Corruption and Organized Crime in Post-communist States: New Ways of Manifesting Old Patterns

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Informal systems should be of special concern to corruption and organized crime specialists in any geographical context. Organized crime is inevitably undergirded by informal systems, and typically depends on corruption. Informal systems should be of even more interest to analysts of these phenomena in Central and Eastern Europe and the former Soviet Union, given the central role of the previous communist state and the informal systems that had developed in conjunction with it. As the command structures of the state broke down, informal groups and social networks were well positioned to step into the vacated space. The legacies both of communism and more than a decade of "reform" have encouraged the development of informal groups and networks 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. Far from disappearing, informal systems, including those underpinning organized crime and corruption, have played a pivotal role in many "reform" processes of the 1990s, notably those associated with privatization and economic restructuring.

Part I: Overview

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 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, or continued to evolve, 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 many reform processes of

the 1990s—from privatization and economic restructuring to public administration and the development of nongovernmental organizations (NGOs) and civil society.

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. The following properties of informal systems represent some of these ways.

The first property is that *the unit of decision making is the informal group*. Individuals are anchored primarily in the group rather than in any institution with which they are officially associated. 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. 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. 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 third property of informal system is that *informal groups and networks operate in the multiple domains of politics, economics, and law*. Terms such as "oligarchs" 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. The extent and the very *nature* of the penetration of the state by informal groups and networks is at stake. Have informal groups and networks *replaced* the former centralized state (or major parts of it) or simply *penetrated it* to some degree? I have identified two patterns: the "partially appropriated state" and the "clan-state." Under the partially appropriated state, informal groups "privatize" certain state functions. They work with relevant state authorities, but the groups as such are not synonymous with the authorities. Under the clan-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. In such a state, the political-economic influence of clans can only be countered by competitor clans.

The partially appropriated state and the clan-state 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, and institutions, situated

somewhere between the 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. In theory, that state is responsible for the use of its resources. In practice, however, 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 initiatives might resonate within given societies.

PART II: "STATE" AND "PRIVATE": UP AGAINST THE ORGANIZATIONAL REALITIES OF CENTRAL AND EASTERN EUROPE AND THE FORMER SOVIET UNION[1]

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 organization[2] 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 parts of the world they are seen as selfish usurpers of resources.

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-private[3] 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 used by the Bank—"the abuse of public office for private gain" (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 raise comparative questions and encourage 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. These implications raise questions that might help analysts and policymakers to evaluate the potential applicability and impact of these policies.

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 generally been undervalued and sometimes even overlooked. In general, social 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 relationships, 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.[4]

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 had developed in conjunction with it. As the command structures

of the state broke down, informal groups and social 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, by now, a decade of reform. 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. There may be a tendency for outsiders who lack this knowledge to overemphasize and misinterpret invocations of mafia in Central and Eastern Europe and the former Soviet Union. An analysis of the meanings of "mafia" in the context of cross-cultural communication and misunderstanding is presented in Part III.

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. The strength of informal systems lies in their ability to circumvent, connect, override, and otherwise reorganize political and economic authorities and 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. In fact, informal systems may have played a greater role in the 1990s than during the previous period. Endre Sik and Barry Wellman (1999:248) argue that there is more "network capital" under post-communism than under communism. They write (1999:250):

> The transition from communism to postcommunism involves growing uncertainty that is manifested by increasing incidents of minor troubles, crises, calamities, opportunities that must be seized instantly, changes in the rules of the game, and new games with new

players. People who lack other alternatives tend to use network capital when conditions worsen or uncertainties prevail. Consequently, network capital increasingly is important for households and firms as a means to cope and grab. This is not only because of the inertia of former practices, but because people rationally rely on their already existing behavioral patterns, skills, and heavy investment in network capital. Under postcommunism, both the culture of networking developed during the communist period and investments in network capital are assets that are proving effective for coping with economic troubles and exploiting available opportunities.

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 entities and groups 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 Togetherness[5]

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, under both communism and the reforms of post-communism. Under communism, the key to state power was its expansionist bureaucracy that monopolized the allocation of resources. Economic decisions were made in the political domain, and control over resources ensured state power. Demand always outpaced supply, creating economies of shortage, as János Kornai (1980) has detailed.

Individuals and groups responded by developing informal social 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, Ledeneva 1998 and Willerton 1992). Although not explicitly institutionalized, these relationships were regularized and exhibited clear patterns.[6]

To get things done under state socialism, people personalized relationships both within and apart from the state. The most successful operators personalized, for themselves, slices of the state with which they interacted (Wedel 1986:50–51). The practice of *finagling*—the informal exchange relationships and deals people made to obtain 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).

People tended to think in terms of who more than what. A typical list of errands consisted of a list of names (rather than institutions or organizations) matched up with tasks. To repair heating, contact Pan (Mr.) Jan; for gasoline, Pan Piotr; for a driver's license, Pan Grzegorz; for prompt medical attention, Pani (Mrs.) Jadwiga; or to reserve a place in a kindergarten or university, Pani Antonina. Often, the most important good was information disseminated through networks based on trust: information about who, how, and where was the lifeblood of economic and political survival (Wedel 1986:33–117).

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.

Finagling spawned its own self-referential agency-obscuring vocabulary that could only be conveyed in context and was only roughly translatable. Terms describing informal "arranging" served to mask the nature of the particular matter or transaction at hand and built an expedient ambiguity into the language and activities of everyday life. Additional uses of language further served to obscure the agency of actors vis-à-vis hard-to-come-by goods and services, as I (1986:43) have detailed:

> Rather than hearing that one bought or received through bribery or as a present such things as fabric, a pair of shoes or an apartment, one hears instead, "I got an apartment," one simply "receives" things passively.

Thus, the language of "arranging" made it possible for people to routinely con-

duct unsanctioned and even illegal transactions while acknowledging them only obliquely.

Underneath the facade of innocuous everyday routine, however, nearly everyone was vulnerable and therefore potentially guilty. 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. Whether an individual was accused of a crime often was based more on his identity rather than behavior, and the identity of an alleged perpetrator often determined the definition and severity of the crime. Ilona Morzoł and Michał Ogórek discuss the application of the law 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." The martial law government of General Wojciech Jaruzelski had identified these officials as its political opponents (Wedel 1986:51–52). Successful prosecution of a rival group as corrupt or criminal could render it a discredited non-player.

Legal Pluralism

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 considered "stealing" in Polish factories of the 1980s.

In an article entitled "When Theft is not Theft," Elżbieta Firlit and Jerzy Chłopecki (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 follow worker that which had already been set aside for personal use was considered *stealing* and morally wrong. As Firlit and Chłopecki (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.

In a system in which nearly everyone engaged in "dirty togetherness," people developed ethical systems in which legality was seen to diverge greatly from morality. Their experiences of law and morality did not stem from fixed notions of justice and its universal applications, such as those that are sometimes articulated by and inscribed in citizens through state systems. Regarding Poland, I (1986:61) write:

> 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.

Caroline Humphrey (1999:199) notes a similar divergence in Russia between what is legal and what is regarded as moral:

> 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*).

Such legal pluralism was compatible with the tendency under communism toward dichotomous patterns of thinking that divided people into mutually exclusive groups. *We* versus *they*—internationally, the communist world versus the capitalist one—took on a powerful domestic variant: in the case of opposition ideology, we oppositionists versus the communists; or, in the case of citizens, we, the people—society—versus the communists and/or 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.

Today's discretionary use of the law, then, is deeply rooted in the powerful "we versus they" mind-set 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.

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. . . . "[7] 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 Party[8]) 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 may be reminiscent of the Japanese *Keiretsu* system.) Only people with extensive inside information have the knowledge to participate in such deals.

In Poland, the *środowisko*, or social circle, a reference group of actual and potential friends and acquaintances (brought together by family background, common experience, and/or formal organization, Wedel 1992:13–14), played a significant role in organizing Polish politics and business well into the post-communist 1990s.[9] "Institutional nomads," a term coined by Antoni Kamiński and Joanna Kurczewska (1994:132–153), are members of social circles who have come together to achieve concrete goals. They do so by putting their fingers into a multiplicity of pies—government, politics, business, foundations, and nongovernmental and international organizations—and pooling their resources so as to best serve the interests of the group. Institutional nomads owe their primary loyalty to their fellow nomads, rather than to the formal positions that they occupy or the institutions with which they are associated. Grażyna Skąpska stresses that vested interests are at stake in the circulation of nomads among institutions and that their mutual loyalties are rooted in their "organizational . . . access to big money." She observes that the concept of dirty togetherness is fitting here because people involved in deals know something "dirty" about members of their group and can blackmail one another. Thus, whether they come from former Opposition or Communist Party milieu, and whether they were workers or directors, "members will-nilly must stay loyal and collaborate."[10]

In Russia and Ukraine, sociologists have charted the system of "clans." In these 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 journalists use the term, is an informal group of elites whose members promote their mutual political, financial, and strategic interests. As Olga Kryshtanovskaya (1997b) has explained:

> 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, 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 Kyrgyzstan, 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) observes two separate spheres *within* the Russian state— the "officialized-public" and the "personalized-public." He argues that, when the Soviet Union fell apart, it was principally the officialized-public sphere, 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 em-

ploys terms invented by the researchers themselves (for example, "institutional nomads," "unruly coalitions," and "restructuring networks"). This suggests that conventional vocabularies of state development and institutional change were inadequate. The ways in which the vocabularies do *not* apply to states in Central and Eastern Europe and the former Soviet Union are instructive. Further, the ways in which the organization of society and the state have developed fundamentally shape the practices of corruption.

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.[11] These vocabularies tend to conceptualize institutional change in terms of discontinuities,[12] 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 the United States, let alone in states with vastly different histories.

Three properties common to these groups and networks show their incongruity with Western conceptions and help explain outsiders' misperceptions of corruption and organized crime in Central and Eastern Europe and the former Soviet Union.

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, outside analysts tend to blame individuals rather than groups for violating Western institutional boundaries.

Socio-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. Kamiński's and Kurczewska's *institutional nomads* and Kryshtanovskaya's *clan* capture how members of informal groups acquire resources in the different spheres (for example, 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. Kamiński'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.

