

INTRODUCTION

This article attempts to elaborate a culturalist approach to the problems of the current economic reform in Russia. The works of Max Weber and Karl Polanyi seem to be particularly pertinent to this task, but are largely ignored in contemporary discussions in Russia. The article tries to remedy this condition. I will concentrate on the problem of the corporate ethic of directors of post-Soviet industrial enterprises and try to demonstrate the institutional and cultural prerequisites for its resolution according to both Polanyi and Weber.

Specifically I will hold that two distinct types of ethical sanctions co-exist in contemporary Russian economy - the corporate ethic of 'mutual help' and the individualist ethic of '*samostoyatel'nost*', with the latter having an elective affinity with Weber's 'spirit of capitalism' and being particularly important for national market-building in Russia. The first ethic pervades post-Soviet industrial directors, though it is not necessarily shared by all of them. The same holds for the ethic of *samostoyatel'nost*: it is characteristic of the new entrepreneurs but does not belong to them as an essential quality.

In the following exposition I will describe the corporate ethic first, based on research carried out by Russian economists and sociologists in 1991-92. I will articulate the main features of the ethic of *samostoyatel'nost* later. In discussing it I will rely primarily on my own research conducted during the summer of 1992. ¹

THE CORPORATE ETHIC OF RUSSIAN INDUSTRIALISTS

Providing an objective description of the Russian economy in 1992 was very difficult as all the standard statistical methods proved to be largely inadequate in the novel conditions. To the best of my knowledge, the only credible report based on continuous monitoring of a rapidly changing economic situation was produced by a group of experts of the Working Center on the Economic Reform, Irina Boeva, Tatiana Dolgopiatova, and Viacheslav Shironin. The report was based on a set of consecutive interviews with heads of major industrial enterprises. The authors carried out 3 rounds of interviews in 1991 and 2 rounds in 1992. The Boeva report, as it will be called in this

text, seems to be outstanding in relation to other experts' attempts to give a description of changes in 1992. It is founded on a sound empirical basis, while others are usually results of some unfounded 'collective brainstorming' or 'situational analysis'. The Boeva report is also outstanding in that it escaped the peril of a subjective, and frequently hopelessly partisan view, where other analyses did not. In fact, it was accepted by both main warring sides of 1992 struggles - i.e. by the Russian government and industrialists' lobby - as the foundation for designing policy solutions. Consequently, I will rely on this report in my further exposition. (All the figures in this section are from the Boeva report also.)

According to the authors, after the economic ministries and the state system of planned supplies (*Gossnab*) collapsed in the wake of the abortive August '91 coup, enterprises were left largely to themselves. They had to find partners and secure supplies on their own. A mild panic occurred among economic experts when it became clear that by the beginning of 1992 60% of industrial enterprises managed to back up only half of their production programs with signed contracts on supply purchases. 8% of enterprises did not have signed contracts at all. The price shock of January '92 created a situation which was likely to drive a conventional economist mad. Rising prices sent the majority of enterprises into the red simultaneously with the sky-rocketing inter-enterprise debt. In the absence of signed contracts, with almost no funds to purchase supplies and with their own products hardly being paid by the buyers, enterprises kept on delivering products to each other in an almost complete defiance of price and market incentives. As one of the authors, Viacheslav Shironin, commented*² enterprises behaved after the price shock like Pavlovian dogs who had experienced too much stimulation and stopped responding to economic stimuli altogether.

The economy kept functioning, suggested the Boeva report, because of a certain 'business ethic' of industrial directors which helped them keep their enterprises afloat in the crisis conditions of 1992. Although the report did not concentrate on this ethic specifically, it invoked it as an almost self-evident truth to explain price structures, suppliers' preferences, wage policy etc. Descriptions of the 'business ethic' which are dispersed throughout the Boeva report can be systematized to give a scheme of the ethical code of an individual director which regulates three main types of his/her interactions: relations with other directors, relations with the new market structures, and relations with the staff (*kollektiv*) of a given enterprise.

Relations with other directors were extremely important in 1992 as the main form of industrial exchanges comprised the so-called 'direct ties' (*priamye sviazy*) which accounted for no less than 70% of Russian industrial output. As a rule directors in 1992 tended to keep their old ties with major traditional partners from the days of centralized planning. These personal ties seem to have now become pervaded by the sense of loyalty, mutual help and joint responsibility.

The report uses the terms from the vocabulary of the life of the Russian peasant commune, *krug* and *mir*, to account for the business ethic of contemporary Russian industrialists. This usage strongly suggests that the ethic in consideration is predicated on familiar features of communal life, i.e. on the mutual control of deviants from the established code of behavior and on the joint help for the failing members of the commune. In the *krug*, that is in a circle of directors, the personal reputation of a given director becomes the guarantee of the economic survival of the whole enterprise. This reputation is directly translated into the price/supply policy of a given enterprise's partners.

The possibility of a monopolistic price policy which many enterprises theoretically enjoyed after the elimination of centralized price regulation was rarely used in practice. In January 1992 almost 100% of major industrial enterprises employed the age-old Soviet method of cost-plus price calculation to establish basic prices in inter-industry exchanges with their traditional partners. These cost-plus prices were then corrected according to the ethical standard which required that they reflected the concern for the economic situation of the buyer. Thus, prices on the same product of a given enterprise, delivered to different partners, not infrequently varied according to a supplier's estimate of what a buyer could 'tolerate'. Prices were rarely raised above the cost-plus estimate without a 'sound' justification because a threat of the similar retaliatory action of one's own suppliers persisted. Of course, there were deviants from the common practice who managed to get away; these were rare cases of either producers of highly deficit supplies or of those few who could switch to production predominantly for external markets.

One can interpret the directors' rhetoric of mutual help and consideration as a 'collective misrecognition' of their economic interests (Bourdieu 1990:111), that is as a vital lie that makes possible the existence of the directors' community at all. Thus, it is

easy to discern in the recurrent practice of directors seeking supplies for their own suppliers an elementary attempt to ensure the stability and continuity of production at one's own enterprise. Delivering products to traditional partners without being paid can be similarly interpreted as an attempt to secure traditional markets which should be kept intact to get through the 'hard times'. Sometimes individual interests may be said to be misrecognized as 'national' interests: many directors stated that they were trying to prevent the breakdown of technological chains and thus to avoid inflicting irreparable damages to the Russian economy.

However, those traditional partners whose ties were not personal but mediated by local *Gossnab* supply structures, which was the usual case in small and medium batch deliveries, simply 'lost' each other. These contacts had to be re-established through barter or through the new market structures (commodity exchanges, trading houses etc.). The residues of the centralized resource allocation system, the infamous *fondy*, were also becoming a form of barter as, in effect, their delivery was almost always conditioned on some type of 'additional services'. Contrary to the popular opinion, the Boeva report concluded that barter comprised only 12% of the total volume of industrial exchanges.

With barter prices being higher than the ones used in 'direct ties' exchanges, many enterprises sought to ameliorate their economic condition by severing some of the 'direct ties' and exchanging their products at higher price ratios or for products which were in high demand. Doing this was extremely difficult as it was watchfully controlled by directors' mutual surveillance. As already mentioned, director could sever old ties only if s/he had 'sound' reasons, in the community opinion, and if s/he did not seriously affect the delicate network of inter-industry exchanges. One of the most widely used pretexts for disrupting old ties and switching to barter with new partners was claiming that an old partner now belonged to a different successor state (e.g. "You are Ukrainian now"). Every enterprise, thus, tried to keep its 'essential' contacts intact while trying to cut off the 'burdensome' ones.

