Alena Ledeneva

From Russia with Blat: Can Informal Networks Help Modernize Russia?

Since the collapse of the Soviet Union, Moscow has become a global city with a vibrant urban and cultural life—one of the most expensive capitals in the world with famous clubs and restaurants as well as one of the most popular destinations for city workers and diplomats. Has corruption been instrumental in Moscow’s development? The answer is complicated and in many ways a matter of definition. It depends on whether one considers informal practices—handed down from Soviet times as well as the new era—as corrupt and how one conceptualizes corruption. I will illustrate some of these complications for the case of the Soviet practice of blat, explain its “monetization” and evolving relationship with corruption in the post-Soviet transition, and analyze the role of informal networks in present-day Russia.

Blat is best defined as the use of personal networks for obtaining goods and services in short supply and for circumventing formal procedures. Blat networks channeled an alternative currency—an informal exchange of favors—that introduced elements of the market

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into the planned economy and loosened up the rigid constraints of the political regime. Blat merged with patterns of sociability to such an extent that people were unable to distinguish between friendship and the use of friendship. The boundaries became particularly blurred as the exchanged favors were favors of a particular kind—“favors of access.”

Both in literature and in conversations, blat is often referred to as corrupt practice. This may be right in certain contexts but it is also misleading, for neither blat nor corruption has a clear or single meaning, nor are these terms independent of moral judgements. Corruption is commonly defined as the use of public office for private advantage (the latter term being understood not only in a pecuniary sense but also in terms of status and influence). However, as Friedrich (1966: 74-5), following Weber, has pointed out, the use of private office for private advantage is not always perceived as corrupt. When Weber set out an “ideal type” of bureaucracy, he associated it with a hierarchical division of labor, directed by explicit rules that are impersonally applied; staffed by full-time, lifetime professionals who do not in any sense own the “means of administration” or their jobs or the sources of their funds, and live off a salary rather than from income derived directly from the performance of their job. These are all features found in the public service, in the offices of private firms, in universities, and so on. Weber contrasted the bureaucracy to “prebends” or “benefices,” meaning an “office” with some income-yielding property—for example, a farm or tax-gathering rights from which the officeholder lives (1968). The notion of corruption made little sense in patrimonial systems where jobs were given away in order to “feed” their holders. The prebend officially “owns” his job and expects tribute for performing it, as opposed to a modern bureaucrat, who is paid a salary for following the official rules reliably and is not allowed to charge fees for himself or to accept gifts (as this constitutes the “misuse of public office for private gain”).

Corruption is therefore a modern concept, associated with the transformation of what Weber described as patrimonial power structures, where decisions are taken not on the basis of institutionalized rules but on the basis of personal relationships and traditional
forms of authority. Transformations of this kind led to rational-legal and legal systems, where rules are institutionalized to such an extent that corruption can be conceptualized as the deviation from them. A dehistoricized notion of corruption, however, is unusable in societies with patrimonial legacies. Not all postcommunist countries meet the modernity standard set by Weber. The lack of a clear division between public and private in postcommunist countries generates forms of expediency and rationality that are not conducive to modernity and present an obstacle to the rationality of the “rule of law.” Even in modern contexts, the clash between an abstract definition of corruption and its application to a complex real world has resulted in distinctions between so-called “good,” “bad” and “ambiguous”—or white, black and grey—corruption (Heidenheimer, 1970: 26-7). According to Lampert (1984: 371), cases of corruption have a ranking specific to the society. The Soviets clearly felt that bribery was a worse form of corruption than a small-scale use of public resources for private ends (such as using workers to do private jobs in enterprise time). Cultural connotations of money as “dirty” made nonmonetary transactions fairly legitimate (Humphrey, 2000). This was in tune with the distinction drawn between various forms of offense in the criminal code and the different penalties for engaging in them (Heinzen, 2007). Blat was not on the criminal scale at all and could not strictly speaking be characterized as illegal (by reason of its small scale or recognized necessity [voiti v polozhenie]), thus falling in the category of “good” or “ambiguous” corruption (see also Krastev, 2004). The oppressive nature of the communist regime, and its privilege-based way of distributing goods, introduces another twist in interpretation of the nature of blat practices: if blat corrupted the corrupt regime, can we refer to it as corruption?

With these considerations in mind, to equate blat and corruption in Soviet conditions is to misunderstand the nature of Soviet socialism. Historicizing blat helps identifying its important place in the functioning of socialism vis-à-vis patrimonialism and modernity. Contextualizing blat helps establishing that it commonly aimed at obtaining food, goods, and services that people were entitled to have. In the folklore definition of the
six paradoxes of socialism, every paradox can be explained by informal practice, widespread but hidden from outsiders (as in square brackets):

- No unemployment but nobody works. [Absenteeism]
- Nobody works but productivity increases. [False reporting]
- Productivity increases but shops are empty. [Shortages]
- Shops are empty but fridges are full. [Blat]
- Fridges are full but nobody is satisfied. [Unfair privileges]
- Nobody is satisfied but all vote unanimously. [Cynicism]

These practices were the open secrets of socialism, commonly known but officially unacknowledged and rarely registered in written sources inside the country. It is only since the Soviet Union has collapsed that people have been able to reflect on such practices (just as in the 1950s, those who left the Soviet Union were able to describe their blat experience in the Harvard Interviewing Project (Fitzpatrick, 2000a; 2000b).

