

From Sovietology to Comparative Political Economy

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In the opening issue of *Post-Soviet Affairs*, its editor, George Breslauer, surveys Sovietology under the daring title "In Defense of Sovietology." He opens auspiciously with summaries of two opposed perspectives within Sovietology—the "totalitarian model" of Martin Malia and the "societal model" of Stephen Cohen. But rather than engage in their debate, he dismisses them both for misreading the history of the field, which, he asserts, is much more ecumenical and diverse than either allow. He proceeds to locate Sovietologists in an impressive typology, according to their images of state and society. He concludes that, if there is a central debate, it is between inductive studies of microcomponents of a political system and deductive projections of a macrosystem's evolution.¹

Thus, Breslauer's attempt to set the historical record straight turns out to be strangely ahistorical. It is as though nothing has happened in the last three years. To an outsider it seems to be a case of fiddling while Moscow burns. Instead of adjudicating between two major orientations to Soviet development in the light of recent world historic events, or instead of presenting his own alternative perspective, Breslauer scolds these gladiators for caricaturing the field. My problem is not that Sovietology failed to anticipate the collapse of communism. Indeed, the arguments of many suggested that the Soviet order could not last. No, my complaint is that in Breslauer's review of Sovietology there is little attempt to come to terms with that collapse, let alone use past studies to project where Russia and the other former republics may now be going.² How is it that a defense of Sovietology ends up being a celebration of its irrelevance—in short a crushing indictment?

Debates Locked in the Past

Rather than dismiss the clash between "societal" and "totalitarian" perspectives, I reexamine each for the light they shed on Sovietology's difficulty in grappling with the transition from socialism to capitalism. Martin Malia and Moshe Lewin are two celebrated historians, strongly

identified with opposed views in the debate. Moreover, Malia's "From under the Rubble, What?" and Lewin's essay in this volume represent their attempts to come to terms with the present. As will become apparent, although the disintegration of "communism" is at the center of their concerns, strangely neither has much to say about the present, let alone about the future. This first part of the paper asks what it is about Sovietology, that might contribute to such silences, while the second part sketches out an approach, which I loosely call "comparative political economy," to studying contemporary transformations in Russia. In so doing I take up Breslauer's challenge to integrate deductive theorizing about systemic change with more inductive case study analysis of processual change.

THE REHABILITATION OF TOTALITARIANISM

Martin Malia's essay simultaneously diagnoses the dissolution of the Soviet Union and the failure of Sovietology. He pursues a relentless denunciation of revisionist Sovietology for giving too much credence to the liberalizing and rationalizing tendencies of the Soviet order. Revisionism's worst offenders dared to imagine historical possibilities that would have taken the Soviet Union toward a market socialism or social democracy. Others, almost as heretical, defended such intimations of modernization as "developmental authoritarianism" and "institutional pluralism." Moshe Lewin, in particular, faces the drums for suggesting that perestroika laid the basis for democratization.

The point is made that Gorbachev introduced *glasnost'*, parliament and elections, and these reforms depended upon the Soviet regime's earlier success in industrializing, urbanizing, and educating the country—a position that derives from the corpus of Moshe Lewin's writings, as these are summed up in his *The Gorbachev Phenomenon* of 1988. In short, despite all the acknowledged horrors of communist history, the system produced the resources for transforming itself. Thus, Russia's transition to democracy was an evolutionary, not a revolutionary process.⁴

For Malia the collapse of communism was the real revolution—a fundamental break with the singular, monolithic order that encompassed the entire Soviet period. In his view the idea of socialism is a contradiction in terms and the attempt to build it is profoundly irrational. It could not possibly contain the seeds of self-transformation in a democratic direction.

For Malia, then, there is nothing modern about Soviet society. It was

a totalitarian society, unreformable and untransformable—a monstrous order whose goal was “building socialism” and whose means were the dictatorship of the apparat. It could only be *sui generis*—“a qualitatively new departure in human affairs.”⁵ Extinction was inscribed in its genetic code “born of the October overturn of 1917.”⁶ It was only a matter of time before the mythology of a radiant future would be revealed as a lie and the Soviet edifice would collapse under its own contradictions. Far from rejuvenating communism, as the revisionists thought, perestroika killed it and thereby demonstrated that Soviet society was incompatible with any modernizing tendency. The extinction of totalitarianism leaves post-Soviet Russia free to move forward to the freedoms of markets and democracy.

In trying to dispel one mythology—the Soviet Union as a modernizing society—Malia is forced to create another, the mythology of total destruction. The mythology follows from the denial of any autonomous realm for the social.⁷ The Soviet order is reduced to a combination of “partocracy” and ideocracy,⁸ that is, to the dictatorship of the party in the service of building socialism. The dissolution of the party, therefore, is “tantamount to dissolving the system itself,”⁹ and abandoning the “idea of socialism” signals the collapse of its moral order. Thus, the real Russian Revolution took place not in 1917 but in 1991 when communism “came crashing down in one all-embracing revolution.”¹⁰ “The basic components of the system—the party, the plan, the police and the Union—were not transformed; they were abolished, and in the short span of three months after August.”¹¹ And what was left? “Communism left in its wake, as a poisoned legacy to the democratic August Revolution, nothing but rubble—in the most literal sense of that word.”¹² But the evidence of the senses suggests otherwise. Anyone who ventures into Russian society knows there has been no revolution. The party may have formally disappeared, but its leadership is still in power. Liberal democracy may reign, but it has limited relevance so long as the apparat rules. To be sure, “building socialism” is no more, market ideology abounds, the streets have become bazaars, and galloping inflation has replaced old securities, but the old administered economy has been slow to change. Indeed, as I shall argue, the Soviet economic order has, in specific ways, even consolidated itself. The union remains, if not on paper, in the continuing economic ties that were established over seventy years. As to the police, they may be muted, but Malia deceives no one in declaring their abolition. In the conventional meaning of the word, therefore, there was no revolution in 1991. This is the first time a regime has collapsed without being followed by revolution. Massive mobilization and extension of political

participation—the hallmark of revolution and certainly the hallmark of the period between February and October 1917—is simply absent both now and before August 1991.

