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Simon Kordonsky

**SOCIO-ECONOMIC FOUNDATIONS
OF THE RUSSIAN POST-SOVIET
REGIME**

The Resource-Based Economy and Estate-Based
Social Structure of Contemporary Russia

With a foreword by Svetlana Barsukova

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Foreword

Do not delude yourself. Our market and the classes it generates languish in the shadow of a resource-based economy socially organized as a system of estates. In an extremely concise and simple way, Simon Kordonsky's views can be reduced to the above assertion. I suspect it is "simple" for me, because I have read his book **Socio-Economic Foundations of the Russian Post-Soviet Regime**. For the readers, I would like to highlight the key aspects of the work. However, trying to convey Kordonsky's idea, I am constantly tempted to present my own views on the subject. Retelling any good book is a challenge, since it trains the mind rather than the memory.

The author distinguishes two analytical models—the market and resource-based economy. Classes form the social foundation of the market, whereas the social structure of the resource-based economy is reduced to a hierarchy of social estates. The competitive creativity of the market—economists call it competition—generates new products (resources). The successful get richer, the losers get poorer. This determines the division of people into classes distinguishable obviously by their consumer behavior.¹ The people themselves clearly and uniquely identify themselves in this space, since such classes are levels of a consumer hierarchy.

1 Here we should mention that the concept of "class" has a long and complicated intellectual history. At times, when it found its way from scientific treatises into the consciousness of the masses, this history was even bloody. It is sufficient to recall the different meaning attributed to this term by Karl Marx and Max Weber. Simon Kordonsky, however, is an author without reverence. When he believes something is "off the point", do not expect an honorable place in the footnotes. He takes the concept of class from the works of American functionalists (1930s) without lengthy explanations about other usages of the word. Readers spoiled by education are at times challenged. They are haunted by Karl Marx's politicized and revolutionized classes derived from the ownership of the means of production, as well as classes supplemented by parties and statuses in Max Weber's three-component model. For Kordonsky, however, what people themselves perceive as social demarcation is far more relevant than what is written in books. And the people, watching and comparing consumer models, quite distinctly divide the world into the rich, the poor and those in the middle. Noting this, American sociologists applied the already occupied term "classes" to such groups.

However, there is another algorithm—to concentrate resources in a single center and distribute them to those who by deed or word have proved their usefulness to society, or in other words, to the state, which are fundamentally inseparable in this scenario. O. Bessonova calls such an economy distributive, since relations of "give-receive" rule the day rather than the simplified market motto of "buy-sell".² S. Kirdina paints a similar picture. She distinguishes two types of "institutional matrices" with characteristic economic, political, and ideological components.³ Kordonsky defines such an economy as resource-based, emphasizing the fundamental importance of dividing resources among the estates as the core process of social life.

The market economy is balanced through the pricing mechanism. The resource-based economy has other signal channels forcing the center to adjust the "distribution" mechanism. When in the process of distribution somebody's interests are ignored or somebody appropriates what he is not entitled to, complaints flow to the center, and the mechanism is adjusted using techniques specific for the period—from cutting heads to criticizing at communist party meetings. When the tide of complaints ebbs, the "distributive" mechanism is considered to be "socially fair", which means that the majority of people agree that different activities receive resources commensurate with their contribution to the common cause of serving the state.

Service, not labor is compensated in an estate society. The difference is fundamental. One can work a lot or not much, but one can serve only well or poorly. Ultimately, market behavior targets new consumption peaks, thus implying quantitative measures of labor and

2 When in the midst of radical "market construction", in the 1990s, O. Bessonova wrote about the imminent reinstatement of the "distributive economy", she was reproached for not seeing revolutionary changes of the reality because of the commitment to her idea. Now there is little doubt that the idea was worth it. And the reality lived up to the idea; it was just a question of waiting some 15–20 years; see: Bessonova O.E. 2006. *The Russian distributive economy. Evolution through transformation*. M.: ROSSPEN.