Relations of state enterprises with new market structures (commodity and stock exchanges, trading houses, private commercial banks etc.) were very different. As a rule, an enterprise sought to buy or sell products at commodity exchanges only as the last resort when nothing else was available. Interviewed directors cited different reasons for their unwillingness to interact with new commercial structures. These structures were

predominantly perceived by directors as unstable and unreliable partners. Even the most successful state enterprises feared abandoning their stable positions in traditional markets in favor of the unpredictable environment of commodity exchanges and trading houses. Another reason for ignoring new market structures, frequently quoted in the interviews, was the volume of purchases at the exchanges which was inappropriately small for huge industrial enterprises. Thus, commodity exchanges were doomed to remain more flea markets than free markets, as David Woodruff put it (Woodruff 1992). In total, new market structures were estimated to mediate only 3-5% of industrial turnover in 1992.

The Boeva report did not say anything specific on the topic much discussed in the Russian mass media in 1992, i.e. on whether industrial directors despised the actors of the new market structures and intentionally boycotted them. Taking a stand in this debate is difficult. On the one hand, the directors' dismissive attitude which was commonly reported in the interviews ("These guys have only money"), may mean that a new entrepreneur is habitually viewed as an adventurer engaged in a reprehensible activity of making fast bucks. On the other hand, one may suggest that new entrepreneurs are simply not considered serious partners unless they invest in industry. My own interviews with a few managers of big private concerns indicate that they do not experience hostility while dealing with directors of state enterprises. Thus, one of the respondents, who owned 8 large and 10 small enterprises in the chemical industry (producing, according to his estimate, 0,15% of Russian GNP in 1991) reported that he was not treated like an alien at all. According to him, even the directors of military industries frequently told him: "You are hardly a private entrepreneur. (*Nu kakoi ty chastnik*) You are one of us. You have the same problems."*

The mass media may have exaggerated the extent of directors' conscious opposition to the new market structures. The mass media largely ignore their own role in constituting social phenomena: once the spontaneous economic behavior of directors was represented as the "industrial lobby" or as "the political position of the directors' corps", directors became aware of their collective stance and started behaving accordingly in some cases. The self-fulfilling prophecy character of the social sciences contributed to this effect also. Interviews conducted by the authors of the Boeva report during the March 1992 Congress of the Russian Union of Industrialists and Entrepreneurs seem to

have been instrumental in transforming the hypothesis of the corporate ethic into virtual reality.

In respect to the staffs of their enterprises, directors were compelled to assume a specific *noblesse oblige* stance. As interviews demonstrated, the two primary objectives of directors' activities in 1992 were preserving the achieved level of industrial production and maintaining the existing *kollektiv*, with the latter having the tactical priority. Thus raising wages to keep up with inflation became the primary concern of directors. Some chose to fight the rising food prices by bartering outputs for foodstuffs to be distributed among the employees; others invested in 'auxiliary farms' to produce some basic foodstuffs themselves. This *noblesse oblige* behavior was not easy for directors. For example, many of them stated in the interviews that they would like to get rid of maintaining their employees' housing (which became very expensive after the price rise) but could not do it because of the formidable social pressures and the potential erosion of the *kollektiv*.

CORPORATE ETHIC AND MARKET-BUILDING

When 1992 ended with Gaidar losing the prime-ministerial position, the story told by the media throughout the year appeared confirmed. This conventional story holds that market reforms initiated by the Gaidar administration were opposed and subverted by the industrial lobby. Tight monetary policy, which was at the heart of the shock therapy, was undermined by the fast growth of the uncontrollable inter-enterprise commodity credit. The expected bankruptcies never happened as almost every enterprise found itself in the red, while the corporate ethic of industrial directors kept all the enterprises afloat.

The moral invectives against 'reactionary industrialists' which almost inevitably accompanied this conventional story, uncritically assumed that Gaidar's policies were inherently market-oriented while the directors were held to share inherently anti-market orientations. This article will drop the moralizing tone, because both Gaidar's and the directors' stances can be interpreted as conducive to or restrictive of market-building, depending on the theoretical perspective on market-building one chooses to espouse. The current domination of neo-classical interpretations in Russia obscures this ambiguity. In

fact, a Polanyian approach to market-building, which is alternative to neo-classical economics, could shed a different light on recent developments in Russia.

The Great Transformation by Karl Polanyi, which laid out his perspective on market-building, was published in 1944. This coincided with the publication of the currently adulated neo-classical manifesto, Friedrich von Hayek's *Road to Serfdom*. Both books are equally famous in the West. Both authors even share a similar personal history: Austrian economists, they had to emigrate fleeing from the Fascist threat. However, current debates in Eastern Europe seem to ignore Polanyi completely. The reasons for this ignoring are easy to fathom. Polanyi holds a simple thesis which puts him into a stark opposition to Hayek: state intervention is necessary to build national markets. According to Polanyi, who was better versed in economic history than Hayek, national markets never appeared without state intervention, or, as the current East European followers of Hayek would hold, with the withdrawal of the state from economy. The neo-classical illusion, holds Polanyi, can only survive in the absence of attempts to validate it by historical evidence.

I will first recapitulate the main points of Polanyi's analysis and then draw some tentative parallels with contemporary Russian experience. Recent work in comparative politics, which shares the Polanyian motives, also seems to warrant the application of Polanyian thesis to Russia. At the least, some of explanations of the spectacular successes in market-building and economic development of East Asian new industrializers may also provide us with illuminating parallels.

Polanyi argues that history has witnessed three main types of markets. Initially long-distance trade appeared which aimed at bringing durable goods from foreign locations into local sites. Local trade developed later on its own also. It primarily comprised the exchanges of perishable goods between cities and countryside. However, historical evidence from all European countries shows that markets of the third type - that is, national markets which were to fuse all the already existing ones in a single universal network of exchanges, never appeared on their own and as 'naturally' as local or long-distance markets.

Medieval European cities thoroughly regulated both types of existing trade. Almost every city had a corporate regulation which barred foreign traders from the city, because wholesale capitalist long-distance trade tended to subvert the very rationale of

these cities' existence. The medieval city also tended to contain the trade within its walls so as to effectively protect the countryside from the corruption of trading.

Two steps were undertaken by the nascent European nation-states to create national markets. The first one was a consistent mercantilist policy which broke through the corporate ties of the cities' guild regulations. This mercantilism either tied guilds in national networks, as in England, or institutionalized the guilds on the national level, as in France. A formidable amount of coercion was needed in support of this mercantilist policy of the state, aimed at overcoming the corporate resistance. The intervention resulted in a multiplicity of loosely integrated national commodity markets, now thoroughly regulated by the state which fought potential monopoly trading.

The second step in the state intervention was the marketization of the labor force, land and money. Polanyi narrows down here his analysis to the meticulous consideration of the classical English case. He argues that marketization of the labor force would have resulted in a 'satanic mill' which would have destroyed the English society, if it were carried out by market forces alone. The English state intervened twice to establish the labor market. Initially the English squirearchy defended the majority of the English population from the dislocations of the market system. Forty years later the middle classes had to gain control of the state to eliminate this defense which became an indisputable hindrance to the country's development.

In legislation adopted in 1795 in Speenhamland, the English squirearchy had authorized the system of the 'poor rates', that is the system of aid-in-wages for every Englishman unable to earn enough money to buy bread to feed himself and his family. The money needed for the administration of this 'right to live' program were levied by local parishes through taxes.

