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Economic Culture and Political Reform in Russia

Executive Summary

An in-depth review of three historical efforts at drastic economic policy change in 20th-century Russia and the USSR demonstrates that in each case, a constant set of cultural norms limited the ability of state leaders to change patterns of economic behavior in the society. Therefore, it is concluded, economic reform efforts today that do not take account of these cultural norms are likely to be subverted, leading to unpredictable and undesirable economic and political consequences.

The dominant pattern of societal behavior continued to be what I call "locally mediated entrepreneurship," despite leaders' efforts to make Russian society either more individualistic (during the tsarist Stolypin reforms at the turn of the century, and during Lenin's New Economic Policy of the 1920s) or more communitarian (during the Stalinist period). This pattern had been established in Russia for centuries under the tsars. Individuals, including male peasants under serfdom, were allowed and even encouraged to engage in merchantry and speculation for their own economic gain, and were supported in these efforts by their local community. There were always wealthy peasants, even under serfdom, and in Soviet times, the private shabashniki who arranged the necessary (but illegal) deals between state factories could get unusual access to Western luxury goods and foreign travel. In return, these wealthy individuals were required to pay back a share of their profits to the community. One manifestation of this share-the-wealth norm was levelling behavior, which continued from the peasant commune to the industrial shopfloor.

If the individual followed the norm and shared his or her wealth, then the community would protect the individual from adverse consequences, providing a sort of social insurance policy in the event of loss or unemployment. If, on the other hand, the individual refused to pay back the community, then the community would turn against the individual. On the commune, a wealthy peasant might be beaten for refusing to pay a higher share of taxes; on the shopfloor, an overachiever might have his or her tools destroyed; and in Soviet times, the go-between could be sent to prison for illegal activities if the fragile bonds of the circle of business friends were broken.

This continuous historical pattern of culture reasserting itself in the face of drastic economic policy change has important consequences for Russia today. Its continuation can be seen in phenomena ranging from the "spontaneous privatization" of state factories by the insider community of managers and workers, to the rumored success of networks of Komsomol [Communist Youth League] members in establishing profitable cooperatives through insider ties
during the Gorbachev era. It may also help to explain the prevalence of competing organized
crime communities in the Russian economy today.

For those attempting to reform the Russian economy, this cultural pattern of locally
mediated entrepreneurship has four policy implications:

1. Economic reforms will have more permanent effect if they are carried out at the local
level. If people believe that local entrepreneurs will benefit the local community, they will be
more supportive of reform. Free economic zones with tax breaks for foreign investors are an
example of locally based policies that should be encouraged. Foreign investors should be
further encouraged to create local supply and sales networks for their Russian businesses.

2. High levels of employee ownership in privatizing factories should be encouraged.
Some analysts fear that employee ownership will lead to inefficient worker management, where
the profits are plowed back into wages instead of being used for new investment. Yet levelling
behavior is likely to be the rule in Russian factories regardless of the official economic
incentive structure. If the workers are going to stick together anyway, they are likely to be
more productive if they have a direct interest in the factory's profitability.

3. Entrepreneurs who are well socialized into their existing work groups should be
encouraged to stay with their existing firms, rather than striking off on their own to form new
small businesses. Some Western analysts have proposed "bulldozing the management," and
destroying inefficient state enterprises, particularly in defense industry. What my analysis
indicates, however, is that existing work groups have great social meaning for their members,
and that bulldozing them would be destabilizing. If work groups are destroyed, their
unemployed members may become a supportive network for reactionary political demagogues.

4. Young Russian entrepreneurs who are currently attending Western business schools to
learn how capitalism operates should be encouraged not to pursue curricula that emphasize
traditional, American-style individualistic decisionmaking, but rather curricula that emphasize
management on a communitarian model. This clearly is the new wave in American business
management, as Americans try to learn from their Japanese competitors. Russian entrepreneurs
who display a communitarian ethic are more likely to win the support of their surrounding
communities, and are therefore more likely to succeed in the long run.

It should be emphasized that capitalism is in fact part of the traditional mass Russian
culture, and therefore reforms which encourage entrepreneurialism and private gain are not
foreign implants. However, to succeed, these reforms must be designed to harness the power
of local Russian communities.
Economic Culture and Political Reform in Russia

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"In considering Russia's social conditions as we have sketched them here, we can only be struck by their remarkable similarity to the utopia which modern political sects, namely, the Saint-Simonians and the communists, have imagined to represent the perfect society."

—Baron August von Haxthausen, 1843

Introduction

In recent decades, social scientists have frequently debated whether or not countries have distinct cultures that influence the character of state political institutions and policy choices. On one side is an anthropological argument, largely associated with area studies, which holds that distinct cultures exist and have important political impact. On the other is a traditional structural perspective, which views all humans as fundamentally equal units whose behavior is largely explained by their reactions to structural incentives created by varying situations.

In times of political stability, discussions about whether or not culture should be treated as an independent variable may seem academic, even pedantic. One can always find competing structural and cultural explanations for why political institutions developed as they did. But in times of political upheaval, when policy choices must be made even though outcomes are frighteningly unpredictable, knowledge of whether or not culture has real political impact may make choices between policies easier. This may explain why, in the post-Cold War upheaval of the past year, prominent social science and policy journals have published articles by diverse scholars united behind the notion that knowledge of national cultures is vital for an understanding of state behavior.

Russia, in its current fluid political situation, is a prime example of a country where knowledge about the relative influence of structure versus culture on behavior could make the impact of policy reforms more predictable. This is especially true for those who wish to make predictions about the likely effects of economic reform proposals. If change in state-imposed economic incentive structures leads naturally and universally to behavior change, then a healthy free enterprise system should be relatively easy to establish in the medium term. A sufficient number and variety of entrepreneurs and private industries will naturally arise and flourish, given capitalist system incentives, and a minimal state social security system can protect those unable to adapt. If, on the other hand, Russia has an ingrained economic culture that is inimical to free enterprise, structural change may not lead to behavior change. Instead, changing structural incentives might be selectively perceived, interpreted, and understood.
leading in the shortrun to confusion, and in the longrun to work-arounds that serve to reestablish old behavior patterns despite new conditions.

This study is an attempt to distill what we know about the history of Russian economic behavior, in order to discover whether or not cultural continuities have prevailed over time. As various state-led innovations in economic policy occurred, beginning with the revolutionary era of the early twentieth century, did economic behavior change to reflect changes in the incentives actors faced? Instead, did cultural perseverance undercut policy change efforts? Or did changes in economic conditions actually cause a shift in culture? It is hoped that the experiences of the Russian past can usefully inform discussions now about the direction that economic policy should take in the new Russia.

**Culture versus Imposed Structure**

One of the greatest challenges for the culturalist social scientist is to come up with a definition of the term "culture" that will satisfy a large enough audience. Harry Eckstein has noted the "variable and ambiguous use" of the term, and has identified several distinct schools of thought about its meaning, ranging from the anthropological to the sociological. Since the primary goal of this study is to try to disentangle the impacts that state-imposed structure and culture have had on behavior, I will turn to the debate between structuralists and constructivists for my own definition of terms.

Structuralists (with the term used here in its classic sense) tend to argue that differences between actors (including such things as personality, ethnicity, etc.) can be usefully left aside for the sake of parsimony. The most powerful explanations for political behavior, in this view, are those that concentrate on how an actor’s position within a given system defines the incentive structure faced by that actor. The context, not the actor, is primarily responsible for the shape that actions take, at least on average. Actors are assumed to be egoistic and to maximize their own interests, and therefore wise actors will adopt behaviors which further their economic well-being as individuals within the system they face. Foolish actors, those who ignore or misinterpret structural incentives, will be losers in a competitive game, and therefore their ineffectual behaviors will be marginalized. It thus follows that if policymakers tinker with the structural incentives actors face, they can direct social behavior (especially, economic behavior) toward desirable ends.