3 According to S. Kirdina, the institutional matrix of the "Western" type is characterized by a domination of private property, democracy, and supremacy of "I" over "we", whereas the triad of public property, authoritarianism, and the unconditional subordination of "I" to the will of "we" constitute the institutional base of the "Eastern" matrix; see: Kirdina S.G. 2000. *Institutional matrices and the development of Russia*. M.: Teis

performance. Estate service transforms the notion of labor into performance of duties imposed by the society. Therefore, the nature rather than the measure of labor is important, because the nature of service holds a code to the individual's social status, rights, duties, privileges, moral norms, and relations with law. Poor service is fraught with downgrading. This is likely to cause a decline in income—not because there is less work in a lower position, but because the service is less responsible. Labor is paid, and service is rewarded. The rewarded are people who serve. They are divided into *estates*—groups that have different responsibilities to the center (sovereign) with a respective differentiation in rewards and rights. Some serve the state "directly" (at present, these include prosecutors, judges, police officers, the military, state civil servants, etc.) and are referred to as *titular estates* with numerous internal rankings. They have visual insignia (uniform), formal evidence of belonging to the services (official IDs), legislatively stipulated privileges (e.g., deputy immunity from prosecution), and informal regulators of estate behavior. Some serve "indirectly", providing conditions for the activity of the service estates (doctors, teachers, scientists, lawyers, the clergy, prostitutes, and others)—these are the so-called *non-titular estates*, the second echelon of serving people with an appropriate prestige and pay. A class hierarchy relates to the world of consumption, whereas an estate hierarchy—to the space of rights and privileges.

Various activities, such as collecting and inventorying resources, ensuring their integrity, jailing or frightening those who attempt their unauthorized "carve-up", protecting from the enemy, and others, determine the diversity of the estates' functional designation. However, this visible distinction in the types of activity conceals a single driving force of every service—to demonstrate exceptional usefulness for the general cause, irreplaceability, and, with luck, the ability to replace others, which eventually determines the amount of resources allocated to an estate. Please note: not in proportion to the work, but according to the significance of the service. The activity of the estates is not focused on creating resources (what determines market activity). Instead, it is focused on redistributing ("carving up", as the author of the

book calls this process) the available resources and expanding the space of rights and privileges stipulated by law or tradition.

In the modern world, neither the market, nor the resource-based economy exist in pure form. They *coexist*. For several centuries, we have been looking up to countries with a sustainable balance between the market and "distribution", where market activities dominate. The estates remain, but belonging to them is more a question of prestige than income level. Due to the domination of market principles, classes triumph over estates. In particular, wealth is no longer linked to the estate status. An aristocrat may be poor. In an estate-based society, however, the hierarchy of estates influences the income of their members. A high-ranking official cannot be poorer than members of lower-ranking estates. At least, that is what he believes. Similarly, a police officer is certain that enforcing law and order is more important than engaging in "buying-and-selling". Simply, he establishes this law and order for the benefit of private clients rather than as a public benefit. However, since no one formally recognizes the triumph of service hierarchy as the core principle of social organization, servicemen are forced to "restore social justice" by all means, even risking to be prosecuted for various "abuses".

In Russia, the resource-based economy dominates, giving up its positions only when the existing resource distribution patterns collapse or the resources run out. However, as soon as market initiative starts bearing fruit in the form of an expanding resource base, the service estates reinstate their positions. Principles of the market and resource-based economy coexist in diachrony, i.e., the periodic brief triumph of the market gives way to long-term concentrated "carve-up" of resources behind the facade of zealous service. "...This produces the phenomenon of cyclicity in Russian history—a certain 'groundhog century'".

The social map of present-day Russia is extremely mixed: relict estates of bygone ages loudly claiming what they believe "they are entitled to"; newly established estates mobilized to fight the "threats of the XXI century", real or imaginary; and classes desperately trying to

break free from the web of estate exactions.⁴ The latter find themselves in a difficult position—from every podium they hear assurances that "we are building the market", but actual experience and calculations indicate some other reality. Governed by the simple principle to call a spade a spade, Kordonsky provides a name for this reality. Estates engaged in "carving up" resources—that is the essence of our social life. What we call politics out of habit, is the process of finding a compromise to align the interests of classes with the resource appetites of the estates through mechanisms of political and economic lobbying.

"I believe that Russia is a country where the estate world order based on inequality of citizens before the law and different rights and obligations to the state dominates in times of stability, when there are no revolutions or reforms. It was and still is a resource-based state where the resources are not increased but distributed—shared between the estates. Resource growth is achieved by an 'expansion of the resource base' rather than through production of goods and turnover of capital".