Malia, of course, is not concerned with what is actually going on in Russia today. He is interested in celebrating the collapse of communism and the advent of a world made safe for private property, the market, and liberal democracy. He talks piously of a “normal society” arising from the rubble of the old but has no way of gauging the road forward to “true modernity” because he has no point of departure, because in his totalistic view all the institutions of Soviet society collapsed together and at once.¹³ Thus, the first mythology he creates, that of total destruction, ineluctably gives rise to a second mythology—the utopian fantasy that Russia can be whisked up into modern capitalism. It is not the Soviet Union but his apocalyptic theory of communist disintegration that has turned to rubble.

IN DEFENSE OF SOCIETY

My conclusion would, presumably, please Moshe Lewin, who has devoted his scholarly life to revealing the shortcomings of the totalitarian model.

Though the term served quite well in its ideological function, it was useless as a conceptual category. It did not have much to say about where the system came from, where it was heading, what kind of changes it was undergoing, if any, and how to study it critically and seriously. In fact, the term was, in this context, itself “totalitarian” in its empty self-sufficiency: it did not recognize any mechanism of change in the Soviet Union and had no use for even a shadow of some historical process.¹⁴

Lewin opposes the unidimensional reduction of Soviet society to the state with a multidimensional view that includes both state and society. However despotic, however total its power, the state always creates and depends upon “society” and with it a realm of spontaneity that evades party supervision. With this more complex analytical framework, Lewin offers an appealing history of the present. In his essay in this volume he summarizes the argument developed at length in his scholarly writings: “It all began with the bulk of society being composed of a rather primitive, not very dynamic peasantry, facing an action-oriented, bureaucratic state, and ended with a complex urban society, pushing for change, facing a stagnating bureaucratic state.” Soviet society had its own dialectical logic. The state, from being a force of de-

velopment of society—from peasant to urban society—becomes a fetter. Here is an answer to the double puzzle: how, against all odds, did the Soviet Union last as long as it did, and in the process even become a superpower, and why, when it looked so enduring, did it collapse so unexpectedly?

In offering a theory of the rise *and* fall of the Soviet Union, Moshe Lewin is way ahead of the field. Still, the danger of being locked in combat against an alternative interpretive framework is that it limits one's own. Countering the totalitarian model with its paramount focus on the state system and its formal apparatuses of power and ideology, Lewin introduces the concept of society. The social becomes a sensitizing concept, alerting us to gaps, omissions, and silences. As such it suffers from being ill-defined as everything external to the state. Indeed, Lewin argues that it lies within the state, too. It is, in short, a residual category, and like other residual categories—the informal as opposed to the formal, the second economy as opposed to the first—its theoretical fruit comes from highlighting what is missing rather than conceptualizing the totality of what exists.

Thus, in Lewin's usage the social takes on very different meanings. On the one hand in the opposition state-society, it encompasses networks of social relations, the family, informal groups, the more nebulous public opinion as well as civil society, seen as autonomous organization and even as broad a concept as urban society. On the other hand, in the opposition plan-spontaneity, the social ranges from individual acts of exit, such as quitting one's job or fleeing to the city; to individual acts of resistance, such as restricting output, hiding resources, offering bribes, or slaughtering one's own cattle; to collective acts of resistance such as the creation of samizdat or public protest against the destruction of the environment. Important as these observations are to demonstrate the shortcomings of the totalitarian model, once made they exhaust the utility of such a broad concept of society. Sociology has long taught us that intended action has unintended consequences, that punishment-centered bureaucracies stimulate resistance, that bureaucracies in adapting to their environment experience goal displacement. These sociological truisms should be points of departure, not points of conclusion. We need to go beyond them if we are to understand the dynamics of any modern society.

Trapped by the totalitarian model into formulating the dynamics of society as the interaction of state and society, Lewin leaves key problems of the collapse unresolved: "An interesting, even puzzling feature of the latest development is the character of the system's downfall. The system did not succumb to popular pressure, uprising, or even a move-

ment like the Polish Solidarity. It fell of its own weight, and so did its lamentable belch, the so-called putsch." If the system's downfall was a development internal to the party, albeit in response to the transformation of society, we need to understand more about the internal dynamics of the party, how it was able to go as far as it did, and how it was not able to contain the momentum it unleashed.

Ambiguous theorizing encourages opportunism. Thus, when writing in 1987 Lewin scoffs at those who question the flexibility of the Soviet system: "But most of these misconceptions are trifles compared to the widespread misperception of an inherent weakness stemming from an almost sclerotic institutional grid that cannot but be what it is and, finally, is destined to go under."¹⁵ Now he writes: "Bureaucratic absolutism was dangerously, even mortally, bugged by an inability to innovate and renovate or reform itself." Lewin succumbs to the fallacy of retrospective inevitability in which an event that appears beyond the realm of possibility before it occurs becomes natural and inevitable after it happens. When it comes to the development of theory, it is better to problemize one's mistakes rather than conceal them behind inconsistency.

