CAMBRIDGE

Cambridge University Press
978-0-521-11082-2 - Can Russia Modernise?: Sistema, Power Networks and Informal Governance
Alena V. Ledeneva
Excerpt
More information

Introduction: modernising sistema

From the power of networks to networks of power

Sistema is an open secret in Russia that has a powerful grip over the society. It represents common, yet not articulated, perceptions of power and the system of governance. My ethnography of *sistema* is an attempt to articulate, assemble and cross-check such perceptions with insiders of the corridors of power, as well as to explore the daily functioning and mundane practices of Russia's 'state machine'.[1] The perceptions of *sistema* are elusive, context-bound, obscured by self-deception and often resist articulation but the daily patterns commonly associated with the power of *sistema* can be identified.

This book is a sequel to *Russia's Economy of Favours* (Ledeneva 1998). There I applied the bottom-up perspective to analyse *blat*, networking and informal exchange at the grassroots level. Here I look at the workings of power networks and methods of informal governance. I explore both enabling and constraining aspects of belonging to power networks and delve into the nuances of how they can be managed. I rely on my respondents to articulate the 'secrets' of *sistema*. *Sistema* rules are taken for granted by insiders, and their misrecognition of *sistema* is part of the story. The best sources are once-an-insider respondents, who broke *sistema* rules and were marginalised, or those who distanced themselves from *sistema* due to their career movements, personal development and global outlook.

[1] An analogy can be drawn with 'political machines' in the USA, and the spoils system aimed at the distribution of official positions among members of the winning party. William 'Boss' Tweed is known to have created a 'political machine' of the Democratic Party who set up a charity fund, Tammany Hall, that controlled key appointments in the State of New York and 'allocated' state orders. See J. H. Knott and Gary J. Miller, *Reforming Bureaucracy: The Politics of Institutional Choice* (New York: Prentice Hall 1987: 18–19), quoted in Yakovlev (2012).

© in this web service Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-11082-2 - Can Russia Modernise?: Sistema, Power Networks and Informal Governance
Alena V. Ledeneva
Excerpt
More information

Sistema victims, as well as critics of Putin's *sistema*, are emphatic about the negative features of his system of governance, but it is not exclusively dysfunctional.[2] The network-based governance is complex, diffuse, unpredictable and seemingly unmanageable, but at the same time it serves to glue society together, to distribute resources and to mobilise cadres, to contribute to both stability and change and to ensure its own reproduction. The central argument of this book is that Russia cannot modernise without modernising the network-based governance patterns referred to as *sistema*. It might be tempting to assume that there are obvious reform measures that can be undertaken to replace *sistema* with a market economy and the rule of law (*pravovoe obshchestvo*). But the point about *sistema* is that it enables Russian society to cope with its problems while at the same time undermining it. There is no obvious way of tackling *sistema* without weakening the various kinds of social cohesion that enable Russian society to function. The key question, therefore, is how to modernise the informal networks behind *sistema* without losing their functional potential while limiting their dysfunctional implications. In what follows, I highlight *sistema*'s open secrets and the paradoxes that tend to remain unarticulated.

Paradoxes of modernisation

The paradox of modernising Russia is that it is already in some ways modern, or even post-modern. Russia is one of the largest IT outsourcing supply markets and, though far behind India and China in volume, it is dominant in the top range of software.[3] Russia was the first country to launch a man into space, has remained a champion of sputnik launches and runs projects on space tourism. Its economy is open to the global economy, the number of initial public offerings (IPOs) is growing and its financial services are developing rapidly. Its commercial disputes are considered in international courts and its civil

[2] Whereas Latynina (2009) and Loshak (2010) emphasise *sistema*'s absurdity, Belkovskii and Golyshev introduce numerics to differentiate the economy of r–o–z (*raspil*, *otkat*, *zanos*) that was functional (at levels of 25–10–2) from the economy of r–o–z that became dysfunctional (at levels of 60–30-10), Editorial, *Forbes Magazine*, 21 October 2010, www.forbes.ru/svoi-biznes/predprinimateli/58657-otkat-raspil-zanos.

[3] 'Outsourcing to Russia: country profile and statistics', www.sourcingline.com/outsourcing-location/russia: 'Russia is a leading nation for the outsourcing of complex and advanced IT application development.'

