rationale, often expressed by the faculty, is that people without business experience cannot participate in the team work exercises effectively as they would feel themselves outsiders (Startsev 2003; Makarenko 2004).

¹⁸ In 2000 this figure amounted to approximately ten times the average monthly wages. The cost of the E-MBA program as currently taught at the same school – and other comparable Western business schools – has increased at least twentyfold in the past seven years. During the same period, the average salary in Russia did not increase more than fourfold.

General Profile of Students Enrolled in Western Business Education Programmes

Judging from this stringent level of requirements, we may conclude that the successful applicants for Western business education from early on represented the more resourceful segments of society. Their exceptional qualities, evidenced already at the outset of their education, were to be further valorised through the granting of a degree that was still quite rare in the Russian educational and labour market in the early 2000s. This is what, in my assessment, motivated a closer look at the milieu of the school as a meeting place for individuals with similar worldviews and aspirations. It was also important to understand what brought these individuals to this particular school; why, as individuals working in a Russian environment, they chose Western business education instead of the more conventional path offered by Russian institutions; what their social backgrounds were; and how their experience of Western business education has influenced their everyday business practices, career aspirations, and the like.

The participants in the E-MBA programme at the school I studied were predominantly male, with roughly one third of the group being women. The interviews I conducted reflected the fact of underrepresentation of women: ten were with men and seven with women. The predominance of male students within business education is not unique to the situation in Russia. However, another tendency is today becoming noticeable worldwide: business education seems to offer the best route for women to climb the career ladder (Quacquarelli 2002a). This has already been shown to be the case in the United States and Europe, where women comprise thirty to forty per cent of all students at the top business schools. While these numbers are still relatively low, the trend can nevertheless be considered a step forward compared to the situation ten years ago when MBA classes were almost completely dominated by men. Viewed from this perspective, twenty to twenty-five per cent female representation can be seen as a significant achievement in business education in Russia, considering that its history in the country goes back no more than two decades.

Regarding the age distribution among my interviewees, most of them were relatively young. The youngest interviewees were 25 and the oldest 38 years of age, reflecting a general pattern at Western business schools in Russia. Already in 1992, as Randall (2001) has pointed out, the first Western business schools in Russia had deliberately targeted

younger working managers. The belief was widely shared that it was the younger managers who would benefit the most from the privatisation process, and thus they would be more willingly to work according to market economic principles. A better strategic choice was thus to teach the basics of business to this category of managers rather than the Soviet-era “red directors.” As a result, the Western MBA programmes became dominated by participants with an average age under thirty-five, which contrasted starkly with the Russian schools where the participants were much older (Buhovtsev 2003a, b).

Compared to MBA graduates in Europe, Russian MBA degree holders form a rather monoethnic group. Many European business schools consider it an advantage to internationalise their programmes. Thirty per cent of the European business schools have more than one half of their MBA students coming from other countries. Encouraging a multicultural approach, the top European business schools succeed in teaching their students truly global business curricula, ensuring that their graduates bring the mindset they have developed during their studies to their places of employment (Quancquarelli 2002b; Timinskaya 2002). Learning together in this context means not only exchange of business skills and knowledge, but also a possibility to learn from one another’s mindsets, attitudes, and cultural traditions. In Russia, regional diversity among applicants to the more prestigious business schools in Moscow and St. Petersburg is more common than ethnic diversity. There are some exceptions to the rule, however. In some of the Western business schools we can find participants from “the near abroad,” or Ukraine, Belarus, Georgia, and Latvia, as well as from further away, for instance Great Britain, India, and Japan.¹⁹

Most of the MBA applicants come with solid higher education obtained already prior to their business degree. Reflecting the legacies of the past, candidates with technical expertise dominate the applicant groups, followed by candidates with degrees in economics and social sciences. Technical education per se is not an obstacle to advancing a business career. On the contrary, a recent trend observed in the Western business schools around the world is that the programmes are increasingly designed in particular for engineers and others with a technical background whose expertise is today in high demand in the West (Quancquarelli&Uttam 2002). In Russia, the universities with more technical profiles still tend to disregard the importance of subjects such as communication skills, leadership in organisations, and

¹⁹ See e.g. www.sseru.org

management accounting, all of which remain crucial for the successful implementation of specific technical skills while working in a business. The most recent trend though, especially at the Western business schools in Russia, is that a background in economics is becoming as common as a background in the technical sciences. An overwhelming majority of the interviewees in my sample were graduates of the leading universities in St. Petersburg. In terms of their areas of expertise, four major fields featured prominently: engineering and technology, languages, natural sciences, and economy, management, and finance.

One of the most significant features in the interviewee profiles had to do with the specific areas of economy in which these individuals worked while attending the MBA business programme. It was noteworthy that all but one respondent were employed at the so-called new private enterprises,²⁰ or enterprises that had been set up after the advent of the market economic reforms in the country. Moreover, one third of the interviewees represented the Russian small company sector, while two thirds were employed at foreign or mixed enterprises, also predominantly small in size. The variety of the branches of economy that the interviewees came from was quite impressive. These included tourism, services, transport and logistics, banking and finance, internet technology, real estate, education, law, as well as production of consumer goods, medical equipment, and fodder. The businesses they worked for had established contacts in countries such as Sweden, the United States, France, Germany, Japan, and Belgium. Remarkably, of the students enrolled at Western school I studied, a third already occupied executive positions or had their own businesses before applying to the programme.

Converts and New Entrepreneurs: A New Generation of Entrepreneurs in Russia

The general profile of the participants in the Western business programme I studied suggests one significant commonality between them. These individuals represented a breakthrough generation of Russians who grew up and received their education within the Soviet system but gained their business experience largely within the new economic structures with close connections to the global economy. Such a position of “in-between” linked these people more than in one sense.

²⁰ On the difference between the “new private” and the “privatised” sectors of Russian economy, see Chapters 1 and 6.

They represented a cohort generation that shared “common and distinct social character shaped by their experiences through time” (Miller 2000:30).

Common to all my respondents is that they were born during the late 1960s and mid-1970s during the late period of state socialism. Compared to the “the last Soviet generation,” a notion proposed by Alexei Yurchak (2006),²¹ they were somewhat younger, yet they could nevertheless be described in similar terms. The childhood and adolescence of my respondents were characterised by circumstances typical of the Soviet reality: living in small and overcrowded apartments with two parents; one of them, usually the father, making a professional career while the mother spent most of her time outside the job taking care of the family; commuting to better schools chosen by the parents; spending summers with grandparents or at Pioneer camps; and so on. Their middle-class upbringing, urban background, good education, and urge for self-development were also characteristic of the late Soviet society. A new feature in their social and economic behaviour was that they had become engaged in entrepreneurship by seizing the new opportunities offered by the evolving economic conditions in Russia – in other words, not by the mere necessity of survival. Working as senior and middle managers or general directors within the new private sector of the Russian economy, they can be characterised as *a new generation of entrepreneurs*: instead of subverting the market economic institutions, they tried to follow its norms and principles as much as the frames of the Russian economy allowed them.

Within this new generation of entrepreneurs, two further categories can be distinguished: the *converts* and the *new entrepreneurs*. Originally coined by Oleg Kharkhordin (1994),²² I nonetheless use these terms somewhat differently in order to better capture their relation to what Norman Denzin (1989:70) has defined as epiphanies, or the “interactional moments and experiences which leave marks on people’s lives.” Such epiphanies in my interviewees’ lives eventually determined, in this case, their willingness to enter into business, their position within the companies they worked for, the meaning they ascribed to foreign education, and so forth. Those who were born in the late ‘60s acquired their first university degree and even their first job experiences during the Soviet period, while those who were born in the mid-‘70s often

21 See Chapter 2, p. 66–70.

22 Kharkhordin (1994) uses these two notions to designate different patterns of business ethics among Russian managers during the early 1990s.

combined university studies with occasional jobs; their first employment experiences were already shaped by market economy institutions. For this reason I designated the former (older) stratum in my sample as the *converts* (four of the women and five of the men I interviewed): these were people who had to switch their career paths, from being a psychologist, engineer, or physicist to becoming a business(wo)man. Correspondingly, the latter (younger) stratum was termed as the *new entrepreneurs* (three of the women and five of the men I interviewed), consisting of those who already from the start acquired their education and employment experiences within the business-oriented spheres. These two categories address different entrepreneurial career trajectories impinging on the individuals' lives differently as well.

Notwithstanding this significant distinction, the students in my sample could be said to have all belonged to the same generation, having been exposed to the momentous societal transformation of their society during the most formative period of their lives: youth and early adult age. In other words, this generation lived through unique historical events, giving them rather novel experiences in life that produced long-lasting effects on their personal and professional identities, on their perceptions of what is important in life, and on their moral character as self-reliant and independent individuals. Consequently, both of the strata just distinguished can be characterised as belonging to a *new generation of entrepreneurs*, exhibiting common characteristics marking them apart from other generations of entrepreneurs in Russian history.²³

Previous Employment and Entrepreneurial Motivation

Early Work Experiences

As can be inferred from above, the students in my sample followed two major routes in pursuing their business careers. Converts had to switch from employment within the Soviet economy to employment within the Russian private economy. The new entrepreneurs, on the other hand, entered the market economy in a more straightforward fashion, by embracing (and being embraced by) its institutions from the start and then moving from one position to another while staying within the same field. Among the converts the men had majored in engineering and natural sciences. Usually their first job experience was within their fields of specialisation as decided during their post-

²³ See Chapter 8, pp. 269–284.

graduate studies or at closed research institutions, working with applied technologies for the Soviet military sector. The women among the converts had obtained their degrees in languages or social sciences, and similarly had had their first job in the field of their study, for instance as language teachers, interpreters, or secretaries at university departments. Yet, if we compare the men and the women among the converts, their employment strategies showed significant differences. Men referred to their university degrees as “prestigious” or something telling of a “really good education.” Accordingly, even when their first jobs were not that satisfying (one of them characterised his entry-level position as “practically idleness”), they could rely on their “good education” as a guarantee of future promotion and hence stayed on at their jobs. The women, on the other hand, could not count on similar prospects. They thus resorted to another strategy, acquiring a second university degree to improve their chances of a better position. A former linguist became a lawyer; another female linguist acquired a degree in international economics to be able to demand more responsibilities at her first job; a psychologist decided to continue towards her Ph.D. degree to be able to leave her position as a secretary. In addition, the women among the converts who had majored in languages spoke fluently at least two foreign languages, and often had part-time second jobs as tourist guides, translators, and the like. Good command of foreign languages was in general a great advantage for many Russians during the early 1990s, when it was possible to start as a secretary and advance to the position of a manager in just a few years. This possibility, however, was no longer realistic for those who finished their university studies towards the end of the 1990s, as the new entrepreneurs in my sample all did.

As regards the new entrepreneurs, their entry into the country’s labour market was via quite a different route. The new entrepreneurs, both women and men, had usually began their employment almost five years earlier than the converts, or just before turning 20 years old. Combining study and work was not really a result of economic hardships, even though at the beginning of the 1990s both the real wages and the financial support for education began to decline drastically. Also the parents of the new entrepreneurs, representing former Soviet middle class with stable incomes and a comparably high standard of living, often suffered economic decline during this period, being no longer able to fully provide for their children’s education or subsistence. To some extent, the new entrepreneurs’ early start in the labour

market was nonetheless a matter of pragmatic attitude towards their qualifications and the opportunities available.

The majority of the new entrepreneurs in my sample had studied at secondary schools that were specialised in one or two foreign languages. In addition they had acquired academic competence in the areas of finance and credit, marketing, management, and modern economics, all of which were deemed highly desirable by not only the emerging Russian private establishments but also, and to a greater extent, Western companies looking to employ energetic young Russians with a willingness to learn how to do things “the Western way.” Many of my interviewees from this younger group had actually had a Western company as their first employer, something that ordinarily was not easy to arrange. As one female respondent in this group tellingly expressed it, Westerners sometimes used rather “crude methods” to “change the mentality of the Russian people” and teach them “to work as Westerners do: effectively and correctly.” Yet, younger Russians who had been able to take advantage of this opportunity did not regret it, given how valuable the benefits of learning “the right things” already at the start of one’s working career were deemed to be for future career growth.

Being young was an advantage, especially if one had the right motivation. As Simon Clarke (1999:38) has stressed, employers in the new private sector preferred younger job candidates not because they were more qualified in some substantive sense but because of their “imponderable qualities such as motivation, attitude to work, a wide range of interests, openness to the new and ability to adopt.” Employers were moreover aware of the fact that the younger job applicants with high ambitions were often ready to work hard for lower pay. Departing from the Soviet standard of stable employment with low job rotation, both the employers and their younger employees thus seemed to settle with a compromise, entailing less qualified work performed in exchange for exiting experiences even if this meant more moderate financial rewards.

In the early 1990s, when the younger students in my sample were starting to try their luck at the job market, the opportunities to make some extra money were ample. At the same time, in order to learn what the market economy was really about one had to get inside of the market economic institutions, where the competition for jobs was tougher. The most effective way of securing a position at a bank or a private company at that time was through what Mark Granovetter (1973) has termed “strong ties,” meaning relatives or friends. Seven out of eight of

the new entrepreneurs in my sample used these channels to find a job that better matched their own education. One manager economist, for example, was this way offered a job at the bank where his mother was already employed. Two others with a specialisation in economy and finance found jobs in the banking sector with the assistance of their fathers, who had resorted to their own acquaintances serving as intermediaries. Two interviewees with degrees in computing and mathematics were actually offered their first jobs at private companies owned by their fathers, who themselves had abandoned their Soviet-era careers as a scientist and a military officer to start anew as private entrepreneurs. Relying on friends as intermediaries to find employment in small businesses was very common for the converts and the new entrepreneurs alike, especially when moving on from jobs that no longer seemed promising. Even though the converts and the new entrepreneurs thus followed a different pattern in gaining their first work experiences, they exhibited a strong commonality in their entrepreneurial aspirations. As they themselves expressed it, the same motive force that led them to positions where they could “stand at the beginning of something” and “watch things grow” eventually also prompted them to move on to engage in business activities or start on their own.

Entrepreneurial Zeal

In this study I use the concept of entrepreneurship to describe the economic behaviour of people who formally occupy the positions of managers, general directors, consultants, and the like. In a Schumpeterian vein, these individuals can be categorised as entrepreneurs based on the *function* they perform in society and economy, and the *motivation* that drives their behaviour, rather than their status as owners of private property or their personal traits.

In a recent survey (GEM 2007), 71 per cent of all entrepreneurs in Russia indicated that they had engaged in entrepreneurial activities by choice and not by necessity. Within this group of *opportunity entrepreneurs*, three other subgroups can be distinguished according to the entrepreneurial motivation. Most of the opportunity entrepreneurs, approximately 41 per cent, chose private economic activity as a means to secure a source of income. To a lesser extent, entrepreneurial activities were also motivated by one's desire for independence or higher income (30 per cent of all opportunity entrepreneurs in each case). Similar motivational patterns could also be found within the group

of the E-MBA graduates interviewed in early 2000. It is important to note, however, that the behavioural implications of such motivations varied depending on whether the interviewees were men or women and whether they could be classified as converts or new entrepreneurs.

In the case of the converts, the decision to leave stable occupations and embrace the less predictable world of private business was most often motivated by either dissatisfaction with the current job or life circumstances that brought worsening conditions for one's family. "A need for a change" could also be prompted by a few positive examples in one's environment, such as colleagues who dared to make the decision to leave and find a job in a private business. Even the best credentials one could have within the old Soviet economy provided no guarantee that one's professional skills could be directly put to use within the newly emerged business sphere. It was therefore common among the converts that they either started their own businesses or took up less qualified jobs with Russian or foreign private companies before finally reaching a position with a status comparable to that they had in their prior employment.

An example of a physicist with several years of working experience for the Soviet military affords us a glimpse into the near-infinite variety that such multiple career switchings could bring to one's work experience. Upon leaving his position at a closed research institution, the now-former physicist tried his hand at being a sailor, an electrician, a driver, a repair worker, and other similar occupations. Such experiences may seem extraordinary. Yet, many other male converts I studied also demonstrated a similar career pattern. A doctoral student in chemistry took a job as a sales representative, an engineer became a commercial director, and so on. During the early 1990s, entering a business career often entailed a profound shift in work-based identities as well, in the circle of colleagues and friends, and even in life priorities in general. Furthermore, all of the male converts in my sample initially regarded themselves as being overqualified for occupations within business. Accordingly, they often spoke of their decision to leave their previous job with some remorse.

There are some gender-based explanations for the converts' labour market behaviour. The decisions taken by many male converts in my sample seemed to have been influenced by the expectation of being the breadwinner in the family (*kormilets*), in keeping with the old Soviet

gender roles.²⁴ All of them were married or living with a partner at the time they left their previous employment, and three out of five had children. Thus, their motivation in changing jobs was not only to find more interesting work. It was also related to a “need to earn money for family” or to “material obligations towards children and parents.” Female converts, again, were driven by considerations such as “I deserve better” or “I want to try something unusual, something extraordinary” when switching over to business careers. None of the women described their motivations to leave the state sector in terms of their desire to grow professionally or pursue a career, at least not initially. The main incentive was rather to gain the economic independence that employment in the private sector promised to bring. Two of the women, married with children at the time, even expressed that getting a more challenging job in the private sector was a way to liberate themselves from the burdens that the role of a housewife would otherwise imply.

In terms of their employment history within the private sphere of the economy, the new entrepreneurs, men and women included, were more homogenous as a group compared to the converts. As already indicated, their first jobs were all in the more market-oriented occupations. Thus, what was characteristic of their experience was not so much the transition from the state sector to the new private sector, but rather an internal mobility among various branches of the new private economy. Their main motivation in seeking a new position was to pursue “self-development” or find “a new challenge.” Consequently, the working trajectories of the new entrepreneurs often followed a fairly distinct pattern. One male manager-economist had previously been employed by three different companies, all Western, that dealt in consumer goods. His latest job was with a small Russian private company selling cleaning services. Within a span of five years, he had held positions as varied as sales representative, team manager, and, finally, manager of the sales department. A female interviewee with a degree in marketing, again, had worked for four different companies, both Western and Russian. She changed between four different areas of economy as well, from publishing through public administration to consumer goods, and, ultimately, tourism. Moreover, during the six years of her working experience she had advanced from the position of sales representative to project manager and then to director of

24 For a thoroughgoing analysis of the Soviet and post-Soviet gender system in relation to work, employment, and family, see Ashwin (2000, 2006).

a smaller Russian firm. These two examples were quite typical of the cases found in the new entrepreneurs' group as well. Since beginning to work, the latter had switched jobs three to five times on the average. Significantly, in all cases it was a question of promotion within the same company or, more frequently, finding a higher-ranking position at another firm or company.

This latter pattern, holding relatively high positions at a young age, was a common feature among both the male and the female interviewees belonging to this group. For instance, among these respondents there was a 24-year-old financial director working for a small Russian company, a 25-year-old marketing director of a Russian brokerage firm, a 26-year-old director of a Russian tourist agency, and a 29-year-old deputy director of a foreign advertisement company. In contrast to the converts who took their first jobs in their mid-20s, the new entrepreneurs had by that age already all acquired substantial experience in post-Soviet-style management, having in some cases even held leading positions in private companies.

Assuming major responsibilities while still quite young is something that became possible only in the new economic conditions changing Russia. Previously, young specialists had to spend a minimum of ten to fifteen years with the same employer before advancing to better positions elsewhere. The new career advancement pattern can thus be related to one of the principal theses of this work, namely that transformation in Russia should also be seen as a time of new opportunities and not only as a process of loss and deprivation. In this regard, for many young, resourceful Russians the opportunity to try oneself out in business even before acquiring a formal degree in it presented itself as a chance to broaden one's area of professional specialisation and learn the codes of various business sectors, that way improving one's chances for higher pay and quick promotion later on. For employers, however, this group of employees is not the cheapest one available and, above all, not the most loyal. Yet, small enterprises within the new private sector remain very much committed to hiring and retaining younger job applicants, as in the long run they will usually prove the hardest workers.²⁵ On the other hand, high turnover of personnel within the new private sector in general, and among the new entrepreneurs in particular, also means working under greater pressure in terms of job

²⁵ For an assessment of the labour force within the Russian new private sector, see Clarke (1999:34-53), Clarke (2007:126-161).

tempo and working hours expected, compared to workers in the traditional sectors of the Russian economy.

The converts and the new entrepreneurs alike work with new tasks or within new areas of business, which frequently brings responsibility for things that stand outside of one's scope of competence or formal skills. In this context, the propensity to "not give up" becomes particularly important. As the personal stories I collected reveal, one has to be able to learn things very quickly and often thrive based on the attitude rather than intimate knowledge of the matter at hand. Under such conditions, many interviewees described abilities such as to "find a solution," "be an inspiration to people," and "not only perform the task but also develop it further" as the crucial features required of entrepreneurs in the new economic conditions. As Clarke (2007: 118) has observed, the environment these and other similar qualities make possible improves the possibilities for innovation, while at the same time the outcome of one's efforts remain "as much the matter of luck as of skill or judgement."

What was common to all interviewees from the E-MBA group was their active stance in life. During the interviews, for instance, both groups frequently employed vocabulary such as *rasti* (to grow), *dvi-gatsja* (to move forward), *podnimatsja* (to climb higher), and the like, reflecting the interviewees' ambition for further development in life, in terms of their personal goals and inner selves but also in their relationships with their partners, friends, and family members. The desire to develop oneself and pursue further challenges is today most visibly manifested in the pursuit of career development, signifying the emergence of post-Soviet values. Common to both groups of interviewees was the urge for further education, lingering on as a vestige of the Soviet-era *kul'turnost'* ethos. It was a common tendency among the individuals in these groups, for instance, to spend long hours learning foreign languages on one's own. In addition to English, which was the working language at the business school I studied, the majority of the respondents stated that they spoke or could read in at least one or two other languages. German and French were the most common second and third foreign languages. Interestingly, though, although a clear minority, it was the women in my sample who were more often fluent in foreign languages, compared to the men.

Obtaining a diploma for one's first and even more so one's second degree can also be seen as a step in the project of personal development.

Many interviewees stated that they applied for a Western business education programme not only hoping to “improve [their] skills and promote [their] career development” as well as “widen [their] world-view,” but also because they “like to study” in general or wanted to “do something useful” with their lives. It remains, however, to be asked why it was important for them, and many others like them, to seek a Western business degree when the majority of them actually worked in a Russian context and were determined to continue doing so for the foreseeable future.

Western Formulas for Russian Reality

Of the converts and the new entrepreneurs interviewed, most had some kind of connections to Western businesses, either through their employment at a Western company or through the Western customers they had in their Russian businesses. Rather few, however, had experiences of studying business in both Russian and Western business programmes. The main differences between the Russian and the Western concepts of business education can be found in their curricula, teaching staff, teaching methods, and, most prominently, student body.

Curriculum

As reflected in the curricula, teaching economics has changed profoundly in Russia since the end of the Soviet period. From a standard curriculum where the planning of the national economy formed the main focus, the emphasis has shifted to strategic planning, commercial and investment banking, marketing, and human resource management.²⁶ Even so, business schools in general continue to profile themselves as distinct from the economic universities in the country. At them, the argument goes, students learn how to do business in practice and not by the book (Lukjanova 2000; Buhovtsev 2002). Furthermore, a comparison between Russian and Western business school curricula clearly reveals how different the business philosophies behind the teaching in each case in fact are.²⁷ Even though the Russian business programmes were initially influenced by Western ideas and concepts, most of them have remained more academic than practical in orientation. This insistence in upholding their academic profile represents a

²⁶ See Puffer (1994) for a comparison of business school curricula from 1980 and 1993.

²⁷ For such a comparison see, for instance, an example of a Russian business school curricula at www.mirbis.ru and for a Western one at www.sseru.org.

response to the fact that applicants to the business programmes are already well educated, some of them coming with previous academic degrees. Academism is also deeply rooted in the tradition of the Russian education system, which for a long time trained specialists for various branches of the economy, with first two years spent in general studies followed by specialisation in a more narrowly defined professional field. This approach has basically precluded the training of business skills applicable across various industries. In consequence, most of the managers in the Soviet and early post-Soviet era learned their managerial skills in practice and not at business schools. Another feature of the academism characterising the Russian business programmes is that the curricula are so designed as to devote most of the classroom time to lectures at the expense of seminars and independent work.

This latter feature is less pronounced today, when the curricula of all schools in Russia show a tendency to appropriate elements from the European or American models. It would, however, be intriguing to ask whether the curricula are starting to resemble each other as a result of the developments in Russia's economy, which is increasingly becoming like any other Western economy, or whether, to borrow the expression of Barbara Czarniawska and Bernard Joerges (1996), the similarity might be a sign of "pseudo-imitation" through which the concept of Western business education that so successfully has been applied in many other contexts is being transplanted into the Russian soil. Be that as it may, one of the main differences distinguishing the curricula taught at Western and Russian business schools involves their focus on the needs of either the domestic or international/global economy. The Western schools claim to stand for the internationalisation of business, and thus teach subjects such as international law and finance, international strategic marketing and finance, and others in this vein. The Russian business schools, on the other hand, defend their domestically oriented profile by arguing that they are better equipped to prepare specialists for local business needs, which are unique and cannot be understood from Western business perspectives alone. The amount of classroom time devoted by the different schools to international and domestic issues speaks for itself. In most of the Russian schools subjects related to the domestic business issues take up approximately two thirds of all teaching hours, with the rest dedicated to international business.²⁸ At joint Russian-Western institutions the distribution is usually more even, with, however, somewhat more attention given to

²⁸ *Ibid.*

domestic business issues. At the “purely” Western business schools, the curricula focus almost exclusively on international dimensions of business. As the director of a local KPMG office expressed it, “Russia is gradually moving towards international standards, so I see little long-term value in teaching Russian accounting and reporting standards. Russian corporate accounting is still largely based on how to report to tax authorities, rather than any kind of management-accounting principles” (Ters, *The St.Petersburg Times*, 9 September 2003).

Another aspect worth stressing here is the language of education which also contributes to the differing profiles between Western and Russian business schools. As mentioned above, few of the Western business schools operating in Russia teach all their classes in a foreign language (English is usually the standard). At the same time, all schools are in agreement that English is necessary for business education and practice in general. English has become the dominant language even in schools that offer MBA programmes in collaboration with a Western partner from a non-English speaking country. The same is true for all multinational companies that operate in Russia (and the rest of the world). Many Russian business schools follow this trend, either by demanding a minimum English proficiency from the start or by providing supplementary English courses as part of their core programme. Undoubtedly, a good command of English is essential for any manager or entrepreneur wanting to work effectively in today’s globalised economy, of which Russia is an integral part. Critical voices, however, argue what is often forgotten as a consequence is that Russia’s business potential lies more in the near abroad, in countries like Ukraine and Poland, rather than the far West, in the European and American markets. Knowledge of languages other than Russian and English would thus significantly improve the chances for successful business cooperation within and outside the country. Unfortunately, very little debate has taken place on this issue either in Russia or abroad.

Faculty and Teaching Methods

The faculty and the teaching methods employed at the business schools also seem to conform to the idea of “coming from different realities.” It is often expressed that Russian business schools still lack professional staff with experience from working within the business world. The faculty at Russian business schools usually comprises university professors with life-long academic and teaching experience. Few of

them speak languages other than Russian. Yet many of them prefer to work within business education instead of other Russian universities, not least because the difference in salaries can be quite substantial. Teachers qualified to work in both Russian and Western business schools are few. According to estimates, in Moscow, for instance, there are only 100 professional business teachers working simultaneously at several business schools (Saruhanov 2003). Many of them have taken retraining courses abroad. Furthermore, given their valuable teaching experience at various Western business schools in Russia, they remain in a high demand. Western faculty are generally in minority even in the Western-style schools, and only few among them are working in Russia on a permanent basis. The most common arrangement is that the Russian faculty makes up the permanent staff while the foreign teachers change from semester to another.

The competence of its faculty is a major resource that the schools must rely on, given that the quality of the teaching materials varies from place to place. In the Western school I studied, for instance, course literature was largely based on research monographs and case studies authored by the school's own faculty or by prominent business practitioners. Another source of teaching materials was the publishing activities of the school, concentrated on translating modern business literature into Russian and publishing working papers written by the staff in collaboration with researchers from outside the school. Such an opportunity, however, is quite rare in other business schools around the country. In addition to the fact that most of the literature in Russian business schools is drawn from the economics canon rather than management theories, few members of the Russian faculty have the ability to go beyond the frame of the textbooks to demonstrate how the theories discussed can be applied in concrete business situations.

In Western business schools the most common methods of teaching and learning rely on analysis of business cases, teamwork, business games, mock business plans, and the like. The very idea of a "business case" is that it provides the students with a description of a company or another institution that encounters a concrete business problem to be resolved. Such cases may serve to prove the theory, but more often than not they challenge the theory and induce students to seek new knowledge and practical solutions for the situation. What is particular for business cases is that they can be culturally conditioned and thus difficult to generalise across countries. In this sense, business cases drawn

from the purely Western realities of business operation are not always useful in the Russian situation with its characteristic business problems. Nevertheless, using business cases means more interactive learning than ready-made solutions presented regarding a problem. Other factors that prompt more active employment of interactive teaching methods in the Western business schools are small student groups and the preference for independent learning over lecturing. Learning by interaction is highly appreciated by Russian business students, who come with first-hand experience from a variety of businesses but are still eager to learn more about how to improve their business practices and decision-making processes. One of the Western lecturers in the faculty of the school I studied consider business students in Russia to be more demanding about their quality of education, while showing also more respect for teachers who are “open to questions” and not “afraid of being fallible.”