Blat developed together with the regime and reflected its changes: at first there were the basic necessities such as food, jobs, and living space, helping kulaks to escape exile or making it possible for Bolsheviks to christen their babies despite the party ban on religious rituals. Then came the more sophisticated needs of late socialism associated with education, mobility and consumerism. But although there may seem to be a parallel between the way contacts were used in Bolshevik Russia (for example, in order to conceal class origins given the constraints of the Bolshevik demand for a proletarian background), and in postcommunist Russia (where contacts could allow one to be “appointed” a millionaire), this is misleading. The nature of the regime and its constraints on human behavior does matter in assessing the role of informal practices.

Informal practices are intrinsically ambivalent in their functions: they both serve the regime and the people, while simultaneously undermining the regime and corrupting the people. In authoritarian regimes, the outcome of such ambivalence is “corruption with a human face”—the underside that lubricated the rigidity of political and economic constraints. As people used to say, the “severity of our laws is compensated for by their nonobservance.”
The power of informal networks was such that blat—the use of personal networks for obtaining goods and services in short supply and for circumventing formal procedures—can be effectively conceptualized as the know-how of the Soviet system and the reverse side of the over-controlling center. On the one hand, the Soviet regime was penetrated by widely spread informal practices, depended on it, and allowed them to compensate for its own rigidity. On the other hand informal practices served individual needs and facilitated some personal freedom and choice. The power of networks to tackle the economic, political, ideological, and social pressures of the socialist system effectively meant that the system worked against its own proclaimed principles. Yet paradoxically, by subverting the socialist system, the power of networks also supported it.

Thus research into blat has helped solve a double puzzle in the history of authoritarian regimes: how people survived in an economy of shortage, and how the regime survived under similar constraint. But it also opened an avenue to explore the nature of political and economic regimes from a new perspective—the perspective of informal practices. Informal practices have become an important indicator in assessing models of governance. In How Russia Really Works I have identified the informal practices that have replaced blat in the functioning of the political and economic institutions of the 1990s (Ledeneva, 2006).

WHAT HAS HAPPENED TO BLAT SINCE THE COLLAPSE OF THE SOVIET UNION?

There is no satisfactory answer to this question. If you claim that the influence of blat has declined and the term has become obsolete, people overwhelm you with examples. But if you argue that blat continues to operate, they reply that the term is out of fashion and it is now all about money. In fact both tendencies can be seen. Change is happening to a varying degree in different sectors and contexts. As a term blat emerged to designate Soviet practices characteristic of state-centralized regimes and economies of shortage. Once the economy of shortage has given place to markets of goods and capital, blat loses its relevance for everyday consumption but is still important to get access to jobs, medi-
cine, education etc. Consider the most recent 2007 data I collected in a national representative survey conducted by the Levada Center. When asked to define blat nowadays by choosing as many prompts as necessary, 18 percent of respondents indicated that the term is out of use and 5 percent noted that the word blatnoi means criminal—that is, has returned to its original pre-revolutionary meaning. At least a quarter of respondents associated blat with an exchange of favors (22 percent) or best described by a proverb “I scratch your back, you scratch mine” (ty-mne, ya-tebe) (15 percent). With regard to formal constraints, the responses were: “circumvention of formal rules and procedures” (17 percent), “problem solving” (12 percent), “blat is the necessity in order to give a bribe” (6 percent) or gain access to administrative resources (4 percent). Tellingly, only 7 percent of respondents found it difficult to answer this question and there were respondents who offered their

<table>
<thead>
<tr>
<th>Table 1. “What Did You Use Your Contacts for in the Last Seven Years?” (Multiple choices possible, percent of those admitting the use of contacts)</th>
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<tbody>
<tr>
<td>Medical services: local surgery, hospital or bed and operation (15+6+3)</td>
</tr>
<tr>
<td>Solving problems with the traffic police, registration of a vehicle and MOT (10+8)</td>
</tr>
<tr>
<td>Finding a job</td>
</tr>
<tr>
<td>Education: Places in primary-secondary and higher education (7+5)</td>
</tr>
<tr>
<td>Legal services and courts (2+3)</td>
</tr>
<tr>
<td>Army conscription</td>
</tr>
<tr>
<td>Everyday services at better quality or better price (3 +1)</td>
</tr>
<tr>
<td>Repairs of housing, garages, dachas</td>
</tr>
<tr>
<td>Tickets for events, theatre, concerts</td>
</tr>
<tr>
<td>Hobbies</td>
</tr>
<tr>
<td>Consumer goods</td>
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<tr>
<td>Foodstuffs</td>
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own definitions (including “blat is higher than under Stalin” and “blat is a leftover of socialism” (издержки социализма) as well as “blat is the corrupt system, the whole industry” and “blat is life”—compare this with much higher numbers of “don’t knows” in surveys cited later in this paper).

In response to the question about the uses of blat, the hierarchy of needs presented in table 1 is the reverse of what it was in during the Soviet period. Then blat was essential for obtaining foodstuffs, consumer goods, books, and theater tickets and was more or less an omnipresent practice. Today these items are at the bottom of the list and mentioned by 1 percent of respondents each (see table 1). In 2007, the services that still required blat were medicine, education, employment, and the traffic police.

This hierarchy of needs outlined above is not specific to Russia; middle classes use contacts for medical or educational purposes in many societies. The impact of informal networks on an institutional environment is one of degree. What distinguishes the Russian case is the scale of the use of informal practices. In response to the question “In your opinion, how widespread is blat in your city or region now?” two-thirds of respondents said it is widespread or rather widespread in December 2007, which given the data on the underdeveloped middle-class in Russia, indicates a much wider base (see table 2).