Its problems notwithstanding, Lewin's theory is unique in its attempt to encompass the origins, dynamics, and disintegration of the Soviet order on the basis of careful historiography. It is precisely what Breslauer is looking for: building macroanalyses out of microprocesses. And yet, when it comes to the genesis of the new post-Soviet order, Lewin offers no more than a gesture: "Today, as before, solutions demand, of course, conscious actions, but a spontaneous activity did and will go on and will contribute to the making of a postcrisis system, probably with greater effect than these conscious policies." To be sure this system is more than Malia's rubble, but how much more? The limitations are, once again, rooted in the undertheorized, residual category of society. But there is also a failure of sociological nerve. Lewin's historical analysis surely points to the following unstated thesis: the withering away of the party-state, rather than creating a mountain of rubble, reveals a sturdy structure of society.

In other words, Lewin implicitly presents us with a challenge: to spell out the nature of that sturdy structure. In taking up the challenge, albeit in a preliminary way, I return to Lewin's treatise on the historical and political origins of Soviet economic debates in the 1960s.¹⁶ In this work, which owes much to N. I. Bukharin, he shows how reforms to rectify the patent inadequacies of the command system demanded recognition of a plurality of interests, regulation of the regulators, the expansion of markets, and greater autonomy for enterprises. Liberalizing the economy was tantamount to creating a rudimentary civil society.

I take these ideas forward in examining the economic basis of post-Soviet society.

FROM SOVIETOLOGY TO TRANSITOLOGY

Still the puzzle remains: why the silence about the present? Perhaps, it is too much to ask historians, burdened as they are by the past, to turn round and face the future. Perhaps. But it is also the case that the legacy of Sovietology creates its own obstacles to carrying forward an understanding of the past into the post-Soviet future. Sovietology, by definition, deals with the Soviet Union, defined by its uniqueness, by its formal characteristics. Their disappearance means that Sovietology can indeed only study the past. Even those who studied the more spontaneous, enduring elements of Soviet society have lost their bearings as the debates that propelled their scholarship evaporate. The *raison d'être* of the societal model depended on the totalitarian perspective, and when the latter loses its relevance so does the former.

Sovietology was born and grew in an ideological bubble. It lagged behind theoretical developments in social sciences and received them only in a heavily mediated fashion. It was unable to encounter the society it studied except through specially chosen academics, censored media, or bitter dissidents. It constructed its object as *sui generis* so that comparisons with other societies only served to emphasize its difference. Equally problematic, it eschewed internal variations, both within the Soviet Union and between different Soviet societies—the sort of comparative study that could provide some empirical basis for serious analyses of change. Now that the bubble has burst it is possible, nay necessary, for scholars of Russia to become “normal” and reenter the community of social scientists, to explore comparisons with a view to seeking out both similarity and difference, and to take advantage of the possibility of direct, unmediated contact with Russian society.

In their desperate search for a quick theoretical fix, former Sovietologists have been tempted to turn to their old ally, modernization theory. Whether the Soviet Union was fundamentally antimodern or whether modernity proved its undoing, the use of models, often fictitious, of Western capitalism dominated Sovietology. The Soviet Union was either fundamentally different from the West or the imperatives of industrialism were ineluctably causing it to converge on the West. In the same way interlopers are now capturing the field with their designer capitalism. They are riveted to where Russia must go—market economy and liberal democracy—rather than from where it is coming or where it might be arriving.

In its celebration of the end of history, modernization theory promotes one road forward. Countries can take it or leave it. In fact, of course, it is less a matter of choice than of conditions. In the obsession with destiny, modernization theory overlooks the specific origins from which societies, classes, economic sectors, and enterprises struggle with the Soviet legacy, and it overlooks the differential advantages and disadvantages of very late development in a world capitalist order. In short, where Russia and its erstwhile satellites are actually going is repressed.¹⁷

To open the historical imagination to the multiplicity of futures, it is necessary to deploy an appropriate comparative framework—one that is sufficiently general as to encompass very different epochal transitions and at the same time sufficiently precise as to highlight the specificity of the Soviet transition. In short, if the first task of this essay is to give some specificity to the concept “society,” the second task is to do so in a comparative manner.

Toward a Comparative Political Economy of Transition

In studying the transformation of the old order and the genesis of a new order, we are looking at something historically quite novel—the transition from some form of socialism, I would call it state socialism, to some form of capitalism, yet to be determined. In beginning such an enterprise it seems appropriate to look for historical analogies that might guide our investigations. Many who study the transition in Eastern Europe, for example, have turned to “democratic transitions” in Latin America.¹⁸ Such comparisons are obviously less appropriate to Russia in view of the latter’s position in the world order, but even more important because they deemphasize the significance of state socialism’s administered economy. They tend to focus on the political and to see this in terms of divisions within the ruling class and how these affect the relation between ruling class and popular classes. The economy gets short shrift. Instead of analogies to Latin America that miss the double transformation, simultaneously economic and political, of state socialism, I propose to compare the Russian transformation with other epochal economic transitions.

REINSTATING MODERNIZATION THEORY: THE OPTIMISTIC SCENARIO

Twice in this century Russia has attempted a historic transition: first, a transition from what we may call a specifically limited Russian capitalism to socialism, and second, a transition from a specifically Soviet so-

cialism back to capitalism. These transitions seem unequivocal grist for the mill of modernization theory: there is but a singular road to the radiant future, and the Soviet detour was a mistake of historic proportions. Still, such a conclusion presumes that the prospects for the present transition are more propitious than for the earlier one. These are good grounds for defending this proposition.