Another cornerstone of the learning approach practiced at the Western business school I studied was teamwork. Teamwork as a method divides students in smaller groups, in which they discuss business cases, reflect on their reading assignments, and prepare presentations on how to solve specific business problems. In Russia, working in teams presents a challenging task. One Russian staff member stated that Russian participants come to the school as “leaders” not used to working “in a team” in which everyone’s views are to be respected. To turn this drawback into an advantage, the school invested much time in psychological training and games through which the students learned to listen to one another. Several of the E-MBA graduates described this training as a unique part of the school’s spirit and mission, unlike to any other business schools they knew about. As one of the new entrepreneurs among my interviewees explained it, psychological training and business games were used to prevent possible conflicts based on the assumption that “I am not like you; I am better than you.” Sitting around the same table and asking one another questions such as “Tell me about yourself, tell me about your work! What do you appreciate in other people?” made the atmosphere in the group more relaxed, with business education graduates starting to appreciate one another as “equals.”

Unique Student Body

A major difference between the Russian and the Western business schools, as indicated by the interviewees, has to do with the students enrolled in their programs. Cautious of one another at first, the E-MBA participants had soon begun to realise that their fellow students were equally intelligent, equally determined, and, most of all, equally reliable as professionals, and that it was possible to openly discuss business matters with them and ask for their support in difficult business-related situations. The benefits of meeting people with “the same worldview” were not something the E-MBA graduates were aware of from the start. It thus came as “a shock” for many of them that among their fellow E-MBA students they could find not only trustworthy and reliable business partners, but also “like-minded individuals” (*edinyomyshlenniki*) and even friends. Participants in the Western business school programs clearly draw a line between themselves and the “red directors,” who were former Soviet managers dominant at the Russian business institutions at the time. In the interviewees’ own understanding, they belonged to a generation of entrepreneurs/managers/directors who “think differently,” who were “hardened by the experience of the 1998 economic crisis and survived,” who strove to “further develop their businesses” and were in it not for the “mere consumption of the profits.” Learning from others who had gone through similar experiences made it easier for the interviewees to find solutions to many unresolved issues in their own businesses, minimise risks, and establish reliable partnerships and collegial bonds. Meeting people “of the same stature” who were “in a similar situation” and had “similar aspirations” seems to have led to results going beyond mere increase in business competence. The experience often turned out to be invaluable, having more lasting effects such as greater confidence in oneself and in one’s business opportunities. New entrepreneurs in both generational groups indicated that after having met people in the same situation they felt more comfortable about their own ability “to start a new business,” their own knowledge and skills level, but that they also felt “more prepared for future challenges” in business and in life more generally.

Why Western Business Education for Russians in Russia?

Business education has been on track in Russia for almost twenty years by now, and obtaining an MBA degree has become a popular strategy among businessmen and -women seeking to advance their careers. Nearly 25,000 professional managers and businessmen graduate from national business schools in Russia each year (figures from Buhovtsev 2003a); including the graduates from the Western business schools this figure is higher still. Compared to the United States and the EU, however, where the number of business school graduates in 2000 was, respectively, 70 and 20 per 100,000 employees in the business sector, in Russia the same figure was just three.²⁹ An MBA degree remains thus quite a rarity among the country's managers and businessmen, and the question arises as to what makes them want to pursue the degree in the first place.

The Students' Perspective

In the early 2000s, when, economically speaking, Russia began to occupy a stronger position in the international arena, the internal economic structures of the country did still not fully conform to the tenets of market thinking. Many Russian businessmen admitted that there was a huge gap between the way they pursued business in practice and "the way it should be done," as my interviewees expressed it. There was also a lack of positive imagery and perceptions regarding this ideal manner of going about doing business and the associated behavioural standards expected of businessmen. In the absence of positive endogenous notions of business and entrepreneurship, the Western prototypes provided the only models for emulation, deemed as they were still superior in terms of their social legitimacy and economic effectiveness (see, e.g., Khapaeva 2002). From this perspective, Western business education was then believed to be able to assist in the process of creating a solid framework for Russian businessmen, to help them grow more civilised, professional, and decent in the image of their colleagues in the West.

The converts and the new entrepreneurs I interviewed stated that they chose to enrol in a Western business programme because it was more "authentic" than the Russian alternatives. The advantages that E-MBA students saw in getting a Western business education included the fact that it was more based on experiences and knowledge acquired "first-hand," that it was taught by people with "a Western mindset and attitudes," and that it corresponded to the model of "classical business

²⁹ See www.ourtalents.org/doc/education.shtml.

education as it should look like.” Notably, the esteem accorded to a Western MBA degree was (and continues to be) higher than that of the degrees from Russian institutions, as it was understood that business education in the West had a significantly longer academic tradition. The theoretical concepts it relied on were believed to stem from the realities of the developed capitalist economies, serving as an ideal against which Russian economy was often evaluated. It is on these grounds that Western business programmes were considered to offer “a brand new approach” helping to build “competences that cannot be developed simply by reading economics books.” The higher value in which Western business education was held did not, however, mean that the new entrepreneurs in my study were uncritical of the Western business curriculum, or of Western teaching and evaluation methods. Instead, their perceptions derived from their experiences of other institutions offering business education in Russia or from their encounters with other businessmen who had not received any business education at all. Several interviewees stressed that even if the Western business programmes carried out in Russia were “not perfect” and perhaps not even “purely Western,” they were still “the best option” for those not willing to leave to study abroad.

There were also several purely pragmatic reasons for why the converts and the new entrepreneurs preferring obtaining a Western business degree instead of a Russian one. To begin with, most of them hoped to advance in their business careers, either by setting up a new company (or becoming an owner of the one they already worked for) or by obtaining a higher position within a Western company. Among my interviewees, there were more managers of various levels and managers-owners than “pure” business owners. This was not accidental since the school purposely recruited younger entrepreneurs, who in most cases simply had not had time to advance that far in their careers. On the other hand, the focus on the younger entrepreneurial Russians was motivated by the broader mission of the business school, according to which one of the main goals was to provide the students with the knowledge and skills necessary to successfully start their own businesses. The interviewees seemed to respond this call with calculated enthusiasm. Equipped with their past work experience as amateurs in private business, they felt more prepared to take the step to becoming owners of their businesses after acquiring their degrees.

There was, again, a clear difference between male and female students with regard to how they saw their future careers to develop. On the one hand, interviewees of both sexes stated that they felt ready for the challenge of starting their own business. Some even considered that starting on one's own would mean "a breakthrough in career advancement" or "attaining a balance between doing your own thing and fulfilling a dream." On the other hand, it was quite obvious that male interviewees were more willing to pursue this dream in reality. For them it promised more "freedom" and "independence" than what one could enjoy as a manager working for someone else, while female respondents preferred to find a job in a larger Western company for the sake of more "security" and "career growth." At the same time, among the men and women who already were director-owners or manager-owners (four out of seventeen interviewees), there was an equally pronounced sense of anxiety and pressure related to the "responsibility," "risk," and "uncertainty" that the status as an owner entailed.

Various international studies have shown that approximately 25 per cent of MBA graduates hope to open their own business, while 15 per cent actually go on to realise this dream (see Buhovtsev 2002). In Russia, there are quite contradictory views as to what kind of specialists an MBA programme actually trains. Some suggest that business education is not for the entrepreneurs expected to become innovators, being more suitable for training qualified managers who can effectively administer available resources. The differentiation, however, is rather artificial, given that the tasks that contemporary Russian entrepreneurs and managers both need to deal with are relatively similar, involving strategic thinking, teamwork, innovation while resolving concrete business problems, and the like. It is true, however, that MBA graduates' chances of finding employment are higher than the likelihood that they succeed in opening their own business. According to the available data, up to 75 per cent of the graduates from the national business schools found employment immediately upon graduation, and 89 per cent had found a job within six months from graduation. These figures are comparable to the United States and the EU countries.³⁰

The reasons behind this trend are twofold. On the one hand, according to the Global Entrepreneurial Monitor (2007), entrepreneurial activity in Russia declined at the same time as Russian economy experienced its highest GDP growth in years (8 per cent in 2007). This could be interpreted as a positive sign, the report suggested, indicating

³⁰ See www.ourtalents.org/doc/loans.shtml.

that the need for entrepreneurial initiative had become less urgent and professional businessmen had moved into better positions in larger-sized corporations. There are, however, grounds to doubt this assessment. The new private economic sector where most of the entrepreneurial initiatives start from scratch is an area of the Russian economy most thoroughly penetrated by the capitalist rules of management and production (see, e.g., Clarke 2007). While still small in size, it nevertheless stands for some of the most dynamic segments of the economy, with high potential for employment, mobility, and innovation. Yet, it remains vulnerable in a number of ways, having to do, first and foremost, with insufficient financial support, high barriers of entry, and low survival rate (see, e.g., GEM 2007). Moreover, working in small businesses or being an owner within this sector entails non-standard working hours, a need to assume higher risks, and necessity to work under constant uncertainty.

Another motivation for seeking a Western business degree is of the expectation of (eventually) higher pay. A jump in income upon graduation, however, is not an end in itself, even if most of the MBA degree holders expect their earnings to go up sooner or later. According to the Graduate Management Admissions Council, MBA degree candidates worldwide can on the average look forward to a 56 per cent increase in their income upon graduation. Comparable statistics often referred to in the Russian media show that MBA graduates in the United States usually earn between USD 100,000 and 120,000 a year (Ogney 2000; Makarenko 2004). In Russia, the salaries for similar positions do not usually exceed USD 50,000 to 80,000 a year; however, some MBA graduates may receive up to 40 or 50 per cent salary rise upon completing their education. This, however, depends on several factors. To begin with, there are considerable differences in wage levels among the Russian and foreign firms in the country. The latter usually offer a two to three times higher monthly salaries to their top management (e.g., Vitkovkaya 2004:20). In addition, the sector of the economy in question also plays a major role. Those who opt for the commercial or financial sectors may expect higher salaries than others, even when these represent very dynamic spheres of the economy with few guarantees that can be provided, compared to the more stable working conditions within the state sector (Ogney 2000; Thompson 2000). Another important issue to consider is that income levels are generally higher in

Moscow, and to some extent also in St. Petersburg, than in other large cities and the rest of the country more broadly.

None of the converts and the new entrepreneurs I interviewed indicated that the immanent prospect of higher income had motivated their choice to pursue a Western degree. Discussing money in general is a sensitive issue in Russia, given that there is little transparency, whether in the private sphere or in the official domain, when it comes to individuals' incomes, salaries, and other sources of survival.³¹ What entrepreneurs in both generational groups I interviewed stressed is that they treated money as a means to something else, rather than an aim in itself. Investing in further education, in their case a Western business degree, presented a good example of this attitude. Before entering the business school, my interviewees had received salaries four to six times higher than the national average (in 2000). Most of them had decided to pay for the education themselves, as the fee for one academic year was still rather moderate for the first group of E-MBA participants (amounting to two to three times their monthly salary). Within a span of just few years, however, the cost of business education rose tenfold or more (see www.clumba.com). Unlike in the West, those who want to pursue an MBA degree in Russia have to solve financial side of the equation on their own. The system of bank loans and sponsorship by business enterprises is only now starting to take shape in the country. In addition, loans could only be obtained for only up to two thirds of the programme costs and the interest rates are very high. The banks usually require guarantees from at least three other individuals with stable incomes.³² Taking a calculated risk, prospective MBA students are nonetheless prepared to pay for their education themselves. In doing so, they are partly inspired by the encouraging example of other MBA graduates testifying to the fact that, depending on the type of the degree (Western or Russian), it usually takes between one and a maximum of three years before business education starts to pay off in monetary terms (Kudashkina&Krotova 2004; Makarenko 2004). A major reason for paying out of one's own pocket was, however, that MBA participants preferred to feel "free from any obligations to an employer" and free "to leave a job whenever [they] find a better one."

Finally, for those aiming to work within large international companies a Western business degree is of paramount importance. Also many smaller Western companies operating in Russia consider an

31 See Chapter 8, pp. 286–290.

32 See www.ourtalents.org/doc/loans.shtml.

MBA degree an advantage. It was, however, not for the sake of employment prospects per se that the E-MBA students I interviewed valued Western education. Rather, it was the improved chances of being able to work in an international environment that motivated their choice of an international programme as well. As already noted, many of the interviewees were already employed by Western companies at the time they decided to apply for the programme. While attending a Western business school they learned “a common language of Western business” that they hoped would add to their credentials in more than one way. While most of the students expressed a desire to work and make a career in their home country, they were nonetheless aware that their qualifications might prove of high value beyond the Russian borders as well. This became particular clear during the interviews conducted at a time (2001) when the memories of the 1998 economic crisis were still fresh in everyone’s mind. Several of the students I interviewed considered a Western business degree a possible guarantee that would allow them to make a living abroad if they had to leave Russia.

Few Russian MBA graduates, however, end up going abroad for work. Western diplomas obtained in Russia are seldom accredited outside of the country’s boundaries, which makes Russian job candidates less competitive in the international labour market. In addition, taking up a position abroad often requires leaving one’s job at home and falling out of the contact network with the local business community, something that will affect one’s prospects upon the eventual return back to Russia. Even among those interviewees who expressed that they did not mind working in a foreign country in the future, few ended up actually doing so owing to the social costs entailed. Having to leave their friends behind and uproot their family and children did not present itself as an attractive scenario. Moreover, taking into account the lower tax rates and the lower cost of living in Russia, working in a foreign company but at home instead of abroad seemed to offer a far more lucrative option than a position beyond the country’s borders. Working internationally while staying within the country was, furthermore, a top priority for those among the new entrepreneurs who saw Russia’s future in the global economy and not in its outskirts.

The Employers’ Perspective

Employers in Russia remain not wholly convinced about the value of an MBA degree. Some consider it a necessary precondition for beco-

ming a good manager/businessman, but still not sufficient on its own. Others emphasise that the personal qualities of a manager/businessman matter much more than the degree they might have. A good illustration of the overall attitudes towards MBA degree holders among employers in Russia is provided by a survey conducted in 2004 by Begin.ru (Gorelova 2004). Almost 90 per cent of the ninety Russian companies surveyed indicated that they would prefer hiring MBA degree holders for their senior positions. Moreover, half of these companies already employed MBAs in various positions. Yet, while employers might prefer having highly qualified personnel working for them, they are seldom willing to pay for the business education of their managers. As the survey revealed, only 10-15 per cent of the companies returning the questionnaire indicated their readiness to sponsor their employees' business studies.

The doubts about the value of an MBA degree are partly due to the fact that business education in Russia, while clearly in the radar of employers in the largest cities, remains rather unfamiliar territory for employers in the regions. The core labour market for the MBA graduates is still located in Moscow, St. Petersburg, and a few other larger cities. Even there MBA degrees obtained from Western-style institutions are viewed with a degree of suspicion. Domestic companies, especially the smaller ones, seem to prefer employees who can resolve practical problems specific to the business environment in Russia, still plagued with much uncertainty (Ipatova 2003). Another reason for the cautious attitudes towards the graduates of business schools is that the latter often represent a new vision of doing business, potentially bringing many changes in the company that in turn translate into extra expenditure and increased cost of human capital. Moreover, employers in Russia, especially in the domestic companies, often prefer hiring applicants with a combination of a more classical training (in engineering, economics, and natural sciences) and good potential for learning on the job, as this better ensures their loyalty to the company. In addition, during the years of studies MBA students devote much time to lectures and practical assignments, which from the employer's perspective may constitute a major obstacle to performing well in their main tasks on the job (Thompson 2000; Stolyarova 2001; Gorelova 2004).

The attitude among the MBA students themselves, as can be inferred from above, is quite the opposite. For instance in the school I studied, one third of the MBA graduates applied to the program to have the

freedom to quit working for their employer when their ambitions remained unrealised. Loyalty to one's employer seems to be a value of no particular importance to business graduates in Russia.

Most employers in Russia share the view that MBA graduates are ambitious and determined to fully realise their professional potential; yet, the degree itself pays off differently in Russian as compared to foreign-owned companies. Russian companies in general are prepared to pay employees with an MBA degree no more than one third of the salary they would get at international companies. The difference is easy to justify in the eyes of the domestic employers, who compare the standards they use to average incomes in Russia, which remain considerably low. Yet, the employee with an MBA degree is usually expected to perform according to their formal qualification and not their salary level (Gorelova 2004). For employers, whether Russian or Western, job applicants with an MBA degree are expected to be able to act as team leaders and innovate in the business process. They are further expected to demonstrate a high level of organisational ability and a high motivation for work. Proficiency in the English language is another standard expectation. Western and larger Russian companies generally value an MBA degree much more highly than the smaller Russian employers (Stolyarova 2001; Ters 2003). Those most keen to employ MBA graduates in Russia are transnational companies looking for personnel with good knowledge of international business. Their expectation is that managers/businessmen with a Western business degree should be able to not only do business transnationally, but also manage a staff with many international backgrounds. These kinds of companies are still few in Russia, but they are certainly the largest employer of graduates coming from Western-style programmes (Matveeva 1998; see also Tim 2002 for a description of a similar situation in Latvia).

Western Ideas in Russian Translation

In this chapter, Western business education in Russia has been examined as a case study lending itself for a specific analytical purpose. In other words, besides having a value of its own as a source of useful information, the discussion as advanced above yields insights into other, broader processes of influence and communication between Russia and the West during the 1990s. Following the footsteps of other Western initiatives at the time, Western business schools arrived in Russia early

on as either partners to domestic business schools or agents acting on their own, aiming to bring changes into the domestic business education system and business practice. Their arrival took place at a critical juncture where the need for a new type of business, management, and entrepreneurship had already been recognised in the country. Yet the Soviet legacy in these fields continued to weigh heavily, and models of “how business *should* be done” were extensively borrowed from the West under the shared assumption that Western countries were more advanced and more experienced in the workings of the capitalist economy. Against this background, it is important to understand how Western notions of business and entrepreneurship have been translated to better suit for the Russian reality using the channels of business education. Another important concern in this chapter is to gauge the extent to which Western business education might have influenced business practices in the field.

To help gain a better glimpse into these processes, I will draw on the notions of *imitation* and *translation*, briefly discussed in the early part of this thesis.³³ Following Guje Sevón (1996:50), imitation is a process that, as proposed by the many studies on this phenomenon across a variety of disciplines, consists in “reproducing or transcribing an original product,” be it a successful business strategy, technology, or any other cultural accomplishment or feature. In this meaning, an act of imitation assumes the existence of an original, seen as an innovation, and an imitator copying the original as a given, objectified phenomenon. Based on the discussion above, it is possible to argue that at the outset both the West and Russia seemed to endorse the idea of imitation in the sense of “copying the original.” For various reasons, “the original” at that time was perceived to be *the Western model* of business and entrepreneurship.

For Russian business educators and entrepreneurs themselves, Western business was associated with superior quality, deeper traditions, and proper business ethics, all worthy of emulation. Western business educators and business practitioners, in turn, indulged themselves in the idea of their own superiority and considered direct transfer of business knowledge to Russia as the most appropriate strategy. Despite the fact that, in reality, different Western countries embrace different business ideas and practices, a common assumption was that the language of business is the same everywhere, and that embracing the universal ideology of business would then finally bring Russians into orbit of the

³³ See Chapter 2, pp. 63–66.

global business community. Taking business and entrepreneurship to be the major engine of Russian transformation to capitalism and democracy, many Western business educators also believed that business laws and values were universal in nature. Consequently, it was expected that these laws and values would function independently of their cultural or political contexts of application.

What at first seemed to be a smooth process of knowledge transfer and emulation of the best practices turned out to be a much more complicated process of learning, interactions, and mediations, which often entailed both fascination and frustration on each side. This, however, is not to say that the outcomes from the dissemination of Western business ideas in Russia have been solely negative. Rather, the expected imitation evolved into multiple processes of translations where, in Sevón (1996:51) terms, an imitator transforms the original idea by “translating it into something that fits its own context, and materialising it into action.” Furthermore, as Czarniawska and Joerges (1996) have argued, an exchange of ideas takes place via micro-processes of communication between people, without whom ideas simply cannot travel. At the same time, people “energize an idea any time they translate it,” but also “read [it] in different ways” (ibid.:23). In other words, imitation by translation always entails unexpected consequences.

The Western Model of Business as Translated into Russian

With the help of the metaphor of “translation of ideas” it becomes possible to illustrate how the ideas globally associated with business and entrepreneurial activity have been translated by Russian new entrepreneurs in their actual business activities. To make the point clearer, I will focus mainly on the generic aspects of business and entrepreneurship that, according to Kari Partapuoli (1998:12), serve as “the common denominators’ for business everywhere in the globe, and constitute an ideological frame of reference” for the partners involved. Most of the business students in Russia and elsewhere have been taught that:

business people covet profit. To attain profit, they run risks and try to find new niches for entrepreneurship. They form both formal and informal networks for themselves and their firm, and seek to establish contacts based on responsibility and trust. (Ibid.)

These are the basic traits and motives of business activity that ring true everywhere in the world, and yet, business practice as an “ideal” is never the same as its actual performance.

To begin with, the path to profitable and sustainable business is long and hazardous in Russia. As discussed above, most of the converts and the new entrepreneurs in my sample represented small businesses in the areas of services, finance, tourism, advertisement, and industrial production; these were usually new establishments with inadequate starting capital and risk of failure as constant hazards to work against. Being extremely customer-oriented, these businesses were also vulnerable to market changes. For all these reasons, most of the entrepreneurs in the new private sector have to work around the clock to give their businesses a chance to survive and make progress, even if slowly. For a new generation of entrepreneurs, women and men alike, who tend to spend between 40 and 55 hours a week at their offices, work forms the core of their self-identity. The job becomes a place as important as the home, a commitment by which they measure their whole existence. Seeing their businesses make a profit is certainly part of their personal ambition, but it is seldom the ultimate aim. None of my interviewees pointed out personal enrichment as the main driving force in their project of becoming a business owner. Moreover, many of them stated that they would not stop working even if their income would allow such an option. While reflecting the old Soviet-era phenomenon of misrecognition of money,³⁴ this understanding of the role of money and wealth among my interviewees also had to do with the dubious image of private entrepreneurs still looming large in the minds of Russians. There was more than a little apprehension at the prospect of being taken for some of those *chatsnye predprinimateli* (private entrepreneurs), who almost accidentally became rich in the early years of the 1990s and are today universally known as the Russian *nouveau riche*.³⁵ Their obsession with expensive cars, money, and luxury consumption are still looked upon with disdain by many of their fellow countrymen. Another group the new entrepreneurs do not want to be confused with are the so-called red directors. Here the reason is not so much that the

34 ‘Misrecognition’ is a concept introduced by Bourdieu (1986) to characterise the ambiguity of social exchange, which implies both faith and self-deception in the obligation assumed by the exchange. The phenomenon of misrecognition acquires a more concrete meaning when applied to the Soviet practices of social exchange, such as *blat*, thoroughly analysed by Ledeneva (1998:57-72). The roots of the misrecognition of money in the Soviet society are discussed in Chapter 8, pp. 286–290.

35 Another term used to address this group is New Russians. For further analysis of the meaning of this concept in the Russian context, see, e.g. Shmulyar (2000).

former Soviet managers would be appallingly rich, but rather the fact that in the “old times” they grew used to working in conditions of shortage with any profits (mis)appropriated by the state, which is believed to have made them “thirsty” or eager to use the enterprise money as their own even within the market economy.

Another common denominator in all entrepreneurial activity is a willingness to take risks. Starting something new always entails evaluating the risks and benefits of the potential enterprise. It is in the nature of the very entrepreneurial process to be able to identify and deal with ideas and projects that are experimental, innovative, and at times daring. Dealing with difficulties is thus an inherent feature of all entrepreneurial activities. In case of success, entrepreneurs run higher chances for profit; however, the likelihood of loss or failure must be taken into account as well. These are the features of the risk-taking process that the new entrepreneurs in Russia share with their colleagues working in other, more stable market economies. What Western business schools seldom teach their students is how to handle the risks that are clearly more unpredictable in character. Russian capitalist economy abounds with such possibilities, including corruption, extortion, violation of contracts, and so on. These anomalies are not specifically Russian, but they are a far more ordinary feature of the business environment in Russia and other post-socialist economies that still suffer from non-transparency and lack of accountability. In such conditions of uncertainty entrepreneurs learn how to handle risks through various strategies of minimising them. The business school students I interviewed claimed that they always carefully checked the reputation of the first-time business partners, increasingly more often demanded prepayment instead of delivery of goods and services on credit, and had resorted to other similar security measures. According to Vadim Radaev (2004), various types of precautions characterising business behaviour in Russia are dictated by the environment in which the country’s entrepreneurs operate: it reflects the realities of a *low-trust society*, in which the predictability of behaviour of other economic actors remains very low and mutual rules and obligations among businessmen are not always respected. For outside observers such a situation may seem puzzling as, despite the low level of trust in market economic institutions and the lack of mutual trust in business-to-business relations, “new markets keep developing in today’s Russia” (ibid.:93). The paradox, as shown by Radaev, may nonetheless be explained as follows: To cope

with the situation of non-transparent institutional rules, Russian entrepreneurs tend to resort to informalisation of those rules, for instance by settling business dispute outside the courts or avoiding contractual relations with unknown business partners. At the same time, to ensure mutual trust among business actors, entrepreneurs use different demarcation strategies to distinguish “those who deserve trust (acting by rule) from those who are stigmatised as untrustworthy (acting by no rules)” (ibid.:109).

Risk calculation, too, forms an integral part of the responsible attitude that businessmen and entrepreneurs are expected to be able to demonstrate. For instance, it would be irresponsible for a businessman/entrepreneur to aim for immediate profits at the expense of exposing her/his business to high risk. To keep one’s reputation as a reliable business partner is crucial, as Russian business students also learn at school. What they get to learn in reality, though, is that to be able to maintain a good business reputation is even more critical in an uncertain market economy, such as the Russian one where business networks tend to be more closed and failure in the fulfilment of obligations may lead to the failure of the business as a whole. Usually business students are also taught that the functions of a manager and an owner carry differing degrees of responsibility. In Russia, however, these two roles become often mixed, especially within the new private sector where most of my interviewees worked. Depending on a situation, an owner or a co-owner of a small firm can at the same time be its director or manager. As already noted, the rights of ownership and control are moreover not very transparent in general within the Russian private economy.³⁶ In the case of small businesses, the combination of these roles has also additional implications. For instance, a management style in the companies where owner and manager are one and the same person tends to be less discrete. This may in turn affect the ability to make priorities in questions such as investment of profits, hiring extra personnel, planning for further development of the company, and so forth. An owner-manager is less likely to delegate his or her decision-making prerogatives to other professional managers in the company, and instead personally assumes wholesale responsibility for the well-being of others. In addition, in businesses with poorly differentiated ownership and control functions there is a higher propensity for conflicts, as the will of the owner-manager does not always correspond with the preferences of other managerial staff (e.g., Clarke 2007).

³⁶ See Chapter 6, pp. 213–223.

To help new entrepreneurs navigate the uncertainties of the Russian market economy, Western business educators have been actively promoting the role of networking and business alliances of various kinds. An advantage of business networks, as E-MBA participants learn during their coursework, is that they can function as a safety net, as a source of information and promotion of business ideas. They can also serve as a supplier of initial capital or as reliable business partners. On the other hand, Russian entrepreneurs have frequently resorted to using their well-developed networks as a “parallel currency” in the Russian economy, to help them find a better job, raise investments, and protect their capital. Their argument has been made, for example, that the very personal networks that helped to undermine the power of the authoritarian Soviet state and satisfy consumer needs in the conditions of shortage, seem to have effectively transformed into “personal links” on which many new Russian market establishments have today founded their operations (see, e.g., Clarke 2000; Ledeneva 2001).

Many of the converts and new entrepreneurs I interviewed were well aware of the significance of networks as a “parallel currency,” as providers of *access to resources*. Out of the 17 business school students I interviewed, more than half secured their first jobs via family members or friends. Among the younger entrepreneurs, it was common to be either directly involved in businesses managed or owned by their fathers or to find a job through parents’ connections at their own workplace. This is how a young engineer in applied mathematics came to gain his first job experience, working as an accountant at his father’s private company; another young male interviewee with a degree in computer design had tried his hand at sales management working for his father’s firm. For some of the new entrepreneurs, gaining a first foothold into the job market via positions in small private companies that were brokered by either parents or friends eventually led to successful careers in the same business areas. The very fact of having resorted to *blat* to find a job was, however, considered an “ugly thing” to do. While acknowledging the helping hand of a parent or a friend, interviewees often described the practice as something uncomfortable or even shameful to them. Practicing *blat* as a safety net themselves, the interviewees thus tended to misrecognise it the same way they misrecognised the role of money. In a way, they represented their own actions as normal practice, insofar as the purpose was “to help out” *other* people looking for a job, while

rejecting the use, or at least the importance, of *blat* as a means of advancing their own interests.

One challenge for the Western business schools operating in Russia is that their students come with already quite substantial working experience from the new private sector, yet they do not readily show trust in one another. To turn their individual entrepreneurialism into what can be termed as *social capital*, which the schools and their students could then draw upon in later life, Western business educators used various strategies. One of them, as discussed above, was team building that is used to help entrepreneurs and business(wo)men to understand the value of free exchange of information and find new ways of cooperation. Another strategy was the creation of a career centre to help promote an image of the school's E-MBA programme as "an education for careerists in the best sense of the term." Encouraging their students to create networks among themselves as well as among the companies and branches of business where they were already employed, was also a conscious strategy used by business educators. To stress the difference between these networks and *blat*, Western business schools presented networking as an open exchange of recourses that are intangible in character. Understood this way, networks were considered less "harmful" than exploitation of personal contacts to procure material goods or favours.