Following the institutionalization of the Speenhamland system all England was forced onto the survival minimum of the poor rates. Workers had no incentive to work hard because they could always get the standard minimum. Employers did not pay higher wages because they could always find somebody eager to engage in 'boon-doggling' for the minimal wage. The word 'pauper', familiar to every student of the classical political economy, became the basic reality of England for more than thirty years. Eventually the situation became intolerable. Squires maintained their power on the basis of their care for the poor; but by virtue of this care the majority of the population was not capable of

selling its labor force at market prices. Increases in productivity combined with the lowest wages produced new riches for the middle classes, which coexisted with mass poverty of the population at large.

Polanyi does not christen the behavior of squirearchy 'reactionary' or 'anti-progressive'. He sees it as an obvious and legitimate response of society to the ravages of the satanic mill of the industrial revolution, which would have otherwise crushed the community. The system of the poor rates, uniting the lords and the poor against this threat, was a 'natural' response for the squirearchy that ruled the country. However, after the initially beneficial impact, the system started to inflict more pain than it alleviated. In the end, all social strata considered anything to be preferable to official policy of pauperism.

Another state intervention was needed to complete the transition to the labor market in England. When middle classes assumed dominance in the political system after the House of Commons was granted decisive rights in 1832, the poor rates system was immediately torn down. The history of England, which lacked trade unions at that time, demonstrated the worst examples of the consequences of the purely market-driven system until their appearance in the 1870s. It is vain to argue whether the English history after 1832 could have been less bloody than it actually was. Still, with the elimination of the social support system, suppression of labor discontent, and linking the newly created labor market to other loosely integrated markets, the English state had finally tied these disparate markets into national market. This achievement was beneficial to everybody in the long run.

I do not intend to draw straightforward analogies between the historical experience of Britain and the post-Soviet economy, which come easily to mind. An attempt to draw parallels between the corporate regulations of the medieval guilds and the corporate ethic of Russian industrial directors, both of which preclude the formation of national markets, would yield a caricature if done inconsistently and unprofessionally. Nor should the *noblesse oblige* type of actions of English squirearchy be rigidly mapped onto the similar type of actions in the Russian context. The easiest way to discredit the Polanyian thesis would be to blindly copy his historical reasoning and predict that the union of the power-holders with the poorest would inevitably force the majority of Russian population onto the bare subsistence level, accompanied by the spectacular

growth of riches of the few new entrepreneurs, because of the structural impossibility of selling labor at market prices.

Some conclusions are worthwhile and useful, nevertheless. It seems plausible to argue that corporate ethic, which engenders the defenses of society against the dislocations of the purely market-driven system, must be re-formed by the state for market-building to succeed. No matter whether they are of the guild, of the lord-and-subject or of the *krug* type, corporate ties that bind together the primary economic actors of non-market economies must be changed by government intervention.

State efforts to change cultures and mores are considered impossible in most cases, and pernicious in some, after the classical works of Edmund Burke on the French Revolution. Thus one may conclude that the strong state should intervene only when it is capable of achieving either of the two connected objectives: either break down the weaker structural obstacles to facilitate desired cultural changes (as it did by breaking the guild to facilitate mercantile capitalism), or provide the structural framework for the cultural change which is already underway so that it is channeled to desirable outcomes (as it did to erect and then bring down the Speenhamland laws). The strong state should intervene to reform the two main types of corporate relations: 'horizontal' corporate ties between the main economic decision-makers and 'vertical' corporate ties between these and their subjects/clients.

THE RUSSIAN NATIONAL MARKET AND THE CORPORATE ETHIC

In this respect the proximity of the current Russian administration to the industrialists should not be deemed as inherently good or inherently bad. It should be considered as one of the existing conditions of the process of national market-building in Russia. In one sense, this proximity - if it is real - may even be beneficial to this process because it creates a stronger Russian state, in comparison to the weak post-coup state that could not enforce its policies. The industrialists' support of the new administration, which is almost universally seen - even if mistakenly - as representing their interests, may increase the low popularity of the new Russian regime. Given the intra-enterprise ties of employees' dependence on the director (not infrequently clad in rhetoric of personal loyalty), this support may perhaps supply a broad mass base for the new administration,

and thus a stronger state which may be paradoxically capable of implementing the reform of the corporate ethic, needed to build the national market.

The economic program of the Russian Union of Industrialists and Entrepreneurs, formulated by its March 1992 Congress and partially outlined in the report of its Experts Institute, contained at least three elements which are pertinent to the present discussion of market-building. *Reforms in Russia: Stage Two* proposed to add three state measures to Gaidar's monetarist policies. These were: controlled inflation to fight the inter-enterprise debt stalemate, targeted bankruptcies of selected enterprises and the enhancement of the formation of industrial conglomerates on the basis of vertical and horizontal integration of the surviving enterprises. (Yasin et al. 1992: 7) By the end of 1992, two of the three, the first and the third, seemed to be almost in place. Although the inflation, unleashed by additional credits to end the summer stalemate of mutual defaults, was far from being controlled as prices increased three- to five-fold, it restored the possibility of employing the price mechanism.

If the first measure was enacted by state policy, the third one - creating conglomerates - was largely spontaneous. As I have already mentioned, the choices each director had to make during the hard times of shock therapy occasioned the practice of retaining contacts with basic partners while trying to break the ties with the inessential ones. This practice facilitated semi-stable groupings within the formerly indiscriminate mass of enterprises. Another widespread practice, that of converting former industrial ministries into 'corporations', contributed to the process of conglomeration also. These corporations initially existed largely on paper. Their two main 'real' functions consisted in establishing and mediating contacts of their member enterprises with other branches of industry or foreign trade partners on the basis of the existing personal ties of the former ministry staff. Later some of the corporations evolved into commercial suppliers of some managerial and consulting services in exchange for money or for a share in the enterprise's output. The existence of the corporate bank, created by the agile ministerial types during the 'bank boom' days of 1990 was rather common also. In fact, 20% of the interviewed directors secured some of their investments from these banks. Of all directors polled, 40% were formally members of some corporation, although out of those half were eager to change affiliation soon. (Boeva et al. 1992: 32) Jointly these two practices pushed in the direction of bringing together clusters of vertically and

horizontally integrated conglomerates. For example, the Boeva report found 14 integrated concerns formed out of the remnants of the soviet textile industry, with 'Russian Wool' and 'Russian Cotton' being the leaders in conglomeration.

Privatization also seemed to push in the same direction. According to experts of the RUIE, many large enterprises attempted to acquire stocks of their major partners (so as to create the system of interlocking stockholding), but frequently failed to do it legally, as the position of *Goskomimushchestvo*, a state body supervising privatization, was staunchly 'anti-monopolistic' and therefore banned huge enterprises from buying the stocks of each other.* Hence, the extent of the process of the financial integration and conglomeration in the large-scale industry is very hard to evaluate. The 'third persons', which now probably mediate interlocking stock-holding, may become unnecessary once the legislation on industrial concerns is adopted.

The extent of the spontaneous formation of financial-industrial conglomerates is one of the primary conditions to be taken in consideration in discussing contemporary prospects of Russian national market-building. Building compact conglomerates on the basis of corporate ties, while introducing price mechanisms in relations between conglomerates, may perhaps be a viable strategy of market-building in Russia. The nascent national market may be built as a network of exchanges between these conglomerates. Thus the directors' lobby - the 'curse of 1992', as it was presented in the media - may be reformed to become the saving grace for the process of market-building. The internal exchanges of the newly forming conglomerates can initially employ the corporate ethic to reduce risks and ensure stability. Of course, the internal structure of conglomerates should be reformed in the long run also.

