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## Culture and Economic Practice in Russia's Market Transition

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## Culture and Economic Practice in Russia's Market Transition

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In memory of Mitchell Kenneth Hass

(August 15, 2000–February 11, 2002)

For all sad words of tongue or pen,

The saddest are these: “It might have been.”

—John Greenleaf Whittier

**ABSTRACT**

Russia's post-Soviet market transition has involved chaos, conflict, and confusion in all aspects of economic life. Few analyses attempt to include an examination of culture and its role in the construction of post socialist economic practices, procedures, and institutions. Drawing on insights from economic sociology, I argue that culture—path-dependent practices, categories, and assumptions of normality—shaped reactions and responses to changes in legislation and structure. Further, adaptation and change in these practices, categories, and assumptions were inhibited by decoupling (the difference between change in laws or rules and in real practice). Decoupling had two roots: incomplete learning because of the persistence of older habits and practices; and resistance to the imposition of new practices. I explore economic culture and these forms of decoupling and cultural change by examining change in two logics of business: logics of production and sales (incomplete learning), and logics of value (resistance).

"Our [shopfloor] bosses need to study. They need to break stereotypes of economic relations. They have a weak understanding of 'economic freedom.' There are few who have the desire to sit down with pencil in hand and count how much something will cost and how much it will return…They don't want responsibility of decisions."

—Assistant director at Svetlana electronics firm, Svetlana, November 3, 1993, p. 2.

"Jeff, quit it! You think we follow rational economic rules!"

—Assistant director of a "slowly dying" Petersburg electronics firm

## Culture, Economy, Economic Change: the Case of Market Transitions

Russia confounded neoliberalism. Programs for economic reform, supposedly tested in the laboratories of Latin America, proved too simplistic for post-Soviet conditions and exacerbated the economic morass into which the USSR had slid by the late 1980s. A decade of radical and not always clear change under Boris Yeltsin gave way to increased petrodollar income and Vladimir Putin's attention to order after the 1990s, yet Russia's economy remained problematic. This begs the question: just what was that morass—was it rent-seeking and regional protectionism, or had something more been going on in Russia, a modern expression of radical economic change? Clifford Gaddy and Barry Ickes claim that nearly half of Russian enterprises have worked in the "virtual economy" of barter, rather than market exchange, an economy that emerged from Soviet-era tactics (barter) buttressed by pro-welfare social values. Yet why did these practices and values survive and remain more powerful than "rational profit maximization," and might other practices persist? To make sense of the economy of Putin's Russia, we must return to its birth and adolescence: Gorbachev's reforms and the early 1990s, when institutions and practices were in flux. In doing so, I will analyze how culture—categories, logics, knowledge, practice—mediated economic change decreed from above. I argue we can only understand this case by focusing more clearly on culture and its manifestations in practices and logics. Rather than asking, "Why has market-building failed in country X" (with a focus on laws or static values), we should ask, "What is emerging in country X"? and focus on the dynamic change processes of culture underpinning everyday life and reproducing structures and institutions.

Russian and East European market transitions, contemporary variants of capitalism's Great Transformation, remain badly understood, partly due to their rapid, radical nature and to limited data. Confusion also stems from errors in dominant frameworks, neoclassical economics (stressing costs, benefits, rational action), and new institutional economics (encapsulating rational action in laws).[1] Both models provide insights, (into speculation or inflation), for instance, but are limited. When one descends from the commanding heights of aggregate econometric data and broad, closed-ended surveys into everyday action and strategy, costs and structures explain less. Why did Russian managers ignore harder budgets or have difficulty with sales, misjudging both and putting themselves in jeopardy? Why did firms maintain overemployment? If economic theory is correct, only rational, profit-driven actors survive (unless markets are distorted for exogenous reasons). Yet using networks to circumvent the market, orienting to paternalism not profit, and incomplete use of marketing continued into the new millennium. These questions cannot be satisfactorily answered by knee-jerk appeals to "costs" or laws.[2] Only with culture can we make sense of the unfolding of Russia's post-Soviet economic change, when practices changed more slowly than policies, resulting in confusion and conflict.[3] We must address what actors were thinking (categories, understandings) and the process of "learning the market" (even if imperfectly).

## Culture and Economy

The relationship between culture and economics is hotly debated and too complex to address in its entirety here.[4] Copious scholarship has shown the shortcomings of neoclassical economic theory and supported the importance of culture to economics. Rather, to explore how culture matters in market transitions, I discuss how culture and the economy intersect, and because culture is absent in economic theory this takes some unpacking. The problem stems from economists' assumptions: rational, quantitative cost-benefit calculation extrapolated from narrow experiences to all space and time; a vocabulary of analysis favoring mathematical expression rather than "thick description"; a logic acknowledging only instrumental means-ends rationality and deduction (with theory driven by previous propositions rather than induction from empirical evidence). Unlike prices or output, culture is difficult to measure and quantify.[5] It involves specific contexts rather than vague and parsimonious generalizations and does not resonate with economists' assumptions of strict rational calculation and utility maximization.[6] For anomalous cases economists assume measurement problems or irrationality rather than theoretical error,[7] as they presume their assumptions, categories, values, and logics are truths universal in space and time.[8] If actors do not follow these logics, the fault lay with exogenous factors (theoretically ignored) or the actor's irrationality. In contrast, economic sociologists view economies as social constructions of historically contextualized strategies, practices, and cause-effect models.[9] Economies involve finite resources, making calculation important; but analyses of the firm, value and labor, and knowledge and performance demonstrate that economics is not immune to cultural influences that shape perceptions and provide strategies of action that alter or reproduce contexts.

So what is culture? Broadly, it is the "symbolic-expressive aspect of social behavior."[10] This includes various entities—values, symbols, scripts, schemas—but for this essay I conceptualize culture as involving interpretation, meaning, and ritualistic action in categories through which we code and make sense of the social world, structured in discourse (categories articulated through a structured medium), brought to life in practices (sets of habitual and tactical actions linked to a context), and exhibiting logics (justifications and affinities of sets of categories and practices). Culture comes to life when meanings are embodied in actions (practices and logics) and organized articulations (discourse). When we react to changes, we do not react purely instrumentally but rather by utilizing practices and logics that we know and use on an everyday basis. Resource availability, rules and laws, and tastes affect economic behavior, but strategies in these contexts are broad enough that action cannot be explained solely by costs or rules alone. With bounded rationality and the interpretative nature of social life, economic decisions reflect more than a "profit motive." Further, culture has both individual and collective aspects: while culture is ultimately expressed by an individual, the range of possible expressions is shaped by contexts which induce individuals to learn, copy, or implement. That is, culture is embedded in communication, observation, and power. Finally, just as behavior is not purely calculated, culture does not overdetermine action. Instead, it is a "tool kit" of available strategies, knowledge, and practices actors can draw on to interpret and react to the economic world.[11] This tool kit is not infinitely large; components are finite, and so culture both enables and constrains.

The upshot: culture shapes perceptions of costs (how agents perceive a problem) and tool kits shape responses (what strategies are available). Let me give a quick, somewhat abstract scenario drawn from the broader data I have collected (some of which will return below, with specifics). If sales fall, a manager may perceive the problem as inferior products and implement quality control. He may see the problem as labor discipline and exercise authority. He may find fault with state policies and join a lobby. If a firm wants to sell a good, how many units can and should be made and how is potential demand perceived? What tools exist to answer this question? As we will see, managers of large firms in my study coded decline in sales and financial problems as macroeconomic—falling sales meant clients had too little money, hence the problem was due to state policies rather than the firm's goods or efficiency. If clients want goods, demand must exist (regardless of ability to pay). Little action was taken on market search practices; if they could find money, clients would come.

Alas, culture has not been prominent in analyses of market transitions. Qualitative research for studying culture requires time for data collection and analysis; economic research involves easier data collection and computer-assisted statistical analysis. Economic categories and discourse are the lingua franca dominating policy discussions. Ahistorical economic theory is ready-made for application across space. Market transitions were initially economists' turf, giving them the edge in analyses. But there is hope: culture has started to appear in various analyses.[12] My goal here is to push the cultural argument further.

**Culture and Incomplete Change: The Problem of Decoupling**

Because it is learned and is located in individual perceptions and skills and in collective rituals and reinforcement, culture changes with difficulty—there is an inertia against which organized power must contend. This is because the link between individual or smaller collectivities (e.g., organizations) and their contexts is not straightforward. The context includes laws and institutions that structure power and discourse, which can impose new practices and categories as potentially hegemonic. In a simplistic model, actors adopt new models and practices from the environment and follow them fairly smoothly, or else are forced to exit the market. Yet this need not be the case. We may witness a lag between changes in rules and practice, and perhaps more persistent contradictions and differences between what laws and policies demand and what people and organizations actually do. Douglass North posits that this is an important part of institutional change (or lack thereof) and economic performance. Informal institutions (e.g. culture and practices) change more slowly than formal institutions (laws), and so even in market contexts inefficient routines can persist. For transitional economics, Peter Murrell posits that this lag between institutional and behavioral change made rapid change a la shock therapy unlikely.[13]

In a seminal article on the cultural and institutional underpinnings of organizations, John Meyer and Brian Rowan noted the possibility that changes in organizational strategy and structure decreed by new policies might be implemented only superficially, while real practices follow previous logics—not only marginal routines but entire sets of practices and procedures.[14] This is not a simple case of not implementing all new rules perfectly, but of not implementing new structures, strategies, and logics. Managers might implement changes in organizational strategy and structure as mandated by law, but the new departments or strategies in reality might be marginal or insignificant, the organizational equivalent of Potemkin villages. Change is superficial, and real practice follows older habitual form. This they called decoupling, but they were not clear just how and why decoupling occurs. I posit two reasons and mechanisms. The first is incomplete learning and enforcement. Managers might adopt new departments or procedures but not fully understand how they really operate, what they are supposed to do, and how they fit in the broader organizational scheme. Actors might invoke new strategies learned from others, but they do not have full knowledge of appropriate practices and logics to legitimate or operationalize new strategies. The second mechanism of decoupling is resistance. If managers see demanded changes as useless or threatening, they may make only superficial changes—for example, creating new departments or following particular procedures (e.g., for taxation or transparency) for the sake of image, rather than making new structures and procedures important for real business practice.

Overall, the importance of decoupling for market transitions is that market-building is a cultural project—the creation of new categories of legitimate business and logics of legitimate practice.[15] Decoupling is partly behind "path dependence"—actors do what they have done because they know it best or because it is less threatening—and can deflect intended changes. New tactics end up mapped onto older routines, creating an amalgam of old (Soviet) and new (post-Soviet) practices. Given decoupling and the differences between socialism and capitalism, it is no surprise that culture warped shock therapy. Privatization and liberalization could create an American-style market only in the United States, where requisite logics exist. Russian managers had multiple strategies. Shocks and opportunities (1988–1992) allowed managers and entrepreneurs to alter strategies and practices of production, sales, and exchange. Laws, policies, and institutions played a role in restructuring, but so did assumptions of "normal" exchange, production, and value. The result was not a market of competitive individuals maximizing profits but instead of confusion and resistance (sometimes overt, sometimes covert) to the imposed reforms. The Russian economy has a "Russian" flavor because of the cultural dynamics of learning and resistance. This is no surprise; yet cultureless economic theory cannot make sense of such dynamics. Russia's market-building experiment has been a competition of multiple logics that remains to be resolved.

**Assessing Culture's Influence**

To track change in economic culture, we must follow processes of interpretation and strategy formation over time.[16] We examine previous institutions and cultural legacies, and then consider how actors coded and addressed shocks and experiences. The data that follow suggest that perceptions and models of action are as important as institutions and incentives. Rather than arise naturally from shock therapy or illusory efficiency imperatives, markets are learned and arise imperfectly through trial, error, and contention. This raises a potential difficulty, which Daniel Goldhagen has noted: culture is everywhere; subjects do not comment on categories, logics, and practices they take for granted.[17] Further, disentangling culture, institutions, and actions is tricky because these are all of a piece. The transition provides a way out. Culture is more visible during radical change, when laws shift but people's logics and practices do not. If people are cold, rational actors, institutional and legal changes lead to fairly rapid change in practices. If culture is important, people's actions, strategies, and justifications will lag behind changes in incentives.[18] In radical change, culture should be visible as people act in seemingly irrational ways and respond with confusion or hostility. To track cultural change, we must follow environmental changes (e.g., laws and economic climate) and look at responses and the explanations and justifications for those responses, and go on to the next environment-response cycle, looking at how behavior shifts with contexts.

For my investigation of culture and economic change I examine logics, strategies, and manifestations of production and sales and value. I begin with an analysis of the logics and practices of sales and production strategies and the troubled adoption of marketing. Marketing is not a simple, formulaic tactic, whose success is based on available capital; it has a deeper logic of how to interpret and react to the economic environment via sales and production plans. In the post-Soviet era, managers created marketing divisions, but this did not automatically translate into adopting the deeper logic of marketing and its relations to broader enterprise activity. I follow this with an analysis of meanings and embodiments of value—Soviet and post-Soviet money and its competitors (e.g., barter) and practices of defining the value of a good. I use data from various sources—enterprise newspapers and secondary sources, but also from ethnographic work—to reconstruct changes in categories, vocabularies, and logics of explanation.[19] While such a qualitative approach makes controlling for variables more difficult than in a statistical, quantitative study (where data are more discrete), the goal here is not to prove but to generate a framework—ideas about causal relations—that can lead to later testing. Further, I intend to let the categories emerge from claims and practices—thus issues of quantification or operationalization are less problematic than in larger, quantitative studies. In his study of Stalinism, Stephen Kotkin exhorted us to take seriously utterances and claims of those commenting on their social world.[20] While not every utterance is sincere or truthful, posturing, claims, categories, and conceptions of normality articulated for an audience reveal something about culture.

## Legacies: The Soviet Culture of Strategies and Practices

Soviet institutions and ideology bequeathed particular economic practices and logics. Because institutions as collective rules emerge from and are reproduced by actors' categories and practices, these legacies were a natural template for action. Radical change would confront these legacies as the natural social proclivity to action. New rules of reform "from above" would interact with logics "from below" in the process of reproduction. Hence, historical legacies survive via cultural templates into which actors have been socialized, and transition becomes the transformation of logics and practices. These logics are not exhaustive, but they are crucial to everyday business.