Students in the Western business school I studied learned to appreciate network building, understanding their positive implications for both their own projects and the Russian business community in general. Both the converts and the new entrepreneurs stressed the importance of finding trustworthy and reliable business partners, a scarce commodity in their everyday business environment. Appreciating the opportunity to meet others with similar experiences, they came to realise that they were "not alone," that was indeed possible to find "trustworthy business partners," that it was now easy to "ask for a professional opinion," and that what they had in their colleagues was "an invaluable reserve of business knowledge and accumulated experience."

Indeed, one outcome of the socialising and networking activities within the group of the E-MBA students was the emergence of a network of friends with common interests and values. This was more obvious in the case of the new entrepreneurs than the converts, who preferred to keep friendships separate from socialising in business context. For younger entrepreneurs, on the other hand, the new circle of friends

who were close in both intellectual and personal terms and had similar experiences from working in the new private economic sector, tended to replace other contexts of communication.

The limited nature of the data at my disposal did not allow determination of whether communication within these groups was free of instrumental attitudes and orientations or whether there were any lock-in effects often typifying this kind of relationships. It seemed, however, obvious that the emerging friendships were based on genuine, reciprocal trust and open interaction. This is what some interviewees referred to as “the family feeling,” indicating that they related to one another as they were, as human beings with all their weaknesses and defects. It could be further argued that bringing in their own family members into such networks of friends broadens the graduates’ contacts beyond their own group with its specific resources. In other words, one can speak of the interviewed students as “liaison persons,” building bridges that extend beyond their own immediate environment and creating a more open network of “weak ties.” As argued by Mark Granovetter, “weak ties” are of considerable advantage in difficult economic conditions where trust is the most valuable commodity (Granovetter 1995). What is more, networks based on “weak ties” might work more effectively in Russia than elsewhere, as membership in formal groups and associations cannot be said to provide a readily available alternative there yet. Alessandro Kihlgren (2002), for instance, has pointed out that small businesses in Russia grow slowly partly because entrepreneurs lack reliable networks based on professional and not personal contacts. For instance in St. Petersburg, where my own study was conducted, 94 per cent of the entrepreneurs do not belong to any associations.³⁷ As Kihlgren (*ibid.*:10) has explained it:

Up to now, formal networks have played a very limited role in fostering entrepreneurship in Russia as banks tend to ignore new firms, consulting is mostly unaffordable and business associations reach a limited number of entrepreneurs.... [Thus] the average entrepreneur tends to be isolated.

For many of Russia’s new entrepreneurs, building networks with other professional businessmen whom they can trust is the first step on a long path of breaking down such isolation.

³⁷ Figures as reported by Leontief Centre (1999) and cited in Kihlgren (2002:10).

Alternative Business Practices

Based on the discussion so far, we may assume that Western business education and the way its ideas are translated in the Russian context create an alternative source of authority for business practices among Russian new entrepreneurs. What the material discussed above suggests is that the new generation of entrepreneurs exhibits traits that are more progressive and supportive of market economic changes in Russian society. The new entrepreneurs' ability to relate to challenges as mere opportunities is much more pronounced compared to the rest of the population. This explained in part by their social backgrounds, having grown up in Soviet middle class families where parents promoted their children's ability to take independent decisions in life. My interviewees also enjoyed the advantage of living and working in Russia's second largest city, where business infrastructure and international connections were better and closer on hand than in most other places in the country. New entrepreneurs' personal and business careers witness their high ambitions, their urge for self-improvement and personal growth, and their acceptance of challenge as a motivation to develop further.

At the same time, given the many uncertainties of the Russian business environment, new entrepreneurs still put the priority on the survival and secure growth of their businesses, instead of pursuing profit at any price. They calculate risks more carefully and choose their business partners scrupulously. They also continue to believe that informal contacts based on common values and shared interests are more reliable than impersonal types of associations. After attending a Western business programme and, as was the case with many of my interviewees, working within Western-owned businesses in the country, some clear changes nonetheless began to be noticeable in new entrepreneurs' business minds and business practices.

To begin with, Western business education in Russia can be considered as one of the important arenas for building what Radaev (2004:102) has designated as "segmented business ethics," or strategic business alliances in which reputation-based trust increasingly substitutes for affect-based trust typical of friendships and other kin relationships. As discussed above, the Western business school I studied brings together people from different economic spheres and occupational fields of the Russian market economy. Many of them work for smaller international companies. Some of them are employed at large inter-

national corporations and others lead smaller Russian private firms. Besides coming from a variety of business areas in which, however, production, services, and finance dominated, my interviewees also represented a broad range of positions within these areas: there were sales managers and general directors, business owners and managers of diverse sorts. During the two years that their business education took, these individuals had to work together to find solutions to business cases, participate in business games, and prepare business plans. These represented important occasions in which not only the transfer of knowledge and skills became possible, but also reputations were built that could then be relied on as a resource in building future business collaborations. Building trust-based business relations on a small case reduces risks and makes the business environment more predictable. At the same time, “segmented business ethics” based on reputation and professionalism has the potential to transcend the formal and often non-transparent business rules, and eventually stimulate the creation of new business conventions or “shared understandings of the market situation and accepted common rules of business conduct” (ibid.: 103).

Another important change in the new entrepreneurs’ business practices was their new willingness to rely on merit and professional reputation rather than informal contacts. After the 1998 economic crisis, most Russians had to widen their job search net; yet, personal contacts, the family circle, and friends in particular continued to play a crucial role in both job hunting and job placement. Using personal networks proved not only necessary to find a better job, as was common during the Soviet period as well, but also indispensable if one were to find any employment at all. Clarke (2000) has spoken of this period as “the closure of the Russian labour market,” as personal contacts became virtually the only asset guaranteeing entrance into the Russian labour market. As shown by Clarke, there is an important dimension here that should not escape our attention. Most of the new entrepreneurs in my sample had already accrued experiences of “doing business as amateurs” in the early part of the 1990s. They worked as sales representatives, commercial agents, and interpreters within trade and commerce, the two most flourishing areas of economy at the time. Not having the necessary skills to enter business professionally, many of the interviewees explained that they worked “by intuition” rather than based on knowledge and experience. Attending the Western business

education programme, the E-MBA graduates learned to appreciate the value of professionalism in business. They became more prepared to accept the reality of competitive job searches instead of looking to arrange their positions through contact networks and personal favours. Moreover, while searching for personnel for their own companies, the E-MBA graduates started paying more attention to professional credentials and the trustworthiness of the applicants than to the fact that they know the applicant in person. This beginning tendency can further be confirmed by a larger survey conducted in 2004 by *Rosekspert* (a headhunting firm), where 170 Russian top managers and owners of large companies have been asked to evaluate the role of different factors influencing their success in business. According to this survey, personal contacts were ranked much lower than the role of professionalism, leadership qualities, and education. Commenting on this development Alena Ledeneva (2009:278) suggests that since the 1990s there has been a fundamental change in the very notion of contacts in Russia, where “the development of markets [...] resulted in the need to expand contacts which implies networking skills rather than *blat*.”

The third likely effect of Western business education on business practices involves changing organisational and management styles among Russian businessmen and entrepreneurs. Working in teams while resolving various business problems, business graduates often realised that free exchange of information and respect for the opinion of others was more valuable for success than any authoritative styles of leadership they might have been familiar with from the past. Taking this experience back to their firms and companies, E-MBA graduates claimed, led to their treating their employees differently than before; the now, for instance, encouraged more independence in decision-making, personal development, and further education of their employees. The shift towards more horizontal management styles in Russian businesses is only at its early stages, but it is already becoming clear that cross-functional cooperation among businessmen and entrepreneurs, as learned in the course of my interviewees' MBA studies, for example, fosters more open cooperation between managers/directors and their employees in everyday life as well. Having established professional business networks in the classroom, new entrepreneurs have extended their frames of reference and developed new codes of business behaviour, no longer based exclusively on “strong ties” such as *blat* among family and friends but increasingly through “weak ties” as well: making

connections between different economic sectors and hierarchical positions in Russia's economy and society.

Exposed to the Western business mindset and ideology, Russia's new entrepreneurs have shown that, ultimately, it is not the Western education per se that has influenced them the most, but rather the Western attitude to one's own heritage and wealth. The words of one of the graduates I interviewed speak for themselves: "I believe that Russians possess a valuable combination of abilities such as insight, patience, and inventiveness. Western education can hopefully help us cultivate yet another crucial ability: thoughtful care of our national heritage and wealth."

Conclusions

Research into a subject as complex as entrepreneurship does not allow for any simple conclusions. To begin with, entrepreneurship – its processes, rules, institutions, communities, functions, and motives – is much too diverse a phenomenon to be adequately captured within the framework of any individual research project, including the present one. Furthermore, an underlying principle of this thesis has been to allow understanding of entrepreneurship to emerge in a process of interaction between the researcher, the object of study or the participants in it, and, ultimately, the readers. In this concluding section, I will attempt to answer the questions posed in the introduction of this thesis, by highlighting the most important findings from the above-reported research that may then serve as a heuristic map to guide further investigation of the issues involved. I will focus primarily on the continuities and new tendencies that can be observed in the development of entrepreneurship in contemporary Russia, as well as the future prospects for research on entrepreneurship, both in Russia and elsewhere.

This thesis set out to explore the development of entrepreneurship both historically and in our own time in a country where the very existence of the phenomenon has for a prolonged period of time been under threat. Many efforts have been made to suppress entrepreneurship altogether or confine it to the margins of illegality and semi-legality. The primary focus of this work has been on the emergence of a new generation of entrepreneurs that then thrived during the 1990s, the most turbulent and also the most promising years of Russia's economic, political, and social transformation. New entrepreneurship in Russia forms a unique socio-economic phenomenon, one that, despite its many peculiar features, affords us insights going beyond the temporal and geographical boundaries of its own particular context within the country's overall societal development.

I have designated this type of entrepreneurship as *new* to better capture its specificity: for the first time in a long while, Russian entrepreneurs of the late 1990s could again operate in a private economic arena that was incorporated into the framework of the country's economic and social system as an independent, fully legitimate, and publicly recognised sphere of activities. The rights of private property and the right to freely use one's property and abilities to engage in entrepreneurial activities are today enshrined in and protected by the 1993 Constitution of the Russian Federation (articles 34 and 35). New laws and special policies have been geared to encouraging private initiative in a variety of markets. Judging by the number of the newly established firms and those employed in new private businesses in Russia, large cities like Moscow, St. Petersburg, and other regional capitals saw the strongest growth in private-sector activity in the period leading up to the early 2000s, exhibiting trends comparable to other European countries. Since then, however, the country's economy has experienced a general slowdown, affecting first and foremost the growth of small businesses, which has declined significantly after the continuous expansion throughout the 1990s. In most diagnoses, however, the trend has nothing to do with any shortage of potential entrepreneurs in Russia; rather, it is attributable to a combination of institutional uncertainties and unhelpful or misguided state policies and other administrative barriers that entrepreneurs must overcome in order to survive and thrive. Among the population at large, the entrepreneurs are nonetheless today beginning to be seen as a natural element of society. The presence of private entrepreneurs in the society has become more ubiquitous and the positive impact they have been able to exert on their environment has earned them a not insignificant degree of respect along with a comparatively high status.

As I have already argued above in this work, the new generation of entrepreneurs started out with restricted access to initial funding, established business networks, and business support. For this reason they can be said belong to a wave of entrepreneurs in Russia often described as independent entrepreneurs: those who had no connections to government officials and the state bureaucracy, and instead learned the art of manoeuvring on their own, putting their skills, goods, and services to use in ways that, by the end of the 1990s, had secured some among them a favourable market position. These entrepreneurs represent a breakthrough generation of Russians who grew up and received their

education within the Soviet system but gained most of their working experience as a part of the new economic structures, rather than within the Soviet second economy or the Soviet management structures. To be sure, their initial business skills had been acquired in the early 1990s within the spheres of commerce, trade, and services, an experience they shared with their forerunners in the Soviet second economy, the cooperative movement, and the privatised (formerly Soviet) institutions. Similarly to the previous generations of entrepreneurs in post-Soviet Russia, the new entrepreneurs are highly educated and were usually brought up in Soviet middle-class families, with parents who worked as engineers, teachers, military officers, medical doctors, nurses, scientists, and in other similar occupations. Having primarily this kind of a middle-class background remains a distinctive feature of the Russian entrepreneurs, compared to countries like China where many entrepreneurs come from a rural background, or the countries of Central Europe where the social origins of the entrepreneurial classes are notably more diverse. There is, however, a common tendency to be observed within all the former socialist economies that had heavily relied on suppression of private initiative: entrepreneurship emerged in them as a new form of career rather than representing a family-based tradition culminating in business dynasties passed down from generation to generation.

Another specific feature of the new generation of entrepreneurs in Russia is that the majority of those representing it entered into private business out of volition and not out of necessity. While they might have been initially motivated by a feeling of dissatisfaction with their current work situation, the decision to switch over to business or gradually develop their incipient business careers was in these cases usually based on a desire for personal independence, personal growth, and self-realisation, as well as the appeal of the new and challenging business projects. Making money may well be one of the incentives behind the entrepreneurial spurt as manifested by this group as well. Nevertheless, in contrast to other generations of Russian entrepreneurs for whom enrichment of the material life served as one of the main motives for engaging in business activities, the new generation of entrepreneurs treat money merely as a means to other goals in life, such as personal development, further education, and the like.

This particular inclination became also the strongest advantage of the new entrepreneurs, especially in the aftermath of the 1998 eco-

conomic crisis. Many of the business establishments that had been set up in the early 1990s had collapsed or lost most of their capital, or were otherwise suffering from higher production prices, a substantial decrease in the purchase power of the general population, and the overall decline in the Russian economy. Neither was entrepreneurship in the late 1990s any longer an obvious option for the country's numerous unemployed, let go from the former state industries, or those who were poorly educated and younger and thus inexperienced in matters like marketing, sales, networking, and dealing with state bureaucracy. As evidenced by the case study discussed above, new entrepreneurs nonetheless showed an ability to survive the 1998 crisis much better than other actors in the field, thanks largely to the fact that they were more open to becoming professionalised by obtaining a second or even a third academic degree, usually in economics or business. This strategy was in some sense inevitable: even if the years following the 1998 crisis could be seen as a period of new opportunities, they also brought high levels of competition to business, with the most qualified and instrumentally oriented entrepreneurs in the country now partaking in the redistribution of its internal market. Yet, the new entrepreneurs also demonstrated greater optimism and tolerance vis-à-vis the ambiguities of the prevailing situation, seeing the changing environment as also offering a framework for fresh opportunities and not just as a threat.

As shown by several studies, another competitive advantage of the new entrepreneurs at the time was that most of them were in their mid-20s and mid-30s, while already possessing significant professional experience gained within various types of business environments in the country's new private sector. Unlike their predecessors in the cooperative movement (*kooperatory*) or the former Soviet managers, the new entrepreneurs had engaged in entrepreneurial activities already as students at universities or as professionals working at academic institutions; they were young and pragmatic with regard to using the opportunities of the vibrant market economy and always one step ahead in improving their skills and strategies. During the 1990s, they commonly switched jobs three to five times before eventually settling down as owners or co-owners of newly established small businesses, or as senior managers at medium-sized and large international companies. Few of them had business skills specific to the particular niche of the economy in which they worked, given that the new entrepreneurs, as in fact also their forerunners had done, driven in part by the uncertainties

plaguing the Russian market economy as a whole constantly changed between various branches of industry and from position to position. Thus, many of them were schooled on the job and became generalists capable of working within any business sphere, rather than specialists building up expertise in one particular field. However, for most of the new entrepreneurs entrepreneurship became a long-term career shaped by a strong sense that their success largely depended on their own personal skills and efforts.

Also significant is the fact that the new entrepreneurs usually continue seeking new business opportunities within the areas where global capitalism and the Russian market economy intersect. For many among them, Western companies or joint ventures operating in Russia were their first employers. This was often because, unlike the early generations of entrepreneurs, the new entrepreneurs spoke several languages and were extremely interested in working in an international environment. They also tended to choose a business school of a Western type for their second or third degree, believing Western business education to offer a better opportunity for systematising and improving their business knowledge, helping their career decisions to become more strategic rather than accidental, as it had been for the most part in the early 1990s. As a result, intellectual capital and highly developed business skills have become more of a commonality in this category of entrepreneurs than was the case among their forerunners. The business sectors in which they operate are also characterised by closer connections to the global economy, in particular when it concerns telecommunications, consulting, finance markets, and other similar sectors. In other words, new entrepreneurship has become a cultural symbol representing contemporary Western ideas of capitalism, business, and entrepreneurship, implanted in Russia during the transformation.

Yet, as argued in this thesis, the “Western” notions of business and entrepreneurship that were actively promoted in Russia through, among other things, Western business education only represented ideal-typical perceptions of entrepreneurship, of how it should work according to the book. Translated into the local terms and realities, they needed to be significantly modified, in the process bringing to the surface deep historical legacies that entrepreneurship in Russia continues to embody. In the remainder of this chapter, I would like to address in particular two such legacies that have become broadly recognised by researchers across fields.

To begin with, the state and its interests have always steered the economic development in Russia, providing for rather specific settings in which entrepreneurial initiative has evolved throughout history. Accordingly, the merchants and industrialists of the Imperial Russia, for instance, can be described as entrepreneurs *on the margins*, whether in terms of their economic, social, or political position and influence. It was the imperial state that directed the development of the economy, initiated commercial institutions, and provided state loans for various business activities defined as high state priority. Entrepreneurs in imperial Russia thus lacked their own financial resources to initiate businesses independently. Moreover, they were heavily taxed and closely supervised by the state bureaucrats, whose primary concern was to ensure that entrepreneurs performed their duty of service to the state by developing commercial opportunities and securing a taxable income base. Entrepreneurs of Russian origin were very few in numbers. They were, moreover, systematically positioned in the shadow of foreign entrepreneurs who, besides their technological and financial superiority, benefited from favourable policies by the Russian rulers and could consequently play a more significant role in Russia than in any other comparable country at the time. Finally, the entrepreneurs in Tsarist Russia had no well-defined social status, given that they were neither united as a social class the same way the bourgeoisie elsewhere in Europe was, allowing it a chance to rule with the state, nor socially and ethnically homogeneous, composed as this group was of mainly foreigners and members of national and religious minorities. Only towards the end of the pre-revolutionary period can we speak of Russian entrepreneurs as an emerging, influential force in society, with the formation of local entrepreneurial interests groups and the increasing pressure they started exerting on the central government. The peculiarities of the regional geography of Russian entrepreneurship and the divergent political and social orientations internally fragmenting the entrepreneurial strata nonetheless precluded any processes of unification that could have brought entrepreneurs together as a tangible economic and political force, leaving them to compete with one another for limited resources and the favours of the Russia state.

For the Bolshevik state with its focus on rapid industrialisation, as well as for the later Soviet state struggling to catch up with capitalist economies, entrepreneurship, management, and innovation became a principal concern. Yet, in the first place the Soviet managers, as a

major economic actor performing the entrepreneurial function during the Soviet period, were *entrepreneurs by force*, rather than by personal motivation. As in the preceding period, it was the state that took the lead in promoting economic development in the country. Similarly, it was the state that launched the country's unprecedented educational campaign to mould a new cadre of Red experts capable of substituting the old specialists of the Imperial Russia. However, the economic environment in which the Soviet-Russian entrepreneurs had to operate differed drastically from the previous times: it was now a centrally planned socialist economy. In these settings, the main purpose of any economic activity was to advance the state's interests. The principle of central planning brought a high degree of uniformity to enterprise structures, production processes, as well as decision making. The state also exercised its monopoly in setting up new companies and promoting technological innovation. Moreover, all notions such as risk, profit, capital accumulation, and personal gain were basically illegitimate in the Soviet economy and society, and thus the space available for lawful entrepreneurial initiative remained extremely narrow. Soviet production was neither assessed nor rewarded according to its efficiency, the degree of innovation shown, or the quality of goods produced, forcing many Soviet entrepreneurs to the shadow of the second economy where high risks were married to the prospect of illegality but often also significant material rewards. Thus, it would not be an exaggeration to state that little in the behaviour of Soviet managers, professionals, and second-economy actors was associated with the kind of motivations usually driving entrepreneurship. Rather, the efforts of such actors were focused on fixing and finding solutions to enable conformity with the plan, while at the same time making up for the flaws and shortcomings of the central planning system. Soviet entrepreneurs developed a remarkable ability in eluding excessive Party supervision, navigating an economy of shortage, and building up informal networks, while at the same time redirecting resources to keep the economy flowing. However, they always remained entrepreneurs *by force*, with much of their entrepreneurial energies consumed by mercantile and opportunistic concerns having to do with a double need: to accommodate state policies and at the same time find ways to go around them.

The relationship between the state and entrepreneurs in contemporary Russia is characterised by many of these same ambiguities, even though it unfolds in a novel institutional environment. The official

ideology of the Russian state today is pro market and pro liberal, ensuring that the legitimacy of private business is no longer questioned. The variety of economic actors and property relations is abundant and thus the state is no longer the sole proprietor or bearer of economic activity and initiative, nor does it bear the risks and the responsibility entailed alone. And yet, evidence suggests that politics and business in the country continue to work in consort. Big as well as small private businesses in Russia tend to emphasise their independence from the state, and yet they continue to heavily rely on the state as a provider of rules, both formal and informal, just as much as guarantees in case of business failure or a business conflict. In Russia, the rules regulating entrepreneurship are many; at times, however, these rules are contradictory, conflicting with one other and rendering the operating environment highly unpredictable. Who enacts the legislation and who in fact oversees its implementation remains often an open question. There are many loopholes encouraging corruption and providing for poor protection of entrepreneurial initiative. To safeguard themselves against the unpredictability, entrepreneurs in today's Russia must then engage in a game of give and take with the state, relying on strategies of mutual accommodation through informal deals cut to compensate for the lack of consistency and transparency in business regulations. During the last decade, a major divide opened up between the so-called big business in Russia, which purposely sought into a closer association with local bureaucrats so as to reap tax benefits, obtain cheaper licences, and secure other such advantages, and smaller businesses, which were being pushed to the margins in the absence of proper financing and professional advice. Russia's business community at large, though, has had little alternative other than rely on the state's ability to establish at least some predictability on the market to allow the economy and society to prosper.

Another historical legacy playing an important role here has to do with the fact that in Russia the social categories of the entrepreneurs and the middle classes tend to significantly overlap. This puts a heavy burden of responsibility on current and potential entrepreneurs, who are expected to perform not only a productive economic role, but also a political role: that of stabilising the society, serving as a role model for the broader public, and shouldering the responsibility for the general welfare in society more broadly. As already noted in Chapter 3 above, the middle classes in Russia have always been divided into

the intelligentsia and an entrepreneurial stratum. During the imperial era, these social layers jointly comprised the Russian bourgeoisie, striving for independence from the authoritarian state while seeking to reform it. However, they did not enjoy the same legitimacy in the eyes of the regime and the general population. Russian entrepreneurs advocated capitalism and promoted an ethos of “creative egoism,” being therefore seen as a threat to the traditional values of the Russian national community. They, moreover, strove to wield greater influence on politics, even if the latter remained the privileged domain of the educated strata (*obshchestvennost'*) standing for altruism and the idea of service to the state. This antagonism continued to manifest itself from the early days of the Soviet era all the way to its late phases. During this time, any expression of the existence of class divisions was suppressed for ideological reasons, and thus the cleavage between the educated and the entrepreneurial strata could rather be observed in the cultural ethos they embraced. Many among the intelligentsia – lawyers, judges, professors, engineers, and scientists – personified the ethos of proper behaviour (*kul'turnost'*) and decent life. Soviet entrepreneurs who for various reasons were driven to embrace the shadow economy (as petty traders, small producers, black marketeers, ordinary people involved in a myriad of exchanges of favours and *blat*-making, etc.), on the other hand, were assumed to represent an ethos of *meshchanstvo*, entailing an apolitical stance and an interest in material goods alone. Although presented in a somewhat simplified manner, this antagonism of cultural codes dominated the Soviet value system rather tangibly, given on the one hand the stress on the middle-class normality, good education, and self-improvement, and on the other hand the suspicious attitude toward money, property, and opulent consumption that these codes simultaneously embodied.

Since the collapse of communism, the issue of class, and the middle classes in particular, has been debated in a somewhat different light. To begin with, despite the current global financial crisis (and the previous one a decade earlier), no one any longer doubts that the middle classes exist in Russia and are growing, even if slower than in other developing economies. There is, however, an ongoing debate on the proper indicators for defining the position of the middle classes in the society. In this respect, the focus on material standards has dominated the academic and public debates. Relying on other factors has simply proved to be unreliable, given that many of those who still identify themselves as

being “in the middle” based on their level of education or the middle-class background of their parents have experienced downward social mobility. Independently of the way how we define those “in the middle,” however, there is nonetheless a clear distinction between the so-called old and new middle classes in Russia.

The new entrepreneurs focused on in this thesis form a core element in the new middle classes. As established in a number of sociological studies, they spend long hours at work, take vacations abroad, shop at supermarkets, feel too tired for cultural entertainment, but remain extremely committed to their professional success. Part of the middle class category by virtue of all the objective criteria such as type of occupation, level of income and education, and relation to property, most entrepreneurs nonetheless acknowledge their belongingness to “the middle” on conditional terms only. Their misrecognition of this middle-class position is partly due to a powerful historical legacy surrounding the issue of being “in the middle” in the Russian society, but also to the expectations placed on them vis-à-vis the society, as noted above. Another important reason for this misrecognition has to do with the absence of economic and political preconditions that would allow the entrepreneurs – and others “in the new middle” – to better integrate as a social group. They work in occupational fields that usually have a low density of professional associations, and even when such associations might exist, many young professionals have little faith in them. They are seldom politically active, and the few who have had a political experience and engage in further activism through the associations in the field tend to soon grow disappointed when faced with the widespread corruption, thirst for money, and the pursuit of personal instead of societal interests prevalent among the membership of these associations. Even in terms of their moral values, the new entrepreneurs remain highly heterogeneous, reflecting the weakened social bonds in the Russia society where mutual help and solidarity today represent slogans of the olden days. It is difficult for the new entrepreneurs to think of the “public good” when those wealthiest in the country get away without paying taxes and the state no longer provides for the most vulnerable groups whose very existence is a product of the ever-increasing inequalities in the society. Their resulting feeling of despair is, however, not just a matter of selfishness alone. It is also part of a deep concern that many entrepreneurs show for Russia as a country, for its people, for its present difficulties and future prospects.

Thus, the legacies of the past and the ways in which they influence the development of entrepreneurship in Russia need not be seen as either an obstacle or a determinant of its future development. True enough, since the collapse of communism many hopes born out of the processes of social change have been dashed, and the milestones along Russia's long journey to capitalism have been overshadowed by the many challenges faced by the Russian entrepreneurs. Most of these challenges are seen as related to the legacies of the authoritarian state and the centralised, shortage-driven economy; in their most troublesome aspects they translate into rigid constraints for private initiative and the widespread use of informal networks. In their other manifestations, however, these legacies can also be looked upon as providing potential key resources for the future; here we can think of the high value put on good education, encouragement of aspiration for personal development, and the ability to innovate by creatively combining existing resources. What the future challenges for entrepreneurship may look like in Russia is nonetheless a question best left for further research.

One issue that needs to be closely looked at by researchers and policy-makers alike, however, is how to break the male dominance within the business sector. Analysing entrepreneurship from a gender perspective, several researchers have confirmed the prevailing understanding that entrepreneurship is perceived as a masculine line of work. Even if the gendered nature of some occupations has become less so since the collapse of communism, gender stereotypes presenting certain jobs as *suitable* for men and others as suitable for women have tended to remain self-validating to the present day. The same is true about the different roles that men and women are expected to occupy within the household. As noted earlier in this thesis, entrepreneurs of both sexes are driven by similar motives when engaging in private business. Among these is the desire for independence, challenge, self-development, and professional development. The very possibility of making a professional business career is in fact viewed as equally important among both men and women. What remains true, however, is that men's and women's trajectories into business careers are usually different, owing to a number of factors. Apart from the legacies of the Soviet gender system as discussed in this work, what stand in the way of an equal possibility for men and women to engage in business career are the existing gender stereotypes and the position of clear disadvantage

that women occupy in the domestic division of labour. A new pattern that is becoming clearly visible, though, is that while both men and women belonging to the new generation of entrepreneurs in Russia focus on their business careers as something given high priority, the priorities change with the starting of a family. Having a family seems highly valued among both sexes, as it always has been in Russia. Yet, for women entrepreneurs it represents a circumstance requiring constant negotiation between the priorities of work and family, while for men work continues to function as the centre of their identity and social relations. Further research in this area is needed to examine more carefully the relationship between the institutional promotion of entrepreneurship in Russia (and elsewhere) and actual chances for women and men to equally partake in it. Another important question to consider is whether and how existing gender stereotypes, not least those related to business and entrepreneurship, might change or alternatively become perpetuated when exposed to the influence of the new images of the self, and the new images of masculinity and femininity, that such possibilities entail.