Constructivists on the other hand, argue that structure’s impact is limited by how that structure is perceived and interpreted by different human actors. The environment that actors face is socially constructed, not given. Different societies (whether those societies are
families, organizations, communities, or immense world civilizations) have different
differences, if only on the surface, about what kinds of incentives the environment contains, and about how best to
react to those incentives. Not all actors necessarily have individualistic, self-interested
perspectives. Actors who have had different socialization experiences are likely to respond
differently to the same environment. Culture, defined as a set of historically grounded,
socially reinforced perspectives on how to respond properly to a given situation, is a key
explanation for behavior. Culture, in fact, naturally creates social incentive structures, and
these "informal institutions" may reward behavior that is at odds with seeming economic
rationality. Policy structures alone will not automatically act as selectors for certain types of
behaviors, if those behaviors are not in accordance with social norms. Behaviors which might
seem to an outside observer to be structurally unwise may nonetheless be dominant, if they are
socially accepted and encouraged. Cultural perspectives can be changed, but only with great
difficulty, and structural policy incentives which do not fit existing perspectives are likely to be
ignored, or to be interpreted in ways which policymakers may not expect in advance.

Debates between structuralists and constructivists have appeared across social science
subfields, especially in economics (where the debate is between neoclassical structuralists and
institutionalist constructivists), organization theory, and international relations. The major
issue of contention is similar in each case: whether to treat actors' interests and preferences as
given, for the sake of generalization and prediction across cases, or whether instead to examine
how actors develop the interests and preferences they do, for the sake of explanation and
prediction in particular instances. When one is interested in making predictions about
particular countries, it therefore makes sense to turn to a constructivist perspective for an
understanding of how economic structures are perceived and interpreted there. Nonetheless, it
would seem that many of the most prominent economic advisers to past President of the USSR
Mikhail Gorbachev and current President of Russia Boris Yeltsin have lined up behind a
structuralist, neoclassical approach, arguing that the predominantly free market system of the
West can be applied for all practical purposes as easily in Russia as it has been in Western
Europe or the United States.

Since cultural norms can be thought of as a type of incentive structure, I will attempt to
keep terms distinct by defining "imposed structure" as policies designed to encourage or
discourage certain directions of economic behavior—for example, state tax enforcement and
credit availability policies, state laws forcing or prohibiting certain economic arrangements,
etc. My definition of imposed structure thus does not include incentives which are created by

*NCSEER NOTE. This paper does not deal with the issue, but the same might be said of the predominantly democratic systems of the West.
cultural norms, such as the desire of the individual to conform socially to rules made by families, communities, or other social organizations which lack government-like enforcement and coercion powers. Imposed structures can be manipulated by policymakers who have the requisite political power and authority; cultural norms are likely to be much more deeply imbedded and much more resistant to outside pressure.

This leads us to the question of how stable or mutable cultural norms are. There are two competing schools of thought on this issue, which tend to mirror the structuralist/constructivist debate outlined above. On one side are those who expect cultural continuity despite changing structural circumstances. Some organization theorists, for example, have noted the tendency of actors to turn to their organization’s memory bank for clues about how to respond appropriately to a novel and uncertain situation. Present circumstances are likely to be interpreted in terms of past experiences, and thus will be viewed through the lens of organizational culture. Historical institutionalists, who study the impact that established institutional norms have on later policy choices, turn to the concept of path-dependent innovation to explain continuity. Once particular policy choices are made, these choices create or strengthen norms which channel later options. Norms are then transformed into objective structural constraints. Many theorists who turn to cultural explanations argue that cultures, when they do change, evolve very gradually over long periods of time. A strong argument has been made, for example, by Ezra F. Vogel that despite the radical structural change caused by post-war occupation, Japan has seen a great deal of continuity in underlying cultural norms. The Japanese, he believes, adapted to democratic capitalism without adopting the individualistic culture of the dominant American occupation force. Thus even revolutionary structural change does not inevitably overcome longstanding cultural patterns. Culture perseveres by adapting to new circumstances.

On the other side are those who argue that culture can change rapidly in response to sudden environmental shifts. Some in this latter group have borrowed the concept of punctuated equilibrium from paleontologist Stephen J. Gould, who argues that biological evolution happened not in a continuous stream, but in response to environmental catastrophes that suddenly rewarded new genetic characteristics. Peter Katzenstein, in an article which contrasts in an interesting way with Vogel’s statement about Japanese post-war cultural stability, argues that West German political culture changed radically in the post-Nazi era, and that American concerns about a reemergent authoritarian Germany are therefore groundless. Katzenstein believes that the Allied occupation, accompanied by an internal sense of national revulsion at what Germany had become, imposed a new (or, more accurately, a renewed
pre-Nazi) political culture on the country. Structural revolution caused cultural change, in this case towards democratic mediation and gradualism. In a similar vein, Samuel P. Huntington and James Q. Wilson have both offered examples of organizations that have radically transformed their missions to meet the requirements of a new environment, while others have failed to adapt and have therefore died off.18

Part of the difference in findings of these two sets of analysts may be definitional. As Eckstein noted, culture has meant different things to different scholars. Thus some sort of clearly operationalized scale must be developed to measure cultural continuity and change. Since the subject under examination here is economic culture, I will turn to a typology developed by George C. Lodge and Ezra F. Vogel that captures one of the basic dimensions of the cultural norms of business activity. They use the terms "individualistic" and "communitarian" as the endpoints of a continuum along which the business philosophies of societies range.19 The individualistic ideology sees "the interests of the community...defined and achieved by self-interested competition among many, preferably small, proprietors." where "fulfillment lies in an essentially lonely struggle in what amounts to a wilderness where the fit survive."20 The United States, in their view, holds an almost ideal version of the individualistic ideology. Communitarianism, on the other hand, is based on the notion that "The community is more than the sum of the individuals in it....The community as a whole has special and urgent needs that go beyond the needs of its individual members." and "Individual fulfillment, therefore, depends on a place in the community, an identity with a whole..."21 A society which has always maintained a communitarian ideology, in their view, is Korea.

Lodge and Vogel recognize that these ideologies or cultures can change over time; in fact one of the purposes of their edited volume is to convince Americans of the need to become more communitarian in order to survive in the new world order. There is thus no a priori assumption that cultures are constant. Yet, as noted above, Vogel argues that the communitarian Japanese culture withstood even occupation by an individualistic military force and an imposed constitution, and that its strength came in its adaptability to changing circumstances. Their scale is thus one that can register both continuity and change.

In the section which follows, I will apply the individualism/communitarianism typology to Russian economic history, in the hopes that this might provide an understanding of the relative power of culture versus imposed structure in determining economic behavior patterns. I will first describe the baseline cultural background of the Russian economy before drastic reform efforts were undertaken, so that Russia's starting point may be located on the Vogel and Lodge scale. I will then provide snapshot case-studies of the results of three historical
attempts by state leaders to alter radically Russian economic behavior patterns: the Stolypin reforms of the early twentieth century; the New Economic Policy pursued by Lenin in the 1920s; and the Stalinist imposition of collectivization and state planning, which defined the official Soviet economy until the Gorbachev era. If such structural innovations in the past succeeded in altering Russian economic culture, then we should conclude that economic culture is probably not a strong impediment to economic change now. Wise policymakers can harness self-interest to profitable ends, regardless of social constructs. If, on the other hand, the baseline cultural pattern endured in Russia throughout the twentieth century despite structural change, we may conclude that policymakers should pay attention to cultural proclivities. Otherwise, structural reform efforts may have unpredictable and unwanted consequences, as cultural patterns reassert themselves.