1) **The logic of sales and production.** This Soviet-era logic covers strategies and practices of sales and their link to production and broader organizational activity. In post-Soviet Russia, sales went from state-run and marginal, to manager-run and central to enterprise survival and practice (including production decisions). This follows insights from Katherine Verdery's comparison of capitalism and socialism in which she posits two fundamentally opposing logics of strategy, that of the end-game and that of consumption.[21] The capitalist end-game logic revolves around competitors and consumers. Survival requires "salesmanship" broadly understood—orienting strategies to consumers, addressing the need for profit, and fending off competition by appealing to the consumer via product (e.g., quality or price) and method (marketing). In short, managers had to focus on selling goods that consumers wanted: stylish or comfortable shoes, quality food, useful and efficient software. Surviving socialism required fulfilling output quotas rather than gaining income from sales, and so strategies were oriented to bureaucrats and suppliers. The key skill became "aquisitionmanship," not salesmanship. Whether consumers actually needed a particular type of shoe or whether it's quality was good or passable was less important than fulfilling an output quota and obtaining sufficient supplies to do so (short of falsifying reports, which did happen). From this follows the logic of whom the enterprise serves. Under capitalism, consumer tastes shape sales and income and are the focus of production. With competition, market segments emerge, consumers' desires become more specific, and businesses must develop the tools to understand and target nuances of taste. The consumer has symbolic power; even marketing ultimately defers to consumer sovereignty. In the socialist economy, state and enterprises satisfied basic needs (providing generic goods) rather than specific tastes. Symbolic authority—who the enterprise ultimately serves—was located in the enterprise and the state.

2) **The logic of value.** This logic comprises the logics of defining the worth of a good or service—the justification for worth, and how that worth was measured (e.g., units)—and the practices and routines for embodying such categories through economic action. In modernity, money has been key in theory and ideology: for some the means of commodification and capitalist enslavement, for others a means of liberation from tradition and networks. The Soviet Union shared traits of Western modernity—technology, bureaucracy, complexity—but with money the picture is muddied. Money did not have the same symbolic value as in capitalism. Soviet socialism had a historical and ideological aversion to the role of money in exchange and determining value.[22] More of a bureaucratic chit

or means of counting production and moving around resources, money was not a store of value or a tool for facilitating supply-and-demand dynamics. (Alternatively, the ruble was like a ration card in the de facto Soviet deficit economy.) The logic of value in post-socialism intersects with the project of monetization, imbuing money with status in itself and giving money the capacity to transfer status to its holder.

The next sections are empirical narratives that show the dynamics of change in these logics—how actors followed them, questioned them, and tried to alter or resist them. We will see two basic responses: confusion and resistance. In the case of sales and production, decoupling as incomplete learning interfered with full adoption of new logics and practices of marketing (market-centered determination of production and sales). Managers coped with depressed finances by seeking new models for organizing production and sales. Public discourse suggested new logics of exchange and production centered on marketing as the new organizing principle of market business, and managers adopted it rather than resisted it because it seemed a panacea for crises of sales and finance. Yet marketing contradicted the Soviet-era logic of production that dominated enterprise activity. The difficulty of learning new logics so different from those of the immediate past was compounded by weak enforcement of these new logics. Neither state nor economic elites and gatekeepers (such as they were) enforced the full range of marketing logics and practices in enterprise procedures. New logics of market strategy and practice do not magically appear; in post-Soviet Russia, models of market behavior were broad, vague, and imprecise, and managers did not have tacit knowledge for adopting market organization or behavior. Thus, managers learned imperfectly, mimicking and grafting marketing terms and departments on Soviet legacies of sales and production. They tried to adapt, when they were uncertain just what they were supposed to adopt.

In the case of value—from production to money and market—decoupling was a function of resistance to overt attempts at monetization. The state and some actors (banks, some utilities or other managers) tried to enforce one embodiment of value, money, and the setting of value through market mechanisms. Through tax laws states tried to force firms to sell at profit for money. Banks and utilities companies slowly but surely began to demand debt payment in money, with bankruptcy law a legal means to force firms either to produce for monetary profit (thus paying debts) or to exit the market. This became a threat to managers: some found themselves and their firms unable to produce goods for which there was demand, others found demand for their goods come from consumers unable to pay. When managers saw that the capital-starved environment was at fault, they turned to resistance tactics. Some of these drew on what the managers knew best—use of networks to facilitate barter. Further, given socialization in a Marxist, labor-centered logic, managers understood value as set through production, not the market. Because neither state nor "market" could enforce money as the central totem for value, managers and local elites sought to devise multiple monies and logics expressing alternative meanings and manifestations of post-Soviet value.

These two logics and the changes in them were not entirely unrelated. When firms engage in barter, value is more likely set in kind and applies to one specific exchange, without reference to monetary prices set in the broader market. In its ideal-typical form, marketing involves determining the optimal price consumers will pay for a good, although imperfectly adopted marketing might involve a simplistic formula to set a money price regardless of preferences. Managers might see price as part of a larger set of qualities to a good that can be manipulated through marketing strategies, or they might see it as an instrumental means to bring in income, with sales set through traditional trading networks. In short, the two logics are not the same, nor is one located within the other, but changes in one could affect the other. This said, I treat them separately for sake of analysis.

## Logics of Sales: From Marginal to "Marketing"

In a command economy, stereotypical market skills (knowledge of cost-benefit and financial analyses, procedures for studying market demand) were not important for survival or success. Rather, Soviet economic institutions inculcated a different set of skills, practices, and logics that continued to produce Soviet-era behavior even when formal economic rules weakened. In the Soviet production-centered logic of economic action, managers interpreted the enterprise and justified its work as producing a certain assortment of goods, not of finance or profit per se; criteria and rhetoric of normality, rewards, and Five-Year-Plan fulfillment centered on material production. Locating firms in sectors and ministries organized by principles of technology and production linkages reinforced these logics (e.g., machine-building enterprises in the Ministry of Machine-Building). Managers' tasks were to fulfill the output targets, and institutional constraints and incentives induced managers and workers to think through the prism of production and quota fulfillment. Successful managers played the game of negotiating plan targets, obtaining deficit resources, and establishing networks for support and mobility. This game required knowledge of production techniques and skills for negotiating with state officials, and it bred such practices as hoarding deficit supplies and "storming".[23] Soft budgets and state expropriation of profit further weakened any incentives to rationalize cost-benefit accounting. Because the state was concerned with providing employment and fulfilling the plan rather than with efficiency and profit, funds were usually found.[24]

Managers' backgrounds further reinforced this production-centered worldview.[25] They were usually engineers and technicians who understood production and products. Economic policies followed technocratic logics and solutions, such as relying on technology or management training rather than granting managers financial autonomy.[26] Running a factory did not require knowledge of profit, market search, and a financial bottom line. Rewards were based on physically running the factory. Many managers rose up through the ranks, by knowing how the firm worked and how to ensure plan fulfillment and were, thus socialized into production-centered principles of decision-making.[27] This socialization inculcated risk-aversion in managers, who resisted radical changes and even fought limited reforms in the 1960s and 1970s.[28]

This does not mean they were culturally preprogrammed robots. While the impetus to change came from radical reforms and economic collapse after 1987, managers, budding entrepreneurs, and even common Soviet citizens did develop a rudimentary, counter-Soviet economic model—atheoretical and lacking practical knowledge—from the everyday experience of deficit goods, daily work, bad service, and the shadow economy.[29] This alternative logic was not as well formed and thought-out as the Soviet logic, and actors' experience in market practices and logics was limited to the shadow economy—not a "market" in the sense of developed capitalism. This alternative could emerge only if the older logics faltered: if the institutions supporting and reproducing them weakened, if the opportunity to put new logics into operation arose, and if the incentives for undertaking this costly and complex change were sufficiently strong. Yet while the plan and state control were practically moribund by 1990, managers still carried the historical baggage of knowledge, logics, and practices that provided a template for making sense of, and reacting to, the radical changes around them. If managers did not understand the importance of profit, shocks soon forced them at least to consider income generated by their own sales; yet many managers still did not entirely appreciate market research and a focus on sales. The market alternative might have been legitimate, but it was only a vague, fuzzy model. Cultural legacies and new rules of the game intersected to produce innovation and confusion.

## Confronting Post-Soviet Sales

The economic reforms exacerbated exchange, initially increasing bottlenecks and then propelling a sales free-fall that by 1995 brought production to levels below those of Depression-era America.[30] In the context of new laws, structural changes, and weakened state power, myriad responses to crisis and opportunity emerged, using and mixing categories of the Soviet era and the "market." For individual entrepreneurs or small firms involved in commodities trade, the unraveling of the command economy and the sudden introduction of liberalized exchange was not necessarily painful. Individual entrepreneurs in search of quick profit could travel to Turkey or Poland, buy assorted goods, and sell them through networks. Small firms (e.g., individual barbers and hairdressers, sociologists free-lancing as survey researchers) had less need for exact strategies. Tactics of survival and an inexact but simple reckoning of costs were adequate.

Larger firms, with greater input and overhead costs and more complicated production cycles and work routines, were not so lucky. Initially managers were hopeful of market reforms: they could buy and sell at prices and with clients of their choosing.[31] The soundness of markets and freedom of choice was reinforced by the Soviet experience of often irrational planning targets and procedures. Two assistant directors at a lathe-making firm remarked separately that organizing production according to plans from Moscow bureaucrats was senseless; what did they know about the realities of production? Managers did not know all the clients receiving their products, and employees often worked at breakneck speeds violating any natural production rhythm.[32] Gorbachev's reforms had made the command economy even more problematic, and in contrast, Yeltsin's liberalization would allow firms to buy and sell with whomever they pleased. Yet ultimately managers and employees were not prepared for the shift to a different economy, and initial strategies of sales and production showed surprising continuity. With freedom, managers found that sales and profit did not follow automatically. For example, Petersburg's Kirov factory continued to develop and produce its 35-horsepower K-20 mini-tractor for individual farmers. The plan was to produce 60,000 tractors per year. Yet this was more than the actual number of individual farmers, and obstacles to distribution and technological degradation impeded quality output for export.[33] General Director Pëtr Semenenko claimed without explanation that the K-20, a centerpiece of Kirov's foray into the post-Soviet market, naturally had a market;[34] eventually, after time and resources had already been expended, he turned to other projects.

With weakened state control, the inflationary spike, and declining sales in 1992, Russian managers confronted a more troublesome economic environment than initially envisioned. The persistence of Soviet practices can be gleaned from managers' responses to price and trade liberalization and initial harder budgets: many managers continued with "business as usual."[35] Managers focused on traditional production and dealt with traditional clients, producing more goods than purchasers could pay for—even after they had placed purchase orders.[36] Whether an input was needed or an output wanted, managers continued to purchase and produce.[37] One catastrophic result was that at some end point payment became problematic. Stocks of unwanted goods piled up; managers apparently had misjudged or never considered real paying demand. In the absence of "bureaucratic money" or subsidies, firms turned to inter-enterprise credit—the buyer would take the goods and promise to pay later. Purchasers could not pay for goods, and so producers could not pay suppliers (or even employees). Among the most alarming crises was the coupling of decline in sales with rising energy costs, which exacerbated financial distress. In February–April 1992, debt at the Sverdlov machine-tool factory grew from 27 million to 60 million rubles, although management claimed that purchasers owed them 53 million rubles. Two months later the debt had doubled, in part because of rising electricity costs. Only 97 lathes were sold for the first six months of 1992, compared to 127 for the first half of 1991.[38] At, the electronics firm Svetlana, output and sales for 1992 were 60 percent of their 1991 level, and purchasers' debts as well continued to mount.[39] This, and the emerging inter-enterprise arrears crisis (krizis neplatezhei, crisis of insolvency), threatened Russian industry and the entire economy.

Managers were now forced to think in terms of sales, whether in money or kind, to pay off debts and obtain inputs to keep production operating. Continuing to produce for, or purchase from, traditional clients led to mounting debts; while the state could provide occasional credits (which might not make it to the enterprise) or a money injection for the economy, it was clear that the days of Soviet-style subsidization were over, for ideological and practical reasons—Boris Yeltsin's lead reformer, Yegor Gaidar, and his team opposed a return to Soviet subsidization, and the state was going broke. This led managers to a mad scramble to figure out the roots of sales and income crises and solutions. Popular tactics included taking out loans from banks, but loans were quickly exhausted, and interest rates were rising to fight inflation. Managers turned to their shop-floor bosses and employees to find a way out of economic distress. The immediate tactic in the early 1990s was to give shop-floors decision-making and financial autonomy—the imperative to balance their books but also the possibility to improve wages by improving sales and reducing production costs. This would unleash employees to devise and produce new goods and flood the market, in the hopes that something would find paying buyers. Managers justified this tactic by defending the uniqueness of their enterprises' goods and employees' skills, such as special tractors at Kirov, world-renowned turbines and meat-grinders at Elektrosila. Managers at Sverdlov charged shop-floors with designing ranges of new industrial and consumer goods that, they assumed, would naturally find waiting buyers.[40] Managers at Svetlana electronics cooed that their employees made alarm clocks, telephones, and thermostat components with no equivalent design in the capitalist world,[41] and so obviously consumers would want them. Alas, there was usually little to report on successful outcomes of their various projects in unique production, perhaps because there was little formally reported consideration of whether these had any real market demand or whether there was any real attempt to create such demand.

