

CLANS, CLIQUES AND CAPTURED STATES: RETHINKING 'TRANSITION' IN CENTRAL AND EASTERN EUROPE AND THE FORMER SOVIET UNION

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Abstract: An understanding of informal systems and of the ways in which they can shape political, economic and social institutions and processes is important in fashioning both systemic change and post-conflict reconstruction strategies. In its absence attempts at reform are unlikely to have the intended effects. This paper distinguishes between the *partially appropriated state* and the *clan-state*. The two models fall along a continuum—from substantial appropriation of the state and use of politics by private actors to sweeping appropriation and a near wholesale intertwining of state resources and politics. Both models are characterized by the negotiable status of informal groups, entities and institutions situated between state and private. Both may result in an expanded state sphere marked by ambiguity of status and responsibility. Copyright © 2003 John Wiley & Sons, Ltd.

1 INTRODUCTION

The study of 'transition' in Central and Eastern Europe and the former Soviet Union has been dominated by a formalistic view of institutions, in which the role of informal systems has been undervalued or even overlooked. In general, social networks, mediation, informal systems of communication and resource exchange have been inadequately studied in all kinds of states—capitalist, communist and developing. Yet informal dimensions are 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 warranted.

Informal systems and patterns of network linkages are important to the study of conflict. The way they are structured can encourage, discourage, mediate, or otherwise interact

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with conflict and conflict resolution processes. The 'transition' to the market combined with multi-party democracy in Central and Eastern Europe offers potentially important case studies for policymakers interested in post-conflict reconstruction in the developing world. Post-conflict societies require institutional sea changes that may bear similarity to the wholesale transformations attempted in many post-communist countries.

Informal systems of relationships may be the most appropriate unit of analysis for understanding the patterns of development of many aspects of economic, political and societal systems. Much evidence worldwide suggests that informal groups and networks facilitate, inhibit, or otherwise alter the institutions and processes of industrialization, urbanization, bureaucratization and democratization. A focus on informal systems takes as a given that established social relations, especially informal ones, often crucially *support* the development of new institutions and 'reform' processes. Or, they can *obstruct* such institutions and processes.

For example, informal groups and networks can enable organized crime, which is inevitably intertwined with corruption. As Godson (1998, p. 6) writes: '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'. Williams (1996, p. 20) adds that: 'One way of minimizing risk [for criminal organizations] is through the widespread use of corruption'.

Informal groups and networks 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 patterns of privatization and ownership, the distribution and management of resources, the structure of influence and perhaps the very nature of governance and the state. Clearly, any attempted reforms—whether in economic restructuring, public administration, health care, or non-governmental organizations—will be affected by informal systems and must take account of them if they are to have the desired results. The lack of attention to informal systems can produce unanticipated and undesired outcomes in reform and foreign aid efforts.

In this paper I will draw a distinction between two varieties of informal systems associated with the partial or more complete appropriation of state resources. I label the former a partially appropriated state, such as in Poland and the latter the clan-state, for example in Russia. It may be argued that the clan-state is more problematic in terms of 'good governance' and is often associated with more capturable rents, such as those connected to mineral resources (see, Murshed, 2002 on the distinction between different types of resource rents).

The rest of the paper is organized as follows: Section 2 reviews pertinent literature on informal groups and networks in the context of communist and post-communist states; Section 3 discusses the applicability of conventional models to them; Section 4 examines the social organization of states and poses questions to help analyse and compare the role of informal systems in shaping states; and finally Section 5 concludes.

2 INFORMAL GROUPS, NETWORKS AND THE ROLE OF THE STATE

Informal groups and networks in Central and Eastern Europe and the former Soviet Union developed in the context of both the legacy of communism and the experience of nearly a decade of 'reform' in many countries of the region. These appear to have encouraged the development of informal groups and networks in at least two ways: as suggestive idioms

(e.g., 'mafia' and 'clan') that resonate throughout the region; and as powerful agents reorganizing state and market institutions.