Russian Economic Culture: A Baseline Description

At first glance, many observers might logically assume that Russian culture is at the far communitarian end of the spectrum. Many have argued that the strength of the socialist idea in the Soviet Union was due in part to the natural socialism of the peasant commune, or mir, and it has become a commonplace observation that Russian society seems to value levelling over individual achievement. Many Russians seem to believe this themselves, as evidenced by the plethora of Russian jokes about valuing the misfortune of one’s neighbors over the enrichment of oneself. Some have argued that the communitarian norm was native to all of East-Central Europe.

Yet once we turn to firsthand and scholarly accounts of the Russian economy, it becomes clear that while the communitarian tendency in Russia is strong, it is balanced by a strong streak of enterpreneurial individualism. The key is in understanding how the communitarian and individualistic strands of Russian culture are interwoven. In 1843, Baron August von Haxthausen (whom S. Frederick Starr accords "preeminence among Western European experts on Russia" at the time) toured Russia in order to study the institution of the peasant mir. At that time, serfdom was still in place, and the peasants were still, in theory, bound to the land. Yet Von Haxthausen noted that any male peasant could take up the life of an itinerant merchant, and wander around the empire selling whatever goods he was capable of making or buying, as long as he could get his master’s permission to do so. Von Haxthausen wrote, "They speculate. work for their own gain, and pay their master only a fixed tax, the amount of which is almost always arrived at by haggling." If the peasant were a good salesman, it was therefore in the interests of the landlord to allow him to buy his travel rights,
since a good tax could be forthcoming. Von Haxthausen noted that peasants could become quite wealthy this way; in Nizhnyi Novgorod, the site of a yearly commercial fair, "Among the inhabitants there is a great disparity in wealth. Formerly one found even greater wealth here; there were two peasants who each had more than 500,000 rubles banco." In some regions, he discovered, the wealthiest peasants became manufacturers of goods for sale, while only the poor continued to farm. Von Haxthausen's observations about wealthy peasant/merchants were confirmed by Donald Mackenzie Wallace, another West European traveller and scholar, who visited Russia frequently throughout the following decades. He noted that "not a few [peasants] succeeded in amassing large fortunes," and that these peasants have "an enterprising, self-reliant, independent spirit." Many migrated to towns and cities, where for payment of an additional fee they became officially recognized as merchants, artisans, or burghers; even though they could only purchase their own houses in the name of their landlords, since serfs were prohibited from owning property. As Alec Nove points out, "Readers of Chekhov will not need reminding that the man who bought the cherry orchard was a nouveau riche son of a serf."

It would therefore seem that capitalism was no stranger to the nineteenth-century Russian peasant. However, this did not mean that rampant individualism was the dominant philosophy. The mir, the age-old peasant communal institution which acted as village council and tax board, appeared to be a dominant force in the life of even the itinerant merchant-peasant. Not only did the wealthy merchant have to pay a direct tax to his landlord off his profits; he was also forced by the mir to pay a heavier share of the communal tax that the landlord levied on peasant agricultural production. The mir elected an elder (apparently, this job bore an unpleasant amount of responsibility with no real power against the majority view, and candidates would often try to sidestep the honor), and the landlord would give the elder a communal tax burden which the mir could divide among its members as it chose. If an individual failed to pay his tax share to the commune, the commune often retaliated with corporal punishment. Thus the independent, entrepreneurial peasant/merchant still owed primary allegiance to the commune.

According to Jerome Blum, the origins and growth of the mir became "one of the most contested of the many debates that have marked—and enlivened—Russian historical writing," especially in the traditional rivalry between Slavophiles and Westernizers, "each camp using its interpretation...as a launching pad for its pet theories about the history, 'spirit,' and 'destiny' of the Russian people." He notes, however, that the mir seems to have predated serfdom by several centuries, especially in its roles of communal land management and tax collection. As
Von Haxthausen noted, even the Cossacks, a tribe allowed to forego serfdom in return for military service to the Tsar, and those Russians living as freemen beyond the reach of the central empire in Siberia, tended to maintain such communal holding of property. It therefore appears that the mir was not a structure created by state authorities, but an underlying institutional norm that was part and parcel of the Russian cultural tradition.

Over time, the mir developed a strong levelling tendency. Each family unit in the commune would receive an approximately equivalent share of land from the elder. While this land was for all practical purposes their own to farm, these shares would be periodically resurveyed and redistributed by the mir, especially after any significant change in the communal population makeup (on average, every 10-15 years, according to Von Haxthausen). There was thus no inheritance of property among peasants, and no incentive to improve the land, since it was likely to be redistributed within half a generation.

Nikolai Berdaev, a self-taught philosopher and historian of Russian intellectualism, believed that Bolshevism "fitted in with the absence among the Russian people of the Roman view of property and the bourgeois virtues; it fitted in with Russian collectivism...." Thus, while there were peasant merchants (who sometimes even became factory owners), their entrepreneurship was bounded by the restrictions of the commune and their responsibilities to it. Blum notes that there is a lack of good documentary evidence about why the commune took on this redistribution function. The first indication that redistribution was taking place appeared only at the end of the sixteenth century, approximately seven centuries after the first communes seem to have emerged, and may have been either a natural outgrowth of earlier communal behavior, or an institution imposed by landlords for their own convenience. In either case, Blum believes, the first large private landholders in Russia appear to have been Scandinavian Viking princes, imposing their own cultural notion of property on the Russians, who lacked such a tradition.

After the abolition of serfdom in 1861, imposed state policy structures reinforced the power of the mir. While Tsar Alexander II emancipated the serfs from ownership by their masters and expropriated many fields from the nobility, the land that the peasants had been working was turned over by the state to the communes, not to individuals. The mir kept its previous functions, and continued to act as tax collector, internal passport agency, and social welfare provider for the community.

The internal passport function was a powerful tool, since it was the commune that decided who would be given permission to travel, and thus sell merchandise. The institution limited individual entrepreneurship. Nonetheless, the more beneficent social welfare aspect of
the commune is important to keep in mind. Not only did the commune extract resources from individual peasants; it also guaranteed them a plot of land to work and a community to lean on for help when it was required. The village had the responsibility to help out if a head of household died or if a family member fell ill, and the charge for services rendered was calculated by the receiver’s ability to pay.\(^{45}\)

This latter set of functions may help to explain why the traditional commune continued its hold on even those peasants who migrated to the cities to become merchants or laborers. Wallace noted that if a merchant’s business went bust, the owner could always return home and farm his share of the communal plot. He argued that the commune thus served as a form of insurance.\(^{46}\) Victoria E. Bonnell noted that urban workers, too, needed this kind of insurance, since there were no unemployment benefits available and most lacked job security.\(^{47}\)

Bonnell presents convincing evidence that the most highly skilled workers among the big-city labor forces were least likely to retain their communal ties by the beginning of the twentieth century.\(^{48}\) Nonetheless, she notes, even in a relatively high-skilled industry such as metalworking, 69% of workers surveyed in 1897 "maintained a wife and/or children in the countryside," often because it was too expensive for them to move their families to the city.\(^{49}\) Hiroaki Kuromiya demonstrates that as late as the 1920s, many workers’ voluntary shopfloor collectives, or artels, were "a sort of transplanted village commune," complete with elected elder, and based on local village or clan affiliation.\(^{50}\)

A different type of artel was formed when workers from the same village would pool their resources to rent an apartment together in the city.\(^{51}\) Those in such communal living arrangements would police each other’s drinking habits,\(^{52}\) and would share not merely food purchases, but a common bowl from which to sip their soup.\(^{53}\) A village brother, or zemliak, would often consent to live far away from his new work in the city in order to live with his countrymen;\(^{54}\) and those unfortunate enough to live in factory-provided communal dormitories often reported that they managed to avoid undue quarreling with their neighbors because they came from the same village.\(^{55}\) Valery Chalidze claims that even nineteenth-century Russian beggars operated in artels.\(^{56}\)