Another set of issues that needs to be investigated relates to the more long-term outcomes that the development of entrepreneurship during the last twenty years might have for the Russian society in general. Even if the immediate consequences of the transformation have not been fully satisfactory, the importance of the many (if often less immediate and more gradual) changes that they have nonetheless effected should not be underestimated. True, the development of entrepreneurship in Russia has brought with it several concrete, immediate, and readily quantifiable results. These can be measured by looking at the number of new firms or the rate of new business creation, the growth of production and services, or the expansion of employment opportunities outside the state economy. The flows of influence and interaction between Russia and the West in the domain of ideas but also practices of business and entrepreneurship have undoubtedly brought changes in the way Russian entrepreneurs behave and think. Private enterprising as a legitimate occupation has helped to greatly improve the economic conditions of life for a large segment of the Russian population. Furthermore, the recognition of private initiative as an engine of the economy has been an important achievement. There is, however, another, more fundamental outcome from these developments which remains difficult to generalise on: the belief in one's own potential and

the determination to fully engage one's hopes and desires, skills, and business intelligence, which together represent an aspiration far more common among Russians today than just two decades ago. Many of the entrepreneurs I met during my research stressed the need to restore popular confidence in Russia's own potential. This potential, my contacts explained, is made manifest in the capacity of Russian businessmen to surmount obstacles, something that should hopefully be respected and emulated by the society as a whole. Despite the great difficulties marking the country's recent decades, its new entrepreneurs take pride in being Russians and continue their strive to make it possible for their country to become a more integrated part of the world community.

Appendix

Appendix I

Methodological considerations

The method by which the final conclusions have been made becomes apparent only when the starts have been understood false, the alleys not to be open-ended avenues, and the frustration a disillusionment to be overcome. The systematised method represents the procedure that would have been followed had the conclusion been known in advance. (Weinstein 1979: 4)

Introduction

Every research project sooner or later becomes a text. Many researchers, especially those working within the 'post-modern qualitative tradition', describe the process of writing a final product of research as a 'journey', 'discovery' or 'inquiry'.¹ What they imply is that the process of writing a report, a book, an article does not only mean recounting all steps taken under the study, it essentially means "the method of knowing" (Richardson & Adams St.Pierre 2005:962). Indeed, once we get started with a research we usually have some theoretical keys and some empirical puzzles that we would like to unravel during the process, yet seen in retrospect writing sociology, the qualitative one in particular, does not follow predetermined and exact routes. Laurel Richardson, who has extensively been working on sociological writing, tellingly remarks "How we write has consequences for ourselves, our disciplines, and the public we serve. How we are expected to write affects what we can write about; the form in which we write shapes the content" (Richardson 2002:414).

This chapter aims to reflect upon my own choices of theoretical perspectives and methodological strategies. For instance, how the research object I am analysing in this work, entrepreneurship in the current Russia, has crystallised through a long process of criss-crossing the material from the field-work study with multiple insights from the historical and the current debates on the development of entrepreneurship in the world. Or, how I relate to the fact that the concepts I use in my work, for instance, *entrepreneurship*, *middle classes*, *networking*, *gender* and the like are so theoretically loaded that they produce self-

¹ By 'post-modern sociology' I mean all sociological writings that doubt the supremacy of one theory or one method, thus questioning the general claims for knowledge and authority. For more on the various genres of post-modern qualitative sociology read Richardson and Adams St. Pierre (2005).

walking metaphors, imposing themselves on the empirical reality that I study. This chapter also sheds some light on the theoretical and empirical conventions in qualitative sociology that I chose either to challenge or to be inspired by. In the process, I cover methods of my study: casing, documentary analysis and interviewing. These methods are used in combination in order to secure an in-depth understanding of the researched phenomena. I will describe the main sites of my empirical study conducted in St. Petersburg, 'the Northern capital of Russia': a city with many names and much historical and cultural heritage that permeates entrepreneurial development as well. Furthermore, I present analytical tools that have been applied in order to convey the meaning to the societal processes on a larger scale using the evidence from the empirical study of a smaller magnitude. As any social inquiry involving human beings, mine as well has been tackling several ethical issues. These will be discussed as ethical obligations or involvements that continue to follow a researcher long after the formal stage of the study has been completed.

Disciplinary habitus

In a nutshell, this study seeks an understanding of entrepreneurship not purely as an economic, but more as a social and cultural phenomenon embedded in a particular historical and political context. More specifically, I focus on how entrepreneurship in Russia in the late 1990s has been (re)shaped by the historical legacies of the recent and less recent past. In particular, I analyse the emergence of independent entrepreneurship that was a product of indigenous processes of societal changes in Russia as well as influences of the Western ideas of capitalism, market economy and entrepreneurship. To reach an understanding of these complex processes I have given a priority to qualitative research and its traditions. By definition,

Qualitative research is a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that make the world visible. These practices transform the world. They turn the world into a series of representations, including field notes, interviews, conversations, photographs, recording and memos to the self (Denzin and Lincoln 2005:3).

As defined by Jaber Gubrium and James Holstein (1997), qualitative sociology is driven by, at least, six general ideas. To begin with, many qualitative inquiries are generated out of a researcher's scepticism towards conventional understandings of reality. Secondly, qualitative sociology harbours a naturalistic perception of the world. It means that scholars working from this perspective attach primacy to the natural settings of everyday life, following their subjects of study as close as possible and engaging in people's own perceptions of their lives and experiences. The third defining feature of qualitative sociology is a

concern for ‘qualities’ of social life. As the authors explain it, the social world should first be explored in all its diversity and intricacy before we can make any judgements about what is actually taking place. One more characteristic principle of the qualitative approach is to study social phenomena in process of their becoming. It implies that even if we opt to grasp ongoing events in their present, they will always be a part of both the past and the future. Because in reality neither people, nor the events they live through or their everyday life situations are static and atomised entities. Fifth, in qualitative sociology the researcher herself is perceived to be the main instrument of analysis both by the fact of her living in the same world she studies as well as making judgements that are permeated by the researcher’s personal experiences, choices and convictions.

The tendency to subjectivity has often been claimed as one of the weakest points of qualitative methodology, which among other things has resulted in an intense debate on the crisis of representation, the so-called “fourth moment”² that seriously challenged conventional sociological claims for truth, objectivity and meaning-making. One of the greatest implications of these debates was an increasing reflexivity that characterises most post-modern writing in contemporary sociology. Applying the principle of reflexivity means at least two things: “[First] it directs us to understand ourselves reflexively as persons writing from particular positions at specific times. [Second] it frees us from trying to write a single text in which everything is said at once to everyone” (Richardson & Adams St.Pierre 2005:962). What logically follows is the sixth principle of qualitative sociology, namely tolerance for complexity. Indeed, knowing that we are dealing with complex realities and we ourselves are situated speakers requires the methodology to be flexible to uncertainty, accommodating the unexpected, and open to multiple interpretations.

These key principles of qualitative inquiry have to a great extent shaped my own research process. For instance, scepticism has been one of the main driving forces in my research. While formulating the research problem I often found myself objecting, sometimes in vain, to a common perception that there is no genuine entrepreneurial culture in Russia. Partly, it was a perception that ordinary people in Russia shared due to a strong indoctrination of Soviet ideology that denied privately owned or profit seeking activities. To a great extent, though, it was scholars themselves both in Russia and abroad who perpetuated this view most rigorously. Perceiving entrepreneurship as an economic activity endemic to capitalism alone, social scientists on both sides argued that it simply could not exist within the planned economies of socialism. There were, of course, exceptions to this view. Using the analytical lenses of historians of Russia or anthropologists of the post-Soviet Russia I question the argument of non-existence of entrepreneurship in Russia. My scepticism to the argument grew stronger the more I learned about various

2 Analysing the history of qualitative method, Denzin and Lincoln (2005:14-20) distinguish eight moments of its development that all indicate an increasing complexity and sensitivity that qualitative methodology has acquired during a long period of time.

accounts provided by the scholars who defined entrepreneurship from other, non-traditional angles.³

The sensitivity for details has also been helpful when I defined the research problem of my study. Once I began my field-work, I did not assume a concrete theory or method that would guide my choice of the case to study, or the interview topics to pursue, etc. Instead, the assumptions I had from previous research engagements⁴ prompted me to use the model of thinking “operating like a Russian doll: in order to get to the central piece, you have to open several larger ones first” (Charipova 2006:5). It means that I embraced the concept of entrepreneurship and various theories around it through a scrupulous process of discovering the new arenas and new practices of economic behaviour in Russia. Western business education was one of them, as I figured it out through multiple “casing procedures” (Ragin 1992:218) during the research.

Grasping things ‘in-depth’ means obtaining a detailed knowledge about the phenomenon we study. However, there is one more essential dimension of the ‘in-depth’ approach, namely the pursuit of meaning reveals a greater complexity than first imagined. As Tom Wengraf (2001:6) accurately points out: “To go into something in-depth means to get understanding of how little you knew about it, and how provisional one’s ‘formulations of truth’ have to be even by or about, in-depth interviewing”. In my case, going to the field with ready-made hypothesis on what the entrepreneurial function depends on or what inhibits its development would be quite fruitless indeed. To begin with, by the time I had begun my fieldwork in Russia there was little, if at all, statistical evidence on how many entrepreneurial units that existed in the country, their size and form of ownership, their performance and survival rates. More to the point, the conceptualising of *entrepreneurship* was a battle of various discourses. Some assumed that entrepreneurship is an exclusively progressive and positive economic activity. Others have insisted that entrepreneurship involves many murky paths and practices, especially so in Russia. My own solution was an inclusive strategy of exploring entrepreneurship from its functions rather than from its forms, that is, what entrepreneurs do in order to make their enterprises successful, how they manage constant risk, and what resources they use for building networks and enabling innovation.

³ Read more in Chapters 1 to 4, pp 27–169.

⁴ Prior to the doctoral thesis I have been working with three different projects that all paved the way for my interest in entrepreneurship. First, I was involved in research on cross-border trading between the countries of the former Soviet Union and Central Europe at Central European University in Prague, which in retrospect can be perceived as the analysis of the ‘mass entrepreneur’ of the early 1990s. The second project, ‘MIR: on transformation of everyday life in Russia’, has been illuminating with regard to the emergence of independent professional entrepreneurs in Russia in the late 1990s. The third project ‘Towards a New Russia’ contributed to my further research by unveiling the historical legacies in understanding the position of entrepreneurs in Russian society and the contradictory centre of interests that entrepreneurs themselves form. All these, and other research engagements, served as a fruitful testing ground for my theoretical assumptions, my skills as an interviewer and interpreter of the observed phenomena. Read more in Chmouliar (1996), Shmulyar (1999) and (2004).

Idioms of qualitative research

Regardless of its common threads qualitative sociology is not a unified sociological approach or practice. It embraces different theoretical traditions and derives from various epistemological assumptions. For instance, it cross cuts such traditions as positivism, post-positivism, post-structuralism, critical realism, feminism, cultural studies, and so forth. The variety of empirical material in qualitative sociology may come from interviews, ethnography, participant observations, case studies and life histories, etc. Sociologists all work with lives, experiences or documents as they are represented in stories (written or narrated) rather than the real lives or events themselves. However, depending on what we believe is the nature of reality (ontology); what the relationship is between the researcher and the known (epistemology), or how do we gain knowledge about the world (methodology) our research would arrive at rather different results.

According to Gubrium and Holstein (1997), qualitative sociology works within four main idioms, or languages, that include *naturalism* (reality as it is), *ethnomethodology* (reality as it is constructed), *emotionalism* (reality as it is felt) and *post-modernism* (reality as it is textualised). All these four idioms use their own analytic vocabulary, which is designed to answer two major questions: *what* (what reality is like, what happens there, what are the conditions, roles, etc.) and *how* (how things are done, how they are felt, how they are written, etc.). Norman Denzin and Yvonna Lincoln (2005) suggest another classification. They differentiate such paradigms as *positivist* and *post-positivist*, *constructivist/interpretative*, *critical*, and *feminist/post-structural*. I prefer to use yet another classification, suggested by Robert Miller (2000), as it is the most consequential for the ontological and epistemological premises of my own study.

The realist stand

Robert Miller (2000) identifies three major approaches by which qualitative material can be collected, analysed and interpreted. The first one is the *realist approach*, and this study can be defined as an exercise in it. This approach implies first of all an inductive process of research. Proceeding from the empirical material rather than from theory and hypotheses, realists believe that individual views are essential representations of objective reality. Theoretically, the realist approach has its roots both in grounded theory with its solid empirical foundation, and in the theory of critical realism with its reliance on existence of 'the real world' irreducible to our knowledge about it and the necessity to unveil the underlying processes, structures and mechanisms behind every social phenomenon. Consequentially, the methods used within the realist approach are non-directive, semi-structured and interpretive. Biographical interviews, family histories and life histories are the most common methods

used in this perspective. Other qualitative methods, such as case studies and participant observations are also often used within this perspective. It is believed that a hi/story of each individual, family, case or event can be considered as “a ‘microcosm’ of a ‘macrocosm’” (Miller 2000:13). Finding suitable cases, sites or respondents for study, for instance, would be a matter of purposive or theoretical sampling⁵, rather than drawing them randomly. However, the number of research items is not an unimportant issue here. As Miller points out, the initial interviews or observations are usually taken in the most unfocused manner in order to generate ‘the proto-concepts’ for further inquiries. In such a way, the researcher proceeds with gathering the material until, the so-called, point of saturation occurs. It means that multiples cases/interviews are collected as long as new knowledge can be obtained. Reliability, or consistency of results, is also assumed to be crucial for the realist perspective. However, this issue is worth special attention and will be treated in its own right below.

The realist approach both overlaps and contrasts with two other approaches identified by Miller. For instance, similarly to realists, neo-positivist researchers see the real world as the main source of information. Both would collect the factual data and seek an understanding of ‘the whole’ from a smaller ‘part’. They also acknowledge the importance of the interplay between subjective experience and the objective social structures. Contrary to these two perspectives stands the narrative (post-modern) approach that perceives reality as fluid and relative. For narrativists the knowledge evolves not from the facts arising from an interview, or a text itself, but rather from the interplay between the interviewee and the interviewer, between text and the researcher, which points out to the dialectical nature of knowledge. What is perceived as real, in the narrative stand point is only situational and dependent on the temporary conditions of an interview or a written text. That is why narrativists are more concerned with the context of an interview, or a context in which texts are produced, which they prefer to make visible, while both realists and neo-positivists would try to minimise it.

Despite the genuine differences in these three approaches they are in fact often used in combination. As Robert Miller (2000:18) explains, “researchers are pragmatic”, meaning that they can be either unaware which of these methodologies they use in practice or rather quite conscious about the fact that these approaches can be used as complimentary. Eclecticism is often an unavoidable result of such pragmatism. In my research process I aimed to avoid eclectic suppositions by firmly standing on the grounds of the realist approach. However, using this approach I also realise that it has its strengths, but also its weak points.

5 Purposive and theoretical sampling both presume that research items are chosen because they illustrate “some features or processes in which we are interested [...] the only difference between the two procedures applies when the ‘purpose’ behind purposive sampling is not theoretically defined” (Silverman 2001:250-251).

How to study social change?

Daniel Bertaux (1981:33) accurately points out that selecting a topic of one's research forces a researcher "to choose the social meaning of his/her sociological practice – i.e. practically speaking, the meaning of his/her professional life". The social meaning of my work on entrepreneurship in contemporary Russia has been evolving during many years of intensive research on Russia and other East European countries. However, present study does much more than develop previous research findings. In large measure, it uses them as a base from which to develop a new set of ideas. For instance, one of the new angles applied in this work is studying entrepreneurship historically. It means, on the one hand, that the theoretical discussion on entrepreneurship spans a period from the emergence of this concept in classical economics to its current development in various disciplines. On the other hand, examining entrepreneurship in Russia unavoidably brought to my attention the importance of the "historical watersheds"⁶, that are, the historical events that fundamentally change people's social, economic and political lives. That is why, describing the historical background to the present development of entrepreneurship in Russia the first watershed is traced back to the 17th and 19th centuries, when capitalist institutions took first roots in Russian society; the second watershed is defined between the collapsing Tsarist Russia and the emerging Soviet society; while the third watershed important for the development of entrepreneurship is the period of transformation from the socialist economy to the market economy that for some was a time of new opportunities and for others a time of loss.

Related to this latter issue is an important methodological question that has been a compelling concern for my study, namely, how can we study social change? What mechanisms lay behind social change? What continuities are important? In what way social change is enabling or hindering for development of entrepreneurship. To grasp the processes that may convey answers to these questions was especially difficult for me because I have myself been a participant but also a product of the grand social change: the enthusiastic years of *Perestroika*, the fall of the Berlin Wall and the subsequent end of the Cold War, the collapse of the Soviet Union and the development of independent states, as well as the prolonged transformation of societies emerging on the ashes of the past. For me, these events are not a history of remote places and people; they are to a great extent my own history.

Micro-macro levels of research

One of the possible strategies to analyse social change is to apply the inductive approach, which is also at the core of the realist tradition. As Timo Piirainen (2000:107) clarifies, the underlying idea of the inductive approach is "collecting a mosaic from individual snapshots [...] that seeks to draw inference concerning social structure, that is, macro-level phenomena, on the basis of

6 The term is borrowed from Miller, Humphrey, and Zdravomyslova (2003:2).

the study of the micro-level actors". Indeed, the choices people make and the activities they pursue may better reveal structural changes in their making. The importance of the micro-processes in transforming societies has been first emphasised by anthropologists and ethnographers, soon after followed by qualitative sociologists.⁷ Their influence was first of all in accurate criticism of a purely macro-level perspective in which the missing point: "is not only an attention to the local texture and on-the-ground experience but also the kinds of challenges to certain generalisations, conclusions, and categories that an acute sensitivity to detail can provide" (Berdahl 2000:3).

Focus on micro-processes implies not simply providing a local flavour to the development of larger structures. In fact, it indicates that social change takes time; that social change depends on the terms of negotiations between various actors as well as that its outcomes are highly unpredictable. Furthermore, the micro-level perspective has been essential for me because it allowed grasping both strong continuities with the past and obvious ruptures from it. In my case, the continuities can be observed in how Russian people, including entrepreneurs themselves, perceive the issues of private property, money, and profit that all are closely related to the function of entrepreneurship. On the other hand, entrepreneurs whom I interviewed demonstrate some visible rupture with the past in the way they re-negotiate the meaning of networks, how they pursue their careers and how they incorporate the global economic environment in their everyday economic actions. Emphasising the micro-macro division should not, however, obscure the fact that these levels of analysis are closely interrelated. Many authors argue that the micro-macro relationship should be shifted from the dichotomy between subject and object, or agent and structure, to the interdependence and mutual influence between part and whole, text and context, individual and environment.

Part/whole analysis

The idea of part/whole analysis embraces the efforts of social scientists to bridge dualistic thinking. Derek Layder (1993), for instance, contends that the well-known dualisms existing within sociology, such as structure and process, micro and macro, quantitative and qualitative and the like are meaningless because they obscure the mutual interdependence between social structures and individual activity. Instead, Layder (1993:72) suggests a multi-strategic approach to social research that integrates various layers that a studied phenomenon is usually a part of: *context*, *settings*, *situated activity* and *self*. The relation between these levels of analysis can be well seen as a part/whole continuum, "which attends to the interweaving of system elements (settings and context of activity) with the micro-features (interpersonal encounters) of social life (Layder 1998:144). In practice, we often tend to work with one or two layers in this scheme. But due to different time effects on these analytical levels (i.e. day-to-day activities of individuals, a life course of a generation, or *longue*

⁷ See more in Chapter 1 and Chapter 7, pp. 36–44, 227–234.

durée of social institutions) connecting them together allows one to unveil, for instance, how new social and economic settings can suddenly present new opportunities allowing individuals to involve in activities that were once illegitimate.

When we study social change in broader terms the dimension of time becomes very instructive. For social historians, for instance, “it [*is*] axiomatic that the present [*is*] a part of history” (Thompson 1981:290). For many sociologists as well this belief holds truth. Yet, so much sociology is still written without a special concern for history, time and continuities between the past and the present. For instance, many social researchers involved in studies of the transformation depicted the Soviet period as an artificial break in Russia’s history, arguing that pre-Revolutionary Russia, if being preserved, would be more capable to conceive the ideas of liberalism and capitalism of the 1990s. Another simplification of historical legacy has been an expectation that a quick change of the political system would serve as a self-generating mechanism for Russia’s market economy and profit oriented entrepreneurs. By acknowledging the importance of time, as Robert Miller (2000:2) argues, “present activity can be seen as formed as much by the anticipation of the future as it is by the experience of the past”.

Sociology of social change emphasises this point even more distinctly. In his theory of social becoming, Piotr Sztompka (1993:xiv) argues, “In order to understand any contemporary phenomenon we must look back to its origins and the processes that brought it about”. The author continues, “any social event is in a sense a reflection of all previous history and a germ of future history. It is localized in a flow of historical time” (ibid.:226). Methodologically it implies that when we study, for instance, the present conditions for entrepreneurship in Russia we deal with the ongoing social processes that are both temporary and consequential in their nature. To study such a complex phenomenon as entrepreneurship empirically might be a challenging task. That is why we need to limit the complexity of the empirical reality with some theoretical ideas that may help structure our understanding of the phenomenon we study. This process is called “casing” and according to Ragin (1992) it takes place at several stages of the research process in order to link evidence and theory in various ways. In what follows I will discuss how the process of casing and other methods have been used in my own research.

Methods and sites of the study

The city of St. Petersburg

The major site for observations and collection of empirical material for this study was the city of St. Petersburg, sometimes referred to as the Northern capital of Russia, and at one time the actual capital of the Russian empire.⁸ Metaphorically, this city is described as a ‘window to Europe’, for several

8 Founded by Tsar Peter the Great on May 27, 1703, it was capital of the Russian Empire for more than two hundred years (1712-1728, 1732-1918). St. Petersburg ceased being the

reasons. Partly because it is geographically bordering Europe and partly because St. Petersburg itself is a symbolic border of Russia, where its two faces meet, that is the European, protestant and anti-Muscovite face and the Asian, orthodox and pro-Muscovite face.⁹ In other words, “St. Petersburg is not only a window to Europe but also a door to Russia” (Hellberg-Hirn 1996:76) where various cultures and nationalities living in the city for many decades have left their traces in architecture, names of the streets, churches, buildings and, certainly, in the spirit of the people living in the city.

As a sociologist writing on Russia I have chosen St. Petersburg as an example of a large Russian city where the transformation processes have been assumed in their full intensity. The matter of convenience, that is the proximity of St. Petersburg to Sweden, is hard to deny. Nevertheless, there were other, more important reasons why the city on the Neva River became the major site of my field-work. Given my interest in how Western ideas were received in Russia in the 1990s, the choice of St. Petersburg became quite natural. Since its foundation, this city was exposed to the ideas of modernisation and Westernisation by Tsar Peter. Through the centuries this city has accommodated large foreign communities of scientists, manufacturers, merchants, and bankers. Their presence had various consequences for the domestic population. However, with regard to the development of entrepreneurship businesses in St. Petersburg have persistently demonstrated a strong Western attachment.¹⁰ “Imitating the West and differing from the rest of Russia” (Hellberg-Hirn 2003:10), St. Petersburg will always occupy a special position in the country independently of what we are looking at: culture, entrepreneurship, art or politics.

The question that may arise, though, is how representative St. Petersburg is for post-Soviet Russia, given its historical legacy. Several studies with a special focus on St. Petersburg reveal that indeed the effects of the transformation in St. Petersburg, not to mention Moscow, differ significantly compared to other provincial cities of Russia (see Piirainen 1997 2000; Dinello 1998a, 1998b; Kihlgren 2002, 2004). Post-Soviet St. Petersburg remains a leading industrial centre of Russia with a highly educated population. It has also been the most liberal city when it comes to support for the market economic reforms and political initiatives. St. Petersburg has enjoyed a rather high share of investments, both domestic and foreign into its industries, which makes the labour market and the life chances in the city more dynamic than any where else in Russia.¹¹ It also explains one of the lowest figures of unemployment recorded.¹²

capital in 1918 after the Russian Revolution of 1917. Source http://en.wikipedia.org/wiki/Saint_Petersburg#Demographics.

9 See Hellberg-Hirn (2003), an excellent study on St. Petersburg's imperial, Soviet and post-Soviet history as well as the imprints these epochs has left on the city.

10 Read more in Chapter 3, pp. 122–126.

11 The capital of Russia, Moscow, is still ahead of St. Petersburg in all these dimensions. See Chapter 6, pp. 213–223.

12 According to Kihlgren (2002:18), the official unemployment in St. Petersburg was around 1,2 per cent in March 1998, which was 2 to 3 times lower than in the rest of Russia at that time.

Pursuing research on post-Soviet Russia in the city of St. Petersburg obviously gives us a picture of a highly urbanised, modernised, industrial and highly stratified society with a large variation of opportunities and constraints generated by the transformation processes.

Unique as it is, St. Petersburg is the most suitable site for the purposes of my research. One of the central objectives of this study has been to analyse the structures of opportunity, especially when it comes to the entrepreneurial function that emerged during the transformation processes in Russia. St. Petersburg, better than any other city in Russia, demonstrates the increase in entrepreneurship in the 1990s. If measured by the number of new small businesses, St. Petersburg occupies the second place in Russia, with 108 small businesses per 1000 of the population. According to Steven Buttrick and John Moran (2005:364), these numbers are quite comparable to the Western average for entrepreneurial activity, such as for instance in southern Great Britain. Remarkably though, as the authors reveal, entrepreneurs in St. Petersburg manage to perform well and even demonstrate the competitive advantage in retail and catering trade, while the local authorities are the least supportive of small business development. The authors explain the good economic growth in the city with the strong entrepreneurial base, developed within new small and medium-sized businesses.

Allessandro Kihlgren (2002) suggests another, more inclusive explanation for the successful entrepreneurial development in St. Petersburg. Compared to Moscow, St. Petersburg fares worse when it comes to average income and higher standards of living that usually boost entrepreneurial development, however the city has other advantages to rely on. Apart from the factor of the highest education level among the population, the author refers to the Western mentality that makes people in the city more open to initiate various businesses. Kihlgren also explains the better economic performance in the city by the small but stable middle class that is willing to spend money on non-essential goods. Finally, a large foreign community and constant influx of tourists makes St. Petersburg an attractive city to work and live in, which further enhances its economic growth. All these factors contributed to the fact that by 1999 the small business sector in St. Petersburg stood for about 30 per cent of the total employment (in Moscow the figure was 34 per cent). At the same time, the number of small businesses grew by 11 times between 1992 and 1999 when in the whole of Russia the corresponding growth was only three-fold (figures are from Kihlgren 2002:17-18).

Casing procedure

Materials for this research have been collected using several qualitative methods, including field-work, case studies, documentary research and interviewing. These methods were used in combination but also at different stages

Even after the crisis of 1998, the official unemployment rate in the city does not exceed two per cent. These figures, however, should be treated with caution as many Russians still prefer go unregistered when they loose their job.

of the research process. As indicated above, combination of several methods is necessitated by the fact that entrepreneurship that I aim to examine is a theoretically established notion in social research and yet it is an illusive phenomenon in empirical terms. It varies across historical and cultural contexts. Furthermore, it is situated within different political and social institutions. In Russia, entrepreneurship is still an under-researched phenomenon and every attempt to study it from different angles may help to unveil its specific features but also its general tendencies.

To identify the key issues that would guide my research I began my three months field-work in St. Petersburg in the autumn of 2000. As defined by anthropologists, field-work is “the repeated performance of five fundamental tasks: watching, asking, listening, sometimes *doing*, and recording” (Langness and Frank 1981:32). At the most general level I was interested to examine the new economic society that has emerged in Russia in the course of the economic reforms of the 1990s. As the first step in casing procedure, my field-work was devoted to extensive reading of the related research, produced by Russian social scientists; visiting seminars and discussions relevant to the issue, and meeting the key informants whose knowledge about the phenomena could be helpful.¹³ At this stage of research most of information I worked with was stemming from what Silverman (2001:286) defines as “naturally occurring material”, meaning the material that can be assembled by using the data existing independently of our research settings or purposes. Good examples of such data are mass media publications, TV programmes, informal conversations, public and research documents, etc.¹⁴ Using these sources I concentrated my efforts on examining the theoretical and public discussions in Russia around the issues of the market economy, capitalism, social transformation of Russian society, relationship between the state and private economies, etc. Understanding how Russians themselves define these problems was crucial because their perceptions of what was happening in their own society were seldom incorporated into the academic writings on Russia in the West.

As a result of the second casing, I focused my attention on the new private sector of Russian economy, which seemed to be in clear conceptual opposition to the privatised private economy¹⁵ with regard to their economic institutions, logic of operation, personnel and management. This difference began to occur already during the privatisation process in the middle of 1990s when there emerged different sectors of the private market economy depending on the source of their formation, as for instance, privatised state enterprises, off-springs of the former co-operatives, new start-ups, etc. The initial growth of the new private economic sector was taking place in the new

13 Another valuable source of information for the research was communication with an ordinary Russian family, who was my host and my warmest companion during my numerous visits to St. Petersburg.

14 Most of these sources can be classified as texts or documents in the broader meaning. See the section below on documentary analysis as a method.

