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## Continuity and Change in Societies in Post-Socialist Transformation: Research into Households and the Economy

**Abstract:** Starting from the distinction between short-term system transition (new institutional economics, political science) and system transformation as a long-term process of societal change, the author argues that institution-building is a long-term and complicated process and that informal institutions of everyday life do not change as quickly as the newly implemented formal ones. The author has a particular interest in the people's economy of everyday life. He takes a look at three empirical research projects he conducted between 1997 and 2016, investigating whether informal institutions still undermine formal ones that are necessary for the functioning of a market economy. The research projects show particular characteristics. (1) a clear-cut double morality between bureaucracy and the rich, on the one hand, and the small people who have to protect themselves, on the other. (2) It is advantageous to know somebody in the lower bureaucracy (blat or other forms of bribery in everyday life). (3) Agents place strong reliance on personal face-to-face networks, including family networks, and avoid formal institutions. Indeed, many findings of the author support continuity even after almost 30 years of post-socialism, while some changes to the market society occur among better-off people.

**Keywords:** transition, transformation, continuity and change in post-socialism, morality, people's economy

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**摘要** (Heiko Schrader: 在后社会主义转型社会中的持续性和变化：关于私人 家政和国民经济的研究): 基于短期性的系统过渡 (新机构经济学, 政治学) 与作为在长期社会变迁过程中的系统过渡之间的区别, 作者认为机构建设是一项漫长而艰难的过程, 日常生活中非正式的机构不能像新实施的正式机构那样任其迅速改变。作者对日常经济学尤为感兴趣。他观察了 1997 年至 2016 年的三项实证研究, 并分析了非正式机构是否继续阻碍那些对于发挥市场经济的功能具有必要性的正式机构。研究显示三大特征: (1) 一方面, 对于官僚主义和富人而言, 这是一个明确的双重道德标准。另一方面, 对于“小人物”, 他们必须在前者面前保护自己。(2) 认识低官僚级别的人 (日常生活中的行贿和其他形式的行贿) 是有益的。(3) 参与机构依靠以个人人脉为基础的网络 (包括家庭人脉), 而避免正式的机构。这样的话, 许多指标则表明了在近 30 年之后的后社会主义的持续性, 而某些变化, 尤其是在富人当中还可以观察到

**关键词:** 后社会主义的过渡, 转型, 持续性和变化, 道德, 日常经济学

**摘要** (Heiko Schrader: 在後社會主義轉型社會中的持續性和變化：關於私人 家政和國民經濟的研究): 基於短期性的系統過渡 (新機構經濟學, 政治學) 與作為在長期社會變遷過程中的系統過渡之間的區別, 作者認為機構建設是一項漫長而艱難的過程, 日常生活中非正式的機構不能像新實施的正式機構那樣任其迅速改變。作者對日常經濟學尤為感興趣。他觀察了 1997 年至 2016 年的三項實證研究, 並分析了非正式機構是否繼續阻礙那些對於發揮市場經濟的功能具有必要性的正式機構。研究顯示三大特徵: (1) 一方面, 對於官僚主義和富人而言, 這是一個明確的雙重道德標準。另一方面, 對於“小人物”, 他們必須在前者面前保護自己。(2) 認識低官僚級別的人 (日常生活中的行賄和其他形式的行賄) 是有益的。(3) 參與機構依靠以個人人脈為基礎的網絡 (包括家庭人脈), 而避免正式的機構。這樣的話, 許多指標則表明了在近 30 年之後的後社會主義的持續性, 而某些變化, 尤其是在富人當中還可以觀察到。

**關鍵詞:** 後社會主義的過渡, 轉型, 持續性和變化, 道德, 日常經濟學

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**Zusammenfassung** (Heiko Schrader: *Kontinuität und Wandel in post-sozialistischen Transformationsgesellschaften: Forschungen zu Haushalten und zur Volkswirtschaft*):

Ausgehend von der Unterscheidung zwischen kurzzeitiger Systemtransition (Neue Institutionenökonomik, Politikwissenschaft) und Systemtransformation als Langzeitprozess sozialen Wandels argumentiert der Autor, dass Institutionenbildung ein langer und schwieriger Prozess ist und dass informelle Institutionen des Alltags sich nicht so schnell verändern lassen wie die neu implementierten formellen Institutionen. Der Autor hat ein besonderes Interesse an der Alltagsökonomie. Er betrachtet drei empirische Forschungen aus den Jahren 1997-2016 und analysiert, ob informelle Institutionen weiterhin die formelle behindern, die für die Funktion einer Marktwirtschaft notwendig sind. Die Forschungen zeigen folgende Charakteristika: (1) Eine deutliche Doppelmoral hinsichtlich Bürokratie und Reichen auf der einen Seite und dem "kleinen Mann" auf der anderen, der sich vor ersterer Gruppe schützen muss. (2) Es ist vorteilhaft, jemanden aus der unteren Bürokratieebene zu kennen (brot und andere Formen der Bestechung im Alltag). (3) Akteure verlassen sich auf persönliche gesichtsabhängige Netzwerke (was Familiennetzwerke beinhaltet) und vermeiden formelle Institutionen. So sprechen viele Indikatoren für Kontinuität nach fast 30 Jahren Postsozialismus, während einige Veränderungen insbesondere bei wohlhabenden Menschen zu beobachten sind.

**Schlüsselwörter:** Transition, Transformation, Kontinuität und Wandel im Postsozialismus, Moralität, Alltagsökonomie

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**Аннотация** (Хайко Шрадер: *Непрерывность и трансформации в постсоциалистических обществах: исследования частных и национальных экономик*): Исходя из различий между краткосрочной транзицией той или иной системы (новая институциональная экономика, политология) и трансформацией системы как длительного процесса социальных изменений автор полагает, что создание организаций – длительный и сложный процесс, и что не-институциональные структуры подвергаются изменениям не так быстро, как имплементированные в новые условия институциональные образования. Особый акцент автор делает на исследовании т. н. домашней («бытовой») экономики. Рассматриваются три эмпирических исследования, проведенных в период с 1997 по 2016 гг., проводится анализ того, тормозят ли не-институциональные структуры развитие институциональных, которые необходимы для успешного функционирования рыночной экономики. Исследования показали следующее: (1) Четко профилирующаяся двойная мораль в дискурсе бюрократии и богатых, с одной стороны, и «маленьким человеком», который вынужден защищаться от первой группы, с другой. (2). «Выгодно» знать кого-либо из нижнего яруса чиновничьей иерархии (блат, другие формы коррупции) (3). Субъекты полагаются больше на личные связи (включая т. н. семейственность») и избегают институциональные структуры. Таким образом, многие показатели указывают на непрерывность данных процессов спустя почти тридцать лет как начался постсоциалистический период, хотя некоторые изменения все-таки наблюдаются: прежде всего это касается состоятельных граждан.