© in this web service Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-11082-2 - Can Russia Modernise?: Sistema, Power Networks and Informal Governance
Alena V. Ledeneva
Excerpt
More information

cases have dominated the European Court of Human Rights (ECtHR) in Strasbourg since the year 2000. Russians are known for their culture, education and 'cynical reason' (Yurchak 1997). While largely apolitical, the younger generation is adroit at cyber-creativity and cyber-activism.

Yet the modernisation discourse presumes that Russia is in some way pre-modern, and not only in terms of Russia's dependence on natural resources.[4] In a social sense, the modernisation of Russia means 'a very simple thing', as suggested in a novel by Viktor Pelevin:

> that trains in Russia would follow the timetable, bureaucrats would not demand kickbacks, judges would ignore telephone commands, natural resource traders would not take their money to London, traffic policemen would live on their salary, while *Rublyovka* residents would move to *Chistopol´skaya krytaya* [a prison].[5] (Pelevin 2008: 176–7)

What does all this have to do with modernisation? The characteristic common to all these problems is the gap between the way things are formally declared to be and the way in which things get done in practice – in the order listed above, these are: timetable, code of conduct for state officials, civil and commercial legislation, corporate code and property rights, law enforcement and equality before the law. In this context, to modernise Russia means to minimise these gaps.

In academic literature 'pre-modern' institutions are associated with traditional forms of governance such as patrimonial power. They are also associated with patterns of informality that rely on personal relationships to compensate for the failure of organisations and on personal trust to substitute for the low levels of impersonal trust in public institutions. Since such patterns of informality personalise, subvert and soften the 'iron cage' of bureaucracy, they are obstacles to Russia's social and institutional modernisation. In Pelevin's story, the reaction to the modernisation scenario is quiet laughter and a knowing smile, followed by an explanation of the madness of the suggested doctrine and references to the PR nature of the modernisation campaign, the

[4] Dmitri Medvedev has formulated the 'four *i*s' (*institutions*, *infrastructure*, *innovation*, *investment*) of Russia's economic programme, followed by the fifth '*i*' for *intellect* (knowledge-intensive projects).

[5] *Rublyovsko-Uspenskoe shosse* is the site of elite residences just outside Moscow. The author suggests that the elite should be sent to prison because of the means by which they raised the money to acquire property there.

© in this web service Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-11082-2 - Can Russia Modernise?: Sistema, Power Networks and Informal Governance
Alena V. Ledeneva
Excerpt
More information

social myths supporting it and the use of administrative resources (Pelevin 2008: 177).

Experience shows that top-down efforts to modernise Russia can be partially effective, yet overcoming its 'pre-modern' features and 'catching up' with other modern societies is by no means a linear process. In this context, one has to take modernisation as a multi-dimensional concept. The aim of my study is to gain an understanding of the workings of the power networks that account for the failure to implement leaders' political will and the unfortunate outcomes of well-intended modernisation programmes. One should not think about power networks simply in terms of 'personalisation of bureaucracy' or 'patron–client relationships' penetrating formal structures of governance throughout Russia's history and diverting it from its course. Power networks serve to control resources and to mobilise cadres. They constitute *sistema* – a pattern of governance that works but simultaneously presents an obstacle for change. Former Soviet President Mikhail Gorbachev has given revealing testimony about the Soviet *sistema*:

> I was in charge of the Stavropol region for 10 years . . . 55 years in politics overall . . . I knew our system inside out. I saw it all. I understood. But for a long time, I couldn't admit that it was the System. I used to think it was all about people. I assumed that cadres could be changed. My own Stavropol experience showed that a radical change of cadres, their rejuvenation, provides an opportunity to solve many problems. If one could achieve it in every region, I thought, the same thing could be achieved in the whole country . . . When I came here [to Moscow] it turned out things were not that simple. Here it was impossible to move even a single person. I knew then that I was in trouble. And not just me. Signals came from everywhere: people wondered what was happening. Unsolved problems everywhere but information was restricted, people under pressure, say a wrong word and that's it (*piknul i vsyo*).[6]

A close Gorbachev ally of that period, Eduard Shevarnadze, also a member of the top Soviet leadership, has said that by the beginning of the 1980s the 'system' had gone rotten. When asked to clarify whether he meant that the Communist Party apparatus was corrupt, he said:

> No. *Sistema*. The system had gone rotten. Then, ten years ago, I didn't say it but from the very beginning it was created on the basis of wrong principles.