15 On the difference between the new private economy and privatised private economy see Chapter 1, pp. 44–49.

spheres of economic activities, including trade, service sector, marketing and finance (Clarke&Kabalina 1999). After the economic crisis of the 1998 the new private economic sector has been stimulated by the growth of domestic production and the need to compete with other economic sectors for finance, clients and market niches. The most difficult task at this stage of research was to acquire some kind of estimations, as for instance of how large was the new private sector in Russia; what industries would be included there; how many new private enterprises have been there prior to the crisis and after that, etc. Despite my efforts of getting some data from the City bureau of statistics in St.Petersburg or other official documents, little information surfaced. The official data did not specify the difference between the new private and privatised spheres of the market economy. There were also lots of enterprises that existed only on the paper and did not operate in reality. Thus, to distinguish a profile of the new private economy in Russia was more of a detective work drawing on conversations and interviews with Russian sociologists, journalists, leaders of entrepreneurial associations and market research centres, etc. The estimations stemming from these sources were then scrutinised against those few academic studies available on the issue (see e.g., Clarke 1992, 1999; Clarke and Kabalina 1999; Kontorovich 1999).

What figured through the study of all available evidence at that point was that the growing market economy in Russia was impeded on one particular issue, the absence of proper leadership in companies. Recovering from the crisis, Russian market economy craved for rather new type of specialists, not self-learners or former “red directors” of the early 1990s, but professionally educated economists, financial directors, logistics manager, IT consultants, who would be able to lead newly emerged companies and create new businesses. These types of occupation were the very product of the market economic development in Russia and they also tended to be highly concentrated within the new private economic sector. The third casing, thus, involved a theoretically motivated narrowing of my empirical focus to those sites and arenas that channelled the new type of specialists. To make my search effective, I concentrated on one of such arenas, namely schools of business education. The reason for this choice was two-fold. Firstly, preliminary analysis of tendencies on the Russian labour market after the crisis of 1998 indicated a clear tendency that further education, and especially business education of any kind, was an increasing trend to be observed among Russians working within the market economy and seeking career promotion (Clarke 1999; Barsukova 1999b). Secondly, business press in St. Petersburg and in Russia in general at that time was filled with announcements and ads of lucrative jobs for the graduates with the MBA degree. Headlines of the leading newspapers in the city were talking for themselves: *The Managerial road begins in the classroom, To study business is not only desirable but also necessary, A local perspective on an MBA's benefits*, etc. Visiting two of such schools, one leading to a Russian and another to a

Western MBA degrees, provided me with background information on their participants and a general picture of business education as a field. Based on that information I made my choice to study Western business education more closely.

Western business education in Russia: a case study

To begin with, the very concept of the ‘case study’ needs to be clarified. In their, by now classical book, Charles Ragin and Howard Becker (1992) accurately argue that the concept of the ‘case study’ has been given overlapping meanings and frequently associated solely with qualitative research, that is, looking at a singular case or a small number of cases at a time. Various contributors to the book challenge this common perception, by arguing that case study should not be conflated with qualitative study. Instead, cases can acquire different methodological meanings depending on if they are regarded as *specific* and *empirical* units, studying the phenomenon in great detail; *empirical* and *general* conceptions, allowing for creation of new knowledge drawn from the limited number of subjects. Furthermore, cases can be made as *specific* demonstrations of *theoretically* wider contexts; and finally cases can be seen as *theoretical* constructs of a *general* conception, meaning that cases often turn to be cases of something else. To conclude, the “case is what we decide it is” (ibid:180).

Of these four different understandings of the ‘case study’ the third one, that is, cases as *specific theoretical constructs*, turned out to be the most appropriate for my own research. Within this perspective, cases are not empirically delimited. Neither are they manipulated instrumentally, in order to suit the existing literature, or conventionally defined. Instead, “cases are made” or they “are gradually imposed on empirical evidence as they take shape in the course of the research” (Ragin&Becker 1992:10). Treating cases as *specific theoretical constructs* implies that one has to delineate the meaning of the phenomenon inductively being prepared to revise one’s theoretical ideas along the way, while different type of evidence is being collected. Furthermore, by progressively refining the relationship between the empirical materials and theoretical ideas the ambition is to identify theoretically decisive features of the studied phenomenon.

Robert Stake (2005) suggests another distinction of case studies, which complements the analytical scheme of Ragin and Becker. According to Stake, one can classify our interest in case studies either as *intrinsic* or as *instrumental*. If we are interested in the particularity or ordinariness of the case, then our focus is primarily on the case’s internal features, structure and relationships. It means that it is the case *per se* that we aim to examine in great detail without necessarily linking it to some generic phenomenon. Treating the case instrumentally implies, on the other hand, that “[t]he case is still looked at in depth, its contexts scrutinized and its ordinary activities detailed, but all because this

helps us pursue the external interest” (ibid.: 445). It is in this second meaning that I am going to use the case study in my own research.

As can be inferred from above, the idea to consider Western business education as *a case of something else* came to me not from the start, but rather late in the process of my research. At first, it seemed simply as one of the possible sites where I could meet people personally involved in the private economic activities and acquiring business education in order to improve their careers. Later on, though, when I learned more about one of such schools in St.Petersburg I have realised that using Western business education as a case study may serve as a good illustration of other processes I am interested to analyse, for instance, of how Western ideas of the market economy, capitalism, business and entrepreneurship were spread in Russia through such education, or how business schools participate in creation of a new frame of reference with regard to business practices, business ethics, etc. that in the long run might be decisive for professional career in business, etc.

After the first round of contacts with a Western business school in St. Petersburg in 2000 I have been able to collect a good deal of information on the school itself¹⁶, but most importantly on the participants of the business programme. What became apparent to me was that they represent quite an interesting generation of Russians that I eventually conceptualised as the ‘last Soviet generation’.¹⁷ People from this generation in general were the most responsive to the market economic reforms of the 1990s and many of them have an early experience of working within the private economic sector of Russia. I went back to St.Petersburg in March of 2001 for another month of the fieldwork with the main aim: to explore and experience the case in its natural settings and happenings, and most of all, to meet and talk to people, whose biographies and experiences can be seen as an inseparable part of a larger whole: their generation, age cohort, their families, as well as historical and cultural circumstances that shaped their lives and their responses to changing society. Seen in this perspective, Western business education was eventually identified as an *instrumental* and *theoretically specific case study*, knowledge of which acquired a further purpose: it became a theoretically significant illustration of the development of new entrepreneurship, in particular independent entrepreneurship in Russia of the 1990s.¹⁸

¹⁶ During this time I made four interviews with school's staff, went through school's News letters, mass media coverage on this particular school and other Western schools in the city, MBA curriculum, CV's and applications of MBA program participants', etc.

¹⁷ For definition of the concept see Chapter 2, p. 66. For my own interpretation of it see Chapter 9, pp. 321–322.

¹⁸ See Chapters 8 and 9, pp. 255–356.

Interviews and documentary research

Case studies are usually explored with the help of other methods. For closer investigation of my case I used primarily the methods of interviewing and documentary research, which will be treated briefly in turn.

The interviews that I have carried out can be further characterised as biographical interviews. They have been initiated as open-ended and in-depth conversations that drew upon the interviewees' histories of their lives. The interviews often circulated around the objective facts of interviewees' biographies, such as time and place of birth, type of education, previous employments, etc.; but also on their own interpretations of the major life-course experiences, such as getting their first job, getting married or divorced, living through the economic crisis, choosing their first education and then the business education, etc. The overarching theme of all of the interviews was the trajectories of becoming entrepreneurial.¹⁹ The point of discovery in a biographical interview gravitates to an individual as an agent. However, the meaning of using biographies would be to show that the life of individuals carry "some previously unrecognised but nevertheless representative kind of social being" (Rustin 2000:49). As will be discussed below, representative in this case does not mean typical for a certain population or society as a whole. Rather, representative implies that such stories provide knowledge of central importance for the studied subject. In such a way, a process of becoming an entrepreneur in new economic conditions, as described by my interviewees, will not be uniform for all people who undertook this career during the 1990s. What it will do, however, is to reveal how such career is possible, what mechanisms lay behind it, what driving forces are necessary, and what constrains that one has to overcome, etc.

Documents of different sorts have been another major source of information for my study. In sociology, documents stand for a wide range of written texts and visual material that relate to some aspect of social world (see Macdonald 2001). Documents, such as public records, statistics, media reports, academic publications, etc., can be used as a research tool in their own right, but they can also be used as part of the process of triangulation. As mentioned above I have been using different types of documentary research since the very beginning of the field-work. At the earlier stage, when written texts related to my research problem were part of naturally occurring material I treated them in an informal manner. It means that I did not employ techniques conventionally associated with text analysis, such as content analysis, discourse analysis, etc. Instead, I carefully read empirical materials in order "to pin down their key themes and, thereby, to draw a picture of the presuppositions and meanings that constitute the cultural world of which the textual material is a specimen" (Peräkylä 2005:870). It was especially important because most of the materials at that stage were in the original language, Russian, and

¹⁹ For more details on interviews see Appendix II and III, pp. 397–404.

the context in which they were written was not the least important than their content.

At the later stages of my research, when the insights I got from in-depth interviews generated a need for broader documentary sources, I had to evaluate the texts at my disposal more critically. To begin with, the issue of business education in Russia, or elsewhere, is seldom, if at all, studied by sociologists. Those few academic publications I have found were in the area of management studies and business administration. That is why I had to rely on other sources to map the field of business education, its cultural and social contexts, its personnel and participants. Among those, the Internet resources and databases drawing on the materials of daily Russian press were the most valuable. Being a powerful source of information, text-based material mediated by the Internet, however, have to be treated with caution.²⁰ One of the issues I had to pay attention to was their credibility. To be assured of the quality of material provided by these sources I had to investigate the origins of these databases, possible distortions in the facts, whom the databases are directed to, how reliable, are the ratings of the business schools they present, etc. Another problem to tackle was checking authenticity of the data provided by the databases, that is, scrutinising the facts via other resources, cross-checking the reliability of the original newspapers and journals that provide the data for the databases, etc.

The interviews with the business school's participants in today's Russia prompted my search for historical aspects of the matter. I began to investigate how management education (provided that it was the nearest equivalent to business education of today) looked like during the Soviet time, what were the connections between the Soviet and post-Soviet types of management culture and performance, how managers/businessmen are related to the state and what is their positions in society. The theme of entrepreneurship linking these two epochs developed even stronger when I discovered that there was a small but sound body of historical research, mainly represented by the Western scholars, who pointed out that despite the obstacles created by the social and legal institutions of Imperial Russia there was a genuine entrepreneurial community in the country.²¹ The choice of these historical sources for further analysis was motivated by two reasons. Firstly, they went against the wide spread perception that Russian entrepreneurship has weak historical tradition. Secondly, they also pointed out the importance of studying entrepreneurship as socially and historically embedded phenomenon and not as purely economic action. These insights have formed my own approach to analysis of current Russian entrepreneurship.

At the most general level, all empirical material that has been generated through this qualitative study, including secondary sources, transcribed interviews, field-work accounts, notes on informal conversations, etc., constitutes

20 On usage of the Internet for qualitative research see e.g., Ryen (2004:194-217).

21 See Chapters 3 and 4, pp. 101–134.

a vast body of written texts that has to be evaluated in order to become sociological findings.

Analytical tools: from empirical materials to sociological findings

Following Norman Denzin (1989), we can distinguish two basic formats to approach analysis of qualitative material: *the objective format* and *the interpretive framework*. Within the first format, such issues as validity, reliability, bias, representativeness, and generalisability are the most crucial. The interpretive framework tends to reject these rigid forms of evaluation and focuses instead on the issues of claims of truth, validation, subjectivity, reflexivity and analytical generalisations. Writing my own work within the interpretive framework I will consequently apply the latter evaluation criteria in order to illustrate how broad empirical materials collected for this work have been transformed into a sociological text.

Validation of qualitative data: subjectivity and analytical generalisations

Carrying out research on such small phenomenon, as new entrepreneurship in Russia, and drawing on empirical material primarily from qualitative data, the question may arise how valid are the findings I arrived at? Indeed, I did not study the processes or the phenomena that would be acknowledged as the massive ones in Russia, and thus socially important, such as poverty, unemployment, deterioration of health, etc. I had neither reliable statistical data at my disposal, which could have proved that the tendencies I have observed in my qualitative study can be substantiated by the trends discovered in the society as a whole.²² To assure credibility I had to approach the question of validation of my findings from another angle.

One of the most traditional methods of validation in qualitative studies is *triangulation*. By applying triangulation, the researcher validates the qualitative findings by other types of documents, such as census data, surveys, participant observation, etc. or uses multiple theories to explain one and the same phenomena. Using various methods of collecting the data is also well known procedure of triangulation (see more in Macdonald 2001). I prefer, though, to apply a concept of *crystallisation* as it better captures the complexity of the analytical procedures that have been used in this study. According to

²² Many researchers, who are into studies of entrepreneurship in the transitional context, point out that it is impossible to study the development of entrepreneurship by quantitative methods alone, as there are for instance neither consensus on the definitions of the phenomena nor exact numbers of the small scale enterprises that would serve as a reliable basis for a representative sampling. Thus, the use of qualitative methods in this context was most relevant in order to acquire flexibility and in-depth understanding of what entrepreneurship in the transformation context is about. See Aidis (2005:29-30).

Richardson (2005:963), using the imagery of a crystal instead of a triangle in analytical process we are able to combine

[...] symmetry and substance with an infinite variety of shapes, substances, transmutations, multi-dimensionality, and angles of approach. Crystals grow, change and are altered, but they are not amorphous. Crystals are prisms that reflect externalities and refract within themselves, creating different colours, patterns, and arrays casting off in different directions. What we see depends on our angle of repose – not triangulation but crystallisation.

This powerful imagery embraces the several important components of the analytical process of this study: the changing nature of entrepreneurship phenomena, various discourses on it, the time aspect when the collection of the material occurred, and when the actual presentation of it takes place, etc.

To begin with, the validity of this research stems not from the fact that everything I describe is a truth. Rather, following Steiner Kvale (1997), validity is assured by making reasonable and convincing interpretations that give others a fair possibility to get an insight in the problem that I examined. From such a perspective, what we can speak of is an *internal validity* of the findings, as Ann Ryen (2004:138) specifies it. It can be achieved through the acceptance of the fact that the findings are partial, local and contextual, yet valuable as they provide a deeper understanding of entrepreneurial practices in that particular time and place. Similarly, evaluating the reliability of the results achieved the principle of replicability or reproduction of the results is not relevant here. Being repeated by myself or somebody else this research would certainly not bring the same results. Instead, my aim was to achieve *internal reliability* or rather *trustworthiness* of my findings by discussing the content of interviews, documentary analysis and other materials with other researchers in the field. In these discussions I have been assured that the themes and the tendencies that I observed in the material were quite apparent for other researchers as well. Another way to work with these issues was a thorough documentation of the fieldwork, or the process of how I have made the choices of the method, sites and problems of the study that can better assure the credibility of my findings.²³

A closely related issue is also that of subjectivity or how I myself, as an author, figure in the text. Doing a qualitative inquiry I inevitably became an instrument of this study and thus my involvement in it should be reflected upon. It is obvious that the angle from which I approached and analysed the problem in this study is a reflection of the multiple positions that I occupy as a researcher. On the one hand, being myself born, brought up and educated as a sociologist in the former Soviet Union, although not in Russia,²⁴ I had an

²³ See also Appendix II, pp. 397–402.

²⁴ I was born in Ukraine and the awareness about my national identity as a Ukrainian grew strong by the time when the Soviet Union collapsed. However, when I left my home country in the mid 1990s I realised that for many people in the West, Ukraine was not known as an

advantage of knowing the Russian language, being acquainted with Russian and Soviet sociology in general, and in fact being perceived as a native while visiting Russia. To begin with, knowledge of the Russian language allowed me to broaden my sample of empirical sources when it comes to the local research publications, mass media discourse and public discussions that would be inaccessible otherwise. It also opened many doors and created many trustworthy relations with people whom I met in Russia.

On the other hand, when I went to Russia for doing research I unintentionally acquired a particular mission. For Russians, respondents, sociologists, ordinary people alike, it was important that I produce a fair picture of Russia. It means a nuanced analysis embracing as many as possible of the complexities and variations of the phenomenon I examined. For Westerners, who have been in contact with my research at various occasions, the major concern was to put the material I have collected in recognisable theoretical frames, to describe it with the concepts traditionally applied in Western sociology. Thus the mission I had to perform as a social scientist was that of *an interpreter*, who following Rorty acts “in order to facilitate a conversation between groups who do not have the same language” (cited in Czarniawska and Joerges 1996:15). In so doing, throughout this research I have been involved in multiple processes of translations in both theoretical and methodological terms. While working with theoretical suppositions, I consciously chose not to limit myself to classical concepts and theories of entrepreneurship, class or gender because all of them represent dominant Western sociological paradigms that would easily shape my interpretation of Russia as not fitting the frame. Instead, my strategy was to find the meaning and the content of these concepts in the Russian historical and contemporary contexts in order to reveal the actual discrepancies between normative definitions and everyday practices.

In terms of methodology, I was aware of the fact that I was doing research on Russia also from a position of an outsider due to the fact that I both lived and worked in a foreign country. On the positive side, being a ‘foreigner’ and speaking fluent Russian at the same time helped me on many occasions when I needed to arrange a meeting, or visit some official institutions or even to get the permission from the Western business school I studied to make interviews on their premises.²⁵ Another advantage of this position was in my relations to the respondents, who perceived my situation as being similar to theirs. We practically belonged to the same generation; we shared the same experiences of living during the Soviet period and besides, we had in common our position ‘in between’ Russia and West, when it comes to our professional experiences,

independent state or was not anything else than a part of the Soviet Union. This was partly the reason why I reconciled with specialising myself on Russia, as for practical reasons, such as financing and literature available, it was much easier to perform research on Russia than on any other former Soviet country.

25 The fact that I was writing my thesis at a Swedish university was a great advantage in many senses as most of the people living in St. Petersburg and especially the staff and the participants at the Western business school I studied expressed many positive sentiments towards Sweden.

language capacities and even the fact of education in two different cultural codes: the Russian and the Western. Due to this, we could establish trustful relations during the interviews that allowed for our subjectivities to interact on rather equal terms. The weakness of such a position lay in the fact that being closely acquainted with the circumstances of the respondents' lives I could easily identify myself with them. For me, as well as for my respondents, the unprecedented events of the 1990s was not a remote history, it was a part of our own lives that marked our personal development in many significant ways. To reflect upon this period was an introspective process for all of us, raising a number of ethical issues that I will treat in more detail shortly.

The very nature of the analytical procedures applied in this work precludes me from making any broad generalisations or predictions on the matters that I study. This research was not designed to discover the causal relations between the current state of Russian entrepreneurship and its legal and institutional environment, or the degree of innovative behaviour of the Russian entrepreneurs. Neither are the findings of this study representative for the whole entrepreneurial community in St.Petersburg or in other large cities of Russia. What has been an ambition of this work is to follow what Michael Burawoy (1998:5) calls the reflexive model of science, meaning:

a model of science that [...] starts out from dialogue, virtual or real, between observer and participants, embeds such dialogue within a second dialogue between local process and extralocal forces that in turn can only be comprehended through a third, expanding dialogue of theory within itself.

Within such framework, the value of this research can be seen in its analytic generalisability, meaning that on the basis of the case/s studied and the milieu in which they are embedded one can make a well reflected assessment of what kind of socio-cultural processes are behind the development of professional entrepreneurship in Russia and how the historical and current contexts of entrepreneurship interplay with each other. In this respect, this study is objective not in its methods or analytical procedures but rather in its consequences as according to Burawoy (ibid:5): "Objectivity is not measured by procedures that assure an accurate mapping of the world but by the growth of knowledge; that is, the imaginative and parsimonious reconstruction of theories to accommodate anomalies".

Ethical issues

Many qualitative researchers agree upon the fact that ethical issues are not confined to fieldwork and interview situations, but rather they are persistent during the whole research process. Ryen (2004:154) emphasises two major groups of ethical questions that arise in the process of any research: the rela-

tion between the researcher and those who are studied and the representation problem when we write the final report. Within the former, the issues of trust, confidentiality, intimacy and distance are the most important. The latter concerns first of all the issue of power to decide what in the empirical material is worth to be underlined and how it should be interpreted.

The first important ethical obligation I had to tackle with was that of confidentiality. It turned to be quite problematic for several reasons. To begin with, the school I decided to study is very easy to identify among rather small number of the Western business schools in St. Petersburg. Besides, respondents who participated in the interviews knew each other rather well as they belonged to the same group of E-MBA graduates that year. Sometimes they even decided to give an interview after their class mates already had been talking to me. With regard to this situation, I had to make sure that the interviewees' personal identities and stories will not be disclosed to others who took part in interviews. At the same time, and even more importantly, it was necessary not to put my respondents in a vulnerable position towards the school itself. For instances, many of our conversations had involved a great deal of criticism towards the quality of the E-MBA program and how it had been administered. Nothing of this information, to my view, could be broadcast to the wider audience as it was both sensitive and disclosed to me in confidential circumstances. An important consequence of this ethical consideration is that fact that when I refer to the school I do not use its proper name. I have also decided not to use respondents' personal details when I present the empirical case. Instead, I indicate the cohort group they belong to, *converts* and *the new entrepreneurs*, and their gender. On the occasions when I need to underline the respondents' types of position or industry in which they work, I do so without referring to other personal details.

Another issue of ethical nature in my research was that of trust. The fact that the respondents in many cases have themselves approached me to be interviewed created a very honest atmosphere in our communication. It was obvious that they sincerely wanted to share their points of view on the questions we discussed and many times I have heard them exclaiming: *'The questions you ask have been on my mind for a long time, but I never thought that they could be interesting from the research point of view'*. They demonstrated their involvement in my project by commenting: *'I am really curious what you will find out from the conversations with me and other graduates'*. In retrospect, I am very grateful to their devotion and trust in my capacity to represent their stories as a sociologist. It helped me during all these years not to give up the project altogether. At the same time, it fills me with enormous responsibility with regard to how the results of this study may eventually affect the interviewees themselves.

Such a relationship of trust and expectation presents further ethical pitfalls. While carrying out the interviews I spent one week together with all MBA

participants on the premises of their last education module. We lived in the same hotel, we ate all our meals together, we went to the same lectures and business games and finally we met at several informal gatherings late in the evenings, after the school day was finished. Participating in all these events was important for me as, besides the interviews, the observation of the group's dynamics, ways of communication, informal and formal leadership was extremely informative for further analysis of my material. Probably, the participants considered my presence at all these occasions as a matter of fact, as I realised the atmosphere in the school in general was very inclusive, treating all 'who belong to it' as a 'family'. Being professionally engaged in all aspects of their life, I intended to be friendly, but not to become a close friend, personal but not private in our conversation. Keeping a balance between intimacy and distance is not always easy in such situations. Too close identification with one's respondents can hinder the researcher to see nuances and ask further questions. On the other hand, too obvious distance creates a misbalance of power, where respondents can get a feeling of being exploited or manipulated. In my case, I was addressing the respondents by using "вы", a plural form of *you* in Russian, in order to show them my respect. At the same time, such a form of addressing one's interlocutor symbolises a certain distance.

As indicated earlier, the content of our conversations was not confined to the respondent's educational and professional career.²⁶ It means that in many respects my questions often provoked the respondents to think back on their childhood, upbringing or other personal issues. This, what Miller (2000:104) calls "a forced introspective process" can be positive for some individuals and very painful for others. Unfortunately, as researchers we have little control over those consequences. However, in order to extend the respondents' power over the interview situation, the material it generates and the eventual results of the study several ethical procedures can be followed. They are all related to the issue of representation, the second major group of ethical considerations, indicated above. For instance, before launching every interview I have informed the participants about the fact that our conversations would serve as one of the key sources of my sociological study, which eventually will be published and made public via other dissemination processes. I have also made clear that their personal names or other details will not figure in the study. At the same time, I have underlined as in any sociological research, the frame of interpretation of the material I collect is wholly my responsibility and can hardly be influenced by the respondents. After the interviews were transcribed, I sent a copy to every respondent involved. In response I got quite a few positive remarks, which were encouraging and supportive. The respondents have also received an electronic copy of extracts from some of my publications related to the study. Altogether, these procedures were followed in order to realistically achieve an 'informed consent', or a possibility for the persons interviewed to follow and in some ways influence the process of production of the scientific text (see Miller 2000:104-105). Making all those precautions does not however

26 See Appendix II, pp. 397-402.

mean that the respondents could exercise a full control over what parts of interviews have been chosen for the deeper analysis and how the interview data has been linked to other empirical evidence used in the study. Assuring the ethical concerns towards the respondents and the accurate representation of the findings is my absolute intention as a researcher, thus factual mistakes or misinterpretations as remain are ultimately my own responsibility.

Appendix II

Interview topics

There were two major groups of interviews that constituted one of the primary sources for empirical material for my research. Firstly, I conducted 17 interviews with the participants in the Executive MBA program (E-MBA) at a Western business school in St.Petersburg (ten male and seven female, nine converts and eight the new entrepreneurs). Secondly, 6 interviews were conducted with the school's staff (2 male and 4 female). The questions I posed to these groups differed, thus below I present two sets of interview guides.

Participants of the E-MBA business education

The interview guide for the participants in the E-MBA business programme included six thematical sections. Given the fact that I met all of my respondents during their last week in the programme at the business school the most natural block of questions started with issues related to graduation that was due in two weeks, expectations they had for the MBA diploma, reflections on the past two years of studies, an evaluation of the content of the programme and its relevance for their professional careers. All the respondents did not get precisely the same formulated questions, as the in-depth interviewing assumes exploration and questioning at the same time. The questions I posed were aimed to acquire an insight into what brought these people to the school; what kind of education they had prior to the business programme; what was specific about Western business education in comparison to Russian education; what their impression was about one another and about the Russian and the Western staff; how useful the E-MBA degree was for the participants in relation to their current job and eventual promotion, etc. Thus, the first thematical section was aimed to uncover the circumstances that led the participants to undertake Western business programme. Below are some concrete examples of the questions that I asked during the interviews:

- What is your first university degree?
- How helpful was your previous education for studies at the business school?

- What do you think is so special about the Western approach in business education?
- Talking to other graduates I have heard many of them saying that the education at the school must be much more Western. What does it mean to you, more Western?
- How can you characterise the people you met during these two years?
- Do you trust other participants in the programme?
- In your opinion, why do you think a Russian working in Russia needs a Western education?
- Does your employer support you in any way while you study at the school?

The second thematical section was about the participants' professional experience. During the selection process of the interviewees for my study I had looked through their CV's and the application letters prior to their admission to the E-MBA programme. I also conducted interviews with some of the school's staff that gave me quite consistent, yet a preliminary picture about the group of participants. During these preparations I remarked that no one, but one, of the respondents came to study at the school unemployed. Almost half of them had already occupied leading managerial positions at their current jobs. Besides, most of the respondents had changed several jobs before they undertook their business education, and in each new job they were looking for more challenges than in their former position. My curiosity was motivated by the question: was the choice of a Western business education a strategy to improve their careers on the job or were there other reasons. Before coming to the school a number of respondents had already been employed in Western companies or smaller firms and one could assume that this was the main reason why the participants decided to acquire a Western business degree as well. This supposition was, however, revised in the process of analysis. My interest to the participants' professional experiences was mainly to reveal: in what spheres of economy they worked; their work experience during the Soviet period; in what ways it differed from their current jobs; how early in life they began to work; how many hours they spent at their work place; how they related to the concept of professionalism; how much responsibility and autonomy they had in their current jobs; were they afraid of being unemployed; what was the motive to leave one job for another. The questions I put on this topic can be exemplified by the following:

- When did you realise that you wanted to work?
- How did you find your first employment?
- What are your responsibilities at your current job?
- How do you motivate your employees for better performance?
- How many hours do you spend at work?
- Do you usually work at home in the evenings or during week-ends?

- Imagine that upon your graduation you are offered a very good and well paid position in Russian company instead? How would you react? (for the respondents who are employed in the foreign companies)
- How working at Western company influence your views and practices of business?

While developing the topics described above I intended to examine both how respondents themselves reasoned about these choices, preferences and aspirations, and how these choices, aspirations, and preferences were embedded in the larger community and society to which the respondents belonged. It has been a necessary analytical process in order to bridge individual biographical stories with the objective positions the respondents occupied in society. To go deeper in this analysis I pursued two other thematical issues.

One of them was related to their social backgrounds. Undoubtedly this theme of analysis was grounded in a supposition that the participants at the business school with a relatively unique profile for Russia had to have not only the economic capital to be able to pay for the education but also, and perhaps most importantly, cultural and social capital. On the one hand, these resources could ensure that their educational credentials were high enough to compete for a place in the programme; that their command of English was adequate, etc. On the other hand, the social background of the respondents was also important to understand the driving force they mobilised in order to undertake something new, to take risks, and in fact to live with a double burden of working and studying on quite demanding terms. Thus, this theme had been developed along questions as to if the respondents lived on their own or with their parents; did they own their own flat; were there any siblings; if the parents were living together; what was the parents' occupation and if it changed during the last fifteen years; if the parents supported their children's' choice of education and occupation, etc. The examples of questions on this topic were:

- What is your mom/dad working with these days? Previously?
- How old are they?
- Which of your parents/other relatives spent most time with you when you were small?
- Can you be completely open with your parents about your business and eventual problems you have take care of?
- How do you think your life is different from the life of your parents when they were in your age?

Another, forth, thematical section was related to the topic of gender in their professional career as an entrepreneur. My first observation of the E-MBA group was that it was mainly male with roughly one third female participants. I have consciously decided to interview all of the female participants in the MBA group (there were 8 in the E-MBA group: one of them turned down my

request), just to get a better balance in the whole sample of the study. Later on, when I examined the issue of business education in-depth, I have been confirmed that the tendency of fewer women in the private business sector is quite common not only for Russia but for the whole of Europe. The same seems to be true for female participants of the business schools worldwide.