In the case of many informal groups here specified, such as clans, the classic "clique,"[13] as defined by Jeremy Boissevain (1974), identifies the basic features. A "clique" is a core group of people who contact one another for many purposes. It 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).

A clique, of course, is made up of networks. Networks that constitute the clique are likely to be especially dense and multiplex. Maximum "density" occurs when all members of a person's clique are in touch with one another independently of that person; each member of the clique is linked to every other member. Networks are "multiplex" (rather than single-stranded) when people are connected to one another for multiple purposes or functions, often social, economic, and political.[14]

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 that infuse rhetoric and are widely accepted in the practice of public policy and administration. In many contexts, however, the group's strength derives in significant part from its ability to access the resources and advantages in one sphere for use in another.[15] Informal groups derive influence from their ability to bridge categories and penetrate institutions that are officially separate.

The widely used 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. 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 further frustrates the applicability of this 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.[16] So many outcomes, such as the distribution and ownership of resources, have been shaped by struggles at the state-private nexus.

Ethnographic material on the social organization of the state in Poland and Russia suggests that spheres within and around the state are flexible and fluid. They are situationally and even fleetingly activated, deactivated, and otherwise molded by 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. Structure is malleable.

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.

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 Organizing

"Flex organizations,"[17] so-called in recognition of their impressively adaptable, chameleon-like, multipurpose character,[18] have emerged precisely at the state-private nexus (Wedel 2001:145–153, 156, 172). They are Janus-faced in that they keep changing their facade. Flex organizations switch their status situationally—back and forth—strategically maneuvering the spheres of state and private to best access state, business, and sometimes international and foreign aid resources. 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.

Legally, flex organizations may share the same standing (or aspects thereof) as state organizations, and/or they may be NGOs. Whatever the specifics of their legal standing in a particular country, they have been set up by high state officials and depend on the coercive powers of the state and continued access to and relationships with officials. For example, there may be overlap between officials of a particular ministry, and the leadership of a flex organization that is legally an NGO. Such officials then play dual roles, representing and empowering both "state" and "private" organizations. The influence of flex organizations and the actors who empower them turns on their ability to go back and forth between state and private and is enhanced by the ambiguity surrounding the roles of the actors.[19]

Flex organizations are empowered by informal groups or networks whose success derives in significant part from their ability to access the resources and advantages in one sphere for use in another. 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.

Russian flex organizations. After the Soviet Union was dismantled, Russia embarked on a course of economic reform with the help of international financial institutions and Western donor organizations. Flex organizations, the vehicles through which economic reforms were to take place, became prime recipients of foreign aid funds.[20] They were created around, and run by, a small, interlocking group of transnational actors made up of representatives from Russia (Anatoly Chubais and the so-called Chubais Clan) and the United States (a group of advisers associated with Harvard University).

This Chubais-Harvard partnership presided over the planning and implementation of economic reforms and the organizations that received economic aid, such as the Federal Commission on Securities and Capital Markets (the Russian counterpart to the U.S. Security and Exchange Commission), the State Property Committee, the Russian Privatization Center, the Institute for Law-Based Economy, and the Resource Secretariat. Although these organizations ostensibly were engaged in different parts of the economic reform agenda, the same tight-knit group of interconnected individuals appeared to be running them, along with significant parts of the Russian government. They were additionally connected with each other through a variety of capacities, including business activities.

The Russian Privatization Center, which received hundreds of millions of dollars in loans from the international financial institutions and aid from bilateral donors, was the donors' flagship project—and an archetypal flex organization. Concerning the first trait of such organizations—the ability to shift agency—the Center switched its 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. The Center was an NGO, but it helped carry out government policy on inflation and other macroeconomic issues and also negotiated and received loans from international financial institutions *on behalf of the Russian government*; traditionally these international financial institutions lend only to governments. (This introduced still more ambiguity between state and private roles and responsibilities.) As an NGO, the Center received tens of millions of dollars from Western foundations, which generally support NGOs. As a state organization, it received hundreds of millions of dollars from international financial institutions, which, as stated above, principally lend to governments.

With respect to the second trait of flex organizations—the propensity to bypass otherwise relevant institutions such as those of government (executive, judiciary, or legislative)—the Center was set up precisely to circumvent such institutions. It bypassed the democratically elected parliament and the Russian government agency formally responsible for privatization. Indeed, according to documents from Russia's Chamber of Accounts, the Center wielded more control over certain privatization directives than did the government privatization agency.[21] Two Center officials[22] were in fact authorized by the Russians to sign privatization decisions on Russia's behalf. Thus a Russian and an American, both of them officially working for a *private* entity, came to act as representatives of the Russian state.

The third trait of flex organizations—deniability—is part and parcel of shifting agency. Flex organizations lend individuals and groups the ability to deny responsibility. If the Center came under fire for its activities as a state organization, it could legitimately claim to be a private one. If the Harvard advisers with signature authority for some Russian privatization decisions were asked by U.S. authorities to account for their decisions, they could say they made those decisions as Russians, not Americans. It is precisely the ability to equivocate that may afford these entities their strength and may in part explain their influence and resilience.

The 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 organization activities. Flex organizations afford maximum flexibility and influence to those who use them, and burden them with only minimal accountability. This accountability itself is subject to manipulation. The ability of actors to evade or challenge, at any given moment, the state-ness or private-ness of their flex organization is crucial to their effectiveness.

The political-economic-cultural environment made possible the development—or perhaps the continuation—of flex organizations in the Russian context, even though they were created by foreign aid organizations and Harvard University, and propelled by millions of dollars from the West. Flex organizations mimicked the dual system under communism, in which many state organizations had counterpart Communist Party organizations that wielded the prevailing influence. Such organizations were highly compatible with Russian practices regarding influence and ownership. A number of analysts have pointed out that *de facto* control and influence over property are more important than *de jure* ownership.[23]

The creation of flex organizations and the underwriting they received from the outside may have facilitated the development of what I call the "clan-state," a state captured by unauthorized groups and characterized by pervasive corruption, which I detail later. E. Wayne Merry, a former U.S. senior political officer, regretted the U.S.-sponsored creation of "extra-constitutional institutions to end-run the legislature." He added that "many people in Moscow were comfortable with this, because it looked like the old communistic structure. It was just like home."[24]

Flex organizations, understandably, call to mind the notion of conflict of interest. But they serve to *obfuscate* conflict of interest. Unlike a lawyer who represents a client who has embezzled funds from a bank on the one hand, and represents the bank on the other, in flex organizations, roles are ambiguous. In conflict of interest, an actor can deny the facts, but not the conflict if the facts are true. But with flex organizations, it is not clear what the conflicts are because the structures are themselves ambiguous. An actor can plausibly deny responsibility and get away with it. The difference lies in the ability of a flex organization to exploit the ambiguity.

Polish agencies and targeted funds. In Poland in the mid–1990s information began trickling out—albeit reluctantly—of the existence of state-private hybrid organizations called "agencies" (*agencje)* and "targeted funds" *(fundusze celowe)*. Although they lack the inherently situational quality of flex organizations, the de-

fining feature of agencies and targeted funds is their unclear responsibilities and functions (Kamiński 1997:100). These organizations do not have the same legal status as state bodies, but they use state resources and rely on the coercive powers of the state administration. They have broad prerogatives that are supported by administrative sanctions and are subject to limited public accountability. They are part and parcel of the "privatization of the functions of the state," as Piotr Kownacki, deputy director of NIK (Supreme Chamber of Control), Poland's chief auditing body, has put it, and they represent "areas of the state in which the state is responsible but has no control."[25] From the point of view of the state administration, these entities are "public," not state; from the client's point of view, the entities are state institutions.

Agencies and targeted funds have come to play a major role in the organization of Polish governance and in the collection and disbursement of public funds. Some one-fourth of the state budget was allocated to them in 2001.[26] In addition, some agencies and targeted funds are or have been authorized by the state to conduct and receive monies from commercial activities, invest in the stock market, start new companies, spawn new agencies, and manage foreign aid funds.

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 NIK Deputy Director Kownacki.[27] Agencies are set up by state officials, often attached to their ministries or state organizations, and funded by the state budget. The minister typically appoints an agency's supervisory board; his selections are often based on political connections, according to legal analyst Jan Stefanowicz.[28] Some 10 to 15 percent of an agency's profits can be allocated for "social" purposes: If the agency accrues profits, those profits go to the board, and sometimes are funneled into political campaigns. On the other hand, any losses are covered by the state budget.[29]

Agricultural agencies offer a case in point. With so much property under their control, including state farms inherited from the communist past, agencies have begun "to represent [their] own interests, not those of the state," according to Kownacki. He observes that "most of the money is taken by intermediaries" and the state has very little control over this process.[30]

Coal mining and arms also are dominated by agencies and present myriad opportunities for corruption, reports Kownacki.[31] The coal industry, for example, appears to be under the control of a group of *institutional nomads* who simultaneously hold and/or circulate in key positions of government, agencies, targeted funds, and business. Collectively, the nomads organize themselves to cover all the bases by having their fingers in as many as possible influential administrative, business, and political positions, relevant to their success in the industry, regardless of which political parties are in power (Gadowska 2000).

Some agencies and targeted funds have become vehicles through which foreign aid is distributed, although not generally initiated by aid organizations, as were the Russian flex organizations described earlier. Notable current examples are the Eu-

ropean Union's SAPARD program to restructure Polish agriculture, and some EU programs to improve environment and transportation.[32]

Like Russian flex organizations, Polish agencies and targeted funds are *not* holdovers from communism, although they are firmly rooted in the political-economic-social organization and culture of communism. Rather, they have been created and enabled by legislation enacted since the fall of communism.

Agencies and targeted funds make it legally possible for private groups and institutions to appropriate public resources to themselves "through the spread of political corruption," as Kamiński (1996:4) has called it. He maintains (1997:100) 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."