Shopfloor artels were particularly interesting from the perspective of economic culture because they in many ways continued the levelling tendency of the commune. In the commune, every family unit received an approximately equal share of land to farm, and land was periodically redistributed to ensure continuing equality. Those who made more money outside of the commune had to pay more into the communal tax kitty. In the artels, jobs were regularly rotated among factory employees, so that no one person could reap the rewards of
higher wages that might accrue to a particular position.⁵⁷ And if the factory worked under a piece system of wages, so that more productive workers were paid more, the voluntary workers' collectives in prerevolutionary Russia would work together to ensure that no one individual would outproduce the norm (according to Diane Koenker, they would first try to educate the outlier, and if that failed, they would punish the offender by damaging his or her tools or output).⁵⁸

Despite these levelling tendencies, a type of class distinction existed between skilled and unskilled laborers. Those who had put in the 3-6 years it took to earn the title of journeyman [masterovoi] were eager to ensure that their rank and privileges were maintained.⁵⁹ Entrepreneurship on the job, or at least hard work and talent, was thus rewarded. While these skilled workers had more job security, and were thus less reliant on the village commune than unskilled workers were,⁶⁰ "a majority of these skilled and urbanized workers remained tied in various degrees to their native villages."⁶¹ Most rented out their family plot but continued to pay taxes on it to the mir, and many who could not afford to keep their families in town visited their wives and children in the village at irregular intervals.⁶²

Communal norms also followed those who had capitalist entrepreneurial business predispositions. It was considered de rigueur, for example, for wealthy entrepreneurs to donate a large fraction of their profits to charity, to the church, or to "the people." (A prominent example of this is the Tretiakov Gallery of art in Moscow. Pavel Tretiakov, a merchant and industrialist, donated his magnificent art collection to the city of Moscow, building a gallery "open to visitors, irrespective of their origin or social standing," around his own home.⁶³) Beyond this positive philanthropical aspect of communitarianism, the levelling aspect also seemed to apply to businessmen as well as workers. At the turn of the last century, the popular press lampooned merchants and factory owners as deceitful, lacking in imagination and insight, and exploitative.⁶⁴ Profit-making was considered a negative activity. Thus the entrepreneur would need to have been a thick-skinned, independent individual who did not rely on external validation for his or her activities. The fact that entrepreneurs abounded, despite the stigma attached to them, indicates that individualism was far from absent in Russian society.

Overall, then, if we were to locate historical Russia on the continuum between individualism and communitarianism, it would fall at a clearly definable spot in the middle. The Russian type of economic culture might be usefully labelled as locally mediated entrepreneurship. Entrepreneurs were given the opportunity by the community to strike out on their own; the community supported itinerant merchants by providing village-manufactured
goods for them to sell, and supported citified businessmen and laborers by keeping their plots of land for them to return to in the event of failure. Hard work was rewarded by special titles and privileges, even though a greater share of communal expenses was heaped on those who succeeded economically. Yet such individualistic efforts were the exception, and many of those who migrated to industrial jobs chose to maintain their communal ties even in the city. While supporting a limited degree of individualism, the local reference group insisted on sharing the entrepreneur's wealth, and the local group was suspicious enough of individual achievement to enforce a certain degree of levelling.

If this pattern of mixed individualism and communitarianism constitutes a set of cultural norms that exerted a hold over most Russians, then we would expect the pattern to endure even as state structural policy changed. Most Russians should, over the next century, turn to a local, community-based collective as their primary social reference point; this collective should simultaneously encourage some entrepreneurial behavior while enforcing a share-the-wealth and levelling norm; yet some entrepreneurs, those who managed to strike the right balance between individualism and community obligation, should manage to become relatively wealthy. If, on the other hand, this pattern was unique to its time and subject to policy manipulation, we should see that drastic change in imposed structures led to meaningful change in economic behavior. Policies that encouraged individualism should overcome the local communitarian nature of Russian economic culture; policies that encouraged communitarianism should succeed in stifling individualistic initiative.

I will now turn to what are arguably three of the most significant changes in Russian state structural economic policy in the pre-Gorbachev era, to determine whether this cultural pattern shifted or endured over time. The first two policy shifts--the Stolypin reforms of the early twentieth century, and the New Economic Policy reforms of the later Lenin years--both attempted to encourage a high level of individualism in the Russian economy. The third policy shift--the imposition of collectivization and state planning from the Stalin era onward--attempted to encourage absolute communitarianism in the Soviet economy. All three were thus significant deviations from locally mediated entrepreneurship, and posed a challenge to strong cultural norms and institutions. In the short case-studies which follow, the results of these efforts will be measured to determine whether or not the underlying economic behavior pattern was overturned.
The Stolypin Reforms

In the early years of the twentieth century, Tsar Nicholas II decided, in the face of the declining (sometimes disastrous) economic and political situation of rural Russia, to redirect social norms toward individualism in agriculture. This set of policies came to be known as the Stolypin Reforms, after Petr Stolypin, who was both Minister of Internal Affairs and Chairman of the Tsar's Council of Ministers. (While Stolypin was a major proponent of these Westernizing reforms, it was really the former Finance Minister, Count Sergei Witte, who began the anti-communitarian reform process.) In 1903, the practice of making communes responsible for paying collective taxes was abolished, in order to weaken the power of the mir. In October 1906, peasants were formally given their freedom from the mir, and were allowed to leave one mir to join another. Within a month, they were entitled to pull out of the mir and to take their share of land with them as their own property. Beginning in 1907, peasants wishing to leave the commune were no longer legally required to pay a redemption fee to the mir. Peasant land banks gave loans to either individuals or collectives who wanted to buy land (much of which became available in the next few years as frightened large landholders fled growing social unrest in the countryside). Particularly favorable loans were given to those individuals or collectives who consolidated their land holdings into contiguous parcels. (Because of repeated communal redistribution, the typical peasant family holding was a hodgepodge of small strips separated from each other by their neighbors' plots, forcing the use of inefficient cultivation techniques.)

While two million individuals did leave the communes and many bought additional property, the majority did not. In 1905, 80% of all land was communally held and 75% of all households were in communes; by 1917, 71% of the land and 60% of households were still communal. By the time of the Bolshevik Revolution in 1917, the mir was strong enough that it became a sort of substitute government in the countryside, since the central government lost control of much of Russia.

The predominance of communal land ownership does not necessarily indicate a lack of entrepreneurial spirit on the part of peasants. In order to leave the commune, individuals still had to get the permission of the group, and apparently only one-quarter of those who wished to leave were granted permission by their mir. Many who stayed did so because they lacked the resources to make a go of it alone on the small, poorly developed plots that they had. Many who left did so to sell their land, not to improve it; they apparently feared that communal redistribution would leave them with even less property.
Thus, while some scholars have viewed the peasant attachment to the mir in the twentieth century as an attribute of a unique Russian mentality, it is difficult to disentangle the culture from the structure. George Yaney argues that "the enactors of the Stolypin Reform had no coherent idea of what they wanted officials in the countryside to do, and therefore the statutes they wrote did not contain enforceable demands." He concludes that therefore the village assemblies could control policy outcomes. If some individuals wanted to leave the commune, their lands would have to be consolidated to get the maximal benefit from the new government policies, which meant that everyone in the village would have to shift their plots around. Yaney claims, "these few innovators became so unpopular that in many cases they had to be protected against physical violence."