The shadow economy of the USSR

The general theory provides a rather interesting explanation of the phenomenon, which the official lexicon refers to as the shadow economy of the USSR. Centralized planning implied complete triumph of the resource-based economy—the people were supposed to live within the space of benefits to which they were "entitled". Besides pay, they were entitled to lots of other benefits determined by their estate status—health resorts, departmental pioneer camps, and others. The revolutionary slogan "Land to the peasants, factories to the workers" was replaced by stipulated rights to a legitimate part of the estate rent—rations for the military; "feeders" for scientists; Black Sea resorts for those engaged in the defense industry, subsidized utility tariffs for

4 Research performed by O.I. Shkaratan and colleagues confirms that social stratification of contemporary Russia is a web of estate-based hierarchy and elements of the class structure; see: Shkaratan O.I., Yastrebov G.A. *The social and occupational structure of Russia's population*. Mir Rossii. 2007. No. 3, pp. 3–49.

police officers, etc. Apart from centralized channels, scarce benefits were also allocated through trade unions, which in fact acted as consolidators of the estate system.

Recollections of my life in Novosibirsk Akademgorodok (Academic Town) abound in such details. Candidates and doctors of science bought food in various closed distribution outlets and had only a vague idea about the food basket of their colleagues with a different estate status. By the way, students with young children got the same shopping opportunities as candidates of science. In terms of demographic policy, this measure was much more effective than the current maternity capital. "Non-core" servicemen (doctors, teachers, and drivers) purchased in ordinary shops, this being a much clearer manifestation of their "backstage" position than the difference in salaries. Housing conditions also differed formally. Defending a Ph.D. thesis gave non-resident scientists a high chance to move from the dormitory to a tiny apartment (Khrushchyovka); a doctoral thesis meant keys to a spacious apartment; and the title of academician transferred its holder to the only street in town built up with villas. This differentiation was absolutely legitimate, since the so-called *earned income* consisted of salaries in conjunction with legitimate estate privileges.

However, unfortunately for the architects of this coherent tower of estate differentiation, the people did not want to limit themselves to earned income. They wanted to storm consumer heights, to consume in excess of what they were "entitled to". The Moral Code of the Builder of Communism and repressive legislation forced people to conceal such aspirations, but did not block them. In a market economy, competition in consumption implies competition in labor efforts with free access to a variety of resources. In a resource-based economy, the only way to exceed the limits of consumption determined by estate affiliation was to divert the resources allocated by the center—in other words, to apply a creative approach to the formally designated methods of their circulation. Diversion of resources, including their theft, constituted "Soviet-style business", or, more conventionally, the shadow economy of the USSR. In other words, estate logic governed access to resources, but Soviet people used these resources like ordi-

nary representatives of a class society, i.e., according to their own socio-economic interests.

Only repression could curb such aspirations. Cruel and widespread repression, when fear paralyzes. Because the desire to live is stronger than the desire to live well. Shadow economy as a widespread phenomenon with an extensive involvement of the popular masses did not exist under Stalin. The ideological component, enhanced by the talent of creative intellectuals of that period, also played its role. The "law of three spikelets"—that was the nickname people gave to the decrees of 1932 and 1947, which allowed the authorities to punish anyone who encroached on the property of enterprises or harvest from collective farm fields, regardless of the age and hunger of the pilferer. How should they have been afraid to joke like that! By the way, at that time Sergey Prokofiev was composing the music to the *Three Oranges* ballet. Genuine equality—some get "three oranges", the others—"three spikelets".

After Stalin's death, the machine broke down. Everyone tried to benefit from the resources available to them. Do not think that we are talking only about directors of food stores. Everyone had at least a resource of working time paid for by the state. Since the people served or supported service rather than worked (that was the main reason for regular failure to implement economic self-sufficiency and various forms of self-financing), their earnings depended more on the place of work than on the measure of labor. An adjuster of equipment at a defense enterprise received substantially more than his counterpart at a garment factory did—not because sewing equipment was less complicated, but just because defense was more important for socialist construction. A good position meant no need to sweat. If the position was not especially good, any extra efforts on the job were even more stupid. People received their legitimate part of the estate rent not for the quality of their labor, but for the fact of belonging to a social group. Therefore, they tried to reduce the measure of labor as much as possible. "Top performers" were an exception. They demonstrated the real possibilities of the resource base available to everyone, and for that reason were disliked (to put it mildly) by their colleagues. In fact, the top performers were no different from the other

workers—they all tried to make use of the marginal utility of the resources allocated from above. Only the ones surrendered the results of their creative efforts to the state, whereas the others kept them to themselves. That was the only difference. For example, you can plow an additional kolkhoz field in excess of the norm, or you can plow your own or your neighbor's land plot. Please note: using the allocated equipment, fuel and lubricants. The state will express its gratitude in the form of a bonus or commendation, whereas the neighbor will share his future crop or pay in booze on the spot. The implementation of this multi-factor model gravitated toward the shadow economy.

