"STATE" AND "PRIVATE":

UP AGAINST THE ORGANIZATIONAL REALITIES OF CENTRAL AND EASTERN EUROPE AND THE FORMER SOVIET UNION

Janine R. Wedel University of Pittsburgh



The National Council for Eurasian and East European Research 910 17th Street, N.W.
Suite 300
Washington, D.C. 20006

TITLE VIII PROGRAM

Project Information*

Principal Investigator: Janine R. Wedel

Council Contract Number: 815-19g

Date: March 21, 2002

Copyright Information

Scholars retain the copyright on works they submit to NCEEER. However, NCEEER possesses the right to duplicate and disseminate such products, in written and electronic form, as follows: (a) for its internal use; (b) to the U.S. Government for its internal use or for dissemination to officials of foreign governments; and (c) for dissemination in accordance with the Freedom of Information Act or other law or policy of the U.S. government that grants the public access to documents held by the U.S. government.

Additionally, NCEEER has a royalty-free license to distribute and disseminate papers submitted under the terms of its agreements to the general public, in furtherance of academic research, scholarship, and the advancement of general knowledge, on a non-profit basis. All papers distributed or disseminated shall bear notice of copyright. Neither NCEEER, nor the U.S. Government, nor any recipient of a Contract product may use it for commercial sale.

_

^{*} The work leading to this report was supported in part by contract or grant funds provided by the National Council for Eurasian and East European Research, funds which were made available by the U.S. Department of State under Title VIII (The Soviet-East European Research and Training Act of 1983, as amended). The analysis and interpretations contained herein are those of the author.

Abstract

The global vernacular of "NGOs," "civil society," and "privatization" often cloaks the fact that there is a dearth of knowledge about the actual practices and patterns of existing state-private mixes so integral to governance and to society. With regard to Central and Eastern Europe and the former Soviet Union, the study of "transition" has often neglected the role of informal systems in shaping the state. Yet during the transitional years, informal groups and networks in the region evolved as the communist state's monopoly control over resources was crumbling or had collapsed, and opportunities to fill the void abounded. Far from disappearing, informal systems played a pivotal role in reform processes of the 1990s – from privatization and economic restructuring to public administration and the development of NGOs and civil society.

Ethnographic findings challenge the conventional vocabularies of state development and institutional change, which are inadequate to capture the complexity of the state-private mixes that are emerging in the region. These findings illustrate that the state-private distinction may be fluid, subdivided, overlapping, or otherwise obscure. States can be fragmented by competing clans. This kind of ethnographic knowledge should inform proposed political, economic, and societal changes. Without this knowledge, it is impossible to know how new Western policy initiatives might resonate within given societies.

Introduction*

The past two decades have produced growing acceptance around the world of new roles for nonstate actors in governance activities. Groups such as the Sierra Club, Oxfam, and Human Rights Watch have taken on an ever larger share in performing roles once reserved for the state. Under the rubric of "good governance," concepts such as public-private partnerships, devolution, and deregulation have gained popularity.

In this atmosphere of devolution and globalization, policies and practices increasingly emanate from ever more sophisticated nonstate sources. The greater role of nongovernmental organizations (NGOs) and businesses in the workings of states is often hailed as a millennial model of governance. But such "modern" organizational forms can have traits in common with "traditional" means of rule such as the tribes or clans of Central Asia, Somalia, and Afghanistan and even with criminal networks or "mafias" that thrive amidst the breakdown of state and legal structures.

This resemblance may be jarring because we tend to think much more in terms of stated intentions and morality than of the social organization¹ that underpins such sophisticated networks of public and private actors. Yet all these social networks and groups tend to act more on cultural understandings than on the requirements of formal law. They are organized flexibly to enable a wide range of activity and to serve the purposes of their members – but not necessarily anyone else. Thus, "mafias" and NGOs may be equally unaccountable to voters. Tellingly, although NGOs in Anglo-Saxon countries tend to conjure up images of public virtue and outreach, in some part of the world they are seen as selfish usurpers of resources.

_

^{*} Without the generous support of both the National Council for Eurasian and East European Research (NCEEER) and the National Institute of Justice, this work would not have been possible. I am grateful to NCEEER and owe special thanks to the founders of the Ed A. Hewett Fellowship, the NCEEER policy fellowship that I held. I also am indebted to the National Institute of Justice, which hosted me as a research fellow over the course of the project. I wish to acknowledge the helpful comments of Nancy Dunne, James Finckenauer, Tom Graham, Daniel Guttman, Stephen Holmes, and Adam Pomorski on drafts of this paper, and the intellectual and or logistical support of Antonina Dachow, James Finckenauer, Svetlana Glinkina, Tara Hawkins, Robert Huber, and Dorothy Rosenberg.

The use and acceptance of the terms "NGOs," "civil society," and "privatization" worldwide often obscure the fact that there has been little research into the actual practices and patterns of existing state-private² mixes so integral to governance and to society. This dearth of knowledge is particularly costly because it is impossible to know how new initiatives proposed by outsiders might resonate within given societies.

Over the past decade, international organizations such as the World Bank have sought to combat corruption, while promoting the rule of law, NGOs, and civil society in a wide range of systems. The current global anti-corruption campaigns, as conducted by the World Bank and others, point to a dilemma. The classic definition of corruption – "the abuse of public office for private gain" (used by the Bank (PREM, 1997:8)) – requires a state-private dichotomy. But what happens where the state-private distinction is opaque to outsiders? It may be fluid, subdivided, overlapping, or otherwise obscure. And what are the implications for the way rule-of-law and anti-corruption programs are and should be structured?

In writing this paper I have several goals. The first is to present and analyze ethnographic data that illuminates the social organization of the societies and states of Central and Eastern Europe and the former Soviet Union. My goal is not to be comprehensive, but rather to highlight key social organizational issues. Sadly, these issues are often overlooked to the detriment of understanding, as well as of effectiveness of reform and aid programs. An additional hope is that my analysis will give rise to comparative questions and even to an exploration of our own particular state-private system of governance and its accountability. What the nations of the West share with those of the East may be more than meets the eye.

A second goal is to analyze the implications of some major policies and models that are being exported to Central and Eastern Europe and the former Soviet Union (and other world regions as well) given the social organizational realities on the ground. I raise questions that might help us to evaluate their potential applicability and impact.

My research has benefited considerably from my residence at the National Institute of Justice, a research arm of the U.S. government's Department of Justice in Washington, D.C. In particular I have worked with NIJ's International Division and its projects and served as a member of the U.S.-Ukrainian Working Group on Organized Crime. I discuss my work with NIJ in Appendix I.

Informal systems as the backbone of society

The study of "transition" in Central and Eastern Europe and the former Soviet Union has been dominated by a formalistic view of institutions. The role of informal systems has been undervalued or even overlooked. In general, networks, mediation, informal systems of communication, and resource exchange have been poorly studied in all kinds of states – capitalist, communist, and developing. Yet informal dimensions are especially critical in economic and political development, particularly in newly forming governmental, electoral, financial, and commercial structures. A much more explicit and informed analysis of informal systems, the structure of influence, and the nature of the state is called for in Central and Eastern Europe and the former Soviet Union.

A focus on informal systems takes as a given that established social relations, especially informal ones, often crucially *support* the development of new groups and institutions. Or, they can *obstruct* formal institutional change and reform. Much evidence worldwide suggests that informal social networks and groups facilitate, inhibit, and alter industrialization, urbanization, bureaucratization, and democratization.³

Informal systems should be of special interest to analysts of Central and Eastern Europe and the former Soviet Union (as well as of nations undergoing similar transformations), given the central role of the previous communist state and the informal systems that developed in conjunction with it. As the command structures of the state broke down, informal groups and networks were well positioned to step into the space left by the vacated structures.

Further, informal systems inevitably undergird corruption and organized crime and should therefore be at the core of the work of corruption and organized crime specialists. Informal systems enable organized crime, which fosters corruption and is closely linked to it in myriad ways. Phil Williams (1996:20) notes that "One way of minimizing risk [for criminal organizations] is through the widespread use of corruption." Roy Godson (1998:6) elaborates: "Although corruption exists without the presence of organized crime, criminal enterprises on a local or national level usually cannot long exist without the corruption and collaboration of public- and private-sector officials."

Informal groups and networks developed in the context both of communism and of nearly a decade of reform in some countries of the region. Both of these legacies appear to have encouraged the development of informal groups and networks in the transitional years in at least two ways: as suggestive idioms such as "mafia" and "clan" that resonate throughout the region; and as powerful agents reorganizing state and market institutions.

With regard to the former, the communist legacies of relative income equality, little crime, and suspicion all encouraged receptivity by the peoples of the region to the symbolic presence of "mafia" in society. This appears to be the case particularly where transformation was especially difficult for the population. Without this background, there may be a tendency to over-emphasize and misinterpret invocations of mafia coming from Central and Eastern Europe and the former Soviet Union. An analysis of the meanings of "mafia" in the context of frequent cross-cultural misunderstanding is presented in Appendix II.

With regard to the role of informal groups and networks as agents of reorganization, some anthropologists and sociologists have set out to chart their roles in shaping state, market, and societal institutions in Central and Eastern Europe and the former Soviet Union. Many have invented new terms to capture the complex interactions, embracing new and old, formal and informal, that make up the rich mix of organizational forms that pervade and mold state and market institutions.

Informal systems have shaped – and continue to help shape – many of the crucial economic, political, and societal developments in Central and Eastern Europe and the former Soviet Union, including the distribution and management of resources, patterns of privatization and ownership, the structure of influence, and perhaps the very nature of the state. The strength of informal systems lies in their ability to circumvent, connect, override, and otherwise reorganize political and economic authorities and institutions.

Any attempted reforms – from privatization and public administration to health care reform or development of the NGO "sector" – must take account of informal systems if they are to have the desired results. Therefore, informal systems of relationships may be the most appropriate unit of analysis for understanding the patterns of development of many aspects of corruption, organized crime, markets, and the state. The lack of attention to informal systems can produce unanticipated and undesired outcomes in reform, foreign aid, and anti-corruption efforts.

This paper will (1) examine the roles of informal groups and networks and some of the state-private mixes that developed under communism and post-communism; (2) consider the applicability of conventional models to these social organizational realities and discuss the nexuses between state and private and among politics, economy, and law; (3) analyze some patterns of social organization of post-communist states, pose questions to help compare the role of informal systems in shaping them, and assess the notion of "captured states"; and (4) outline some of the policy implications of this analysis, with an eye toward reform, foreign aid, and anti-corruption initiatives.

Dirty togetherness⁴

The state – its monopolistic economic, political, and legal control – has played a crucial role in the evolution of informal groups and networks and their influence over markets and institutions, both under communism and under the reforms of post-communism. Under communism, the key to state power was its expansionist bureaucracy that monopolized the allocation of resources (Verdery 1991, 1996).

Economic decisions were made in the political domain, and control over resources insured state power.

Demand always outpaced supply, creating economies of shortage (Kornai 1980).

Individuals and groups responded by developing informal networks to circumvent shortages, bureaucracy, and the constraints of central planning. Networks connected individuals and groups to the state economy and bureaucracy and pervaded those institutions. In fact, informal networks became an integral part of the workings of formal structures. Stefan Kawalec (1992) shows how factory managers' personal connections joined them to other factories, suppliers, and distributors, set the real terms of business transactions, and thereby often rendered centralized management irrelevant. Similarly, Charles Fairbanks (1999:48) writes that: "To a surprising degree, the Soviet system empowered informal, illegitimate private powers in order to run important institutions."