This scenario, initially proposed by the experts of the RUIE, is not historically unique. A state strategy of building a national market out of financial/industrial conglomerates lies at the heart of recent success stories of East Asia. In Japan, Korea and Taiwan the state strategy of market-building simultaneously cut across some corporate ties, while retaining others as the foundation for internal structures of conglomerates. These conglomerates, called *zaibatsu* in Japan, or *chaebol* in Korea (which intentionally copied the Japanese model) comprise dozens of major industrial enterprises, tied by vertical and horizontal integration and by a system of interlocking stock-holding. These enterprises are also customarily attached to a joint financial institution and a joint foreign

trading company. *Zaibatsu* were initially controlled by a single family, the best known examples being Mitsui, Mitsubishi and Sumitomo. The Korean conglomerates - Samsung, Hyundai, Daewoo - were also based on the group membership, but not necessarily of the family kind. The advantages of market building with the *zaibatsu* type of conglomerates are widely known (see e.g. Johnson 1987) They internalize risks and information and substitute for the perfect market conditions. They concentrate within themselves scarce capital resources and facilitate easier capital-factor flows within the conglomerate structure.

Of course, the 'hard authoritarianism' of Korea and Taiwan and the 'soft authoritarianism' of Japan contributed towards solving the second problem of the corporate ethic, the problem of creating a labor market. Strong paternalist policies were adopted in all three cases with labor becoming a full commodity sold at low prices because of the presence of strong labor-repressive structures. Trade unions were prohibited under martial law in Korea, and they were coopted into the 'state socialist' structure of Kuomintang regime of Taiwan. The specific cultural system of seniority and semi-feudal allegiance guaranteed the stable incorporation of Japanese labor force into the structure of industrial domination. In all the three cases the trade-off for the abandoning of political activity on the part of the working classes was a tangible annual increase in wages, which was directly proportional to increase in productivity. Of course, neither soft nor hard authoritarianism exist in Russian industry in the present time. As Burawoy and Krotov (1992) have persuasively shown, management has few policy options for enforcing its decisions due to the current anarchy in 'the relations in production'. On the other hand, given the tradition of the Soviet welfare state authoritarianism of the 1960s and 70s (Zaslavsky 1982), and given the possible strong state in the 1990s, these orderly and labor-repressive relations can be re-established in post-Soviet industry also.

The outlined scenario of market-building in Russia rests on one critical assumption which, if mistaken, may undermine the proposed theoretical edifice. This implicit assumption is the willingness of directors (or of economic actors in general) to undergo and facilitate market reforms. For example, Gaidar who studied Serbo-Croatian, would be likely to ask: who is to guarantee that emerging industrial conglomerates would evolve closer to *zaibatsu* model than to the Yugoslav inert monopolies of the

1970s? This question is of utmost importance. Given the cultural and social similarities with the Yugoslav case, given the sustained shared habits of doing things in a certain traditional manner which constitutes the practical sense of directors' business ethic, it seems more plausible to argue that directors, as they exist right now as a corporate body, are inappropriate for the market based system.

Zaibatsu structures as such do not ensure the will to capitalist development. If this will is present, though, *zaibatsu* greatly facilitate market-building through the establishment of oligopolic competition. For example, in the Japanese case, traditional family-owned *zaibatsu* had to be reformed in 1946 by the American occupation administration to bring in the new managers. Under coercion family stock was sold out to the public, while family members were prohibited from taking *zaibatsu* executive posts for the next ten years. The purge of the war criminals opened the way for the fast upward mobility of the new managers who came to rule the reformed *zaibatsu*. "The third class executives (thus they were called) who filled the vacuum have proved themselves excellent managers. They were young, active and without old interest. If it had not been for them, the postwar economic development of Japan could not have been realized". (Uegaki 1993 : 12)

The rest of the article will explore the extent of the presence of the will to capitalist development in Russia. I will argue that the change in the culture of main economic actors, similar to that which occurred in Japan, is underway in Russia also. This change may eventually substitute new individualist economic ethic for the corporate ethic of post-Soviet directors.

MECHANISMS OF CULTURAL CHANGE

There are two complementary feasible directions for the change in the directors' corporate ethic to occur. The 'old guard' may be replaced by actors who share a radically new business ethic, first, or the declining mutual enforcement of the uniform directors' behavior may contribute to a gradual change in prevalent ethical orientations without a physical substitution of actors, second. I will concentrate on the first possibility in this article, as yet there is no sufficient data to estimate the probability of the second one.³

In discussing the first possibility (actors' substitution) I will partly base my argument on the work of one of the most insightful Russian economists of the 1990s, Vitaly Naishul. He became the widely known advocate for institutionalization of the largely unregulated process of 'spontaneous privatization' which may bring the exclusively market oriented managers to directorial positions in industrial enterprises and conglomerates.

Naishul argues that the economic system of the USSR, starting from the 1960s, became an administrative market which traded not only property rights, but what he called 'administrative rights' as well. The latter included access to a particular status, rights to engage in law-making and to violate laws, the right to obtain educational credentials etc. With the collapse of the main section of the Soviet administrative market, i.e. with the collapse of the system of vertical bargaining between the levels of administrative hierarchy in 1991, horizontal personal ties became the only bonds that keep the economy together.

Contrary to a common opinion in the West, which holds that 'spontaneous privatization' is a phenomenon of the last two or three years during which nomenklatura tried to acquire property rights for state assets, Naishul traces it back to the 1960s. According to him, the transfer of state enterprises into private property was gradually happening since then and now has only reached its visible culmination. Based on the horizontal exchanges of the post-Soviet system, potential legal owners are buying out administrative rights from the old 'owners' or legalize the ones they already enjoy. The sale of administrative rights implies paying substantial sums of money or alternative currencies under the counter to those who previously controlled state properties in exchange for the authorization to privatize.

Naishul holds that this process is regulated according to the 'customary law' of administrative markets (this is his term for the corporate ethic) no matter what type of legal niceties are used to mask the transfer of state properties under the private ownership. 'Hidden' spontaneous privatization has already given all actual controls of the given enterprise to its current director, and s/he would not relinquish these controls without due reimbursement. Thus, Naishul calls for the legalization of administrative rights and for the permission of their free and legal exchange so as to facilitate the swift and peaceful 'open' privatization of the post-Soviet economy (Naishul 1992a: 18)

If one accepts Naishul's theoretical framework, one can see that Gaidar's decision to hasten legal privatization in 1992 has finally provided spontaneous privatizers with a chance to institutionalize their gains. The law on privatization which allowed three forms of privatization supplied socially acceptable framework to legalize the results and transactions of spontaneous privatization.

One of the most telling signs of this was the spectacular development of investment companies in 1992. If 1990 witnessed the boom of bank creation, and 1991 was the year of the bourse boom, 1992 became the year of the boom of investment companies' creation. Already by the summer of 1992 Russia had about 70 investment companies, 38 of which were registered in Moscow alone, according to the database of the Institute for the Study of Organized Markets (INIOR). Investment in privatization became the main prospect for at least one third of these investment companies, with the proclaimed strategic aim of building 'financial empires'. (Danilov 1992: 12).