With regard to the latter—informal groups and networks as agents of reorganization, they can be complex in their social organization. They combine patronage with the ability to access state and market resources, sometimes with coercion. The strength of these groups and networks lies in their ability to circumvent, connect, or otherwise reorganize political and economic institutions and authorities.

The role of the state is a crucial element in the evolution of informal groups and networks and their part in market and institutional outcomes, both under communism and the 'reforms' of post-communism. Under communism, the key to state power was its expansionist bureaucracy that monopolized the allocation of resources. In a shortage economy in which demand always outpaced supply (Kornai, 1980), control over resources ensured state power.

However, state distribution systems and formal bureaucratic procedures were transformed through extensive use of informal networks, as documented by anthropologists of Central and Eastern Europe (e.g., Sampson, 1986; Wedel, 1986, 1992). Typically, the most important 'good' was information disseminated through informal networks based on trust: information about who, how and where was the lifeblood of economic and political survival. Networks connected individuals and groups to the state economy and bureaucracy and pervaded those institutions. Further east, patronage networks virtually ran various regions of the Soviet Union (e.g., Albini *et al.*, 1995; Orttung, 1995; Ruble, 1990; Willerton, 1992). Although not explicitly institutionalized, these relationships were regularized and exhibited clear patterns (see Wedel, 1992).

The states of the region might have appreciably weakened in 1989 (as the communist governments of Central and Eastern Europe collapsed) and in 1991 (as the Soviet Union broke apart), but not 'dirty togetherness'.¹ The aftermath of the fall of communism was an 'open historical situation'—a period of immense change in which structure is so in flux that it provides myriad possibilities—as historian Wittfogel (1981, pp. 8, 15ff, 437, 447f) 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. In the open moments of post-communism, many informal groups, empowered by the erosion of the centralized state and enticed by a myriad of new opportunities for making money and wielding influence, took advantage of the new opportunities. People who were the most energetic, savvy and well-positioned to take advantage of them typically were the most successful. Dirty togetherness thrived. Precisely by providing unrestrained prospects for insiders to acquire resources, some 'reform' processes fostered the proliferation and entrenchment of informal groups and networks, including those linked to organized crime.

Institutional nomads. In Poland, the *srodowisko*, 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, pp. 13–14), played a significant role in organizing Polish politics and business well into the post-communist 1990s. 'Institutional nomads', a term coined by Kaminski and Kurczewska (1994, pp. 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,

¹Polish sociologist Adam Podgorecki (1987) coined this term.

politics, business, foundations and nongovernmental and international organizations—and pooling their resources so as to best serve the interests of their group, Wedel (1992, pp. 13–14). 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.

Further east, Russian analysts detail the ‘clan’ system. A ‘clan’, as Russian social scientists and journalists use the term, is an informal group of elites whose members promote their mutual political, financial and strategic interests. With expansive influence clan members are not typically bound by kinship ties, as in the classical anthropological definition, but rather are connected by long-standing association and continuing incentives to work together (see Kryshtanovskaya, 1997b).

The following common features of these informal groups and networks can be identified:

The clique. Institutional nomads, clans and many other informal groups are ‘cliques’,² as defined by Boissevain (1974). A ‘clique’ is a core group of people who contact one another for many purposes. 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, p. 174). The clique can serve as a strategic alliance that responds to changing circumstances and, by concentrating power and resources, helps its members promote their common interests.

The 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.³

Loyalty to the clique whose members are dispersed among institutions. In the cases of 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 by it) is typically more loyal to his or her clique than to some office or position. In both cases, resources and decision-making in economic and political domains are concentrated in the clique.

In both Kryshtanovskaya’s clan and Kaminski’s and Kurczewska’s institutional nomads, ‘members [of the clique] can be dispersed’ but they ‘have their men everywhere’, as Kryshtanovskaya (1997b) has represented it.