Before concluding that the Stolypin reform results were primarily conditioned by imposed structures, however, it is important to keep one key point in mind: the mir was not an agent of the village. The mir was the village. Each household in the village was a member of the mir. While transaction cost economists have demonstrated that the interests of agents (such as congressional representatives, lawyers, etc.) are often not identical to the interests of their constituents or clients, the mir did not have interests separate from the interests of its members. It was made up only of its members, and was run by majority consensus, rather than by representative officials. If the majority of Russian peasants had wanted to become independent farmers, there is no reason why they would not have voted to consolidate and divide their property. The fact that the communes chose not to let individuals go meant that the majority of individuals in the communes did not want to leave.

While the structural changes attempted by the government may not have been sufficient to break the power of the mir, the correct conclusion to draw in this case is that cultural norms of locally mediated entrepreneurship won out over the attempted imposition of a new economic structure. Millions of individuals did leave the commune, and enough private farming developed for E. H. Carr to conclude that peasant small-holders were a major supporter of the anti-Tsarist, anti-landlord Bolsheviks. Entrepreneurship thus existed to a significant degree among the rural population. Yet the vast majority stayed in the mir, and the local community continued to enforce its previous levelling policies. Imposed structural changes did not alter the underlying economic culture of the peasantry, even if it did encourage more entrepreneurship at the margin.
The New Economic Policy

Private enterprise had been outlawed in the chaotic War Communism period immediately following the 1917 Bolshevik Revolution, and all surplus agricultural production beyond subsistence needs had been requisitioned from the peasants. Nonetheless, according to Alan Ball, "illegal peddling" was "characteristic of War Communism." Lars T. Lih describes Russian commerce in this period as akin to that of the trade in alcohol under Prohibition in the United States. Ball notes that the urban population at that time bought most of its grain through the black market; a good argument can be made that illegal private trade was what allowed the population to survive. Yet given the strictures against doing capitalist business, there would have been every reason during those early years for the majority of entrepreneurial peasants to retreat from the onslaught of Bolshevik inspectors by drawing close to the haven of the mir.

By the early 1920s, however, the Lenin regime was threatened by social rebellion over food scarcity and hard conditions, and the Russian economy was in ruins. Structural policy incentives were therefore changed to encourage private enterprise, first at a small scale, and gradually up to the level of mid-size businesses and factories. This set of actions, known collectively as the New Economic Policy (NEP), began to be implemented in 1921, and remained in effect more or less until 1928. Private agricultural production was particularly highly valued, and surplus requisitioning was replaced with a lower national tax in kind, in the hopes of encouraging entrepreneurial farming. Private ownership of small- and medium-size businesses was allowed, for all industries except those producing military and communications goods, strategic or poisonous chemicals, and strong liquor. Property inheritance, subject to a progressive tax rate of up to 50%, was also restored. State policy swung wildly during this era, moving from persecution of the NEPmen (as the private traders and producers of the era were called) to collusion with them, reflecting deep divisions within the Communist Party leadership. Entrepreneurs faced a variety of special taxes, but these were subject to intermittent enforcement.

The results indicate that despite sometimes unclear state policy directives, consumer goods production increased, distribution channels developed to ease the sale of agricultural produce in the cities, and the general sense of well-being improved. The structural changes of NEP did lead to the strengthening of private trade, and this had positive economic consequences. Apparently almost everyone participated in petty trade during this era, bartering their own possessions or selling scarce goods that had been hoarded, and theft for resale from
state stores became common. Rural agricultural and trade fairs began to resemble those of the tsarist era.

Most of the trade that occurred was limited to small-scale, light consumer goods: industries that needed capital investment remained for the most part state-owned. This may have been because most of the old business elite, those who would have had the private wealth for large investments, had either emigrated, been killed, or had their holdings liquidated during the revolution or War Communism periods. It also may have been because no one trusted the benevolence of the revolutionary government, and thus no one was willing to take the risk of capital improvement, since holdings might once again be expropriated. Structurally, then, NEP did not encourage large-scale private enterprise, but did successfully lead to the reemergence of petty capitalism. This occurred in spite of real hardships faced by the NEPmen, who had to pay more for state-provided education and medical care than did workers, and who were portrayed by the popular press as parasites on society.

It should not be concluded, however, that unmitigated individualism emerged in the Soviet Union during this time. Membership in the rural communes actually increased, and skilled workers in the cities reestablished their village ties, using the social insurance of the mir to take up dual seasonal careers as workers and farmers. According to Moshe Lewin, 90% of the agricultural population in the 1920s lived in the mir, and “the community was in effect the landlord.” Once again, the communal rural economy was dominant. Atkinson notes that individual farmers had to pay higher taxes and received lower preference in state credit deals at this time than communes; some peasants returned to the mir when they were unable to make a go of it alone. Nonetheless, as in the Stolypin reform years, individuals were free to leave the commune as long as they received the commune’s permission, and at times of general redistribution within the commune, they could leave without getting permission. And if a minority as small as 1/5 of the village decided to leave, it had the right to form its own village, presumably thereby giving itself individualized property holdings. Despite the fact that private agricultural entrepreneurship seemed more possible than it had been previously in Russian history, the vast majority of peasants remained in the mir.

In fact, the vast majority of private manufacturing under NEP was performed in rural areas, by individuals using traditional craft methods, often in agricultural off-seasons. In other words, the mir and individual enterprise once again coexisted, as had been true in tsarist times. As was noted above in the section on baseline culture, workshop artels based on zemliachestvo, common village origin, remained the norm during this period. (Ball notes that some business-owning individuals used this to their advantage, falsely claiming that the artel...
was the owner of the enterprise, in order to get better tax rates.\textsuperscript{101} Further, when state policy changed from giving workers a guaranteed wage to paying them differentially for piecework (leading to sudden unemployment for many),\textsuperscript{102} conflict broke out on the shopfloors.\textsuperscript{103} indicating that individual achievers had to struggle against the same levelling tendency that had prevailed before the revolution.

A variation of the communitarian norm arose among larger-scale private entrepreneurs, as well as those in the countryside. In order to avoid taxes and to receive special deals on the sale of state merchandise, NEPmen developed cozy, personalistic relationships with useful state officials. The term used to describe this phenomenon was krugovaia poruka--literally, "circular guarantee," but with the idiomatic meaning of "mutual responsibility."\textsuperscript{104} While the form was different than that of the mir's relationship to the merchant/peasant, the purpose had much in common: the individual entrepreneur was granted particularistic favors because of his relationship to the community, and in return was expected to pay a share of the profits to his community backers. Individuals who chose to ignore this fact of business life under NEP would be at a grave disadvantage, since state officials would likely single them out for enforcement.

Under NEP, then, a lifting of state controls led to the reemergence of private enterprise in Russia. Yet the private enterprise which emerged continued to be limited, as under the Stolypin reforms, by the norms of the local community, especially the mir. While the state did give structural privileges, in terms of tax and credit policies, to collective entities, those who had entrepreneurial tendencies seemed to flout the rules with some impunity, since there was laxity in enforcement. Even those with the strongest urge for individual enrichment found themselves turning to a personalistic community, the krugovaia poruka, for purposes of mutual aid and social security. Despite a revolutionary change in government structure, locally mediated entrepreneurship continued to characterize Soviet economic culture in the 1920s. In the face of uncertainty and ambiguity, the society adapted by relying on methods it had used in the past. Historical norms became the guideposts for a new era.

**Stalinist Society and Free Enterprise**

The tension between individual enrichment, on the one hand, and a communitarian ethic of levelling and sharing the wealth on the other, continued throughout the Soviet period. During the Stalin era, of course, most free enterprise became illegal, agricultural produce (even that below surplus levels) was once again requisitioned, leading to rural famine, and the deKulakization campaign turned neighbor against neighbor as any sign of wealth became
grounds for expropriation, imprisonment, and sometimes execution. Using the threat of force to skew local votes on the matter, the central government succeeded in gaining control over villages by turning them into collective farms. By 1937, 99% of cultivated land in the Soviet Union had thereby been placed into state ownership.