"Using working time for personal purposes" was the most common Soviet-style pilferage, because working time was the only resource, which the state provided to everyone. The other resources were differentiated by estates, thus also differentiating the amounts and algorithms for converting them into so-called *unearned incomes*. The potential for such conversion was no less important for evaluating a job than the associated earned income. The famous alienation from labor, which Karl Marx attributed to capitalism, was overcome under socialism in a peculiar manner: people experienced an "alienated" indifference to the process and results of labor, but treated the resources allocated for these purposes, as their own.

I cannot refrain from memories. In the 1980s, for the purpose of labor education, high school students spent one day per week at industrial training facilities, where they were supposed to acquire occupational skills. Once there, the coaches briefly instructed them and sent out to work, thus filling the gaps in the personnel policy. The humor of the authorities consisted in the fact that, for example, training for the occupation of a "chemical engineer" actually meant standing at the conveyor of a chemical-pharmaceutical plant in the role of a bandage packer. The pay for all types of work was purely symbolic. So, the schoolchildren "chose an occupation" based on the opportunity to appropriate something at the workplace. For the first time in my life, I was demotivated in my studies—as top of the class, I was sent to master the occupation of a "chemical engineer", whereas the underachievers became sales personnel in food stores. Justice, nevertheless, prevailed—they have eaten their stolen cream a long time ago,

whereas my bandages will last for ages. Senior comrades showed sophisticated ways of "shoplifting" through the checkpoint. That was the essence of Soviet-style introduction to labor.

It is indicative that the legislative amendments that accompanied Khrushchev's "thaw" were by no means liberal. The authorities had to take tougher measures, because as repressions slackened, the shadow economy broke out. The people, however, chose to live under the motto "You can't catch us all" and enhanced the skills of living in two parallel economic worlds—the official and shadow economies. Actually, these worlds were not parallel, since they intersected. The main intersection was the common resource base, access to which was determined by the estate status. The weakening ideological component of the regime also played a role in the growth of the shadow economy. Because of the intelligentsia's key intellectual project—de-Stalinization (esthetically as talented as the former praising of Stalin's victories),—the ordinary people were disillusioned with the idea as such, which gave them reason to morally justify economic sabotage against the state.

Here it turned out that the estates differ not only by the amount of pay and benefits, which constitute their legitimate estate rent. The main and decisive factor of their stratification is the ability to distribute resources. Distribution of resources is the essence of power in an estate society. Kordonsky introduces the notion of *administrative currency* as a measured right (legitimate or illegitimate, legal or illegal) to influence the alienation and distribution of resources, which gives its holder access to a variety of benefits. Administrative currency was a side effect of the estate order. Real power was measured not by the list of official functions, but by the capacity to influence the trajectory of resource flows. Thus, a letter on a Communist Party letterhead carried more weight than that on a letterhead of the Soviet authorities. This indicated the actual rather than the declared hierarchy of the party and the Soviets. The key informal rule of the resource-based economy reads as follows, "Do not have a hundred rubles, but have the right to allocate them". Since everything was being allocated—specialists, tractors, holiday vouchers, medical drugs,—the field of administrative bargaining buzzed like a beehive.

We should not think that self-interest was the only driving force. Quite often, administrative bargaining was the only way to fulfill a plan imposed from above. Similarly, it was often the only way to raise resources for a particular region, because the construction of a new facility in the area served to develop the transport and social infrastructure, create jobs, and, consequently, enhance the positions of the regional leaders in their negotiations with the center. Therefore, the reasons to participate in administrative bargaining could vary, reaching far beyond simple enrichment through theft of allocated resources.

Two segments were clearly distinguishable in the shadow economy of the Soviet period: spontaneous shadow activities of particular individuals (pilferers, speculators, black marketeers, etc.) and large-scale activities organized by tsekhoviki (illegal entrepreneurs who set up production of scarce goods). The former were distanced from the authorities in the sense that the authorities were not "in on the act"; they did not purposefully allocate resources for shadow utilization. Therefore, pilferers and speculators were caught, denounced, expelled, criticized, that is, condemned in a variety of ways.