**Ключевые слова:** транзиция, трансформация, непрерывность и трансформации в постсоциалистический период, нравственное поведение, домашняя экономика

## Introduction<sup>i</sup>

The market societies of Western Europe, their rationally acting institutions and organizations, and the politico-economic framework in which they function emerged in an 'instituted' (Polanyi, 1978; Martinelli, 1987) process of economic and social change. Modernization theory held that this historical process was a blueprint for the same processes occurring with a time lag in developing countries, which would eventually catch up with the West.

For the specific case of communist countries this theory assumed that modernization was blocked and that sooner or later the Soviet Union would implode due to the inherent systemic contradictions (Parsons, 1951; 1982). But indeed, nobody expected that this would happen so quickly (1989-1991). With these political events modernization theorists and among them

particularly political scientists recaptured the theoretical and political mainstream thinking by shaping the term of transition - a short-term institutional systemic change, which would bring the former socialist societies back into Europe (Olson, 1995; Poznanski, 1995; Zloch-Christy, 1998; Beyer et al., 2001). Market-systemic institutions such as private property, private banks, the insurance business, etc. have to be implemented to engender (Olson, 1995) the self-adjusting market and democratic societies. The keywords here were 'model-transfer' and 'capitalism according to design' (Kollmorgen, & Schrader, 2003).

Such an orthodox perspective on transition prognosticated a relatively short and difficult transitional period of structural adjustment, (topics such as 'shock therapy' and 'valley of tears' were common but in practice varied in a number of countries) with privatization of state property, rapid incorporation into the world market, emergent flourishing industrial and commercial landscapes, rapid rise of per-capita incomes, and the like. Institution-building, however, is more difficult than assumed in these neoliberal/neoclassical approaches of such a 'designer capitalism'. In line with various institutionalists who consider actor-structure dynamics (Schimank; 2000) sociologists from Magdeburg University argue that institution-building is a long-term and complicated process. Institutions constitute durable norms, conventions and legal rules that structure human (inter)action and activities in everyday life. According to Douglas North (North, 1991) institutions are socially embedded systems of rules of the game in society; they can be formal and informal. Both have to match each other so that transformation processes work. Empirical social scientists find North's distinction very useful and adapt this conception into their transformation approach for Eastern Europe. They argue that contrary to these designed and implemented formal institutions, informal norms of everyday life do not change as quickly as the newly-implemented formal ones.

This contribution argues that the policy of system-transfer implemented formal market institutions like private property, markets and banks, and a legal framework to make them function. However, it overlooked the informal institutions still at work as an open or hidden agenda. Informal institutions are an outcome of individual and collective biographic experiences, 'collective memory' (Halbwachs, 1967) or 'collective consciousness' (Durkheim, 1984) and behaviours that have engendered a unique "structuration" (Giddens, 1979)<sup>ii</sup> and culture as a 'memory of collective experience' (Tetzlaff, 2000) which even nowadays play a significant role in everyday life (Hann 2002); in other words, such informal institutions work 'path dependently'.

This was foreseen by Stark (1992) and Staniszkis (1992) early on, who were very critical of neo-liberal prognoses. Instead of a rapid transition they feared that a 'continuity in change' (Dittrich, 2001) might occur. In the early transformation phase of Eastern Europe a number of scholars discovered specific hybrid forms of entanglement between policy, bureaucracy and the economy (Åslund, 1995; Stark, 1994), which J. Staniszkis (1995) and M. Tatur (1998) called 'political capitalism': a hybrid societal formation and institutional modus of restructuring socialist societies under conditions of peripheral position<sup>iii</sup>. Other scholars called this period with a weak state monopoly of violence in Russia 'Mafia capitalism' (Hessinger, 2001; Varese, 1994). Both concepts have an understanding of post-socialist path dependent 'pathologies' against the folio of continental Western European (democratic) capitalism; as a sociologist I would argue that, from a global perspective in purely quantitative terms, such types of capitalism (but not the West European continental or Anglo-Saxon types) constitute the norm.

The literature that I have quoted so far originates from the early 1990s to the mid-2000s. However, almost 30 years of transformation have passed, and the question that turns up is whether these informal institutions that undermined formal ones have meanwhile changed or disappeared in the process of intergenerational change (Inglehart, 1989), so that the logic of the market economy is now at work in economic life. Or are these informal institutions still shaping formal institutions in particular ways, perhaps engendering a specifically Eastern European type of capitalism, by nature

fundamentally different? This perspective can be considered as a specification of the VOC (varieties of capitalism) discussion (Hall & Soskice, 2001; Lane, 2007) and will be reviewed at the end of this contribution.

I started working in Russia and doing research in post-socialist contexts in 1997. As an economic and developmental sociologist, I have a particular focus on the people's economy, i.e. how the economy functions in everyday life. I believe that particularly in that field there is a blind spot of knowledge in both economics and economic sociology, because the perspective is mainly on large firms and high price segments. Indeed, the more we work on that high level, the closer we come to economic textbooks, models of rational action, and formal institutions of the market economy. However, the farther we get away from that level and investigate the people's economy, the more relevant becomes the embeddedness of economic action in social structure (Polanyi, 1978; Granovetter, 1992; Hollingsworth, & Boyer, 1997). With regard to the topic of institutional change the people's economy is particularly important because in quantitative terms it covers the majority of people who act in a market economy, so that their informal institutions may indeed influence development and change.