### Table 2. “How Widespread Is Blat in Your City or Region?”

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
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<tbody>
<tr>
<td>Widespread</td>
<td>454</td>
<td>28</td>
</tr>
<tr>
<td>Rather widespread</td>
<td>613</td>
<td>38</td>
</tr>
<tr>
<td>Not very widespread</td>
<td>208</td>
<td>13</td>
</tr>
<tr>
<td>Practically absent</td>
<td>63</td>
<td>4</td>
</tr>
<tr>
<td>Difficult to answer</td>
<td>264</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>1601</td>
<td>100</td>
</tr>
</tbody>
</table>
However, if one interprets these data on the basis of *blat* in its Soviet sense (as serving the economy of shortages of food and services), one misses a crucial point. A new shortage has emerged in postcommunist Russia—money—and *blat* has had to adjust to it. In Soviet society, money played only a small role and access to goods and services meant everything. Now that the capital and commodity markets work and access to goods and services is available, it is access to money, making a living, and getting a well-paid job become the “new power” of personal networks. Not only have networks reoriented themselves to serve this new type of shortage, the use of contacts has become “monetized” in the sense that money is not excluded from personalized transactions. This is particularly pronounced in the private sector that emerged in post-Soviet Russia and significantly shifted the use of networks towards needs of business. According to the INDEM data, only 10 percent of the corruption market is associated with so-called household corruption, the monetized version of what used to be a fairly nonmonetized form of *blat* exchanges in the Soviet period (Satarov, 2005). In present-day Russia, ways of “beating the system” formerly associated with *blat* now amount to only 10 percent of the overall corruption market. Household corruption has given way to business-related corruption. About 90 percent of bribes in Russia are paid by businessmen for export licensing and quotas, state budget transactions, tax transfers, customs duties, privatization deals, and servicing debts to the federal budget. New informal practices, such as tax evasion and creative accounting, have emerged to compensate for the institutional defects of the economic transition (Ledeneva, 2006).

**INFORMAL PRACTICES: ARE THEY A PROBLEM OR A SOLUTION?**

It was assumed that once the centralized system ceased to exist, there would not be a need for alternative currencies or an extensive use of informal networks. Markets would take care of functions that used to be performed by informal networks. However, research shows that not only does the use of networks not diminish—it actually goes up, espe-
cially in newly emerging sectors (Miller et al., 2001; Rose, 2001). The legacy of socialism is often blamed, and the Soviet grip is indeed part of the story. But one must not dismiss the rationality of informal practices and their effectiveness for problem solving. In a transitional period, the defects of markets were compensated for by informal networks; low levels of trust in state institutions and insufficiently developed impersonal systems placed emphasis on interpersonal trust.

My research into the 1990s shows that informal practices, serving the emergence of democratic and market institutions even if sometimes in semi-legitimate way, are not automatically detrimental (even creative campaigning by methods of black piar and kompromat are arguably preferable in terms of voting behavior than the noncompetitive elections of the later period). In any case, the view that informal practices have a negative impact is in itself a normative judgment and cannot be merely assumed without detailed research. I have argued against the stigmatization of informal practices and suggested the importance of distinguishing between their supportive and their subversive effect on political and economic development. The ambiguity of informal practices is an important theoretical assumption that allows us to differentiate between the functions of networks and to analyze their multivector functionality: from sociability, safety nets, survival kits, and forms of social capital to means of access, diversion of resources, bridging formal organizations, and subverting formal procedures, thus blocking the effectiveness of governance (Ledeneva, 2008). In empirical terms, it is much more important to identify the various levels/sectors of the economy and society at which they are particularly problematic.

Yet the reasons for the emergence of informal practices (survival, shortage, cornered behavior) are not the same as the reasons for their reproduction (vested interests)—this accounts for the fundamental changes in the use of networks in the post-Soviet period in Russia and elsewhere. What once was thought of as a solution can become a problem. Hernando de Soto’s analysis of the Latin American informal sector suggests that policy should integrate the perspective of informal practices and legalize them where possible (2002).
The comparative analysis of the role of blat in Russia and analogous practices of networking in China, guanxi, seems to indicate that the informal practices that have proliferated among elites in both regimes tend to exclude ordinary people from the rights and opportunities that markets are supposed to have opened up. Comparative studies of informal practices show the degree to which many features of human behavior are universal, especially in terms of networking and informal exchange, but there are huge differences their functionality and implications in different regimes (Ledeneva, 2008b).³

An interdisciplinary approach is essential for understanding the workings of informal networks: one has to grasp the history of blat, its political significance and the ideological nature of bargaining powers, its economic functions, the social skills and divisions behind blat, and the anthropological aspects of the informal exchange of favors (not exactly an exchange of gifts but not one of commodities either). Favors of a specific kind—favors regarding access—is a concept relevant for regimes with state-centralized distribution systems but it may become relevant in other types of regimes where the state plays a central role in the bailout of private financial institutions (the 2008 financial crisis in Russia has certainly put the oligarchs in a queue for a bailout).⁴

Studies of informal networks have helped develop the postcommunist or postsocialist (as anthropologists refer to it) academic field. Blat research has been relevant for studying social capital, consumption, labor markets, entrepreneurship, trust, mobility and migration, shortages, barter, survival strategies, alternative currencies, the shadow economy, redistribution and remittance economies, and democracy. All these developments illustrate efforts to reintegrate social dimensions into studies of politics and economy. Where the literature tends to focus on political and economic aspects exclusively, the “informal” perspective contributes insights into social forces at play. The use of informal practices does not admit to quantitative analysis as readily as other phenomena but provides explanatory tools for social scientists and analysts attempting to understand Russian behavior. Just as the Corruption Perception Index is often used as a proxy for corruption,⁵ a
similar quantification of data on the use of informal networks is possible and will reveal the difference in the perception of corruption and of informal practices (Rose and Mishler, 2007).