Many Poles might find agencies and targeted funds unacceptably outside the interest of their *społeczenstwo*, or society. However, such organizations remain mostly hidden from public view. Only a few analysts, journalists, and notably, NIK, have tracked limited parts of what constitutes a huge part of the state or public budget. At various times throughout the past decade, journalists have reported that specific agencies and targeted funds have reaped profits that allegedly have gone into private pockets. Former NIK Director Lech Kaczyníki confirms that, under the system of agencies and targeted funds, "much tax-payer money flows to private hands on a large scale."[33]

Far from being phased out, the number of agencies and targeted funds is growing.[34] This is in a country that has earned a reputation as one of the "success stories" of transition—with its entry into NATO, pending accession to the EU, and, until recently, the fastest growth rate in Europe.

Agencies and targeted funds appear to have become an institutionalized part of the Polish state-public sphere. A number of analysts have linked the continued existence of these organizations to campaign finance. 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 agencies and similar entities]."[35]

It is telling that the saying "*teraz kurwa my,*" roughly translated as "now it's our f***ing turn [to steal from the state]," entered the political discourse during the latter 1990s. In coining the phrase, Polish politician Jarosław Kaczyński, an oppositionist during the communist period, implied that the Solidarity party of the 1990s, AWS (*Akcja Wyborcza Solidarność),* exhibited the same attitude as the post-communists toward accessing public funds for their own use. He characterized—and derided—the Solidarity party attitude as "*teraz kurwa my*," which now is known simply by its acronym, TKM.

Negotiating the State

This analysis calls to mind some feminist research that shows that the "line between public and private is constantly being renegotiated," as Susan Gal (2002:79)

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 (2002:85) 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 other forms of ritualization and institutionalization."[36]

Politicized Law

The third property of informal systems 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, "the rules are what you make them," as one informant put it.

Under communism, the ability to access economic opportunities depended almost entirely on political connections. During the transitional years, informal groups and networks in the region (including Romanian unruly coalitions, Hungarian restructuring networks, Polish institutional nomads, 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"[37] 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. Virginie Coulloudon (1998:545) explains:

> Lack of transparency is perhaps what differentiates most Russian elite groups from Western lobbies. In contemporary Russia, it is still impossible to make one's money yield a profit without negotiations at some point with state agents. Financiers, industry managers, journalists and scholars agree that one's career depends on one's ability to weave political networks. The constant struggle between elite groups to appoint their proteges to strategic posts does not challenge the legitimacy of the state. On the contrary, it helps to strengthen it.

In Russia, the political-economic structure that has evolved under post-commu-

nism 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 gas or aluminum). Second, the relationship of power to property is no longer one way. As Thomas 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.[38] 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 highly compatible with the political-economic structure described earlier. Formal law is frequently employed situationally. If invoking the 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. (Mafia groups have been known to turn files of rival groups over to police.) 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. 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—(which, as discussed earlier, also had been permeated by personalized relationships) 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, to build democracies.

I have identified two patterns of relationships between the state and informal groups, or cliques (as defined earlier): the "partially appropriated state" and the "clan-state."[39]

The "Partially Appropriated State"

Under the partially appropriated state, informal groups such as Polish institutional nomads, 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, one-fourth of the state budget in 2001 was allocated to hybrid state-private organizations (agencies and targeted funds). State-private relationships and ownership have taken on various forms, which the privatizations of the latter days of communism and early transition helped to mold. During those times, some Polish officials and managers took advantage of lucrative opportunities for deal-making based on insider information and contacts.

Under *nomenklatura* privatization, for example, enterprise managers acquired enterprises or parts thereof as their own property. In one version, company insiders procured shares of newly converted companies at firesale prices. In another variant, company insiders formed spin-off private companies, some with expatriate associates. These spin-off companies then made sweetheart deals with the old state enterprises and depleted their resources by leasing state machinery at bargain-basement prices. The new company owners served as intermediaries between the state and the private sector.[40]

Insider privatization continued during the years of transition, often in the following manner. Kamiński (1997:104) explains:

> A ministerial official in charge of the privatization of an enterprise received from the firm in question, or from the firm's consultant or investor, the offer of very well-paid lectures, consultations or seminars. Once the enterprise transformed into a "state treasury company," the official became a paid member of the board of directors. Further development of his 'co-operation' with the company depended on the adopted privatization procedure. If it was decided that the company would be sold to a foreign investor, the official negotiated the terms of sale on behalf of the ministry. When the transaction was completed, he would have been given the post of director or, had a foreign consulting firm mediated the transaction, would have taken up employment in the firm, or would have kept his job at the Ministry while retaining his paid post on the firm's board of directors.

In fact, state officials have used their positions to further private interests in a number of ways. Some high government officials set up consulting firms that did business with their own ministries. In one case, a deputy minister who was in charge of joint ventures also owned and operated a consulting firm that specialized in joint ventures. When, in 1990, Prime Minister Tadeusz Mazowiecki issued a decree forbidding members of his government from owning consulting firms, the deputy minister signed the firm over to his wife. Many of his colleagues employed similar subterfuges (Kamiński 1996). As Kamiński (1997:104) observes, "[a] distinctive mark of the post-Solidarity elite's rule was considerable tolerance of conflicts of interest."

Legal steps facilitated such conflicts along with the proliferation of flex organizations. Such organizations and the relationships underlying the privatization of state functions appear to be institutionalized.

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, certain clans, each of which controls property and resources, are so closely identified with particular ministries or institutional segments of the state that any differences between state and clan agendas appear nonexistent.[41]

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, yet close enough to ensure 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 jury, and the legislature. As a system of governance, the clan-state 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 Russian and Ukrainian data, as follows, although the model is also reminiscent of developments in some other post-Soviet countries,[42] as well as in present-day Yugoslavia.[43] Collins' (1999:124–125) analysis of the state, derived from Central Asian material, also appears similar to the clan-state:

> The state, despite its formal trappings, is better understood as an arena within which informal social networks, rather than formal political or social organizations, engage each other and compete for state resources. . . . The state primarily serves as the mechanism for maintaining order among dominant social structures during an ongoing process of domestic bargaining and exchange. In a second, and just as critical role, the state links social networks to the outside world of international trade, capital and investment—all vital elements of the state's internal growth. The formal state apparatus is [not] an autonomous and efficient promoter of national policy; rather, the state is the pawn or tool of various clan elites and the networks they represent.

Even more than in Poland, in Russia, the privatizations of the latter days of communism and the subsequent years of reform shaped ownership structures and state-private relationships. Kryshtanovskaya and White speak of 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. They write (1996:720):

> Such a process began in 1987 and had largely concluded by the time a privatisation programme for the population at large was ready to be launched. This kind of privatisation included wholesale changes in the system of economic management, banking and retail sale, and the sale of the most profitable enterprises. Ministries, for instance, were turned into concerns. The minister typically retired, or became a consultant to the concern that had succeeded the ministry. The president of the concern, as a rule, was a former deputy minister. The concern acquired the status of joint stock company. The shareholders were typically the most senior management of the former ministry, together with the enterprises for which it had been responsible. The ministry's property, in this way, became the private property of its leading officials; and they themselves did not simply privatise the organisation for which they were responsible, but did so for their own benefit.

Gazprom, Russia's gas monopoly and its wealthiest company, is a case in point. Paul Klebnikov (2000:134) writes that Gazprom, "the sole gas supplier to most of the former Soviet Union and the dominant supplier to Western Europe . . . may have been the most valuable private company in the world. If it had been a Western company, Gazprom would have been worth between $300 billion and $700 billion in market capitalization on its gas reserves alone. Instead, it sold in the voucher auctions for an implicit price of just $250 million." Then Russian Prime Minister Viktor Chernomyrdin is generally thought to have benefited from the rigged auction and from myriad gas and oil exports (Klebnikov 2000:115, 134, 270, 274).

The "close intertwining of power and property," as Graham (1999:326) puts it, captures the essence of Russian groups known as "clans," "oligarchies," and "financial-industrial groups" (FIGs), and indeed, the clan-state. Their development is a consequence both of Soviet institutional legacies and the reforms of the 1990s. Juliet Johnson (1997:360) explains:

> The traditional close ties between enterprises and the state, the penchant for creating giant economic concerns, the insider-dominated transactions, the bureaucratized corruption, and the importance of accumulating political power in order to wield economic clout all had their roots in Soviet times. These tendencies were exacerbated by Russia's transitional conditions, which allowed well-placed individuals to concentrate assets in their own hands in an atmosphere of uncertain property rights, an under-developed legal system, and poor investment conditions. This combination of factors led both influential bankers and investment-hungry enterprises to run not to each other but to the Russian state in order to meet their respective needs.

Exacerbating such rent-seeking activity is the fact that the number of bureaucrats with ample discretion to grant or deny permission is increasing. This has prompted elites to engage in "constant struggle . . . to appoint their proteges to strategic posts," as Coulloudon (1998:545) describes it. The number of government administrative personnel has risen substantially since the beginning of the 1990s (exceeding that under communism), while attempts at public administration reform have been notably absent (Glinkina 1998a:21, World Bank 1999:2).

The transitional years saw economic crises characterized by monopolies, uncertain property rights, and, as Svetlana Glinkina (1998a:18) writes, "most notably, rent-seeking, in which wealth is sought not through profits from market competition with other firms but through access to government subsidies and granting of monopoly status." Glinkina (1998a:19–20) elaborates:

> What took place was the privatization of economic power without any public oversight or legal foundation. In addition, the character of the process was heavily influenced by the traditions established by command-system behavior. The shadow market took over not only all monetary resources but also the right to administer, organize and control the posts of government officials of varying rank.
>
> Transfers from the state budget were quickly "privatized." Access to the budget of the Russian Federation became the main goal of any minimally serious commercial struc-

> ture. This in turn served as a foundation for skyrocketing growth in the country's level of corruption and for the criminalization of the economy in general. An audit conducted by the State Accounting Chamber [Russia's chief auditing body] revealed that in 1995, income to Federal Targeted Budget Funds (whose sources and spending aims are regulated by law) as reported by the Finance Ministry has been under-reported by almost 1.2 trillion rubles, and income from sales of state reserves of precious metals and gems was under-reported by 875,603 billion rubles.

