Introduction

The Soviet Union’s demise in 1991 spawned in the West a mini-industry of prescriptive books, articles, and conferences presuming to instruct Russia on how to build a democratic capitalist government, economy and society. Few of these prescriptions, however, offered insight into how Russia actually functioned at the time, how the societal gears meshed and people interacted. In their here-to-there fervor, they neglected the “here” in favor of the “there.” And they simply assumed much of the “in-between.”

Few books took account of the byzantine daily life in Russia—the result not only of communism’s legacy, but of other powerful social forces. Russian daily political economy, in fact, is a pastiche of legacies— that of Church, of State, of myriad external and internal cultural factors, Hobbesian chaos, ephemeral societal forces buffeting her people and her institutions. Little wonder that we wring hands over the unpredictable nature of Russia and her people, particularly in the years since the 2000 election of President Vladimir Putin.

But in fact, some Russia watchers claim that “unpredictability” is actually a Potemkin village of sorts, a façade designed to deceive Westerners who consider themselves far more sophisticated than their Russian counterparts, Russians who just cannot seem to get democracy and capitalism quite right. Says former Financial Times Moscow correspondent Chrystia Freeland, “I don’t think any of us imagined that Russia’s laws were vague on purpose; that their obscurity was not an accidental barrier to investment, which would be removed as soon as the ignorant Russians understood the problem, but something quite intentional, with the explicit goal of keeping us out” (Freeland, 2000: 185).

Former BusinessWeek Moscow bureau chief Rose Brady recalls the chaos that roiled Russia in her first post-Soviet decade: “The laws kept changing, Russian and Soviet laws contradicted each other. Taxes were ridiculously high, both for joint ventures and Russian enterprises. Property rights were not defined until 1996 . . . and even then, rules on land ownership were unclear” (Brady, 1999: 186). Nothing could be counted on – not law, not tax policy, not government at any level. Corruption was rampant throughout officialdom, and organized crime thrived.

Into this mix comes Anna Ledeneva’s work How Russia Really Works. In it she strives mightily to provide clarity, and we find that behind the opacity there was, and continues to be, a logic: the logic of informal practices, the unofficial “rules” by which one can get things done.

Themes

With a title that holds more promise than it doubtless is capable of delivering on, how could one possibly quibble with Ledeneva’s ambition in this work? Would that we could open a book – a user manual – to discover how Russia does function.

How Russia Really Works makes a game effort to explain the informal workings of Russian society, politics, and business. And as with all good social science, the author strives to place her work within the larger body of knowledge developed since the fall of the Soviet Union. She links Russia’s ubiquitous informal political and economic activities with larger phenomena. A consistent theme throughout her work is the dual character of Russia’s informal practices and their relationship to formal rules. These rules and practices are interactive. According to Ledeneva,
Informal practices exist in all societies but predominate (and even become indispensable) where formal rules and informal norms are not synchronized, and where the rules of the game are consequently incoherent.

Ledeneva’s thesis is that informal practices are prevalent in Russian society. She identifies two sets of factors to explain the reliance upon informal practices: 1) loopholes in the enforcement of future-oriented formal rules designed to improve the economic and political order in Russia, and 2) “the nature of informal norms as well as legacies of the past that continue to shape today’s practices.”

**Method**

The book seeks to explain Russian societal behavior in the context of institutions, generally following Douglass North’s prescriptions with regard to institutional behavior. In one of his early studies North (1971) hypothesized that institutions fill gaps in the market by addressing market failures. Beyond the face-to-face village community, the institutions that a given society develops (or fails to develop) are crucial instruments for long-distance trade, credit, and other inter-temporal and inter-spatial markets that are not self-enforcing (Mudambi and Navarra, 2002). Ledeneva attempts to place Russian behavior within the bounds of normal expectations of a nation-state, and this is admirable for any number of reasons, not least of which that Russia has been castigated for its apparently aberrational behavior for years.

Ledeneva organizes her material around a spectrum of political and economic themes that broaden and deepen her earlier scholarly work (Ledeneva, 1998). These themes are: the use of manipulative political campaigning (chernyi PR), the use of compromising information to exert influence on persons in politics (kompromat), the social ties of joint responsibility based on interpersonal trust (krugovaia poruka), barter schemes, and alternative forms of law enforcement.

Through all of these themes, Ledeneva leavens her own primary research with support from many Russian secondary sources.

Her data consist of 62 interviews with 50 respondents in four categories: 1) economic elites, 2) economic practitioners, 3) technical experts and professionals, 4) journalists. The interviews were conducted over a seven year period – 1997-2003 – and ranged geographically from Moscow, Saint Petersburg, the Ural region, and Siberia. Respondents were asked different sets of questions depending upon their professions.

Ledeneva acknowledges that it is impossible to analyze the data for regional variation. But it also appears quite difficult to analyze the data for variation across any dimension. The sample is too small and there is too little control. The evidence is what is sometimes called, derisively, “anecdotal.” But this would be an unfair judgment and one undeserving of this book. In fact, the data are so rich with insight and revelation, I found myself wishing that the author had employed a much more traditional narrative to the material.

Ledeneva’s interviews were conducted over a span of eight years. In Soviet times, when the bureaucracy was entrenched and change was incremental, this might not have presented major methodological difficulties. In a transitional society, particularly one with Russia’s chaotic and fast-paced history since the Soviet Union’s collapse in 1991, this does present problems of comparability.

For instance, interview results are from a panoply of different professions, ages, and incomes. If controlled for time (i.e., if they are conducted within a reasonable timeframe, so that all are responsive to the same macro environment), there might be a modicum comparability, despite the many other factors at play. But spaced over eight years? I cannot pretend to identify the distortions that such a time lag might introduce, but suffice to say that interviewees at the beginning of the study and those at the end of the study were doubtless exposed to radically different macro-economic environments, let alone the differences across a multiplicity of individual microenvironments.