Over time, networks transformed many state distribution and bureaucratic procedures, as documented by anthropologists of Central and Eastern Europe (for example, Hann 1980 and 1985, Kideckel 1982 and 1993, Sampson 1986, Wedel 1986 and 1992, Ledeneva 1998). Further east, patronage networks virtually ran various regions of the Soviet Union (for example, Albini, Rogers, Shabalin, Kutushev, Moiseev, and Anderson 1995, Orttung 1995, Ruble 1990, and Willerton 1992). Although not explicitly institutionalized, these relationships were regularized and exhibited clear patterns.⁵

To get things done under this system of state socialism, people personalized relationships within and apart from the state and thereby created a kind of personalized state (Wedel 1986:50-51). The practice of *finagling* – the deals people made to get things (scarce information, resources, services, and privileges (see, for example, Wedel 1986)) or to get them done – was one of life's staples. In Russia, this was known as *blat* (see, for example, Ledeneva 1998).

Skirting the system became a way of life with its own language, impulses of discretion, and habits of secrecy. Nearly everyone engaged in what Westerners might consider corruption, such as under-the-table deals and payments, simply to survive or to have a somewhat better life. "Dirty togetherness," Polish sociologist Adam Podgorecki's (1987) reference to cliquishness and close-knit networks in the

context of scarcity and distrust of the state, was endemic to the communist system. The language of "arranging" made it possible to avoid explicating agency – the active mechanisms through which people acquired goods and services – and served to veil myriad transactions.

Underneath the veil, however, nearly everyone was vulnerable and therefore potentially guilty.

The identity of an alleged perpetrator often determined the definition, severity, or the very fact of a crime.

As in economic decisions, legal decisions were vested in the monopolistic control of communist authorities. Without standards independent of politics, the law was often applied arbitrarily. Ilona Morzol and Michal Ogorek discuss the law's application in People's Poland (1992: 62):

Laws were drawn ambiguously and imprecisely of set purpose – the better to apply arbitrarily. One could not rigorously ascertain whether someone was guilty of a given offense or whether a given act was criminal. The whole system was set up so as to make it possible that anyone subject to the system could be convicted or acquitted of one charge or another, at the complete discretion of state power. As a popular saying went: "Give me the person, and I'll find the law [that he broke]."

In such a discretionary system, law was an effective means of subverting one's opponent. Criminal charges by one group against another within the power apparatus were a crucial political weapon in the arsenal of Communist Party authorities. For example, a Polish anti-corruption campaign of the early 1980s targeted, in part, former high-ranking communist officials for investigation and/or prosecution for "economic crimes." These officials had been newly cast as political opponents of the martial law government of General Wojciech Jaruzelski (Wedel 1986:51-52). Successful prosecution of a rival group as corrupt or criminal could render it a discredited nonplayer.

In a system in which nearly everyone engaged in dirty togetherness, people developed ethical systems in which legality diverged greatly from morality. Their experiences of law and morality did not stem from fixed notions of justice and its universal applications. As Caroline Humphrey explains (1999:199):

In Russia, perhaps more than in other countries, people who engage in activities defined by the state as illegal do not necessarily define themselves as criminals. Stalin's harsh legal policies, which defined actions such as tardiness at work, aiding abortions, or accidental loss of secret documents as crimes..., reinforced the long-standing Russian attitude that divorced community from state notions of law (*zakon*).

I note a similar view in Poland (1986:61):

What is legal is often not considered moral; what is illegal is often considered moral. In thinking about how to obtain quality medical care, acquire tickets for Jazz Jamboree, an annual international jazz festival in Warsaw, or emigrate – whether legally or illegally – people weigh moral and pragmatic concerns, but not legality. In a society in which people find it necessary to slight, the boundaries between legal and illegal are understandably fuzzy.

Such legal pluralism was compatible with the tendency under communism toward dichotomous patterns of thinking. We versus they – the communist world versus the capitalist one – took on other powerful variants: in the case of organized opposition, we oppositionists versus the communists, or, in the case of a citizen, the citizen versus the state. As David Kideckel (1994:141) writes:

This [communist] social system forced a dichotomous division of society into clearly demarcated public and private spheres characterized by those with absolute power in the former and those who run from power and responsibility in the latter. Thus, living in this social system, East Europeans were trained by experience to divide the world into two mutually exclusive categories of "Us and Them," the unfairly privileged and powerful few and the vast majority of long-suffering, decent folk; party nomenklatura and citizenry.

Discretionary use of the law, then, is deeply rooted in the powerful "we versus they" mindset honed under communism. In a system in which extra-legal factors often determined the outcome of judicial decisions; people came to see communist authorities and the state as the all-powerful Other.

Given state control over the economy and state ownership of property and production, property belonged to *everyone and no one*. What, then, was ownership and on what moral basis could claim be laid to personal, public, and state property? From an individual's point of view, goods belonging to everyone and no one potentially could be acquired by and belong to an individual. That was not "stealing" in Polish factories of the 1980s.

In an article entitled "When Theft is not Theft," Elzbieta Firlit and Jerzy Chlopecki (1992) detail the nuances of morality among Polish factory workers under communism. A worker's setting aside goods belonging to the state-owned factory – to everyone and no one – to take home with him to use in his own

side job was merely lifting and morally acceptable. On the other hand, another worker's taking from his fellow worker that which had already been set aside for personal use was considered stealing and morally wrong. As Firlit and Chlopecki (1992:97) observe:

On the ethical level, the continuum ranges from what is commonly condemned, at least as a matter of form, to what is openly justified or even acclaimed by public opinion. Going by the range of activities we observed, we find that such opinion makes it necessary to distinguish among theft, lifting, "arranging," doing favors (for no pay), exchanging services, *handel*, "side jobs," and bribery.

At first glance such a classificatory scheme might seem hairsplitting. But a closer review reveals that each of these activities has a different social meaning and implications.

The monopolistic control of the state – and its interlocking economic, political, and legal domains – encouraged the blurring of law, politics, and criminality. It also encouraged the development of systems of informal relationships and practices – which penetrated and stood apart from the state while, at the same time, being circumscribed by it. Finally, it encouraged people to create and exercise their own nuanced ethical systems.

Dirty togetherness II

What happened to these informal systems in 1989, when the communist regimes of Central and Eastern Europe collapsed, and in 1991 when the Soviet Union broke apart? Theoretically, there were several possibilities. Informal systems could have *supported* the development of new groups and institutions; or, they could have *obstructed* formal institutional change and reform.

The aftermath of the fall of communism in particular was an "open historical situation" – a period of immense change in which structure is so in flux that it provides myriad possibilities – as historian Karl Wittfogel (1981:8, 15ff, 437, 447f) has described it. During such precarious moments of legal, administrative, political, and economic transformation, old systems of social relations, such as the informal groups and networks that functioned under communism and helped to ensure stability, could become crucial instruments of change.

Indeed, in the legal, administrative, political, and economic flux that followed the collapse of communist governments, many informal groups, empowered by the erosion of the centralized state and enticed by myriad new opportunities for making money and wielding influence, took advantage of countless new opportunities. The opening moments following the fall of communism encouraged a free-for-all in which many resources and opportunities were divvied up. The people who were most energetic, savvy, and well-positioned to take advantage of opportunities were the most successful. Dirty togetherness thrived.

Far from disappearing, informal systems played a pivotal role in many reform processes of the 1990s – from privatization and economic restructuring to public administration and the development of NGOs and "civil society." Informal systems became integrated with the reforms themselves and helped shape their development. By providing unrestrained opportunities for insiders to acquire resources, some reforms fostered the proliferation and entrenchment of informal groups and networks, including those linked to organized crime.

For example, in Russia there was mass *grabitization* of state-owned enterprises, as many Russians came to call the privatization that was linked *en masse* to organized crime (for example, Wedel 2001:138-142). The "reforms" were more about wealth confiscation than wealth creation; and the incentive system encouraged looting, asset stripping, and capital flight (for example, Nelson and Kuzes 1994 and 1995, Bivens and Bernstein 1998, Hedlund 1999, Klebnikov 2000). E. Wayne Merry, former chief political analyst at the U.S. Embassy in Moscow, observed that: "We created a virtual open shop for thievery at a national level and for capital flight in terms of hundreds of billions of dollars, and the raping of natural resources...." Billionaire oligarchs were created virtually overnight.

Across Central and Eastern Europe and the former Soviet Union, groups that originally coalesced under communism (including *nomenklatura* – the system under which responsible positions in all spheres of government had to be approved by the Communist Party⁷) have played a major role in shaping

property relations and politics in the post-communist period, as anthropologists and sociologists have documented.

In Romania, certain elites – largely former Communist Party apparatus – work together to control resources. These *unruly coalitions*, as Katherine Verdery (1996:193) calls them, are "loose clusterings of elites, neither institutionalized nor otherwise formally recognized." Unruly coalitions, Verdery writes, are "less institutionalized, less visible, less legitimate" than political parties (1996:194).

In Hungary, *restructuring networks* shape privatization processes. David Stark (1996, 1998:142-153) identifies the resulting property forms as neither private nor collective, but as "recombinant" property. Stark describes how Hungarian firms develop institutional cross ownership, with managers of several firms acquiring interests in one another's companies. (This is reminiscent of the Japanese *Keiretsu* system.) Only people with extensive inside information have the knowledge to participate in such deals.

In Poland, the *srodowisko*, or social circle, helped to organize Polish politics and business during the 1990s (Wedel 1992:13-14).⁸ The circle is dense and multiplex; its members operate in many domains and have multiple functions vis-a-vis one another. Members of these publicly informal but internally rigorous elite circles worked together for years and developed intricate, efficient, and undeclared networks to get things done in the face of dangers and difficulties that cemented bonds. In the post-communist period, members of a few elite social circles have put their fingers into a multiplicity of pies – in politics, business, foundations, and nongovernmental and international organizations.

In Poland, Antoni Kaminski and Joanna Kurczewska coined the term "institutional nomads" (1994:132-153) to mean members of social circles whose primary loyalty is to the circle rather than to the formal positions that members of the circle occupy. Circumstances demand that members be loyal to their circle but not necessarily to the institutions with which they are associated. Circle members occupy many different formal positions in government, foundations, NGOs, and international organizations.

In Russia, sociologists have charted the system of "clans." In the Russian and Ukrainian contexts, clans are grounded in long-standing association and incentives to act together, not kinship or genealogical units, as in the classic anthropological definition. A clan, as Russian analysts and citizens use the term, is an informal group of elites whose members promote their mutual political, financial, and strategic interests. As Olga Kryshtanovskaya (1997) has explained it:

A clan is based on informal relations between its members, and has no registered structure. Its members can be dispersed, but have their men everywhere. They are united by a community of views and loyalty to an idea or a leader... But the head of a clan cannot be pensioned off. He has his men everywhere, his influence is dispersed and not always noticeable. Today he can be in the spotlight, and tomorrow he can retreat into the shadow. He can become the country's top leader, but prefer to remain his grey cardinal. Unlike the leaders of other elite groups, he does not give his undivided attention to any one organisation.