Indeed, dollar billionaires have stashed much of their cash in Swiss and offshore bank accounts. The International Monetary Fund estimates that, from 1995 to 1999 alone, capital flight from Russia exceeded $65 billion (Lopez-Claros and Zadornov 2002:109). The privatization of state-owned resources and economic reforms have facilitated the acquisition of staggering size fortunes.

Underpinning losses to the state budget are people and groups known as "oligarchies" and "clans." Born of the intertwining of the economic and political domains, the oligarchies of the 1990s include alignments of former *nomenklatura,* officers of the military and KGB, and organized crime groups.[44] Graham (1999:325) analyzes Russian oligarchies thus:

> The primary oligarchic structures are large political/economic coalitions built around control of key government positions, significant financial and industrial assets, mass media outlets and information-gathering agencies, and instruments of coercion (both state and private). Such structures dominate the political and economic landscape at the national and regional levels. Their rise and fall and the interaction among them drive politics. More than formal institutions such as the government and parliament, these coalitions set the political and economic agenda, limit the range of policy choices, and make the fundamental decisions even if the decisions themselves are presented as the outcome of deliberations and operations of the formal institutions.

By 1995, four political-economic coalitions had crystallized as the main political players on the national scene (Graham 1999:329).[45]

Clans constitute some of the building blocks of the oligarchic structures that Graham describes. As mentioned earlier, Kryshtanovskaya (1997b) has elaborated the workings of clans—informal groups of elites whose members promote their mutual political, financial, and strategic interests.[46] The case of the "Chubais Clan," detailed earlier, which became one of Russia's most powerful clans during the 1990s and which I (1996b:571–602, 1999:469–500, 2001:123–174) have documented, is instructive. The Chubais Clan traces its roots to the mid–1980s to Leningrad (now St. Petersburg). The chief figure in the group, Anatoly Chubais, underwritten by the West, led economic reform and privatization efforts and wielded tremendous influence, both in and out of government, during the 1990s.

During the years of economic reform, roughly 1992 to 1997, the Chubais Clan acquired a broad portfolio and often operated through presidential decree. The Clan spanned the spheres of state and private. It operated in the multiple domains of politics, law, and economy, including the design and execution of such reforms as

privatization and capital markets. It also competed for control and resources in the political domain.[47]

While the Chubais Clan 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). The Clan's position was unique. With its source of money and power base largely the West, the Clan set up a network of "private" organizations funded by the West. As discussed earlier, these flex organizations often played the role of state organizations, supplanted the functions of the state, facilitated the Clan's operation in multiple spheres and domains, and enabled its members to evade or deny responsibility. The equivocation that characterizes the informal institutions and groups of the partially appropriated Polish state similarly applies to the clans, oligarchies, and FIGs of the Russian clan-state.

Oligarchies and clans find their financial bases in FIGs, which have come to control a huge portion of Russia's economy as well as most key national media. FIGs consist of two types, bank-led and industry-led, both of which combine private banks with industrial enterprises. Oligarch Boris Berezovsky has stated that six of the seven FIGs control more than half of the nation's economy (Johnson 1997:333). That estimate is likely exaggerated, although the economic power of FIGs is hardly in doubt (Johnson 1997:333). One FIG, ONEKSIM-bank's Interros group, is believed to hold significant shares in seven of the country's twenty largest companies, including oil concerns and producers of nonferrous and ferrous metals, which constitute more than half of the country's industrial production (Johnson 1997:345).

Indeed, the economic power of FIGs is highly contingent on political power. Johnson (1997:348) explains: "Since 1993, the political power of the bank-led FIGs, driven by their status as economic heavyweights, has come from three major sources: their acquisitions in the Russian media; their activity in campaign finance; and the revolving door between executive positions in the banks and government." Johnson (1997:348) concludes:

> The leaders of the bank-led FIGs (along with the directors of Gazprom and Lukoil) comprised Russia's financial-industrial oligarchy, a small group wielding political power disproportionate to its actual economic importance and public support in Russia.

The political and economic domains are so interdependent that, as Coulloudon (1997:75) expresses, "the distinction between lobbying and corruption has disappeared."

Under such circumstances, interdependency between oligarchs and organized crime groups or figures is not surprising. Kryshtanovskaya (1997b:15) holds that "Corruption in Russia has now extended into literally all institutions of power. Persons bought off include government officials whose legal jurisdiction covers issu-

ing 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.[48]

Glinkina has attempted to quantify the extent to which crime is integrated into the economic organizations of the Russian government. She (1998b:49) writes that some 87 percent of staff and management of the various government departments fighting organized crime reported that such 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.

Such "symbiotic relationships" between organized crime and governments at all levels, as Louise Shelley (1994:343) puts it, are not easy to break. The Italian experience has shown, she (1994:343) explains, that "once organized crime becomes so intertwined with all levels of government, the relationship cannot easily or rapidly be reversed."

The question of the extent to which informal groups provide services to citizens and thereby fulfill state functions inevitably arises. Shelley (1995:834) contends that:

> Organized crime has supplanted many of the functions of the state. . . . Organized crime provides many of the services that the collapsed social welfare state can no longer provide. Citizens receive services from organized crime that were once furnished by the state-protection of commercial businesses, including employment for citizens and mediation in disputes. Private security, often run by organized crime, is replacing state law enforcement.

Like Russia, clans and oligarchies appear to play a major role in the Ukrainian state. The Soviet-era roots of these relations are, of course, the same. As Anderson and Albini (1999:282) write:

> The "new oligarchy" was borne out of the network of government nomenklatura, organized criminals, and the KGB's successor who cemented their ties in a massive effort to transfer state resources to themselves and their private interests (and ensure their control over them) as the Soviet Union crumbled. . . . In Ukraine (as in Russia), the "new oligarchy" firmly controls the country's economic and political systems.

Although few reliable data on Ukrainian informal groups and networks are available, 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.[49] In the Ukrainian case, clans are often regionally and even family-

based. Oleg Soskin contends that competition for the economy spurred "dynamic competition" among regional clans and crystallized the clan system by 1996.[50]

Soskin refers to a "totalitarian clan" system, in which "power belongs to several clans, which can alternate at power by nominating their totalitarian dictator."[51] 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.[52] Soskin discusses "regional clans as the major factor of the state-monopoly pattern"[53] and maintains that "clans determine most of the money flow in Ukraine."[54]

The Partially Appropriated State and the Clan-State in Comparison

Differences between the "partially appropriated state" and the "clan-state" appear to lie in (1) the degree of penetration of state bodies and authorities and the nature of vertical linkages and (2) the degree to which politics is dominated by groups such as institutional nomads and clans and has become merely a means for them to access state resources for themselves. The partially appropriated state and the clan-state fall along a continuum—from substantial appropriation of the state by private actors to sweeping appropriation and from considerable use of politics to access state resources to a near wholesale intertwining of state resources and politics.

With regard to (1) the degree of penetration of state bodies and authorities, a clan-state is characterized by a much higher degree of penetration than a partially appropriated state. The nature of vertical linkages may play a role here. 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 "clan-state" 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 respect to (2) the domination and use of politics, in the clan-state, as contrasted with the partially appropriated state, politics is less a way to present competing views of public policy to voters, and more a means to split up the spoils of state resources. As Federico Varese has put it, "Even the Communist opposition in Russia is deeply connected to the organs of power and able to distribute state resources to supporters and party officials."[55]

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 con-

nections 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[56] 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 (1996:226) 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 that are poorly funded or without substantial resources at their disposal (in Russia, that includes those ministries responsible for education, health, and social welfare)—that are of little interest to clans and remain largely independent of or "uncolonized" by them. In Ukraine, a study (Kennan Institute Summary 1999) found 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. Kamiński (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) and Hellman, Jones,

Kaufmann, and Schankerman (2000)). World Bank analysts (2000:xv-xvi) define "state capture" as:

> the actions of individuals, groups, or firms both in the public and private sectors *to influence the formation* of laws, regulations, decrees, and other government policies to their own advantage as a result of the illicit and nontransparent provision of private benefits to public officials. There are many different forms of the problem. Distinctions can be drawn between the types of institutions subject to capture—the legislature, the executive, the judiciary, or regulatory agencies and the types of actors engaged in the capturing—private firms, political leaders, or narrow interest groups. Yet all forms of state capture are directed toward extracting rents from the state for a narrow range of individuals, firms, or sectors through distorting the basic legal and regulatory framework with potentially enormous losses for the society at large. They thrive where economic power is highly concentrated, countervailing social interests are weak, and formal channels of political influence and interest intermediation are underdeveloped.

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.

Evolving State-Private Mixes

Any reforms and social engineering in Central and Eastern Europe and the former Soviet Union must take account of these patterns of organization if they are to foster good governance and build centrist institutions in which a broad spectrum of society can participate.

The following issues are pertinent in examining the ways in which state-private mixes— and the informal groups and networks that shape them—will evolve in the region.

- Can independently sustainable institutions be built? Which domains (for example, political, economic, legal) do cliques control? How total is the control?
- Do state authorities have the capacity to remain separate from the institutions

and agendas of cliques? Is the clique the real source of influence over state institutions, such that when the clique departs, the institutions it empowered lose their influence or disappear altogether?

• Does the state have the capacity to create, not just to divest resources? Or is the state's authority limited mainly to redistribution?

• What access do citizens have to the state?

The following issues are pivotal to the possibilities of change:

• What are the opportunities and constraints under which specific groups are operating at specific times? During an "open historical situation" when so many opportunities are presenting themselves, cliques that have been successful in a given area can prevent the success of other groups, which have to mobilize on different terms if they are to compete. Successful cliques can even prevent other cliques from coming into being in the first place. What kinds of cliques are acquiring a voice, what kinds are being denied, and what principles govern this?

For example, the Chubais Clan capitalized on an open moment by amassing much Western aid under its near-exclusive control and promoting the image of itself in the West as the "reformers." In this regard, the Clan's position was unique. As Kryshtanovskaya (1997a) explains it, "Chubais has what no other elite group has, which is the support of the top political quarters in the West above all the USA . . . and consequently, control over the money flow from the West to Russia. In this way, a small group of young educated reformers led by Anatoly Chubais turned into the most powerful elite clan of Russia in the past five years."