At first, in 1929, peasants coming under state control (particularly in Ukraine, the bread basket of imperial Russia) were forced to give literally all of their produce to the state. Many fields had guard towers stationed in the center, and starving peasants "stealing" from their own plots were shot on the spot. It was soon recognized, however, that terror alone would not feed the country, and in 1930 each member-household of a collective farm was given the right to farm a private plot on the side. (Note that the plots belonged to the household, not to the individual.)

In 1932, the Soviet state adopted two seemingly contradictory policies on opposite sides of the free enterprise spectrum: while "speculators and dealers" (i.e., NEPmen) were to be sent to prison camps for 5-10 years, sale of one's own excess produce was made legal. Private trade in consumer goods was therefore forced on to the black market, even though private trade in agricultural products was legally available almost everywhere. By 1935 statute, each household in a collective received a private plot of from 1/4 to 1/2 hectare, and had the right to own privately 1 cow, 1 sow and her piglets, 4 sheep, and an unlimited number of rabbits and poultry. Private plots immediately began outproducing the collective and state farms in all categories of livestock; they became almost the sole source for eggs in the Soviet Union, and grew most of the potatoes and fruit and a large fraction of the vegetables consumed.

While state policies toward agriculture shifted over the succeeding years, and state agricultural production became more efficient under the leadership of Nikita Khrushchev in the 1950s, by 1974 more than a quarter of Soviet agricultural output was estimated to be from private plots, which constituted only three percent of all cultivated land in the USSR. A number of these plots were farmed not by rural inhabitants, but by city-dwellers who had access to dachas or gardens provided by their factories. These were organized through factory committees "which distribute the land, organize collective planting, tilling, and harvesting, and help people to obtain farm implements and fertilizer." In other words, as had been the case in the past, private production in Soviet agriculture held a significant communitarian component.

The fact that people produced more when they were rewarded for production did not go unrecognized by Soviet leaders. Post-Stalinist history became one long official search for an
economic panacea, for some means of tinkering that would keep the ideology of socialism intact while providing the individual incentives needed for productivity. Most free enterprise, outside of private plot produce sales and small urban cooperatives selling primarily used goods, remained nonetheless illegal and subject to harsh penalties.

Yet illegal activities flourished. Gregory Grossman, in a classic article which may have coined the term "second economy" for the Western audience, noted that nearly everyone in the Brezhnev era stole from the state for purposes of private entrepreneurship, whether it was to act as an out-and-out black marketeer, or to have the possibility for barter with those who performed useful illegal services for individuals (such as plumbing, car repair, and apartment construction). Furthermore, Grossman notes that every factory needed at least one shabashnik (also called a tolkach), a private middleman who would arrange deals between factories to ease supply and production bottlenecks. Even when such activity was outlawed and officially denigrated, private entrepreneurship greased the wheels of the Soviet economy.

Once again, however, individualism was not the sole characteristic of this activity, even in the underground economy. Such illegal activities (some of which were out-and-out crimes of corruption) tended to be conducted not by individuals acting alone, but by networks of co-conspirators. Individuals had to share their take with their supervisors up the chain of command, or with any other member of the community who might know of their misdeeds. The entire system worked because of personalistic ties, cemented by gift-giving, mutual back-scratching, and longstanding informal relationships between enterprises.

In his classic study of Soviet managerial behavior in the 1950s, Joseph S. Berliner explained that blat, the exchange of under-the-table favors that kept the Soviet system running, required a past history of some type between the actors involved, whether as relations, as friends, or as trusted business partners. "One would not attempt to arrange an exchange with someone who was a total stranger, for it is, after all, illegal." In a system where the stranger could be an informer, the community of the krugovaia poruka reasserted itself. It was in fact the nonconformist individualistic actor who could "smash the delicate web" and bring the authorities down on the system. Yet the middlemen involved appeared to be in the business for individual enrichment and often prospered, receiving free travel opportunities and special deals on scarce goods.

Once again, an enterpreneur could pursue individualistic ends and become quite wealthy within the confines of a communitarian business arrangement. The new community circles may not have been village-based, but the mutual-aid and share-the-wealth societies of the mir and artel seem to have been transplanted into the urban Soviet Union. Private business was
locally mediated. The socialist state did not succeed in obliterating the achievement of private, individualistic wealth, despite harsh penalties against "speculation." Yet once again, when faced with high uncertainty and risk, Russian entrepreneurs turned to a local reference group for security, even though this meant that their own profits were lower after sharing.

Conclusions

An established pattern thus recurs throughout Russian history, despite several state attempts in the twentieth century to impose significantly new economic structures on the country. A relatively small percentage of the population has always acted as private entrepreneurs, often battling structurally steep odds in order to make their own fortunes. This occurs whether their activity is legal or illegal, and regardless of government or communal taxation policies. Meanwhile, a localized community (whether village, shopfloor, or conspiratorial ring) stands by to support the individual if hard times fall, and waits to be paid off its share of the entrepreneur’s profits. If the entrepreneur fails to pay, the community closes ranks against the individual (with punishment ranging from destroyed tools to beating to being turned in to the authorities). If the entrepreneur fulfills his or her obligation to the community, the community supports the entrepreneur’s individualistic efforts up to a point. (The mir let a certain percentage of peasants get the coveted internal passports; supervisors allowed theft from the state.)

Structures attempting to inhibit this pattern have successfully encouraged behavior change on the margin, calling private entrepreneurs out from the woodwork during individualistic policy eras, and driving them into prison during communitarian policy eras. Yet such imposed structures never succeeded in overcoming the dominant cultural norm of locally mediated entrepreneurship. While this pattern may gradually evolve into something different now that the harsh structural bounds of the Soviet system are gone (and such gradual cultural evolution would not be unexpected by any theorist), it is important to remember that the pattern was established long before state intervention began. Despite some degree of evolution, it appears to be a fairly solid constant over almost 150 years.¹²³

Such a pattern is undoubtedly passed on from parent to child, in forms ranging from etiquette rules to emulation of work behavior. The fact that the pattern has remained relatively constant despite great changes in state structural policy indicates that reformers ignore economic culture at their peril. As Douglass North points out in the book that helped him to win the Nobel Prize in Economics, a neoclassical focus on the power of objective market structures alone is unable to capture much of the important aspects of economic history, since
societal norms and ideologies may have just as much of an impact on actors' decisionmaking.\textsuperscript{124}

The culturalist perspective gives us important clues about the direction that economic policy should be taking today in Russia. The ability of this cultural constant to work around structural changes in the past indicates that such workarounds will probably happen again, if policy change is incompatible with the norm of locally mediated entrepreneurship. The key to successful reform efforts should therefore be to keep them community-based, even as they encourage individual entrepreneurship. Only by keeping the local community in mind will the reforms succeed in channeling behavior over the long run. Four specific suggestions come immediately to mind, along with the potential consequences of not adopting them.\textsuperscript{125}

First, local economic policy reforms may work better than attempts to reform the national Russian economy in one fell swoop. If people believe that they are immediately linked into a community network of effort, it should be easier to encourage change in behavior than if they believe that yet another faceless, centralized policy change is occurring. Whether such local effort makes sense at a regional, citywide, or city district level will vary by location; what is important is to build on existing feelings of community, rather than trying to impose them from outside (since the natural communities will bubble up in the end regardless). Muscovites, for example, who complain about the impersonal character of their giant city, may think of their neighborhood district as their referrent point; residents of Nizhnyi Novgorod, a large city with a long and proud tradition as a market town, may think of their community as embracing the city itself. Broader and relatively newer industrial regions, such as the engineering powerhouses of the Urals area, may feel linked as a community because of their common production profile or experiences under the Soviet regime.