Elsewhere in the former Soviet Union, Caroline Humphrey (1991:8) writes of "organizations and enterprises in the [former Soviet] regions, run in a personal way almost as 'suzerainties' by local bosses." Kathleen Collins (2000) discusses how clan networks interact with the state in Krygyzstan, Uzbekistan, and Tajikistan. Also contributing to the growing body of literature on informal systems in Central Asia are Hilda Eitzen (1997) and Ruth Mandel (1997), who examine the Kazakh *zhuz* (clan or horde) and clan systems. Eitzen (1997:8) suggests that local clans "can provide a balance of power to an authoritarian center, they can also increase the possibilities for rent-seeking behavior [in which profits are sought through government subsidies and favors, rather than through market competition] and corruption on many different levels." Moving to the Caucasus, Nora Dudwick (1997:89-90) describes what Armenians call "mafias" as "clusters of relationships based on networks of relatives, friends, colleagues, acquaintances, and neighbors, hierarchically bound together through the ongoing exchange of favors and obligations."

Alexei Yurchak (1998, 2002), who observes two separate spheres *within* the Russian state – the "officialized-public and the "personalized-public" – argues that, when the Soviet Union fell apart, it was principally the officialized-public sphere of the state, with its institutions, laws and ideologies, that succumbed to crisis. Yurchak (2002:311) observes:

the personalized-public sphere expanded into new areas of everyday life, and many of its relations and understandings became even more important....the state's personalized-public sphere did not collapse but rather re-adapted to the new situation much better than was obvious at the time.

Blurred boundaries

It is not accidental that much of the ethnographic material here presented employs terms invented by the researchers themselves (for example, "institutional nomads," "unruly coalitions," "restructuring networks"). This should be a clue about the adequacy of conventional vocabularies of state development and institutional change. The ways in which they do *not* apply to states in Central and Eastern Europe and the former Soviet Union is instructive.

From the West, there is a tendency to allege corruption and "conflict-of-interest" without examining the complexities of relationships. Underlying many "transition" studies and development projects, as well as the West's export to Central and Eastern Europe and the former Soviet Union of anti-corruption and rule-of-law programs, are conventional vocabularies and models that infuse Western public administration, comparative political science, sociology, popular discourse, and policymaking. These vocabularies tend to conceptualize institutional change in terms of discontinuities, ¹⁰ but informal systems resist accurate conceptualization as such.

The vocabularies may be insufficient to probe changing state-private and political-administrative relations in any complex administrative state – even in our own, let alone in states with vastly different histories. The following common properties of these groups and networks illustrate their incongruity with Western conceptions and help explain Western misperceptions of post-communist organized crime and corruption.

The first property of these informal systems is that *the unit of decision-making is the informal* group. As Westerners look to those capitalizing post-communist nations there is a tendency to overemphasize the role of individuals, without a sense that individuals are acting as part of a group whose members' agendas and activities are interdependent. In the contexts of uncertainty and weakly

established rule of law, individuals must take the interests of their groups into account when making choices about how to respond to new opportunities. Operating as part of a strategic alliance that pools its resources enables members of the group to survive and thrive in an environment of uncertainty and indeterminacy. Because a network grouping such as a clan is a different unit of economic analysis than is usually considered by economist analysts, who tend to think of individuals as the primary unit to take advantage of economic opportunities, Western analysts tend to blame individuals rather than groups for violating Western institutional boundaries.

Social-political analysts from Central and Eastern Europe and the former Soviet Union stress that individuals are anchored primarily in the group rather than in any institution with which they are officially associated. Kaminski's and Kurczewska's *institutional nomads* and Kryshtanovskaya's *clan* capture how members of informal groups acquire resources in the different spheres (of state and private) and domains (of politics, economics, and law) in which members are affiliated, their loyalty being always to the group. In the process of operating in various spheres and domains, informal groups often reveal – or leave traces that reveal – the group's relationship to the institutional world. Kaminski's and Kurczewska's institutional nomads bear similarity to Kryshtanovskaya's depiction of the Russian clan whose "members can be dispersed" and who "have their men everywhere," as detailed earlier. Informal groups and networks have access to state resources through various members, and they maximize their flexibility and influence precisely by blending and traversing different spheres and domains.

With regard to both Polish institutional nomads and Russian clans, a civil servant (dependent on the tenure of a specific political leadership, if not actually brought in or bought off by it) is typically more loyal to his or her group than to some office or position. In both cases, resources and decision-making in economic, political, and societal domains tend to be concentrated in just a few hands.

The second property of informal systems is that *informal groups and networks operate in*,

mediate, and blur different spheres – state and private, bureaucracy and market, legal and illegal –

boundaries widely accepted in the practice and rhetoric of public policy and administration. In many

contexts the group's strength derives in significant part from its ability to access the resources and advantages in one sphere for use in another. Informal groups derive influence from their ability to bridge and penetrate institutions.

The classic definition of corruption – "the abuse of public office for private gain" – presented earlier, reflects a dichotomous way of thinking. This approach to corruption depends on the state (or public)-private dichotomy and assumes that it is universal. It also assumes that the dichotomy affixes itself in similar ways to diverse societies, which, in fact, may be organized in vastly different ways. Yet the state-private dichotomy is based on idealized models that may not apply even in the donor societies. Ken Jowitt (1983:293) has argued that such approaches to corruption are weak because they emphasize "the difference between public and private aspects of social organization." "Reliance on this difference," he explains, "makes it impossible to specify the existence and meaning of corruption in settings where no public-private distinction exists institutionally. Ethnographic work on social organization in Central and Eastern Europe and the former Soviet Union casts further doubt on the applicability of the classic corruption definition.

The situational state

Under post-socialist transformations, much political-economic influence has accrued to those who skillfully blend, equivocate, mediate, and otherwise work the spheres of state and private, bureaucracy and market, and legal and illegal – dichotomies widely employed in public policy and administration. Political-economic influence has resided precisely in the "control of the interface between public and private," as Helen Sutch put it.¹¹ So many outcomes, such as the distribution and ownership of resources, have been shaped by struggles to steer the state-private nexus.

Ethnographic material on social organization of the state in Poland and Russia suggests that spheres within and around the state are malleable and fluid. They are situationally and even fleetingly activated, deactivated, and otherwise molded by the actors operating under various configurations of state

and private rubrics who employ state-ness and private-ness strategically to achieve individual, group, and even official goals.

Public and private state spheres

Yurchak (1998, 2002), as stated earlier, has documented two spheres – the "officialized-public" and the "personalized-public" – within the Russian state. These spheres represent different types of practices that coexist and can overlap in the same context. Russian entrepreneurs, he notes, seek protection from state organizations – ranging from tax police and inspectors to bureaus for monitoring organized crime. At one and the same time, these officials call upon anticrime measures available to them through law and the assistance of criminal affiliates and groups. That is, officials provide different forms of protection and risk-management such as information about business practices and competitors or protection from mafia or debtors. The *same* official can seek help both through legal means and criminal affiliates.

Yurchak shows that transactions that rely on the personalized-public sphere can benefit all actors and can do so legally in terms of the law of the officialized-public sphere. He (2002:301) emphasizes that the actors involved

distinguish between those state laws that they perceive as meaningless and counterproductive and those that they perceive as meaningful and important. The former type of laws (e.g., unreasonably high taxes, constraints on the withdrawal of cash from accounts, privileges given to random groups of citizens) they treat as a formality that has to be followed in officialized-public terms only and that, in fact, can be subjected to hybrid entrepreneurial technologies. The latter type of laws they follow in earnest. Perceiving the state and its laws in accordance with this hybrid model means always expecting that some steps and regulations of the state will be positive and meaningful and some will be negative and unreasonable. The entrepreneurs have to relate to the state in this discriminating manner all the time.

Thus, in Yurchak's account, actors actively switch the context in which they are operating from officialized-public to personalized-public as their goals and/or the definition of the situation changes.

Yurchak's observations are consistent with accounts I heard in Poland in 2000 and 2001, exemplified in the following story. A man selling an apartment he had inherited was to pay a huge sum in

taxes to the state. He visited the tax office, and after a bureaucrat told him the amount he was being assessed, the same bureaucrat gave him explicit instructions on how to avoid paying. He followed her advice and saved himself a lot of money. The man did not know the bureaucrat personally and she did not expect anything in return. This tax official appears to have switched from the officialized-public sphere to the personalized-public sphere, as per Yurchak's analysis.

Such switching back and forth need not be cynical. Legitimacy can be hybrid. As Yurchak (2002:302) argues, it "allows entrepreneurs to be involved in informal activities and at the same time have a genuine desire for the democratic rule of law in the country."

Flex organizations

"Flex organizations," ¹² so-called in recognition of their impressively adaptable, chameleon-like, multipurpose character, have emerged precisely at the state-private nexus. Flex organizations switch their status situationally – from state to private – back and forth, strategically maneuvering their identities so as to best access governmental, business, and even foreign aid resources. Flex organizations are empowered by informal groups or networks whose strength derives in significant part from their ability to access the resources and advantages in one sphere for use in another. Flex organizations serve as vehicles for informal groups or networks to achieve their own purposes. ¹³

Three traits of flex organizations make them especially useful to the groups and individuals that control them: (1) the ability to shift their agency – the flexibility after which they are named; (2) the propensity to bypass otherwise relevant institutions, such as those of government (executive, judiciary, or legislative); and (3) deniability, which is part and parcel of shifting agency. Flex organizations lend to individuals and groups the extremely useful ability to deny responsibility. They afford maximum flexibility and influence to those who use them, while burdening them with only minimal accountability.

In Poland, I first noted the existence of flex organizations in the 1990s. There, flex organizations appear to have become institutionalized; an estimated 30 percent of the economy lies somewhere between

the state and the private sector, according to legal analyst Jan Stefanowicz.¹⁴ Legislation since the fall of communism has enabled the creation of profit-making bodies variously called foundations or agencies. These bodies make it legally possible for private groups and institutions to appropriate public resources to themselves "through the spread of political corruption," as Kaminski (1996:4) has called it. He (1997:100) maintains that: "The real aim of these institutions is to transfer public means to private individuals or organisations or to create funds within the public sector which can then be intercepted by the initiating parties."

A prime example of flex organizations are *agencje* (agencies) that have been created in all ministries with control over property. These include the ministries of transportation, economy, agriculture, treasury, and defense, according to Piotr Kownacki, deputy director of NIK (Supreme Chamber of Control), Poland's chief auditing body. Formally nongovernmental organizations, *agencje* are set up by state officials, attached to their ministries or state organizations, and funded by the state budget. The minister typically appoints an *agencja*'s supervisory board; his selections are often based on political connections, according to Stefanowicz. Some 10 to 15 percent of an *agencja*'s profits can be allocated to "social" purposes: if the *agencja* accrues profits, those profits go to the board, and are sometimes funneled into political campaigns. On the other hand, any losses are covered by the state budget.

Agencje have several distinguishing features (Kaminski:1997:100). The agencje's unclear functions and responsibilities are a defining characteristic. They are formally nongovernmental but use state resources and rely on the coercive powers of the state administration. They have unclear status. From the government's point of view, the entities are legally private; from the point of view of the entities, they are public institutions. They have broad prerogatives that are supported by administrative sanctions and are subject to limited public accountability.