**THE POWER OF NETWORKS VS. NETWORKS OF POWER**

My quest began with the analysis of informal networks at the bottom, continued with analysis of their transformation, and will be completed by an analysis of patterns of informality at the top—the networks of power. Because the grassroots networks that balanced the rigidity of authoritarian regime in Soviet Russia to some extent have not been able to channel their power into the creation of a robust civil society in the post-Soviet period (Ledeneva, 1997), the result has been a disproportionate influence of networks at the top and yet another failure to change Russia’s governance system. It is because of its weak civil society and low levels of trust in public institutions that Russia is still considered to be premodern (Shlapentokh, 2006). In academic literature “premodern” is associated with widespread patterns of informality throughout a society—that is, (a) the use of informal networks to compensate for the failure of formal organizations; (b) high levels of interpersonal trust as a substitute for the low levels of impersonal trust in public institutions; (c) the personalization of bureaucracy, and consequently (d) a clan- and network-based state.

The existing concepts that explore features of the *sistema* in Russia (clan, anti-modern networks or network state) are in some ways unsatisfactory. They aim at getting to the “informality of the system” through personal associations and miss out on the importance of formal organizations, as well as brokerage and the relative openness of informal networks and recruitment through “weak ties.” To date, there is no ethnography of public administration in Russia. Issues of unwritten rules, informal exchanges, and the inner workings of informal networks in state institutions have been under-researched. This is partly attributable to the difficulty of access and generalization on these issues. Also, “elite studies” focused on the quantitative and qualitative analysis of discourse (Gudkov et al., 2007; 2008; Oleinik, 2008),

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the formation of clans (Kryshtanovskaya and White, 2005; Wedel, 2003; Kosals, 2007; Mukhin, 2005); anti-modern networks (Rose, 2001; Rose and Mishler, 2007); the network state (Steen, 2003) and network society (Castells, 2000), and their association with the middle class (Gudkov et al., 2008).

Because the mapping of the clans and networks of siloviki, associated with the ministries in charge of force (army, security, police, etc.) has already been done (Kryshtanovskaya, 2005), I focus here on the patterns of informality that lie at the heart of their formation. Whereas clans and circles might be changing in terms of specific personalities and configurations, the patterns of influence, dependence, and control are fairly universal and reinvent themselves in changing environments (such as the pattern of joint responsibility [krugovaya poruka]) (see Keenan, 1986; Hosking, 2004; Ledeneva, 2004; 2006).

One should not think about informality simply in terms of “personalization of bureaucracy” or “patron-client relationships” penetrating formal structures of governance throughout Russia’s history. Informality is the pattern of governance, even if hidden behind the formal discourses. It is rarely acknowledged as such but is often referred to in a commonly used euphemism “sistema.” What is sistema? Recent content analysis of interviews with Russian elites shows that sistema is the third most frequently used term after “business” and “money” (Oleinik, 2008: 69). Lilia Shevtsova defines the Russian system as

a specific type of governance structure whose characteristics include paternalism, the state domineering over the individual, isolation from the outside world, and ambitions to be a great power. The heart of the system was the all-powerful leader, above the law and a law unto himself, concentrating in his hands all powers, without a balancing accountability, and limiting all other institutions to auxiliary, administrative functions. The Russian system did not need fixed rules of the game; it needed fixers (Shevtsova 2003: 16).
Networks on the top operate on familiar principles of informality that impose certain norms of reciprocity and informal constraints on people in official positions: blurred boundaries between friendship and the use of friendship; helping a friend at the expense of public/corporate resources or access; recruitment into networks according to a particular logic—it could be loyalty, dependence or transgression/compromised recruit—rather than the logic of competition and professionalism. Although there might not be significant differences in patterns of informal constraints at the bottom and the top, there are implications for the process of research. Insights into the workings of the federal Russian state or the workings of regional administrations are almost entirely ruled out for outsiders, let alone the Kremlin administration and their ties to business, the media and the judiciary.

To capture the operation of networks of power, a researcher should have personal exposure to the Russian leadership, including in-depth interviews with members of the political elite. Published interviews and existing research should be combined with innovative ethnographic research in order to solve the puzzle of how power is channeled in nontransparent settings. Kremlinologist accounts of “a bulldog fight under the rug” have certain explanatory power but they excessively personalize the workings of the state. Given the dependence of the Russian governance system on compliance with unwritten rules—sistema—attempts to restructure the rules of the game by changing the formal rules can have only a limited effect. This is partly because top-down efforts are difficult to sustain, and partly because any change in the formal rules introduces, and is perceived as, yet another constraint to be dealt with informally. This often results in readjustment and a reconfiguration of the informal workings of the system around the new constraints, rather than a decline in the significance of unwritten rules.

The vicious circle of sistema reproduction is based on its nontransparency: networks of insiders are tied together by following an unwritten code; members are recruited on the basis of loyalty; they are initiated and compromised rewards and punishment are distributed on the basis
of extralegal criteria; and the foundations of belonging to networks of power are hidden behind formal appointments and are nontransparent, feeding back into the reproduction of the *sistema*. In a way, the (s) election of President Dimitri Medvedev can be seen as an illustration of the *sistema* where appointments are made on the basis of loyalty and a lack of experience in order to create a certain codependence.