At the same time, managers could also turn on their employees and blame them for inefficient production and erosion of finances and sales—and thus avoid rethinking their own approaches to production and sales. This followed criticisms of the Soviet command economy. Ministries and planning officials did not know consumers' tastes and needs or enterprises' capacities, and the solution was to give autonomy to producers and consumers (liberalization). Managers took this one step further: how could general directors know the market better than immediate producers (shop-floors)? Thus managers initiated enterprise restructuring, devolving a degree of financial and decision-making autonomy and responsibility to shop-floors and subdivisions not transformed into "daughter firms."[42] This allowed managers both to frame the causal relations of enterprise demise and save their own legitimate authority inside the enterprise—and avoid rethinking their own logics of business. Directors criticized shop-floors for the inability to be market-responsive or to understand that the new post-Soviet economy required greater autonomous initiative in developing, producing, and selling goods with market demand.[43] In 1994 an assistant manager at Svetlana electronics complained, "We need to think! We need to seek out purchasers…. We have achieved economic freedom that we dreamt of. Our hands have been freed, but we continue to look upward [i.e., to the state for help]."[44] Echoing this, an assistant director at the October Railroad blamed inefficient work and poor financial results on poor training of other managers and cadres: "those cadres…were raised in such a way that with all their might they try not to produce anything new, they stubbornly hold on to principles inculcated in the 1950s and 1960s."[45]

While this switch between supporting and berating shop-floors contributed to internal enterprise politics, it did little to improve sales and finances. The initial advantages of freedom and boasting of unique goods and output did not attract new clients and sales in most cases. Further, existing of sales strategies were at best providing marginal aid and at worst exacerbating already threatening financial distress. For example, investments of time and money in VCR production at one Petersburg electronics firm came to little; the subdivision producing the VCRs went independent and soon thereafter into bankruptcy, leaving little return on investment.[46] Chiefs and employees of shop-floors and daughter firms primarily knew their immediate colleagues, suppliers, and clients (who often might be other daughter firms in the same enterprise).[47] Further, in the politics of enterprise restructuring, general directors claimed ultimate authority and so could not shrug off total responsibility for sales and production strategies. Managers discovered that the usual approach to business, colored by experience of the Soviet system and myths and illusions about how markets operate, had to change.

**Decoupled Change and Incomplete Adaptation: Marketing**

Some studies suggest that managerial adaptation in the post-Soviet environment depended as much on managers' perceptions, degree of optimism or pessimism about crises, and knowledge as much as on resources and sector.[48] Managers out to defend their employees were more likely to undertake survival strategies instead of more proactive steps to change their output or sales strategies.[49] But this change did not occur overnight. Managers at all levels assumed that because clients wanted their goods (yet could not pay), demand must exist. One manager at the Kirov works claimed in 1992 that Kirov tractors would always be in demand; hence the main task was just going out and selling products.[50] Yet a new realism (coupled with foreboding) was slowly beginning to surface as managers discovered that waiting for buyers to come, producing for them, and awaiting payments that would never materialize were leading to financial distress.

Managers came to realize that the state would no longer provide full subsidization and that they were responsible for their own firms' health. Survival, let alone development, would require rethinking business logics and confronting new challenges that economic reforms had thrown their way. For example, in June 1992 one Svetlana manager complained that reforms had not led to economic growth but rather to a new host of issues, including reduced subsidies and state purchases. Liberalization raised the question of coordinating prices and setting value (to which I return later): Who sets prices for goods sold in different areas with different standards of living, and how? This required managers to have more information on their environment than they had under socialism—and they needed new procedures for studying and reacting to the economy. Alas, "the manufacture [and sale] of…products occurs to a large degree blindly."[51] The language of exchange remained mired in physical units and percentage of the monthly plan fulfilled.[52] In 1992, Svetlana director Gennadyi Shchukin still discussed Svetlana's condition vis-à-vis plan fulfillment (e.g., overall plan fulfilled by 75.4 percent, consumer goods by 100.8 percent, and so on).[53] After Shchukin left, his replacement also discussed percentage fulfillment, rather than costs and income, and what this suggested about the real state of finances and production. One Russian scholar argues that managers socialized in the Soviet era and still running post-Soviet enterprises continued to pursue Soviet-era goals: maximizing labor and output rather than value and income, and thinking in logics of production rather than consumption and market demand.[54]

Yet the story is not of stasis. By 1993 or 1994 managers realized that the old tactics—expecting state aid, waiting for solvent buyers to find them, muddling through, producing for anyone who ordered goods, and assuming goods were high quality and in demand—would not generate income and lift enterprises out of financial distress. One initial change was to differentiate between "demand" (spros) and "solvent demand" (platezhesposobnyi spros). This step was not universal: "many managers emphasized that their products were very much needed by consumers, but buyers 'simply did not have the money' to pay for them."[55] Still, some were aware that normal "market" demand involves ability to pay, and they began wooing potential clients who had capital. Kirov managers courted Caterpillar and General Electric and, in 1994, lobbied the Petersburg mayor's office to allocate money to produce buses for city transportation (although the project took time to develop).[56] Pozitron entered the VCR market and imported Korean electronic goods. Svetlana created joint ventures and enter red foreign markets. Short-term joint ventures with foreign partners could provide a breathing spell and temporary injections of income to buy time. However, such ventures and income could keep firms alive only for so long; procedural changes were required to turn the random deal made for survival into constant practices that facilitated stable sales (of goods the firm could make or trade). After the failure of business as usual and flooding the market to lift firms out of their crises, Russian managers came to believe that they needed a new and consistent approach to sales beyond waiting for buyer or randomly sending letters to, or visiting the offices of, prospective "clients."

If one believes Max Weber and Alfred Chandler, production and sales strategies in the capitalist West followed increasing rationalization.[57] In developed markets, particular knowledge and practices for optimizing sales and income are institutionalized as normal business procedures for determining consumer preferences, price elasticity, and consumer susceptibility to advertising influence. Actors believe supply-demand equilibria exist and that they must find a fit between consumers' preferences and a firm's activities by carrying out appropriate research and applying it to production and sales. One important procedure is "marketing." Whether done in-house or via an outside firm, marketing in its ideal form systematically studies the market to discover and articulate what people want and what the firm should produce, orienting strategies to maximize profit, market share, or similar indices.[58] Economic experts from the West or trained in Russian institutes entered Russia's economic arena as consultants, bringing "marketing" with them.[59] Western categories and strategies were featured in specialized publications such as Kommersant, Delovoi Peterburg, Ekonomika i zhizn', and the like. "Marketing" (in Russian, marketing) began to appear in discourse, including enterprise newspapers.

While managers at various Petersburg firms began talking of "marketing" in late 1992 or 1993, it was not clear what they meant by this new mantra. Prodded by increasing financial crises by late 1992, they began to grasp for new solutions and saw some sense in marketing: "To experiment with the output of products without relying on studying the consumer market is very dangerous."[60] An assistant director at Elektrosila said that "earlier we only heard such a word as 'marketing,' and now we are beginning to undertake it closely." Key tasks included seeking solvent buyers and export possibilities, and coordinating production and exchange.[61] Alas, there was no detail about who did all this or how. In 1992 managers at the Sverdlov machine-making firm introduced directive 28, "On the creation of marketing services for [Sverdlov]." By late 1992 the firm's managers admitted they needed a "unified marketing network," although they gave few real proposals. Serious discussion and action came about only in 1994. After business trips to the United States and meetings with retired American managers and consultants who came to Russia to help managers adapt to the transition, Sverdlov managers set up distribution and servicing departments. Yet they also admitted that their knowledge of "marketing" was far from perfect.[62]

This hints at a key aspect of how Russian managers adopted marketing into discourse and strategies. Marketing has a superficial meaning (advertising) and a more complex meaning (a set of procedures of market study and analysis that inform production and sales strategies). The superficial form of marketing appeared fairly quickly, often led by foreign firms or by scheming entrepreneurs, such as the head of the MMM financial pyramid that used ads with a popular soap opera actress and incredible promises of easy profit. The second form of marketing is a deeper economic and organizational logic.[63] It is an attempt to rationalize procedures of sales and production and to systematize market information to set goals and strategies (profit, market share, etc.). Over time Russians with this understanding of "marketing" appeared, but not immediately, especially among managers of state-owned and privatized enterprises. If marketing was understood in principle by some, it was not necessarily understood in practice by many. Experts who understood the methods of collecting and interpreting data for marketing reports were few. Even expertise was not enough to introduce marketing logics and procedures if managers were not willing or able to enforce them. Young graduates in finance and economics who worked in banks might find that their best analyses were ignored, while managers peddled loans to others in their personal networks.[64]

Even in cases where managers did decide to implement marketing, decoupling could act as a powerful obstacle. Managers often copy each other's strategies and structures because they are perceived as solutions to common problems or because they are considered legitimate and necessary. Yet copying a strategy does not mean implementing that strategy as it operates in its original context and following its seminal logic. We should expect that, given the distance between Soviet and market logics, decoupling would occur. And so it did. Soviet enterprises had departments and specialists who implemented the specifics of plan targets and analyzed (or fabricated) data on productivity for higher-ups in Moscow. In the post-Soviet market, these were the natural candidates to take on the task of "marketing," and in some cases they were renamed marketing divisions or had marketing divisions grafted onto them.[65] To inject some new knowledge into the system, the head of the division would hire economics graduates (undergraduates or graduate students) who had at least taken courses in economic analysis and who, in theory, heard some lectures on the principles of a market economy. Just as important, they had a rudimentary understanding of survey methods and statistical analysis—and were more attuned to collecting data from the environment (the marketing function) than from inside their own firms, as had previously been the function of planning and economics departments. However, hiring new employees with a rudimentary understanding of market surveys was not the same as implementing marketing as a broader function or linking that function to decision-making concerning production and investment of what money and time managers had. These new "knowledge workers" were more an appendage to the former system of analysis and decision-making.

A good illustration of classic decoupling comes from a Petersburg electronics firm where I interviewed various managers in 1995. According to my sources there, this firm was in dire financial straits: military sales had fallen drastically, and consumer sales were sluggish at best. This firm's televisions, VCRs, and electronics components faced competition from other former Soviet firms now outside Russia and especially from higher-quality (if higher-priced) foreign imports. Anxious to improve financial health, managers invited experts from an American consulting him for advice. One recommendation was to create a marketing division and services to inform decision-making. Managers immediately set about opening this division, hiring recent graduate students in economics to staff it. By 1995 their basic job was collecting data from electronics stores on the prices of competing goods and entering this information into a computerized database. The purpose of this work was to help managers set prices. I continued to ask if this was the extent of marketing: Was there no advertising, no analysis of a target market or of alternative sales and production strategies within the firm's capacities? For each question, the answer was the same: marketing staff studied others' prices. They were not unique in this manner of adopting and implementing "marketing." The Almaz shipbuilding firm's marketing division was superficially organized and badly integrated into overall decision-making, and a production logic persisted.[66] Elektrosila's managers admitted the inescapable need to integrate marketing with general procedures, although there was little proof that real steps were taken.[67] Two Russian scholars claimed the majority of industrial enterprises in the 1990s persisted in production-oriented strategies rather than reorient to producing for existing demand. Firms lacked expertise and organizational structure to make marketing the new central logic of economic activity. Despite the collapse of state subsidies and purchases, and shocks from economic change, there was no working link between production and sales.[68]

Even small private firms were not immune from the marketing bug, although it was unclear why they had marketing departments at all. Economics Inc., a private publishing house that I observed throughout the 1990s, set up its own "marketing" department. It initially consisted of a graduate student armed with a telephone, a directory of enterprises and educational institutes, and the task of putting their addresses and telephone numbers into a data base so that he and older women employees could call up to inquire whether these organizations would be interested in Economics Inc. literature or lecture courses on financial evaluation and investment. (The response was usually no.) The founder and manager, Misha, did not defend his decision to create a marketing department; in fact, when the graduate student running it proposed expanding his tasks to those of a commercial director as well—with the possibility of doing analyses that might inform production and sales tactics—Misha refused. (This led to a quarrel, after which the "marketing director" quit. He was not replaced, although older women employees continued to use his data base to make general telephone calls pushing the organization's products.)

Herein lies the heart of decoupling: marketing did not become more than a marginal operating logic because the knowledge and practices necessary to incorporate it into the organizational structure were lacking. In the first half of the 1990s (and for many firms in the years after), those running the firm were those who had run the firm in the Soviet era, trained and socialized in logics and practices of producing for the plan. They had power but not marketing knowledge; those with knowledge usually had little power. As a result, managers would create marketing divisions which remained marginal to overall enterprise operations, or which pursued very limited tasks relative to their Western brethren. Even if we take into account the lack of funds for hiring an army of marketing experts or contracting out to private consultants, what is striking is how often and how much effort actually went into setting up marketing divisions that were small and close to dysfunctional (from a Western perspective). For marketing for broader reform policies, the form was adopted but not the substance: the complex logic was not incorporated into broader decision-making and production procedures.

**Marketing One Decade On: Adaptation and Retreat**

These trends in the initial adoption of marketing procedures persisted through the 1990s. Decoupling hindered the learning curve, and nearly half of Russian firms retreated to survival tactics such as barter or leasing out space to provide sufficient resources to stay nominally open, if far from full production capacity. Given the difficulty of adopting fundamental logics and practices of marketing as more than flashy ads, it is not surprising that, according to the few reports that address this issue, only specific types of firms or a few random managers made much progress in adaptation.[69] Foreign-owned or foreign-run firms used complex marketing procedures and sales strategies; the Baltika beer firm, for example, made consecutively numbered brands of beer with different quality and characteristics oriented to different types of drinkers. Some firms formed close working relations (close to patron-client relations) with Western conglomerates, whose marketing findings dictated the strategies of the Russian firms. This happened with Elektrosila, which recreated a relationship with Siemens, its German owner prior to the 1917 Revolution. Some managers adapted quickly to the demands of the emerging market economy, while others, especially those who had spent a large part of their careers and lives in the Soviet system, had a harder time grasping the fundamental logics and tacit understandings of selling in the new economic age.[70] Managers of larger industrial firms in St. Petersburg whom I interviewed in 1997 discussed the use of marketing studies for sales and production. One marketing director at Kirov told me how his department analyzed data on potential clients for production and price decisions and focused on nurturing relations with traditional clients who had a stable income. However, most managers described a situation not very different from that presented earlier. The director of a chicken-processing conglomerate relied primarily on networks to particular distributors and to political elites for tax breaks or subsidies. The head of a machine-making enterprise had created a marketing department, but its work consisted primarily of setting prices for output or traveling and sending out literature to try to increase sales. Managers at an electronics firm relied primarily on joint ventures with American firms to push their goods, rather than using marketing to determine what they should make and whether they should get out of electronics and invest in other production. (There was no mention of drawing on the Americans' expertise.) Heads of voluntary associations of industrialists did not provide help with marketing and sales strategies; rather, they lobbied the local and federal governments for sales to the state or tax breaks or lobbied clients with deep pockets (e.g., Gazprom) to purchase member firms' goods.[71]

By 2000, marketing was still more reactive rather than proactive, often a variation of the Soviet formula of locating a sales outlet and setting prices as a sum of production cost plus a casual markup (the profit margin), perhaps 10-20 percent.[72] This approach to sales and production limited strategies. Firms would compete via price at the lower end of the market to gain market share, hoping that profits would follow with economic recovery. After the August 1998 crisis, managers felt the need to cut costs and deal with a decline in consumption, or vary their approaches to sales and profit. A handful of firms and managers followed the constant advice of foreign and Russian marketing consultants to move beyond the price-based sales strategy to a more active, consumer-driven approach, with prices set by what buyers are willing to pay for a good or service—essentially a market-driven policy, rather than one driven by straight cost-plus-markup formula or imitation of competitors' prices. The new strategy optimized several variables, especially consumers' tastes. A higher-priced product might have fewer buyers but will still bring in more income than a cheaper product, if its image corresponded to status. A bread-making firm and sunflower oil producer shifted to this approach and saw sales and income increase significantly. Yet this logic of marketing did not become the norm, and post-2000 oil wealth hid this limited form of marketing. Russian observers berated managers' general unwillingness to take marketing seriously despite the threat of increasing foreign competition.[73] By 2000, a middle class was recovering; serving it would require active market research and strategies. Foreign firms leapt at this new class, and some Russian managers took active steps and honed in on specific tastes. This demonstrated that, for some firms, the understanding of "marketing" advanced from merely studying others' prices and flooding the market to a worldview of production and sales linked interactively (and actively) to different and explicit market segments. However, this was a minority of Russian firms.