First, the economic backwardness of Russia at the time of the October Revolution, with some 85 percent of the population still rural, made any conception of transition hard to comprehend unless it would receive considerable support from revolutions in the West. Second, such revolutions did not in the end take place, and Russia found itself not only with a backward economy but encircled by hostile capitalist nations only too ready to feed internal resistance to the revolutionary order. The Civil War left Russia economically more backward than before the Revolution. There was, in Lewin's words, a ruralization of society.¹⁰

Third, even though the Bolsheviks managed to survive the Civil War, they still faced huge internal enemies of socialism, namely the massive peasantry, an increasingly alienated and war-weary working class, and bureaucratic resistance. The Bolsheviks tried to reintegrate society through the extension of the party, appealing to bourgeois experts and opening the economy to market forces. But in the end the party lost faith in the New Economic Policy (NEP).

Fourth, there were no available models of actually existing socialism that might inform any transition. Instead there were only vaguely formulated utopian principles. According to the prevailing Marxist social Darwinism, capitalism was inevitably doomed and socialism would be its inevitable successor. It had not been important to examine socialism's nature, its feasibility or viability, since its superiority to capitalism was as predetermined as its inevitability. Russia had to explore this emptiness with painful improvisation.

Fifth, the form of socialism Russia would finally stumble upon at the end of the 1920s was not the product of any doctrinaire Marxism but, as Lewin has shown, was "discovered" piecemeal. It was based on state organized terror that not only demobilized, destroyed, and atomized any resistance but was specifically aimed to disable party and bureaucracy. It was not a form that could last for long, but it did bring Russia into the industrial world, however clumsily and however costly.

Sixth, a specifically new ruling ideology quite distinct from bolshevism—Marxism-Leninism—summoned and justified the sacrifices necessary to build a class society based on central appropriation and distribution of surplus. This society was so patently at odds with its

legitimizing ideology that eventually even the leadership could not believe in it. Without belief in its own ruling ideology and without the nerve to restore a reign of terror, the party apparat disintegrated in the face of even the weakest challenge.

The character of the transition to Soviet society contrasts vividly with the present transition back to capitalism. First, for better or worse, Russia has been brought into the industrial world. If the agrarian problem has not been solved, at least the agrarian transition has been made. The peasantry has been destroyed, notwithstanding efforts to restore it.

Second, instead of being surrounded by hostile nations feeding opposition to the new internal order, Russia finds itself entering a capitalist world, jubilant that the old enemy is joining the fold. International finance in the form of Western banks, the World Bank, and the International Monetary Fund are bent on the most rapid transition possible, even at the cost of destroying the Soviet economic foundation. A token liberal democracy is propped up by making Western support contingent on its survival.

Third, without support from the outside, the forces opposed to a market economy and liberal democracy are much weaker than the opposition the Bolsheviks faced. After seventy years of "socialism" no one has the energy to put up much resistance to the invasion of the market—although apprehension mounts daily as to where it will all end and whether tomorrow will ever bring an improvement in living standards. Having been subject to the trials and tribulations of a shortage economy, Soviet citizens are easily seduced by the glimmers of consumerism. It has taken over the media—the newspapers, the radio, the television, the arts, the cinema—and the streets from hawkers to bazaars to exclusive stores. From the outside it looks irresistible, and so all are banging at its doors.

Fourth, capitalism already exists; it does not have to be invented. Russia is surrounded by a variety of capitalisms—some more attractive than others—that actually work. This situation makes the capitalist future more certain even if at the same time life itself becomes much less secure. It will be neither necessary nor possible to enter into wholesale deception of the population in order to convince people that capitalism is really here.

Fifth, the very existence of a variety of capitalisms makes it plausible that Russia will develop a capitalism to suit its specific conditions and legacies. Thoughts of third world capitalism are repressed in favor of redoubled efforts to mimic American institutions. However, when foisted onto a very different economic base, they have unanticipated consequences, throwing leaders and their foreign advisers into confu-

sion. Initial failures can lead to the search for alternatives based on the experience of other countries.

Sixth, market ideology seems to thrive on the inequalities and injustices that capitalism creates. Indeed, unlike state socialism, capitalism does not require any legitimating ideology. It reproduces itself of itself. Those within have to peddle faster and faster to avoid being flung into the crowds clamoring to get in.

If it is true that the rise of capitalism has more chances of enduring stability than the earlier rise of socialism, a second question rears its head: will the Russian transition be more or less successful than other transitions to capitalism? Considering this question requires a very different comparative framework, which I develop in embryo in the remainder of the paper. I first explore analogies between transitions to capitalism from feudalism and from state socialism, in particular why in both merchant capital should play a key role. Turning from origins to destinies, I delineate two historic roads to capitalism—English and Japanese—and consider whether Russia might follow either. I then explore comparisons with other latecomers to capitalism and the barriers to their development posed by the capitalist world system. Finally, I turn away from such determinism by highlighting the combined and uneven movement toward capitalism within Russia.

THE RISE OF MERCHANT CAPITAL

A major contention in the debate over the transition from feudalism to capitalism revolves around whether merchant capital was a dissolvent of feudalism or whether feudalism had an endogenous dynamics of its own that led to its demise.²⁰ There is the subsidiary question of whether that endogenous dynamics is largely of a demographic character or whether in fact it is better understood in terms of class struggle.²¹ What is clear, however, is that feudal classes coexisted quite happily with merchant capital. While merchant capital provided for the needs of feudal dominant classes, it also depended upon feudal states for protectionist policies in trade. The symbiotic relation between merchant capital and feudalism was possible because merchant capital grafted itself onto preexisting systems of production without undermining them.²² It was, in Karl Marx's terms, not interested in the production of increased surplus value but in extracting profit by selling dear and buying cheap. Or in Max Weber's terms, merchant capital, like adventure capital, was not concerned with the rational organization of formally free labor. Both Marx and Weber saw a revolutionary gap between merchant capital and modern bourgeois capitalism. Whereas the

former had a natural affinity with feudalism, the latter was fundamentally incompatible with it.