This paper looks at the people's economy of everyday life which I investigated in three of my works. The first one was an outcome of my visiting professorship at the State University of St. Petersburg during the period 1997-1999, where I observed "informal institutions" in everyday life (Schrader, 2004) and investigated pawnshops (Schrader, 2000), the second was a joint research project on small enterprises in Russia, the Czech Republic and Bulgaria in the middle of the 2000s (Dittrich et al., 2006; Dittrich et al., 2008), and the third was a household survey in Central Asia in 2012-2014 (Dittrich, & Schrader, 2015; 2016). This means that, although the research in the different countries covers periods of two to three years, on a whole it concerns a broad period of transformation analyzing similarities and differences, continuity and change. I would like to look at these works one after another.

## Spheres of Trust and Social Capital during the Late 1990s

While teaching at the State University of St. Petersburg from 2007-2009, I observed a number of examples in my everyday life of how formal and informal institutions fell asunder. When I now teach at my home university about informal institutions I can provide various anecdotes of 'how Russia really worked' (Ledeneva, 2006) during that time. On the one hand, we saw a growing market economy in the shopping centres of Saint Petersburg, on the other hand, I experienced how people distrusted market structures in everyday life and instead relied on their established social networks. One of these anecdotes concerns my farewell party at the faculty. I asked a Georgian colleague where to buy some bottles of wine for that party and expected that he would recommend me a wine shop in the city. However, the story took an unexpected direction. First of all, he told me that he needed some time to get the right information. Then he called me back several days later saying he found out that an airplane with good Georgian wines on board had arrived at Pulkovo Airport and that he knew somebody at the customs office ...

Similar anecdotes: The first happened on my arrival with my family. We were immediately advised by my colleagues that, if something happened like theft etc., we'd better not call the police, since "they will take your last shirt". We should also avoid talking to strangers on the phone so that they could not identify us as foreigners. In the streets we should avoid seeking eye contact with people and particularly with policemen, and so on. In my research into pawnshops in St. Petersburg I learned that ordinary people either keep their money at home under the bed or take it to "Sperbank", the state bank, but never trust private banks.<sup>iv</sup>

Everybody who knew Russia during that period probably can tell similar stories. The core issue of these is that people (a) distrusted private institutions of the market economy and (b) had a very negative attitude towards the state bureaucracy and therefore its legitimacy.

I would like to reflect on what was going on as a sociologist (Schrader, 2004). I refer to trust and social capital with regard to their role in the functioning of society. In social science, both the metaphysical and philosophical dimensions of trust have been deconstructed by referring to its function in personal interactions and within society. Luhmann (1988), for example, interpreted trust as a mechanism to reduce insecurity and risk in a very complex modern world. Decision theory and game theory have taken the actor's subjective point of view, by arguing that trust emerges from repeated successful interactions; it is an experience in the trustworthiness of the interaction partner (Axelrod, 1986). This and similar theories explain people's motivation to trust each other through their opportunistic motives as agents.

During the second half of the 1990s, social and economic action in Russian everyday life were very risky due to the fact that formal institutions like justice and law, bureaucracies, and also business partners did not function adequately but were in many cases open to power misuse, bribery and sometimes open or hidden violence; businessmen had to pay protection money to the Russian 'mafia' or to the police. The major stable components in this risky environment were personalized networks. Interactions were limited to such people whom one knew personally or who were recommended by close friends, and who could be controlled by the moral pressure of the network or by 'blat', favours (Ledeneva, 1998; 2006). From my perspective such networks with strict, binding rules and mutual expectations form 'moral economies' (Thompson, 1991; Scott, 1976, Booth, 2004; Evers & Schrader 1994). Such moral economies provide an alternative to market relations in incomplete markets. While they are for sure not the best choice in terms of potential gains, they strongly reduce the high transaction costs of incomplete markets (risk, contracts, monitoring, opportunism, moral hazards) – acting in such personalized networks shows an aversion to risk. Strong ties in networks, however, may at the same time engender insurmountable boundaries, since they shape a dual world view, a sphere of inner and outer morality (Tajfel, 1982; Watson & Renzi, 2009). To paraphrase Granovetter (1977) the 'weakness of such strong ties'<sup>v</sup> is their tendency to be exclusive. An extreme case of exclusiveness is provided by the fragmented morality of 'amoral familism' (Banfield, 1958) with absolute loyalty to one's networks. Less extreme is the form of 'familism' (Fukuyama, 1995; 2000; Schrader, 1999). Common to these specific personal relations is that they all aim at reducing risk and uncertainty by putting the personal identity of the interaction partner and the disciplining function of moral economies into the foreground. However, such dual perceptions of the world stand against the emergence of a sphere of 'indifference' - (Giddens, 2009) which is necessary for the functioning of modern market societies: indifference separates people's functions from their personal characteristics; but this is only possible because the state provides reliable sanction mechanisms in exchange for the monopoly of violence (Elias, 1981).

Distinct spheres of morality are one crucial element in the conceptualization of trust in pre-modern, but also in modern societies with incomplete formal institutions. Under such conditions social action takes place in a context of binary and antagonistic perceptions; trust is then no longer functional as assumed by rational-choice theorists, since nobody is willing to make an advance of trust to an unknown interaction partner; but it is a very personal and emotional affair. To be disappointed in an interaction requires revenge. Trust is perceived as the opposite of distrust; friend is the opposite of foe. Social relations and our life are structured according to these binary categories, and there is no place for a third, neutral category of indifference, which is backed by the state monopoly of violence.

But let us consider how trust works on the societal level. Characteristic of modern, reflexive societies is 'system trust' (Luhmann, 2001). Trust in state institutions and the economy is based on

experience of the predictability of institutions that work according to rule of law, formal equality and secondary liability, on experts, on 'certificates', on a stable currency, on efficient and standardized sanction mechanisms, etc. Only under these conditions can 'face-to-face' relations (Giddens, 1990) be transformed into 'faceless' relations in a sphere of indifference (ibid.). These function without either party needing a personal guarantor, because both interaction partners can assume that they adhere to formal rules and laws (Christophe, 1998, p. 201), and that incorruptible state institutions negatively sanction offences. From an actor-theoretical perspective, system trust offers new scopes of action in the sphere of indifference, in which most of our interactions of everyday life occur in a functioning market economy. However, when networks are constituted by 'strong ties' only, they are closed. Missing are 'weak ties', 'bridges' to other networks (Wasserman & Faust, 1994), so that in an interplay with the insufficiently functioning formal institutions a generalized trust cannot emerge.