Although political competition and economic ruin eventually resulted in the Clan's being discharged from its position in the state administration, it remains active in other spheres and domains. Further, its absence from formal governance has not been permanent.

• With regard to how cliques—strategic alliances that respond to changing circumstances—might further develop in a given context, these questions arise: How temporary are cliques? How stable are they? What are the limits of cooperation within the clique? Under what circumstances do cliques stay together, and under what circumstances are the relationships broken?

With respect to the Chubais Clan, I (1996b) considered whether the members of the group would stick together no matter what alternative opportunities or obstacles were presented by external circumstances. There were powerful reasons for the Clan to work and stick together during critical phases. While in St. Petersburg, as the Soviet empire was breaking up, and as the group was establishing itself vis-à-vis the West, it was prudent for the group members to support one another and share crucial resources. However, incentives for the Clan to cohere became less compelling once its members had situated themselves vis-à-vis the West as *the* reformers and conduits of aid. No longer needing one another as much, members of the Clan found circumstances under which they cooperated, as well as circumstances under which they sought other alliances.

• With regard to the possibilities for the long-term development of cliques, these

questions are pertinent: Will cliques be transformed into more organized patron-client relationships or coalesce into corporate groups? Another route out of the clique structure may be more class-based mobilization — wherein cliques dissolve into lobbies organized around interests. What do these patterns mean for the larger structure of the state? How does the clique affect the consolidation of state structures?

• Another issue concerns the limits of both state and clique power and authority: What are the possible challenges to the partially appropriated state or the clan-state? Will one clique likely be replaced with another? What factors allow for the consolidation or preservation of power versus its erosion?

• Clans and other such informal groups are constantly traversing and blending state, public, and private spheres, which have different formal rules. To what extent does the public at large raise questions about this and demand accountability? Or do the most influential demands for accountability come from competing clans?

• What are the traditions of "moral authority"? Is there any movement from below to demand legality or accountability? To what extent can "corruption" become an issue of public discussion? What is the legacy of moral authority in the state, public, and private spheres?

• What are the traditions of horizontal ties? To what extent can there be concrete challenge from potentially countervailing forces? What is the legacy of and capacity for the development of horizontal ties that could counteract or provide challenges to the status quo? What is the potential for an "anti-mafia movement" as Jane Schneider and Peter Schneider (1994) have described for Sicily? They (1994:249) identify the anti-mafia movement as "protean and multifaceted—a growing organism that widens and branches in response to violent events, then contracts and fragments under the returned weight of 'normalcy.'"

The capacity of horizontal ties to combine against the state differs fundamentally in the partially appropriated state model, as compared with the clan-state model. For example, Poland and Russia represent diverse social organizational and cultural conditions that influence the existence and capacity of horizontal linkages. While Poland has traditions of collective action and horizontal ties (for example, Wedel 1986, 1992), Russia largely lacks such traditions. While the Polish church has served as a major catalyst for organizing horizontally, the Orthodox Church in Russia, under communism, did not play such a role. Poles are noted for their flouting of the law in the face of attempted control from above, but Soviet rule was credited with quite effective control.

Implications for Reform, Foreign Aid, and Anti-Corruption Initiatives

Nongovernmental Organizations

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. NGOs—whether their ostensible purpose was social welfare, election education, or improvement of

environmental conditions—were to play a positive role in political, if not economic, "transition."

NGOs also were to play a pivotal role in building "civil society." The pervasive communist state severely restricted "civil society," in which citizens and groups were free to form organizations that functioned independently of the state, and that mediated between citizens and the state. Thus NGOs were to be exemplars of and vehicles for creating democracy and civil society and mediating between citizens and the state. It was thought that creating a civil society and independent organizations would build the connective tissue of a new democratic political culture.[57]

But many donor assumptions about how NGOs would operate and what they would contribute were out of sync with realities in the post-communist countries. There, NGOs evolved and operate under very different conditions than many of their Western counterparts.

NGOs arose from, or at least against the backdrop of, well-established relationships and social organizational capacities under communism. Donors often assumed that people would join NGOs because they shared a common interest. However, the organizing principle of NGOs was often long-standing association rather than common interest. Although frequently operating under the mantra of public interest or philanthropic missions, NGOs inevitably were permeated by market and political processes. They often consisted of or were dominated by a single clique. Far from members coming together out of common interest, a typical organizing principle was long-standing ties.

A critical civil society question concerns the capacity of NGOs to expand beyond their originating circles. Would they remain exclusive, or would they attract new members on the basis of common interests? Of course, the capacities of NGOs differ depending on the context in which they operate, and this issue is extremely difficult to study. Several social scientists have pointed to the restricted capacity of voluntary associations to expand beyond their originating circles—a contention borne out by the behavior of many Central and Eastern European groups.[58] Although their inability to expand may have limited the creation of a more extensive civil society, more pluralistic social organization continued to evolve, at least in some Central European contexts.

A further question, which should be of special concern in the donor community, is the effect of outside funding on internal political, societal, and economic relations. The funding of almost any group can affect these relations, the intricacies of which outsiders often do not comprehend. Several analysts have observed that, without well-conceived incentives on the part of donors to help build bridges among recipient groups, funding from the outside frequently inspired competition among groups, rather than cooperation, and served to reinforce existing hierarchies. As Marta Bruno (1998:181–182) observes:

> Russians have accepted the "given" of international aid and co-operation projects (whether wanted or not) and are weaving them into the complex system of patronage, social rela-

> tions and survival strategies which are taking shape in post-socialist Russian reality. . . . Presumably involuntarily, donor agencies are offering, through development projects, new sources for reinforcing the elitist, feudal-type system of social stratification.

Chris Hann (1998: xiii) likewise concludes:

> The focus [on NGOs] has tended to restrict funding to fairly narrow groups, typically intellectual elites concentrated in capital cities. Those who succeed in establishing good relations with a western organisation manoeuvre to retain the tremendous advantage this gives them. The effect of many foreign interventions is therefore to accentuate previous hierarchies, where almost everything depends on patronage and personal connections.

Thus, a significant challenge in foreign aid is the choice of partners on the recipient side. It is prudent to choose partners from a diversity of groups, so that no one partner monopolizes relations with the donor.

Donors can—and sometimes have had—a positive impact on the development of an NGO sector. Donors can profoundly shape the kinds of standards that are set for NGO management, accountability, disbursing monies, and transparency. In Poland, for example, aid-funded exchange and training eventually played an important and positive role in setting standards of transparency and teaching management skills. Further, the degree of public outreach appears to have increased considerably. Another important change was that donors, through their funding decisions, in time encouraged—sometimes successfully—collaboration among groups and governments in the East.[59] Thus, although NGOs are not necessarily equipped to be the building blocks of democracy and civil society that donors envision, they can play productive roles.

In dealing with NGOs, it is important to consider the following questions:

- What were the organizational bases for the formation of a particular NGO (for example, long-standing acquaintanceship or common interest)? To what extent is the NGO dominated by, or even comprised of, a single clique?
- Is the NGO interested in and capable of genuine public outreach?

The answers to these questions should inform the donor's choice of partners and interlocutors.

Governance and Public Administration

There is a widely held notion that Russians and Central Asians do not have democratic traditions and therefore are not ready for democracy. That notion is worth questioning. People can have their own concepts of democracy and good governance. The argument that "our people aren't ready for it" can become an excuse for a small elite to do what it wants. Muriel Atkin (2002:98) so argues in her work on post-Soviet Tajikistan:

> There is a danger in explaining authoritarianism or conflict in contemporary Central

> Asian politics in terms of a people's historic traditions. Such arguments can be used as a kind of cultural relativism to excuse a regime's repressiveness or to assume that the resort to political violence is somehow primordial in a people and therefore not subject to change. This view also assumes that if people are unaccustomed to democracy they also do not object to being abused. Traditional concepts of kingship among the Persian-speakers of Central Asia, the ancestors of the modern Tajiks, put great stock in the notion of just rule. Thus, a good ruler was someone who not only provided security and ensured domestic order but also governed in accordance with prevailing political, social, and religious beliefs, rather than by personal caprice, and was attentive to the needs of his subjects. Patronage of scholarship and the arts would add to a good ruler's reputation.

That said, under the reforms of the 1990s, relatively little attention has generally been paid to governance and the actual flows of influence and information that underpin its workings. These patterns of influence and information are relevant both within and among governmental bodies, as well as with the NGOs and businesses that have relationships with these bodies and that help perform the work of governance.

These questions are relevant:

• What kinds of links exist among governmental bodies, NGOs and businesses, and to what end?

• What kinds of individuals have influence and authority, and what is the basis for their influence and authority?

• What are the bases for access to money, privileges and contacts, and how are such resources distributed within and among governmental agencies?

• What kinds of intermediaries exist, both within and between organizations, and what is the basis for their ability to mediate (for example, long-standing friendship, family or "social circle" affiliation; profession; formal position; common experience; regional, religious, or ethnic identity)?

The way in which information flows (for example, in accordance with long-standing networks and interests, not what tasks or job descriptions, to the extent they exist, might seem to dictate) can illuminate a lot about the workings of government. Often, few formal channels of information have been set up within and among agencies, even those engaged in overlapping activities. Some forty (or seventy) years of government from above debilitated feedback mechanisms and formal institutional flexibility. Communist regimes maintained tight restrictions on information; even telephone books within government agencies were often classified.

A Polish corruption analyst posits that much communication depends on informal contacts among people in various agencies. "It's not a classical official state structure," he observes.[60] Mapping the real channels of communication (for example, who has access to information and on what terms) shows the *processes* of governance that questions about the formal structure are ill-equipped to probe.

In a hypothetical example, a donor funds a project to fight AIDS that is jointly implemented by a ministry of health and a ministry of social welfare of a country. If the operating principle of information flow and cooperation is long-standing rela-

tionships, and the relevant officials in these ministries have no such relationships, the anti-AIDS program will not work as intended. The task of the donor here would be to help create incentives for these officials to share information and to work together.