Tsekhoviki, on the other hand, were the blast furnace for smelting the "administrative currency" into the consumption level of the power elite. Therefore, they were caught only under campaigns aimed at removing a stratum of the governing nomenklatura to clear the space for new contenders. Sometimes, however, the proceedings revealed details not anticipated by the initial scenario, when traces led to offices that were not supposed to be disturbed. Closed court hearings served as insurance against such unexpected revelations, which gave Themis the chance not to punish beyond the allowed level. Setbacks occurred only shortly before the collapse of socialism, when unruly journalists, commissioned by intra-party factions, made public some top-level cases.

The case of the "knitwear manufacturers" at the time of the Krushchev "thaw" illustrates the close links that tsekhoviki had with the authorities.⁵ That was a high-profile case both by the severity of the sentence, and the scandalous nature of the revelations. The beginning

5 See: Evelson E. 1986. *Court cases on economic crimes in the USSR (the nineteen sixties)*. London: Overseas Publications Interchange Ltd.

was quite innocent. Believing in the ennobling force of labor, psycho-neurological clinics introduced occupational therapy for patients in the format of "medical-labor departments". Thus, they were allowed to produce knitwear, which was extremely scarce at the time. For this purpose, they were allocated raw materials and equipment. The doctors, however, had neither wish nor skills to engage in knitwear manufacturing; the machine tools slowly corroded, and moths fed on the wool. The situation changed dramatically with the appearance of a certain Roife—resourceful native of Bessarabia. He undertook to arrange the process, thus earning the gratitude of the doctors, patients, and superior organizations. Soon it became clear that a smart approach could turn this activity into a real bonanza. A creative use of raw materials and equipment generated unaccounted output. This was achieved by using smaller clothing patterns, adding synthetic yarn, adjusting the machines to produce looser jersey fabric and so on. The enterprising manager arranged deliveries of functioning machines under the guise of decommissioned ones and high-class raw materials—under the guise of cheap ones; he replaced the patients with free laborers whose employment records were filed with some personnel department. Production grew and soon expanded beyond the hospital walls. Please note: no one stole the machines and raw materials from state warehouses in the dark of night. They were obtained quite legally. And the knitwear was sold not on the black market, but through state-owned stores with the traders getting their share of the pie. Arranged police escorts served to avoid undesirable inspections on the road. The investigation revealed that representatives of different agencies, including rather high-ranking officials, were involved in the "knitwear manufacturers" case. These included deputy ministers, senior functionaries of the State Planning Committee, store administrators, and law enforcement officers. Capital punishment was a reaction to the scale of the business, but also served the purpose of burying the witnesses of the system's total corruption. That was a high-profile case, but it was not unique. A similar pattern existed in Georgia in the 1960s. It involved producing fashionable clothing from capron fabric.

Only naive romantics could regard the tsekhoviki as market petrels, as economic rebels fighting the system. In fact, they were asso-

ciated with the system by the resource-based principles, not to mention the fact that shortage of goods generated by centralized planning guaranteed high demand for their products.

Although generated by the Soviet order, the tsekhoviki, nevertheless, accelerated its end. Using the "administrative currency" of government patrons to build their businesses, shadow entrepreneurs destroyed the foundation of the society—the estate system, because they promoted the emergence of classes, which differed in the space of consumer hierarchy regardless of the estate status. "The class structure is like cancer for the estate organization of a society-state". A military officer was now worse off than a "huckster" was because shadow processes adjusted the initial distribution of resources between them (earned income, including the legitimate part of the estate rent). This destroyed the people's confidence in social justice, which an estate-based society understands as distribution of benefits according to the significance of state service.

Perestroika set in—a time when a new estate topography started emerging. This always happened at times of unrest and revolutions.

Contemporary Russia: re-emergence of the estate system

The reforms of the 1990s, quite reasonably referred to as market reforms, changed the Soviet estate order irreversibly, because service in the USSR consisted in building socialism—communism. This affected both titular and non-titular estates. Numerous communist party functionaries, teachers of scientific atheism, State Planning Committee employees, and other direct servitors of the discarded idea had to seek a new place under the social sun. Activities neutral to the communist idea also lost their former status. The abundance of goods "downgraded" commercial workers and trade unionists; the military lost their aura of saviors of the Motherland (which since the days of Lenin had been in constant danger) and dragged down the social ladder workers of the defense enterprises. New laws and broken traditions changed the existing estate order, thus depriving people of social guidelines.