Clearly this localization of economic reforms is already happening. Rather than lamenting this turn of events as contributing to anarchy and the breakdown of central authority, the Russian government should encourage it as a means of introducing a culturally stabilizing factor into reform efforts. (The exception here might be the numerous pockets of ethnic minorities in Russia; economic localization here would likely be inextricably linked to nationalism, and it is not clear that a good solution to that problem exists.) Western investors should be encouraged to think in terms of localized joint venture and sales networks, perhaps through the wide establishment of local free economic zones with special tax and lending policies. For all its efforts at centralized control, the Russian (and later, Soviet) government was never really as good at controlling local activity as it appeared to be on paper. The Russian government would be foolish to try to change that fact now that its powers of coercion...
are so low. As has become clear over the past two years, Russians are now developing stronger and stronger local and regional political identities.

Second, as Russian companies privatize, they should try to establish internal employee majority ownership arrangements when possible. All of the official privatization options involve at least some employee ownership of shares; the cultural pattern discussed above suggests that the more interest the employees have in the success of the enterprise, the better the enterprise will do. David Binns and Ron Bernstein advocate such worker ownership in Russia, and emphasize that the interest of individual workers in the profitability of the firm creates a fundamentally different system than one where workers collectively manage the enterprise to assure their survival as a group. Worker management schemes have failed throughout the world; but firms in the West with partial employee ownership structures have demonstrated above-average profitability.

If workers tend to place the interests of the community at least as high as the interests of the individual, this means that the interests of the community will dominate whether or not the community owns the company. If the community benefits greatly from large profits, then the productivity level of the company is likely to be high. If outsiders, whether previous plant managers or wealthy Russian investors or foreign investors, are the primary beneficiaries in the event of profits, then the community may very well decide that its own best interests are served by levelling behavior. Job security for all replaces profit for all as the dominant interest.

The imposition of community interests over the interests of outsiders also seems to be naturally emerging in many privatization efforts. Alexander Tsapin and Ludmila Oborotova provide the example of a construction company's privatization auction where the employees bid for plant ownership and lost. Following the auction, workers apparently stole into the plant and destroyed much of the equipment, rather than allow outsiders to take over the enterprise. Tsapin and Oborotova also mention that some local governments impose restrictions on foreign investment in privatizing municipal property, and that workers often resent the intrusion of foreigners who may be assumed to threaten them with layoffs.

The third implication to draw from the local communitarian element of Russian economic culture is that entrepreneurial personalities should be encouraged to stay with their existing firms, if a community connection exists. Some Western analysts have argued that old and inefficient behemoth factories, especially from the defense industrial complex, should be eliminated, while entrepreneurs are encouraged to establish new, small businesses from scratch. Yet the cultural pattern noted here suggests that this might be destabilizing, since it
would destroy not only factories, but work communities which have real meaning for the people who are their members. Certainly entrepreneurs who feel isolated or ostracized among their work groups should be encouraged to strike out on their own; but it also may be beneficial to provide economic incentives (such as low-interest loans and tax breaks) to those who are willing to use their entrepreneurial skills within the existing work community of their enterprises. Otherwise, unemployed artels (or their modern equivalents) could become revolutionary cells, as the community sticks together in the face of adversity.

Finally, this cultural pattern suggests something about how young entrepreneurs in Russia should approach the task of retraining themselves for market success. Russians are currently enrolling in business schools across the United States and Western Europe with the desire to learn how capitalism operates. Rather than pursue traditional curricula that stress individualistic decisionmaking, these young entrepreneurs may find more use for programs that stress a communitarian business style. This is clearly the new wave in American business education already, as Americans attempt to glean lessons from their Japanese competitors. Russian entrepreneurs with a communitarian ethic are likely both to find more success in their firms, and less resentment from their surrounding communities, than those with an individualistic sense of how to do business.

Rather than make Russia over according to the American model, reformers are likely to find more success, both politically and economically, if they work with rather than against the cultural pattern already in place. Such an argument does not imply that Russia is entirely unique; other societies also have cultures with differing patterns of mixed individual and communitarian ethics. Nor does it imply that Russia should avoid capitalism, since Russia has a long tradition of wealth from merchant. What it does imply is that Russia’s current revolutionary reforms will be much more successful in the long run if the Soviet system of rules is replaced with an entrepreneurial one which corresponds more closely to underlying societal norms of community responsibility.

Concern for the welfare of the community, and resentment over the success of individuals who put themselves above the community, is the strident theme of those in Russia currently working hardest against reform. The best way for reformers to coopt that theme is to pursue policy directions which recognize the primacy of the local community, while encouraging individual entrepreneurship within a community framework. It is too early to predict how successful Russia will be in the long-run. It seems clear, however, that Russia need not be saddled with either its Soviet historical burden of anti-individualism, or a new burden of anti-communitarianism, in order to create a healthy economy and polity.
Sometimes cultures may change overnight, as seems to have happened in post-Nazi West Germany (although the apparent tolerance by many German officials of much anti-foreigner hatred may put this happy thought in doubt). But sometimes cultures endure even as decades of structural dislocation attempt to dislodge them. The cultures then end up creating the structures that fit them, rather than changing to fit new structures imposed from the outside. Perhaps the only way to truly alter such deep cultural norms is for the impulse for change to come from within. Revulsion against an existing culture by a significant percentage of the population may allow a tectonic shift to occur (witness postwar Germany), as may a general desire to change for the sake of keeping up with the competition (witness the success of much of the Japanese-style management now employed at auto manufacturing plants on U.S. territory). Attempts at tinkering from the outside are unlikely to succeed. If Lodge and Vogel are correct in their belief that the dominant world economic culture is becoming communitarian, then there is no real reason for the Russian economic culture to undergo drastic change. Instead, we should expect its underlying characteristics to endure. And if policy is designed to harness the strengths of that culture, we should expect a capitalist Russian economy to thrive in the twenty-first century.
ENDNOTES


7Douglass C. North treats culture as what he calls informal structural constaints. See his Institutions, Institutional Change and Economic Performance (New York: Cambridge, 1990), especially chapters 1 and 5.

8The founder of institutional economics was Thorstein Veblen; see his The Place of Science in Modern Civilization and Other Essays (New York: Russell and Russell, 1961), a collection of Veblen's writings dating from the 1890s. Other prominent examples of the institutionalist school include Edythe S. Miller, "Institutional Economics: Philosophy, Methodology and Theory," Social Science Journal 15 (Jan. 1978): 13-25; Geoffrey M. Hodgson, Economics and Institutions: A Manifesto for a Modern Institutional Economics (Cambridge, U.K.: Polity Press, 1988); and William M. Dugger, Underground Economics: A Decade of Institutionalist Dissent (New York: M.E. Sharpe, 1992). For a solid summary and critique of the neoclassical perspective, see James A. Caporaso and David P. Levine, Theories of Political Economy (New York: Cambridge University Press, 1990), pp. 79-99. A separate set of issues is raised by the literature which is variously called neoinstitutionalist, new institutionalist, or transaction costs economics. This newer school accepts the rational egoistic assumption of neoclassical economics, but seeks to demonstrate that contract law and property rights affect the structural incentives neoclassical actors face. See Thrainn Eggertsson, Economic Behavior and Institutions (New York: Cambridge University Press, 1990) for a basic outline and literature review of the neoinstitutional approach; thoughtful applications to the post-socialist economies are made by James N. Buchanan, "Asymmetric Reciprocity in Market Exchange: Implications for Economies in Transition," and by William H.
Riker and David L. Weimer, "The Economic and Political Liberalization of Socialism: The Fundamental Problem of Property Rights," both in Liberalism and the Economic Order, ed. Ellen Frankel Paul, et al. (New York: Cambridge University Press, 1993). Because the bulk of this literature accepts the basic assumptions of neoclassical economics, I will treat it as part of the imposed structure school rather than as part of the culturalist school for the purposes of this paper. Some scholars within this tradition, however, have turned to cultural norms as part of their structural explanations for economic behavior.