In addressing processes of governance, these questions are relevant:

• How and from whom do government officials get information critical to daily decision making and operations? What are the organizational principles (for example, acquaintanceship, kinship, common task or interest) according to which information actually flows?

• What are the bases for problem-solving (for example, acquaintanceship, kinship, common task or common interest)?

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 the countries of Central and Eastern Europe and the former Soviet Union. As stated earlier, the donor community has looked to NGOs as a way of decentralizing services. 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 tried in some areas of government in at least several Russian cities, including a major Siberian one. 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 outsourcing 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 U.S. 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 decisionmaking 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 NGOs 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 taxi driving or shuttle trading.

The new means of governance 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 genuinely to be 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 was, at best, haphazard. Many of the needs that were meant to be filled (and that are now being outsourced) had been met by the previous communist government and were defunded only during the economic decline of the 1990s. The new outsourcing was at least in part 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 earn a basic living.[61]

This experience suggests that some cautions may be in order. It is also worth pointing out that U.S. practices of outsourcing themselves may 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, as Dan Guttman (1997) has shown, with "private" employees delivering services ranging from the management of the nuclear weapons complex and aspects of military operations 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. To implement a system of outsourcing in a context with so many fewer reporting, monitoring, and accountability requirements than in the United States is, at the very least, uncharted territory.

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.

For example, considerable economic aid to Russia failed to result in the intended economic reforms, in part because it was distributed through one clan that had rivalrous relations with other clans and apparently insufficient interest in working

for a larger public interest. Donors set up Russian organizations to carry out reform activities but overlooked the fact that they were run by one clan and that the clan drove reform and development processes and formal institutions, not the other way around. As I (1996b, 1999, 2001) detail, not only did these aid policies serve to hamper true economic reform, but they also antagonized other clans that had expected to be included in the process, and contributed to anti-American and anti-market backlash. Although the rationale for setting up private organizations often is to bypass bureaucratic and inefficient state organizations, it is necessary to resist arguments for "efficiency" in setting up organizations that will supplant, and further weaken, the state.

Choice of Partners and Centrist Institutions

One implication of the analysis presented here is the importance of paying very close attention to the backgrounds, networks, and agendas of the partners and interlocutors on the recipient side. It is necessary—both for success of the reform, as well as the reputation of the donor—not to work with a single group that is identifiable as belonging to—and doing the bidding of—a single clique. Attempts should be made to work with more than one clique, and, if possible, to build in strategies for cooperation among groups.

Efforts to curb corruption, if they are to be perceived as such on the recipient side, must have a cross-clique character and, if possible, be broadly based. This is especially difficult in those post-communist countries that have been characterized as lacking a "public sphere" (Sampson 1998). However, such a lacuna would appear to make the attempt to develop centrist institutions even more crucial.

In any institution-building effort, it is crucial to help to foster centrist, nonaligned institutions. Here donors can make a statement—and have a lasting impact—by working to build institutions that do not advantage one political-economic-social group over another. It is important to appear neutral and to demonstrate that the aid is being used to support democratic structures so that all can benefit. Projects must be perceived as impartial and as working on behalf of the country generally, rather than a favored particular group within it.

One aid program sponsored initially by the U.S. Congressional Research Service and later by the Council of Europe provided support to the new parliaments of the region, so that they could develop impartial systems of information that all parliamentarians could use, regardless of political affiliation. This program was successful and recognized as such because it was politically neutral. Over the long run, nonpartisanship was crucial to its success.[62]

Further 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,[63] 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 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 forms 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.

Despite images of pervasive corruption in Central and Eastern Europe and the former Soviet Union, especially in the latter, there may be some levers for anti-corruption efforts that can be tapped into. These include informal honor codes and structured discussion on corruption within target circles. Traditional notions of honor and respect remain very powerful in some countries and some circles. In some societies, traditional, respected brokers and categories of personalities still exist that command wide respect and can be used to help set standards and settle disputes. In some countries of Central Asia and the Caucasus, for example, respected elders or groups who play such roles might be mobilized to assist in anti-corruption agendas.

For example, in Uzbekistan, *Mahallas*, neighborhood community groups of Islamic origin, help resolve conflicts, ranging from domestic to land disputes. Traditional institutions once incorporated into the Soviet milieu, *Mahallas* now are reinstating themselves under the mantra of a post-Soviet "return to roots." Kyrgyzstan also has respected informal authorities. An *Aksakal*, or "white beard," denotes an old, experienced man who has distinguished himself through his actions and is seen as someone who can help regulate community relations. People choose both men and women elders to serve on *Aksakal* councils and courts, which settle disputes.[64]

Discussions with a number of professionals in Poland suggested that the atmosphere was rife for discussion about which practices within particular professions, such as law and medicine, were acceptable or unacceptable. Informal discussion within the social circle (as defined earlier), or in professional circles such as physicians and lawyers, might be helpful in setting standards and raising consciousness.

These questions could be addressed: What are the standards? What are acceptable and unacceptable practices and codes of conduct? Such discussion could provide points of entry for internal monitoring and setting of standards for members of informal professional circles and societies. Given that people are sensitive about professional reputation, such discussion might create pride and also strengthen professional responsibility. Donors might set up forums and subtly help to stimulate such discussion.

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 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, or continued to evolve, 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 many reform processes of the 1990s—from privatization and economic restructuring to public administration and the development of NGOs and civil society.

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 the former communist states is instructive. The properties of informal systems represent some of these ways.

Those properties include the following: 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 spheres. Many outcomes, such as the distribution and ownership of resources, have been shaped by struggles at the state-private nexus.

The extent and the very *nature* of the penetration of the state by informal groups and networks are at stake. Have informal groups and networks *replaced* the former centralized state (or major parts of it) or simply *penetrated it* to some degree? I have identified two models: the "partially appropriated state" and the "clan-state." These 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, and 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. In theory, that state is responsible. In practice, however, 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.

Part III: From Evil Empire to Mafia

Since the breakup of the Soviet Union at the end of 1991, the American stereotype of the "Evil Empire" has been replaced by quite another concept equally as inapt of the new Russia: that of "mafia."[65] Western images of mafia center on "criminal" enterprise,[66] widespread corruption, and their potential threat to the common welfare. To be sure, the stereotype of the new Russia as mafia holds some truth. Payments to officials are common. Contract murders and trafficking in drugs and prostitutes are widespread. The trade in black-market weapons and nuclear materials across borders is widely reported, and often presented by Western media and governments as a national security threat. And, as the perception of such a threat has come closer to home through organized crime gangs operating in the United States, countering organized crime emanating from the former "Evil Empire" has become a U.S. growth industry. American rule-of-law, anti-corruption, and anti-money laundering programs are being developed and implemented, with expanded monitoring by law enforcement and intelligence agencies.

The wholesale characterization of the societies of Central and Eastern Europe and the former Soviet Union as criminal and corrupt by outside analysts, policymakers, and journalists obscures how peoples of the region themselves construct notions of criminality and corruption. Widely used terms such as "mafia," frequently employed to make sense of society in the face of dramatic change, are easily misinterpreted in the West. Further, some relationships and practices that people in the region see as benign or at least acceptable may be criminalized by outsiders. In contrast to the insidious organized crime activities named above, many people in the region view long-standing informal practices that Westerners might label corrupt—including customary gifts to physicians and other service providers—as normal as tips to a cab driver or pizza delivery person (see, for example, Wedel 1986 and Ledeneva 1998).

People's experience with and concepts of criminality and corruption grow out of a framework of law, relationships, and mindsets that is rooted in the previous communist system and has been shaped further by the post-communist years of reform. During the years of state socialism, views of law became deeply rooted in the dichotomies of communism versus capitalism and state versus society. Under communism, peoples of the region qualified their relationship to the state bureaucracy by creating a distinction between state and society; as people popularly referred to themselves as society, they used informal social networks to oppose and circumvent the state. Now, after the fall of communist governments, these networks of exchange

—doing politics and business through and within them—continue to play a role in configuring people's perceptions of law, justice, and crime. Importantly, those networks of getting things done within and outside the state that brought the personalized networks of the citizens into the state economy and bureaucracy, continue to break down barriers between state and private spheres, creating hybrid organizations for getting things done that, from a Western capitalist perspective, may violate prescribed roles of the state in the private economy and of private organizations in governmental processes. Especially from the perspective of Western conceptualizations of boundaries between state and private spheres, popular forms of society in the region can appear criminal.

While the state versus society ideology galvanized people's views under communism, citizens reorganized the state-society separation through informal social networks. Today, informal networks blur spheres—state and private, bureaucracy and market, legal and illegal—that, in the West, generally are somewhat more separated and bounded by concepts of crime and corruption. Yet when Western institutions export the rule of law, they often impose assumptions on other societies that may not coincide with indigenous views of how state and private should interrelate, which are nuanced. For example, anticorruption programs conducted by the World Bank and other international organizations are grounded in a widely employed definition of corruption—"the abuse of public office for private gain" (PREM, The World Bank, 1997:8)—and are often based on idealized notions of state-private relations that may not apply even in the West. What are the meanings and roles of the concept of corruption where the state-private distinction is unclear?

In the post-communist countries, the state-private divide may be fluid, subdivided, overlapping, or otherwise obscure. There skillful actors blend, mediate, and otherwise shape state and private, market and bureaucracy, and legal and illegal for personal and group benefit. From the West, such state-private mixes can easily be misinterpreted as criminal. Yet every activity that crosses the state-private divide is not inherently corruption.

Moreover, in the region people do not necessarily equate violating the law with criminality. Westerners may be accustomed to fairly clear standards for judging who is guilty (even if these are not always or even often applied), assuming that criminality elsewhere is determined on the basis of such guidelines; but, in Russia, for example, the standards applied to decide who is criminal may not be as clear. As under communism, the legal prosecution of an alleged perpetrator may depend on factors in the political-economic domain—such as the accuser's political and economic affiliations, current positioning, and economic goals—and the political and economic affiliations and current positioning of the alleged perpetrator. The law, which expresses less a system of shared ideals than a mechanism for exercising power in social relations, can be used as a weapon by one group against another.