Some firms did not adopt marketing and market-based business practices because of uncompetitive output (low quality or too expensive) or because buyers did not have adequate capital to pay (widespread in the early 1990s). One response was retreat to the Soviet practice of barter, creating a "virtual economy." This systematic, complex arrangement of multiple barter deals involved three parties: managers of uncompetitive producers (value-destroyers) who did not believe they could survive in a monetized market economy; local political elites whose regions depended on these enterprises for infrastructure and welfare; and suppliers able to make a profit in the money economy (e.g., Gazprom, electricity suppliers). Producers unable to earn sufficient monetary income on the market used complex barter chains to obtain inputs and dump their output. Suppliers otherwise able to make a profit on the market engaged in barter—thus providing subsidies in kind to value-destroyers—because of political favors or pressure, and because barter, by reducing monetary income, helped lower taxes. As barter expanded through the 1990s, up to 40 percent of firms were engaging in it with suppliers or creditors by the turn of the century, and some local electricity suppliers received up to 100 percent of payments in kind.[74]

While tax evasion and survival provided rational incentives to participate in the virtual economy, this world of informal networks and expedient barter had cultural roots, which Gaddy and Ickes must concede despite a formal model grounded in rational choice microeconomics. Uncompetitive firms might harm overall economic performance, but local welfare (employment, provision of services such as education and housing) and national security (the raison d'être of military-industrial firms, among the worst value-destroyers) were "impermissibility constraints," that is, values that could not be violated in the course of reform.[75] Virtual exchange and value were also embedded in Soviet-era strategies of normal economic behavior: not studying broader market demand and adapting production and sales, but rather engaging in informal networks to negotiate expedient exchange of what one had already produced. This was aided both by the state's inability or unwillingness to enforce either tax payments in rubles or transparency— which would burst the virtual bubble—and by local paternalism, in which local elites' authority was linked to their ability to protect their populations.[76] In short, virtual value and exchange existed within, and thanks to, webs of shared meanings and practices about the ultimate goals of economic activity. This fit as well with the Soviet logic of value: worth inherent in production (process and output) rather than market demand.

Unsurprisingly, the virtual economy contradicted the marketing logic. Managers engaging in barter cannot be systematic in developing strategies that inform both sales and production, for barter has a more random component: managers have to trade in kind with anyone willing to take their goods at that moment. While marketing has taken hold superficially in many firms, and fundamentally in a minority, the virtual economy reproduces a nonmarket logic and practice with roots in the Soviet era—the use of networks (especially via the tolkach) to barter for necessary inputs to offset late or bad-quality goods delivered through formal state channels.[77] The growth of the virtual economy created an economic space of alternative logics and practices into which managers could retreat to avoid onerous state taxes and market punishment. It became a haven for managers unable to learn marketing and coping with worn-out equipment that inefficiently produced low-quality goods. Barter brought survival where marketing could not.

This said, barter was not always a tactic of perpetual market losers. Some firms used barter because their clients gave them no option; between relatively harder budgets and inflation, rubles were scarce or valueless, leaving purchasers with little to offer producers. Such macroeconomic shocks were not conducive to creating a stable market where "winners" and "losers" would become apparent through simple market competition. This was particularly the case in the early 1990s, after the 1992 inflation spike ate up capital; reduced state subsidies and inflation created capital hunger for all. Managers at Leningrad Metal Factory (LMZ), for example, used barter only when necessary, such as when dealing with important Chinese and Russian clients. This tactic followed the model noted above that firms had used with the initiation of the transition: sell to those who wanted goods, as this was equated with demand (if not solvent demand). Further, this tactic allowed the firm to survive until managers could conclude profitable deals with Russian and foreign clients and join other producers of electrical generators and equipment to found Silovye Mashiny. LMZ managers had faith in their employees' skills and the potential future demand for goods. LMZ was one of only a few producers of electrical generation equipment, for which there would be demand as Soviet-era equipment aged and traditional foreign consumers expanded or replaced their existing technical stock.[78] While there was no proof of future survival, LMZ managers expressed faith and pride in LMZ output and future success and did not feel the need to retreat into the alternative barter economy for survival.[79]

The story of marketing—transformation of interpretations, conceptualizations, and strategies of action—demonstrates both change and continuity. The language changed from plan fulfillment as primary rhetoric, although talk of internal plan targets remained, to finding buyers, and then later to finding solvent buyers. The state, once the object of attention in the Soviet system and its logics, became a major client only for military-industrial firms; for the rest, the older logic of orienting activity toward the state and suppliers, rather than toward paying consumers, was untenable. Yet if managers adopted new forms, they did not necessarily adopt the new logics and practices associated with those forms. Decoupling can be corrected by real adoption of logics and practices or by forced market exit. The first requires power and knowledge, some actors with knowledge who can pass on this knowledge and force those under training to listen.[80] Alternatively, we can imagine that market institutions force adoption or market exit. Actors who do not learn quickly and competently are marginalized or forced to exit, via bankruptcy or by owners who exercise property rights to replace ineffective managers. The second—threat of market exit—relies on legislating appropriate institutions into existence and enforcing legal norms. Such reliance (or hope) is problematic. If a sufficient mass of actors follows non-market behavior, they create pressures for others to conform to their norms. Except for a minority of firms (or foreign-owned firms), sales practices in Russia retain their Soviet logic, incorporated with post-Soviet experiences and categories—capitalist, but not quite capitalism as we once knew it.

Perhaps change in economic mentalities and practices would have been quicker had the state established clear-cut market rules, including criteria for success (e.g., profit) and mechanisms of enforcement (e.g., bankruptcy and financial/credit histories). Had this been the case, actors whose behavior did not comply with market expectations would have come into serious trouble and been eliminated from the body economic; those whose mentalities, practices, and understandings did comply would have remained to prosper and act as an example. However, those very rules and mechanisms were spawned by people who themselves had to come to grips with a market economy. Managers who could not change turned to survival mechanisms, including barter and the virtual economy. The cultural side of the transition has been a learning process not only for managers and entrepreneurs but also for the experts that make it run and the state officials guiding the transition.

## Logics of Value: Money and Its Rivals

If the change in logics and practices of sales and production demonstrated incomplete learning, then the change in logics and practices of defining and manifesting value showed resistance.[81] The general idea of making the ruble the national store of value and the medium of exchange was not as foreign as marketing—the ruble was the Soviet currency, after all—but the practice of producing, exchanging, and expressing worth via money prices presented problems many managers preferred to avoid. The neoliberal prescription of low inflation and hard budgets created capital hunger; managers who wanted to work with money were under tight constraints. Further, firms that did not offer goods consumers were readily willing and able to pay for found the new totem of value condemning them to economic death. As managers struggled to figure out strategies of sales and production to improve demand, they also struggled with tactics of value that would allow them to survive. As a result, managers often turned to Soviet-era practices of maneuvering within the command economy (e.g., barter) and justifying value (e.g., worth intrinsic to unique qualities of goods, rather than their market demand). Formal rules of money—hard budgets, control of inflation, etc.— failed to become hegemonic because they were not embedded in broader institutional justifications and understandings to make them operative. Formal market rhetoric was mapped onto or evaded via Soviet-era practices.[82]

Karl Marx and Max Weber, among others, noted the social roots of money that made it central to capitalism. Ironically, Marx got his revenge in post-Soviet Russia. In their discussion of commodity fetishism, Marx and Engels saw how money as the nexus of exchange allowed trade in unrelated goods, but it also reified disembodied value, delinked from the labor that produced it. In the Soviet economy, permeated by Bolshevism's Marxist logic, value derived from production in itself—i.e. the quantity and uniqueness of output that allowed the non-capitalist USSR to compete ideologically with the capitalist West (e.g. outproducing it) without having to use profit or productivity (market-based financial indicators) as criteria for evaluation. Post-Soviet market-building brought back commodity fetishism in the attempt to monetize the economy and reduce labor and exchange to money values, and in the setting of that value to a market mechanism. Not so much out of adherence to the old ideology as in fear of threats to their well-being, managers resisted money and market-set value—our second form of decoupling and cultural change in the market transition.

More than a store of value or means of exchange, money is the totem of worth in capitalist markets—of firms and labor (share price and wages) and even of physical health and the environment. In the usual capitalist story, national currencies became the hegemonic expression of value as states cleared obstacles to commodification of land and labor, demanded tax payment, and promoted unified exchange.[83] Aiding the state, economic gatekeepers (bankers, exchange brokers) helped money's hegemony by making national currencies the lingua franca for expressing the market value of goods, shares, and the like. The key to Russia's story, this logic runs, must be in capacity of the state and economic gatekeepers to enforce monetization and in the consequences of their actions towards this goal. In the 1990s the Russian state tried to enforce monetization by controlling inflation and demanding tax payments in rubles. Yet rather than create financial unity and hegemony, perverse tax laws and the fragmented political power of Yeltsin's political game (exchanging local autonomy for support) created incentives to leave the money economy and encouraged the persistence and development of multiple logics of value.[84] Further, the Russian stock market was in its infancy, and economic professionals did not control discourse and practice. Managers, local elites, and citizens employed alternative forms of value to speculate, facilitate exchange, and build authority. Financial organizations, a linchpin of market capitalism, drove not money's empire but the accumulation of private power.[85] Perhaps the best illustration of these tribulations of imbuing money with economic value concerned the physical ruble itself. Until 1993, Lenin's face adorned Soviet-era rubles still in circulation. To end the ruble zone (economic space beyond Russia in which the ruble remained a formal currency), which was keeping the ruble's value low, a government decree in late July 1993 invalidated Soviet-era notes, depriving other countries from using rubles—now Russia controlled the currency's circulation and value. This created a minor stir, and people waited in lines at banks to exchange old notes for new or rushed to spend money.[86] The new currency, with different colored bills, was replaced by another (all green) in 1995.[87] In 1998 another currency reform lopped off three zeroes and reduced the exchange rate by one thousand—just in time for the ruble's value to drop five times after the August 1998 crisis. The symbolism is clear: Russia's ruble was of doubtful worth, an object of dejection rather than economic sanctity.

States play a role in the story of value—but only one role in a complex play. Economists and political scientists hold sacred the view that objective economic value is manifested in money terms, and they study Russia's financial institutions as deviations without questioning the norm and why it is normal. Gaddy and Ickes contrast "real" and "virtual" economies by assuming that natural market value is objective and expressed via money. David Woodruff avoids this; yet he frames his analysis in terms of state incapacity to monetize the economy—Russia as deviation. An alternative approach comes from the tradition of Simmel and economic sociology. Viviana Zelizer implores us to talk of "multiple monies," different manifestations and expressions of value.[88] Zelizer's plea implies that we not fixate on the state alone but also look below, at actors' own innovations. In this view, the central problematic is not the existence of multiple forms of value, but rather the dynamics of culture—the different meanings that emerge behind these multiple forms—and the collective practices that reproduce or combat these myriad manifestations. That is, money and its competitors are inherently cultural phenomena. Rather than assume multiple monies reflect state weakness, we should examine how different expressions of value did emerge from the actors' own tactics and conceptions of value (against the backdrop of state policy). Seemingly simple in economic theory, value and money, and the process of their post-socialist transformation, are inherently cultural and embedded in collective practices.

### The Color of Post-Soviet Money: Multiple Monies and Multiple Values

The first arena and dynamic of value is in the collective practices and meanings used to set value for exchange: in particular, money. Here, legacies of the Soviet money system bred games with money itself. In the Soviet economy, money was mostly a bureaucratic accounting device for allocating resources, measuring production, and setting arbitrary value for goods. Debt was erased, profit commandeered. Managers and workers received bonuses, but capital made sense only in the ministries in Moscow. The impact of money was limited even in the one area where the ruble had some meaning: wages. Between controlled prices and deficit goods, money did not have the same purchasing power as in capitalism. Workers and managers could save part of their paychecks in the state-run savings bank and spend the rest in stores, but this logic of money was undercut by the deficit nature of the command economy, where money was not a mechanism for coordinating economic value and setting supply and demand. Staples or low-quality goods were obtainable, but acquisition of deficit goods and services meant a long waiting list, individual bargaining in the shadow economy of barter, or connections (znakomstvo i sviazi, acquaintances and ties). Because of this and an anti-capitalist ideology, money was not a symbol of social status and power; nomenklatura status or networks were more valuable. Thus, money and capital did not have autonomous meaning outside the context of the plan and bureaucratic control of the economy.