Agricultural *agencje* offer a case in point. With so much property under their control, including cooperative farms inherited from the communist past, *agencje* have begun "to represent [their] own

interests, not those of the state," according to NIK Deputy Director Kownacki. He observes that "most of the money is taken by intermediaries" and the state has very little control over this process. ¹⁸ Coal mining and arms also are dominated by *agencje* and present myriad opportunities for corruption, reports Kownacki. ¹⁹ Former NIK Director Lech Kaczynski notes that, under the system of *agencje*, "much taxpayer money flows to private hands on a large scale." ²⁰ The number of *agencje* is growing. ²¹

These entities are enshrouded in ambiguity. They are part and parcel of the "privatization of the functions of the state," as Kownacki puts it, and they represent "areas of the state in which the state is responsible but has no control."²² It is precisely such ability to equivocate that may afford these entities their strength and may in part explain their influence and resilience.

I (2001:145-153, 156, 172) also have documented flex organizations in Russia. They were key recipients of foreign aid funds in the 1990s and vehicles through which the economy was to be reformed. For example, the Russian Privatization Center, which received hundreds of millions of dollars in loans from the international financial institutions and aid from bilateral donors, was an archetypal flex organization. It switched its identity and status situationally. Although legally it was nonprofit and nongovernmental, it was established by Russian presidential decree and received aid because it was run by members of the so-called Chubais Clan, who also played key roles in the Russian government. In practice, the Center sometimes played the role of a government agency. It helped carry out government policy on inflation and other macroeconomic issues and also negotiated with and received loans from the international financial institutions *on behalf of the Russian government*.

With respect to the second trait of flex organizations – the bypassing of otherwise relevant institutions – the Center was set up precisely to circumvent such institutions. Indeed, according to documents from Russia's Chamber of Accounts, the Center wielded more control over certain privatization documents and directives than did the Russian government agency formally responsible for privatization.²³ Two Center officials²⁴ were in fact authorized to sign privatization decisions on Russia's

behalf. Thus did a Russian and an American, both of them officially working for a *private* entity, come to act as representatives of the Russian state.

With regard to the third trait of flex organizations – deniability – if the Center came under fire for its activities as a state organization, it could legitimately claim to be private. The ability of actors to evade or challenge, at any given moment, the state-ness or private-ness of a flex organization is crucial to the effectiveness of such organizations.

All three traits of flex organizations – the ability to shift agency, the propensity to bypass otherwise relevant institutions, and deniability – pose problems for parties that would seek to monitor the activities of the organizations.

Negotiating the state

With "flex organizations," as with Yurchak's "officialized-public" and "privatized-public" actors switch the contexts in which they are operating so as to achieve their goals. The spheres of and between state and private are fluid and situational. Structure is malleable.

This analysis builds on some feminist research that shows that the "line between public and private is constantly being renegotiated," as Susan Gal (2001:3) writes. However, in this literature, these lines change over time and are shaped by historical processes. But, in the Polish and Russian cases above, as well as in Gal's further analysis, the lines can move back and forth in an instant, depending on the situation.

The back-and-forth switching characteristic of flex organizations, as well as Yurchak's delineation of the public sphere into the officialized-public and the privatized-public, is consistent with Gal's rethinking of public and private. She (2001:11) notes "redefinitions that create a public inside a private, or a private inside a public." These "can be momentary or ephemeral, dependent on the perspectives of the participants. Or they can be made lasting and coercive, fixing and forcing such distinctions, binding social actors through arrangements such as legal regulation and others forms of

ritualization and institutionalization." Using references from linguistics, Gal (2001:5,7) argues that public and private are "indexical signs that are always relative: dependent for part of their referential meaning on the interactional context in which they are used.... Thus spaces that are undoubtedly public (in one context) can be turned into private ones by indexical gestures."

Politicized law

The third property of informal system is that *informal groups and networks operate in the multiple domains of politics, economics, and law.* Access and success in one domain are often contingent on access and success in another. Informal groups and networks can wield influence and control resources to the extent they do because of the legal contexts in which they operate. To varying degrees, as one informant put it, "the rules are what you make them."

Under communism, the ability to access economic opportunities depended on political connections. During the transitional years, informal groups and networks in the region (including Romanian unruly coalitions, Hungarian restructuring networks, Polish social circles, Russian clans and suzerainties, and Kazakh *zhuz*), evolved, or continued to evolve, as the communist state's monopoly control over resources was crumbling or had collapsed, and opportunities for filling the void abounded. Although the communist party ceased to exert monopoly control over the economy, ability to access economic opportunities often remained contingent on political connections.

Terms such as "oligarchs"²⁵ and "financial-industrial groups," which are now widely employed to describe the structure of power and the wielders of influence in Russia, capture this quality of interdependence among domains. In Russia, the political-economic structure that has evolved under post-communism differs from communism in two major respects. First, no single group allocates resources, as under communism, although a single group can monopolize an entire sector or sectors (for example, Russian aluminum or gas). Second, the relationship of power to property is no longer one way. As

Graham (1999:329) expresses it: "Not only can power be converted into property; property can be converted into power."

Many economic opportunities remain contingent on political connections, as under the previous communist system. Under communism, bureaucrats and party apparatchiks had long-term understandings with one another in which favors were exchanged. But even their advantages rarely could be pooled. Understandings had to be reached one at a time and face to face, not with wholesale efficiency.²⁶ In similar fashion, it remains difficult in some post-communist contexts to compound advantages: the most enterprising person can make deals, albeit only similar deals over and over again, without entering into additional negotiation.

For its part, the use of law under post-communism, as under communism, remains discretionary (the degree to which this is the case depends on the particular context) and is compatible with the political-economic structure described earlier. Law is frequently employed situationally. If invoking formal law is impractical or disadvantageous, people can fall back on informal practices. The reverse may also be the case. Law can be put to use for extracting advantages, bargaining, and ad hoc purposes. Breaking the law is not necessarily what determines criminality because many people, in different walks of life, routinely violate the law. As Alena Ledeneva (2001:13) writes:

Anybody can be framed and found guilty of some violation of the formal rules, because the economy operates in such a way that everyone is bound to be involved in some misdemeanour. For example, everybody is forced to earn in the informal economy in order to survive – a practice that is punishable, or could be made so. Businesses are taxed at a rate that forces them to evade taxes in order to do well. Practices such as the embezzlement of state property or tax evasion become pervasive. Inside state institutions, a whole family of corrupt practices, such as bribe-taking and extortion in the granting of licenses, has been prevalent. The fairly ubiquitous character of such practices makes it impossible to punish everyone.

Due to the pervasiveness of the offence, punishment is bound to occur selectively, on the basis of criteria developed outside the legal domain.

As under communism, law in Russia is sometimes used to disadvantage or discredit political or economic opponents. Mafia groups have been known to turn files of rival groups over to police. And, as a journalist based in Moscow and St. Petersburg in the latter 1990s reported (Whitmore 2000):

Today, corruption allegations are dragged out for a number of reasons, and none of them have anything to do with fighting corruption. In some cases, they are a means to rein in or intimidate opponents of the state. This summer's detention of media magnate Vladimir Gusinsky, whose NTV television station had relentlessly attacked [Russian President Vladimir] Putin, was a case in point. In other cases, corruption scandals are initiated by financial clans using friendly (privatized) police and prosecutors against their foes. The message here is simple: If you are loyal, steal as much as you like. If you aren't then watch it!

The continued interdependence of the domains of politics, economics, and law and the use of one domain to extract benefits in or leverage in another are part and parcel of the arbitrary application of criminality. The dearth of independence of legal, economic, and political domains helps explain why the potential influence of Russian clans and other such informal groups can be much more widespread and monopolistic than that of interest groups or coalitions. Clans, which have a multiplicity of goals and may operate with little legal restriction to achieve them, cannot so be reduced.

The social organization of the state

The extent and the very *nature* of the penetration of the state by informal groups and networks is a crucial issue. What patterns of relationships are emerging in specific countries between informal groups and states as they mutually respond? Have informal groups and networks *replaced* the former centralized state (or major parts of it) or simply *penetrated it* to some degree? In what ways? To what extent do informal groups and networks merely use the state for their own purposes, and to what extent have they reorganized it? The answers to those questions critically help to shape the capability (or lack thereof) of constructing centrist, nonaligned institutions and, ultimately, building democracies.

I have identified two patterns of relationships between the state and informal groups (or cliques²⁷) in Central and Eastern Europe and the former Soviet Union: the "partially appropriated state" and the "clan-state."

The "partially appropriated state"

Under the partially appropriated state, informal groups such as Polish social circles, Hungarian restructuring networks, and Romanian unruly coalitions take over from the state, or privatize, certain functions. Under the partially appropriated state, informal groups clearly work with relevant state authorities or what is left of them, but the group as such is not synonymous with the authorities.

I base the model largely on Polish material. In Poland, as noted previously, an estimated 30 percent of the economy lies somewhere between the private and the state sector, according to Stefanowicz.²⁹ Legislation since the fall of communism has actually facilitated the proliferation of state-private organizational forms such as flex organizations. As Stefanowicz observes: "There is a silent truth between political parties. No financial report has ever disclosed how much political support is allocated to political campaigns [through *agencje* and similar entities]."³⁰ All this constitutes parts of the state for which it is responsible but has no control.

The "clan-state"

My notion of the "clan-state" (1999) builds on Thomas Graham's (1995, 1996) observation of Russian clans whose influence can be countered only by competitor clans. In such a state, which incorporates elements of the partially appropriated state, individual clans, each of which controls property and resources, are so closely identified with particular ministries or institutional segments of government that the respective agendas of the state and the clan sometimes seem identical.³¹

Under the clan-state, the clan uses state resources and authorities (to the extent they can be separately defined in a given instance) but also keeps state authorities far enough away so that they cannot interfere with the clan's acquisition and allocation of resources, but close enough to insure that no rivals can draw on the resources. This enables the clan to bypass other sources of authority and influence, and thereby to enhance its own.

The clan-state operates in a context where there is little separation of the clan from the state. The same people with the same agenda constitute the clan and the relevant state authorities. The clan is at once the judge, the legislature, and the executive. The system is weak in constitutional terms and lacks outside accountability, visibility, and means of representation for those under its control. Generally, a clan's influence can be checked or constrained only by a rival clan, as judicial processes are frequently politically motivated.

I base the clan-state model on Russian³² and Ukrainian³³ data. The model is also reminiscent of developments in some other post-Soviet countries, as well as in present-day Yugoslavia.³⁴ With regard to the former, Collins' (2000:34-35) analysis of the state, derived from Central Asian material, also appears to apply to the clan-state. Steven Sampson's (1998:7) description of "mafia kingdoms" bears similarity to the notion of the clan-state.³⁵

The partially appropriated state and the clan-state in comparison

Differences between the "appropriated state" and the "clan-state" appear to lie in (1) the nature of vertical linkages and (2) the degree of penetration of state bodies and authorities. The partially appropriated state and the clan-state fall along a continuum – from some appropriation of the state by private actors to considerable appropriation.