Yet certain initiatives of President Medvedev can be interpreted as challenging the *sistema* and are important to monitor. These include recognition of the practice of oral commands from the executive branch of power to the judiciary and the dependence of the judiciary on receiving such commands (*telefonnoe pravo*) as well as the payments for appointments (*blat appointments*). Systemic behavior of this kind has never before been publicly acknowledged at the presidential level and measures to promote change, if successful, could help to break the vicious circle of the reproduction of the *sistema*.

**ORAL COMMANDS**

In the context of Russian politics and legal practice (especially in large-scale cases such as the one resulting in the dismantling of the Yukos oil company and the imprisonment of Mikhail Khodorkovsky), the importance of oral commands is hard to overestimate. In Soviet days oral commands by the leadership used to be much more important and followed more closely than written decrees (*ukazy*) and instructions (*rasporiazheniya*) and they are still important in the post-Soviet context (Colton, 2007: 325; Baturin, 2001: 424). “As it tended to be in the Soviet Union, the party boss’s word was most conclusive when it was spoken, not written. If the two ever deviated, the verbal held. . . . The primacy of the informal oral commands and handshake agreements reflected the weakness of the law, insidious secrecy and mistrust, and the need for authority figures to cut through the thicket of often conflicting administrative requirements (Colton, 2007: 82). Colton also tells a story about an official who reproached his subordinate for implementing his written instruction: “If I wanted you to do something, I would have called you.” The punch line of this story offers not simply a commentary on
the significance of oral communication in the top echelons of power in Russia but also shows that subordinates have to be alert to the status of various documents and be able to interpret them correctly.

Informal ties, tested or created by processes of recruitment and promotion into political elites, aim at sustaining compliance with unwritten rules and oral commands. Linguistic idioms are the best evidence of the importance of competence in unwritten rules and the know-how, enabling one “to go on” and not to “fall out of the system” but they are hard to translate. As a celebrated aphorism goes, a “get it done” resolution on a document can mean anything from “do it immediately” to “don’t do it no matter what.” There are colloquial definitions of compliance with the sistema: “don’t complicate life to yourself or others”; “don’t play with fire” (не играй с огнем), “don’t go overboard” (не лез’ на розгон), “don’t run in front of the train” (не беги впереди паровоза), “don’t be more saintly than the pope” (не буд’ святее папы римского), “don’t make a circus” (не устраивал балаган); “cut corners and don’t focus on them where unnecessary” (не остроей там где это не надо); “don’t politicize matters where not necessary” and other unspecified instructions that presuppose skills to distinguish between “where necessary” and “where not necessary” as well as the sensitivity to perceive threats and signals unnoticeable for outsiders.

This obvious difference between the formal flow of signed documents and informal (oral) commands related to implementation illustrates the degree to which discretion and continuing nontransparency exists in post-Soviet governance. The governance patterns rest upon, and help reproduce, concentric circles of insiders, most secretive at the top and most inclusive at the bottom of governing bodies. A manifest function of this pattern of governance is to preserve discretion and to achieve additional control and manageability on the basis of informal leverage in order to pursue declared goals. The latent function, however, is to distinguish between insiders and outsiders and to benefit the insiders along the lines of “for friends we have everything, for enemies we have law.” The unintended consequence is not only the selective use of law, which is almost unavoidable in circumstances of
omnipresent offence, but also the use of law for extralegal purposes, as “ammunition” to punish noncompliance or to pursue other targets (see table 3). The table shows that many respondents found it difficult to answer the question (27 percent). However, those who volunteered judgments on the nonalternative multiple choices produce a somewhat shocking result. A dismally low share of respondents associated the judicial system with the rule of law: only 4 percent were convinced that the judicial system was not used for any unlawful purposes. The remaining responses emphasized the misuse of law for political purposes (21 percent for political ends or 27 percent for show trials), closely followed by commercial purposes (20 percent) and personal vendettas (16 percent). Nineteen percent assumed that the judicial system might be used manipulatively but pointed out the lack of information about

### Table 3. “Do You Think that the Russian Judicial System Has Been Used for Unlawful Purposes in the Last Seven Years?” (Respondents were invited to make multiple choices)

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Yes, show trials are conducted to demonstrate to the society the attitude of the authority to certain actions or phenomena</td>
<td>27</td>
</tr>
<tr>
<td>Yes, the judicial system is used for political ends, in order to pursue and to get rid of political opponents</td>
<td>21</td>
</tr>
<tr>
<td>Yes, the judicial system is used in order to settle personal conflicts and for revenge</td>
<td>16</td>
</tr>
<tr>
<td>Yes, the judicial system is used to undermine business competitors, to ruin their reputation or to capture their business</td>
<td>20</td>
</tr>
<tr>
<td>It might be used, but it is little known about</td>
<td>19</td>
</tr>
<tr>
<td>Even if it is used, it serves the right purposes</td>
<td>3</td>
</tr>
<tr>
<td>No, the judicial system in Russia is not used for any unlawful purposes</td>
<td>4</td>
</tr>
<tr>
<td>Difficult to say</td>
<td>27</td>
</tr>
</tbody>
</table>

it. It is not surprising therefore that at any level in the hierarchy, the fear of pending punishment and dependence on superiors makes their oral commands and the overall informal order rather effective. Insiders understand the limitations of formal rules and the necessity of working around them and they develop a routine behavior that in fact makes situations of real choice or lack of directive uncomfortable.