**Multiple monies emerge.** The weakening of state control over the economy set actors loose to devise multiple monies. When Gorbachev's reforms facilitated monetization, speculation, and the theft of organizational resources, money became a more viable embodiment of value. One force behind money was currency speculation and acquisition of valiuta (hard currency) facilitated by the liberalization of exporting. In khozraschët (financial accountability), enterprises were responsible in theory for balancing accounts and improving profit; managers began thinking in terms of money independent of the plan. They created new entities—cooperatives, "leased" and small firms (arendnoe and maloe predpriiatie), and other intermediary firms—that worked at new currency and commodities exchanges (birzhi), trading deficit materials for other needed inputs or money and skirting state-set price controls to earn speculative profits.[89] At one birzha, according to an eyewitness, "Speculation went on—the sale of goods at prices exceeding their price-list value, and even with the help of middlemen. True, the speculation was called 'bargaining' and the middlemen 'brokers.'"[90] Entrepreneurial Komsomol members or others near the elite opened cooperative banks and used fictitious business plans to gain finance from state and party organizations, then used to speculate or import goods such as computers.[91] This improved circulation of money in the semiprivate economy. Ironically, this suggests that weak institutional control of ruble resources and speculative activities helped money emerge, and ruble profits were ploughed back into trade at the birzha or shadow economy or converted into valiuta (the only stable money store of value as the command economy collapsed).

After 1992 additional forces drove the emergence of money. Liberalization and the end of the command economy shifted responsibility for selling goods and obtaining something in return, whether goods or money, to enterprises. The state began demanding tax payments in rubles and recording all business in contracts that specified monetary prices and payments exchanged. Further, a monetized economy with rubles as the real medium of exchange and store of value was a mirror opposite of the Soviet system. For those who found the Soviet system abnormal, a money economy was normal. However, with this action (monetization) came an equal and opposite reaction: multiple monies, from fragmentation of the ruble to the emergence of local monies. Tax law was one force encouraging non-ruble expressions of value in exchange. Until 1998, if a firm sold a good below production cost or below the average market price for that type of good, tax inspectors could evaluate profit as the difference between production cost and market price as established by state authorities' own research and from private sources (e.g. published market reports). That is, the tax authorities would literally invent a firm's profit for tax assessment, creating incentives for resistance to formal transactions in money and for the creation and use of multiple monies. Finally, multiple monies reflected parcelization of political and economic sovereignty. This was partly underway under Brezhnev, whose "little deal" social contract facilitated a dual economy—one formal, based on the processes of the plan, and one of informal and patronage relations.[92] Yeltsin's deal with local elites, trading local political authority for support, weakened the center's ability to enforce a unified means of value and payment. These political tactics spawned an explosion of local barter-based exchange, including paying "dividends" on shares in privatized collective firms in flour or firewood, or distributing fodder and other essential goods according to shareholding.[93]

One fragmentation of money was an amplification of existing multiple Soviet monies: nalichnye and beznalichnye money. The Soviet and immediate post-Soviet payment system utilized both physical hard cash (nalichnye) and money existing on bureaucratic documents only (beznalichnye). Soviet-era state credits or payments were in beznalichnye form, essentially a placekeeper for bureaucratic accounting of resource flows. Nalichnye was for wages and consumer purchases. In the Soviet economy, the split between the two was unimportant, as money was not the ultimate arbiter of value. With liberalization, and as managers and entrepreneurs shifted from serving ministries to serving autonomous clients, money became a more valuable means of exchange, but the beznalichnye-nalichnye differential remained. By law and for tax purposes, firms had to pay through the banking system using beznalichnye.[94] Yet waiting for accounts to clear the banking system in the first half of the 1990s was problematic: the process was slow, and payments lost value from inflation. Managers and entrepreneurs desperately needed nalichnye to pay wages, and it was quicker to pay a supplier with several briefcases of hard cash (even rubles).[95] Yet with inflation and growing beznalichnye in circulation, obtaining nalichnye became difficult.[96] Banks often refused to turn over hard cash from a client's account or claimed they did not have paper money on hand. One way around this was as follows: Firm A would transfer a beznalichnye sum to local Firm B, which had ties to the banking world (an important resource to make this scheme work) to obtain nalichnye. Firm B might take a percentage of the sum as commission.[97] The beznalichnye-nalichnye trade was not just a survival tactic versus inflation and taxes; it was a business where some people got rich. This game reinforced the meaning of the ruble as a speculative unit rather than a totem of value.[98] The beznalichnye-nalichnye split also increased the problem of payment arrears—in 1997, 250 trillion beznalichnye and 100 trillion nalichnye rubles were still in circulation.[99]

This was but one manifestation of multiple monies; other non-ruble expressions of exchange and value (even if denominated in rubles) emerged as survival tactics against state and market. One form was wechsels (vekselia, debt vouchers), which might not show up as sales on tax documents. Wechsels allowed debtors to continue receiving necessary inputs despite being short of profit or cash; they also allowed creditors (e.g., banks, utilities) to obtain some portion of the debt that could be translated back into cash. A utility company might acquire wechsels in exchange for an enterprise's debt to them and then sell these wechsels to other firms at a reduced value, gaining some of the debt back. The wechsel buyer would then own debt in the enterprise, in the hopes of either collecting it or using the debt as leverage down the road. For example, St. Petersburg's water utility Vodokanal began using wechsels in the early 1990s in an attempt to collect debts. This tactic ran into the problem of finding people willing to buy them and pursue debt collection.[100] Local electricity utilities were also important users of wechsels. If banks entered the circuit, entire micro-universes of wechsel exchange emerged to keep goods flowing.[101] This meant that local electricity or other utilities and banks created their own currencies—IOUs formally denominated in rubles, but symbolically a different form of value. Even industrial enterprises could use wechsels as an alternative to cash or barter for remuneration of wages. In 1992 Leningrad Metal Factory (LMZ) lacked sufficient hard cash to pay wages in full, and so managers floated the idea of paying part of wages in "certificates" from Energomashbank. (Energomash was an industrial association of which LMZ was a founder and important member.) Wages paid in this way were theoretically in accounts at Energomashbank with 50 percent annual interest. How and when employees could turn these into hard cash was not mentioned.[102]

As if wechsels and barter were not enough, another visible and long-standing expression of multiple monies gained strength: valiuta (foreign hard currency), especially the dollar. Strict Soviet-era valiuta regulation reflected anti-capitalist ideology. Private citizens faced prohibitions against owning or using it; enterprises could have valiuta accounts only with state permission and were required to deposit valiuta with the state. Exchange rates were higher on the black market than in state-controlled channels, giving valiuta symbolic value as "real" money. Liberalized currency exchange and speculation transferred some of money's normality from valiuta to rubles—while the status of the dollar and ruble were unequal, one could exchange one for the other, conferring some value on the ruble—but this did not make rubles the dominant post-Soviet totem of value. Rather, the significance of valiuta as alternative money was clear from its widespread use after 1992, when stores catering to higher-market consumers priced goods and services in dollars and even accepted dollar payments. By 1994 this was illegal—by law all payments had to be in rubles—but some establishments circumvented this by setting up a currency exchange point inside the store and then pricing goods in dollars and accepting payment in rubles exchanged inside the store. This practice diminished by 1995 when inflation dropped, although firms could still keep their profits in dollars. (This was a favorite tactic of the tourist firm Atlas that I observed in the mid-1990s, and acquaintances running other small firms followed the same practice.)[103] Faith in the ruble was shaken again with the 1998 crisis, and valiuta returned in an innovative form. Firms, from industrial enterprises to restaurants, priced goods and services in uslovnye edinitsy (conditional units), a unit with exchange rate value slightly above that of the dollar. A purchaser would place an order (metal or caviar) and receive a bill in uslovnye edinitsy, payable in rubles at that day's uslovnye edinitsy exchange rate. Symbolically, the ruble was once again the immediate means of exchange, but the real expression of value was now an artificial unit—and a unit whose value did not depend even on the strength of real valiuta, as the value of uslovnye edinitsy against the dollar was set artificially for security against dollar depreciation. Even as petrodollars strengthened some sectors of the economy and brought the partial illusion of wealth, one could find firms using *uslovnye edinitsy* in 2003.

*Beznalichnye* rubles, wechsels, and valiuta were monetary competitors to rubles. A dramatic form of multiple monies was non-monetary: setting value through barter in the "virtual economy." As I discussed earlier, the virtual economy is a structured form of exchange providing an alternative to market-based practices of production and sales. But the virtual economy does more: it also provides an alternative logic of value—worth of a good was set not in general supply-and-demand relations but rather in immediate barter negotiations—that embodies resistance to the imposition of monetary value and circumvents the money economy.[104] In the logic of this practice, worth was set not by the market or expressed in money. Rather, it was expressed in the immediate barter relationship and based on goods themselves—the equivalence for two quantities of goods traded in kind—rather than their position in the market. As Gaddy and Ickes suggest, this could result in one firm's goods being overvalued and the destruction of value as a result.[105] This allowed value-destroying firms to survive and ultimately consume capital that supporters of the virtual economy (e.g., Gazprom, the railroads) could invest elsewhere more productively. Its operating principle of value set in barter equivalence also fit more closely with Soviet-era conceptions of value inherent in the good, not in market transactions. The focal point of worth is in the good itself, rather than in the relations of demand over that good.

This said, firms forced to turn to barter for reasons of expediency were not always locked in non-monetary value, especially if managers believed that they eventually could ride out the economic chaos and produce for profit. In such cases, managers could bring barter back into the money economy. For example, let us return to the example of LMZ. Recall that LMZ managers occasionally engaged in barter with the Chinese state, who sometimes requested they be allowed to pay part of the cost for equipment in kind: sweaters, canned meat, and the like. Rather than refuse the request, LMZ managers accepted the barter and gave the goods to employees as partial payment for wages. Managers quickly realized, however, that they had an alternative option: to turn over the bartered goods to their commercial directors, who in turn sold them for money and profit on the Russian market—bringing barter into the money economy.[106]

**The ruble's revenge?** While the state supported multiple monies and expressions of value through acts of omission and commission, state leaders did not entirely abandon the monetization project. Laws in the early 1990s requiring payment in rubles, along with lowered inflation, expanded the practice of using the ruble outside the cheaper Soviet-style consumer stores, giving the ruble added symbolic power. The introduction of a ruble corridor and the strengthening of Central Bank control over the banking system helped lower inflation and reduce banks' ability to speculate; even if it hurt and even mortally wounded some banks, it did somewhat reduce the ruble's function as mere speculative device. In the mid-1990s Anatolii Chubais increased pressure on larger firms, especially in the oil sector, to pay tax arrears in rubles. While attempts to improve tax collection in rubles failed, he continued his implicit monetization campaign when he left the government for management of UES (United Energy Systems, Russia's electricity monopoly).[107] However, the virtual economy expanded as a resistance tactic to skirt these kinds of demands.

Where Yeltsin and his team failed, Putin hoped to succeed. After 2000, oil revenues improved Central Bank reserves of foreign currency, providing a cushion against a repeat of 1998 or a dip in world oil prices. This flooded currency into the system, aiding the return of industry and, in some locales (such as St. Petersburg and Moscow), services and the middle class. It helped hide the scale of the virtual economy, but it also helped reduce barter. According to the World Bank, the use of barter decreased through 2003, although over forty percent of companies remained loss-makers.[108] Thus, the flood of petrodollars aided monetization where the economy was already monetized, and it aided the virtual economy by covering up its effects—in essence, subsidizing the barter-driven non-monetary areas of post-socialism. Russia's economy remained bifurcated into monetary and non-monetary spheres. With the economy flush with petrodollars, the time could have been ripe to try the tax weapon once more: claiming a firm owed back taxes and demanding immediate payment in rubles. However, rather than use the tax weapon to monetize the economy and scale back the virtual economy, this tool was used under Putin against political opponents. The most visible case was the attack, spearheaded by the siloviki (security services) and certainly approved by Putin, against the oil giant Yukos in 2003-2004 and its head, Mikhail Khodorkovskii. (His sin was letting slip the idea that he might leave business for politics. He was known to support various political parties and favor liberal politics.) Further rumblings of tax evasion were made against the oligarch Roman Abramovich's oil firm Sibneft and the oil venture TNK-BP, but these were sorted via quiet negotiations. In essence, one means to monetize was utilized for political purposes; later major tax campaigns smacked of political persecution.

Another possible approach, adopted in order to reduce welfare expenditure, would have had the effect of monetizing the economy. This was Putin's attempt in 2004 and 2005 to replace welfare benefits—cheap electricity and heating or transportation—with flat-out ruble payments of $20 to $120 per month, that is, replacing benefits in kind (a form of collective subsidy to the Russian population) with benefits in money.[109] In the earlier form of welfare provision, prices for domestic energy and water were more symbolic than real. Replacing this subsidy in kind with a general payment which the recipient could use any way he or she desired would have monetized welfare and led to broader conceptualizations of value and, by giving welfare money fungibility, transform it from a special money to a general money. This did not sit well with the popular moral economy, however. Pensioners quickly took to the streets in protest, Putin's ratings fell, discussions of welfare reform began to lag once again, and suggestions surfaced that the dominant political party, Edinaia Rossiia, would be sacrificed as the scapegoat on the altar of reform.[110] In short, non-monetary expressions of value and multiple monies persisted, supported not only by state incapacity from above but also by popular values and resistance tactics from below.

**Enterprise Dynamics: Deciding and Embodying Value**

Change, continuity, and resistance in conceptions of value occurred not only in exchange relations between firms; they were ongoing within enterprises, in the game of enterprise politics between managers and employees that we saw briefly in the last section. Formulating the worth of a good or service and its expression was not only a function of relations between producers and seller (whether market or barter, monetary or non-monetary); it was also a function of managers and employees defending or advancing status and interests, and of managers and employees deciding on what value to assign a good when making decisions about current and future production. As we saw earlier, the initial reaction to liberalization ("business as usual") prescribed production for its own sake. Even when general directors were forced to think about income and profit, they did not consistently view products and profit as set by the market.[111] Within firms, the logic of production and sales intersected with the logic of value: a good's intrinsic qualities, rather than the market, determined both sales/production strategies and perceptions of the worth of goods and the firm. Thus, the dynamic of change in logics of value that occurred inside firms demonstrated both imperfect learning (related to logics of production and sales) and resistance (related to the defense of firms facing financial crises).