Another point of cross-cultural misunderstanding concerns widespread use of the term mafia in the region. Labeling some individuals and groups in the region as "mafia" has become common practice. Throughout the region, allegations of mafia

can be heard in reference to a wide variety of groups and activities, from officials who accept bribes and former *nomenklatura* (communist) managers who acquired state factories at firesale prices to common street criminals and ex-convicts with their own armed police forces. As I have observed in fieldwork in Poland and Russia, mafia also can have an ethnic dimension; for example, Poles talk of Russian mafia and Russians of Chechnyan mafia. One ethnic group accuses another of being mafia.

The concept of mafia can only be understood in its context. In many countries of Central and Eastern Europe and the former Soviet Union, mafia has become a publicly accepted framework for public expression. It has come to organize and symbolize the experiences of many people whose societies, shaped by a communist past, have undergone dramatic and sometimes unsettling change. The mafia framework enables people who are fearful and faced with uncertainty to place blame and locate the sources of change. Allegations of mafia seem to appear most acutely in countries undergoing the deepest social and economic upheaval. As Nancy Ries (1998: Abstract) documents in Russia: "The mafia is present in everyday talk and in popular culture: mafia is a key symbol through which people convey their perceptions and moral evaluations of systematic transformation." The presence of mafia in popular culture may exacerbate Western stereotypes of Russian mafia.[67]

Today's meetings of the formerly communist countries with the West therefore can create situations in which both Easterners and Westerners mean different things by words that both use, such as mafia and corruption. In those countries, popular ways of networking that blur state-private boundaries may appear illegal and corrupt from the outside, and, from the West, may be incorrectly conflated with mafia-like practices. In the region, new inequalities and uncertainties that have accompanied the fall of communism and the arrival of capitalism may lead to people's borrowing of the term mafia to express their disappointments while viewing as criminal networks that provide influence within the state and access to wealth within the changing economy. In both cases, using criminalizing concepts to identify differences (be they organizational or merely not what was expected) mitigates against understanding how different historical experiences of the state can produce different popular practices in the blending of state and private sectors.

To unravel these East-West disconnects, it is necessary to examine the contexts in which mafias—real and imaginary—developed in the region and to explore the factors that might account for their appeal. *Finagling*, detailed in the body of the text, is one legacy from the communist past that helps explain why Westerners tend to criminalize the informal systems of exchange (that were pervasive under communism) and the appeal of mafia in the present. Another legacy, also detailed in the main text, is the concept of the Other—as used by anthropologists of communist (and formerly communist) societies. This refers to "we versus they," that is "we" (good or little guys) versus the establishment (misguided and/or all-powerful). In Eastern Europe and the Soviet Union, this concept was expressed in terms of society versus the state, the opposition versus the communists, and the virtuous East

versus the imperialistic West.[68] Both in the body of the text and in this appendix, I show how legacies from the communist past shape mafia as public expression and how corruption and organized crime emanating from Central and Eastern European and the former Soviet Union can be easily misinterpreted in the West.

Mafia, Morality, and the "Other"

The legacies of finagling and of the Other supplied the building blocks of the mafias—real and imaginary—that the reforms of the past decade have helped to configure. Three additional features of the communist experience—relative income equality, little crime, and suspicion of the state—have also contributed to the present-day rise of "mafias." As mafias have grown, all these legacies of communism provide the vantage points from which citizens view the arrival of global capitalism and assess its realities against their expectations. As in other countries where rapid change, democratic ideologies, and capitalization overlay yesterday's society and experience—such as a South Africa in the throes of millennial capitalism described by John and Jean Comaroff (1999)—the results have not lived up to expectations. For example, in countries such as Russia and Ukraine, a huge divide has developed between a tiny minority with enormous wealth and the vast majority of the population with very little by comparison.

The result, as in South Africa, is "moral panic" and a search for sources of unexpected inequalities. Influenced by Western media, some peoples of Central and Eastern Europe and the former Soviet Union have invoked criminal frameworks to articulate and locate the sources of their disappointments and disenfranchisement. In an ironic twist, mafia has become a symbolic scapegoat in the transition to global capitalism as the people turn their own non-state sources of democracy and economic survival into witch-like social engines of immorality. Crime is associated with getting and keeping resources, newfound huge disparities in wealth, and the fact that such disparities are often much more ostentatious than previously acceptable. All of this fuels the belief that people with privilege have achieved it through dubious, dirty togetherness at the expense of those less fortunate.

A component of the *legacy of relative income equality* is that, under communism, the boss earned little more than the secretary. Under post-communism, the biggest bosses—dollar billionaires—have stashed much of their cash in Swiss and offshore bank accounts. The result is that the few who were well-positioned to take advantage of the changes often have fared very well, while many others have not.

The Russian population, for example, has suffered increasing hardship during the reform years. One authoritative study determined that 38 percent of the population was living in poverty at the close of the first quarter of 1999, as compared with 28 percent one year earlier. Real incomes in June 1999 were 77 percent of the June 1998 level (OECD 1999:132). Further, Russian citizens became poorer in 1999.[69] At the turn of the millennium, an estimated 70 percent of Russians lived below or just above the poverty line. Still, many Russians and other peoples of the region continued to aspire toward more equitable distribution of wealth.

During the years of reform, another powerful idea galvanized the societies of Central and Eastern Europe and the former Soviet Union: the idea that people themselves could take advantage of new economic opportunities and accumulate vast wealth. For many people, however, "opportunities" such as pyramid schemes turned into a cruel hoax.

Comaroff and Comaroff (1999:293), writing about South Africa, identify a very similar circumstance—"a world in which the *possibility* of rapid enrichment, of amassing a fortune by largely invisible methods, is always palpably present." As they explain (1999:293-294, 284):

> On the one hand is a perception, authenticated by glimpses of the vast wealth that passes through most postcolonial societies and into the hands of a few of their citizens: that the mysterious mechanisms of the market hold the key to hitherto unimaginable riches; to capital amassed by the ever more rapid, often immaterial flow of value across time and space, and into the intersecting sites where the local meets the global. On the other hand is the dawning sense of chill desperation attendant on being left out of the promise of prosperity, that *everyone* would be set free to speculate and accumulate, to consume, and to indulge repressed desires. But, for many, the millennial moment has passed without palpable payback.

The millennial moment, both in South Africa and post-communist countries, is associated with dramatic system change and its ripple effects, as well as larger dynamics of the fall of communism to global capitalism. Comaroff and Comaroff elaborate (1999:284):

> The rise of occult economies in postcolonial, postrevolutionary societies, be they in Europe or Africa, seems overdetermined. For one thing, these tend to be societies in which an optimistic faith in free enterprise encounters, for the first time, the realities of neoliberal economics: of unpredictable shifts in sites of production and the demand for labor; of the acute difficulties inherent in exercising stable control over space, time, or the flow of money; of an equivocal role for the state; of an end to old political alignments, without any clear lines, beyond pure interest, along which new ones take shape; of uncertainty surrounding the proper nature of civil society and the (post?)modern subject. Such are the corollaries of the rise of millennial capitalism as they are felt in much of the contemporary world.

In Central and Eastern Europe and the former Soviet Union, people's shock and difficulty in adjusting to dramatic, inexplicable, rapid and mind-boggling change following the mostly stable years of the post-World War Two era provide the context for the power of symbolic mafias to organize and explain people's experience. People ascribe to mafia the good fortune of others and lament their own lack thereof. They ask, "How can it be that *they* have done so well, while *I* am struggling?"

Another legacy from the communist experience related to the newfound fortunes of a few is *the legacy of little crime*. Citizens often associate the acquisition and maintenance of wealth with the growth in crime. Visible, dangerous, violent,

and sometimes organized crime, such as contract killings of bankers and politicians, has exploded in societies with little prior experience of such crime and very low crime rates but some exposure to Western stereotypes of mafia in television and movies. This leads people to invoke associations of mafia, which might be expected to be behind these crimes. Although much mafia-associated crime is usually limited to turf battles among rival groups, average citizens feel a sense of danger. They may become unwitting victims of violence, even if not its intended targets.

The above two legacies of relative income inequality and little crime are closely connected to the *legacy of suspicion*. A great deal of suspicion accompanied systemic finagling, crime, and relative prosperity and undergirds mafia expression. Because state propaganda under communism was untrustworthy and contradicted by everyday life, people learned to "live in the lie," as Václav Havel (1985) described it—to doubt official explanations. Because so much had to be "arranged" under the table in economies of shortage, many transactions were shrouded in secrecy. Everyday life required considerable political skill and trust. Who was doing and getting what and people's real motivations and loyalties were often not what they appeared. This led to seemingly interminable speculation and suspicion at all levels of society—from an academic's or bureaucrat's interpretation of her colleague's promotion to a citizen's explanation for his neighbor's good fortune.

Katherine Verdery (1996:220) equates this with witchcraft. "Talk of mafia is like talk of witchcraft," she writes. "[It is] a way of attributing difficult social problems to malevolent and unseen forces." This appears similar to the South African focus on witchcraft, in which people accuse others of witchcraft—literally. Occult mechanisms, write Comaroff and Comaroff (1999:284), which "have become the object of jealousy and envy and evil dealings" have it that "arcane forces are intervening in the production of value, diverting its flow for selfish purposes." Witches are resilient, they suggest, because they "distill complex material and social processes into comprehensible human motives, then, they tend to figure in narratives that tie translocal processes to local events, that map translocal scenes only local landscapes, that translate translocal discourses into local vocabularies of cause and effect" (Comaroff and Comaroff 1999:286).

It is precisely such thinking in the context of Central and Eastern Europe and the former Soviet Union that appears to encourage people to interpret life's vicissitudes today in terms of the influence of mafia. Against the background of uncertainty, economic decline, and a world "in which the majority are kept poor by the mystical machinations of the few," as Comaroff and Comaroff (1999:293) put it, talk of mafia expresses a sense that sinister forces beyond people's grasp are pulling the strings and are to be blamed for their misfortunes. With the label mafia, one points the finger at a certain person or group such as business competitors or political opposition, and suggests they are under the spell of sinister powers. Being labeled mafia, like the marginalizing forces of witchcraft accusations against those who inexplicably escape harm, is an irrefutable indictment.