[6] TV interview with Vladimir Pozner, summer 2009.

© in this web service Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-11082-2 - Can Russia Modernise?: Sistema, Power Networks and Informal Governance
Alena V. Ledeneva
Excerpt
More information

I felt as if we were in a dead-end, lost without a compass. (Timofeev 1993: 181)

When the USSR collapsed, so did the political system whereby the Communist Party directed affairs from behind a facade of bogus institutions. During the presidency of Boris Yeltsin (1991–9), these highly personalised arrangements were supposed to be replaced by new, transparent institutions and market mechanisms. However, the new institutions proved to be weak and ineffective. It was not long before informal networks, inherited from the Soviet period while differing from them in important respects, sprang up to bridge the gap. In Putin's Russia, the reliance on power networks for governance became known as 'manual control' or 'Putin's *sistema*'.

Russian elites continue to talk about *sistema* – it is the third most frequently used term after 'business' and 'money' (Oleinik 2008a). Putin is commonly seen as effective in overcoming the legacy of Yeltsin's inner circle and appointing his own people to key positions. Once he had left the Presidential office, however, he too admits to the pressures imposed by *sistema*. In a way not dissimilar to Gorbachev, Putin points out the difficulty of firing people as follows:[7]

To sack someone is a serious problem. Sometimes it looks like a person has to be simply kicked out. But I assure you that this is not always the case . . . I know all too well that these cases are tied up with a complex political struggle. It seems, perhaps, as if a criminal case can be opened on anyone . . . But once you look closer, there are no real foundations. And if not, then one is innocent.[8]

Some commentators see Putin's article as important to understand what is happening in Russia's power structures, others doubt if Putin even wrote it himself.[9]

[7] Originally published in *Russian Pioneer*, http://ruspioner.ru/news/557.html, subsequently http://ruspioner.ru/columns/putin/613.html; see n. 9 below.

[8] Quoted from 'Svoi biznes: Chinovniki biznesmeny', *Forbes Magazine*, 20 October 2010 13:24, www.forbes.ru/svoi-biznes/58524-chinovniki-biznesmeny.

[9] Putin acknowledged the ownership, see the discussion of *Okolonolia [gangsta fiction]* by Natan Dubovitsky (also published in a special edition of *Russian Pioneer*, Moscow: Media-Group Zhivi, July 2009, rumoured to be authored by Vladislav Surkov, First Deputy Chief of Staff of the Presidential Administration), *NATO Research Review*, October (Rome: Research Division, NATO Defense College 2009).

© in this web service Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-11082-2 - Can Russia Modernise?: Sistema, Power Networks and Informal Governance
Alena V. Ledeneva
Excerpt
More information

It is worth noting that the leaders reflect upon the pressures of *sistema post factum*. Living under *sistema* can best be understood when the pressure of it is gone. Just as the role of *blat* networks – the use of personal contacts to get things done – could be fully articulated and conceptualised only after the collapse of the late Soviet economy of shortage, the role of power networks in *sistema* will be best understood once they become less central. When bidding farewell to the literary censorship of the Soviet era, the writer Fazil Iskander grasped the spirit of living within the *sistema* in his cruel but witty description of the post-Soviet literary situation.

> Imagine that you had to share a room with an aggressive madman all your life. Moreover, you also had to play chess with him. On the one hand, you had to play so that you would not win and anger him with your victory; on the other, you had to play so subtly that he would not suspect that you allowed him to beat you. When the madman disappears, this precious skill and life-long experience of survival with a madman turns out to be redundant. (Quoted from Genis 2002: 29)