In Soviet routines, numeric calculations and accounting methods were oriented toward physical output. Without profit as a bottom line, other modes for evaluation were operative: gross physical output and whether goods had Western analogs. Production was valued for its own sake, which during the Cold War allowed Soviet leaders to side-step the issue of whether Soviet goods really had any use value. Further, planning ministries rather than firms set nominal prices that had little meaning. Gorbachev gave firms some autonomy of exchange, but pricing mostly remained under state control. The exception was exchange by *kooperativy* (cooperation) or financially independent shop-floors trading deficit goods at the *birzha* (commodities exchange), using the difference between low state prices and higher *birzha* prices for profit.[112] With liberalization, prices were freed on most goods (except for some, e.g., gas or electricity), but early pricing strategies did not follow a perfect market logic. Long-standing partnerships had a dimension of reciprocity that made it an affront to raise prices—this would violate a sense of stability and socialist fairness and could smear the offender's image as a speculator. The business ethic constrained prices except during hyperinflation until late 1992, when financial distress forced managers to raise prices even for traditional partners.[113]

On the surface, many managers claimed that market forces and expressions of value were commonsensical. Some began to feel that prices should be dictated by the market; as one manager said, "We have to be ready to sell a lathe at that price which the purchaser proposes, and curtail expenses of its production."[114] By 1993 and 1994 managers elsewhere were saying that pricing had to be based on "the market."[115] Yet, because of organizational dynamics, believing market mechanisms and values were correct did not translate into implementing market logics. Inside post-Soviet firms, it was still unclear what exactly the market was and how its practices operated, and the force of Soviet legacies and imperfect learning crept in. Sometimes enterprise provision of goods and services (part of the Soviet enterprise's welfare function) shaped valuation and pricing: some state-owned firms had to fulfill state orders and charge production cost only (sebestoimost'), but they sold consumer goods to their employees at prices below production cost—a dual pricing policy in the same of labor justice (or remuneration).[116] In other cases, managers talked of market logics of value but did not actively follow market practices. The head engineer of a Petersburg lathe-making firm mentioned that the Soviet system did not seem particularly rational to him. It made little sense to evaluate output in kilograms produced; value needed a use measure.[117] Yet autonomy to set prices did not automatically bring market procedures of value-setting and manifestations of worth; the assistant economics director at this same firm told me that they set prices according to standardized indices in a special trade publication (although marginal changes could be negotiated).[118]

Further, enterprise restructuring devolved decision-making autonomy to shop-floors and subdivisions run by engineers and skilled workers who saw production in terms of, the quality or uniqueness of goods—an underlying logic that justified unleashing shop-floors to produce what they could (as we saw in the last section). Enterprise and shop-floor managers at the electronics firm Svetlana implemented and defended production of various goods not because of market demand—this was not known at the time—but because the goods had no Western equivalent and would naturally have demand.[119] At Elektrosila, one shop-floor chief defended his unit against charges of loss-making by citing quality of output.[120] It did not help that with restructuring, sho-floors were responsible for their own actions (e.g., purchasing, price-setting, and sales), and they did not always communicate effectively with each other. As a result, incomplete information on production expenses (materials, energy, wages) hampered price-setting. One assistant manager at the Sverdlov enterprise noted that without a "full system" for knowing expenses, pricing had a random quality.[121] A manager at Kirov, discussing how chaotic relations between subdivisions raised the price of the final product, claimed that profitability should be based on the finished product rather than the sum of individual production processes. Prices for parts and labor from each subdivision should be seen as an overall whole.[122]

As for sales strategies and their justifications, setting value also became part of the politics of justification and legitimacy. Here managers who might have said that market logics and practice were normal and legitimate (in contrast to the defunct command economy), now claimed normality for themselves and their firms—the right to continue to exist—by drawing on the logic of value inherent in goods, not prices and profit. This was another means of resistance and an attempt to deflect blame for financial crises from themselves and their firms. By claiming that their firms' goods were high quality and that value was inherent in the goods themselves, managers were denying the market logic that financial crises equaled market incompetence. In newspaper interviews and in my own interviews with managers, this logic continuously recurred.[123] As we saw earlier, claims of uniqueness were part of incomplete learning of new strategies of production (produce what consumers want, not what one knows how to make). These same claims—unique clocks, lathes, generating equipment, electronics goods, without analog in the West—were also justifications of alternative value. Even in 1999 this claim persisted: the federal government put a troubled Petersburg firm, Krasnaia zaria, on a list firms receiving state support to help Russian telecommunications know-how survive.[124] Essentially, managers and employees were doing what they were supposed to do—producing. If potential buyers could not pay because of the state's abnormally tight money policy and the stinginess of banks, the problem was not inherent in goods and thus not in the firm (or its managers), but elsewhere.[125]

Even at smaller private firms established after the collapse of the command economy, such alternative logics of value existed. This is significant, because one would expect private firms created after the collapse of the USSR to have weaker legacies of Soviet economic logics. A survey of businesses conducted in winter 1993-1994 suggested that managers followed three price-setting strategies: one recouping expenses and providing "normal" profit, one undercutting competitors, and one orienting prices to those of analogous goods.[126] Mimicry, not the market, set prices and value. Some managers followed the relatively more liberalized cost-plus-profit formula, with prices set before considering consumer demand and whether alternative pricing strategies would improve sales or profit. Even the production-centered logic of value found its way into small private firms. Aleksei and Sasha, who ran the private tour firm Atlas, also ran a small wood-cutting firm outside St. Petersburg owned by an entrepreneur who had borrowed money from them. This entrepreneur could not pay off his debt, so Aleksei and Sasha took over the firm in spring 1994. Aleksei wanted to milk the firm for all its worth; Sasha thought it had a future and wanted a shot at running it—which he did until mid-1995, when problems with a Finnish client and workers (less than ideal) and its location (a one-hour drive outside Petersburg) made it less attractive. The firm was housed in a military-industrial company that once made airplane parts but in 1994 was barely operative; one could find airplane wings and other assorted output of the main factory lying around randomly. Because the military firm was in dire financial straits, the timber firm was able to rent the space at a low price, with the stipulation that favors would be done now and then (reciprocated if necessary). Most of the firm was outdoors (with the exception of the machinery, located under a roof), and in constant mud, with little to protect the timber from the elements.

One day, as Sasha was showing me the grounds and discussing the preparation of a shipment to the Finns, a curious exchange took place. A few days earlier, one master (skilled workman) cut the boards to perfect quality; obviously feeling good about his work, he showed Sasha what he had done, how he had cut the boards even better than the Finns had wanted. Sasha argued that the master was being a fool: why cut the boards better when (1) this wasted wood and thus forced them to use more raw lumber (leading to less profit per amount of raw lumber), and (2) this was not necessary, since the Finnish representative had already inspected and approved boards cut the normal way. The master's logic—pride in his job and work—conflicted with Sasha's economic logic—do as good a job as necessary and make more money per amount of raw lumber.

What was odd was that Sasha did not notice how similar valuation and pricing logic was used at Atlas, his home firm, which catered to American students on exchange programs in Russia. Employees established prices according to a vague and crude formula, with profit set almost randomly and lacking any real strategic considerations about competition, thus encouraging repeat purchases of services, and the like. One employee, Ivan—who clung to Soviet values (not only economic) even into the new millennium—understood pricing as routine and banal. True value could not be expressed in monetary terms but rather in terms of real action and results—which, in Ivan's perception, came only from networks. A good provider of dormitory and hotel accommodations was someone with whom Ivan had operative personal relations, not someone who provided quality at a reasonable price. Ivan's was perhaps the most radical and uncompromising expression of value, but he was not alone. When Denise, an American, was invited to become co-director of Atlas with the mission of "modernizing" the firm, she ran into what she considered bizarre conceptions of pricing and value among all the Atlas staff.[127] She envisioned pricing as beginning with systematizing costs for taking care of a client and then basing the final price on additional considerations, such as whether price could be used to encourage repeat patronage. She ran into Atlas's conception immediately: the price for service was based on what (as they thought) the client could pay. They hoped that the price would cover the costs involved, although these were not systematically taken into consideration when pricing, and provide a profit. Denise was forced to sit down with Atlas employees and quiz them on pricing strategies, questioning them on why they did what they did each step of the way. Her goal was to introduce an alternative means of pricing and valuation that she considered more market-oriented and more rational. Eventually she won out—not so much because of superior rationality, but because she had the authority of Aleksei and Sasha behind her, and because her tactics brought in business clients who paid better than previous student clients, that is, she created a more successful business.

The upshot: not only multiple monies but multiple conceptualizations and justifications for value persisted in collective meanings and practices of large and small post-Soviet Russian firms, further reinforced by such informal practices as the virtual economy (whose own barter system fit well with the logic of value set by output). Use of barter and networks and claims about the inherent quality of output were alternative forms of value, just as aquisitionmanship and salesmanship were two logics of sales and general enterprise activity. "The market" meant freedom to buy and sell; to managers and employees defending their jobs and well-being, value could not be set by those who did not know production, namely, autonomous consumers. Soviet-era categories and logics of value were a blueprint and justification of non-market value and resistance to the market intruder; networks, wechsels, and multiple monies were expressions of a moral economy that used what was handy, Soviet-era value logics.

## Economic Change, Culture, and "Learning the Market"

I have tried to show how culture plays a role in economic change by examining actors' claims and practices, and the general logic underlying them, in the context of change. What should be clear is that Russia's post-Soviet experience was an imperfect learning process, in part because Soviet legacies contradicted the new "target" practices of market reform or provided the means to resist these impositions. There was change, but it was not a perfect function of new policies and rules. New categories and strategies came from a variety of sources, such as laws, the media and Western consultants, but actors both inadvertently and consciously transposed them onto Soviet-era principles of production, sales, and values. The end result was a troubled process of interpreting environmental signals and reacting to them—against the backdrop of privatization, organizational restructuring, and political instability—that bred practices of sales and valuation neither entirely Soviet nor Western.[128] It is not original to claim that Russia will have its own economic structures and practices, but the usual arguments of "path dependency" focus on institutions without examining what they are or how they operate.[129] Further, theories that assume rather than pinpoint mechanisms of change (as neoclassical economic theory does) cannot explain, let alone understand, both variation and the tribulations of economic change. Learning is not simply reacting to environmental costs and finding a niche; when the environment undergoes fundamental change, as happened in Russia, adaptation entails learning new logics and practices. It is no stretch to say that Russians have been learning, and building, a new civilization.[130]

This essay also suggests that cultural change is not straightforward. In post-Soviet Russia, this was partly because of the distance managers and employees needed to travel from Soviet to post-Soviet/market logics—a tectonic shift in fundamental principles of normal economic behavior. New "tool kits" of strategies and practices do not emerge full-blown with new policies and laws. Adopting new rhetoric does not mean that new practice will follow. Much knowledge is tacit, taken for granted, and embodied in ritual. If tacit knowledge and practice do not accompany rhetoric, decoupling ensues—as occurred for marketing. Russia's managers could have benefited from internships in market economies, where tacit knowledge could be transmitted through experience. (This does not rule out the need for coherent, market-friendly state policies as well.) Further, fundamental change creates resistance because it threatens interests and people's perceptions of normality, as we saw with the case of money and the logics of value. New normal economic models threaten those who feel unable to change or accept new rules. Change in economic culture requires power by the state and by gatekeepers to enforce new culture en masse. It may be that a successful, rapid post-Soviet transition required Stalinist methods of enforcement and punishment, to weed out non-market actors and compel compliance with new norms. Alternatively, a wiser strategy would have been to design reforms that had a better fit with existing logics—creating a Russian market from the very beginning. Of course, this assumes reformers in 1992 had the capacity to enforce reforms and new practices or the luxury of patiently designing and implementing a slower reform program. In that year, reformers believed they had a short time in office, and they were desperate both to save the economy from free-fall and guarantee that the communists would not have the same power at their fingertips should they return. In the context of such desperate expediencies, and given the complexities of change in culture and practices that we saw here, it is no wonder that Russia's post-Soviet experience has been so traumatic.

The usual discourse over the tribulations of post-socialist reform and economic change stresses state capacity and laws, especially tax laws and privatization policies, which created opportunities either for growth or corruption. Some scholars blame the attempt at shock therapy, while others retort that shock therapy was not tried. I suggest this point is moot. Change of this magnitude—fundamental change in practices and logics, in culture—was going to be difficult regardless. Laws and policies are not unimportant; I do not deny the influence of tax law on practices of production, exchange, and price-setting. However, laws and policies are only part of the story. Cultural constructs can act as tools for legitimate resistance or as obstacles interfering with learning and adapting to new laws. Further, state capacity as well is crucial: state incapacity turns laws into a tangled mess and creates opportunities for corruption and rent-seeking. However, the issue of state capacity itself has cultural roots. Whether a state has esprit de corps and organizational coherence depends partly on organizational structure, including mechanisms to monitor and punish transgressions.[131] It also depends on the perceptions, identities, and socially constructed interests of state officials. Hiding behind the cultural project of building a post-Soviet market has been the project of building a post-Soviet state—complete with its own dynamics of creating new meaning while coping with incomplete learning and resistance.

A popular claim has been that Russian reform was stymied by speculation, theft, and bad policy, and perhaps as well by international pressure for reforms grounded in problematic assumptions of economic action.[132] But this view assumes objective definitions of "speculation" or "bad." What an economist might call irrationality, a manager might call survival, a moral imperative, or a moral economy. A Western consultant might think it odd that a good has inherent value outside its market value; a Soviet-trained manager might find that consultant's views equally strange. Hence the persistence of outsiders' misunderstandings or exasperation about Russia. Russia's post-Soviet experience would be better understood were we to step outside the confines of "transition culture" and neoliberal globalism.[133] That will take more than change in Russia—it will take change in broader, global organizations and actors who influence discourse and resources. Russia's story mirrors our own mistakes and illusions. Her tale, warts and all, is part of ours.

# NOTES

[1] For examples of the neoclassical model, see David Lipton, Jeffrey Sachs, Stanley Fisher, and Janos Kornai, “Creating a Market Economy in Eastern Europe: The Case of Poland,” Brookings Papers on Economic Activity 1990, no. 1 (1990): 75-133; David Lipton, Jeffrey Sachs, and Lawrence H. Summers, “Privatization in Eastern Europe: The Case of Poland,” Brookings Papers on Economic Activity 1990, no. 2 (1990): 293-341; and Christopher Clague and G. Gordon Rausser, eds., The Emergence of Market Economies in Eastern Europe (Cambridge: Blackwell, 1992). For new institutional economics, see Peter Murrell, “Evolution in Economics and in the Economic Reform of the Centrally Planned Economies,” ibid.