In exceptional cases, when an oral command is too risky, asking for a written instruction has been a tactical means of noncompliance. One of my respondents, himself a party apparatchik in the past, explained the importance of the “selection of cadres” process (podbor kadrov), designed to test character, compatibility and team qualities, which results in independent-minded “cadres” not being recruited or promoted. Judges were susceptible to pressure because they relied on local communist leaders for their jobs—judges were renominated every five years by the local arty boss—and for favors, such as apartments and vacations (Solomon and Foglesong, 2000: 29). In Soviet days, the mechanisms of checks and balances that help to ensure patterns of good governance, such as an independent media, public opinion and civil society, were not developed enough to tackle the areas where oral commands operated but this was party compensated by the party discipline. The Communist party regime made state intervention a norm and allowed, if not legitimized, certain informal practices in order to help the economy, achieve political goals, and support the ideological struggle, including matters in the judicial sphere (Berliner, 1957; Nove 1977; Solomon, 1992).

Now that the present-day political regime declares itself in favor of constitutional rights, separation of powers, independence of the judiciary, and guarantees for property rights, oral commands should be viewed as a form of corruption (Global Corruption Report, 2007). However, it has been shown that it is hard to change the patterns of informality that emerged within the Soviet governance system, where the workings of formal institutions required informal leverage and loyalties created by a personalized system of recruitment. Even the courts and the judiciary are subject to informal influence. It remains to be seen whether
the president-promoted package of anticorruption legislation amended in its third and final reading by the State Duma on December 19, 2009 will be enforced in practice.

**TELEPHONE JUSTICE**
If the arrival of President Vladimir Putin is associated with the decline of the influence of criminal groups in favor of the influence of *siloviki*, the arrival of President Medvedev might result, if successful, in the replacement of the influence of *siloviki* by the influence of *civiliki*, a network of graduates of the law department of Leningrad State University, now holding key positions at the Arbitration and Constitutional Courts (Stack, 2008: 8-10). Following up on his pre-election promise to tackle society’s “legal nihilism,” Medvedev has declared a crackdown on so-called telephone justice: the practice of exerting pressure, making informal requests, or offering money for certain decisions in courts (NEWSru.com, May 2008).

“Telephone justice” originated during the Soviet period (Solomon, 1992; Huskey, 1992; Gorlizki, 1997). When a top official wanted a particular result in court, he would simply phone the judge and explain the party line. Although communist ideology is long gone, pressure on courts continues to exist—in spite of reforms of the judicial system in the 1990s and Putin’s 40 percent pay raise for judges and financial support for the courts (Pastukhov, 2002). After almost two decades of reform, the situation has only improved to some degree (Hendley, 2007). Medvedev’s priority is, in his own words, to eliminate “the practice of unfair decisions made through connections or for money” and “to make the judicial system genuinely independent from the executive and legislative branches of power” (Medvedev, 2008).

In September 2005 a woman was sentenced for her attempt to influence a court decision by making a telephone call about a property in central Moscow, pretending to be calling on behalf of the chairman of the Supreme Arbitration Court (Kulikov, 2005). In an interview to *Parlamentskaya Gazeta* at the time, the chairman of the Moscow District
Federal Arbitration Court, Liudmila Maikova was asked, “How strong is telephone justice in Russia? Is it hard for the court to be independent?” She dismissed the whole idea as gossip and myth (Maikova, 2005), as did the chair of the Moscow City Court, Olga Egorova (Yamshanov, 2005). But after Medvedev came to power, Maikova has been suspended on the charges of unethical behavior (Kommersant-Online, May 20, 2008).

There has also been a defamation case against a journalist who accused a Kremlin official of “giving orders to the Supreme Arbitration Court” in a radio broadcast. This 2008 case is unprecedented: the deputy chairman of the Supreme Arbitration Court, Elena Valyavina, was called in as a witness and has confirmed the fact of influence on the part of the presidential administration (Dymarskii, 2008). Although her statement must have received a clearance from the court chair, Anton Ivanov, it is clear that political will was exercised at the top. Ivanov himself could have consulted his coauthor of an award-winning textbook on the Russian civil code, the man who is now the president (Gutterman, 2008).

How widespread is telephone justice in Russia in general? In an all-Russia 2007 national survey, almost one-third of respondents seemed satisfied with the workings of the courts (12 percent replied that all court decisions are made by law and 18 percent replied that only a few judges take bribes and are subject to pressure). More than half of the respondents, however, acknowledged the susceptibility of judges either to corrupt payments or other forms of pressure: 25 percent of respondents said that judges take bribes as a rule although there are also principled judges and a further 20 percent said that even these principled judges would react to pressure on particular cases. Interestingly, the most pessimistic choice—indicating that practically all court decisions are made for a bribe or under pressure “from above”—was also the least popular, at 7 percent. The remaining 18 percent of respondents were “don’t knows.” It is also indicative that in response to the question, “If you were to have a case considered before a court, and, in your opinion, it was unfair, which of the
following would you most likely do next?” 33 percent of respondents said they would go to a lawyer for advice about further action, 14 percent would appeal (place a complaint about the carrying out of the trial or judge’s decision to higher authorities), and 9 percent would go to an independent human rights organization (for more details and regional distribution of data, see Ledeneva, 2008a).

Legal experts whom I interviewed in Russia largely agree on the following: although it is ridiculous to suggest that every court case in Russia is decided according to directives from above, ways to influence a particular case can be found if needed. In other words, pressure does not have to be pervasive to be fully effective. Moreover, the form of influence can be chosen according to the personality of a judge. Court chairmen have a variety of ways of dealing with noncompliant judges known for their personal integrity. Importantly, direct forms of influence might not even be necessary where the dependence of judges on court chairmen facilitates self-censorship—the “chilling effect.”