I argue similarly that in the Soviet Union the disintegration of the party-state gives rise to merchant capital and not modern capitalism. The parallel is persuasive because, under state socialism, as under feudalism, the organization of production assumed an independence from the process of distribution. Specific political and ideological mechanisms were necessary to exact tribute or rent as a means of sustaining the dominant class but also to coordinate the economic system as a whole. An economic system based on merchant capital in which profit is guaranteed through political mechanisms emerges quite naturally from both feudalism and state socialism.

In pursuing this analogy it is, therefore, necessary to begin with the legacy of the past, with a model of the state socialist economy based on central appropriation and redistribution of surplus. The party-state that runs the central planning apparatus seeks to maximize what it appropriates from and minimize what it redistributes to economic units. Enterprises have the opposite set of interests, maximizing what is redistributed to them and minimizing what they give up. The relations of appropriation and redistribution work through a system of bargaining—more or less coercive—conducted in the idiom of planning. Three features of this administered economy are important for our discussion.

First, in order for planning to work at all, centrally devised goals become specified through a system of delegation to ministries, then to conglomerates, and finally to enterprises. This system gives the economy a *monopolistic character*, since production of the same goods and services by many different enterprises is more difficult to coordinate. Duplication is viewed as wasteful. Monopolies are further consolidated by the emergent system of hierarchical bargaining over targets, success indicators, and resources. Enterprises seek to increase their power with the center through expansion and the monopoly of the production of scarce goods and services.²³

Second, in the absence of hard budget constraints defining economic failure, the compulsion to expand leads to an insatiable appetite for resources and thus a shortage economy.²⁴ Each enterprise faces constraints from the side of supply rather than, as is usually the case with a capitalist enterprise, from the side of demand. Enterprises, therefore, seek to incorporate the production of inputs into their structure and circumvent the command economy by entering into informal relations with their suppliers. This semilegal system of lateral *barter relations* is organized by party and *tolkachi* ("pushers" who expedite these semilegal relations).²⁵

Third, within the framework of an administered economy, workers

exercise considerable *control over the shop floor* for two reasons.²⁶ On the one hand, under a regime of shortage, effective work organization requires flexible adaptation to uncertainty of inputs—machinery and raw materials. On the other hand, together with policies of full employment, shortages of labor give workers the power to resist managerial encroachments on their autonomy. The result is a compromise in which workers try to realize the plan so long as managers provide the conditions for its fulfillment and a minimal standard of living. The enterprise presents a united front in bargaining upstairs for the loosest plan.

What happens to a command economy when the party disintegrates and the center no longer commands? I will consider each dimension of the model in turn. First, far from collapsing, *preexisting monopolies are strengthened*. No longer subject to control either from the party or ministries, their monopolistic tendencies are unfettered. Many enterprises respond to being cut off from ministries by creating their own vertical organizations to capture supplies more effectively or by swallowing up competing organizations by denying them access to supplies.²⁷ Furthermore, local conglomerates protect the interests of enterprises in a given industry by acting like huge trading companies with a monopoly over specific resources and products. Turning to the second dimension, the breakdown of the party-state leads to an *increase in lateral exchanges* that had previously been strictly controlled by ministry and party. Trading relations between enterprises in a shortage economy where money is of limited value increasingly take the form of barter. A given enterprise is, therefore, the stronger the more universally desired and therefore the more barterable are its products.²⁸

The third dimension of our model concerns the political regime of the firm. The decomposition of central planning gives enterprises considerable autonomy to deal with an increasingly uncertain environment. The common interest that bound together different groups within the enterprise against the central planning apparatus evaporates and in its stead *different fractions of management enter into battles over economic strategies*.²⁹ In this process workers continue to be without effective representation, but each managerial group presents its strategy in terms of the interests of all employees. Seeking the support of workers is more than a tactic in a political struggle; it is a particularly pressing need since workers assume even *greater control of the shop floor*. Under the Soviet order, workers already possessed considerable control over the production process due to social guarantees that gave them power, to the autonomous work organization necessary for adapting to shortages, and to management's interest in plan fulfillment and obtaining supplies rather than regulating work. With the collapse of the party,

supervision at the workplace became even weaker and managers even more attentive to problems of supply and barter. The result was the expansion of worker control over production.

On the one hand, these three sets of changes can be seen as deepening distinctive features of the old order.³⁰ On the other hand, they can be seen as the rise of merchant capital, since the driving force behind the strategies of enterprises and conglomerates is the *maximization of profit through trade*, by selling dear and buying cheap. Merchant capital does not have its own distinctive system of production but grafts itself onto preexisting systems of production without necessarily altering them. Just as historically merchant capital tended to reinforce feudal forms of production, so I argue similarly that in Russia the expansion of trade has conserved rather than dissolved the Soviet enterprise. In effect, managers of enterprises and conglomerates "put out" work, not to families, but to work collectives within the enterprise. Rather than seeking to transform production, managers struggle to maximize returns on the products produced. That is to say, industrial production is subordinated to merchant capital rather than the other way round. Again, like merchants of the European cities, Russian top managers advance their profits from trade through political regulation. Managers use the close ties with governmental organs that they inherited from the Soviet order to protect their subsidies, credits, and export licenses and at the same time to stifle independent capital accumulation.