[2] To talk of marketing or exchange strategies in terms of costs and available money alone is a post facto argument. Often what changed was not real costs but perceptions of costs and available strategies. See William Reddy, The Rise of Market Culture (New York: Cambridge University Press, 1984).

[3] In the language of Douglass North, formal rules shifted while skills and knowledge did not. North, Institutions, Institutional Change, and Economic Performance (New York: Cambridge University Press, 1990), and “Institutions,” Journal of Economic Perspectives 5 (1991): 97-112.

[4] See Richard Swedberg, “Economic Sociology: Past and Present,” Current Sociology 35, no. 1 (1986): 1-221; Viviana Zelizer, “Beyond the Polemics of the Market: Establishing a Theoretical and Empirical Agenda,” Sociological Forum 3, no. 4 (1988): 614-34; Paul DiMaggio, “Cultural Aspects of Economic Action and Organization,” in Roger Friedland and A. F. Robertson, eds., Beyond the Marketplace: Rethinking Economy and Society (New York: Aldine de Gruyter, 1990), 113-36.

[5] If “culture” referred to superficial values alone, economists might have reason to ignore it. When economists do engage culture, they use oversimplified and sometimes out-of-date approaches (straw men) rather than taking culture seriously and examining the more sophisticated ways in which it is conceptualized and measured (which can be done by a casual perusal of American Journal of Sociology). For an over-simplistic approach to culture, see Robert Shiller, Maxim Boycko, and Vladimir Korobov, “Hunting for Homo Sovieticus: Situational Versus Attitudinal Factors in Economic Behavior,” Brookings Papers on Economic Activity 1992, no. 1 (1992): 127-81. See also Ivan Katchanovski, “Divergence in Growth in Post-Communist Countries,” Journal of Public Policy 20, no. 1 (2000): 55-81.

[6] A rational actor assumption renders behavior explainable via tautology. If people are rational actors and do X, it must be because costs and preferences favor X—but X is assumed and not explored.

[7] One could explain the problems of “marketing” explored here as due to lack of money, which might be accurate if the problem was the total absence of marketing divisions across firms. But marketing divisions did emerge by managerial fiat. The “problem” was elsewhere.

[8] See discussions in Richard Swedberg, Economics and Sociology, Redefining Their Boundaries: Conversations with Economists and Sociologists (Princeton: Princeton University Press, 1990),

especially interviews with Gary Becker, Mancur Olson, and Kenneth Arrow.

[9] Neil Fligstein, The Transformation of Corporate Control (Cambridge, Mass.: Harvard University Press, 1990), and The Architecture of Markets (Princeton: Princeton University Press, 2001); William Roy, Socializing Capital (Princeton: Princeton University Press, 1997). Even some economists indirectly include a cultural dimension: see Richard Nelson and Sidney Winter, An Evolutionary Theory of Economic Change (Cambridge, Mass.: Harvard University Press, 1982).

[10] Robert Wuthnow, Meaning and Moral Order (Berkeley and Los Angeles: University of California Press, 1987), 4. See also Peter Berger and Thomas Luckmann, The Social Construction of Reality (Garden City: Anchor Books, 1967); and Pierre Bourdieu, The Logic of Practice, trans. Richard Nice (Stanford: Stanford University Press, 1990).

[11] Ann Swidler, "Culture in Action: Symbols and Strategies," American Sociological Review 5, no. 2 (April 1986): 273-86. The "tool kit" metaphor implies that availability of strategies constrains us, but because culture has many components, humans have agency. See also Anthony Giddens, The Constitution of Society (Berkeley and Lost Angeles: University of California Press, 1984).

[12] See Michael Burawoy and Katherine Verdery, eds., Uncertain Transitions: Ethnographies of Change in the Postsocialist World (New York: Rowan and Littlefield, 1999); Natalia Dinello, "Agents and Structures: The Capital of Russian Bankers," in Banks and Bankers in Russia: Economic and Social Capital, edited by Natalia Dinello (Pittsburgh: Center for Russian and East European Studies, University of Pittsburgh, 1997), 35-70; Jeffrey K. Hass, "The Great Transition: The Dynamics of Market Transitions and the Case of Russia, 1991-1995," Theory and Society 28 (1999): 383-424.

[13] Peter Murrell: "Can Neoclassical Economics Underpin the Reform of Centrally Planned Economies?", Journal of Economic Perspectives 5 (1991): 59-76; Peter Murrell and Yijang Wang, "When Privatization Should Be Delayed: The Effect of Communist Legacies on Organizational and Institutional Reforms," Journal of Comparative Economics 17 (1993): 385-406.

[14] John Meyer and Brian Rowan, "Institutionalized Organizations: Formal Structure as Myth and Ceremony," American Journal of Sociology, 83 (1977): 340-63.

[15] Michael Kennedy, Cultural Formations of Post-Communism: Emancipation, Transition, Nation, and War (Minneapolis: University of Minnesota Press, 2002). In a sophisticated approach, Kennedy sees transitions as a "community of discourse" framed in terms of socialism-capitalism opposition, granting legitimacy to broader global capitalism and its carriers, Western managers and consultants. However, he focuses primarily on discourse—the Western message to post-socialist managers and politicians—and less on practices and logics.

[16] See John Markoff, The End of Feudalism (University Park: Pennsylvania State University Press, 1997), and Charles Tilly, Political Contention in Great Britain (Cambridge, Mass.: Harvard University Press, 1995).

[17] Daniel Goldhagen, Hitler's Willing Executioners (New York: Random House, 1996): 27-34.

[18] This is akin to "perturbation theory" in chemistry: the way to know an electron's energy level is to bombard it with a known quantum of energy and watch changes in the particle's wavelength. To understand the electron, you disturb it. In a parallel manner, one way to understand culture is to disturb the institutional environment; assumed and taken-for-granted behavior, shaped by culture, will reemerge even if it initially appears to deviate from the new norms.

[19] Important sources are enterprise newspapers: Kirovets (Kirov factory), Elektrosila (Elektrosila), Turbostroitel' (Leningrad Metal Factory), Leningradskii stankostroitel' (Sverdlov machine-tool enterprise), Svetlana (Svetlana electronics), Maiak (Pozitron electronics), Baltiets (Baltiiskii shipbuilding enterprise). I also use material from participant observation at the private tour firm Atlas, which I observed in 1993, 1994-1996, and briefly in 1997, 1999, and 2001.

[20] Stephen Kotkin, Magnetic Mountain: Stalinism as Civilization (Berkeley and Los Angeles: University of California Press, 1995).

[21] Katherine Verdery, "What Was Socialism, and Why Did It Fall?" in Daniel Orlovsky, ed., Beyond Soviet Studies (Washington, D.C.: Woodrow Wilson Center Press, 1995): 28-35.

[22] The Bolsheviks tried to get rid of money altogether in War Communism, but this failed because state control of the economy was as yet too feeble.

[23] Joseph Berliner, Factory and Manager in the USSR (Cambridge, Mass.: Harvard University Press, 1957); David Granick, The Red Executive (Garden City: Doubleday, 1960). The extent to which "storming" filtered down through society can be seen in an example from Atlas, a private tour firm I studied in the 1990s. Aleksei, the founder, explained that one Russian trait of his employees was storming—doing relatively little until the last few days of a project, and then working with incredible speed to finish the job (e.g., preparing for an incoming tourist group).

[24] This applied as well to small-scale entrepreneurs, who had no real model of private business. Their tool kits emerged from contexts of everyday Soviet life—the ubiquitous state bureaucracy, work, perhaps the Communist Party or Komsomol, the use of blat or networks for access to jobs or deficit goods, constant need to fulfill a bankrupt ideology.

[25] John P. Hardt and Theodore Frankel, "The Industrial Managers," in Gordon Skilling and Franklyn Griffiths, eds., Interest Groups in Soviet Politics (Princeton: Princeton University Press, 1971), especially 195-201.

[26] Mark Beissinger, Socialist Discipline and Soviet Management (Cambridge, Mass.: Harvard University Press, 1988); Abraham Katz, The Politics of Economic Reform in the Soviet Union (New York: Praeger, 1972).

[27] One caution is in order. Engineering training by itself does not equal either market ignorance or market competence. Some Western managers have engineering backgrounds, but they learn market logics and strategies through pressures from capitalist institutions, experience (especially with a financial "bottom line"), and discourse (e.g., the business press).

[28] Bob Arnot, Controlling Soviet Labor: Experimental Change from Brezhnev to Gorbachev (Armonk, N.Y.: M. E. Sharpe, 1988), especially his discussion of the Shchëkino experiment.

[29] James C. Scott notes that regardless of control of symbols and discourse, we are always free to imagine one alternative form of social organization: the opposite or mirror image of what we see around us. Domination and the Arts of Resistance (New Haven: Yale University Press, 1990).

[30] Kommersant, April 4, 1995, 12.

[31] See Elektrosila, January 9, 1992, 1-2.

[32] Interview, assistant director for sales, St. Petersburg lathe-making firm, March 1995; interview, assistant director for purchases and production, St. Petersburg lathe-making firm, March 1995.

[33] Kirovets, January 16, 1992, 1.

[34] Ibid., March 31, 1992, 3.

[35] See E. Belianova, “Motivatsiia i povedenie rossiiskikh predpriiatii,” Voprosy ekonomiki, no. 6 (1995): 15-21; T. Dolgopiatova and I. Evseeva, “Ekonomicheskoe povedenie promyshlennykh predpriiatii v perekhodnoi ekonomike,” ibid., no. 8 (1994): 40-50; Barry Ickes and Randi Ryterman, “The Interenterprise Arrears Crisis in Russia,” Post-Soviet Affairs 8, no. 4 (1992): 331-61.

[36] I. Boeva, T. Dolgopiatova, and V. Shironin, Gosudarstvennye predpriiatiia v 1991-1992 gg: ekonomicheskie problemy i povedenie (Moscow: Institut ekonomicheskoi politiki, 1992).

[37] Some managers did decrease purchases. Unfortunately, definitive evidence on exactly what kinds of managers did or did not decrease purchases is not available.

[38] Leningradskii stankostroitel’, April 20, 1992, 1; June 10, 1992, 1; July 13, 1992, 1. In spite of growing debt and income shortfall (due to non-paying buyers), management considered production profitable—although profitability for the first half of 1992 was 10 percent instead of the planned 50 percent. Due to rising energy costs, expenses outweighed income even if all clients had paid. Hence, accounting for “profit” seems based on costs and (forthcoming) receipts for production only.

[39] Svetlana, April 20, 1993, 1.

[40] Elektrosila, March 19, 1992, 3, June 30, 1993, 3; ‘Leningradskii stankostroitel’, April 1, 1992, 2-3, July 13, 1992, 2, and October 7, 1993, 1.

[41] Svetlana, June 19, 1991, 5; January 22, 1992, 2; June 3, 1992, 2.

[42] A “daughter firm” was a nominally independent entity subordinated to the founder—subordinated through financial dependence, share ownership, or production dependency. Daughter firms of industrial enterprises might be brand-new firms, although often they were shopfloors or other subdivisions that were spun off as independent entities controlled by the founding “mother”—hence “daughters.”

[43] Ibid., January 13, 1993, 1; February 3, 1993, 4; November 3, 1993, 2. Some shop-floor chiefs

agreed that competition was forcing them to change work: Ibid., October 6, 1993, 1-2.

[44] Ibid., April 21, 1994, 1.

[45] Oktiabr’skaia magistral’, April 6, 1995, 2.

[46] This is the case of Pozitron and its daughter factory Viton. See accounts in the enterprise newspaper Maiak, April 11, 1991, 1, 3; February 27, 1992, 1, 3; December 17, 1992, 1; and Kommersant Daily, January 25, 1996, 9.

[47] At one lathe-making firm that I studied, networks were strongest with traditional suppliers and purchasers, as well as with similar managers in nearby firms.

[48] Yevgeny Kuznetsov, “Learning to Learn: Emerging Patterns of Enterprise Behavior in the Russian Defense Sector, 1992-1995,” in Bartlomiej Kaminski, ed., Economic Transition in Russia and the New States of Eurasia (Armonk, N.Y.: M. E. Sharpe, 1996): 315-43; E. Belianova, “Motivatsiia i povedenie rossiiskikh predpriiatii,” Voprosy ekonomiki, no. 6 (1995): 20-21.

[49] I. Alimova, V. Buev, V. Golikova, and T. Dolgopiatova, “Problemy malogo biznesa glazami predprinimatelei,” Voprosy ekonomiki, no. 11 (1994): 119-120.

[50] Kirovets, March 20, 1992, 1.

[51] Svetlana, June 24, 1992, 2.

[52] In January 1992 the post-Soviet market era was greeted at the Kirov tractor works with the headlines, “The Plan Lived. The Plan Lives. The Plan Will Live!” Kirovets, January 6, 1992, 1.

[53] Svetlana, January 13, 1993, 1; April 20, 1993, 1

[54] S. Tsukhlo, “Formirovanie obemov i struktury vypuska rossiiskikh promyshlennykh predpriiatii,” Voprosy ekonomiki no. 6 (1995): 36.

[55] Dolgopiatova and Evseeva, “Ekonomicheskoe povedenie promyshlennykh predpriiatii”, p. 42.

[56] Smena, October 12, 1995, 1; Delovoi Peterburg, September 28, 1994, 5.

[57] Max Weber, Economy and Society, trans. Guenther Roth and Claus Wittich (Berkeley and Los Angeles: University of California Press, 1978); Alfred Chandler, The Visible Hand (Cambridge, Mass.: Harvard University Press, 1977).

[58] This is to an extent an ideal type, but it is a useful way to look at economic practice under market capitalism; firm do not simply sit and wait for the market to come to them, they go to the market (and often shape it to their own needs).

[59] McKinsey entered the Russian market around this time. Also, the International Executive Services Corps began to operate, bringing retired Western (usually American) managers to Russia

to help advise Russian firms on restructuring and market strategies.

[60] Elektrosila, December 8, 1992, 2.

[61] Elektrosila, March 17, 1993, 2.

[62] Leningradskii stankostroitel', April 1, 1992, 2; Leningradskii stankostroitel', July 13, 1993, 1; Leningradskii stankostroitel', May 17, 1994, 1.

[63] For the basic outlines of marketing as economic logic and practice, see Michael Porter; Competitive Strategy (New York: Free Press, 1980), and Competitive Advantage (New York: Free Press, 1985).