While this time-lag might present problematic issues for an institution-based analysis, the pervasiveness and slow-changing factor of culture is relatively impervious to an eight-year span. Thus, the data might prove more tractable to an explicitly cultural approach. This is something that scholars, including Ledeneva herself, could pursue with fruitful results, I think.

The institutional approach is fine, as far as it goes, but is institutional analysis really helpful here? In point of
fact, institutions come from somewhere. They do not spring from the head of Medusa. But no one truly knows their source, much less how to create them. While Ledeneva’s research is solid and deep, I cannot help but suspect that the institutional framework is less than appropriate. Her research results, highly qualitative, are much more suited to the use of a comprehensive cultural framework in the vein of Fons Trompenaars (Trompenaars and Hampden-Turner, 1998) or Geert Hofstede (1984) rather than the institutional framework of Douglass North.

Now, I say this not for the spurious reason that I believe that Dr. Ledeneva did not write the book that I wish she had written – only that, while I am partial to North’s institutional model, it seems ill-suited to the application to the evidence presented. North, himself, has acknowledged forthrightly that for all the talk of the importance of institutions, we do not know how they form. WE simply do not know. On the other hand, a cultural framework, whether that of Hofstede, Trompenaars, Edward T. Hall, or other luminary in the area of culture and business, could prove a dynamic and robust framework for analysis, since culture is one of the building blocks of institutions themselves.

And if we acknowledge that institutions are malfunctioning, does it not behoove us to ask why? Particularly, in Russia.

Contribution

Marshall Goldman was one of the more perspicacious sovietologists, who recognized that the soil in Russia was much too infertile to support Western economic institutions, much less the political and legal structures necessary to support a market economy. Russia scholar Jerry Hough concurred with this view when he established the importance of mediating institutions and then indicated how little we really know about how the proper institutions are formed – we simply do not understand “how durable, socially desirable institutions are developed where they do not exist” (Hough, 2001: 13) Hough notes that this conclusion is consonant with the institutional work of Nobel Prize winner North. And as Goldman correctly concluded, “What the reformers failed to understand is that when market institutions are not already in place, it may take not months but years or decades to create them.” (Goldman, 2003: 61)

Ledeneva observes that informal practices arise when formal institutions fail to function properly or even at all. In Russia, such informal practices that skirt the law are quite common. Politicians and businessmen engage in informal practices in most countries of the world, and so one supposes that the difference is really only of degree. Ledeneva asks why, in Russia, are such practices so prevalent. Ledeneva’s conclusion with regard to the impact of Russia’s informal practices is that they are both positive and negative; like most phenomena, they have advantages and disadvantages with respect to who benefits and who does not. She concludes that:

Rather than following a coherent set of principles, informal practices are in line with some, but contrary to other, widely held norms and values and thus regarded ambivalently. They are usually condoned by some and condemned by others, and just as often condoned and condemned by the same people. …

The contradictory relationship with both formal and informal sets of practices accounts for their paradoxical relationship with both formal and informal sets of norms, which informal practices help both to reproduce and to exploit. (Ledeneva, 2006, p.195)

In other words, we really do not know how Russia really works. We just know that the institutions in place do not deliver as promised.

So the issue, then, is not that “informal practices” of interaction are prevalent in Russian society, politics, and economics – they exist to some extent in many societies. The central question that Ledeneva’s book prompts is why, in Russia, do institutions fail so spectacularly to deliver on their promise?

Here I suggest an alternative explanation for the rich data that Ledeneva has so ably marshaled. That alternative explanation is that Russia’s dilemma is not the incidental and routine institutional dysfunction akin to what we might expect in the West. Rather, Russia’s dysfunctional modes of interaction – the informal activities in Russian politics and economy – might be explained as the result of a cultural mismatch between society and the institutions that enable it to function. Call it “cultural dissonance.”

Cultural dissonance is what one should naturally expect when inappropriate superstructural institutions are grafted onto a societal substructure that is not prepared to support them, such as occurred in Russia in the early
1990s. Says Goldman: “The Russian social, political, and economic climate at the time was simply not ready. Seventy years of communism had created a setting that was hostile and likely to distort any privatization process” (Goldman, 2003: 76).

If Western-style institutions are not suitable for the daily conduct of economic and political life in Russia, then of course informal modes of interaction might be considered an inevitable outgrowth of institutional dysfunction. One can also ask the reasonable question that if the culturally appropriate institutions were matched with the societal structure, how much better might these institutions function?

**Conclusion**

Ledeneva’s work is a superb contribution to the burgeoning literature on the internal workings of Russia and her economy. It may prove even more promising as the basis for further exploration of the cultural impact on institutional development. It is here, I think, that answers to important questions may be found; even some of the more prominent Westernizers in Russia have come round to viewing Russia’s biggest challenges as culturally based. For example, former Russian Prime Minister Yegor Gaidar is one of the most fervent Westernizers and perhaps the most well-known of Yeltsin’s “young reformers” and the architect of the economic shock therapy that roiled Russia in the early 1990s. Yet even Gaidar, a professional economist who advocates universal economic prescriptions, acknowledges that cultural considerations are an essential component in the development of institutions:

My position is that, of course, history matters. And Russia has her own history. Economic models of course are connected with the particular historical circumstances and institutions of individual states. With regard to the importation of Western models, you cannot import the 500 years of British parliamentary history upon which the British economy is based. You cannot hope that things will work the same way (Ridgley, 2005).

Gaidar’s point is that if things do not “work the same way” when Western-style institutions are grafted onto a Russia substructure, then things will likely work in ways unintended and often not salutary. And it is this theme that should guide future research on institutional development in Russia.

**References**


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