As it turned out, the subject of gendering of entrepreneurship surfaced as well in the answers in the previous three thematical sections as well. For instance, in how male and female respondents perceived working in the business sphere and what sectors of business they actually occupied. Another aspect, worth to investigate in its own right was, for instance, how male and female entrepreneurs combined family and working life within the business sphere. All respondents in my sample were 25 years old and older at the time of the interview. In Russia it is rather common that people at that age are married and have children. At a closer look it turned out that this pattern was not at all common for my group of respondents. Slightly more than a half of the interviewees were men, among which four were married, two had partners and four were single, and only three out of ten had children; while among the female respondents all but one was married or cohabitating, and only two out of 7 had children. Obviously, having children was not a matter of fact issue for people who were so much involved with their jobs. Furthermore, I asked question as to what kind of contacts/friendships the participants had outside the school as well as those established while studying at the school: across the sex borders or within the same sex. These latter questions were theoretically grounded in the fact that female entrepreneurship in Russia, as elsewhere, is segregated to particular spheres of the economy and that networks are used by men and women in very different ways.¹ Examples of questions in this section are the following:

- What is your family situation?
- Do you have any children?
- What is your spouse/partner doing?
- Who is taking care of your children while you are working long hours?
- Do you think that you spend enough time with your family/ children?
- If you decide to have children are you going to sacrifice your career for a while?
- What sex are your colleagues/subordinates at work?
- If you have some problems at work who do you usually contact?
- Did you find anybody in the school with whom you are going to maintain contact/ join in a business venture in the future?
- How often do you meet your friends?
- What are your friends doing in life?

The fifth thematical questions, participants' ambitions and aspirations in life, were designed to cross cut the respondents' personal expectations and the

¹ Read more in Chapter 2, pp. 96–98.

general mood in society at that time. As I have mentioned in my work, I met the respondents at a turning point in their life, when they were leaving school with a Western type of the E-MBA degree, with lots of aspirations for the future, during a time when Russia began to finally experience economic growth and social stability. Thus, wondering about the interviewees' plans for the future was more a sensor for this generation's opportunities in life. The following questions can serve as an example:

- You leave school in two weeks: do you think that your life will be different in any sense?
- How do you imagine yourself in five years?
- What is your motivation for constant self-improvement?
- What do you want to work with in the future?
- How the education in the Western business programme influenced you as a business person, and as an individual?
- Do you have an ambition to open your own business?

The sixth thematical section was of a somewhat broader character. In addition to the respondents' immediate milieus of upbringing, socialising, work and family, I wanted to understand how they related themselves to a broader context of Russian society. For instance, a very well known fact about the Russian entrepreneurs on this level, namely small scale and private enterprising, is that they are seldom politically active or belong to any kind of association. Furthermore, due to the character of their occupation and the level of income it generates they often feel themselves different from the rest of society. Thus, the aim of these questions was to detect ideas that the respondents have about their social position in society, about their feelings towards their country, about their perception of equalities and inequalities in the transforming Russia, as well as a sense of class that they would possibly demonstrate. The questions I asked in this section can be demonstrated in the following way:

- Would you consider leaving Russia if you felt that it is impossible to fulfil your aspirations in life?
- Do you think that Russian specialists are adequately valued by Western colleagues/ business partners?
- Do you feel comfortable living in Russia today?
- Would you consider yourself belonging to a middle class?
- Do you have any friends who earn much less than you?
- Do you belong to any professional associations?

Staff of the school

The interviews with the staff of the school differed from the interviews with the participants. The main aim of these questions was to acquire a comprehensive picture of the school in relation to other business schools in St. Petersburg, especially those with a Western profile. The school itself was not my major

focus of analysis. For instance, it would be difficult for me to judge the quality of education compared to other establishments in the city or the system of hierarchies and decision making processes between Russian and Western staff, etc. My intention was rather to consider the school as a meeting place for Russian and Western business ideas, for people who obviously strived for a professional business career. The questions I put to the school's staff were along the following lines: how the school was established; the educational and other activities offered; how many permanent and visiting staff members were at the school; how the participants financed their education; what the status of the school was in comparison with other schools in the city/ in Russia; what the selection procedure for the participants looked like, etc. Some questions were directly related to the personal reasons of the school employees to work there and their previous education and employment situation. Some examples of the questions are the following:

- How did you come to work at the school?
- Do you have any previous experience of education/teaching?
- What are your responsibilities at the school?
- How would you describe the school's participants?
- How do you select the participants for the programme?
- How do the participants finance their studies?
- How do you evaluate the collaboration between the Russian and the Western staff at the school?
- What is the status of the school in comparison to other Western educational establishments?
- What are the major components of the E-MBA programme that you offer?
- Why do you think it is important to educate Russian businessmen in principles of Western business?

To the only member of the Swedish teaching staff that I interviewed I posed some additional questions:

- How the participants at the MBA program in St.Petersburg differed from students at the alma-mater?
- How their previous education influenced their performance at school?
- Do you, as a member of the Swedish staff, feel any particular expectations from the participants compared to your Russian colleagues?
- What is the future of SSE in Russia?

The material collected from the staff was used mainly for the descriptions of the school's background, educational structure, selection procedures, requirements for the participants, and its surrounding environment.

Appendix III:

List of respondents

C-converts, N-the new entrepreneurs, F-female, M-male

C1-F, 26, university degrees in English language and literature, and in International economics, (occupation at the time of the interview in 2001) marketing director of the former state Russian communal service agency; (previous occupations) interpreter at the Russian small company, travel guide, etc; married, no children

C2-M, 37, university degree in physics and mathematics, looking for a new job while studying at a business school; previously: researcher at the closed military institution, sailor, electrician, consular assistant, sales manager; divorced, one child

C3-F, 33, university degree in Turkish language and literature, marketing manager at the Russian real estate company; previously: head of international department at the publishing company, interpreter, and manager of a travel company; divorced, one child

C4-F, 30, university degree in psychology, PhD student, office manager at the Western educational institution; previously: psychologist, international coordinator; married, one child

C5-F, 33, university degrees in English major and law, lawyer at the small foreign law firm; previously: translator, legal assistant, lawyer; married, no children

C6-M, 36, university degree in pathology, general director of a private foreign firm in medical equipment; previously: assistant professor, lecturer, manager; married, three children

C7-M, 38, university degree in engineering and programming, manager-director of a foreign representative office in transportation; previously: researcher at the closed military institution, manager in publishing; married, one child

C8-M, 32, university degree in engineering and electro-mechanics, coordinator of logistic services at foreign representative office; previously: purchasing engineer and purchasing manager of the large state enterprise, sales manager; cohabitating, no children

C9-M, 32, university degrees in chemistry and organic chemistry, general director of a small Russian IT company; previously: research student, sales manager, executive director; cohabitating, no children

N1-F, 26, university degree in marketing, director of a Russian tourist agency; previously: sales manager, purchase manager, project coordinator; cohabitating, no children

N2-M, 26, university degree in management and economics, sales manager of a small Russian firm; previously: sales representative, team manager; single

N3-M, 25, university in management and economics, marketing director of a foreign broker company; previously: bank officer, senior manager, deputy-director; married, no children

N4-F, 26, university degrees in English major and banking and finance, customer adviser at a foreign bank; previously: various positions at the same bank; married, no children

N5-M, 28, university degree in engineering and applied mathematics, channel field sales engineer of a large foreign company; previously: accountant, commercial director; married, no children

N6-M, 29, university degree in finance and credit, deputy director of a foreign advertisement company, previously: manager at a bank, auditor, manager-accountant; cohabitating, no children

N7-M, 25, university degree in credit and finance, financial director of a small Russian company, previously: bank officer, bank manager; single

N8-M, 26, university degrees in computer added design and management, coordinator of quality projects at the large foreign company; previously: sales manager, assistant manager; single

S-staff member, R-Russian, F-foreign, Fe-female, M-male

S1-Fe-R, university degree in psychology, PhD in psychology, administrative director of the school

S2-Fe-R, university degree in psychology, PhD in psychology, educational director

S3-Fe-R, university degree in psychology, PR manager

S4-M-R, university degree in economy, PhD in economy, senior lecturer, Director of the Entrepreneurial Centre

S5-Fe-R, university degree in psychology, PhD student, office assistant

S6-M-F, university degree in business and economics, PhD in business and economics, foreign lecturer, presently (2009) Director of the E-MBA programme

Bibliography¹

A) Printed works

- Abercrombie, Nicholas; Hill, Stephen and Turner, Bryan S. (1984) *Dictionary of Sociology*. Third edition. Penguin Books, pp. 245-246.
- Alapuro, Risto and Lonkila, Markku (2000) 'Networks, identity and (in)action', *European Societies*, vol.2(1):65-90.
- Amable, Bruno (2003) *The Diversity of Capitalism*. Oxford: Oxford University Press.
- Anan'ich, Boris (1983) 'The economic policy of the Tsarist government and enterprise in Russia from the end of the 19th through the beginning of the 20th century', in Gregory Guroff and Fred Carstensen (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press, pp.125-139.
- Anan'ich, Boris and Beliaev, Sergej (2001) 'St. Petersburg: banking center of the Russian Empire', in William C. Brumfield; Boris Anan'ich and Yuri A. Petrov (eds.) *Commerce in Russian Urban Culture 1861-1914*, Washington, D.C. : Woodrow Wilson Center Press, pp.9-20.
- Andreev, Andrej L. (1999) 'Dva srednih klassa v Rosijskom obschestve?' [Two middle classes in Russian society?], in Mikhail Gorshkov; Natalia Tikhnova and Anatolij Chepureenko (eds.) *Srednij Klass v Sovremennom Rosijskom Obschestve*, Moscow: RNI SiNP, pp.39-50.
- Armstrong, John. A. (1983) 'Socializing for modernisation in a multiethnic elite', in Gregory Guroff and Fred Carstensen (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press, pp.84-103.
- Ashwin, Sarah (ed.) (2000) *Gender, State and Society in Soviet and post-Soviet Russia*. London: Routledge.
- Ashwin, Sarah (2002) 'The influence of the Soviet gender order on employment behaviour in contemporary Russia', *Sociological Research*, vol.41(1):21-37.
- Ashwin, Sarah (ed.) (2006) *Adopting to Russia's New Labour Market: Gender and Employment Behaviour*, London and New York: Routledge.
- Avraamova, Elena M. (2002) 'The formation of a middle class in Russia', *Sociological Research*, vol.41(6):57-68.

¹ Bibliography is divided in four parts, A) Printed works, B) Current periodicals, and C) Internet resources, and D) Unprinted manuscripts.

- Bailes, Kendal E. (1996) 'Reflection on Russian professions', in Harley D. Balzer (ed.) *Russia's Missing Middle Class: the Professions in Russian History*. London: M.E Sharpe, pp.39-55.
- Balzer, Harley D. (1991) 'The problem of professions in Imperial Russia', in Edith W. Clowes; Samuel D. Kassow and James L. West (eds.) *Between Tsar and People: Educated Society and the Quest for Public Identity in Late Imperial Russia*, Princeton, N.J.: Princeton University Press, pp. 183-198.
- Balzer, Harley D. (ed.) (1996) *Russia's Missing Middle Class: the Professions in Russian History*. London: M.E Sharpe.
- Balzer, Harley D. (1998) 'Russia's middle classes', *Post-Soviet Affairs*, 14(2): 165-186.
- Balzer, Harley D. (2001) 'Russia's self-denying middle class in the global age', in Karl Segbers (ed.) *Explaining post-Soviet Patchworks*. vol.1 Aldershot: Ashgate, pp. 366-384.
- Baron, Samuel H. (1983) 'Entrepreneurs and entrepreneurship in sixteenth/seventeenth century Russia', in Gregory Guroff and Fred Carstensen (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press, pp. 27-58.
- Barsukova, Svetlana Y. (1998) 'Obraz zenshchini predprinimatelja v sredstvakh massovoj informatsii' [Image of female entrepreneur in mass media], *Eko*, vol.2:159-171.
- Barsukova, Svetlana Y. (1999a) 'Zenskoe predprinimatelstvo: spetsifika i perspektivy' [Female entrepreneurship: specific features and prospects of development], *Sotsiologicheskie Issledovaniia*, vol.8: 75-84.
- Barsukova, Svetlana Y. (1999b) 'Avgust 1998 i otechestvennoe predprinimatelstvo' [The 1998 crisis and domestic entrepreneurship], *Pro et Contra*, vol.4(2):I-II.
- Beliaeva, Luidmila (1997) *Sotsialnaia Modernizatsiia v Rossii v Konche XX veka* [Social modernisation in Russia in the end of the 20th century], Moscow: Institute of philosophy.
- Berdahl, Daphne (2000) 'Introduction: an anthropology of Postsocialism', in Daphne Berdahl; Matti Bunzl and Martha Lampland (eds.) *Altering States: Ethnographies of Transition in Eastern Europe and the Former Soviet Union*, Ann Arbor: The University of Michigan Press, pp.1-13.
- Berliner, Joseph (1983) 'Entrepreneurship in the Soviet period: an overview', in Gregory Guroff and Fred V. Carstensen (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press, pp.191-200.
- Bertaux, Daniel (1981) 'From life-history approach to the transformation of sociological practice', in Daniel Bertaux (ed.) *Biography and Society: the Life History Approach in the Social Sciences*, Sage studies in international sociology 23, pp.29-45.
- Bertaux, Daniel (1997) 'Transmission in extreme situations: Russian families expropriated by the October Revolution', in Daniel Bertaux (ed.)

- Pathways to Social Class: a Qualitative Approach to Social Mobility*. Oxford: Oxford University Press, pp.230-258.
- Bertaux, Daniel and Malysheva, Marina (2004) 'The cultural model of the Russian popular classes and the transition to a market economy', in Daniel Bertaux, Paul Thompson and Anna Rotkirch (eds.) *On Living Through Soviet Russia*, London: Routledge, pp.25-53.
- Black, Cyril E. (1983) 'Russian and Soviet entrepreneurship in a comparative context', in Gregory Guroff and Fred V. Carstensen (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press, pp.3-12.
- Blackwell, William (1965) 'The old believers and the rise of private industrial enterprise in early 19th century Moscow', *Slavic Review*, xxiv(3):407-424.
- Blackwell, William (1983) 'The Russian entrepreneur in the Tsarist period: an overview', in Gregory Guroff and Fred V. Carstensen (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press, pp. 13-26.
- Blaug, Mark (2000) 'Entrepreneurship before and after Schumpeter', in Richard Swedberg (ed.) *Entrepreneurship: the Social Science View*, New York: Oxford University Press, pp.76-88.
- Blokker, Paul and Dallago, Bruno (2008) 'Economic transformation and the challenge of youth entrepreneurship in Central and Eastern Europe', in Paul Blokker and Bruno Dallago (eds.) *Youth Entrepreneurship and Local Development in Central and Eastern Europe*, Ashgate.
- Bonnell, Victoria E. and Gold, Thomas B. (eds.) (2002) *The New Entrepreneurs in Europe and Asia: Patterns of Business Development in Russia, Eastern Europe and China*, M.E. Sharpe: New York and London.
- Bourdieu, Pierre (1986) 'The forms of capital', in John G. Richardson. (ed.) *Handbook of Theory and Research for the Sociology of Education*. Greenwood Press: New York and London, pp. 241-260.
- Bourdieu, Pierre (1994) *Praktisk Förnuft: Bidrag till en Handlingsteori*. Göteborg:Diados.
- Bridger, Sue and Pine, Frances (1998) *Surviving post-Socialism: Local Strategies and Regional Responses in Eastern Europe and former Soviet Union*. London and New York: Routledge.
- Bruno, Marta (1998) 'Playing the co-operation game: strategies around international aid in post-socialist Russia', in Sue Bridger and Frances Pine (eds.) *Surviving post-Socialism: Local Strategies and Regional Responses in Eastern Europe and former Soviet Union*. London and New York: Routledge, pp.170-187.
- Bunin, Ivan (1993) 'Sotsialnij portret malogo i srednego predprinimatelstva v Rossii' [Social portrait of the small and medium size entrepreneurship in Russia], *Polis*, vol.3:149-154.
- Bunin, Ivan (1994a) *Rossijskie Biznessmeny: 40 Istorij Uspeha* [Russian businessmen: forty stories of success], Moscow: Ekspertiza.

- Burawoy, Michael (1998) 'The extended case method', *Social Theory*, vol.16 (1):4-33.
- Burawoy, Michael (2001a) 'Neoclassical sociology: from the end of communism to the end of classes', *American Journal of Sociology*, vol. 106 (4):1099-1120.
- Burawoy, Michael (2001b) 'Transition without transformation: Russia's involuntary road to capitalism', *East European Politics and Sociology*, vol.15, 269-290.
- Burawoy, Michael and Verdery, Katherine (1999) *Uncertain Transition: Ethnographies of Change in the Post-socialist World*. Lanham. Boulder. New York. Oxford: Rowman&Littlefield Publishers, Inc.
- Burt, Ronald S. (1993) 'The network entrepreneur', in Richard Swedberg (ed.) *Exploration in Economic Sociology*. New York: Russell Sage Foundation, pp.65-103.
- Buttrick, Steven C. and Moran, Jonh P. (2005) 'Russia's missing link? Social capital, entrepreneurialism, and the economic performance in post-communist Russia', *Communist and post-Communist Studies*, vol.38:357-368.
- Carstensen, Fred V. (1983) 'Foreign participation in Russian economic life: notes on British enterprise, 1865-1914', in Gregory Guroff and Fred V. Carstensen (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press, pp.140-158.
- Castells, Manuel (1998) *The Information Age: Economy, Society and Culture*, vol.3, *End of Millennium*, Malden, Mass.: Blackwell.
- Castells, Manuel and Kiseleva, Elena (2000) 'Rossiia i setevoe obshchestvo' [Russia and the network society], *Mir Rossii*, vol.1, 23-51.
- Charipova, LuidmilaV. (2006) *Latin Books and the Eastern Orthodox Clerical Elite in Kiev 1632-1780*. Manchester: Manchester University Press.
- Chirikova Alla E. and Krichevskaja, Olga N. (2002) 'The women manager: business strategies and self-image', *Sociological Research*, vol. 41 (1):38-54.
- Chmouliar (see also Shmulyar), Oksana (1996) 'Cross-border trading in the Czech Republic', *Migracijske Teme*. vol. 12 (3): 159-204.
- Clarke, Simon (1992) 'Privatization and the development of capitalism in Russia', *New Left Review*, no.196, pp.3-27.
- Clarke, Simon (1999) *New Forms of Employment and Household Survival Strategies in Russia*. Coventry, UK. Moscow, Russia: ISITO/CCLS.
- Clarke, Simon and Kabalina, Veronika (1999) 'Employment in the new private sector in Russia', *Post-Communist Economies*, vol.11 (4):421-443.
- Clarke, Simon (2000) 'The closure of the Russian labour market', *European Societies*, vol.2(4):487-504.
- Clarke, Simon (2007) *The Development of Capitalism in Russia*. London and New York: Routledge.
- Clowes, Edith W.; Kassow, Samuel D. and West, James L. (eds.) (1991) *Between Tsar and People: Educated Society and the Quest for Public Identity in Late Imperial Russia*, Princeton, N.J.: Princeton University Press.

- Coates, David (1999) 'Models of capitalism in the New World order: the UK case', *Political Studies*, vol. 47:643-60.
- Codagnone, Cristiano (1995) 'New entrepreneurs: continuity or change in Russian economy and society', in Bruno Grancelli (ed.) *Social Change and Modernisation*, Berlin and New York: Walter de Gruyter, pp.63-82.
- Cohen, Stephen F. (2001) *Failed Crusade: America and the Tragedy of post-Communist Russia*, New York and London: W.W.Norton & Company.
- Coleman, James S. (1988) 'Social capital in the creation of human capital', *American Journal of Sociology*, 94 (special supplement): 95-120.
- Crompton, Rosmary (1993) *Class and Stratification: Introduction to Current Debates*, Cambridge: Polity Press.
- Csepeli, Geörgy; Örkény, Antal; Székelyi, Mária, and Barma, Ildiko (2004) 'Blindness to success: social psychological objectives along the way to a market economy in Eastern Europe', in Janós Kornai, J.; Bo Rothstein and Susan Rose-Ackerman, S. (eds.) *Creating Social Trust in post-Socialist Transition*, New York: Palgrave Macmillian, pp. 213-240.
- Czarniawska, Barbara and Joerges, Bernard. (1996) 'Travels of ideas', in Barbara Czarniawska and Guje Sevón (eds.) *Translating Organisational Change*. Berlin and New York: Walter de Gruyter, pp. 13-48.
- Czarniawska, Barbara and Höpfil, Heather (2002) *Casting the Other: the Production and Maintenance of Inequalities in Work Organisations*, London: Routledge.
- Denzin, Norman (1989) *Interpretive Biography*, London: Sage Publications.
- Denzin, Norman and Lincoln, Yvonna S. (2005) 'Introduction: the discipline and practice of qualitative research', in Norman Denzin and Yvonna Lincoln (eds.) *Qualitative Research*, Third edition, London: Sage publications, pp.1-32.
- Djankov, Simeon; Miguel, Edward; Qian, Yinqyi; Roland, Gerard; and Zhuravskaya, Ekaterina (2005) 'Who are the Russian entrepreneurs?', *Journal of European Economic Association, papers and proceedings*, vol. 3 (2/3):587-597.
- Dinello, Natalia (1998a) 'Forms of capital: the case of Russian bankers', *International Sociology*, vol.13 (3):291-310.
- Dinello, Natalia (1998b) 'Russian religious rejection of money and *homo economicus*: the self-identifications of the 'pioneers of a money economy' in post-Soviet Russia', *Sociology of Religion*, vol. 59(1):45-64.
- Dinello, Natalia (1999) 'The Russian F-connection', *Problems of post-Communism*, vol.46 (1):24-35.
- Dunham, Vera S. (1976) *In Stalin's Time: Middleclass Values in Soviet Fiction*. Cambridge, London: Cambridge University Press.
- Esping-Andersen, Gösta. (1990) *The Three Worlds of Welfare Capitalism*. Cambridge: Polity Press.
- ETC (1998) *Ryssland och Konsten att Förstöra ett Land*, n.5 1998, Stockholm.

- Eyal, Gil; Szelényi, Iván and Townsley, Eleanor (1998) *Making Capitalism Without Capitalists: Class Formation and Elite Struggles in post-Communist Central Europe*. London and New York: Verso.
- Eyal, Gil; Szelényi, Iván, and Townsley, Eleanor (2001) 'The utopia of post-socialist theory and the ironic view of history in neoclassical sociology', *American Journal of Sociology*, vol. 106 (4):1121-1128.
- Fitzpatrick, Sheila (1979a) 'Stalin and the making of a new elite, 1928-1939', *Slavic Review*, vol.38, No.3:377-402.
- Fitzpatrick, Sheila (1979b) *Education and Social Mobility in the Soviet Union: 1921-1934*. Cambridge and New York: Cambridge University Press.
- Fitzpatrick, Sheila (1988) '“Middle-class” values and Soviet life in the 1930s', in Terry L. Thompson and Richard Sheldon (eds.) *Soviet Society and Culture: Essays in Honour of Vera S. Dunham*, London: Westview Press, 20-38.
- Freeze, Gregory L. (1986) 'The Soslovie (estate) paradigm in Russian social history', *The American Historical Review*, vol.91 (1):11-36.
- Gaddy, Clifford G. and Ickes, Berry W. (2002) *Russia's Virtual Economy*. Washington, D.C.: Brookings Institution.
- Gal, Susan and Kligman, Gail (2000) *The Politics of Gender after Socialism*, Princeton, New Jersey: Princeton University Press.
- Gartner, William (1988) '“Who is an entrepreneur?” is a the wrong question', *American Journal of Small Business*, spring 1998:11-32.
- Gerschenkron, Alexander (1970) *Europe in the Russian Mirror*, Cambridge: Cambridge University Press.
- Gerschenkron, Alexander (1976 [1962]) *Economic Backwardness in Historical Perspective: a Book of Essays*, Cambridge, Massachusetts: the Balknap Press of Harvard University Press.
- Gerschenkron, Alexander (2000 [1966]) 'The modernisation of entrepreneurship', in Richard Swedberg (ed.) *Entrepreneurship: the Social Science View*, New York: Oxford University Press, pp.129-138.
- Gleason, Abbott (1991) 'The terms of Russian social history', in Edith W. Clowes; Samuel D. Kassow and James L. West (eds.) *Between Tsar and People: Educated Society and the Quest for Public Identity in Late Imperial Russia*, Princeton, N.J.: Princeton University Press, pp.15-27.
- Gorshkov, Mikhail and Tikhonova, Natalia (1999) *The Middle Class in Russia: an Analytical Paper*, Friedrich Ebert Foundation, The Russian Independent Institute of Social and National problems: Moscow.
- Gorshkov, Mikhail; Tikhonova, Natalia and Chepurensko, Anatoly (1999) *Srednij Klass v Sovremennom Rosijskom Obschestve* [The middle class in the current Russian society], The Russian Independent Institute of Social and National problems: Moscow.
- Grancelli, Bruno (1995) (ed.) *Social Change and Modernisation: Lessons from Eastern Europe*, Berlin and New York: Walter de Gruyter.

- Granick, David (1960) *The Red Executive: a Study of the Organisational Man in Russian Industry*, New York: Doubleday and Company.
- Granick, David (1983) 'Institutional innovation and economic management: the soviet incentive system, 1921 to the present', in Gregory Guroff and Fred V. Carstensen (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press, pp.223-257.
- Granovetter, Mark (1973) 'The strength of the weak ties', *American Journal of Sociology*, vol.78(6):1360-1380.
- Granovetter, Mark (1985) 'Economic action and social structure: the problem of embeddedness', *American Journal of Sociology*, vol. 91 (3):481-510.
- Granovetter, Mark (1995) 'The economic sociology of firms and entrepreneurs', in Alejandro Portes (ed.) *The Economic Sociology of Immigration*, New York: Russel Sage Foundation, p.128-165.
- Grant Thorntorn (2004) *Optimistic?* International Business Owners Survey.
- Gronow, Jukka (1997) *The Sociology of Taste*, London: Routledge.
- Grossman, Gregory (1977) 'The second economy of the USSR', *Problems of Communism*, vol. 26 (5):25-40.
- Grossman, Gregory (1983) 'The party as manager and entrepreneur', in Gregory Guroff and Fred Carstensen (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press, pp.284-305.
- Grossman, Gregory (1998) 'Subverted sovereignty: historic role of the Soviet underground', in Stephen Cohen; Andrew Schwartz and John Syzman (eds.) *The Tunnel at the End of the Light: Privatisation, Business networks, and Economic Transition in Russia*, University of California, International and area studies, Digital series, pp.24-50.
- Gubrium, Jaber F. and Holstein, James A. (1997) *The New Language of Qualitative Method*, New York&Oxford: Oxford University Press.
- Guroff, Gregory (1983) 'The Red-expert debate: continuities in the state state-entrepreneur tension', in Gregory Guroff and Fred Carstensen V. (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press, pp. 201-222.
- Guroff, Gregory and Carstensen, Fred (1983) (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press.
- Gustafsson, Pär (2003) 'Foreign companies and everyday economy in Russia', in Arnstberg, Karl-Olov. and Thomas Borén (eds.) *Everyday Economy in Russia, Poland and Latvia*. Stockholm: Södertörns högskola, pp.71-88.
- Hall, Peter and Soskice, David (2001) *Varieties of Capitalism*. Oxford: Oxford University Press.
- Hanson, Philip and Teague, Elisabeth (2005) 'Big business and the state in Russia', *Europe-Asia Studies*, vol.57 (5):657-680.
- Hardt, John P. and Frankel, Theodore (1971) 'The industrial managers', in Gordon Skilling and Franklyn Griffiths (eds.) *Interest Groups in Soviet Politics*, Princeton, New Jersey: Princeton University Press, 171-208.