Closely connected to the concept of trust is that of social capital. In its functional version (Coleman, 1982; 1987; 1988) social capital constitutes an asset, which results from social relations and which has to be cultivated. Networks constitute the social capital which in addition to financial and human capital is responsible for economic and social success in society. The capital forms are to some degree convertible. Social capital can refer to individual agents and their networks, all network members and even society as a whole. If there is a lack of societal social capital, Fukuyama (1997) argues, transaction costs with unknown people are very high, so that people fall back upon their personal networks ('bounded rationality' according to Simon, & Steiner, 1993).

From this perspective, post-socialist societies may have executed the politically intended transition to a market economy by setting up formal institutions of such but have yet to make the transformation into a market society. The latter implies that people behave as in a market society, in spheres of indifference which open up many more and broader perspectives than the personalized networks. This presupposes not only the existence of the institutions of a market economy, but also the emergence of institutional trust, system trust, and societal social capital, so that people can choose between the market (faceless transactions) and networks (more personal relations) according to the criterion of transaction costs.

Let us now go back to the examples of everyday life which I provided. I do not argue with a typical primordial discourse on 'national character' and 'Russian (or soviet) mentality' that favours personal relations, but with collective experiences during Soviet and to some degree also pre-Soviet time which thickened into informal institutions. This concerned attitudes towards the state, the public and the private spheres.

In 2004 (Schrader, 2004, pp. 91-95) I discussed the political projection during Stalinist time to engender a 'Soviet man': a de-individualized, and easily governable mass man, explained as being unique and superior to people of other social times and social systems. This projection which was continuously repeated in the ideology engendered a political, sharp distinction between our (soviet) and alien (capitalist) society (Golov, & Levada, 1993, pp. 16 ff; Witte, 1997). While the ideology of homo sovieticus went into decline in the post-Stalin era, in everyday life a divide between the 'front stage' and 'back stage' (Goffman, 1969), of public and private spaces emerged, as a result of spying and an economy of scarcity. Behaviour and action in the public space were characterized by opportunism and submissiveness. People demonstrated a 'hypocritical' obedience (Fyodorov), which was reversed in the private sphere, where only among close friends and in the family did people take an anti-state stance. In economic life workers did not consider state property (e.g. tools and inventories of the factories) as a communal good but as a 'self-service' shop for personal appropriation, a behaviour people considered legitimate. As Fyodorov (1993, pp. 38-39) argues, the constraint to be double-tongued, corrupted people, and this drifting-apart and the related antagonistic moralities were the reasons for the failure of socialism (ibid., p. 41).<sup>vi</sup>

I argued at that time that due to insecurities in everyday life – and particularly due to an insufficiently functioning of the formal institutional framework – people relied on, and cultivated their private social capital, being hidden in their personalized social networks. I do not want to overstress this point here, however, my conclusion is that the ‘culture of distrust’ that had emerged during the soviet period continued also during the early transformation period and undermined the functioning of the formal institutions in a market-system-like way. The political perception of ‘Russia against the West’ seems to have been revived under President Putin.

## Small Enterprises in the Russian Federation, the Czech Republic and Bulgaria

During 2003 and 2004 my colleagues Eckhard Dittrich, Christo Stojanov and I worked on small-scale and medium entrepreneurs with three research teams in the Russian Federation, Czech Republic and Bulgaria (Dittrich et al., 2008; 2006). We collected quantitative and qualitative data. The 180 questionnaires per country provided a general data basis with regard to the foundation and growth of small enterprises and their economic environment, while the additional 30 qualitative interviews per country investigated people’s lives (“Lebensführung”) in the social milieu of small entrepreneurs and investigated their role in the transformation process. These qualitative data are what I refer to in this contribution. On the whole, the number of small and medium-sized enterprises had increased dramatically during the transformation period in all Eastern and Middle-European countries, in spite of the fluctuation in that sector. Our major research question was how far they can be considered as dynamic ‘entrepreneurs’ in the Schumpeterian sense or as ‘static persons’ (Schumpeter, 1993, 172-174) that lack a combination of leadership qualities, entrepreneurial success orientation, venture readiness, economic opportunity awareness and orientation towards societal progress as found in the entrepreneur. In theory, the key characteristic of the prototypical ‘static person’ is the self-perception as a ‘labourer’, offering his labour in the form of self-employment. He is no innovator, no man of action and averse to risk in his attitude. I will try to summarize our findings with regard to adaptation to market societal entrepreneurial action.

Most Bulgarian entrepreneurs consider themselves honest small businessmen who aim at making a living with their families. Remarkable is that the respondents rarely have the self-perception of being entrepreneurs rather than professionals and ‘masters of their own destiny’. Typical is also the view that the profession “doesn’t make one rich but the outcome should be sufficient to make a living”; there is no intention of growing and making higher profits. Again, and again the material shows a strong tendency to familial networks. The interviewees rely on family and friends for finance, information, or recruitment of employees and consider this reliance as a risk-minimizing orientation. At the same time, they are aware of the negative effects of such strong networks, the demands and obligations in a moral economy and narrow choice options. Also, characteristic is a very negative attitude towards bureaucracy. Mutual cross-interlocking of small entrepreneurs seems to be quite normal. This has the advantage of binding suppliers and demanders to each other and stabilizing business connections.

Most Bulgarian small and medium entrepreneurs interviewed feel themselves as being confronted by obscure and uncontrollable social and market forces, while they find certainty and trust within their small personal networks. That our respondents keep informal institutions ongoing by bribing and corrupting local bureaucrats in their everyday business is perceived as a “necessity”. This bribery and also avoidance of taxation does not challenge their self-perception of honourable businessmen.