With regard to (1) the nature of vertical linkages, under the "partially appropriated state," informal groups use state actors, who are corruptible and "bought." For example, informal groups in Poland may use or help to place non-group members in Parliament. However, in Russia, under the "clanstate" model, clan members actually occupy positions in the executive branch *as a clan* and are themselves "bought." Because, under the latter, there is so little separation between the clan and the state, the "clan-state" enables deniability. If the state is criticized, activities can be attributed to the clan. If the clan is criticized, activities can be attributed to the state. Deniability is institutionalized. With regard to

(2) the degree of penetration of state bodies and authorities, a clan-state is characterized by a higher degree of penetration than a partially appropriated state.

The partially appropriated state and the clan-state model share a number of features. First, institutional nomadism, as defined earlier, characterizes both models. Second, although many economic opportunities remain contingent on political connections as in the previous communist system, no single group allocates resources and the relationship of power to property is no longer one way.

The third common feature of the models is the ambiguous status of individuals, informal groups, entities, and institutions situated somewhere between state and private spheres, ³⁶ as discussed earlier. Both models involve individuals, groups, entities, and institutions whose status is difficult to establish. Their arena of activity is neither fixedly state nor private, neither firmly political nor economic; their activities are neither fully open nor completely hidden and conspiratorial. It is precisely such ability to equivocate that may afford them their strength and may in part explain the potential influence and resilience of the state-private relationships they embody. This malleability affords them considerable flexibility and maneuverability and also the opportunity to skirt accountability to any outside authorities.

Fourth, both the partially appropriated state and the clan-state imply a fragmented state. Verdery describes a state in which "the center has lost control over political and economic processes, and the structures of domination are segmented." Some analysts have characterized this as a weak or "failed" state. However, such categorizations leave little room for analysis of the processes and dynamic relations shaping the state. For example, under the Russian clan-state, ministries – indeed, entire segments of government – are controlled by powerful clans, some of which have appropriated millions or even billions of dollars in assets to their own private (typically foreign) bank accounts. The parts of the state that are empowered by the clan can hardly be characterized as "weak."

At the same time, there may be other parts of a clan-state – typically those parts without substantial resources at their disposal, such as those responsible for education, health, and social welfare – that are of little interest to clans and remain independent of them. For example, a study in Ukraine

(Kennan Institute summary 1999) reports that, although politically powerful clans wield tremendous influence over state action, in "certain key areas the Ukrainian state demonstrates a capacity to serve a public good rather than simply the narrow interests of powerful political and economic groups."

Finally, the state-private entities and arrangements common to both the partially appropriated state and the clan-state appear to expand the sphere of the state. Kaminski (1996:4) argues that post-communist legislative initiatives have facilitated "an indirect enlargement of the dominion of the 'state' through founding of institutions that in appearance are private, but in fact are part of the [appropriated] public domain." The result may be an expanded state that is comprised of individuals, groups, entities, and institutions characterized by equivocation and ambiguity. In theory, that state is responsible. In practice, however, it has little control.

"Captured states"?

Some of the recent corruption literature identifies a phenomenon of "captured states" (for example, Hellman, Jones, and Kaufmann (2000); Hellman, Jones, Kaufmann, and Schankerman (2000); and World Bank analysts (2000)). The image of a "captured" state conjures up a state that was somehow taken over unwittingly – while it was not looking – in wholesale fashion. This assumes the existence of a prior independent, "uncaptured" state. It implies that the captured state and those who captured it became one and the same.

The notion of "state capture" is theoretically problematic. First, as I have shown, the state is made up of networks. Any "capture" must be done through those networks and with their full complicity. The networks that constitute the state cannot be taken over inadvertently. Second, there is no prior independent state that is separate from the networks that make up the state. Third, as discussed earlier, the state is fragmented. It is not a monolithic body that can be taken over wholesale. A clan-state, for example, has competing clans within the executive branch. Finally, the state has access to many resources that private actors, on their own, cannot access or deliver. In this respect, "state" and "private"

cannot blend together. The people who became rich during the years of "reform" did so *because* of the state, not by capturing it. They used their networks within the state to access the goods and services and privileges that helped them acquire wealth.

Implications for reform, foreign aid, and anti-corruption initiatives

Models of governance and state-private mixes

Whether by conscious design or not, donor policies and programs have influenced the models of governance and state-private mixes that have developed in Central and Eastern Europe and the former Soviet Union. The donor community has looked to NGOs and to the "independent sector" as a way of replacing (centralized) bureaucratic state systems and decentralizing services in Central and Eastern Europe and the former Soviet Union. The models that have been made available and even promoted have not always resulted in the final product that the donors envisioned.

For example, some U.S. aid programs and American foundations have promoted the idea of outsourcing – or contracting out – of government services. Such a model, or local versions of such a model, have been adopted in several Russian cities, including the Siberian city of Krasnoyarsk. There, the city administration set up line items in its budget to enable NGOs to compete for monies to carry out special social projects. The local goals resembled those of Western donors: decentralize services, create civil society, generate initiative among citizens.

The American advocates of oursourcing likely intended that a familiar result would be produced. Yet, although both positive and negative results could be observed, the outcomes would not necessarily be familiar to observers of American governance. To begin with, the city administration did not appear to issue systematic requests for proposals that specified precisely what needs the city was looking to satisfy in funding outside projects. The result was that NGOs submitted all manner of project proposals. City bureaucrats selected projects without coming to any apparent consensus (before or after the submission of

proposals) about needs. And, although some of the trappings of competitive bidding were in place, it was not clear to what degree decision-making was based on merit as opposed to connections.

Further, many NGOs came into existence precisely to tap into the governmental monies that had become available. Many of these NGOs were founded and run by professionals already employed as school and orphanage administrators, teachers, and psychologists. Starting up an NGO and getting a government grant or grants enabled them to supplement their meager state salaries. Obtaining additional work in their professions was understandably far more attractive to them than making ends meet through shuttle trading or taxi driving.

The new outsourcing had these results: the projects generated enthusiasm and a sense of self-sufficiency and of "taking matters into one's own hands," both on the part of NGO principals and city administrators. The projects that were funded appeared to be genuinely useful and welcomed.

However, the model put into place by the city administration cannot be seen as a rationalized, systematic way of delivering services. In terms of performing the work of governance, the approach is, at best, haphazard. The needs that were meant to be filled (and that are now being outsourced) had been largely met by the previous communist government and were defunded only during economic decline of the 1990s. The new outsourcing, was thus an attempt to re-fulfill needs that had been neglected during economic crisis. Thus, the outsourcing model may be a stop-gap measure that delivers some services, albeit very unevenly. At the same time, it supplements the salaries of professionals, who, previously, might not have needed to create NGOs to compensate for lost income.³⁷

This experience may suggest that some cautions are in order. It is also worth pointing out that the American model of outsourcing itself appears to be a work in progress. Although the United States is held up worldwide as a positive model of "reinvented government," law has not always kept abreast of the trend. The federal government writes paychecks for millions more contract and grant employees than for civil servants (Light 1999). But, with "private" employees delivering services ranging from the management of the nuclear weapons complex and airport security to the development of government

budgets and policies, the laws in place to protect citizens from official abuse typically do not apply to nongovernmental employees who perform governmental services.³⁸ To implement a system of outsourcing in a context with so many fewer reporting, monitoring, and accountability requirements than in the United States may be risky.

In addition to presenting new models of governance, donors have also implicitly advocated certain state-private mixes through aid programs that intentionally bypass governments. Many reform and social engineering efforts of the 1990s have had a tendency to divorce government from the private sector. Some have thereby further weakened already tenuous governance. For example, aid projects that, in the interest of efficiency, set up "private" organizations or NGOs parallel to the state to bypass state agencies and often to carry out functions that are typically seen as the province of government, can further undermine already ineffectual or crisis-ridden states. These organizations, especially when set up in clique-based societies, often facilitate expansion of a clique's influence and its operation in multiple spheres and domains.

Implications for anti-corruption initiatives

Since the latter half of the 1990s, combating corruption has become a major priority of the international development community. International organizations such as the World Bank have launched anti-corruption missions worldwide. The Bank's "institutional reform" initiatives, one of two major areas of its anti-corruption work, ³⁹ focus on decreasing opportunities for corruption. Institutional analysis is taken to mean examination of the institutions that affect the "performance" of the public sector, such as the recruitment, training, and promotion of public employees.

As we have seen, ethnographic accounts from the region highlight conceptual problems with the classic definition of corruption – the abuse of public office for private gain. Informal groups frequently blur and mediate spheres through forums such as flex organizations. Groups and individuals also can

traverse spheres within the state, switching back and forth between the spheres of officialized-public and personalized-public, which coexist and overlap.

Beyond the applicability of the corruption definition lies the issue of existing anti-corruption strategies. How does the structure of the recipient government itself interact with corruption and anti-corruption efforts? Of concern here is officials' use of criminal groups and the intertwining of clans and parts of the state. Such networking may undermine assumptions of some U.S. rule-of-law and anti-corruption and organized crime programs that teach anti-crime measures to Russian government counterpart agencies. If officials sometimes use law and mafia interchangeably to solve problems, what does this mean for U.S. law enforcement projects that work with their counterparts? The idea of a government having little independent viability separate from a clan may undermine the assumptions of these programs.

Conclusion

The global vernacular of "NGOs," "civil society," and "privatization" often cloaks the fact that there is a dearth of knowledge about the actual practices and patterns of existing state-private mixes so integral to governance and to society. With regard to Central and Eastern Europe and the former Soviet Union, the conventional vocabularies of state development and institutional change are inadequate to capture the complexity of the state-private mixes that are emerging. It is not accidental that ethnographers studying the region have invented their own terms such as "institutional nomads," "restructuring networks," "unruly coalitions," "flex organizations," and "clan-states." The ways in which conventional vocabularies do *not* apply to states in Central and Eastern Europe and the former Soviet Union are instructive.

There are at least three ways: the unit of decision making is the informal group; informal groups and networks operate in the multiple domains of politics, economics, and law; and informal groups and networks operate in, mediate, and blur the spheres of state and private, bureaucracy and market, legal and

illegal. Under post-socialist transformations, much political-economic influence has accrued to those who skillfully blend, equivocate, mediate, and otherwise work these spheres and domains. Political-economic influence has resided precisely in the control of the interface between state and private. Many outcomes, such as the distribution and ownership of resources, have been shaped by struggles to steer the state-private nexus.

The extent and the very *nature* of the penetration of the state by informal groups and networks is at stake. The question is whether informal groups and networks have *replaced* the former centralized state (or major parts of it) or simply *penetrated it* to some degree. The "partially appropriated state" and the "clan-state" models share a number of features: both imply a fragmented state privatized to some extent by "institutional nomads" whose economic opportunities remain contingent on political connections. Both models are characterized by ambiguous groups, entities, institutions, situated somewhere between state and private spheres. The state-private entities and arrangements common to both appear to expand the sphere of the state. The result may be an enlarged state that is comprised of individuals, groups, entities, and institutions characterized by equivocation and ambiguity. Although the state is theoretically responsible, in practice it has little control.

Ethnographic findings on state-private mixes in the region present a challenge to the notion of "captured states" and to the classic definition of corruption – "the abuse of public office for private gain." These findings illustrate that the state-private distinction may be fluid, subdivided, overlapping, or otherwise obscure. States can be fragmented by competing clans. This kind of ethnographic knowledge should inform proposed political, economic, and societal changes. A dearth of such knowledge can be costly because, without it, it is impossible to know how new policies or reform measures might resonate within given societies.