12One school of classic organization theory holds the gradualist view; see Charles E. Lindblom, "The Science of 'Muddling Through,' " Public Administration Review 19 (Spring 1959): 79-88. For an argument that while structural change can lead to sudden organizational change, the direction of that change is nonetheless based on organizational history and culture and is not subject to easy prediction or outside control, see James A. March, "Footnotes to Organizational Change," Administrative Science Quarterly 26 (1981): 563-77.

13A definitive account of the work of historical institutionalists to date is provided by Kathleen Thelen and Sven Steinmo, "Historical Institutionalism in Comparative Politics," in Structuring Politics: Historical Institutionism in Comparative Analysis, ed. Sven Steimo, Kathleen Thelen and Frank Longstreth (New York: Cambridge University Press, 1992). For a discussion of path-dependent or bounded innovation in particular, see Margaret Weir, "Ideas and the Politics of Bounded Innovation," in the same volume.

14This is the view taken by Eckstein, "Culturalist Theory of Political Change," and by Katzenstein and Okarawara in "Japan's National Security."


17Peter Katzenstein, "Taming of Power: German Unification, 1989-1990," in Past as Prelude: History in the Making of a New World Order, ed. Meredith Woo-Cummings and Michael Loriaux (Boulder, Colo.: Westview Press, 1993). It is interesting that Katzenstein's argument here constrasts with his own later argument about Japanese cultural continuity today. Perhaps there is some fundamental factor which explains Japanese cultural imbeddedness and German cultural mutability in the face of what would seem to be similar structural shifts.


19Lodge and Vogel, Ideology and National Competitiveness.

20Ibid., pp. 9-10 and 12.

21Ibid., p. 15.


25Von Haxthausen, Studies on the Interior of Russia, p. 73.

26Ibid., p. 113.

27Ibid., p. 94.

28Donald Mackenzie Wallace, Russia. revised and enlarged ed. (New York: Cassell and Co., 1912), pp. 112-114.


32 Dorothy Atkinson, The End of the Russian Land Commune, 1905-1930 (Stanford: Stanford University Press, 1983), p. 5-6, notes that "Russians appear to have lived in communes since the beginning of recorded history," and that the communes appear to have always had local governing and collective taxation rights.

33 Von Haxthausen, Studies on the Interior of Russia, p. 76.

34 Wallace, Russia, p. 136.

35 Von Haxthausen, Studies on the Interior of Russia, p. 113.

36 Wallace, Russia, p. 100.

37 Blum, Lord and Peasant in Russia, pp. 24 and 508.

38 Ibid., p. 510.

39 Von Haxthausen, Studies on the Interior of Russia, pp. 130-81, 192-93. Also see Blum, ibid., pp. 520-21.

40 Von Haxthausen, ibid., p. 84.


42 Blum, Lord and Peasant, pp. 504-507.

43 Ibid., pp. 31-35.


45 Hosking, Awakening of the Soviet Union, p. 25.

46 Wallace, Russia, pp. 107-8.


54 Timofeev, "What the Factory Worker Lives By," p. 81.


57 Kuromiya, "Workers' Artels," p. 76.


60 Ibid., p. 78.


62 Ibid., pp. 16-17.


65 These policies are discussed in depth by Richard Hennessy, The Agrarian Question in Russia, 1905-1907: The Inception of the Stolypin Reform (Geissen, Germany: Wilhelm Schmitz Verlag, 1977), pp. 127-34.


67 George Yaney gives particular attention to the land consolidation aspects of the reform, in The Urge to Mobilize: Agrarian Reform in Russia, 1861-1930 (Urbana: University of Illinois Press, 1982).

68 Carr, Bolshevik Revolution, p. 21.
Atkinson, End of the Russian Land Commune, pp. 71, 82-3. Sheila Fitzpatrick, The Russian Revolution, 1917-1932 (New York: Oxford University Press, 1984), p. 30, confirms that by 1912, the peasants had left the commune (although she notes that many did not become private landholders). Of course, one may look at these percentages from two different perspectives: that the majority were still communal, or that a large minority managed to leave the commune.


Atkinson, ibid., p. 75. This figure is confirmed by A. Ya. Avrekh, P. A. Stolypin i Sud'by Reform v Rossii (Moscow: Politizdat, 1991), p. 88.

Atkinson, ibid., p. 90-92.


Yaney, Urge to Mobilize, p. 4.

Ibid., p. 185.


Alan Ball, "Private Trade and Traders During NEP," in Russia in the Era of NEP, p. 90. For a similar view, see Carr, ibid., p. 333.


Ball, ibid., pp. xv-xvi, notes the difficulty in assigning precise dates to NEP.

Carr, The Bolshevik Revolution, discusses these policies in depth, pp. 271-83.


Ibid., p. 101.

Ball, Russia's Last Capitalists, pp. 15-82, discusses these shifts in depth.

Ibid., pp. 29-31.


88Ball, Russia’s Last Capitalists. p. 97.
89Carr, Bolshevik Revolution. p. 310.
90Ball, "Private Trade and Traders During NEP." p. 91.

91This possibility was suggested to me by the daughter of a NEPman who emigrated to the United States in the 1930s: conversation with the author, July 1993. Ball confirms that some believed that NEP was a ploy by the secret police to uncover secret stashes of wealth; he argues, however, that confidence in its legitimacy rose with time, allowing those with real entrepreneurial talent to force out the minor players. Ball, Russia’s Last Capitalists, p. 90.

92Ball, "Lenin and the Question of Private Trade," p. 102.


96Moshe Lewin, Russian Peasants and Soviet Power, trans. Irene Nove with John Biggart (New York: W. W. Norton, 1968), p. 26. Atkinson, End of the Russian Land Commune, p. 249, notes that the region with the greatest percentage of individual farmers was Smolensk, and even there the level never reached higher than about one-third of the population.

98Ibid., p. 235.
99Yaney, Urge to Mobilize, pp. 528-29 cites a 1922 law to this effect.
100Ball, Russia’s Last Capitalists. pp. 128-36.
101Ibid., p. 141.
103John B. Hatch. "Labor Conflict in Moscow, 1921-1925." in Russia in the Era of NEP, p. 64.
104Ball, Russia’s Last Capitalists. pp. 29-31. describes these relationships in some depth.
105This process is described in detail by Robert Conquest. The Harvest of Sorrow: Soviet Collectivization and the Terror Famine (New York: Oxford University Press, 1986).
108Ibid., p. 164.
109Nove, Economic History of the USSR, p. 185.
Ibid., p. 245.

Ibid.


Ibid., p. 564.


Ibid., pp. 76-77.

Ibid.


Berliner, ibid., pp. 246.

Ibid., pp. 210-11.

Some have noted that the philosophical Russian word sobornost', or "conciliarmism," has a similar implication built in; it refers to "a condition of harmony between the individual and the community whereby the individual is neither subordinated to the collective nor elevated above it, and decisions are arrived at by a kind of spiritual consensus." Sergei Vladislavovich Chugrov, "Russia Between East and West," Mirovaia Ekonomika i Mezhdunarodnye Otnoshenii 7 (1992), as reprinted in MEMO 3: In Search of Answers in the Post-Soviet Era, ed. Steve Hirsch (Washington, D.C.: The Bureau of National Affairs, Inc., 1992), p. 144.


An excellent summary is presented by Eva Busza, "Strategies for Privatization: The Options," in Can the Russian Military-Industrial Complex Be Privatized? Evaluating the Experiment in


129 Binns and Bernstein. "Employee Ownership."