A similar self-perception to that of Bulgaria is found in the Czech Republic. In none of the interviews was the term 'profit making' used. Czech small entrepreneurs prefer talking about 'the firm', which is considered to be a means of providing a living. The decision in favour of self-employment is closely related to the wish of becoming "one's own boss", although often push factors like unemployment caused this first step. Many respondents emphasized that they aim less at 'profits' than self-realization. They distinguish a "capitalism of small people" to which they belong as opposed to "capitalism" as such. This distinction directly corresponds with clear-cut conceptions of friends (the personal network) and foes (the state, large enterprises), which strengthens the cooperation and solidarity of small enterprises. Also, in the Czech Republic entrepreneurs rarely consider themselves as corrupt, although bribery of bureaucrats is frequent.

In Russia we found the strongest self-presentation in the sense of the Schumpeterian entrepreneur or a textbook of business administration. Such a self-perception often goes along with an orientation towards expansion, which we rarely found in Bulgaria or the Czech Republic. This does not exclude participation in informal networks, which seem to be characteristic for Russian everyday life and the economy as well. Close business friends seem to replace the family with consolidation of the enterprise, the latter being more relevant in the initial phase of setting up an enterprise. Characteristic for Russian small entrepreneurs seems to be: "With normal people one tries to find a reasonable agreement". This also serves as the legitimization for informal payments to the bureaucracy or for protection. "Money" seems to be the key to problem solutions. Interestingly, Russian respondents openly talked about corruption and practices in the shadow economy. Their relation to the bureaucracy can be characterized as ambivalent insofar as their own networks may incorporate some bureaucrats, although the bureaucracy is usually considered as belonging to the 'hostile environment'.

## Summary of the findings on small and medium entrepreneurs

On the whole, our research on entrepreneurs allowed us to make some cautious statements with regard to the morphology of the post-socialist order. We argued that the considered small entrepreneurs have a communitarized life, being characterized by informal networks which provide a security function. For small enterprises market entry and consolidation of the enterprise are no pure economic matter, because small entrepreneurs are enmeshed in their life world. They don't apply for credit from banks or state promotion programmes but raise the capital from family members, relatives and friends. In our empirical material there is no clear-cut distinction between private, business and public spheres; all of them are intermingled by incorporating business friends and local bureaucrats into one's personal networks. The major business intention is the survival of the owner's family. 'Bureaucracy' as an abstract entity is considered as belonging to the hostile environment, but the interlocking with 'helpful' bureaucrats from the city administration, the fire department, the hygiene department, and so on, makes business work.

These networks had and have a security function vis-à-vis the state in socialism, state bureaucracy and the market in post-socialism. Under socialism they worked both functionally as well as dysfunctionally for the system, because they kept the economy of scarcity running but, at the same time, gradually undermined the legitimacy of the state and the system. These informal networks were a communications system to cope with the scarcity of goods by means of reciprocal relations and barter. The double morality between 'us' and 'them' has already been addressed in the first part of this contribution. While some authors hold that the 'transgression of deficits' resulted in a starvation of such networks (e.g. Chavdarova, 1996; Suchodojeva, 1996), our research findings show that these networks and the dual perception of "us" in a hostile environment ("them") was also characteristic for small and medium entrepreneurs during the 2000s, whereas the functions of these networks have slightly changed. They provide stability and security, and their great

importance correlates to averse-to-risk behaviour at the expense of market opportunities. At the same time such informal institutions seem to undermine the use of formal institutions such as banks, insurance companies, chambers of commerce and chambers of crafts or business consultancies. Bureaucracies provide 'facades' behind which administrators pursue their personal interest in an exchange relation with the business world.

The investigated small entrepreneurs show a subjective sense of solidarity, which astonishingly includes both their competitors at the same economic level as well as low-ranking bureaucrats. Cohesion occurs from an opposing position towards radical individualism in a market society and the 'inhumanity' of large enterprises and the world market. Our initial hypothesis in this project aimed at the idea of an evolution from a small to medium and large enterprise (Schumpeter, 1993, pp. 98, 145) but we hardly found support for that hypotheses in our interviews.

## A Household Survey in Central Asia

The last project to be considered here is our research into private households in Kazakhstan and Kyrgyzstan during 2011-2014 (Dittrich & Schrader, 2015; 2016). The major focus of this research was how after almost 30 years of post-socialism middle-class households have adapted themselves to market conditions in their actions and planning and how they achieve sustainable livelihoods. The research was conducted with three research teams from North Kazakhstan, South Kazakhstan and Kyrgyzstan and consists of a quantitative, non-representative household survey based on 450 questionnaires (first stage), and of 120 qualitative interviews (second stage). The interviews were done both in urban and rural regions: in the major economic centres of the two countries, i.e. Astana, Almaty and Bishkek, and their rural environments. The teams were given research training by the applicants.

We investigated

- the process of transformation of households at the micro-level and its relatedness to macro-level transformation;
- the adjustment of households to economic insecurity and the risk of market systems;
- the differences between the households in Kazakhstan and Kyrgyzstan, representing two countries with very different economic conditions and transformation paths,<sup>vii</sup> between rural and urban households, and between age cohorts;
- the assets of the households (forms of capital according to the sustainable livelihoods approach SLA)<sup>viii</sup> by which they can make their living and develop strategies of coping with insecurities.

We worked with the household-level approach (Hess et al., 2000). Asking the households to name the person who knows best about the issue discussed, the respondents usually named women who keep the household emotionally together, who have important functions in budget management, and who keep strong links to family members who have left the household (migration, marriage, education, etc.).

What can we say about continuity and change, of path dependency and adaptation to the market system? First of all, we observed changes in women's roles (Dittrich & Schrader, 2018). While traditionally the head of the household is usually the eldest male, this is maintained on the 'front stage' (Goffman) i.e. in public. But, 'backstage', i.e. within the household, both, men and women, often even the entire family, decides about household issues and investments. Sometimes the woman is the major breadwinner and not her husband, which contradicts the traditional head of household perception. Also worth mentioning is that a considerable number of respondents were divorced although the ideal life perception is the family. Discussions concerning alimonies are a conflictual topic in these cases, because the males do not fulfil their legal obligations. We also found

single-parent households in our sample, all headed by women. Single young women migrate to the city for the purpose of work or education. In urban settings we can also observe a tendency towards the nuclear family, which is perhaps less a result of modernization rather than of building policy (two- or three-room apartments). With regard to gender roles, the soviet model of families was not based on the male breadwinner model as in Western societies, especially after the Second World War. But even though women were more equal in obtaining education and in working life than in Western European societies, women were not therefore necessarily more emancipated in private life with regard to household tasks and decision-making. With nowadays a strong visibility of women in jobs we believe that this is to some degree path-dependent from Soviet times (Allan, & Crow, 2001, 15). An Islamistic 'counter-revolution' against women's visibility in public life is taking place in Tajikistan but not yet in Kazakhstan nor North Kyrgyzstan.