The difficulty with tackling telephone justice is that it relies upon informal rather than formal means—this is the point of the telephone call, as opposed to written communication. How can such a challenge be tackled by formal measures or legal reforms? Medvedev’s proposed working group will introduce new legislation and measures to push forward judicial reforms such as ensuring the financial independence of courts from local authorities, providing security and social protection for judges, and eliminating administrative influences on judicial appointments and disciplinary procedures. Most such measures have been initiated before and have not thus far separated the judiciary from the executive branch of power. It might be the case that patterns of informality should be tackled informally, by the power of oral command, thus turning the informal system against itself. Just as in July 2000 Putin redefined the rules of the game for oligarchs by warning them not to meddle in politics, from May 2008 Medvedev could have been sending “oral commands” (at least to his own presidential administration) not to meddle with the courts.
**BLAT APPOINTMENTS**

In July 2008 President Medvedev raised concern over appointments through personal contacts or by payment—“blat appointments.” He suggested the creation of a national database of public administrators and a presidential quota for appointing professionals (Viktorova, 2008). In a comment to *Komsomolskaya Pravda*, the leader of the Liberal Democratic Party of Russia (LDPR) faction in the Duma, Vladimir Zhirinovski, claimed that the trade in appointments is a national practice and revealed the pricelist (which, notably, did not include the price of a place on a party list for State Duma elections). His estimates included: from 5 to 7 million euros for a position of a governor; from 5 to 7 million euros for a seat in the Federation Council; between 3 and 4 million euros for a federal service leadership position or for head of a department (Viktorova, 2008). A representative of the committee to fight against corruption, Anatoli Golubev, said these figures are realistic but also added that the price depends on the level of contact though which the appointment has been lobbied (Viktorova, 2008). Contacts are the key dimension of appointment procedures, and the figures are indicative not only of the expectations of the return on the “investment” for the appointee, but also of the kickbacks to the person who had helped with the appointment.

The role of contacts for public administration appointments seems to be much more prevalent than professionalism, which is said to be the reverse of the business sector. According to a survey of 170 Russian top managers and owners of large companies in different sectors that was conducted in 2004 by a headhunting firm, *Rosekspert*, and the Association of Managers of Russia, contacts have been ranked relatively low (5.84) and in eighth place in comparison to the top three factors of success: professionalism (2.64), leadership qualities (3.08), and education (3.67), with the rank of 1 being given the most important factor for success in business (Promptova and Chernov, 2004). Ten years earlier, data from the All-Russia Center of Study of Public Opinion (VTsIOM) confirmed that contacts were the key factor for success. Authors of
the survey interpreted the decline in the role of contacts as a function of the rise in competitiveness—not a solution for public administration. Qualitative data from the same survey, however, suggest that it is impossible to separate, for example, education from professionalism, and from contacts (Promptova and Chernov, 2004). There has been a change in the meaning of “contacts” as well. If in the 1990s the entire business sphere worked on the basis of prior existing relationships and trust—what used to be called blat—the development of markets since then has resulted in the need to expand contacts which implies networking skills rather than blat.9

Personalizing appointments in public administration has more functions than simple channeling of information or help with obtaining a job. Blat appointments tie up appointees with informal commitments to the boss and the contact who recommended him/her (lichnoe poruchitel’stvo). Again, in societies where loyalty is the essential operating principle in public administration with rewards distributed through the system of perks and informal payments, an independent professional with whistle-blowing potential is unemployable. In this context, personal networks substitute for professionalism or complement it with informal control. As opposed to open networks of independent agents, based on professional expertise as well as making the most of a formal context, kin and social networks in Russia function in a pre- or anti-modern way to enforce loyalty and compliance with the informal ways of getting things done (Rose, 2001, 2007), which is now largely appropriated by the elites and the new middle class (Ledeneva, 2008b).

My research shows that informal practices, especially those based on interaction between public administration and business or banking services, are essential for the operation of both the formal and informal economy and for compensating for the defects of impersonal systems of trust in Russia (Ledeneva, 2006). Informal payments—kickbacks (otkat)—have become the core modus operandi of the informal exchange of favours and imply a high degree of interpersonal trust (loyalty, dependence) in informal transactions. According to Alexander
Chepurenko, of the Higher School of Economics, state officials accumulate significant economic resources by combining rent-seeking behavior and the corresponding income from “administrative rent” with entrepreneurial activities and profits received by their family, relatives, or associates. In his view these rents, drawn from the use of “administrative resources,” are the hidden foundation of the growing middle class in Russia today. Correspondingly, the social stability associated with the middle class is rather specific, since it is based on shadowy rental incomes that state officials squeeze out of their positions in formal and informal hierarchies—“in other words, bribes and kickbacks” (Iusupova, 2007).

At the top end of the spectrum of kickbacks is rental income associated with state capture. According to expert estimates, “governmental services” include: “introduction of an entry into the budget (from 4 percent of the allocation); signing of additional export quotas (from 10 percent of market value); kickbacks for the signature of a state order (20 percent of the sum); transfer of a budget allocation (from 5 percent of the sum); kickbacks for the export of cheap gas (50 percent of the difference between the market and agreed price)” (Davydova, 2006).

Actual numeric estimates are not as important as the identified patterns of services—the informal practices that penetrate all branches of power. In the legislative branch, so-called deputy’s services (deputatskie) include: custom-made legislation (from $0.5 million); introduction of draft legislation for consideration in the State Duma (from $0.5 million); introduction of amendments to legislation (from $0.2 million); adoption of legislation on tax, customs tariff, and customs regulation (from 10 percent of potential profit); a vote in favor of a certain outcome (from $2,000 per vote); organizing a deputy request to the General Prosecutor’s Office (from $50,000) (Davydova, 2006; see also Nemtsov and Milov, 2008).