In the interviews I have conducted with the managers of these investment companies some have been very frank about their intentions and techniques. "No matter which of three legal procedural forms of privatization are chosen by the staff of a given industrial enterprise, my firm will be always able to acquire a controlling share of stocks, if the director cooperates", said one.* According to another, his investment company has researched the privatization legislation thoroughly and has indicated at least 32 (!) ways to circumvent the legislation and gain control over any privatizing enterprise, given a "sufficient amount of capital".*

One widespread operation which allowed the transfer from an old director to the new owners was putting a given enterprise on trust by the investment company, in a hidden corollary to which old managerial board acquired a substantial share of the stocks of the investment company itself. Ways and means varied, but the result was almost always the same: either the transfer of a former state enterprise to the new private-corporate owner, or the legalization of the old management's administrative rights in private property titles. Through the activity of private investment companies new conglomerates were also being forged, the most highly visible being the *RINAKO* ("Russian Investment Company"), Neverov (based on the *Hermes* oil exchange) and the *MENATEP* groups.

However, two additional difficulties stood in the way of a smooth transition to an economy of private conglomerates headed by capitalist entrepreneurs. The first one seemed to come from the fact that government officials themselves tended to become thoroughly enmeshed in economic transactions. As *Kommersant's* annual economic review ironically commented, the fact that not all of privatized enterprises ended up in the possession of governmental officials should be considered the primary achievement of the year. (Kirichenko et al. 1993)

This highlighted the weakness of Naishul's argument. His initial 1992 article stated the need for disinterested rational bureaucracy to supervise the exchange of legalized administrative rights, but did not address the obvious question of where it would come from. In a sense, this was self-undermining: if according to Naishul himself, people got used to trading bureaucratic positions in the Soviet administrative markets, why should those who occupy these positions now suddenly become innocent angels? Why should the middle-level economic bureaucracy of the contemporary Russian state, which paved its way into their current positions through innumerable sacrifices and countless exchanges on administrative markets, fail to recoup its losses and realize its vested interest in acquiring shares in privatizing companies? If this happened, it would lead once again to the state bureaucracy becoming one of the main economic actors stalling the transition to the national market.

As 1992 progressed, Naishul corrected his initial omission, claiming that Russia needed 'statesmen of Idea' who would find it 'shameful' and intolerable to engage in redistribution and corruption. (Naishul 1992b) With widespread stories of corruption in the higher echelons of economic bureaucracy and even among the members of 'incorruptible' Gaidar's team reported in the media, this appeal seemed to be rather unrealistic.

The second difficulty was the motivation of a new legal owner or CEO him/herself. Who was to guarantee that having bought out administrative rights from the former director and thus having acquired a potential monopoly position, s/he would not become the look-alike of the previous quasi-owner?

Both difficulties pertain to the same problem of the motivational core of rational capitalism, 'the spirit of capitalism' as Max Weber called it, which gives rise to rational-legal bureaucrats and rational capitalist entrepreneurs. The emphasis of this study, thus,

has to be shifted. With institutional prerequisites almost in place, that is, with spontaneous privatization being capable of contributing to the oligopolic market-building, discussion should deal now with cultural matters. We need to estimate the potential for the sort of cultural shift capable of bringing about the capitalist spirit in Russia.

THE ETHIC OF *SAMOSTOYATELNOST*

Russia seems to have a potential for a strong individualist ethic, which I have dubbed 'the ethic of *samostoyatel'nost*', in accordance with entrepreneurial language. *Samostoyatel'nost* in Russian is more than just 'self-standing' or 'relying on oneself', which is the most straightforward translation into English. It is a belief in the inherent worthiness of living independently, of standing on one's own feet, a kind of a grassroots Russian individualism. I have found this kind of ethical claim to be recurrently employed by entrepreneurs to justify their existential decisions in a series of interviews conducted over the summer of 1992. I would claim that this ethic of *samostoyatel'nost* is shared by all members of the 'civilized entrepreneurial movement' as this ethic distinguishes them from the 'old guard' of economic actors in post-Soviet society.

Two Russian sociologists Ona-Grazhena Rakovskaia and Lyudmila Balashova collected in 1992 a series of life story accounts of the students of the school for young entrepreneurs of the Moscow Plekhanov Economic Academy. Their research, which was based on the methodology of extensive 3-4 hour long interviews, aimed at finding out the life course strategies of respondents who were 21-24 years old, and all engaged in entrepreneurial activity of some kind. The questions posed were primarily concerned with the formation of the middle class in Russia. Thus, sometimes they involved open questions on the respondents' perceptions of the middle class, whether they belonged to it, etc. Another research objective was testing the hypothesis on the relevance of continuous family work traditions for the development of civilized entrepreneurship in contemporary Russia. The results are soon to be published in a forthcoming book. (Rakovskaia 1993)

Exploiting the graciously given opportunity to work with the actual texts of interviews, I have concentrated on the analysis of the statements on entrepreneurial motivation. Two types of statements were of particular interest. The first type included

answers to the question of what were the primary motives of the respondent's current activity. The second comprised those which unintentionally revealed the shared background for actions, a kind of an ultimate justification invoked when one had to explain existentially important, but sometimes economically irrational behavior.

Among the most frequently mentioned motives for current entrepreneurial activity were: getting normal money for a normal job; satisfaction of particular personal needs (to go abroad, to go mountain skiing, to have enough time and money to write a book, etc.); to live better than one's parents; to live like normal people; to live according to common sense. When pressed to elaborate further on their answers, e.g. to clarify what 'normal life' meant to them, respondents frequently took what they had just said as self-evident truths which did not require any further justification. Some refused to clarify their statements further at all. Others engaged in tautology or explained their initial answers by what seemed as a cross-referencing to what other respondents said. For example, one respondent replied that 'normal life' meant "living according to common sense, that is getting the fruits of one's labor in a reasonable activity."

This frequently cited idea of life for individual reward sounds rather banal. However, attributing banality to it is profoundly mistaken. In so doing, one takes for granted the values of Western civilization and fails to compare these statements of entrepreneurs with the values of the Soviet civilization some 30 years earlier, when the idea of life for a higher cause was still predominant. The shift from charismatic sacrifice for a higher cause (the role model of the Soviet civilization) to a mundane individual achievement measured by everyday acquisition is of epochal significance. How did this shift occur? A plausible hypothesis can be formulated if we could locate the ultimate moral justification of contemporary entrepreneurial behavior which would hinge somehow on the ultimate moral grounds of the Bolshevik ethic which preceded it.

The analysis of this ultimate justification contained in the second set of young entrepreneurs' statements shows that it is almost invariably the idea of *samostoyatelnost*. Many explanations of the existentially important situations, e.g. breaking off from the state organization and starting an independent life full of unknown dangers and basic insecurity, end up with the phrase: "One should be *samostoyatelny*". This strongly reminds of the practical injunctions Weber was seeking in the doctrinal content of the world religions. Here these injunctions function on the most basic level of the

background justification for action, but they rarely stem from some articulated coherent doctrine shared by young entrepreneurs. Thus, talking about *samostoyatelnost*, young entrepreneurs use strong normative language but still stay at the level of Wittgensteinian "That's the way we do it" instead of appealing to some doctrine. I will quote some statements to convey the different shades of the meaning of *samostoyatelnost* as employed by entrepreneurs.

Administrative director of the tourism/trading firm: "I perceive my career only as a director. I cannot imagine that I will work 9-to-5. I should have some *samostoyatelnost*. If I am not the director I should have the problem clearly defined, and I will solve it independently (*samostoyatelno*)."