Penetration of the state. The extent to which informal groups and networks penetrate, or ‘capture’, the state is one of the most important issues facing the countries of Central and Eastern Europe and the former Soviet Union. To what extent has power in the various contexts been yielded to cliques who can control the definition of corruption? Beare (1997, p. 158) suggests that the ability of individuals and groups to corrupt depends on the extent to which they are integrated into “‘legitimate’ society”.

²In the study of political anthropology, approaches in ‘action theory’, which concentrate on face-to-face interactions within given socio-political contexts, have emphasized the importance of such informal groups as cliques.

³Although the ‘clique’ provides some basic parameters for understanding informal groups, the concept is somewhat generic and would probably characterize many informal groups worldwide. Experienced scholars of Central and Eastern Europe and the former Soviet Union have identified the features of informal groups and networks in the region more precisely.

Under communism, the ability to access economic advantages largely depended on political connections. Following communism, informal groups and networks, such as institutional nomads and clans, evolved, or continued to evolve, in a context in which the communist state's monopoly control over resources was crumbling or had collapsed and opportunities to fill the void abounded. Although monopoly control was no longer, access to economic advantages remained contingent on political connections.

3 APPLICABILITY TO EASTERN EUROPE AND DICHOTOMIES THAT DISTORT

Underlying many 'transition' studies and development projects, as well as the West's export to the region of anti-corruption and rule-of-law programmes, are conventional frameworks that permeate Western public administration, comparative political science, sociology, popular discourse and policymaking. The specific ways in which conventional vocabularies and models of institutional change and state development do *not* characterize states in Central and Eastern Europe and the former Soviet Union is instructive. This point is important, because reform programmes often assume the efficacy of the standard frameworks. For example, from the West, there is a tendency to allege corruption and 'conflict-of-interest' without examining the complexities of relationships in the region. One problem is that conventional vocabularies tend to conceptualize institutional change in terms of polar opposites.⁴ Yet informal systems resist accurate analysis as such. The vocabularies may be insufficient to probe changing state-private and political-administrative relations in any complex administrative state—even in advanced Western democracies, let alone in states with vastly different histories.

The fact that noted scholars who have long studied Central and Eastern Europe and the former Soviet Union have invented their own terms (for example, 'institutional nomads', 'unruly coalitions' and 'restructuring networks'⁵) suggests that they have judged the conventional frameworks to be inadequate. The following four characteristics of the informal groups and networks here described challenge these frameworks.

First, the fundamental unit of decision-making is the clique. The tendency is to think of individuals as the primary unit to take advantage of economic opportunities. But in the environments in which cliques such as institutional nomads and clans function, individuals appear to take the interests of their clique into account when making choices about how to respond to new opportunities. Operating as part of a strategic alliance enables members of the clique to survive and even thrive in an environment of uncertainty. Thus, the primary unit of analysis of responses to economic incentives is not the individual; it is the clique.

Second, informal groups and networks can wield influence and control resources to the extent they do because of the contexts in which they operate. To varying degrees, the rule

⁴These tendencies derive from the classical social theories of the 19th century and from the structural-functional 'integration' models of sociological theory employed by many fields. Such models reinforce the 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.)

⁵Verdery (1996, pp. 193–194) describes as *unruly coalitions* certain 'loose clusterings of [Romanian] elites' (largely former Communist Party apparatus) who work together to control resources but are 'neither institutionalized nor otherwise formally recognized'. *Restructuring networks*, as identified in Hungary by Stark (1996) and Stark and Bruszt (1998, pp. 142–153), shape privatization processes, resulting in property forms that are neither private nor collective, but 'recombinant'.

of law is weakly established and enforced. In some countries of the former Soviet Union, for example, significant parts of the economy remain 'up for grabs'.