Judicial institutions and law enforcement agencies equally come under pressure from economic actors pushing for favorable court decisions and other services. The pricelist includes: initiation of a legal case
against a competitor—from $100,000; “purchasing” a court decision on the confiscation of assets—from $50,000; initiating a decision on the freezing of a banking account or its reversal—from 30 percent of the sum; facilitating the outcome of a commercial dispute in an arbitration court—from $50,000; the freezing of assets—from $30,000 (Davydova, 2006).

At the bottom end of the spectrum (as estimated by a member of the public an anticorruption sites), the monthly pay for a small firm is around $1,000. It serves to “establish contact” with various controlling organs (technical safety, sanitary inspection, police, fire inspection, local authorities). The actual sum depends entirely on the size of the company and its location. But multiplying an average of $1,000 by the number of firms registered in Moscow, a very rough estimate, amounts to $200 million monthly, which is about $2.5 billion a year (Forumfontanka.ru).

INDEM research breaks out the actual payments in more detail. Although half of approached businessmen refused to share their experience with corruption, the answers received to a question about the share of bribes in the monthly turnover of their firms suggest that 25 percent of companies pay up to 5 percent of their turnover; 13 percent of firms from 5 to 10 percent; 5 percent of firms pay from 10 to 20 percent; and 2.5 percent pay state officials as much as 20 to 50 percent of their turnover (Satarov, 2005). This research shows that kickbacks vary from 10 percent on deliveries of IT equipment to 50 percent on orders for scientific research. The formal side is preserved: there are open competitions and tenders. State officials might delegate writing the IT task description to a computer firm that will eventually win the tender but reserve the right to request the appropriate kickback in the event of allocating budget funds to that particular firm. The task of the IT firm is to complete the task under budget. The majority of IT services to state-run companies such as Gazprom or RAO UES are loss-makers. The benefits come from their affiliation with the big names, not their actual contracts with them, the report states (Satarov, 2005).

Given the economic rational for and dependence on kickbacks, there is little wonder that administrative reform in Russia is struggling
and that the principles of separation of powers and the rule of law are not operational. Yet the impact of informality is not seen as exclusively negative. One cliché about corruption in Russia is that the economy would not be able to work without it—the problems associated with the administrative reform, “administrative rent,” and the independence of the judiciary have to be resolved before anticorruption policies become effective. In the meantime, informality can be an effective policy tool. Russian leadership is known for imposing “corporate responsibility” and using informal leverage to promote the modernization agenda and to achieve strategic goals. In the long run, however, informal tactics undermine the fundamental principles of the rule of law, separation of powers, and secure property rights; ultimately, they compromise the chance of reaching strategic goals of modernization. This is the "modernization trap" of informality: one cannot use the potential of informal networks without the backdrop they entail. For example, just as it was easier for Medvedev to become president, it is harder for him to consolidate his own power base. Whereas networks of power enable their participants to mobilize resources effectively in the short term, they also create long-term lock-in effects that are detrimental to Russia’s modernization.

NOTES
1. Some governments have sold offices to raise money. This was true, for example, of judicial positions in eighteenth-century France and of commissions in the army and navy in most European countries in the nineteenth century. As the vested rights of officeholders were an obstacle to reorganization and an impediment to efficiency, they were bought out or expropriated with compensation.
2. Since the collapse of the Soviet Union, a seventh paradox has been coined: everybody voted unanimously but the system has collapsed anyway.
3. A further challenge is to expand comparisons of developing countries into industrialized democracies and to establish whether the role of informal networks in the latter diminished and in which ways;
to analyze impact of informal networks on society in the context of modernization; and to discover still existing functions of these networks in, for example, the United Kingdom.

4. In fully-fledged markets one can envisage its relevance for the world of gatekeepers paying each other for access to nearly every aspect of human life (as portrayed by Jeremy Rifkin [2000], where the institution of ownership transforms into “life-long access” to services).

5. Transparency International’s annual index (CPI) measures the degree to which corruption is perceived to exist among a country’s public officials and politicians. It is a composite index, drawing on 17 surveys from 13 independent institutions that have gathered the opinions of businessmen and country analysts. The scores range from ten (squeaky clean) to zero (highly corrupt). A score of five is the number TI considers the borderline figure that distinguishes countries that do and do not have a serious corruption problem. See <http://www.transparency.org/cpi/>. In 2008, Russia’s CPI score was 2.1 (which placed it as 147th of 180 countries included in the index).

6. Timothy Colton’s comment on the paper I delivered at the Postcommunist Comparative Politics Seminar at the Davis Center, Harvard University, October 31, 2005.

7. I have assembled the list of idioms from the novels by Pavel Astakhov.


9. Opinions differ on the impact of blat on job markets. Some anecdotal evidence suggests that job markets are predominantly dependent on the use of blat (a recent advertisement noted that “if you don’t have blat come to a job center”). Another view is that professionalism is essential for big and international firms, where employees are meant to be competent and hardworking, but senior managerial positions, especially in the state-owned enterprises, invite competition not only in professionalism but also in contacts (Elena Nesmachnaya, “Ego velichestvo blat,” Pravda Severa, 2006-03-09).
10. Oleg Deripaska, one of the ten richest people in Russia, openly admitted that one has to be subservient to the Kremlin’s wishes; in the context of the future of his RusAL assets, he remarked that “If the state says we need to give it up, we’ll give it up” (Financial Times, January 23, 2008).

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