If the command economy disintegrates into a network of conglomerates that act as trading companies, extracting profit on the basis of commerce and taking advantage of politically bargained price differences, then the question becomes: will this form of capitalism turn into something resembling modern capitalism? In the historical case of Western Europe, it was indeed a difficult path from merchant to modern capitalism. Where merchant capital developed earliest, in the Italian city-states, it held back the development of modern capitalism. Only under the quite peculiar circumstances of English agriculture did merchant capital give way to modern capitalism and thus establish the basis of the industrial revolution. One may ask equally, but perhaps more provocatively, whether Russia will get stalled in the stage of merchant capital, just as it earlier got stalled in the stage of state socialism.

TWO ROADS TO MODERN CAPITALISM?

By convention, there are two paths from feudalism to capitalism: the one from below, which involved the creation of an independent small-scale bourgeoisie that responded to the market by transforming the

character of production, and the one from above in which the state sponsored and organized the transformation of preexisting large-scale merchant capital.³¹ Former Soviet societies have attempted analogous paths of transformation. On the one hand, they have encouraged the development of a dynamic private sector based on small enterprises that develop outside the state sector. This model was most successful in Hungary, where a wide-ranging second economy was cultivated in the twenty years before the collapse of communism.³² The present task is to continue the transfer of resources from the state sector to the private sector. Now that the protective role of the state has been replaced by the gales of an international economy, the danger lies in the strangulation of the private sector. Even with protection, the legacy of the second economy provides too fragile a basis for autocratic capital accumulation.³³

On the other hand, where private enterprise did not enjoy such room for expansion under state socialism, the transformation of state enterprises becomes the more important question. Thus, whereas the distinctiveness of socialist Hungary lay in its economic experiments, the distinctiveness of Poland, notwithstanding its private agriculture, has centered on its mobilized industrial working class and their leaders' call for rapid transition to a market economy through free trade and the privatization of industry. Poland has become the (very problematic) showpiece of the World Bank's "shock therapy." One of the major points of contention in this model has been how to avoid "nomenclatura capitalism" in which apparatchiki become the new capitalist class by a simple transfer of property rights.³⁴

Both patterns can be observed in Russia. Under perestroika, a plethora of new organizational forms were created, from the small-scale cooperatives to "small enterprises" and joint ventures. Most were attached to and dependent upon state enterprises that monopolized access to materials and equipment.³⁵ Typically, cooperatives were created within state enterprises to reduce levels of taxation, to introduce more flexible distribution of wages, or to avoid the system of state orders. When they were created as separate organizations, it was usually to facilitate trade between enterprises; only rarely did they develop into independent units of production. Reforms beginning in January 1992, on the other hand, have sought to transform the economy as a whole under a state-directed program. The government liberalized prices and opened the country to international market forces with a view to sorting out efficient from inefficient enterprises. Concurrently the government moved ahead with privatization plans, ordering the rapid transformation of state enterprises into joint stock companies.

In evaluating these reforms, attention is riveted to quantitative in-

cline as measured by inflation, productivity, budget deficits, rising cost of living, and unemployment. However, these economic indicators cannot tell us where and when the economy will hit the bottom of its trough and whether subsequently it will assume a steady ascent. Answers to these questions depend on the economic institutions established. For all the attention paid to transforming state socialist economies, there is little discussion of the institutional forms of capitalism. The end point is assumed to be a market economy along Western lines—the textbook utopia of private ownership, free movement of factors of production, and perfect competition. Political and economic debate concerns the "best" strategy to accomplish this singular goal. Historical perspective suggests that strategy determines the goal, that different patterns of transition give rise to different capitalisms. American capitalism, which grew up from below, is profoundly different from Japanese capitalism, which was sponsored from above, and both are far removed from the textbook utopia. Comparison of these two forms of actual existing capitalism adds a new dimension to the transition debate.³⁶

In the United States a financial model of self-accumulation has led to corporate mergers across industries. The typical American company raises capital by floating shares. As a result, it is responsive to its widely flung shareholders, whose common interest lies in maximizing dividends. Here profit reigns above all else. The stock market is, therefore, more influential than the state in guiding corporate strategy. By contrast, the Japanese economy is dominated by groups of interdependent enterprises within a single industry. Each group, or *kieitsu*, is bound together by interlocking directorships and mutual stock ownership. The major shareholders of a given enterprise are other enterprises in the same *kieitsu*, having an interest in their long-term prosperity rather than short-term profits. Moreover, each *kieitsu* is organized around a large bank responsible for obtaining and allocating credit and a trading company that secures supplies and distributes products. Instead of profit, market share is the driving force behind capital accumulation. In the Japanese order, the state rather than the stock market becomes the effective organizer of the economy. It does so through orchestrating incentives, through capital formation, research funding, taxation, and by controlling the inflow of foreign capital.

These comparisons underline just how different are the organizing principles of two major capitalist economies and how both diverge from textbook models. Given the historically specific circumstances within which each system emerged, "choosing" one or other or some combination is out of the question. Adopting strategies is not like buying goods in a supermarket. Still, studying these different economies

does provide lessons and opens the imagination to a third (communist) road to capitalism. As a point of departure for such a discussion, it is worth considering the proposition that a Japanese rather than an American model is more relevant to post-Soviet circumstances. First, even in the United States, the Japanese model is widely regarded as better adapted to and more effective in modern world conditions. Second, Japanese rather than U.S. economic history is simply more relevant to the Soviet experience. The legacy of *zaibatsu* corporations, the intimate connection between state and economy (reflected in the mobility of high officials between the two), and Japan's late entry to capitalism after a period of isolation all fit the historical context of the Soviet Union. Third, if I am correct in my theory of the rise of merchant capital with its pursuit of profit through trade, then the Japanese model offers a better corrective to those tendencies than the American one, which, ironically, suffers from a similar mercantile sickness.