Third, informal groups and networks operate in the multiple domains of politics, economics and law. They are not confined to any one domain, but traverse them. Such groups and networks are not 'castes' or 'classes', nor can they be reduced to 'interest groups', 'factions', or 'coalitions'—as these terms are typically used in social science literature. The potential influence of a Russian clan, for example, is much more widespread and monopolistic than that of interest groups, factions or coalitions. It is misleading to assume that clans are just another form of these.

Fourth, informal groups and networks both operate in and mediate between state and private spheres,⁶ bureaucracy and market, legal and illegal, and central and peripheral levels. Even when members appear to work primarily in business or private organizations, the group's economic strength and influence may derive significantly from its ability to participate in the state sector and simultaneously access its advantages for the group.

Just as cliques and their members operate in and traverse spheres, so can they liaise between spheres *within* the state. Yurchak (1998, p. 2002) 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, Yurchak 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, depending on what is called for in a given situation.

The fact that state and private spheres can be organized in different ways in different societies, as shown above, renders the widely used definition of corruption—'the abuse of public office for private gain'—inadequate. This approach to corruption depends on the state (or public)—private dichotomy and assumes that it is universal. Jowitt (1983, p. 293) has argued that this approach is weak because it emphasizes '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'.

The conventional definition of corruption needs to be reconsidered. Toward this end, Jowitt (1983, p. 275) conceives of corruption as 'An organization's loss of its specific competence through failure to identify a task and strategy that practically distinguish between rather than equate or confuse (particular) members with (general) organizational interests'.

4 THE SOCIAL ORGANIZATION OF THE STATE

The extent and the very *nature* of the penetration of the state by informal groups and networks is one of the most crucial issues facing post-communist countries. The following questions are instructive: What patterns of relationships are emerging in specific countries

⁶For a thorough discussion of the public-private dichotomy, see Weintraub and Kumar (1997).

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? 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. Two distinct patterns of relationships between the state and informal groups, or cliques, have been identified in Central and Eastern Europe and the former Soviet Union: the ‘partially appropriated state’ and the ‘clan-state’, Wedel (2001, 2003).

The first form of clique-state relations is the ‘partially appropriated state’, in which informal groups such as Polish institutional nomads take over from the state, or privatize, certain functions. Under the ‘partially appropriated state’, informal groups work with relevant state authorities or what is left of them, but the group as such is not synonymous with the authorities. The partially appropriated state model is based largely on Polish material.

4.1 The Polish Case

In Poland, 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*⁷ 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. See, Kaminski (1997, pp. 98–100), Meaney (1993) and Staniszki (1991).

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 (Kaminski, 1996). As Kaminski (1997, p. 104) observes, ‘[a] distinctive mark of the post-Solidarity elite’s rule was considerable tolerance of conflicts of interest’.

Legal steps facilitated such conflicts. Since 1989, legislative initiatives have enabled the creation of corporate profit-making bodies, that are formally nongovernmental but that ‘involve the resources of the state’ and that ‘rely on the coercive powers of the state

⁷Under the system known as *nomenklatura*, responsible positions in all spheres of government had to be approved by the Communist Party, creating a tangle of loyalties and favouritisms that precluded broader political and social participation.

administration'. These bodies make it legally possible for private groups and institutions to appropriate public resources to themselves 'through the spread of political corruption', as Kaminski (1996, p. 4) has called it. Kaminski (1997, p. 100) elaborates:

One way of obliterating the distinction between public and private consists in the creation of autonomous institutions, 'foundations' or 'agencies' of unclear status, with broad prerogatives supported by administrative sanctions and limited public accountability. 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.