In the rural setting traditional gender roles are more common insofar that the work in the house is related to women - wives and their daughters, sometimes also grandmothers - while the chores around the house and heavier work in subsistence production are related to male household members. But also, in these settings most women are income earners. Also here we can see path dependency from the Soviet past where wages in the "industrialized villages" (Oswald et al., 2005; Dittrich, & Oswald, 2010) provided the major incomes stemming both from men's as well as women's work in the kolkhoz. However, this structure of the industrialized village has collapsed. Only a limited number of public jobs in administration, education and health, usually held by women, and some private jobs in commerce and production have remained, while the majority of rural dwellers have a combined income from various labour opportunities in the formal and informal sectors as well as in subsistence production.

Both countries have also experienced economic crises. But while one may describe Kazakhstan as having gone through a continuous development with some depressions in the world market, the economic and also the general situation of Kyrgyzstan appears as an ongoing crisis. Today Kazakhstan can be described as a rather successful, middle-income country with strong traits of a resource-based state (Howie, 2014, p. 71ff.) and a mild authoritarian rule aiming at top-down developments like, for instance, Singapore (Nazarbaev, 2008, p. 23ff.). While in the early 1990s observers heralded Kyrgyzstan as the forerunner of a liberal, market-oriented economy and society in Central Asia, economic development is very weak. Kyrgyzstan belongs to the poorest countries in Central Asia and even on the world scale, that has run through a series of "revolutions", all resulting in state capture of new groups and a constant situation of political and economic instability. State authority is weak. Economic output is very weak causing a high amount of migration from the country and remittances home being the base of survival for many households.<sup>ix</sup>

Our data show that middle-class households are well aware of the advantages and risks of market conditions. They know about the necessity to make their own living and to rely on their own. Many of them combine incomes from the formal, the informal and the subsistence sectors (Elwert et al., 1983). Many accept changing their location for job opportunities. But while Kazakhstani households overwhelmingly migrate from rural to urban centres, Kyrgyzstani households quite often have migrant members, notably in Russia and Kazakhstan. It is a fact that the Kyrgyzstani economy does not offer many job options. International migrants abroad experience all the typical characteristics of diaspora communities, stigmatization and social exclusion in the host countries. The migration of Kazakhstanis from rural regions to cities is often connected with education. In the booming cities of Astana, Almaty and some more secondary cities rural migrants find employment opportunities. The other way around, some pensioners return to their villages later on, because life is cheaper and healthier.

The analyses also show that most citizens in both countries have experienced periods of unemployment. They use diversification of household income sources to lower the risks and options of subsistence production and of self-provisioning to render their households more stable.

Intergenerational relations and kinship networks are based on mutual help norms of reciprocity and provide a risk insurance. In urban areas and among better-off households, these networks seem to be more open socially including friends, neighbours and colleagues. However, when wealth increases, household members begin reflecting about advantages and disadvantages concerning personal networks, so that reciprocity norms weaken. Here the preservation of reciprocity networks becomes an option, while among the lower middle class they are a necessity. Thus, among better-off households many kinship networks transform into purely social networks and lose their traditional economic emergency character, while functional networks of business friends emerge parallel to them.

Within households which usually consist of two or three generations, incomes of the household members or at least part of them are normally pooled even if children have grown up and have their own salaries. Also, pensions go into the pool. Purchases and investments are taken from that pool. In cities this pool is sometimes confined to buying necessities of everyday life, while every contributing household member keeps a certain individual part as "pocket money". Family members living outside the household often get support in cash or in kind. This holds true for children who are studying, but also for pensioners. In general, family represents a social capital that can be activated if necessary; support is obligatory, be it monetary, in kind or by labour contributions.

Family relations are preserved even if the families are no longer located in one particular place as a result of migration, housing, etc. At various family feasts family members congregate, even when this involves an expensive flight. Traditionally oriented ethnic Kazakhs as well as Kyrgyz claim that this is their way of living, which is different from individualized Western societies. They hold that even modernization in the cities has no eroding effect on the larger family and kinship network. Putting this issue into the context of modernization theory this would indeed be a different modernization path. However, twenty-five years of rapid modernization after independence is of course a period which is too short to draw such far-reaching conclusions, although also the communist experiment, which had enormous consequences for family and kinship, was not able to break the family tradition.

How far are savings, credit-taking and insurance provisions of private households in our sample related to the new market organizations? In general, credit options are from formal financial organizations or from kin, sometimes friends. Among better-off households we find some who use formal credit for investment, for higher consumer purchases or for school fees. The majority of respondents use their kinship networks for taking – mainly interest-free and run-time independent – credits, many of them reporting negative personal experience with banks or such among their relatives or friends. In rural regions households take micro credits from micro credit organizations or from their networks.

High amounts of saving on a savings account or in financial instruments such as stocks could not be observed in our sample. This can be due to transformation happening only three decades ago and within that rather short period middle-class households invested in real estate (for own use or even for rent returns) and higher consumer goods rather than in financial products. Besides, however, much saving is done at home. Not that banks do not offer such accounts for middle-class households, but the majority in the sample, both urban and rural, simply do not trust private banks.

In both countries poorer households quite often declare their inability to save in cash. For them subsistence production or the help in kind by members of the family network are of the utmost importance to reduce living costs and to survive. For many rural households cattle represent savings, investments and insurance against risks at one and the same time. Bridging short-term cash squeezes by credits can be found among certain rural households and certain urban jobholders because of the seasonality of their incomes.

The organized insurance business for life, old age, health etc. is negligible from the perspective of private households – apart from the obligatory forms that exist, although we find international insurance companies in the cities. It is obvious that the state security systems do not or insufficiently supply the citizens with housing, health care, pensions, and free (higher) education.