- Hellberg-Hirn, Elena (1996) 'Peterburg Okno v Evropu' [Petersburg the window to Europe], *Studia Slavica Finlandensia*, Offprint, Tomus XIII, Helsinki.
- Hellberg-Hirn, Elena (2003) *Imperial Imprints: post-Soviet St. Petersburg*, Helsinki: Finish Literature Society.
- Hertz, Noreena (1997) *Russian Business Relationships in the Wake of Reform*, London: Macmillan.
- Hjort, Daniel; Johannisson, Bengt and Steyaert, Chris (2003) 'Entrepreneurship as discourse and life style', in Barbara Czarniawska and Guje Sevón (eds.) *The Northern Lights – Organisation Theory in Scandinavia*, Copenhagen: Copenhagen Business school press, pp.91-110.
- Hough, Jerry F. (1969) *The Soviet Perfects: the Local Party Organs in Industrial Decision-making*. Cambridge, Massachusetts: Cambridge University Press.
- Huber, Peter and Wörgötter, Andreas (1998) 'Observations on Russian business networks', *Post-Soviet Affairs*, vol.14(1):81-91.
- Humphrey, Caroline (1999) 'Traders, 'Disorder', and Citizenship regimes in provincial Russia', in Michael Burawoy and Katherine Verdery (eds.) *Uncertain Transition: Ethnographies of Change in the Postsocialist World*, New York & Oxford: Rowman&Littlefield Publishers, Inc., pp.19-52.
- Humphrey, Caroline (2000) 'Dirty business, 'normal life', and the dream of law', in Alena Ledeneva and Marina Kurkchian (eds.) (2000) *Economic Crime in Russia*, Great Britain: Kluwer Law International, pp.177-190.
- Humphrey, Caroline (2002) *The Unmaking of Soviet Life: Everyday Economies After Socialism*. New York: Cornell University Press.
- Ickes, Barry W. (2004) 'The Russian economy in 2003', in Peter Reddeway et al. (eds.) *Russia in the year 2003*, *Post-Soviet Affairs*, vol. 20(1):19-32.
- Ivancevich, John M.; DeFrank, Richard S and Gregory, Paul, R. (1992) 'The Soviet enterprise director: an important recourse before and after the coup', *Academy of Management Executive*, vol.6 (1):42-55.
- Jones, Anthony and Moskoff, William (1991) *Ko-ops: the Rebirth of Entrepreneurship in the Soviet Union*. Bloomington and Indianapolis: Indiana University Press.
- Kahan, Arcadius (1983) 'Notes on Jewish entrepreneurship in Tsarist Russia', in Gregory Guroff and Fred V. Carstensen (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press, pp.104-124.
- Kara-Murza, Aleksej A. (1999) *Kak vozmozna Rossiia?* [How Russia is possible?] Library of liberal conservatism: Moskva.
- Kaser, Michael C. (1978) 'Russian entrepreneurship', in Peter Mathias and Michael M. Postan (eds.) *The Cambridge Economic History of Europe*, Cambridge, Cambridge University Press, chapter 8, pp.416-459.
- Kassow, Samuel D.; West, James L. and Clowes, Edith W. (1991) 'Introduction: the problem of the middle in late Imperial Russian soci-

- ety', in Edith W. Clowes et al (eds.) *Between Tsar and People: Educated Society and the Quest for Public Identity in Late Imperial Russia*, New York: Princeton University Press, pp.3-14.
- Kharkhordin, Oleg (1994) 'The corporate ethic, the ethic of *samostoyatel'nost* and the spirit of capitalism: reflections on market-building in post-Soviet Russia', *International Sociology*, vol.9(4):405-429.
- Kharkhordin, Oleg (1999) *The collective and the Individual in Russia: a Study of Practices*. Berkley, London: University of California Press.
- Kharkhordin, Oleg and Gerber, Theodore P. (1994) 'Russian directors' business ethics: a study of industrial enterprise in St. Petersburg, 1993', *Europe-Asia Studies*, vol. 46 (7):1107-1107.
- Khapaeva, Dina (2002) *Vremja kosmopolitizma: ocherki intellektualnoj istorii* [The time of cosmopolitanism: essays on intellectual history]. St.Peterburg: Zvezda.
- Kiblit'skaya, Maryna (2000) 'Russia's female breadwinners: the changing subjective experience', in Sarah Aswin (ed.) *Gender, State and Society in Soviet and post-Soviet Russia*. London: Routledge, pp. 55-70.
- Kihlgren, Alessandro (2004) 'The methodology used by Russian statistical bodies to analyse small business', *Post-Communist Economies*, vol.16(3):363-377.
- King, Lawrence P. and Szelényi, Ivan (2004) *Theories of the New Class: Intellectuals and Power*. London: University of Minnesota Press.
- Kivinen, Markku (2002) *Progress and Chaos: Russia as a Challenge for Sociological Imagination*. Helsinki: Kikimora Publications, series B:19.
- Kocka, Jürgen (1995) 'The middle class in Europe', *The Journal of Modern History*, December 1995:783-806.
- Kontorovich, Vladimir (1999) 'How new business creation come to halt?', *Journal of Business Venturing*, vol. 14 (5-6):451-460.
- Kornai, Janós (1980) *Economics of Shortage*, Amsterdam: North-Holland.
- Kotkin, Stephen (1995) *Magnetic Mountain: Stalinism as a Civilization*, Berkley, California: University of California Press.
- Kourilsky-Augeven, Chatal (2004) 'Introduction', *Droit et Cultures*, special issue 2004, Société de Législation Comparée, Paris, pp.17-24.
- Krystanovskaia, Olga (2002a) 'Transformatsiia bussnes elity Rossii: 1998-2002' [Transformation of the business elite in Russia: 1998-2002], *Sotsiologicheskie Issledovaniia*, no.8, pp. 17-49.
- Krystanovskaia, Olga (2002b) 'Business elita i oligarchi: rezultat desjatiletia' [Business elite and the oligarchs: results of a decade], *Mir Rossii*, no.4, pp.3-60.
- Kvale, Steiner (1997) *Den Kvalitativa Forskningsintervjun*.Lund: Studentlitteratur.
- Kukhterin, Sergei (2000) 'Fathers and patriarchs in communist and post-communist Russia', in Sarah Aswin (ed.) *Gender, State and Society in Soviet and post-Soviet Russia*. London: Routledge, pp. 71-89.

- Lampert, Nicholas (1979) *The Technical Intelligentsia and the Soviet State: a Study of Soviet Managers and Technicians 1928-1935*, London: The Macmillian Press LTD.
- Lane, David (1999) 'Review essay: transformation of state socialism: from communism to chaotic capitalism', *Sociology*, vol. 33(2):447-450.
- Lane, David (2000) 'What kind of capitalism for Russia? A comparative analysis', *Communist and Post-Communist Studies*, vol.33 (4):485-504.
- Lane, David (2005) 'Social class as a factor in the transformation of state socialism', *The Journal of Communist Studies and Transition Politics*, vol. 21 (4):417-435.
- Lane, David (2006) 'From state socialism to capitalism: the role of class in the world system', *Communist and post-Communist studies*, vol.39:135-152.
- Lane, David (2007) 'Post-state socialism: a diversity of capitalism?', in David Lane and Martin Myant (eds.) *Varieties of Capitalism in post-Communist Countries*, Basingstoke, Palgrave: Macmillan, pp. 13-39.
- Langness, Lewis L. and Frank, Gelya (1981) *Lives: an Anthropological Approach to Biography*, California: Chandler&Sharp Publishers, Inc.
- Layder, Derek (1993) *New Strategies in Social Research: an Introduction and Guide*, Cambridge: Polity Press.
- Layder, Derek (1998) *Sociological Practice: Linking Theory and Social Research*. London: Sage Publications.
- Lebedev, Sergej K. (2001) 'European business culture and St.Petersburg Banks', in William C. Brumfield; Boris V. Anan'ich and Yuri A. Petrov (eds.) *Commerce in Russian Urban Culture, 1861-1914*, Washington, D.C. Woodrow Wilson Center Press, pp.21-38.
- Ledeneva, Alena (1998) *Russia's Economy of Favours: Blat, Networking and Informal Exchange*, Great Britain: Routledge.
- Ledeneva, Alena (2000) 'Introduction', in Alena Ledeneva and Marina Kurkchiayan (eds.) (2000) *Economic Crime in Russia*, Great Britain: Kluwer Law International, pp. 1-16.
- Ledeneva, Alena (2009) 'From Russia with *blat*: can informal networks help modernize Russia?', *Social Research*, vol.76(1):257-288.
- Ledeneva, Alena and Kurkchiayan, Maryna (eds.) (2000) *Economic Crime in Russia*, Great Britain: Kluwer Law International.
- Lockwood, David (2000) *The Destruction of the Soviet Union: a Study in Globalisation*. London: Macmillan Press LTD.
- Macdonald, Keith (2001) 'Using documents', in Nigel Gilbert (ed.) *Researching Social Life*. 2nd edition. London: Sage publications,pp.194-210.
- Maleva, Tatiana et al. (2003) *Srednie Klassy v Rossii: Ekonomicheskie i Sotsialnie Strategii* [Middle classes in Russia: economic and social strategies], Gendalf: Moscow.
- Malia, Martin (1999) *Russia Under Western Eyes: From the Bronze Horseman to the Lenin Mausoleum*. Cambridge, Massachusetts and London, England: The Belknap Press of Harvard University Press.

- Manning, Nick (2004) 'Diversity and change in pre-accession Central and Eastern Europe since 1989', *Journal of European Social Policy*, vol.14(3): 211-232.
- Matthews, Mervyn (1978) *Privilege in the Soviet Union: a Study of Elite Lifestyles Under Communism*. London: George Allen&Unwin.
- McClelland, David (1961) *The Achieving Society*. Princeton: Van Nostrand.
- Medvedev, Roy (1998) 'A new class in Russian society', *Sociological Research*, vol.37(4):43-64.
- Merton, Robert K. (1968) *Social Theory and Social Structure*. New York: The Free Press.
- Meshcherkina, Elena (1999) *Biografii Novyh Russkikh: Gendernaia Legitimizatsiia Predrinitatelstva v post-Sovetskom Prostranstve* [Biographies of 'New Russians': gender legitimization of entrepreneurship in the post-Soviet space], *Gendernie Issledovaniia*, no.2:123-144.
- Meshcherkina, Elena (2000) 'New Russian men: masculinity regained?', in Sarah Aswin (ed.) *Gender, State and Society in Soviet and post-Soviet Russia*. London: Routledge, pp. 105-117.
- Millar, James R. (1988) 'The little deal: Brezhnev's contribution to acquisitive socialism', in Terry L. Thompson and Richard Sheldon (eds.) *Soviet Society and Culture: Essays in Honour of Vera S. Dunham*, London: Westview Press, pp.3-19.
- Miller, Robert. L. (2000) *Researching Life Stories and Family Histories*, London: Sage Publications.
- Miller, Robert, Humphrey, Robin and Zdravomyslova, Elena (2003) 'Introduction: biographical research and historical watersheds', in Robin Humphrey; Robert Miller and Elena Zdravomyslova (eds.) *Biographical Research in Eastern Europe: Altered Lives and Broken Biographies*. England: Ashgate , pp.1-26.
- Monas, Sidney (1991) 'The twilight middle class of 19th century Russia', in Edith W. Clowes et al. (eds.) *Between Tsar and People: Educated Society and the Quest for Public Identity in Later Imperial Russia*, Princeton: Princeton University Press, pp.28-37.
- Neumann, Iver (1996) *Russia and the Idea of Europe*, London: Routledge.
- Newman, Katherine S. (1999) *Falling From Grace: Downward Mobility in the Age of Affluence*, Berkley: University of California Press.
- OECD (2000) *Employment outlook*. Paris.
- Oushakin, Sergej (2000) 'The quality of style: imaginary consumption in the New Russia', *Theory, Culture and Society*, vol. 17(5):97-120.
- Oushakin, Sergej (2002) *Chelovek Roda On': Znaki Otsutstvija. O Muzhe(N)stvennosti: sbornik statej*, [On (wo)manhood: collection of essays] sost. Oushakin, S. NLO, pp. 7-42.
- Owen, Thomas C. (1983) 'Entrepreneurship and the structure of enterprise in Russia, 1800-1880', in Gregory Guroff and Fred V. Carstensen (eds.) *Entrepreneurship in Imperial Russia and the Soviet Union*, Princeton: Princeton University Press, pp.59-83.

- Owen, Tomas C. (1991) 'Impediments to bourgeois consciousness in Russia, 1880-1905: The estate structure, ethnic diversity and economic regionalism', in Edith W. Clowes et al. (eds.) (1991) *Between Tsar and People: Educated Society and the Quest for Public Identity in Late Imperial Russia*, Princeton, N.J.: Princeton University Press, pp. 75-89.
- Pakulski, Jan (1993) 'The dying of class or Marxist class theory', *International Sociology*, vol.8 (3): 279-292.
- Partapuoli, Kari H. (1998) *A Place of Globalisation: Cross-cultural Cooperation Between Estonian and Norwegian Business People in Tallin*. PhD thesis at the Institute of Social Anthropology, University of Tromsø, Norway.
- Patico, Jennifer and Cadwell, Melissa L. (2002) 'Consumers existing socialism: ethnographic perspectives on daily life in post-Communist Europe', *Ethnos*, vol.67 (3):285-294.
- Peng, Mike W. (2001) 'How entrepreneurs create wealth in transition economies', *Academy of Management Executive*, vol. 15 (1):95-110.
- Peräkylä, Anssi (2005) 'Analysing talk and text', in Norman Denzin and Yvonna Lincoln (eds.) *The Sage Handbook of Qualitative research*, 3rd edition. London: Sage Publications, pp.869-886.
- Piirainen, Timo (1997) *Towards a New Social Order in Russia: Transforming Structures and Everyday Life*, Dartmouth: Aldershot.
- Piirainen, Timo (2000) 'Learning to live with the market: urban households in Russia and the official and informal economies', in Per Månson (ed.) *East Europe Ten Years after Communism: Transforming Power and Economy*, report no.9, CERGU: Göteborg University, pp.106-121 .
- Pilbeam, Pamela M. (1990) *The Middle Classes in Europe 1789-1914: France, Germany, Italy and Russia*, Basingstoke: Macmillan Education.
- Pine, Francis and Bridger, Susanne (1998) 'Introduction: transitions to post-socialism and cultures of survival', in Susanne Bridger and Francis Pine (eds.) *Surviving post-Socialism: Local Strategies and Regional Responses in Eastern Europe and the Former Soviet Union*. London and New York: Routledge, pp.1-15.
- Pollert, Anna (2005) 'Gender, transformation and employment in Central Eastern Europe', *European Journal of Industrial Relations*, vol. 11(2):213-230.
- Popov, Nikolai (1995) *The Russian People Speak*, New York: Syracuse University Press.
- Portes, Alejandro (ed.) (1995) *The Economic Sociology of Immigration: Essays on Networks, Ethnicity, and Entrepreneurship*. New York: Russell Sage Foundation.
- Puffer, Sheila (1994) 'Understanding the bear: a portrait of Russian business leaders', *Academy of Management Executive*, vol.8 (1):41-54.
- Puffer, Sheila M.; McCarthy, Daniel J. and Zhuplev, Anatoly V. (1996) 'Meeting of the mindsets in a changing Russia', *Business Horizons*, November-December: 52-60.

- Puffer, Sheila M.; McCarthy, Daniel J. and Naumov, Alexander I. (1997) 'Russian managers' beliefs about work: beyond the stereotypes', *Journal of World Business*, vol. 32(3): 258-276.
- Puffer, Sheila M.; McCarthy, Daniel J. and Naumov, Alexander I. (2000) *The Russian Capitalist Experiment: From State-owned Organisations to Entrepreneurship*, Cheltenham, UK: Edward Elgar.
- Puffer, Sheila M. and McCarthy, Daniel J. (2001) 'Navigating the hostile maze: a framework for Russian entrepreneurship', *Academy of Management Executive*, vol. 15(4):24-36.
- Putman, Robert D. (1994) *Making Democracy work. Civic traditions in modern Italy*. Princeton, USA: University of Princeton Press.
- Radaev, Vadim (1993) 'Emerging Russian entrepreneurship: as viewed by the experts', *Economic and Industrial Democracy*, vol.14 Supplement: 55-77.
- Radaev, Vadim (1994) 'On some features of the normative behaviour of the new Russian entrepreneurs', *Problems of Economic Transition*, December 1994, vol.37 (8):17-28.
- Radaev, Vadim (1997) *Novaja Kultura Biznessa v post-Sovetskoj Rossii*, [New business culture in the post-Soviet Russia], Torgovaiia Palata Rossii, Moscow.
- Radaev, Vadim (1999) 'Tenevaja ekonomika v Rossii: izmenenie konturov', [Shadow economy in Russia: changing contours], *Pro et Contra*, winter, vol. 4 (1):5-24.
- Radaev, Vadim (2000) 'Corruption and violence in Russian business in the late 1990s', in Alena Ledeneva and Maryna Kurkchiyan (eds.) (2000) *Economic Crime in Russia*, Great Britain: Kluwer Law International, pp.63-82.
- Radaev, Vadim (2002a) 'Entrepreneurial strategies and the structure of transaction costs in Russian business', in Victoria Bonell and Thomas Gold (eds.) *The New Entrepreneurs in Europe and Asia: Patterns of Business Development in Russia, Eastern Europe and China*, M.E. Sharpe: New York and London, pp.191-213.
- Radaev, Vadim (2003a) 'Russian entrepreneurship and violence in the late 1990s', *Alternatives*, vol.28:459-472.
- Radaev, Vadim (2003b) 'O sotsiologicheskom i ideologicheskom ponimani-jah srednego klassa', [Sociological and ideological understandings of the middle class], in Tatiana Maleva et al. (2003) *Srednie Klassy v Rossii: Ekonomicheskie i Sotsialnie Strategii*, Gendalf: Moscow, pp.14-28.
- Radaev, Vadim (2004) 'How trust is established economic relationships when the institutions and individuals are not trustworthy: the case of Russia', in Janos Kornai et al. (eds.) *Creating Social Trust in post-Socialist Transition*, New York: Palgrave Macmillian, pp.91-110.
- Ragin, Charles C. (1992) '“Casing” and the process of social inquiry', in Charles C. Ragin and Howard S. Becker (eds.) *What is the Case?: Exploring the Foundation of Social Inquiry*, Cambridge: Cambridge University Press, pp.217-226.

- Ragin, Charles, C. and Becker, Howard S. (eds.) *What is the Case?: Exploring the Foundation of Social Inquiry*, Cambridge: Cambridge University Press.
- Randall, Laura M. (2001) *Reluctant Capitalists: Russia's Journey Through Market Transition*, New York and London: Routledge.
- Reddaway, Peter and Glinski, Dmitri (2001) *The Tragedy of Russia's Reforms: Market Bolshevism Against Democracy*, Washington D.C.: US Institute of Peace Press.
- Reddaway, Peter; Lapidus, Gail W.; Ickes, Barry W.; Saivetz, Carol; Breslauer, George (2004) 'Russia in the year 2003', *Post-Soviet Affairs*, vol.20(1):1-45.
- Rehn, Alf and Taalas, Saara (2004) 'Znakomstva I svyazi' (acquaintances and connections) – *Blat*, the Soviet Union and mundane entrepreneurship', *Entrepreneurship and Regional development*, 16:235-250.
- Remington, Thomas F. (1999) *Politics in Russia*, New York and Harlow: Longman.
- Richardson, Laurel (2002) 'Writing sociology', *Cultural Studies Critical Methodologies*, vol. 2(3):414-422.
- Richardson, Laurel and Adams St. Pierre, Elisabeth (2005) 'Writing: a method of inquiry', in Norman Denzin and Yvone Lincoln (eds.) *The Sage Handbook of Qualitative Research*, London: Sage Publications, pp.959-978.
- Rieber, Alfred (1982) *Merchants and Entrepreneurs in Imperial Russia*, Chapel Hill: University of North Carolina Press.
- Ries, Nancy (1999) 'Business, taxes and corruption in Russia', *Anthropology of East Europe Review*, spring 1999, vol.17(1):1-5.
- Ries, Nancy (2002) 'Honest bandits' and "warped people": Russian narratives about money, corruption and moral decay', in Carol Greenhouse; Elisabeth Mertz and Kay B. Warren (eds.) (2002) *Ethnography in Unstable Places: Everyday Life in Context of Dramatic Political Change*, Durham and London: Duke University Press, pp.276-315.
- Roberts, Kent and Zhou, Changcheng (2000) 'New private enterprises in three transitional contexts: Central Europe, the former Soviet Union and China', *Post-Communist Economies*, vol.12(2):187-199.
- Rose, Nicholas (1998) *Inventing Ourselves: Psychology, Power, and Personhood*. New York: Cambridge University Press.
- Rose, Richard and Haerpfer, Christian (1992) *New Democracies barometer I*. Glasgow: University of Strathclyde, Studies in Public Policy 204 Russia, London: Macmillan.
- Roschina, Yulia M. (1995) 'Otdyh moskovskih biznesmenov' [Leisure of Moscow businessmen], *Sotsiologicheskij Zhurnal*, vol.3:174-189.
- Rustin, Martin (2000) 'Reflections on the biographical turn in social sciences', in Ptue Chamberlayne; Joanna Bornat, and Tom Wengraf (eds.) *The Turn to Biographical Methods in Social Science*, London: Routledge.
- Ryen, Ann (2004) *Kvalitativ Intervju – Från Vetenskapsteori till Fältstudier*, Malmö: Liber.

- Sakwa, Richard (2004) *Putin: Russia's Choice*. London and New York: Routledge.
- Scase, Richard and Goffe, Robert (1982) *The Entrepreneurial Middle Class*, London&Canberra: Croom Helm.
- Schumpeter, Joseph (1968 [1934]) *The Theory of Economic Development, an Inquiry Into Profits, Capital, Credit, Interest, and the Business cycle*. Cambridge, MA: Harvard University Press.
- Schumpeter, Joseph (1976) *Capitalism, Socialism and Democracy*. 5th edition. London: Allen&Unwin.
- Schumpeter, Joseph (1991a [1947]) 'Comments on a plan for the study of entrepreneurship', reprinted in Richard Swedberg (ed.) *The Economics and Sociology of Capitalism*, Princeton University Press, pp. 406-428.
- Schumpeter, Joseph (1991b [1947]) 'The creative response in economic history', in Richard V. Clemence (ed.) *Essays on Entrepreneurs, Innovations, Business Cycles and the Evolution of Capitalism*. New Brunswick and London: Transaction Publishers, pp. 221-231.
- Schumpeter, Joseph (1991c [1949]) 'Economic theory and entrepreneurial history', in Richard V. Clemence (ed.) *Essays on Entrepreneurs, Innovations, Business Cycles and the Evolution of Capitalism*. New Brunswick and London: Transaction Publishers, pp. 253-271.
- Sennett, Richard (1998) *The Corrosion of Character: the Personal Consequences of Work in the New Capitalism*, New York: W.W. Norton.
- Service, Robert (2003) *Russia: Experiment With a People*, London: Macmillan.
- Sevón, Guje (1996) 'Organisational imitation and identity transformation', in Barbara Czarniawska and Guje Sevón (eds.) *Translating Organisational Change*. Berlin and New York: Walter de Gruyter, pp. 49-68.
- Shevtsova, Lydia (1999) *Yeltsin's Russia: Myths and Reality*, Washington: Carnegie endowment for international piece.
- Shevtsova, Lydia (2005) *Putin's Russia*, Washington: Carnegie endowment for international piece.
- Shmulyar, Oksana (1999) 'Work ethic in the post-Soviet Russia: transforming meaning of work in Russia from the Soviet economy to the market economy', *CERGU's projektrapportserie*, n.99:3, juli 1999.
- Shmulyar, Oksana (2000) 'Success "a la Russe": a case of New Russians', in Per Månson (ed.) *East Europe Ten Years after Communism: Transforming Power and Economy*, report no.9, CERGU: Göteborg University, pp.79-105.
- Shmulyar, Oksana (2004) 'Doing business despite public opinion: new entrepreneurs in Russia', *Droit et Cultures*, special issue 2004, Société de Législation Comparée, Paris, pp.93-108.
- Shmulyar, Oksana. (2005) 'Networking into a business career: a new generation of Russian managers', in Rutger Lindahl (ed.) *Transition and EU-enlargement*, CERGU: Göteborg University, pp.239-272.
- Siegelbaum, Lewis H. (1988) *Stakhanovism and the Politics of Productivity in the USSR, 1935-1941*. Cambridge: Cambridge University Press.

- Sik, Endre (1993) 'From the second economy to the informal economy', *Journal of Public Policy*, 12 (2) : 153-175.
- Sik, Endre (1994) 'Network capital in capitalist, communist and post-communist societies', *International Contributions to Labour Studies*, vol.4:73-94.
- Sik, Eendre (1995) *Measuring the Unregistered Economy in post-Communist Transformation*, Austria: European centre for social welfare policy and research.
- Sik, Endre and Wallace, Claire (1999) 'The development of open-air markets in East-Central Europe', *International Journal of Urban and Regional Research*, vol. 23 (4):697-714.
- Silverman, Bertram and Yanowitch, Murray (1997) *New Rich, New Poor, New Russia*, Armonk, N.Y.: M.E.Sharpe.
- Silverman, David (2001) *Interpreting Qualitative Data*. 2nd edition. London: Sage publications.
- Skyner, Louis (2003) *Establishing Business in Russia: Selecting a Company Structure*. Moscow: Institute for Law and Business Policy.
- Smith, Hedrick (1990) *The New Russians*, London: Hutchinson.
- Solnick, Steven L. (1998) *Stealing the State: Control and Collapse in Soviet Institutions*, Cambridge, Mass: Harvard University Press.
- Stake, Robert E. (2005) 'Qualitative case studies', in Norman Denzin and Yvonne Lincoln (eds.) *Qualitative Research*, Third edition, London: Sage publications, pp.443-465.
- Stark, David and Bruszt, Lazlo (1998) *Postsocialist Pathways: Transforming Politics and Property in East Central Europe*, Cambridge: Cambridge University Press.
- Stark, David and Bruszt, Lazlo (2001) 'One way of multiple paths: for a comparative sociology of East European capitalism', *American Journal of Sociology*, vol. 106(4):1129-1137.
- Sulkunen, Pekka(1992) *The European New Middle Class: Individuality and Tribalism in Mass Society*, New York: Avebury&Aldershot.
- Svedberg, Erika (1999) *The "Other" Recreated: a Relational Approach to East-West Negotiations*. PhD Dissertation, Lund Political studies 112, Lund: Lund University.
- Swedberg, Richard (1998) *Entrepreneurship – the Social Science View*, Working paper no. 64, Stockholm University, Department of sociology.
- Swedberg, Richard (ed.) (2000) *Entrepreneurship: the Social Science View*, New York: Oxford University Press.
- Swedberg, Richard (2002) 'The economic sociology of capitalism: Weber and Schumpeter', *Journal of Classical Sociology*, vol.2 (3):227-255.
- Szelenyi, Ivan (2008) 'A theory of transitions', *Modern China*, vol.34(1):165-175.
- Sztompka, Piotr (1993) *The Sociology of Social Change*. Oxford: Blackwell.
- Sztompka, Piotr (1995) 'Cultural and civilisational change: the core of post-communist transition', in Bruno Grancelli (ed.) *Social Change and Modernisation*, Berlin and New York: Walter de Gruyter, pp.235-246.

- Sztompka, Piotr (2007) *The Ambivalence of Social Change in post-Communist Societies*. Södertörn lectures 1. Lecture held at Södertörn University College, Sweden, May 31, 2007.
- Sätre Åhlander, Ann-Marie (2001) 'Women's and men's work in transitional Russia: impacts from the Soviet system', *Post-Soviet Affairs*, January-March, 17(1), pp.55-79.
- Tartakovskaya, Irina and Ashwin, Sarah (2006) 'Who benefits from networks?', in Sarah Ashwin (ed.) *Adopting to Russia's New Labour Market: Gender and Employment Behaviour*, London and New York: Routledge. pp.164-192.
- Temkina, Anna and Rotkirch, Anna (1997) 'Soviet Gender Contracts and Their Shifts in Contemporary Russia', *Idäntutkimus*, vol.4:6-24.
- Thompson, Paul (1981) 'Life histories and the analysis of social change', in Daniel Bertaux (ed.) *Biography and Society: the Life History Approach in the Social Sciences*, Sage studies in international sociology 23, pp.289-305.
- Tikhonova, Natalia (2000) 'Srednij klass Rossiii: spesifika mirovoznreniia i factory socialnoj mobilnosti' [Middle class in Russia: specificity of world view and factors of social mobility], *Sotsiologicheskie Issledovaniia*, vol. 3:13-23.
- Tim, Anja (2001) 'Swedish space, "Western magic", and Baltic ambitions: the making of a business elite in Riga, Latvia', *Kroeber Anthropological Society Papers*, fall 2001, 86:165-179.
- Timberlake, Charles E. (1991) 'The *zemstvo* and the development of a Russian middle class', in Edith Clowes et al. (eds.) *Between Tsar and People: Educated Society and the Quest for Public Identity in Late Imperial Russia*, Princeton, N.J.: Princeton University Press, pp.164-179.
- Valentinov, Nikolai; Magee, Randell and Guroff, Gregory (1971) 'Non-party specialists and the coming of the NEP', *Russian Review*, vol. 30(2):154-163.
- Veiga, John F.; Yanouzas, John N., and Buchholtz, Ann K. (1995) 'Emerging cultural values among Russian managers: what will tomorrow bring?', *Business Horizons*, July-August:20-27.
- Verdery, Katherine (1991) 'Theorising socialism: a prologue to 'transition'', *American Ethnologist*, vol.18(3): 419-439.
- Volkov, Vadim (1999) 'Violent entrepreneurship in post-Soviet Russia', *Europe-Asia Studies*, vol. 51(5):741-754.
- Volkov, Vadim (2000) 'The political economy of protection rackets in the past and in the present', *Social Research*, Vol.67 (3):709-744.
- Voronina, Olga, O. (2000) 'Sotsiokulturnie determinanty razvitiia gendernoj teorii v Rossii i na zapade' [Socio-cultural factors of gender theory development in Russia and in the West], *Obščestvennye Nauki i Sovremennost'*, no.4:9-19.
- Vozmitel', Anatolij A. (1997) *Stil Žizni i Strategii Bissnesa Rossijskikh Predprinimatelej* [Life styles and business strategies of the Russian entrepreneurs], Russian Academy of Science, Institute of Sociology: Moscow.