[64] Interview, specialist in a major St. Petersburg private bank, December 1995.

[65] At some firms where I conducted interviews, there was no formal "marketing" division; rudimentary marketing (mostly working through networks or trade shows) was carried out by sales managers. At other firms, part of the economics department or international trade department became "marketing."

[66] Niklas Pettersson and Stefan Nordström, Western Perspectives on the Russian Shipbuilding Company Almaz (Linköping: Linköping Institute of Technology, 1994), 67, 104.

[67] Elektrosila, June 14, 1995, 2.

[68] I. Gurkov and E. Avraamova, "Strategii vyzhivaniia promyshlennykh predpriiatii v novykh usloviiakh," Voprosy ekonomiki no. 6 (1995): 25.

[69] I draw material for the following discussion from analyses in the business press, especially: "Strategiia golykh raschëtov," Ekspert, no. 31, January 31, 2000, and "Retseptura vyzovov," Ekspert no. 35, September 22, 2003 (http://www.expert.ru). The findings and discussions there parallel material from my own interviews with managers in St. Petersburg, July 1997.

[70] E.g., see Kuznetsov, "Learning to Learn."

[71] This is in contrast to the analytic division of a smaller voluntary association of Petersburg bread-makers, who in 1995 assisted their member firms with sales strategies.

[72] "Strategiia golykh raschëtov."

[73] "Retseptura vyzovov"; Sergei Ageev, "V kruge pervom," Ekspert #36, September 29, 2003; Andrei Maksimov, "Pishcha dlia stratega," ibid.

[74] David Woodruff, Money Unmade: Barter and the Fate of Russian Capitalism (Ithaca: Cornell University Press, 1999), 120, 148.

[75] Clifford Gaddy and Barry W. Ickes, Russia's Virtual Economy (Washington, D.C.: Brookings, 2002), chapter 5.

[76] Caroline Humphrey, The Unmaking of Soviet Life: Everyday Economies After Socialism (Ithaca: Cornell University Press, 2002), chapter 1.

[77] The tolkach was an enterprise employee gifted with a rich structure of personal contacts and with the ability to manipulate them. His job was to use these networks to help the enterprise obtain deficit goods or solve other problems of production. Berliner, Factory and Manager in the USSR, chapter 12.

[78] Turbostroitel', April 26, 1993, 2.

[79] For example, Turbostroitel', July 10, 1992, 5; June 22, 1995, 1. In fact, LMZ managers viewed survival in terms of expansion, for example taking control of an important supplier. Ibid., March 30, 1995, 1; Nevskoe vremia, April 5, 1995, 1; and Nevskoe vremia, April 14, 1995, 1. Trade in barter continued through the 1990s, as related in an interview with a sales coordinator working at Energomash Corporation (to which LMZ belonged at the time).

[80] Michel Foucault, Discipline and Punish: The Birth of the Prison, trans. Alan Sheridan (New York: Pantheon Books, 1977).

[81] In its narrow meaning, "resistance" means direct, conscious, overt opposition to demands from other actors. Here I use a wider meaning: employing strategies and behavior different from that decreed by those with "legitimate' power (e.g., the state), whether out of spite or other reasons (e.g., survival).

[82] One can argue that Michael Burawoy has been making the same point, that Russia's "merchant capitalism" is really the logic of the shadow economy, where rather than creating value through production, individuals make money by obtaining goods on the cheap (often through informal means) and selling these needed goods at higher prices—speculating rather than producing. See Michael Burawoy and Pavel Krotov, "The Soviet Transition from Socialism to Capitalism: Worker Control and Economic Bargaining in the Wood Industry," American Sociological Review 57 (1992): 16-38; Burawoy, "From Sovietology to Comparative Political Economy," in Daniel Orlovsky, ed., Beyond Soviet Studies (Washington, D.C.: Woodrow Wilson Center Press, 1995): 72-102.

[83] Karl Polanyi, The Great Transformation (Boston: Beacon, 1944).

[84] On taxes, see William Tompson, "The Price of Everything and the Value of Nothing? Unravelling the Workings of Russia's 'Virtual Economy,'" Economy and Society 28, no. 2 (1999): 256-80; on the state, Woodruff, Money Unmade, chapters 2 and 3; on survival tactics and persistence of practices, see Gaddy and Ickes, Russia's Virtual Economy.

[85] David Hoffman, The Oligarchs: Wealth and Power in the New Russia (New York: Public Affairs, 2002).

[86] In 1993, word came at the weekend, when people were at their dachas; naturally the rumor spread that the old money would be worthless. I was at a pansionat (enterprise-owned summer dacha) outside Tula. Acquaintances did not panic; unsurprised at yet another crazy policy, they joked about the dilemma. People did have time to exchange old for new after the weekend,

although lines at banks that Monday and for days after in St. Petersburg were not insignificant. Staff at the Petersburg tour firm Atlas were not amused. They had to take out time to exchange old money for new. Fortunately, a group of student clients had just left, and Atlas staff were spared the nightmare of calming them.

[87] On one occasion in 1995 I paid 10 rubles but the cashier thought I had paid 100 and proceeded to give me too much change. Not being a rational actor, I corrected her.

[88] Viviana Zelizer, "Making Multiple Monies," in Richard Swedberg, ed., Explorations in Economic Sociology (Princeton: Princeton University Press, 1993): 193-212, and The Social Meaning of Money: Pin Money, Paychecks, Poor Relief, and Other Currencies (Princeton: Princeton University Press, 1997). Money used in different ways has different meanings—money in a checking account versus a Christmas club account (suboptimal interest rates versus restricted access to money).

[89] Boris Sokolin, Krizisnaia ekonomika Rossii: rubezh tysiacheletii (St. Petersburg: Liki Rossii, 1997); Darrell Slider, "Embattled Entrepreneurs: Soviet Cooperatives in an Unreformed Economy," Soviet Studies 43, no. 5 (1991): 797-821.

[90] Maiak, April 25, 1991, 2.

[91] Hoffman, The Oligarchs, especially chapter 5 (on Mikhail Khodorkovskii).

[92] James Millar, "The Little Deal: Brezhnev's Contribution to Acquisitive Socialism," Slavic Review, 44, no. 4 (1985): 694-706; Valerie Bunce, "The Political Economy of the Brezhnev Era: The Rise and Fall of Corporatism," British Journal of Political Science, 13 (1983): 129-58.

[93] Humphrey, The Unmaking of Soviet Life, chapter 8.

[94] William Tompson, "Old Habits Die Hard: Fiscal Imperatives, State Regulation and the Role of Russia's Banks," Europe-Asia Studies 49, no. 7 (1997): 1159-85.

[95] Interview, assistant director of a large firm manufacturing construction materials, December 1994, St. Petersburg, Russia.

[96] Because of this, industrial workers in St. Petersburg in 1992 would go for months without pay because their firms could not obtain enough hard cash—not simply from lack of income but also from the difficulty of obtaining nalichnye. An additional problem was that, in 1993-1994, a firm could only process up to 3 million rubles nalichnye per day; so an order for 5 million rubles would have to be paid over several days.

[97] Smena, June 25, 1992, 3. One informant in Tula discussed an elaborate scheme of this type involving firms in the coal sector. See also Andrei Yakovlev, "Ekonomika 'chernogo nala' v Rossii: mekhanizmy, prichiny, posledstviia," in Teodor Shanin, ed., Neformal'naia ekonomika. Rossiia i mir (Moscow: Logos, 1999): 270-91.

[98] This is not unique to post-Soviet Russia which suggests that the social construction of national currency as a totem of value is a natural part of market-building. Soviet anti-capitalist legacies

added to this conundrum.

[99] V. D. Rechin, "Predpriiatie v usloviiakh neplatezhei: mneniia direktorov predpriiatii," EKO, no. 3 (1998): 82. This was before the 1998 monetary reform that reduced the ruble by 1000 (e.g., from 5000 rubles to 5).

[100] Sankt-Peterburgskoe Ekho, April 21, 1993, 9.

[101] Woodruff, Money Unmade, chapter 5.

[102] Turbostroitel', August 7, 1992, 5.

[103] At one point in autumn 1994 Aleksei, informal leader of Atlas (the private tour firm), needed rubles for business operations. He took a large sum of dollars—the store of value—to the Petersburg currency exchange on Vasilievskii Island and worked with an acquaintance who was a broker there. He returned with so many rubles that he had difficulty carrying them all in his briefcase and pockets and consequently kept dropping some on the exchange floor.

[104] While Gaddy and Ickes do not make "resistance" the centerpiece of their theory, it is essentially their account of managers circumventing money and the market.

[105] The basic example they use concerns barter of steel for gas. Firm B makes metal, and each unit of steel requires two units of gas, supplied by A, say, Gazprom; A needs one unit of metal. On the world market, gas is worth $1 per unit and steel $1 per unit. A pays B $1 for steel but B pays $2 for the gas; A makes $1 in profit and B loses $1. Unless B can improve production to use only one unit of gas, it is finished. In the virtual economy, A and B barter two units of gas for one unit of steel. Both sides come out even—no losses, no gains. With no profit, A pays no taxes and provides B and its political elites a favor: B stays alive to support local infrastructure. Further, the worth of B's steel in barter terms has increased from $1 (market price) to $2 (equivalent to two units of gas, or $2, in the barter deal). Hence, the barter value is higher than the market value—a "virtual" price in the virtual economy. Taken from Gaddy and Ickes, Russia's Virtual Economy, appendix A.

[106] Turbostroitel', June 5, 1992, 6.

[107] Sometimes he faced serious obstacles. In one attempt to force overdue payments, Altaienergo (regional supplier for UES) threatened to turn off electricity to a military base in Western Siberia. The commander ordered soldiers to the power station; they held it for ten days. In his defense, the commander claimed that shutting off the electricity would have violated a 1997 federal law. Oksana Yablokova, "Soldiers Take Over Siberian Power Plant," Moscow Times, November 4, 1999.

[108] World Bank, Russian Economic Report, February 2004 (www.worldbank.org.ru), 9.

[109] For example, consider the difference between prices for foreigners and Russians in museums or train travel. Foreigners had always been charged a higher price, giving Russia a "rip-off" image. However, this really reflected a subsidy to Russians—prices were kept low and the difference made up in budget transfers to museums or the railroad. After 2000 Russians' and

foreigners' prices were supposed to be the same, although the practice of differential pricing often continues for museums.

[110] Francesca Mereu, "Kremlin Mulls Ditching United Russia," Moscow Times, March 11, 2005.

[111] Some scholars claim that tax laws created price inflexibility—those firms that did define and express value in terms of money were still constrained to sell above production cost—but this explanation is incomplete. First, the taboo against pricing below production cost still allowed leeway for setting the value of a product, including the use of intermediary firms. Second, even if value is expressed as a money price, the worth of a good might be coded primarily in non-monetary, and even non-market, logics and categories. The money price becomes an afterthought, tacked on from the superficial "cost-plus-profit" formula or mimicry of analogous goods. In an ideal-typical market, value is set through supply-and-demand and expressed as a sum of currency. See Woodruff, Money Unmade, chapter 4; Tompson, "The Price of Everything and the Value of Nothing?"

[112] That is, this was a moment of opportunism, to siphon money from the state. The birzha initially was less a mechanism for setting market prices than a meeting point for obtaining scare materials or exchanging them for inflated prices, with the difference going illegally into individuals' pockets. Profit was more an outcome of speculation than value-creation.

[113] I. Boeva, T. Dolgopiatova, and V. Shironin, Gosudarstvennye predpriiatiia v 1991-1992 gg, 51-54.

[114] Leningradskii stankostroitel', April 20, 1992, p. 1.

[115] E.g., Svetlana, January 12, 1994, 1.

[116] Elektrosila, March 19, 1992, 3.

[117] Interview, head engineer, St. Petersburg lathe-making firm, April 1995.

[118] Interview, assistant director of economic issues and planning, St. Petersburg lathe-making firm, March 1995.

[119] Such goods included water boilers, telephones, clocks, and other electronic gadgets. See Svetlana, June 19, 1991, 5; January 22, 1992, 2; June 3, 1992, 2; January 26, 1994, 2.

[120] Elektrosila, February 20, 1992, p. 2.

[121] Leningradskii stankostroitel', July 11, 1991, 2.

[122] Kirovets, September 28, 1992, 1.

[123] Turbostroitel', June 26, 1992, 4, is succinct on this logic.

[124] Vestnik sviazi, no. 8, 1999, www.vestnik-sviazy.ru/archive/08_1999/svias.html.

[125] The manager of the prices and expenses department at Elektrosila complained, “There should be money, but there is none. Not at all!!!” Elektrosila, December 8, 1992, 2.

[126] T. Alimova et al., “Problemy malogo biznesa,” 118.

[127] Aleksei—founder of Atlas and its informal authority figure—hired Denise to introduce American market logics at Atlas. She succeeded, but only after hard work retraining Atlas employees, including Sasha. She failed with Ivan, but he was marginalized at Atlas and left in 2003.

[128] Compare this to the restructuring of capitalist firms in the late 1970s and early 1980s. Centralized financial influence through the state and banks made restructuring swifter and more straightforward in France, Japan, and Germany. Reliance on capital markets made restructuring more problematic in the United States and certainly in the United Kingdom. Yet here polities were more stable, and the fundamentals of economic practice did not shift radically. John Zysman, Governments, Markets, and Growth (Ithaca: Cornell University Press, 1983).

[129] For example, see Peter Hall Governing the Economy (New York: Oxford University Press, 1986) and David Stark and László Bruszt, Postsocialist Pathways (New York: Cambridge University Press, 1998).

[130] Developing Weber’s sociology of religion, Gary Hamilton notes that new categories and practices imported into a society, as happens with major legal or institutional change, are woven into the existing cultural fabric. Hamilton, “Civilizations and the Organization of Economies,” in Neil Smelser and Richard Swedberg, eds., The Handbook of Economic Sociology (Princeton: Princeton University Press, 1994), 183-205.

[131] Steven Solnick, Stealing the State (Cambridge, Mass.: Harvard University Press, 1998).

[132] E.g., see Burawoy and Krotov, “The Soviet Transition from Socialism to Capitalism,” and Stephen Kotkin, Armageddon Averted (New York: Oxford University Press, 2001).

[133] Kennedy, Cultural Formations of Post-Communism.

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