Conclusion

In many contexts of Central and Eastern Europe and the former Soviet Union, the deep-seated ideological divides inherited from the East versus the West, communism versus capitalism oppositions of the Cold War are today being replicated in the form of criminality as Westerners critique and attempt to shape emerging forms of the state in the East, and as the citizens of those states respond to new divisions—those who are being left out versus those who have made out with the arrival of free market ideologies. In post-communist countries, mafia as an accusation of criminality and immorality is not a throwback to tradition. To the contrary, it is a response to people's dissatisfaction with their current, sometimes unhappy life circumstances. It is a way of assigning blame to those who have harvested the fruits of the new capitalism, while they themselves have seemingly been arbitrarily excluded from fruits that, for some, are clearly attainable. As Comaroff and Comaroff (1999:283) have argued, talk of mafia is a response to the marginalizations that "millennial capitalism" has dealt many of its recipients.

Notes

1. Without the generous support of both the National Council for Eurasian and East European Research (NCEEER) and the National Institute of Justice (NIJ), 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 am indebted to the NIJ, which hosted me as a research fellow over the course of the project. I also am grateful to the United States Institute of Peace (USIP) for its support of earlier versions of this work. I wish to acknowledge the helpful comments on drafts of this paper of Nancy Dunne, James Finckenauer, Tom Graham, Daniel Guttman, Stephen Holmes, Antoni Kamiński, Adam Pomorski, Grażyna Skąpska, Federico Varese, Yuri Voronin, and anonymous reviewers. Much appreciation for intellectual and or logistical support is due to Antonina Dachów, James Finckenauer, Svetlana Glinkina, Tara Hawkins, Robert Huber, and Dorothy Rosenberg.
2. 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.
3. Although this paper juxtaposes "state" and "private," how these terms are used and the relationships among them are key questions for empirical and theoretical study. (For an analysis of alternative historic views of relationships among public, private, state, and market, see Weintraub 1997.)
4. Standard vocabularies, and the theories they rest on, 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 a 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 imply complex combinations of the traditional and the new, and anthropology has responded by seeking to develop appropriately complex tools. (This perspective is informed by the work of Madeline Landau.)
5. Polish sociologist Adam Podgorecki (1987) coined this term.
6. For further analysis of such relationships, see Wedel 1992: Introduction.
7. *Frontline* "Return of the Czar" interview with E. Wayne Merry, PBS web site www.pbs.org\wgbh\pages\frontline\shows\yeltsin\interviews\merry.html.
8. 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 man-

agement 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.

9. Many members of the first post-communist governments belonged to previously existing and identifiable social circles. For example, while leaders of the first post-communist government of Tadeusz Mazowiecki largely hailed from a Krakow Catholic intelligentsia circle, those of the subsequent government of Jan Krzysztof Bielecki came from a Gdansk circle. See Wedel (1992:1–20) for an in-depth analysis of the social circle.
10. Personal communication with Grażyna Skąpska, October 14, 2002.
11. For a thorough discussion of the public-private dichotomy, see Weintraub (1997).
12. 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.)
13. In political anthropology, approaches within "action theory," which concentrates on face-to-face interactions within given sociopolitical contexts, have emphasized the importance of such informal groups as cliques.
14. 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.
15. Albeit a somewhat different case from the informal groups and networks here discussed, the examination of patterns of household employment reveal a similar problem with the application of conventional categories of state versus private. A problematic application of Western models in the economic-social domain involves the assumption of two separate and distinct spheres of activity and employment: state and private. Economists have begun to study the strategies of household units but these models tend to assume the existence of separate spheres (see, for example, Johnson, Kaufmann, and Ustenko 1995). However, evidence suggests that households tend to pursue diversified strategies that blend state and private spheres that may not be easily separable. Household strategies and patterns defy the neat ideological categories of planned economy versus market and state versus private sector. (See Wedel 1996a.)
16. Personal communication with World Bank economist Helen Sutch, November 1, 2001.
17. The term "flex organization" was coined by the author and is detailed in Wedel (2001:145–153, 156, 172).
18. The concept bears some similarity to anthropologist Aihwa Ong's notion of "flexible citizenship" in the sense that social structures enable alterative and multiple presentations as actors operate in and respond to different situations (Ong,1999).
19. 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, one can imagine that flex organizations could also be used in pursuit of official goals.
20. See Wedel (2001: Chapter 4).
21. Wedel interview with and documents provided by Chamber of Accounts auditor Veniamin 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.
22. 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.)
23. For further analysis, see, for example, Anne Williamson's Congressional Testimony Before the House Committee on Banking and Financial Services, September 21, 1999, and commentaries in *Johnson's Russia List* by Jerry F. Hough (no. 3051, February 11, 1999), S. Lawrence (no. 3072, February 28, 1999), and Edwin G. Dolan (no. 3073, March 1, 1999).
24. Interview with E. Wayne Merry, May 23, 2000.

25. Interview with Piotr Kownacki, Deputy Director of NIK, July 26, 1999.
26. Interview with NIK official Andrzej Łodyga, July 24, 2002.
27. Interview with Piotr Kownacki, Deputy Director of NIK, July 26, 1999.
28. Interviews with legal analyst Jan Stefanowicz, July 14 and 15, 1999.
29. Interviews with Jan Stefanowicz, July 14 and 15, 1999.
30. Interview with Piotr Kownacki, Deputy Director of NIK, July 26, 1999.
31. Interview with Piotr Kownacki, Deputy Director of NIK, July 26, 1999.
32. Interview with NIK official Andrzej Łodyga, July 24, 2002.
33. Interview with Lech Kaczyński, July 14, 1999.
34. Interviews with Jan Stefanowicz, July 14 and 15, 1999.
35. Interviews with Jan Stefanowicz, July 14 and 15, 1999.
36. Using references from linguistics, Gal 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" Gal (2002:80, 82).
37. 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 *International Encyclopaedia of the Social Sciences* (1991).
38. For further analysis, see Wedel (1992: Introduction).
39. These concepts, which were coined by Wedel, are elaborated in Wedel (2000).
40. For further description of such arrangements, see, for example, Kamiński (1997:98–100), Meaney (1993), Staniszkis (1991), and Levitas and Strzałkowski (1990).
41. 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).
42. Steven Sampson's (1998:7–8) description of "mafia kingdoms" bears similarity to the notion of the clan-state:

> 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 [operate] with Serb paramilitary units now working as police, while Bosnian shadow president Karadzic monopolizes the sale of fuel and building materials.…In some cases they ["local warlords"—"local political leaders who have taken over economic control of privatized resources, factories, trade routes, [and] 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.

43. See, for example, "Seven Biggest Plunders of the Milosevic Regime: Plunder Worth $30 Billion."
44. For example, see Palmer (1997:8).
45. For an excellent analysis of the "reform" decisions that gave rise to the development of the oligarchies, see Matt Bivens and Jonas Bernstein (1998:617–619—"Spinning Government Connections into Gold").
46. For an analysis of the development of the clan system, see Coulloudon (1997:537–544).
47. As Kryshtanovskaya (1997b) writes, "Gradually, his [Chubais's] men started controlling not just

privatisation, but also the anti-trust policy, the bankruptcy mechanism, taxes, relations with regions (including the organisation of the gubernatorial elections) and what was called 'the propaganda work' in Soviet times."

48. Based on open-source material compiled and charted by Bill Cook and Greg O'Hayon, Fellows at the Ridgway Center for International Security Studies, University of Pittsburgh. See also Belyaninov and Lurye (1998).
49. Interviews with Oleg Soskin (July 9, 1999) and Oleksandr Turchynov (July 9, 1999).
50. Interview with Oleg Soskin, July 9, 1999.
51. 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.
52. Interview with Oleksandr Turchynov (July 9, 1999) and Turchynov (1996).
53. Undated article, "What Socio-economic Model Does Ukraine Choose? On a Difficult Way to the Status of the Central European Country," given by its author, Oleg Soskin, to author, July 1999.
54. Interview with Oleg Soskin, July 9, 1999.
55. Personal communication with Federico Varese, November 26, 2002.
56. 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."
57. For a fuller discussion of the issues of donor aid to civil society and NGOs, see Wedel (2001:-Chapter 3).
58. See, for example, Kurczewski (1992:158–172).
59. For further detail, see Wedel (2001:118–122).
60. Interview with Andrzej Sadowski, July 5, 1999.
61. These observations are based on my field research in a Siberian city in the summer of 2001. Research in three Russian cities was funded by the Eurasia Foundation and conducted by a team of University of Pittsburgh researchers consisting of myself (principal investigator), Jonathan Harris, and Yulia Bolotskikh. The observations related here are my own, and do not necessarily reflect the conclusions contained in the final report, *Local Government Reform, NGOs, and Training in Russia: A Tale of Three Cities*, by Jonathan Harris, Janine Wedel, and Ioulia Bolotskikh, May 2002, which was written for the Eurasia Foundation.
62. See Wedel (2001:80–81).
63. The other major area is public education.
64. Interview with Kathleen Kuehnast, November 5, 1999.
65. Peter Schneider made this point during a panel on "Networking with a Vengeance: Clans and Mafia in Eastern Europe and the Former Soviet Union," organized by Janine R. Wedel for the American Anthropological Association annual meeting, 20 November 1997.
66. Rawlinson (1998) discusses the graphic and misleading coverage of Russian mafia in the Western press.
67. See also Ries (1997).
68. For anthropological analyses of the Other, see, for example, Kideckel (1994) and Verdery (1996).
69. This is the case even though wage arrears and absolute numbers of people below the poverty line in 1999 trended down. "The average level of Russians' real cash income—incomes adjusted to account for inflation—decreased 15 percent," according to the Russian Statistics Agency Yevgenia Borisova, "Poverty Still Widespread Despite Modest Growth," *Moscow Times*, 13 January 2000, also in *Johnson's Russia List*, no. 4032 (13 January 2000).

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