Broker/trader on a commodity exchange: "I did not want to become a programmer [after college] because I could not tolerate another three years of unfreedom".

Broker of a credit search firm: "I could earn more money in another place... But I want to direct myself. I do not want to be ruled... This is more important".

Manager of a private R&D firm selling innovation to the automobile industry: "I should allocate my time myself (*sam*) I love setting my-own agenda so that I know when I will work and when I will rest".

Self-employed, fixing apartments: "There are always the leader and the led. The led would perfectly calculate and fulfill the task. He might know how to make it better but he is always dependent on someone else's will. In serious cases he must always seek advice. [That's why] I wanted something of my own."

Head of a foreign trade company: "I wanted *samostoyatelnost* ... And having watched my parents, I started to do something of my own (*delat chto-to svoe*). I felt pity for my mother who works so much [she is a manager of a state construction trust] and gets nothing for it."

Manager/owner of a toy-producing factory: "I like business because it is always interesting. It is even more so when you do business yourself. (*sam*) What you can do depends only on yourself."

Manager of a windshield production firm: "I should have more *samostoyatelnost* in my current position. I still do not define the price policy of our business."

Owner of the electronic dating firm: "Happiness is to have freedom of choice, that is to do what you want and in a manner you want it... Business gives freedom because a person is more free when he has more money."

Different shades of meaning depend on the implicit individual interpretation of the core ethical idea. It seems, however, that the word *samostoyatelnost* is most frequently used by entrepreneurs in two senses. The first set of meaning conveys the word's derivative origin from the root *sam* (self, own): standing on one's own, self-reliance, self-assertion, self-fashioning. The second set is derived from the '*samostoyatelny*/dependent, unfree opposition. In this sense *samostoyatelnost* is understood as independence from somebody else's will or from this will embodied in institutional constraint. (All respondents virtually hated the experience of serving in the Soviet Army which seems to be the epitome of individual unfreedom because, as one respondent put it, "A free person suddenly finds himself in a situation when he is being told for two years what he should do").

Still, in entrepreneurs' usage, *samostoyatelnost* rarely means independence from cultural or procedural norms. A constraint of imposed procedural norms was frequently accepted without complain, which would seem counter-intuitive. The counter-intuitive quality fades away when one grasps the condition which was crucial for the acceptance of procedural constraint. For example, requirements of professionalism and of methodical work ("One should be persistent in fulfilling the task - kap! kap! - as dripping water gradually erodes the stone it hits"), the tedious 9-to-5 routine are not perceived as unfreedom - if those are imposed by an individual on him/herself freely. *Samostoyatelnost* here becomes the Hegelian freedom of the self-imposition of constraint. This somehow explains why new entrepreneurs can work long hours in a methodical manner, but still hate to appear at work at 9 a.m.

A GENEALOGY OF *SAMOSTOYATELNOST*

Summing up the previous section, one may single out self-reliance and independence from somebody else's or some other entity's will as two ultimate values of new Russian entrepreneurs. Once again, this should not be treated as a banality. *Samostoyatelnost*, as it was defined in the classical XIXth century dictionary of Vladimir

Dal', seems to apply primarily to the matters of belief. The examples of actual word usage given by Dal' are revealing. The first example tells the reader that "only God is independent [*samostoyatelen*] and unconditioned". The second defines the "*samostoyatelny* individual", who is "the one who has firm beliefs and who does not vacillate". (Dal' 1980: 133)

This concept of *samostoyatelny* individual, as defined in the XIXth century Russian, may be elucidated by the analysis of both roots, constitutive of the word: '*sam*' - 'self' and '*stoyat*' - 'to stand'. *Samostoyatelny* was a man capable of standing on his own, alone in the hostile world full of evil and temptations. This individual was not guaranteed complete and unconditional self-standing, however; only God had this attribute. A person could stand on his own because he never stood alone, in a sense; he always depended on higher support. That is, an individual gained *samostoyatelnost* only through his contact with God which supplied constant support in the form of the kernel of firm faith. This kernel sustained stern resolution and forbearance amidst the hardships of life, for faith provided a set of clear unambiguous recipes for action. A person could become *samostoyatelny* only because divine guidance was inherently present in his soul. Thus, this religious notion of independence and self-reliance was totally different from the modern Russian understanding which implies a free self-defining subject which does not depend on any entity. Religious *samostoyatelnost* did not grant an individual freedom to define himself, it gave freedom to act independently in accordance with God's will.

This notion of *samostoyatelnost* was closer to Luther's mystical 'communion with God' than to the modern notion of autonomy, i.e. self-legislation, of a mature individual. Luther's "Here I stand, I can do no other" nicely fits with the Russian religious notion of *samostoyatelnost*: I stand on my own in accordance with divine will as revealed to me in mystical communion. This communion supplies me with an assurance of grace and, thus, with a firmness of belief which gives guidance to action.

The religious notion of *samostoyatelnost* did not disappear after 1917. On the contrary, it became the backbone of the notion of the Soviet individual. Although an individual was supposed to be atheist in outward appearance, the religious mechanism of action dependent on mystically revealed higher truth remained the same. The essence of Soviet citizenship, wrote Stalin in his *Short Course of the History of the CPSU*, was the firm belief in Communist doctrine. This belief gave ground for individual

samostoyatelny action. A dictionary of the Russian language, published in the 1940s, gave the following example of ordinary usage to clarify the meaning of the word *samostoyatelnost*.. The example came from the novel with a characteristic title *Zakipela Stal'* (The Boiling Steel): "The Bolshevik style consists in endowing people with initiative and *samostoyatelnost* while directing them when needed, and, what is essential, preventing them from making mistakes." (quoted in Yevgenieva 1988, vol.4: 23)

This quasi-religious notion of the Bolshevik vocation assigned a role model for the Soviet civilization. An individual (now not only a man but a woman also), who found him/herself in a given professional occupation not through divine providence but through the Party will, was supposed to achieve the utmost in this occupation. In so doing, s/he became an efficient cog in the machine of the 'socialist construction'. This effective functioning was ensured by an individual's mystical communion with Communist truths as revealed in reading certain quasi-sacred texts. The Soviet individual had the initiative and *samostoyatelnost* ardently to seek and achieve objectives set by the Party, the sole embodiment of Communist truth in this world.

This Bolshevik *samostoyatelnost* was self-reliance also, but of a curious kind. As the Higher Being, the Party could rely on the selves of its subjects, for they were infused with firm belief. Stated in ordinary language, this was captured in a slogan widely used at that time: if everybody works well in his assigned place - that is, works conscientiously - the system will work as it should.

And it worked. Soviet people did their utmost to meet the planned objectives, following their Bolshevik vocation, or at least claimed that they did so. This continued until the quasi-religious notion of *samostoyatelnost* was eroded and superceded by what now seems a banal and obvious notion of self-reliance, shared by contemporary Russian entrepreneurs.

One may note a curious feature of this erosion. My interviews have consistently pointed at substantial presence of former collectivist ascetics among older entrepreneurs who currently share in the ethic of *samostoyatelnost*.. As the interviews I conducted centered specifically on qualitative similarities and differences among entrepreneurs, it is difficult to present a reliable quantitative estimate. However, a hypothesis on the quality of recent cultural change may be proposed. It seems plausible to argue that the change from the old, quasi-religious notion of *samostoyatelnost* to a new one happened during

the lifetime of one generation, which underwent something similar to a religious conversion. In contradistinction to the younger entrepreneurs who grew up as individualists, the majority of the older entrepreneurs initially adhered to Communist ideals to a greater or lesser extent. They have experienced an acute crisis of collectivist ethic, and have intentionally accepted the individualist ethic after a prolonged and intensive quest for a solution to this crisis. Thus, they experienced the change to a modern notion of *samostoyatel'nost* as a deep personal drama.