Such an explanation of the psychological stupor experienced by Soviet writers once the censorship of the Soviet regime had disappeared chimes with the experience of post-Soviet judges, who are reported to be uncomfortable with the lack of informal guidance. The ambivalence of pressures of *sistema* and the necessity to read between the lines and to comply with informal signals competently have been grasped in linguistic idioms and folk wisdom. The affirmative resolution on the document can mean anything from 'do it immediately' to 'don't do it no matter what' (Zhvanetskii 2009, first performed in 1986). The colloquial advice 'to avoid falling out of the system' includes: 'don't complicate life for yourself or others'; 'don't play with fire' (*ne igrai s ognem*); 'don't look for trouble' (*ne lez´ na rozhon*); 'don't overtake the steam engine' (*ne begi vperedi parovoza*); 'don't be holier than the Pope' (*ne bud´ svyatee papy rimskogo*); 'don't make a circus' (*ne ustraivai balagan*); 'don't insist if you don't have to' (*ne obostryai tam gde eto ne nado*).[10] All of these formulae imply the skill of distinguishing between 'where necessary' and 'where not necessary', the sensitivity to perceive threats and signals unnoticeable to outsiders and the tacit knowledge of 'how to survive with a madman'.

[10] I have assembled the list of idioms from the novels by Pavel Astakhov.

© in this web service Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-11082-2 - Can Russia Modernise?: Sistema, Power Networks and Informal Governance
Alena V. Ledeneva
Excerpt
More information

My study of *sistema* began with an analysis of grassroots informal networks in the late Soviet period (Ledeneva 1998), continued with an analysis of their transformation in the 1990s (Ledeneva 2006) and is completed by an analysis of power networks in the 2000s. I have argued that the power of the grassroots networks that somewhat balanced the rigidity of the authoritarian regime in Soviet Russia has not been sufficiently channelled into the production of a robust civil society in the post-Soviet period. The lack of checks and balances and of trust between the State and society has resulted in a disproportionate influence of power networks. The power networks have benefited from their links to the 'vertical of power' (*vertikal´*) but have also embraced opportunities provided by the market and globalisation, thus producing new types of exposure and vulnerability for *sistema* (Ledeneva 2008b). This book scrutinises the power networks of Putin's two terms as President; conceptualises their role in the formation of the network-based system of governance, best known as Putin's *sistema*; and contrasts them to the Soviet *sistema*. Where data are more recent than 2008, I assume that the model of governance has not changed under President Medvedev, unless specifically stated. Before I approach the issues of modernisation of power networks, I need to register the considerable changes that have occurred in *blat* networks.

The power of informal networks

The power of informal networks was such that *blat* – the use of personal networks for obtaining goods and services in short supply and for circumventing formal procedures – can be effectively conceptualised as the know-how of the Soviet system and the reverse side of its over-controlling centre. On the one hand, the Soviet regime was penetrated by widely spread informal practices, depended on them and allowed them to compensate for its own rigidity. On the other hand, informal practices served individual needs and facilitated some personal freedoms and choice. The power of networks to tackle the economic, political, ideological and social pressures of the socialist system effectively meant that the system worked against its own proclaimed principles. Yet paradoxically, by subverting the socialist system, the power of networks also supported its existence.

© in this web service Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-11082-2 - Can Russia Modernise?: Sistema, Power Networks and Informal Governance
Alena V. Ledeneva
Excerpt
More information

Thus, research into *blat* has helped solve a double puzzle in the history of authoritarian regimes: how people survived in an economy of shortage, and how the regime survived under similar constraints. But it also opened an avenue to explore the nature of political and economic regimes from a new perspective – the perspective of informal practices. Informal practices have become an important indicator in assessing models of governance. In *How Russia Really Works*, I identified the informal practices that replaced *blat* in the functioning of the political and economic institutions of the 1990s (Ledeneva 2006). What has happened to *blat* since the 1990s?

There is no satisfactory answer to that question. If you claim that the influence of *blat* has declined and the term has become obsolete, people overwhelm you with examples of its relevance. But if you argue that *blat* continues to operate, they reply that the term is long out of fashion and it is money that matter most. In fact, both tendencies can be seen. Change is happening to a varying degree in different sectors and contexts. As a term, *blat* emerged to designate Soviet practices characteristic of state-centralised regimes and economies of shortage. Once the economy of shortage has given place to markets of goods and capital, *blat* loses its relevance for everyday consumption but is still important to get access to jobs, healthcare, education and so on. Consider the data collected in a national representative survey conducted toward the end of Putin's Presidency by the Levada Centre – Russia's most respected polling agency. When asked to define *blat* nowadays by choosing as many prompts as necessary, 18 per cent of respondents indicated that the term was no longer used, while 5 per cent noted that the word *blatnoi* meant criminal, and that it had returned to its original pre-revolutionary meaning. At least one in five respondents associated *blat* with an exchange of favours (22 per cent) or best described by the proverb 'I scratch your back, you scratch mine' (*ty-mne, ya-tebe*) (15 per cent). With regard to formal constraints, the responses were: 'circumvention of formal rules and procedures' (17 per cent), 'problem-solving' (12 per cent), '*blat* is necessary in order to give a bribe' (6 per cent) and access to administrative resources (4 per cent). Tellingly, people were familiar with both the term and the practices. Only 7 per cent of respondents found it difficult to answer the question, and some respondents offered their own definitions, including '*blat* is higher than Stalin' and '*blat* is the price to pay for socialism' (*izderzhki sotsializma*), as well as '*blat* is the corrupt system, the whole industry' and '*blat* is life'.