Yet, in practice, the Russian government has followed the advice of American devotees of the free market economy. With its eyes on (unlikely) Western credits, the Russian government tried to persuade a skeptical world, and perhaps itself as well, that it had really turned its back on the past and that it could put into practice fashionable theories of free trade and monetarism. Accordingly, the new Russian government followed the model of the World Bank, hitherto adopted in small agrarian societies with their governments often propped up by American economic and military aid. The reforms were inaugurated with the dramatic price liberalization of January 1, 1992. The idea was to weed out unprofitable enterprises by subjecting them to international competition. However, so that the situation would not get out of hand, the prices of some basic goods were still controlled. Finding themselves in a very difficult financial situation, the enterprises that produced these basic goods began to refuse to pay for supplies. Refusal led to refusal until seemingly every enterprise was claiming bankruptcy. Faced with a collapse of the economy, the government lost its nerve, turned its back on monetarism, and flooded the economy with a huge issue of credits. While merchants were able to make windfall gains from galloping inflation, most of the population suffered from declining standards of living as wages lagged behind prices. In August 1992, desperate to maintain some credibility for his economic reforms, Boris Yeltsin introduced his voucher system, which would simultaneously console the population and lead to the rapid privatization of means of production. Since it was not clear what to do with the vouchers, most people stored them away or sold them for less than their nominal value, thus further fueling inflation. The experience confirms the old adage that there is no market road to a market economy.

The mistake was to underestimate the autonomy of the economy and the capacity of its networks of huge conglomerates to sabotage economic policy. The case of banking is instructive.¹⁷ A key dimension of the American model of capitalism is its independent banking system, regulated by the Federal Reserve Bank. In 1991 before the August events, the then Soviet state bank was turned into an "independent" Russian central bank and its separate branches were turned into commercial banks. Three types of commercial banks emerged in Russia—the original economic branch banks dominated by the agricultural bank and industrial construction bank, pocket banks created by large conglomerates, and "independent" banks created from scratch. More or less free to engage in financial transactions, banks sought the most profitable means of playing the credit and money markets. Given the rate of inflation, they extended credit to commercial operations rather than to investment projects. They tried to turn the cheap credit being dispensed by the central bank into higher-yielding loans to private commerce. As founders and major shareholders of the banks, state enterprises wanted to partake in the profits from speculative trading in money and credit. In short, banks lubricated and deepened the system of merchant capital. Their profits have risen in direct proportion to the descent of the economy as a whole.

The lesson is obvious: the growth of markets depends upon the environment in which they are planted. Recoiling from the old system, the government seeks to inaugurate a market economy overnight, adapting the institutions and models of a society with a fundamentally different economic structure. It tries to cultivate capitalism by decree, ignoring the existing institutional soil in which it must take root. As a result, the government throws itself back into the hands of the conglomerates, and the pillars of the Soviet economy are strengthened, not weakened. However unpalatable ideologically, might not the government have been better advised to recognize from the start the strength of the conglomerates and on that basis work toward a state-guided, Japanese-type economy? Would looking East rather than West have made that much difference? Are the obstacles to a transition to capitalism more fundamental than impatience, zealotry, and strategic error on the part of government? Is the successor post-Soviet state equipped to mimic Japanese-style capitalism? To these questions we turn next.

THIRD ROAD TO THE THIRD WORLD?

The danger of focusing on the goal of transformation—on the different models of advanced capitalism that might inspire government policy—

lies in underplaying the legacy of the past. This danger should be amply apparent by now. But such a futuristic focus can also underestimate the significance of external factors. Thus, it might be argued that drawing an analogy between the Soviet transition and the Western transition from feudalism to capitalism is flawed at the outset because the international economic context is so profoundly different. It is one thing to be the first to make the transition or even to be a latecomer who manages it under severe protective policies; it is quite another matter to be the last to make the transition. Indeed, rather than look to the United States or Japan, it might be better to look to third world countries for Russia's likely destiny. Here theories of development and underdevelopment are relevant.

Responding to the euphoric modernization theory that expected and recommended third world countries to recapitulate the first world's stages of development, underdevelopment theory argued to the contrary that newcomers will have to find their own road to modernity and that the world capitalist system in fact bars their way forward. In this view capitalism in the West developed and continues to develop at the expense of third world countries. That is to say, underdevelopment was created by the transfer of surplus from periphery to core, from satellite to metropolis.³⁸ Thus, international capital operating in the guise of merchant capital, often working through a local comprador bourgeoisie, was held responsible for extracting resources from colonies or third world countries at exploitative rates of exchange. Furthermore, merchant capital would extract agricultural or mineral surplus from third world countries but without transforming indigenous forms of production, that is, without fostering a transition to modern capitalism.³⁹

One cannot but be struck by parallels with changes taking place in Russia. In the rush to take advantage of "free trade," Russian entrepreneurs seek to maximize exports, selling arms and raw materials abroad since other goods are not competitive. They divert wood, coal, gas, oil, aluminum, and even steel from the local market and dump these materials on the world market at low prices. In theory, there is a system of quotas and licenses that controls exports, but this system has enough loopholes and is sufficiently loosely supervised to allow plenty of room to maneuver for those with good connections. They work through intermediary "firms" from Western countries, often of very shady economic and even legal standing. Indeed, sometimes, when it comes to payment, these foreign firms are found to be nonexistent.