Two features make 'the converts' especially interesting for the present discussion. First, their present adherence to individualism and *samostoyatel'nost* is still predicated on quasi-religious faith in revealed truth. These new truth now frequently is some kind of grassroots Hayek-style doctrine of the inherent value of capitalism as a civilization promoting human freedom and *samostoyatel'nost*., which is expressed in the rhetoric of 'normal life' and 'common sense'. The strong faith is a result of the individual quest for the lost meaning and a quasi-religious conversion from the former collectivist/Communist beliefs. This motivational core engenders deep individual intolerance to any forms of collectivist activity or to other residues of the former Soviet system. The converts have a strong moral injunction against corruption and redistribution which they identify with the abandoned system.

Second, the Communist ascetics, turned into believers in and practitioners of individualist *samostoyatel'nost*, invest the energies of their methodical or heroic asceticism into ardent activity to achieve the new professed ideals. In other words, although the ascetic drive supports beliefs which are radically opposed to the ones formerly held, everyday practices have not changed: individuals still methodically or heroically work 'in good conscience'.

I would further hold that among these converts the former strongly motivated Communist ascetics are the ones needed for core positions in the state bureaucracy and new economic structures. Two characteristics discussed above make them exceptionally well suited for the tasks of market-building. Ardent belief in individualism coupled with an ascetic imperative supplies this group with the motivational core needed to break through the corporate ethic.

COLLECTIVIST AND INDIVIDUALIST ASCETICISM

Given the interpretive character of the present study, I can only tentatively distinguish between two types of conversion from collectivist to individualist asceticism, and provide examples of both. The first one is characterized by high doctrinal sophistication. The second one, which the majority of entrepreneurs of the 'convert' group underwent, lacks it.

Mark Masarsky, the president of the association of independent entrepreneurs, which is rather awkwardly called 'The International Association of CEOs' (the primary organizational alternative to Volsky's RUIE), is a good example of the first type. He can be also regarded the paradigmatic figure for Communist asceticism converted to the new ethic of *samostoyatel'nost* in general.

When Hedrik Smith described him in *The New Russians* as representative of the new 'cooperative movement' of the Gorbachev era, Masarsky was still a fervent believer in 'socialism with a human face'. At that time he was a director of the coop in Northern Russia which constructed roads and housing. He has profoundly changed since the bitter conflict within the coop on the matter of the allocation of profits in March 1988. Masarsky insisted on investment while the majority of the members of the coop were eager to convert profits into higher wages. After these events Masarsky acquired a "strong idiosyncrasy towards any collectivist assembly engaged in economic activity", as he put it himself in a recent interview with a popular Russian weekly. (Sirotkin 1992).

His ascetic profile did not undergo any substantial changes. His life story is a narrative of methodical labor. A rural child, he felt deprived when his older brothers did not take him to work in the fields. A true Stalinist in his teens, he espoused the doctrine of work in good conscience and tried to live up to its standards in reality. A university philosophy lecturer after the XXth CPSU Congress, he sought 'true collectivity' which finally led him to abandon his scholarly career. Masarsky joined the famous *Pechora* coop of gold-seekers, an island of 'normal life' among the economic irrationality of the Brezhnevite economic system.

Since then he has adhered to the 'philosophy of Pechora', as he calls it, which combines Protestant sternness with ultimate individual freedom. Protestant overtones are not accidental because Pechora is the name of the river in Northern Russia where many methodical ascetics, the Old Believers of tsarist Russia, settled after they fled from

official religious prosecution. Until 1988, however, Masarsky thought that individual self-realization could be achieved within a free collectivity. Having dropped this belief after intense disillusion with collective management, he now holds Hayek and Milton Friedman as the two authors who make most sense in economics.

'People's capitalism' is what he now considers the most desirable outcome of Russian development. The latest Masarsky effort to make people's capitalism real is his *Your Own House* multi-billion ruble investment project (initially \$ 35 million in summer '92 prices). The project will construct housing for the burgeoning mass of new entrepreneurs and landholders, and is supposed to create a firm basis for new individualism. In doing this, Masarsky sees himself not only as a road and housing builder, but as the builder of a new society and as a preacher of the new faith (*verouchitel'*) - a traditional role of the Russian intellectual. This newly preached belief is the belief in the ultimate value of human individuality and freedom.

In many respects this faith is not entirely novel for Masarsky. His Marxism was always of a very individualistic kind. His Ph.D. dissertation on the concept of personality in Sartre's philosophy, which he defended in 1972, asserted that "Marx always positively treated human individualization... in fact, he measured human progress by the degree of this individualization." (Masarsky 1972: 28). This was coupled with an assertion that 'true human individualization' is possible only within a collectivity. This early concept of individualization recalls *samostoyatel'nost* in achieving aims as defined by a collectivity, a version of the quasi-religious Bolshevik vocation. Later Masarsky drops this 'dialectical' individualization through collectivity and aspires for individualization through self-definition, i.e. for a modern version of *samostoyatel'nost* : "What I liked in Sartre is his insistence on human freedom, the possibility to transform oneself by one's own effort." (Sirotkin 1992)

The doctrinal change in Masarsky did not simply substitute one thesis for another; it radically transformed the whole system of emphases within the doctrine and adopted a totally new concept of the individual. What the radical conversion did not affect at all, though, was his methodical style of practical activity. In both the former and the new doctrine, truths arrived at through reflection or revelation are supported by methodical action to achieve them in this world. The majority of 'convert' entrepreneurs did not experience a personal crisis at a high level of doctrinal sophistication, comparable to

Masarsky's. However, their personal dramas ended up with similar results: ascetic energies channeled into the realization of capitalism and individualism, even if these concepts were not as clearly defined as for Masarsky.

The second type of converts to the modern ethic of *samostoyatel'nost* may be adequately represented by the example of MZhK, which stands for 'Youth Housing Complex' in Russian. The former members of MZhK movement seem to have contributed disproportionately much to the development of entrepreneurial culture in Russia. Initially MZhK was the last grassroots attempt of the late Brezhnev period to revitalize the Communist ideal. The young ascetics who initiated the MZhK movement shared a firm belief in 'true collectivism' as a remedy to the stale atmosphere of the official *kollektiv*, and were literally poised to build this collectivity with their own hands. The idea was straightforward: a group of young people temporarily abandoned the state enterprises at which they worked to construct the house they were to live in.

The majority of MZhK members were 'young specialists' in dire need of housing. Thus, one can be cynical about the real reasons for the ascetic drive, and present-day MZhK inhabitants are cynical about it. At the time of the movement's inception, however, the majority of MZhK members believed that they were aiming at constructing not only tangible apartment blocks but also intangible better communities. The MZhKs were to be built as 'true communes'. Yuri Korolev, the leader of MZhK #1, still believes in Fourier's falansteries and Jonestown in Guyana as two 'worthy' models of social organization. In his opinion, and in the opinion of the core of his followers in 1979 when the construction of MZhK #1 began in Sverdlovsk, the neighborhood's 'cultural center' was the heart of the community to be constructed. Once finished, the cultural center housed kindergartens, schools and 46 (!) different amateur clubs; it organized community holidays and strove to provide means for the solution of any communal problem.