References

- Albini, Joseph L., Rogers, R.E., Shabalin, Victor, Kutushev, Valery, Moiseev, Vladimir, and Julie Anderson., 1995, "Russian Organized Crime: Its History, Structure and Function." In *Journal of Contemporary Criminal Justice*, Vol. 11, No. 4, Dec., pp. 213-243.
- Anderson, Julie, and Joseph L. Albini, 1999, "Ukraine's SBU and the New Oligarchy." In *International Journal of Intelligence and Counterintelligence*, Vol. 12, No. 3, Fall 1999, pp. 282-324.
- Atkin, Muriel, 1999, "A President and His Rivals." Draft paper.
- Beare, Margaret E, 1997, "Corruption and Organized Crime: Lessons from History." in *Crime, Law and Social Change: An International Journal*, Vol. 28, pp. 155-172.
- Belyaninov, Kirill and Oleg Lurye, 1998, "Russia: Minatom's Clandestine Business Dealings. Atomic Money," in *Moscow Sovershenno Sekretno*, Nov. 11, 1998, p. 4), Republished in FBIS Daily Report, Nov. 27.
- Bivens, Matt, and Jonas Bernstein, 1998, "The Russia You Never Met." In *Demokratizatsiya: The Journal of Post-Soviet Democratization*, Vol. 6., No. 4, Fall 1998, pp. 613-647.
- Boissevain, Jeremy, 1974, Friends of Friends: Networks, Manipulators and Coalitions. Oxford: Basil Blackwell.
- Bruno, Marta, 1998, "Playing the Co-Operation Game: Strategies Around International Aid in Post-Socialist Russia." In *Surviving Post-Socialism: Local Strategies and Regional Responses in Eastern Europe and the Former Soviet Union*, Sue Bridger and Frances Pine, eds., London: Routledge, pp. 170-187.
- Collins, Kathleen, 2000 *Clan Networks: Understanding Politics in Semi-Modern Societies*, doctoral dissertation, Harvard University.
- Comaroff, Jean, and John L. Comaroff, 1999, "Occult Economies and the Violence of Abstraction: Notes from the South African Postcolony." In *American Ethnologist*, Vol. 26, No. 2, pp. 279-303.
- Coulloudon, Virginie, 1997, "The Criminalization of Russia's Political Elite." In *East European Constitutional Review*, Vol. 6, No. 4, Fall, pp. 73-78.
- 1998 "Elite Groups." In *Demokratizatsiya: The Journal of Post-Soviet Democratization*, Vol. 6., No. 3, Summer 1998, pp. 535-549.
- Dudwick, Nora, 1997, "Political Transformations in Postcommunist Armenia: Images and Realities." In *Conflict, Cleavage, and Change in Central Asia and the Caucasus*, Karen Dawisha and Bruce Parrott, eds., Cambridge University Press, pp. 69-109.
- Eitzen, Hilda, 1997, "Refiguring Ethnicity through Kazakh Clan Geneologies," Presented at the Annual Meeting of the American Anthropological Association, *Networking with a Vengeance: Clans and Mafia in Eastern Europe and the Former Soviet Union*, Nov. 20.
- Encyclopaedia of the Social Sciences, Vol. 11, N.Y., New York: The Macmillan Company.

- Fairbanks, Charles, "What Went Wrong in Russia? The Feudalization of the State." In *Journal of Democracy*, Vol. 10, No. 2, April, pp. 47-53.
- Firlit, Elzbieta, and Jerzy Chlopecki, 1992, "When Theft is Not Theft." In *The Unplanned Society: Poland During and After Communism.* New York, N.Y.: Columbia University Press.
- Foglesong, Todd S. and Peter H. Solomon, Jr., 1999, *Crime, Criminal Justice and Criminology in Post-Soviet Ukraine*. Washington, D.C., U.S. Department of Justice, Aug. 30.
- Gal, Susan, 2002, "Public/Private as Fractal Distinction." In Differences 2002, forthcoming.
- Glinkina, Svetlana P., 1997, "Kriminelle Komponenten der Russischen Wirtschaft: Typen und Dimensionen," Koln, Germany: *Berichte des Bundesinstituts fur Ostwissenschaftliche und Internationale Studien*.
 - 1998a, "The Ominous Landscape of Russian Corruption," In Transitions, Mar., pp. 16-23.
 - 1998b, "To the Problem of Criminalisation of the Russian Economy," in *Transition and Modernization*. Russian-Hungarian RoundTable Conference, Institute for World Economics, Budapest, Hungary: Hungarian Academy of Sciences, Gyorgy Csaki and Gabor Foti, eds., pp. 47-53.
- Godson, Roy., 1998, "Enhancing Democratic Society through a Culture of Lawfulness", in *Trends in Organized Crime*, Vol. 4, No. 2, Winter.
- Graham, Thomas E., 1995, "The New Russian Regime," in Nezavisimaya Gazeta. Nov. 23.
 - 1996, "Russia's New Non-Democrats," in *Harpers Magazine*, Vol. 292, No. 1751, April, pp. 26-28.
 - 1999, "From Oligarchy to Oligarchy: The Structure of Russia's Ruling Elite," in *Demokratizatsiya: The Journal of Post-Soviet Democratization*, Vol. 7, No. 3, Summer, pp. 325-340.
- Guttman, Daniel, 1997, "Contracting for Government," Washington, D.C.: National Academy of Public Administration, January.
- Hann, C. M., 1980 Tazlar: A Village in Hungary. London: Cambridge University Press.
 - 1985 A Village Without Solidarity. New Haven: Yale University Press.
 - 1998 Surviving Post-Socialism: Local Strategies and Regional Responses in Eastern Europe and the former Soviet Union, Sue Bridger and Frances Pine, eds., London: Routledge, Foreward.
- Havel, Václav, 1985, "The Power of the Powerless," in *The Power of the Powerless: Citizens Against the State in Central-Eastern Europe*. John Keane, ed. Armonk, NY: M.E. Sharpe. pp. 23-96.
- Hedlund, Stefan and Niclas Sundstrom, 1996, "Does Palermo Represent the Future for Moscow?" Paper prepared for the NAS/NRC Workshop on Economic Transformation Institutional Change, Property Rights, and Company of the NAS/NRC Workshop on Economic Transformation Institutional Change, Property Rights, and Company of the NAS/NRC Workshop on Economic Transformation Institutional Change, Property Rights, and Company of the NAS/NRC Workshop on Economic Transformation Institutional Change, Property Rights, and Company of the NAS/NRC Workshop on Economic Transformation Institutional Change, Property Rights, and Company of the NAS/NRC Workshop on Economic Transformation Institutional Change, Property Rights, and Company of the NAS/NRC Workshop on Economic Transformation Institutional Change, Property Rights, and Company of the NAS/NRC Workshop on Economic Transformation Institutional Change, Property Rights, and Company of the NAS/NRC Workshop on Economic Transformation Institutional Change, Property Rights, and Company of the NAS/NRC Workshop on Economic Transformation Institutional Change, Property Rights, and Company of the NAS/NRC Workshop on Economic Transformation Institutional Change, Property Rights, and Company of the NAS/NRC Workshop on Economic Transformation Institutional Change, Property Rights, and Company of the NAS/NRC Workshop on Economic Transformation Institutional Change Institutional Ch

- Hedlund, Stefan, 1999, Russia's "Market" Economy: A Bad Case of Predatory Capitalism. London, UK: UCL Press Limited.
- Hellman, Joel, Geraint Jones, and Daniel Kaufmann, 2000 Seize the State, Seize the Day: An Empirical Analysis of State Capture and Corruption in Transition. World Bank.Mimeo. Presented at the Annual Bank Conference in Development Economics, Apr. 18-20, Washington, D.C.
- Hellman, Joel, Geraint Jones, Kaufmann, Daniel, and Mark Schankerman, 2000, *Measuring Governance, Corruption, and State Capture: How Firms and Bureaucrats Shape the Business Environment*. World Bank: Policy Research Paper No. 2312.
- Humphrey, Caroline, 1991, "Icebergs,' Barter, and the Mafia in Provincial Russia," in *Anthropology Today*, Vol. 7, No. 2, Apr., pp. 8-13.
- 1999, "Russian Protection Rackets and the Appropriation of Law and Order," in *States and Illegal Practices*. Josiah McC. Heyman, ed., New York, N.Y.:Berg, pp. 199-232.
- Humphrey, Caroline and Stephen Hugh-Jones, 1992, *Barter, Exchange, and Value: An Anthropological Approach*. Cambridge, UK: Cambridge University Press.
- Johnson, Juliet, 1997, "Russia's Emerging Financial-Industrial Groups," in *Post- Soviet Affairs*, Vol. 13, No. 4, pp. 333-365.
 - 2000, A Fistful of Rubles: The Rise and Fall of the Russian Banking System, Cornell University Press, forthcoming.
- Johnson, Simon, Kaufmann, Daniel, and Oleg Ustenko, 1995, *Complementarities, Formal Employment, and Survival Strategies*. Prepared for the National Academy of Sciences/National Research Council workshop on Economic Transformation Households and Health, Sept. 7-8.
- Jowitt, Ken, 1983, "Soviet Neotraditionalism: The Political Corruption of a Leninist Regime," in *Soviet Studies: A Quarterly Journal on the USSR and Eastern Europe*, Vol. 35, No. 3, July, pp. 275-297.
- Kaminski, Antoni Z., 1996, "The New Polish Regime and the Spector of Economic Corruption," Summary of paper to be presented at the Woodrow Wilson International Center for Scholars, April 3, 1997, Corruption under the Post-Communist Transformation. In Polish Sociological Review, Vol. 2 (II8).
- Kaminski, Antoni Z. and Joanna Kurczewska, 1994, "Main Actors of Transformation: The Nomadic Elites," in *The General Outlines of Transformation*. Eric Allardt and W. Wesolowski, eds., Warszawa: IFIS PAN Publishing, pp. 132-153.
- Kaminski, Antoni Z. and Jan Stefanowicz, 1996, "Jak Sie Buduje Instytucje III Rzeczypospolitej: Ulomne Reguly Gry," in *Polska Niezakonczona Transformacja*, Jan Winiecki, ed., Warsaw, Poland: Centrum im. Adama Smitha, 1996.
- Kawalec, Stefan, 1992, *The Dictatorial Supplier. In The Unplanned Society: Poland During and After Communism.* New York, NY: Columbia University Press.