For a view on the endowment with capitals, rural-urban differences are very important. On the one hand, rural households are more vulnerable concerning cash, with food scarcity playing only a small role while in the urban contexts, food is a crucial issue due to high (and rising) prices. Of course, this difference is closely related to subsistence production as an access to natural capital which we find far more frequently in rural areas than in urban ones. Compared to urban households, rural ones complain more often about low paid, inadequate jobs and their scarcity thus causing them to organize survival with the help of different forms of self-provisioning. Some rural households also complain about the endowment with physical capital, especially bad transport and schooling facilities. The job situation, the need of subsistence production, as well as bad physical capital and human capital options contribute to the push factors concerning migration.

Social capital is not only a valuable means to enhance household options for economic wellbeing through mutual help. It also touches 'blat' relations, the inclusion of influential people in one's networks, and the nourishment of these relations by presents and the like. Blat and all other forms of bribery are frequent for the purpose of gaining jobs, having access to subsidies for housing, finding kindergarten places, paying for the access to and good results in the educational system, getting justice, being fairly treated by the police and by public officials and civil servants, getting medical treatment immediately, etc. That is, all the spheres in their life are touched, and respondents openly report on it. Despite the complaints of the interviewees about corruption in general, most give and take bribes in everyday life. Some see this as a pure necessity without which certain services or positions are not available. For them it is part of the struggle for survival on all levels of society. Others differentiate, naming as corruption only the immoral behaviour of the rich and the persons of influence in society. Others explain it as a national characteristic of gratitude and mutual gift exchange. However, it undermines the emergence of a meritocratic system.

Households develop enduring practices in order to create sustainability. They save, if possible, for coping with events like births, marriages, anniversaries, funerals etc., but also shocks that stem, for instance, from criminal actions, bad harvests etc., and they thus react to the risks of capitalism as perceived by them. These strategies are deeply intertwined with the assets, the forms of capital, the households can build upon and their convertibility. We followed de Haan & Zoomers (2005) by distinguishing four strategies: (a) at the bottom end - security, a sustainable strategy especially for those households that live near the subsistence minimum, characterized by risk avoidance and living from hand to mouth, a muddling through everyday life, and dependence on security networks, subsistence production and mostly irregular cash incomes; (b) above that - compensation, a condition where negative developments or shocks can be compensated through, for instance, the use of social capital or the sale of economic values; (c) at the next level - we find consolidation, where the household has the security of existing resources and efforts by purposeful investments and planning (e.g., in house building, purchase of a car, buying larger quantities, buying hay in summer, etc.); and at the top (d) accumulation, a long-term strategy to create a resource basis in order to enable future actions of the households being more 'profitable' than the present one (e.g. by deposits, investment in children's education etc.).

As can be expected, accumulation strategies are found among the better-off households while poorer middle-class households largely fit into the security strategies to achieve sustainability. They live in more precarious constellations; their vulnerability is high. Therefore, many such households cannot gamble on chances nor losses; they show risk-averse behaviour and therefore do not sustainably change their living conditions. Moreover, all middle-class households have a high appreciation of education to render households more secure by transferring better life chances to

the next generation. Therefore, also many poorer households try to pursue such goals. Most struggle hard, and many do not succeed. Poorer households dispose of few assets with low convertibility, and often we find relatives in similar life circumstances in their networks so that it is difficult to help each other. All in all, it is clear that the strategies of this class of households mainly result in keeping their present position, upward mobility being rather improbable.

Better off households are not only able to compensate for losses, shocks and vulnerabilities in general but are also able to consolidate their households and thus to live completely different lives to those of the poorer households. This includes, for instance, long-term planning which may reduce living expenses if you are able to buy anti-cyclically. They may invest in real estate and human capital. The financial capital of these households also allows for regular vacations. The networks of these better off households support their accumulation strategies. They may include colleagues, people from the administration and from politics and professionals who can give advice. Some of these households report considerable savings and investments that document their financial power. They display a lifestyle near to affluence: big SUVs, housing in well-protected fashionable regions, accentuation of a healthy diet and a healthy lifestyle, or use of service providers. Some donate and thus take a public role. The accumulation strategy often combines positions in the state sector with activities in the private one. On average, all members of the household have good positions with good monetary incomes. These households have fully accommodated to the risks of capitalist market societies and specifics in their countries.

## Conclusion

The intention of this paper was to go through my observations and research in post-Soviet societies during the period of the mid-1990s until now. The core question underlying all the research was to what extent the system change from a socialist system of planned economy to a capitalist system has been successful or whether it is still ongoing, showing formal and informal institutions that do not match each other, so that informal institutions may undermine formal ones. If the latter is true, the next question is whether this is only a not-yet completed process of intergenerational change, or whether we can assume, in a variation of the VOC approach, that a specific post-socialist capitalism has emerged, having certain distinct elements not found in the other variations. I should like to probe a little deeper into this discussion.

With regard to the transformational approach, I would like to emphasize that we do not consider organizational innovation as an "Ersatz" (replacement) in the sense of transition; what we can observe are configurations and rearrangements of existing institutional elements side by side with market-like structures. Once we apply such a view, it is possible to assume that in post-socialist societies specific economic and societal orderings are at work that have a linkage to the Soviet past, perhaps to be grouped as a specific type of capitalism (Nölke, & Vliegenthart 2009; Myant, 2012). We can assume that during the early transition a new "Landnahme" (Dörre et al. 2009) occurred, in which property rights and the power over things were appropriated. In this redistribution process personal and political connections (specific forms of social capital, being related to the former power elite) were key constituents. This explains an identification with 'political capitalism' during the early transformation period, which hints at a strong interminglement of the economic and the political spheres. The problem of property rights, however, is always that – once property rights have been acquired – nobody later on asks, how, but as a matter of fact this stabilizes power relations. From my perspective this is an argument for a continuation of political capitalism in certain socio-economic spheres.

Beyer admits that in post-socialist countries the differences to the liberal and the coordinated types (Hall, & Soskice, 2001) of capitalism are indeed large, but, on the other hand, he emphasizes that we can so far not speak about a pure type of post-socialist capitalism. Nevertheless, we should treat

this discussion of a new variety seriously (Beyer, 2009, p. 94 f.) and make it ongoing. Myant & Drahekoupil (in Menz, 2011) meanwhile distinguish five such variations, three of them - "oligarchic or clientelistic capitalism", "order states", and "remittance and aid-based economies" having democratic deficits. In political science we also discuss "defective democracies" (Christophe, 1998; Merkel, 2003). Characteristic of them is a high degree of corruption (Merkel et al., 2003, p. 91).