- Wallace, Claire (2000) 'Household strategies and the role of different economies in Russia', in Per Månson (ed.) *East Europe: Ten Years after Communism*, Gothenburg: Centre for European Research, report no.9, 122-146.
- Watson, Peggy (2000) 'Rethinking transition: globalism, gender and class', *International Feminist Journal of Politics*, vol.2(2):185-213.
- Weber, Max (1978) *Economy and Society: an Outline of Interpretive Sociology*. Berkeley: University of California Press.
- Weber, Max (1992 [1976]) *The Protestant Ethics and the Spirit of Capitalism*. London: Routledge.
- Wedel, Janine R. (1998) *Collision and Collusion: the Strange Case of Western Aid to Eastern Europe 1989-1998*. New York: St.Martin's Press.
- Weinstein, Michael (1979) *Structure of Human Life. A Vitalist Ontology*, New York: New York university Press.
- Wengraf, Tom (2001) *Qualitative Research Interviewing*, London: Sage Publications.
- West, James (1991) 'The Riabushinsky circle: burzhuaziia and obshchestvennost' in late imperial Russia', in Edith Clowes et al. (ed) *Between Tsar and People: Educated Society and the Quest for Public Identity in Later Imperial Russia*, Princeton: Princeton University Press, pp.41-55.
- West, James (2001) 'Old Believers and new entrepreneurs: Old believe and entrepreneurial culture in Imperial Russia', in William C. Brumfield et al. (eds.) *Commerce in Russian Urban Culture 1861-1914*, Washington, D.C. : Woodrow Wilson Center Press, pp.79-89.
- Yang, Keming (2007) *Entrepreneurship in China*, Ashgate.
- Yudaeva, Ksenia; Kozlov, Konstantin; Melentieva Natalia; Ponomareva Natalia (2003) 'Does foreign ownership matter? Russian experience', *Economics of Transition*, vol.11:383-409.
- Yurchak, Alexei (2002) 'Entrepreneurial governmentality in Post-socialist Russia: a cultural investigation of business practices', in Victoria E. Bonell and Thomas B. Gold (eds.) *The New Entrepreneurs of Europe and Asia: Patterns of Business Development in Russia, Eastern Europe and China*, Armonk, London: M.E. Sharpe, pp. 278-324.
- Yurchak, Alexei (2003) 'Russian Neo-liberal: The entrepreneurial ethic and the spirit of "true careerism"', *Russian Review*, no. 62:72-90.
- Yurchak, Alexei (2006) *Everything Was Forever, Until it Was no More: the Last Soviet Generation*. Princeton and Oxford: Princeton University Press.
- Zafirovski, Milan (1999) 'Probing into the social layers of entrepreneurship: outlines of the sociology of enterprise', *Entrepreneurship and Regional Development*, no.11:351-371.
- Zarkov, Sergej (1998) 'Novym russkim vymiranie ne grozit' [New Russians will never die out], *Kapital*, 9-15 September, 1999.

- Zaslavskaja, Tat'iana (1995) 'Business sloj Rossii: suschnost, struktura i status' [The business stratum of Russian society: essence, structure and status], *Sotsiologicheskie Issledovaniia*, 1995, no.3:3-12.
- Zaslavskaja, Tat'iana (ed.) (1998) *Kuda Idet Rossia?* [Where Russia goes?], Materials of the 5th international symposium in Moscow. Delo: Moskva.
- Zaslavskaja, Tat'iana and Gromova, Raisa (1998) 'K voprosu o srednem klasse v Rossii' [On the issue of the middle class in Russia], *Mir Rossii*, vol.4:3-23.
- Zdravomyslov, Andrei (1999) *Sotsiologija Rossijskogo Krizisa* [Sociology of the Russian crisis], Nauka: Moskva.
- Zdravomyslova, Elena and Temkina, Anna (1999) 'Issledovaniia zenshin i gendernye issledovaniia na Zapade i v Rossii' [Women studies and gender studies in the West and Russia], *Sociologicheskie Issledovaniia*, no.6:177-185.

B) Current periodicals

- Alyakrinskaia, Nataliia (2007) 'Russia's economic roller coaster ride', *The Moscow News*, 27 eptember.
- Blazenkova, Olesja and Gurova, Tat'ana (2000) 'Klass' [Class], *Expert* no.34, 18 September.
- Fadeev, Valerij (2000) 'Vernem rodinu sebe i detjam' [Reclaim our motherland to ourselves and our children], *Expert*, no. 34, 18 September.
- Bunin, Ivan (1994b) 'Russian bear's new clothes', *Financial Times*, 27 September.
- Buhovtsev, Andrej (2002) 'MBA s predprinimatelskim ukonom' [MBA with entrepreneurial approach], *Obrazovanie bez granits. Study in*, no.2.
- Buhovtsev, Andrej (2003a) 'Importnii stepen' prizilas' [Foreign degree suits Russia], *Obrazovanie bez granits. Study in*, no.3.
- Buhovtsev, Andrej (2003b) 'Novie cherty pejzazha' [New features of business education], *Obrazovanie bez granits. Study in*, no.7.
- Eskevich, Alexander (2004) 'V stile srednego klassa' [Consumption style of the middle classes], *Expert Sibir*, no.6, 5 April.
- Garanenko, Anna (2007) 'Strasho bogaty'e' [Terribly rich], *Izvestia*, 9 August.
- Gorelova, Elena (2004) 'Rabotodateli pobaivautsja vypusnikov biznes shkol' [Russian employers about MBAs], *Vedomosti*, 16 March.
- Guriev, Sergej (2004) 'Russia's future, Putin's legacy', *New York Times*, 25 March, Section A.
- Gurova, Tat'ana and Fadeev, Valerij (2000) 'Strategiia rosta' [Strategy of Growth], *Expert*, no.1-2, 17 January.
- Gurova, Tat'ana; Medovnikov, Dan; Novikov, Alexander; Rogachkov, Denis (2000) 'Novosti natsionalnogo potrebleniia' [News on national consumption patterns], *Expert*, no.5, 7 February.

- Gurova, Tat'ana (2004) 'Vse o srednem klasse' [Everything about middle class], *Expert Ural*, no.40, 25 October.
- Holodkova, Svetlana (2000) 'V poisklah srednego klassa' [Searching for middle class], *Kommersant-Dengi*, vol.37, 20 September.
- Iljichev, Georgij (2006) 'Sensatsia: 20 procentov Rossijan uze odnosjatsja k srednemu klassu' [Sensation: 20 per cent of Russians can be classified as a middle class], *Izvestia*, 13 January.
- Ipatova, Julia (2003) 'Bizness o sholah biznessa' [Business sector's opinion on business education], *Sekret Firmy*, no.21, 17 November.
- Ivanyshchenkova, Marina and Fukolova, Juliiia (2000) 'Shkoly Rossijskogo biznessa' [Schools of Russian business], *Kommersant*, no.37, 3 March.
- Kartashova, Larisa (2004) 'The MBA in Russia: Big changes ahead', *Business Leadership Review*, I:III, October.
- Krasnova, Vera; Matveeva, Anastasiia and Smorodina, Tat'ana (2000) 'mezdu gramoniej i despotiej' [Russian model of management: between harmony and despotism], *Expert*, no.25, 3 July.
- Kudashkina, Ekaterina and Krotova, Ekaterina (2004) 'Spros na MBA raset' [Demand for MBAs grows], *Vedomosti*, 2 February.
- Lukjanova, Irina (2000) 'Uchitsja biznesu v Rosii ne tol'ko mozno, no i nyzno [To study business in Russia is not only possible, but also necessary], *Inostranets*, no.45, 21 November.
- Makarenko, Alexander (2004) 'M.B.A.?' [What is MBA?], *The Chief*, no.8 (32).
- Matveeva, Anastasiia (1998) 'Globalizatsia po-russki' [Globalisation in Russian], *Expert*, no.11 .
- Ogney, Max (2000) 'Jumping to a higher income', *The St.Petersburg Times*, 26 September.
- Popov, Nikolai (2005) 'A fateful triangle: business, government and the people', reprinted from *Novoe Vremja*, 8 May.
- Quacquarelli, Nunzio (2002a) 'Women climbing the career ladder', *The St.Petersburg Times. Business Special*, 10 September.
- Quacquarelli, Nunzio (2002b) 'MBA schools go international', *The St. Petersburg Times. Business Special*, 10 September.
- Quacquarelli, Nunzio and Uttam, Sabeena (2002) 'Engineers, Russians included, back to school', *The St.Petersburg Times. Business Special*, 10 September.
- Raff, Anna (2000) 'Middle class is staging return', *The St. Petersburg Times*, 26 September.
- Rybakova, Tatjana (2004) 'Lish by ne bylo bogatyh' [If only rich never existed], *Izvestia*, 22 January.
- Saruhanov, Artur (2003) 'Rossijskie programmy MBA v uslovijah konkurentsii' [Russian MBA programmes competing with West programmes], *The Career Forum on line*, 30 January.
- Slavskij, Ivan (2001) 'Zamorskie gosti s intellektualnym tovarom' [Foreign guests with intellectual sales product], *Inostranets*, 30 October.

- Starobin, Paul (2000) 'Russia's middle class', *Business Week*, 16 October.
- Starobin, Paul and Kravchenko, Olga (2000) 'Russia's middle class', *Business Week*. Special report, 16 October.
- Startsev, Boris (2003) 'Shola karjeristov' [School for careerists], *Delovaia Khronika*, 27 January.
- Stolyarova, Galina (2001) 'Sector grows in step with local economy', *The St. Petersburg Times*. Business Special, 18 September.
- Svardovsky, Fyodor (2000) 'Pricey MBAs not always superior to state degrees', *The St. Petersburg Times*, 26 September.
- Ters, Katherine (2003) 'Weighing for MBA study: home or abroad', *The St. Petersburg Times*, 9 September.
- Thompson, Barnaby (2000) 'Russia's young managers given no easy ride', *The St. Petersburg Times*, 26 September.
- Timinskaya, Daria (2002) 'What an MBA can and can't do for your career', *The St. Petersburg Times*. Business Special, 10 September.
- Vitkovskaya, Anastasia (2004) 'Top managers in the labour market', *SSERU, Newsletter* 6 December, p.20.

C) Internet resources

- Aidis, Ruta (2003) 'Entrepreneurship and economic transition', *Tinbergen Institute discussion papers*, 2003-015/2 ,at www.tinbergen.nl [retrieved 20090907]
- Aidis, Ruta (2005) 'Entrepreneurship in transition countries: a review', *UCL Working papers*, no.61. December 2005 , at www.ssees.ucl.ac.uk/csescs.htm [retrieved 20090907]
- Aidis, Ruta and Estrin, Saul (2006) 'Weak institutions, weak ties and low level of productive entrepreneurship in Russia: an exploration', *Institute for the study of Labour, Research paper series, no.2161*, at www.iza.org [retrieved 20090630]
- Bernabé, Sabine (2002) 'Informal employment in countries in transition: a conceptual framework', *Case paper 56, Centre for Analysis of Social exclusion*, at <http://sticerd.lse.ac.uk/case/publications/>, [retrieved 20090907]
- Bonnell, Victoria E. (1996) 'Winners and losers in Russia's economic transformation', in Bonnell, V.E. (ed). *Identities in transition: Eastern Europe and Russia after the collapse of communism*, Research series/number 93, University at California at Berkley, 13-28, at <http://repositories.cdlib.org/uciaspubs/research/93>, [retrieved 20090907]
- Broadman, Harry G. (ed.) (2002) 'Unleashing Russia's business potential: lessons from the regions for building market institutions', *World Bank Discussion Papers*, no. 434. at www.worldbank.org, [retrieved 20090907]
- GEM (2007) *Global Entrepreneurship Monitor, Russian report*, at www.gem-consortium.org, [retrieved 20090607]

- EBRD (1999) Transition Report , at www.erbd.com/pubs/econo/4050.htm, [retrieved 20090907]
- Kihlgren, Alessandro (2002) 'Small business in Russia: a case of St.Petersburg', *William Davidson Working paper*, number 439, January 2002 , at <http://www.wdi.umich.edu/Publications/WorkingPapers/>, [retrieved 20090907]
- Ledeneva, Alena (2004) 'Ambiguity of social networks in Post-communist societies', *Working paper* no.48, UCL, CSESCE, London, at <http://www.ssees.ucl.ac.uk/csescce.htm>, [retrieved 20090907]
- Paci, Pierella (2002) *Gender in transition*, World Bank rapport. Washington, D.C. available at <http://www.ssees.ucl.ac.uk/csescce.htm>, [retrieved 20090907]
- Patico, Jennifer (2003) 'Consuming the West but becoming the third world: food imports and the experience of Russianness', *Anthropology of East Europe Review*, vol. 21(1), at http://condor.depaul.edu/~rrotenbe/aecr/aecr21_1.html, [retrieved 20090806]
- Pomeranz, William E. (2004) Whither Russian property rights, Washington, D.C.: Centre for International Private Enterprise, available at www.cipe.org, [retrieved 20090907]
- Radaev, Vadim (2001) The development of small entrepreneurship in Russia, Discussion paper No.2001/135, WIDER: United Nations University, at www.wider.unu.edu [retrieved 20090907]
- Radaev, Vadim (2002b) Rossijskij buzness: na puti k legalizatsii? [Russian business: on the way to legalisation?], *Ekonomicheskaja sociologija*, vol.3 (1):43-64, at www.ecsoc.msses.ru, [retrieved 20090907]
- Stiglitz, Joseph E. (1999) Whither reform?: Ten years of the transition, Paper presented at the Annual World Bank conference on Development economics, Washington D.C. April 28-30, 1999, at www.worldbank.org, [retrieved 20050502]
- The Economist Intelligence Unit survey (2007) Hidden gem? Perceptions of business opportunity and risk in Russia, at www.eiu.com, [retrieved 20080129]
- Zarkov, Sergei (1998) New Russians will never die out, *Kapital*, 9-15 September, at www.wnrussuians.com, [retrieved 20020412]
- Wallace, Claire (2003) Social networks and social capital, in Torsello, M and Poppová, M. (eds.) *Social networks in movement*, pp.15-25, *Nostra Tempora* 8, www.foruminst.sk/publications, [retrieved 20040504]
- UNICEF (1999) *Women in transition*. The MONEE Project, CEE/CIS/ Baltics, Regional Monitoring report, No.6. Florence: United Nations Children's Fund, International Child Development Centre, at <http://www.unicef-irc.org>, [retrieved 20090907]
- World Bank report (2004) From transition to development: a country economic memorandum for the Russian federation, April 2004, at www.worldbank.org, [retrieved 20060327]

Ögütcü, Mehmet (2002) Attracting foreign direct investment for Russia's modernisation: battling against the odds, *OECD-Russia Investment Round Table*, 19 June 2002, St.Petersburg, Russia, at www.oecd.org, [retrieved 20060327]

D) Unpublished manuscripts

- Andrusz, Gregory (1999) *Russia's Lost Third Way: a Re-examination*, Paper presented at the 4th ESA conference in Amsterdam 1999, August 18-21.
- Beliaeva, Luidmila (1999) *In Search of the Middle Class in Russia*, Paper presented at the 4th ESA conference in Amsterdam 1999, August 18-21.
- King, Lawrence P. and Szelenyi, Ivan (2005) *Varieties of post-Communist Capitalism: Patrimonial and Liberal Regimes*. Paper presented at the Department of Sociology, University of Gothenburg, June 1, 2005.
- Ledeneva, Alena (2001) *The Economy of Favours: Local and Global implications*, a project paper for the project "Transformation and globalisation: driving actors and factors of post-Soviet change", Berlin, Germany.
- Loderstedt, Katja (1999) *Women in Management in Contemporary Russia – a Case Study of St.Petersburg*, an unpublished manuscript.
- Sztompka, Piotr (2000) *Civilisational Competence: a Prerequisite of Post-communist Transition*. Unpublished paper.
- Tim, Anja (2002) *Fabricating Functionaries of Global Capitalism? How Baltic Business Students Come to Join the New Transnational Business Class*, unpublished conference paper, July 2002.

GÖTEBORG STUDIES IN SOCIOLOGY

1. Furåker, Bengt (ed): *Employment, Unemployment, Marginalization. Studies on Contemporary Labour Markets*. Department of Sociology, Göteborg University/Almqvist & Wiksell International, Stockholm 2001.
2. Berglund, Tomas: *Attityder till arbete i Västeuropa och USA. Teoretiska perspektiv och analyser av data från sex länder*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2001.
3. Larsson, Bengt: *Bankkrisen, medierna och politiken. Offentliga tolkningar och reaktioner på 90-talets bankkris*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2001.
4. Blomquist, Bo: *Förskolebarnets relation till sin familj. Förändrade förutsättningar och föreställningar 1950–1990*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2001.
5. Hansen, Lars: *The Division of Labour in Post-Industrial Societies* Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2001.
6. Gustafson, Per: *Place, Place Attachment and Mobility: Three Sociological Studies*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2002.
7. Rigné, Eva Marie: *Profession, Science, and State – Psychology in Sweden 1968-1990*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2002.
8. Persson, Anders: *I kräftans tecken. En historiesociologisk studie av cancerforskningens samhällliga villkor i Sverige och USA under 1900-talet*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2002.
9. Brnic, Anita: *Speaking of Nationality. On Narratives of National Belonging and the 'Immigrant'*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2002.
10. Korp, Peter: *Hälsopromotion – en sociologisk studie av hälsofrämjandets institutionalisering*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2002.
11. Sobis, Iwona: *Employment Service in Transition: Adaptation of a Socialist Employment Agency to a Market Economy. A Case Study of Lodz, Poland 1989-1998*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2002.
12. Hellum, Merete: *Förförd av Eros. Kön och moral bland utländska kvinnor på en grekisk ö*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2002.
13. Carlson, Marie: *Svenska för invandrare – brygga eller gräns? Syn på kunskap och lärande inom sfi-undervisningen*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2002.
14. Hansson, Agneta: *Praktiskt taget. Aktionsforskning som teori och praktik – i spåren på LOM*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2003.
15. Engdahl, Oskar: *I finansvärldens bakre regioner. En studie om finansiella offshore-marknader och ekonomisk brottslighet*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2003.
16. Rolandsson, Bertil: *Facket, informationsteknologin och politiken. Strategier och perspektiv inom LO 1976–1996*. Doktorsavhandling. Sociologiska institutionen, Göteborgs universitet 2003.

17. Schedin, Stefan: *Ekonomisk ojämlikhet. Inkomstfördelning och inkomstskillnader i Sverige under 1980- och 1990-talen*. 2003. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2003.
18. Morner, Claudia G: *Självständigt beroende. Ensamstående mammors försörjningsstrategier*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2003.
19. Wennerström, Ulla-Britt: *Den kvinnliga klassresan*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2003.
20. Wingfors, Stina S: *Socionomyrkets professionalisering*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2004.
21. Tursunovic, Mirzet: *Fostran till demokrati: Tre sociologiska delstudier av bosniska ungdomars politiska socialisering*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2004.
22. Alinia, Mino: *Spaces of Diasporas: Kurdish Identities, Experiences of Otherness and Politics of Belonging*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2004.
23. Chronholm, Anders: *Föräldraledig pappa – Mäns erfarenheter av delad föräldradidighet*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2004.
24. Seldén, Daniel: *Om det som är. Ontologins metodologiska relevans inom positivism, relativism och kritisk realism*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2005.
25. Winell-Garvén, Irene: *Vägen till Parnassen. En sociologisk studie av kvinnligt konstnärskap i Sverige 1864–1939*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2005.
26. Engström, Pär: *Samtal och ledarskap. En studie av medarbetarsamtal i grundskolan*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2005.
27. Eydal, Guðny Björk: *Family Policy in Iceland 1944–1984*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2005.
28. Ekbrand, Hans: *Separationer och mäns våld mot kvinnor*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2006.
29. Eriksson, Ylva Ulfsdotter: *Yrke, Status & Genus. En sociologisk studie om yrken på en segregerad arbetsmarknad*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2006.
30. Flisbäck, Marita: *Att lära sig konstens regler. En sociologisk studie av osäkra framtidsinvesteringar*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2006.
31. Berntsson, Paula: *Läraryrket, forskollärare och statushöjande strategier*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2006.
32. Latta, Mia: *Public Transfer and Private Help. Support Networks of Marginalised and Poor individuals in Sweden in the 1990s*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2007.
33. Persson, Sofia: *Läraryrkets uppkomst och förändring. En sociologisk studie av lärares villkor, organisering och yrkesprojekt inom den grundläggande utbildningen ca 1800–2000*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2008.
34. Bengtsson, Mattias: *Individen stämplar in. Arbetet, facket och lönen i sociologisk belysning*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2008.

35. Sjöstrand, Glenn: *Gåvan i Gnosjö. Företagares relationer i ett industriellt distrikt*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2008.
36. Pellbring, Mats: *Laissez-faire, systemkritik eller reformism? En studie av den svenska opinionsbildande globaliseringsdiskursen i dagspress, 1992-2001*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2008.
37. Bjarnason, Tómas: *Social Recognition and Employees' Organizational Support*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2009.
38. Jagudina, Zaira: *Social Movements and Gender in Post-Soviet Russia: The Case of the Soldiers' Mothers NGOs*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2009.
39. Ranagården, Lisbeth: *Lärares lärande om elever – en sociologisk studie om yrkespraktik*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2009.
40. Shmulyar Gréen, Oksana: *Entrepreneurship in Russia: Western ideas in Russian translation*. Doktorsavhandling, Sociologiska institutionen, Göteborgs universitet 2009.

DOKTORSAVHANDLINGAR VID SOCIOLOGISKA INSTITUTIONEN FROM 1995

59. Börjesson, Mats: *Sanningen om brottslingen. Rättspsykiatri som kartläggning av livsöden i samhällets tjänst under 1900-talet*. 1995.
60. Ljung, Margareta: *Ljft jorden mot himlen – växande i kvinnogrupper och kvinnliga nätverk*. 1995.
61. Björkemarken, Mariann: *Implementeringsanalys som komplement vid utvärdering – en fråga om perspektiv och förklaring*. 1995.
62. Håkansson, Kristina: *Förändringsstrategier i arbetslivet*. 1995.
63. Blomsterberg, Marianne: *Garanterade karriärer? Om social styrning och sysselsättningspolitik för ungdomar*. 1996.
64. Kohlström, Gulli: *Identitetsförändring vid anpassning till funktionshinder/handikapp*. 1996.
65. Larsson, Patrik: *Hemtjänsten ur tre perspektiv – En studie bland äldre, anställda och ledning*. 1996.
66. Oskarsson, Hermann: *En klasstrukturs uppkomst och utveckling. Akureyri 1860-1940*. 1996.
67. Thörn, Håkan: *Modernitet, sociologi och sociala rörelser/Rörelser i det moderna: Politik, modernitet och kollektiv identitet i Europa 1789-1989*. 1997.
68. Einarsdottir, Torgerdur: *Läkaryrket i förändring. En studie av den medicinska professionens heterogenisering och könsdifferentiering*. 1997.
69. Åberg, Jan-Olof: *Det rationella och det legitima. En studie av utvärderingars teori och praktik*. 1997.
70. Pham Van Bich: *The Changes of the Vietnamese Family in the Red River Delta*. 1997.
71. Lalander, Philip: *Anden i flaskan. Alkoholens betydelse i olika ungdomsgrupper*. 1998.
72. Eriksson, Birgitta: *Arbetet i människors liv*. 1998.
73. Bartley, Kristina: *Barnpolitik och barnets rättigheter*. 1998.
74. Nordström, Monica: *Yttre villkor och inre möten. Hemtjänsten som organisation*. 1998.

75. Stier, Jonas: *Dimensions and Experiences of Human Identity. An Analytical Toolkit and Empirical Illustration*. 1998.
76. Jerkeby, Stefan: *Slutna cirklar. Om civila moståndsrörelser i Norge och Danmark 45–45*. 1999.
77. Oudhuis, Margareta: *Vägen till jämlikhet. En analys av den svenska arbetarrörelsens syn på effektivitet och emancipation i arbetslivet*. 1999.
78. Johansson, Anna: *La Mujer Sufrida – The Suffering Woman. Narratives on Femininity among Women in a Nicaraguan Barrio*. 1999.
79. Theanderson, Christer: *Jobbet – för lön, lust eller andra värden*. 2000.
80. Carle, Jan: *Opinion och aktion. En sociologisk studie av ungdomar och miljö*. 2000.
81. Öhrn, Ingbritt: *Livet, identiteten och kronisk sjukdom. En socialpsykologisk studie av unga vuxna diabetiker*. 2000.
82. Mossberg Sand, Ann-Britt: *Ansvar, kärlek och försörjning. Om anställda anhörigvårdare i Sverige*. 2000.
83. Berglund, Tomas: *Attityder till arbete i Västeuropa och USA. Teoretiska perspektiv och analyser av data från sex länder*. 2001.
84. Larsson, Bengt: *Bankkrisen, medierna och politiken. Offentliga tolkningar och reaktioner på 90-talets bankkris*. 2001.
85. Blomquist, Bo: *Förskolebarnets relation till sin familj. Förändrade förutsättningar och föreställningar 1950–1990*. 2001.
86. Hansen, Lars: *The Division of Labour in Post-Industrial Societies*. 2001.
87. Björk, Micael: *Upplösningens dialektik. Bildningsmål och politisk modernitet i Sverige kring sekelskiftet 1900*. 2002.
88. Gustafson, Per: *Place, Place Attachment and Mobility: Three Sociological Studies*. 2002.
89. Rigné, Eva Marie: *Profession, Science, and State – Psychology in Sweden 1968-1990*. 2002.
90. Persson, Anders: *I kräftans tecken. En historiesociologisk studie av cancerforskningens samhällsreliga villkor i Sverige och USA under 1900-talet*. 2002.
91. Brnic, Anita: *Speaking of Nationality. On Narratives of National Belonging and the 'Immigrant'*. 2002.
92. Korp, Peter: *Hälsopromotion – en sociologisk studie av hälsofrämjandets institutionalisering*. 2002.
93. Sobis, Iwona: *Employment Service in Transition: Adaptation of a Socialist Employment Agency to a Market Economy. A Case Study of Lodz, Poland 1989–1998*. 2002.
94. Hellum, Merete: *Förförd av Eros. Kön och moral bland utländska kvinnor på en grekisk ö*. 2002.
95. Carlson, Marie: *Svenska för invandrare – brygga eller gräns? Syn på kunskap och lärande inom sf-undervisningen*. 2002.
96. Hansson, Agneta: *Praktiskt taget. Aktionsforskning som teori och praktik – i spåren efter LOM*. 2003.
97. Engdahl, Oskar: *I finansvärldens bakre regioner. En studie om finansiella offshoremarknader och ekonomisk brottslighet*. 2003.
98. Rolandsson, Bertil: *Facket, informationsteknologin och politiken. Strategier och perspektiv inom LO 1976–1996*. 2003.

99. Schedin, Stefan: *Ekonomisk ojämlikhet. Inkomstfördelning och inkomstskillnader i Sverige under 1980- och 1990-talen*. 2003.
100. Morner, Claudia G: *Självständigt beroende. Ensamstående mammors försörjningsstrategier*. 2003.
101. Wennerström, Ulla-Britt: *Den kvinnliga klassresan*. 2003.
102. Wingfors, Stina S: *Sociomyrkets professionalisering*. 2004.
103. Tursunovic, Mirzet: *Fostran till demokrati: Tre sociologiska delstudier av bosniska ungdomars politiska socialisering*. 2004.
104. Thörn, Catharina: *Kvinnans plats(er) – bilder av hemlöshet*. 2004.
105. Alinia, Minoo: *Spaces of Diasporas: Kurdish Identities, Experiences of Otherness and Politics of Belonging*. 2004.
106. Chronholm, Anders: *Föräldraledig pappa – Mäns erfarenheter av delad föräldradedighet*. 2004.
107. Seldén, Daniel: *Om det som är. Ontologins metodologiska relevans inom positivism, relativism och kritisk realism*. 2005.
108. Winell-Garvén, Irene: *Vägen till Parnassen. En sociologisk studie av kvinnligt konstnärskap i Sverige 1864–1939*. 2005.
109. Engström, Pär: *Samtal och ledarskap. En studie av medarbetarsamtal i grundskolan*. 2005.
110. Löfstrand, Cecilia: *Hemlöshetens politik – lokal policy och praktik*. 2005.
111. Eydal, Guðny Björk: *Family Policy in Iceland 1944–1984*. 2005.
112. Ekbrand, Hans: *Separationer och mäns våld mot kvinnor*. 2006.
113. Eriksson, Ylva Ulfsdotter: *Yrke, Status & Genus. En sociologisk studie om yrken på en segregerad arbetsmarknad*. 2006.
114. Flisbäck, Marita: *Att lära sig konstens regler. En sociologisk studie av osäkra framtidsinvesteringar*. 2006.
115. Berntsson, Paula: *Lärarförbundet, forskollärare och statushöjande strategier*. 2006.
116. Latta, Mia: *Public Transfer and Private Help. Support Networks of Marginalised and Poor individuals in Sweden in the 1990s*. 2007.
117. Persson, Sofia: *Läraryrkets uppkomst och förändring. En sociologisk studie av lärares villkor, organisering och yrkesprojekt inom den grundläggande utbildningen ca 1800–2000*. 2008.
118. Bengtsson, Mattias: *Individen stämplar in. Arbetet, facket och lönen i sociologisk belysning*. 2008.
119. Sjöstrand, Glenn: *Gåvan i Gnosjö. Företagares relationer i ett industriellt distrikt*. 2008.
120. Pellbring, Mats: *Laissez-faire, systemkritik eller reformism? En studie av den svenska opinionsbildande globaliseringsdiskursen i dagspress, 1992–2001*. 2008.
121. Bjarnason, Tómas: *Social Recognition and Employees' Organizational Support*. 2009.
122. Jagudina, Zaira: *Social Movements and Gender in Post-Soviet Russia: The Case of the Soldiers' Mothers NGOs*. 2009.
123. Ranagården, Lisbeth: *Lärares lärande om elever – en sociologisk studie om yrkespraktik*. 2009.
124. Shmulyar Gréen, Oksana: *Entrepreneurship in Russia: Western ideas in Russian translation*. 2009.