The system of *agencje* (agencies) is an example. In the 1990s, *agencje* were created in all ministries with control over property, including the ministries of transportation, economy, agriculture, treasury and defense, according to Piotr Kownacki, Deputy Director of NIK (Supreme Chamber of Control), Poland's chief auditing body.⁸ *Agencje* 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 *agencja*'s supervisory board; his selections are often based on political connections, according to legal analyst Jan Stefanowicz. Some 10 to 15 per cent of an *agencja*'s profits can be allocated to 'social' purposes: If the *agencja* accrues profits, those profits go to the board, sometimes being funneled into political campaigns. On the other hand, any losses are covered by the state budget.⁹

Such entities are enshrouded in ambiguity. They are part and parcel of the 'privatization of the functions of the state', as Kownacki puts it and they represent 'areas of the state in which the state is responsible but has no control'.¹⁰ The entities' 'undefined functions and responsibilities' are a defining characteristic, as Kaminski (1997, p. 100) explains: 'From the government's point of view, [these entities] have the legal status of private bodies, whereas from the point of view of the collectives controlled by these bodies, these are public institutions'.

It is precisely the ability to equivocate that may afford the entities their strength and may in part explain the continued influence and resilience of the networks they embody. The partially appropriated state model (as well as the 'clan-state' model) involves individuals, groups, entities and institutions whose status is negotiable.

Ambiguous entities such as *agencje* appear to have become an institutionalized part of the Polish state-public sphere. Some one-fourth of the state budget was allocated to them in 2001, according to NIK.¹¹ 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]'.¹²

The second form of clique-state relations is the 'clan-state'. This notion builds on Graham's (1995; 1996) observation of Russian clans whose influence can be countered only by competitor clans. In a clan-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 the respective agendas of the government and the clan become indistinguishable.

⁸Interview with Piotr Kownacki, Deputy Director of NIK, 26 July 1999.

⁹Interviews with Jan Stefanowicz, 14 and 15 July 1999.

¹⁰Interview with Piotr Kownacki, Deputy Director of NIK, 26 July 1999.

¹¹Interview with NIK official Andrzej Lodyga, 24 July 2002.

¹²Interviews with Jan Stefanowicz, 14 and 15 July 1999.

Under the clan-state, the clan uses state resources and authorities (to the extent they can be separately defined in a given instance) but also keeps state authorities far enough away so that they cannot interfere with the clan's acquisition and allocation of resources, but close enough to insure that no rivals can draw on the resources. This enables the clan to bypass other sources of authority and influence and thereby to enhance its own. The clan-state operates in a context where there is little separation of the clan from the state. The same people with the same agendas constitute the clan and the relevant state authorities. The clan is at once the executive, the legislature, the judge and the jury. 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.

4.2 The Russian Case

Even more than in Poland, the privatizations of the latter days of communism and the subsequent years of reform shaped ownership structures and state-private relationships in Russia. Kryshantovskaya and White speak of the 'privatization of the state', in which officials, using their formal authority, privatize sectors of the state for which they are responsible. They write:

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. (Kryshantovskaya and White, 1996, p. 720)

The 'close intertwining of power and property', as Graham (1999, p. 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 as well of the reforms of the 1990s. Johnson (1997, p. 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.

The transitional years saw economic crises characterized by monopolies, uncertain property rights and, as Glinkina 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'. She elaborates:

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 structure. 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 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. (Glinkina, 1998a, p. 18)

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 (see Palmer, 1997, p. 8). By 1995, four political-economic coalitions had crystallized as the main political players on the national scene (Graham, 1999, p. 329; Bivens and Bernstein, 1998).

Clans constitute some of the building blocks of these oligarchic structures. The case of the 'Chubais Clan', which was one of Russia's most powerful clans during the 'reform' years of the 1990s and which Wedel (1996, pp. 571–602; 1999, pp. 469–500; 2001, pp. 123–174) has documented, is instructive. The Chubais Clan traces its roots to the mid-1980s to Leningrad (now St Petersburg). The chief figure in the group is Anatoly Chubais, who, underwritten by the West, led economic reform and wielded tremendous influence (both in and out of government) throughout the 1990s. The Chubais Clan acquired a broad portfolio, often operated through presidential decree and 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 competed for control and resources in the political domain. 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).