Taking the distinctions of Myant & Drahekoupil, which are ideal types, for our investigated societies, I would label Russia and Kazakhstan a mix of "oligarchic or clientelistic capitalism" and "order states", both constituting 'façade democracies' or 'guided democracies' (Mommensen, & Nußberger, 2007), while as a very poor state Kyrgyzstan would more relate to the type of "remittance and aid-based economies".

I mentioned earlier that our research in post-soviet countries covers a period from the mid-1990s to mid-2010s. While the three research projects refer to periods of two to three years, I took participant observation, particularly in Russia and Central Asia, for a much longer period. Both the research and my observations have shown particular characteristics which seem to be different to the Western Continental European and Anglo-Saxon types. I would like to summarize them as follows.

(1) First of all, most worlds of everyday life which we investigated show a clear-cut double morality. Both the state bureaucracy and the rich capitalists (and the coalition of these two) are considered to be foes, against whom the small people have to protect themselves. This happens by avoiding taxation, invisibility in the small-enterprise lifeworld or even as a citizen. Furthermore, security is provided by one's personal face-to-face networks and risk aversion towards 'pure' market transactions.

(2) But whenever it is necessary to cope with bureaucracy, it is advantageous to know somebody in the lower bureaucracy ('blat' or other forms of bribery). This is often necessary when bureaucrats do not act to serve the citizens but for their own personal benefits, misusing their power and giving signals that some money would speed up the bureaucratic process. In the field of small enterprises typical institutions that have to be bribed are the fire and hygiene departments, other technical services, customs officials and airlines, the registration office, and so on, not to mention the police in traffic and transportation issues; from the perspective of normal people almost the entire lifeworld is corrupt and requires bribery to achieve what is intended. 'Blat' relations can be interpreted as a form of nourishing one's social capital. One keeps good relations with influential people even then when one does not aim at support at that moment but as an investment, so that one can instrumentalize these relations whenever it is necessary.

(3) The double morality is directly connected to the strong reliance on personal face-to-face networks, and avoidance of formal institutions, by self-organization of loans and familial "insurance" mechanisms of reciprocity, by employment of people whom one knows (shared biographies), and the like. In all our research we observed such strong network ties, whereas our household research, however, shows a gradual change in the composition and use of such, because the better the income situation, the less dependence there is in such households on informal networks as "insurance mechanisms". This means that personal networks become options side-by-side with formal institutions such as banks or insurance companies. Also, unconditional reciprocity in family relations (moral economy) is scrutinized by judging whether the respective family member "deserves" support. It may be rejected, for example, if the potential supporter judges the person concerned to be unfit for life. Due to their financial buffers such agents can take risks, make higher gains or losses and act more like market agents.

Coming back to the question of a specific variation of post-socialist capitalism, there are indeed a number of indicators on the level of everyday life and the people's economy that support such thinking. At the same time, however, some indicators show that with intergenerational change

(Inglehart, 2003) and with rising incomes values and attitudes may change. The latter would hint at dependency between income level of society and market action. So indeed, many of our investigations support the transition approach of informal institutional continuity even after 25 years of post-socialism, while others clearly show change. It is therefore perhaps still too early to make a final statement about a specific variation of post-socialist capitalism.

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## Endnotes

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- i This article is a modified version of a working paper (2019) by the author (working paper no. 77, Institute II: Sociology, Otto-von-Guericke University of Magdeburg, Germany).
- ii According to Giddens (1979) structuration expresses the mutual dependency of human agency and social structures. Giddens argues that social structures are intimately involved in the production of action. The structural properties of social systems provide the means by which people act and they are also the outcome of such actions
- iii Scholars argued that this hybrid capitalism still functioned according to the logic of socialist systems: It is a logic of reproduction of power and dependency fundamentally different from the logic of accumulation of capital, but adapted to function under capitalist conditions.
- iv This was rational. I lost a lot of money in the financial crisis of 2008 when the private bank where I had my account collapsed. I had simply taken my 'collective memory' from Germany that since the end of World War II there was no larger bank crisis any more so that one can trust banks.
- v Mark Granovetter (1992) investigated strong and weak ties from the perspective of network theory. The 'strength of weak ties' is their ability to open up closed networks by building bridges to other networks. Recent approaches applying Granovetter's distinction to the notion of social capital distinguish 'bonding capital' (between people) and 'bridging capital' (between groups).
- vi Contrary to this view Voronkov & Zdravomyslova distinguish three spheres (Zdravomyslova & Voronkov, 2002; Voronkov & Zdravomyslova, 2004); due to the fact that the public sphere was again split into formal and informal, in addition to the private sphere.
- vii Kazakhstan is rich in resources (predominantly oil, gas, uranium) but with limited secondary-sector development and sparsely populated. As a result of economic growth in recent years, a middle class has emerged, notably in the urban centers. Kyrgyzstan is a mountainous, mainly agro-pastoralist country with only little primary resources except water and some gold. Industrialization during Soviet times was and is still very limited. The country belonged to the poorest regions of the former SU. Today, it is politically rather unstable. Several more or less peaceful "revolutions" occurred. Political unrest followed by ethnic disputes in 2010 caused a sharp drop in economic wellbeing and the GNI fell, contrary to the situation in Kazakhstan and the other Central Asian countries, where it has displayed a continuous rise since 2007, if we follow World Bank data. There is a lot of labour migration directed towards the big neighbour as well as to Russia and to other countries.
- viii See e.g. Asian Development Bank (2008). The SLA refers to physical capital, financial capital, human capital, social capital and natural capital and their mutual convertibility.
- ix While Kazakhstani citizens overwhelmingly vote the breakdown of the Soviet Union as beneficial (45% against 25% as harmful), Kyrgyzstani citizens vote the breakdown overwhelmingly as harmful (61% against 16% as beneficial) (Gallup, acc. 10.04. 2014, 21.34).

## About the Author

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