© in this web service Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-11082-2 - Can Russia Modernise?: Sistema, Power Networks and Informal Governance
Alena V. Ledeneva
Excerpt
More information

Table I.1 ***Use of*** **blat** ***in 2000–7***

'What did you use your contacts for in the last seven years?' (Multiple choices possible, percentage of those admitting the use of contacts)

Contacts used for	%
Healthcare services:	
Access to local surgery	15
Hospital bed	6
Reducing the cost of operation	4
Solving problems with traffic police:	
Registration of vehicles	10
MOT registration	8
Finding a job Education:	12
Places in primary-secondary	7
Higher education	5
Legal services	2
Help in courts	3
Avoiding army conscription	4
Everyday services:	
Better quality	3
Better price	1
Repairs of housing, garages, dachas	3
Tickets for events, theatre, concerts	2
Hobbies	1
Consumer goods	1
Foodstuffs	1

In response to a question about the uses of *blat*, the hierarchy of needs presented above is the reverse of what it was in the Soviet days. Then, *blat* was essential for obtaining foodstuffs, consumer goods, books and theatre tickets and was more or less an omnipresent practice. Now these items are at the bottom of the list and mentioned by 1 per cent of respondents each (see Table I.1). At the end of 2007, services that still required *blat* were healthcare, education, employment and dealing with the traffic police.

This hierarchy of needs is not specific to Russia; the middle class uses contacts for medical or educational purposes in many societies. The impact of informal networks on an institutional environment is one of degree; what distinguishes the Russian case is the scale of the use of

© in this web service Cambridge University Press www.cambridge.org

CAMBRIDGE

Cambridge University Press
978-0-521-11082-2 - Can Russia Modernise?: Sistema, Power Networks and Informal Governance
Alena V. Ledeneva
Excerpt
More information

Table I.2 ***Use of* blat *in regions in 2007***

'In your opinion, how widespread is *blat* in your city or region now?' (One response only)

	Frequency	%	Cumulative %
Widespread	454	28	28
Rather widespread	613	38	**66**
Not very widespread	208	13	79
Practically absent	63	**4**	83
Difficult to answer	264	17	100
Total	**1,601**	**100**	

informal practices. In response to the question, 'In your opinion, how widespread is *blat* in your city or region now?' (Table I.2), two-thirds of respondents said it is widespread or rather widespread in December 2007 (note the difference with low percentages of personal experience in Table I.1).

However, if one interprets these data on the basis of *blat* in its Soviet sense (as serving the economy of shortages of food and services) one misses a crucial point. A new shortage emerged in post-communist Russia – money – and *blat* practices adjusted to it. In Soviet society, money played only a small role and access to goods and services meant everything. Now that the capital and commodity markets work and goods and services are available, it is access to money, secure investment and getting a well-paid job that have become the new terrain for personal networks. Not only have networks re-oriented themselves to serve this new type of shortage, the use of contacts has become 'monetised' in the sense that money is not excluded from personalised transactions. This is particularly pronounced in the private sector that emerged in post-Soviet Russia and significantly shifted the use of networks towards the needs of business. According to data from the INDEM think tank, ways of 'beating the system' formerly associated with *blat* amount in today's Russia to 10 per cent of the overall corruption market. About 90 per cent of bribes in Russia are paid by businessmen for export licensing and quotas, state budget transactions, tax transfers, customs duties, privatisation deals and servicing debts to the federal budget (Satarov *et al.* 2005). New informal practices, such as tax evasion and

© in this web service Cambridge University Press www.cambridge.org