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, p. 333). That estimate is likely exaggerated, although the economic power of FIGs is hardly in doubt (Johnson, 1997, p. 333). Indeed, the economic power of FIGs is highly contingent on political power. Johnson (1997, p. 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'. The political and economic domains are so interdependent that, as Coulloudon (1997, p. 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. Kryshnanovskaya (1997a, p. 15) holds that 'Corruption in Russian has now extended into literally all institutions of power. Persons bought off

include government officials whose legal jurisdiction covers issuing permits for the export of oil, metals and the like. The aluminum and oil scandals are cases in point’.

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.

Glinkina has attempted to quantify the extent to which crime is integrated into the economic organizations of government. Glinkina (1998b, p. 49) writes that some 87 per cent of staff and management of the various government departments charged with fighting organized crime reported that organized crime groups have ‘very close links’ with institutions of power and especially local government. Some 64 per cent of these officials assumed that those groups are also connected with law enforcement; 31 per cent indicated a connection with the highest public administration. Such ‘symbiotic relationships’ between organized crime and governments at all levels, as Louise Shelley (1994, p. 343) puts it, are not easy to break.

The question of the extent to which informal groups provide services to citizens and thereby fulfill state functions inevitably arises. Shelley (1995, p. 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’. Latin American criminal gangs also may be an appropriate example, as they often replace and are superior to the state, in providing basic public services such as policing, for example in Colombia.

4.3 Essential Differences Between the Partially Appropriated State and the Clan-State

- A clan-state is characterized by a much higher degree of penetration of state bodies and authorities than a partially appropriated state. Under the ‘partially appropriated state’, informal groups use state actors, who are corruptible and ‘bought’. For example, informal groups may use or help to place non-group members in parliament. However, 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.
- In the clan-state, politics is more a means to split up the spoils of state resources than it is in the partially appropriated state.

4.4 Common Features of the Partially Appropriated State and the Clan-State

- Institutional nomadism, as defined earlier, characterizes both models.
- Although many economic opportunities remain contingent on political connections as in the previous communist system, no single group allocates resources and the relationship of power to property is no longer one way.

- The negotiable status of informal groups, entities and institutions situated somewhere between state and private spheres, as discussed earlier, is a feature of both models, see Rawlinson (1996, p. 28).
- Both the partially appropriated state and the clan-state imply a fragmented state. Although some analysts have characterized this as a 'weak' state, the parts of the state that are empowered by the clan are hardly weak.
- The state-private entities and relationships common to both the partially appropriated state and the clan-state may enlarge the sphere of the state (see Kaminski, 1996, p. 4). The result may be an expanded state characterized by ambiguity of status and responsibility.

5 CONCLUSIONS

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. 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 marked to some degree by informal groups, entities and institutions whose status between state and private is negotiable. The state-private bodies and relationships common to both models may enlarge the dominion of the state.

There are two related differences between the partially appropriated state and the clan-state. The first is that politics in the clan-state is more a means to divvy up state resources. The second difference is that, under the clan-state model, actors actually occupy positions in government as a clan and are themselves 'bought'. Because, under the latter, there is so little separation between the clan and the state, actors are afforded maximum deniability.

A number of issues are pertinent in examining the ways in which state-private mixes—and the informal groups and networks that shape them—will evolve in Central and Eastern Europe and the former Soviet Union. These include: the extent to which independently sustainable institutions can be built; the degree to which state authorities are able to remain separate from the institutions and agendas of the clique; the capacity of the state to create, not just to divest resources; the access of citizens to the state; the extent to which the public at large can raise questions and demand 'accountability'; and the opportunities and constraints under which specific groups at specific times are operating. The analysis of informal groups and networks and their links to state and market institutions can inform a wide variety of processes, from those organizing political parties, privatization, nongovernmental organizations, money laundering and organized crime to those supporting or averting conflict. In the absence of such understanding, attempts to change many economic, political and societal processes, as well as to deal effectively with conflict, are unlikely to have the intended results.

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