This intense collectivist faith was one of the reasons for state support of this project which defied established structures. Communist ideologists perceived the MZhK as one of the few signs of hope in the decaying regime. In fact, the MZhK would never have happened without state support because the state supplied construction materials, machinery and infrastructure. It is no accident that the first and most famous MZhK originated in Sverdlovsk. This city in the Urals was the most natural site for Communist asceticism. According to the polls, Sverdlovsk still has the highest percentage of atheist

population than any other Russian city, which is highly indicative of secular utopianism. The ascetic tradition of the Old Believers is particularly influential in this part of the Urals too.

Collectivist utopianism coupled with the quasi-religious idea of *podvig*, heroic sacrifice, engendered the heroic asceticism of the MZhK members. When it became clear that the situation was 'do or die', they unleashed their ascetic energies to the fullest. By December 1979 only half of the construction program was finished. The collectivist experiment seriously in danger of being stopped in 1980 for various bureaucratic reasons if an apartment block were not finished by the end of 1979. Having understood this, MZhK members organized continuous shifts so that construction proceeded 24 hours a day. In the frequent cases of the absence of technological or institutional support, they had to resort to primordial methods of conquering nature. Thus, in a manner reminiscent of the Bolshevik model hero Pavel Korchagin, they burnt fires to melt the frozen winter soil.

By December 31, 1979, the construction of the first apartment block was completed. This 'impressive achievement' immediately produced a tidal wave of media interest in the Sverdlovsk MzhK. In part, this interest was facilitated by the imitation campaign which was instigated by the local party officials in other regions of the USSR. MZhKs appeared in every major city all over the country. Korolev says that in the early 80s MZhK #1 was annually visited by about 700 delegations of those who wanted to learn 'how one can make it'.*

Members of the first MZhK were respected because 'making it' not only signified ascetic drive but also was a common euphemism for the immense labor of overcoming bureaucratic red tape. In fact, evading and circumventing the innumerable prohibitions of the late Brezhnevite system constituted a greater achievement than working 24 hours a day. MZhK members managed to achieve their objectives by seizing all the available opportunities in the slow and inefficient economic system which seemed to preclude all rational possibilities of independent initiative.

The unintended consequence of this fight with the system was a fast conversion of MZhK members into modern individuals. Everyday confrontations with different levels of bureaucracy led many members to an acute value crisis. The Machiavellian low view of the nature of man, inspired by wheeling and dealing within the Brezhnevite system,

starkly contrasted with professed higher ideals of building the radiant future in one given apartment block. "We were all turned into individualists after some time," said one of the former chairmen of the Moscow MZhK *Yakimanka* in an interview. "We became opportunists. In its third year of existence our MZhK started to resemble a ship of desperate people going to America. We were ready to do anything of dubitable moral quality and we could attain any objective".* It took seven years for *Yakimanka* to erect a tiny apartment complex right in the center of Moscow. The respondents describe the feelings engendered by these seven years: "When we had finally finished construction, the [then] chairman concluded: 'All of these Communists [in the Moscow city CPSU committee] should be shot'."*

Disillusionment in Moscow was rather more acute than anywhere else because in many MZhKs in the capital the heroic MZhK format was easily transformed into a hollow form devoid of any collectivist content. MZhK were employed by middle and low level officials as a convenient organizational innovation to acquire spacious housing in prestigious city districts. Membership became 'formal', that is one could buy it, send somebody to work at the construction site instead of appearing oneself, etc. By the mid-80s clashes with local officials in the old, 'real' MZhKs and bureaucratization and naked gain practiced under cover of the new MZhKs subverted the collectivist utopianism that originally characterized the movement.

Two other factors contributed to the individualist conversion of members of 'real' MZhKs. Powerful interpersonal mechanisms challenged the ideal of true collectivity once initial construction was over. Urban dwellers suddenly found themselves amidst the 'idiocy of rural life'. This phrase of Marx was used by one of my respondents (and many of them are well versed in Marx, as they were zealous believers) to characterize the unexpected grip of community surveillance re-created in the modern city. Individuals were constantly watched by their neighbors, even if unintentionally, and they ardently wished to break loose from this almost total surveillance.

Finally, the fact that 'real' MZhKs were constituted as direct democracies contributed to individualization also. Nobody could gain power or pass an important measure without persuading the majority of the members right on the spot. All the tragedies and farces of democracy were staged in the tiny smoky rooms where the MZhK members assembled to discuss their production plans. The history of the MZhKs

witnessed the totalitarian rule of self-appointed committees, popular rebellions, tyranny of the majority and manipulated public opinion. In the end everybody learned by trial and error the way to defend one's own, private interest. "When we saw Gorbachev manipulating the first Congress of the USSR People's Deputies in 1989, we laughed," said one of respondents. "We were schooled in democracy by that time. We had learned it in the bitter experiences of the early 1980s."*

The unintended transformation of collectivist experiments into schools of virulent individualism had an enormous influence on the entrepreneurial movement. Many opportunists, schooled in democracy and disillusioned with professed collectivism, could not tolerate the job conditions of the state enterprises to which they returned after completing the MZhK construction. Most could not and did not stay for long, even if leaving involved abandoning the benefits and security of the military industries - as in the case of Sverdlovsk. According to a former deputy chairman of MZhK #1, now a manager of the city's independent cable TV network, at least half of the former MZhK members are now independent entrepreneurs.*

CONCLUSION

Building on the insight of Karl Polanyi, this article has argued that the corporate ethic of the Russian industrialists may not necessarily be viewed as an obstacle to national market-building. On the contrary, it may prove useful in the initial phases of the construction of the Russian national market, if it is employed to foster the creation of *zaibatsu* -type structures united in a national network of exchanges.

However, the article has also argued that a profound cultural change is a prerequisite for later stages of successful market-building in Russia. A potential for and mechanisms of the transition from the corporate ethic of currently predominant economic actors to the new individualist ethic of *samostoyatel'nost*. has been discussed. Weberian analysis points at the cultural change which has already occurred amongst former zealous collectivist ascetics. They have undergone a quasi-religious conversion that may make them disproportionately influential in the entrepreneurial movement and especially well

suited for essential posts in the government and economic units to carry out the tasks of constructing the national market in Russia.

NOTES:

1. The author would like to thank Gregory Grossman, Ken Jowitt, David Woodruff and Elvira Nabiullina for their advice and comments on the previous versions of this paper. All mistakes and opinions, however, are the sole property of the author himself.

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2. All quotes marked by an asterisk are taken from the texts of interviews conducted by the author in the summer of 1992. Interviews primarily centered on exposing the new entrepreneurs' motivation for such an obviously irrational behavior as long term industrial investment in the 1992 Russia. A series of 27 interviews was conducted with economic experts, first, and entrepreneurs who ran medium-size businesses, second.

3. However, substitution of new economic actors for the 'old guard' was most visible only in privatization of small and medium-sized enterprises. At least, this was the condition of 1992. Though 1993 witnessed some picturesque assaults by the new businesses to achieve control of large enterprises (e.g. a brokerage firm acquired 18% of *Uralmash* stocks in a successful aggressive bid at the privatization auction), the control over the majority of industrial giants did not yet change hands. Further research should complement the perspective of this article (i.e. 'the substitution scenario') by evaluating the potential of change in the ethical orientations of directors ('the transformation scenario') in the new economic conditions.

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