- Keefer, Phil, 1998, Evaluating Political Obstacles to Combating Corruption: An Application to Albania, Georgia and Latvia, Washington, DC: World Bank, Draft, Aug. 3.
- Kennan Institute, 1999, Summary of talk by Lucan Way, "State-Building and Intergovernmental Finance in Ukraine," in *Report, Washington, DC, Kennan Institute for Advanced Russian Studies*, Vol. XVI, No. 16.
- Kideckel, David, 1982, "The Socialist Transformation of Agriculture in a Romanian Commune, 1945-1962," in *American Ethnologist* Vol. 9, No. 2, pp. 320-40.
 - 1993, The Solitude of Collectivism: Romanian Villagers to the Revolution and Beyond. Ithaca, NY: Cornell University Press.
 - 1994, "Us and Them: Concepts of East and West in the East European Transition," in *Cultural Dilemmas of Post-Communist Societies*, Aldona Jawlowska and Marian Kempny, eds. Warsaw, Poland: IFIS Publishers,pp. 134-144.
- Klebnikov, Paul, 2000, Godfather of the Kremlin: Boris Berezovsky and the Looting of Russia. New York: Harcourt, Inc.
- Klitgaard, Robert, 1998, Controlling Corruption. Berkeley, CA: University of California Press.
- Kornai, János, 1980, Economics of Shortage. Amsterdam: North-Holland.
- Kryshtanovskaya, Olga, 1996, "Illegal Structures in Russia," in *Sociological Research: A Journal of Translations from Russian*, July-Aug., pp. 60-80.
 - 1997a, "Illegal Structures in Russia," in *Trends in Organized Crime*, Vol. 3, No. 1, Fall, pp. 14-17.
 - 1997b, "The Real Masters of Russia," in *RIA Novosti Argumenty i Fakty*, No. 21, May. Reprinted in Johnson's Russia List.
- Kryshtanovskaya, Olga and Stephen White, 1996, "From Soviet *Nomenklatura* to Russian Elite," in *Europe-Asia Studies*, Vol. 48, No. 5, pp. 711-733.
- Kurczewski, Jacek, 1992, "Shared Privacy," in *The Unplanned Society: Poland During and After Communism*, Janine R. Wedel, ed., New York, N.Y.: Columbia University Press, 1992, pp. 158-172.
- Ledeneva, Alena V., 1998, *Russia's Economy of Favours: Blat, Networking and Informal Exchange*. Cambridge, United Kingdom: Cambridge University Press.
 - 2001, *Unwritten Rules: How Russia Really Works*. London, UK: Centre for European Reform, May.
- Levitas, Anthony, and Strzalkowski, Piotr, 1990, "What Does 'Uwlaszczenie Nomenklatury' (Propertisation of the Nomenklatura) Really Mean?" in *Communist Economies*, Vol. 2, No. 3, pp. 413-416.

- Light, Paul, 1999, The True Size of Government, Washington, D.C.: The Brookings Institution.
- Lopez-Claros, Augusto, and Mikhail M. Zadornov, 2002, "Economic Reforms: Steady as She Goes," in *The Washington Quarterly*, Winter, Vol. 25, No. 1, pp. 105-116.
- Mandel, Ruth, 1997, "Return of the Hordes: Post-Soviet Kazakstani National Identity." Presented at the Annual Meeting of the American Anthropological Association, *Networking with a Vengeance: Clans and Mafia in Eastern Europe and the Former Soviet Union*, Nov. 20.
- Meaney, Connie Squires, 1993, *Privatization and the Ministry of Privatization in Poland: Outsiders as Political Assets and Political Liabilities*, University of California, Berkeley, Center for German and European Studies Working Paper, Apr.
- Morzol, Ilona, and Michal Ogorek, 1992, "Shadow Justice," in *The Unplanned Society: Poland During and After Communism*. New York, NY: Columbia University Press.
- Nelson, Lynn D. and Irina Y. Kuzes, 1994, *Property to the People: The Struggle for Radical Economic Reform in Russia*. Armonk, N.Y., M.E. Sharpe.
 - 1995, Radical Reform in Yeltsin's Russia: Political, Economic, and Social Dimensions. Armonk, N.Y., M.E. Sharpe.
- Orttung, Robert W., 1995, From Leningrad to St. Petersburg: Democratization in a Russian City. New York: St. Martin's Press.
- Palmer, Richard L., 1997, "The New Russian Oligarchy: The Nomenklatura, the KGB and the Mafiya," in *Trends in Organized Crime*, Vol. 3, No. 1, Fall, pp. 8-12.
- Podgorecki, Adam, 1987 *Polish Society: A Sociological Analysis*. Praxis International, Vol. 7, No. 1, Apr.
- Porta, Donatella della and Alberto Vannucci, 1999, Corrupt Exchanges: Actors, Resources, and Mechanisms of Political Corruption. New York, N.Y.: Aldine de Gruyter.
- PREM, The World Bank, 1997, *Helping Countries Combat Corruption: The Role of the World Bank*. The World Bank: Poverty Reduction and Economic Management, Sept.
- Rawlinson, Patricia, 1996, "Russian Organized Crime -- A Brief History," in *Transnational Organized Crime*, Vol. 2, No. 2/3, Summer/Autumn, pp. 27-51.
 - 1998, *Reflections of Russian Organized Crime: Mafia, Media, and Myth.* Presented at the American Anthropological Association Annual Meeting in Philadelphia, Dec. 4.
- Ries, Nancy, 1998, "The Many Faces of the Mob: Mafia as Symbol in Postsocialist Russia," Presented at the American Anthropological Association Annual Meeting, Philadelphia, Dec. 4.
- Ruble, Blair A., 1990, *Leningrad: Shaping a Soviet City*. Berkeley, California: University of California Press.

- Ryan, Dawn, 1978, "Cliques, Factions, and Leadership among the Toaripi of Papua," in *Adaptation and Symbolism: Essays on Social Organization*, Karen Ann Watson-Gegeo and S. Lee Seaton, eds. Honolulu: East-West Center, The University Press of Hawaii. pp. 33-47.
- Sampson, Steven. 1986, "The Informal Sector in Eastern Europe," in Telos, Vol. 66, Winter, pp. 44-66.
 - 1998, "'Missing Fingers' and White-Jeep States: Mafia Kingdoms in Post-Communist Europe" Presented at the Guggenheim Conference on Globalization and Violence, New York, N.Y., Nov.
- Schneider, Jane and Peter Schneider, 1976, *Culture and Political Economy in Western Sicily*. New York: Academic Press.
 - 1994, "Mafia, Antimafia, and Question of Sicilian Culture," in *Politics and Society*, Vol. 22, No. 2, June, pp. 237-258.
 - 1998, "Educating Against the Mafia: A Report from Sicily," in *Trends in Organized Crime*, Vol. 4, No. 2, Winter, pp. 7-18.
- Scott, W. Richard, and John W. Meyer, 1994, *Institutional Environments and Organizations: Structural Complexity and Individualism.* Thousand Oaks, California: Sage Publications, Inc.
- Shelley, Louise I., 1994, "Post-Soviet Organized Crime: Implications for Economic, Social and Political Development," in *Demokratizatsiya: The Journal of Post-Soviet Democratization*, Vol. 2, No. 3,Summer, pp.341-358.
 - 1995, "Post-Soviet Organized Crime and the Rule of Law," in *John Marshall Law Review*, Vol. 28, No. 4, Summer, pp. 827-845.
 - 1998, *The Criminal-Political Nexus: Russian-Ukrainian Case Studies*, Washington, D.C.: American University, 1998.
- Sik, Endre, and Barry Wellman., 1999, "Network Capital in Capitalist, Communist, and Post-communist Countries," in *Networks in the Global Village: Life in Contemporary Communities*, Barry Wellman, ed., Boulder, CO: Westview Press, pp. 225-277.
- Staniskis, Jadwiga, 1991, "Political Capitalism in Poland," in *Eastern European Politics and Societies*, Vol. 5, No. 1, Winter 1991, pp. 127-41.
- Stark, David, 1990, "Privatization in Hungary: From Plan to Market or from Plan to Clan?" in *East European Politics and Societies*, Vol. 4. Fall, pp. 351-92.
 - 1996, "Recombinant Property in East European Capitalism," in *American Journal of Sociology*, Vol. 101, Jan., pp. 993-1027.
- Stark, David and Laszlo Bruszt, 1998 *Postsocialist Pathways: Transforming Poitics and Property in East CentralEurope.* Cambridge, UK: Cambridge University Press.
- Turchynov, Oleksandr, 1996, "The Shadow Economy and Shadow Politics", In *Political Thought: Ukrainian Political Science Journal*, Vol. 3, No. 4, pp. 75-86.

- Varese, Federico, 1994, "Is Sicily the Future or Russia? Private Protection and the Rise of the Russian Mafia." In *Archives Europeennes de Sociologie*, Vol. 35, No. 2, pp. 224-258.
- Verdery, Katherine, 1991, "Theorizing Socialism: A Prologue to the 'Transition'," *American Ethnologist*, Vol. 18, pp. 419-439.
 - 1992 *Transition from Socialism: Anthropology and Eastern Europe*, Lewis Henry Morgan Memorial Lecture.
 - 1996 What Was Socialism, And What Comes Next? Princeton, NJ: Princeton University Press.
- Wedel, Janine R., 1986 The Private Poland: An Anthropologist's Look at Everyday Life. New York: Facts on File.
 - 1992, The Unplanned Society: Poland During and After Communism, Columbia University Press.
 - 1996a, "Clique-Run Organizations and U.S. Economic Aid: An Institutional Analysis," in *Demokratizatsiya: The Journal of Post-Soviet Democratization*, Vol. 4, No. 4, Fall, pp. 571-602.
 - 1996b, "Between State and Private: 'Mafia, Household, and Informal Economic Relationships in Eastern Europe" Paper presented at the Economic History Workshop, Indiana University, Apr. 11.
 - 1999, "Rigging the U.S.-Russia Relationship: Harvard, Chubais, and the Transidentity Game," in *Demokratizatsiya: The Journal of Post-Soviet Democratization*, Vol. 7, No. 4, Fall, pp. 469-500.
 - 2000, "Mafia Without Malfeasance, Clans Without Crime: Why We Misunderstand Institutional Change in Post-Communist Europe," in *The Ethnography of Crime*, Philip Parnell and Stephanie Kane, eds., forthcoming.
 - 2001, Collision and Collusion: The Strange Case of Western Aid to Eastern Europe. New York, N.Y.: St. Martin's (1998) Palgrave (paperback).
- Weintraub, Jeff, and Krishan Kumar, eds., 1997. *The Theory and Politics of the Public/Private Distinction. In Public and Private in Thought and Practice*, Chicago, IL: University of Chicago Press
- Whitmore, Brian, 2000, "Might Makes Right." In *Transitions Online*, Oct. 2. Reprinted in Johnson's Russia List #4555, Oct. 3, 2000.
- Willerton, John P, 1992, *Patronage and Politics in the USSR*. New York, N.Y.: Cambridge University Press.
- Williams, Phil, 1996, "Russian Organized Crime How Serious a Threat?" *Transnational Organized Crime*, Vol. 2, No.2/3, Summer/Autumn, pp. 1-26.
- Wittfogel, Karl A, 1981, *Oriental Despotism: A Comparative Study of Total Power*. New York, N.Y.: Vintage Books.
- World Bank, 1999 "Anticorruption Diagnostic: Concept Paper." Washington, DC: The World Bank

(Unpublished)

- 2000, Anticorruption in Transition: A Contribution to the Policy Debate. Washington, D.C.: The World Bank.
- Yurchak, Alexei, 1998, "Mafia, the State, and the New Russian Business." Presented at the American Anthropological Association Annual Meeting in Philadelphia, Dec. 4.

2002, "Entrepreneurial Governmentality in Postsocialist Russia," in *The New Entrepreneurs of Europe and Asia*, Victoria Bonnell and Thomas Gold, eds., Armonk, N.Y.: M.E. Sharpe, Forthcoming

Endnotes

1. Social organization – the bonds that link individuals in social groups – is the dynamic, situational, and strategic aspect of social relations that is produced as people pursue their purposes.

- 2. Although this paper juxtaposes "state" and "private," how these terms are used and the relationships among them are key questions for study. (For an analysis of alternative historic views of relationships among public, private, state, and market, see Jeff Weintraub, 1997.)
- 3. Standard vocabularies, and the theoretical habits they rest upon, ignore the possibility that such change often involves complex and rapidly alternating interactions between the new and the old. Anthropological models of complex social transactions (particularly those of the "British school") offer an indispensable vocabulary for analyzing the organizational foundations of institutional change. "Social networks," "brokerage," "clientelism," "quasi-groups" and other connective informalities have been perceived as indispensable concepts for interpreting rapid top-down nation-building and "modernization" in developing countries. Such processes of change implied complex combinations of the traditional and the new, and anthropology responded by seeking to develop appropriately complex tools. (This perspective is informed by the work of Madeline Landau.)
- 4. Polish sociologist Adam Podgorecki (1987) coined this term.
- 5. For further analysis of such relationships, see Wedel 1992, Introduction.
- 6. *Frontline* Return of the Czar" interview with E. Wayne Merry, PBS web site www.pbs.org\wgbh\pages\frontline\shows\yeltsin\interviews\merry.html.
- 7. The *nomenklatura* had the power to accept or veto candidates for any state job and asserted a final voice over responsible positions in all spheres, from police and army posts to factory management and school principalships on the basis of Party loyalty, not ability or qualifications. This created a tangle of loyalties and favoritisms that precluded broader political and social participation.
- 8. Many members of the various post-communist governments belong to previously existing and identifiable social circles. For example, while leaders of the first post-communist government of Tadeusz Mazowiecki largely hail from a Krakow Catholic intelligentsia circle, those of the government of Jan Krzysztof Bielecki come from a Gdansk circle. See Wedel (1992) for in-depth analysis of the social circle.
- 9. For a thorough discussion of the public-private dichotomy, see Weintraub and Kumar (1997).
- 10. These tendencies derive from the classical social theories of the nineteenth century and from the structural-functionalist "integration" models of sociological theory employed by many fields. These models reinforce this tradition of dichotomous thought through their assumption that effective institutionalization of a new system requires a tight and standardized mode of integration. (This perspective is informed by the work of Madeline Landau.)
- 11. Private conversation with World Bank economist Helen Sutch, November 1, 2001.
- 12. The term "flex organization" was coined by Wedel (1999) and is further detailed in Wedel (2001:145-153).
- 13. With regard to the flex organizations I have charted in Poland and Russia, I can only think of examples in which actors use them to pursue their own group and private goals. This is unlike Yurchak's account, in which actors pursue both private and official goals in both the officialized-public and the privatized-public spheres. However, it is easy to imagine that flex organizations, too, could be used for in pursuit of official goals.
- 14. Interviews with Jan Stefanowicz, July 14 and 15, 1999.
- 15. Interview with Piotr Kownacki, Deputy Director of NIK, July 26, 1999.

- 16. Interviews with Jan Stefanowicz, July 14 and 15, 1999.
- 17. Interviews with Jan Stefanowicz, July 14 and 15, 1999.
- 18. Interview with Piotr Kownacki, Deputy Director of NIK, July 26, 1999.
- 19. Interview with Piotr Kownacki, Deputy Director of NIK, July 26, 1999.
- 20. Interview with Lech Kaczynski, July 14, 1999.
- 21. Interviews with Jan Stefanowicz, July 14 and 15, 1999.
- 22. Interview with Piotr Kownacki, Deputy Director of NIK, July 26, 1999.
- 23. Wedel interview with and documents provided by Sokolov, May 31, 1998. See State Property Committee order no. 188 (which gave Jonathan Hay veto power over the Committee's projects), October 5, 1992.
- 24. These were the Center's CEO from the Chubais Clan (Maxim Boycko) and the Moscow representative (Jonathan Hay) of the Harvard Institute for International Development, which managed virtually the entire \$350 million U.S. economic aid portfolio to Russia. See Wedel (2001:145-153).
- 25. Oligarchy, in its classic definition, means rule by a few, and often accumulation of wealth by a small group that could not maintain power without military and governmental support. See Encyclopaedia of the Social Sciences, pp. 462-464.
- 26. For further analysis, see Wedel (1992: Introduction).
- 27. In the study of political anthropology, approaches within "action theory," which concentrates on face-to-face interactions within given socio-political contexts, have emphasized the importance of such informal groups as cliques. A "clique," as defined by Jeremy Boissevain (1974), is a core group of people who contact one another for many purposes. The clique is a strategic alliance that responds to changing circumstances and helps its members promote common interests through concentration of power and resources. The clique has both an objective existence, in that "it forms a cluster of persons all of whom are linked to each other," and a subjective one, "for members as well as nonmembers are conscious of its common identity" (Boissevain 1974:174).

The clique, of course, comprises networks. But the clique is much more than a collection of networks. Networks that make up the group are "dense" because members of a person's network are in touch with one another independently of that person; each member of the group is linked to every other member. Also, networks are "multiplex" (rather than single-stranded) in that group members are connected to one another for multiple purposes, often political, economic, and social.

Although the "clique" provides some basic parameters for understanding informal groups, it is somewhat generic and would probably characterize many informal groups worldwide. Analysts from Central and Eastern Europe and the former Soviet Union have identified the features of informal groups and networks much more precisely.

- 28. These concepts, which were coined by Wedel, are elaborated in Wedel (2000).
- 29. Interviews with Jan Stefanowicz, July 14 and 15, 1999.
- 30. Interviews with Jan Stefanowicz, July 14 and 15, 1999.
- 31. For example, the Chubais Clan, which monopolized Russian economic reform and foreign aid during the 1990s, was closely identified with segments of government concerned with privatization and the economy. Competing clans had equivalent ties with other government organizations such as the "power ministries" (the ministries of defense and internal affairs, and the security services). For details, see Wedel (2001:123-174).

32. On Russia, see, for example, Olga Kryshtanovskaya and Stephen White (1996) on the "privatization of the state," in which officials, using their formal authority, divested the state of sectors of the state for which they were responsible. Thomas Graham (1999) discusses oligarchies and the "close intertwining of power and property" and oligarchies, while Juliet Johnson (1997) outlines the structure of "financial-industrial groups" (FIGs). In Russia, political and economic domains are so interdependent that, as Virginie Coulloudon (1997:75) expresses, "the distinction between lobbying and corruption has disappeared." Svetlana Glinkina (1998a:21, World Bank 1999:2) notes the substantial growth of government administrative personnel since the beginning of the transformation, exceeding that under communism. She (1998a) charts the privatization of transfers from the state budget and argues that economic power has been privatized "without any public oversight or legal foundation."

Kryshtanovskaya (1997a:15) holds that: "Corruption in Russian has now extended into literally all institutions of power. Persons bought off include government officials whose legal jurisdiction covers issuing permits for the export of oil, metals, and the like. The aluminum and oil scandals are cases in point." The Ministry of Atomic Energy allegedly is another case in point. The Minister is the founder-director of several companies, in at least one of which organized crime figures are known to be key players. Some of these players allegedly traffic in nuclear materials.

Glinkina has attempted to quantify the extent to which crime is integrated into the economic organizations of government. She (1998b:49) writes that some 87 percent of staff and management of the various government departments fighting organized crime reported that organized crime groups have "very close links" with institutions of power and especially local government. Some 64 percent of these officials assumed that those groups are also connected with law enforcement; 31 percent indicated a connection with the highest public administration.

33. The Soviet-era roots of clans and oligarchies in Ukraine are, of course, the same as in Russia. Although very little data on Ukrainian informal groups and networks are available (Anderson and Albini, 1999, are an exception), several Ukrainian analysts have outlined the clan system. These analysts' descriptions of the various clans, whose members have worked together, have common backgrounds, and, crucially, share resources and power, bear similarity to those of Russian clans (interviews with Oleg Soskin, July 9, 1999, and Oleksandr Turchynov, July 9, 1999). In the Ukrainian case, clans are often regionally and even family based. Soskin contends that competition for the economy spurred "dynamic competition" among regional clans and crystallized the clan system by 1996.

Soskin refers to a "totalitarian clan" system, in which "power belongs to several clans, which can alternate at power by nominating their totalitarian dictator" (undated article, "Political System and Institutional Changes in Ukraine: Interrelation and Dependence," given by its author, Oleg Soskin, Director of the Institute of Society Transformation, to author). Writing about the economic power and interests of clans, Oleksandr Turchynov (1996) divides clans into "central administrative-economic groups," "regional administrative-economic groups," and "foreign administrative-economic groups. Some of these groups operate in or are connected to the criminal world. All are intimately linked to and dependent upon political power (Interview with Oleksandr Turchynov, July 9, 1999, and Turchynov, 1996.) Soskin discusses "regional clans as the major factor of the state-monopoly pattern" (undated article, op cit) and maintains that "clans determine most of the money flow in Ukraine" (interview of July 9, 1999).

34. See, for example, Seven Biggest Plunders of the Milosevic Regime: Plunder Worth \$30 Billion.

35. Sampson (1998:7) writes:

Empirically, we find certain extreme situations, the Caucasus and in parts of the Balkans, where state leaders have private armies and blend entrepreneurial activities, bribery by foreign firms, and state administration. Parts of Bosnia with Serb paramilitary units now working as police, while Bosnian shadow president Karadzic monopolizes the sale of fuel and building materials.... In some cases ["local warlords" – "local political leaders who have taken over economic control of privatized resources, factories, trade routes, smuggling"] acquire their own paramilitary functions in the name of ethnic or regional autonomy. This is the case in most of Albania outside Tirana and in parts of Bosnia and even in some of the regions of the already truncated states of the Caucasus. Albania has clans and territorial networks, these now becoming stronger as the central state apparatus collapses and the weapons armies looted;

in Bosnia there have been local territorial warlords and ethnically divided territories as well. Some of these warlords end up taking over the state apparatus, or may have inherited it from an imperial power, as was the case in the former Soviet Union's devolution into smaller units. This is the case in parts of Central Asia and the northern Caucasus (Chechnya, Northern Ossetia, etc.) which after ethnic/territorial wars of secession, have become ethnically homogenized clan and territorially based warlord states seeking national legitimacy and recognition from the West.

- 36. Patricia Rawlinson (1996:28) discusses the "Chameleon Syndrome" "the ability of organized crime, through its interaction with the legitimate structures, to merge with and eventually play a proactive role in the Russian state."
- 37. These particular observations are based on my field research in Krasnoyarsk in the summer of 2001. For further detail, please see the forthcoming report by Jonathan Harris, Janine Wedel, and Ioulia Bolotskikh to be submitted to the Eurasia Foundation. Funded by the Eurasia Foundation, this research was conducted by a team of University of Pittsburgh researchers consisting of myself (principal investigator) and the authors named above. The observations I relate above are my own, and do not necessarily reflect the conclusions contained in the final report.
- 38. As Dan Guttman has demonstrated, with "private" employees delivering services ranging from the management of the nuclear weapons complex and airport security to the development of government budgets and policies, the laws in place to protect citizens from official abuse typically do not apply to nongovernmental employees who perform governmental services. See Guttman (1997).
- 39. The other major area is public education.