What happens to the foreign currency that is accumulated from such sales? In theory, 50 percent is supposed to be bought by the Central

Russian Bank, but there are many ways around this. A considerable but unknown amount is deposited in Western banks; estimates vary, but between \$4 and \$15 billion left Russia in 1992. A high proportion is converted into Western consumer goods, which are then returned to Russia and sold at prices lower than international prices, handed out to employees of the exporting enterprise, or distributed as bribes for the intermediaries who helped to organize the barter. Often, when trade involves processed goods, the Western receiving firm will insist on quality levels that require further purchases in the West. Thus, after a furniture factory had signed a contract for bed frames with a Swedish enterprise, the latter insisted that the factory use a water-based lacquer unavailable in Russia. The factory had to import the lacquer, eating away at its profits. The result of all these operations is that very little foreign exchange is used for new investment or machinery.

Despite Russia's vast resources, foreign investment is similarly insignificant. Only the most "adventurous" or "unscrupulous" foreign businesses are prepared to risk working through a vast maze of personal contacts.⁴⁰ In the face of political and economic uncertainty, they demand immediate returns on their capital, which usually involves exporting raw materials. In the words of one of the directors of a huge wood conglomerate, Russia is becoming a "banana republic." In short, international trade props up a Russian merchant class with its Western bank accounts and consumer durables, while productive investment in enterprises declines dramatically. Trade, whether local or international, does little to develop the economy, confirming the worst prognoses of underdevelopment theory.

Still, the bleak hypotheses of underdevelopment theory have come under theoretical and empirical assault, holding out lessons for Russia. Underdevelopment theory stands accused of merely inverting modernization theory, of replacing an erroneous teleological optimism with an equally erroneous teleological pessimism in which the only conceivable road to development becomes the very problematic one of insulation from the world capitalist system. Industrial growth in the so-called newly industrializing countries (NICs), such as Brazil, Mexico, South Africa, Taiwan, and South Korea, pointed to the limitations of the determinism of underdevelopment theory. Theories of dependent development arose to explain such "anomalies" by focusing on the political dimension of development, in particular the capacity of the state to sponsor and guide development.⁴¹

Where there was a strong multinational presence, as in Latin America, the role of the state was to manufacture developmental alliances among state, domestic, and international capital. Even so, Latin Amer-

ica has been much less successful in avoiding the traps of underdevelopment than Asian NICs, where direct foreign investment and landed elites were much weaker, giving the state more room to forge alliances with domestic capital. In South Korea and Taiwan the legacy of Japanese colonialism established a strong industrial infrastructure, while postwar aid and protection under U.S. political hegemony sponsored a program of import substitution. These two externally induced factors, following on each other, nurtured the accumulation of domestic capital and a strong state. Together they engineered the export-led growth behind the Asian miracles. Again the state was crucial to economic development, in particular, its insulation from political pressures, the technical expertise of its bureaucrats, its capacity to create a politically stable environment, and its control of incentives, credits, and taxation to elicit capitalist conformity to development plans.⁴²

Russian recapitulation of the Asian model is out of the question, but it is still instructive to compare the Soviet and post-Soviet states with the developmental state whose "embedded autonomy" assures both independence from enterprises as well as access to market incentives to shape their evolution.⁴³ The Soviet economic system is usually considered to have been under the command of a strong state, but it is becoming increasingly clear that this was far from reality. The relationship between state and economy, between central organs of planning and enterprise, was a bargained relation of mutual interdependence over which the state had only partial control. The capacity of the post-Soviet state to guide the transformation of the economy becomes more limited as enterprises become more independent and the bargain relation disappears. At the same time, it has not managed to shed the Soviet interpenetration of state and economy in favor of an autonomy insulated from political and social lobbies. It turns out that direct control of the economy based on state ownership of the means of production was easier to accomplish than the delicate mechanisms of indirect control that work through market relations and private ownership.⁴⁴

Contrary to conventional wisdom, Russia has inherited a weak state and a resilient economy, which explains why its attempts to introduce a market economy go awry and why shock therapy seems to redound to the benefit of the very economic forces it is designed to undermine. What strength the party-state had was based on its monopoly of redistribution, and from this position of strength it could under some circumstances sponsor capitalist development. Indeed, in Hungary just such a process began to take place more than twenty years before the collapse of communism. Physical planning gave way to fiscal planning, and enterprises were given more autonomy to decide their pro-

duction profile, to reinvest their profits, and to find supplies. Prices were slowly decontrolled to match real market prices so that shortages of consumer goods, still so familiar in the Soviet Union, disappeared in the 1970s. At the same time, a thriving second economy, based on productive enterprise, grew in symbiosis with the state sector. Collective farms were allowed to sponsor and share the profit of independent industrial workshops. State enterprises in industry began to stimulate the growth of self-organized cooperatives that could relieve bottlenecks in production as well as provide additional revenue for the enterprise and wages for workers. All these changes took place in a relatively protected environment, of a party-state and established trading relations among the COMECON countries. If the Hungarian party-state was able to guide the development of a mixed economy, it is now losing that capacity, buffeted by international markets and domestic political forces. There, too, merchant capital has won a new lease on life.

Even more striking is the expansion of capitalism under the auspices of Chinese communism. If there is a successful third road, that is a communist road, to capitalism, it may not be through an attempted revolutionary break with the past, which in this case seems only to recreate the past, but through nurturance from within.⁴⁵ Or to adapt an unhappy Marxian metaphor, capitalism grows best within the womb of socialism. And one can presume that the offspring will be quite distinctive.

MICROFOUNDATIONS OF MACROPROCESSES

The foregoing discussion has provided different frames for studying what is, after all, a historically unique transition. It is necessary, therefore, to indicate how one might systematically pursue the questions raised in the analogical comparisons. What follows is brief and intended to be only suggestive. It takes as its point of departure the conclusion laid out above of a weak post-Soviet state and an institutionally resilient economy, calling for an analysis of the actual workings of this resilient economy and its response to state policies.

Here we face considerable methodological problems. Most economic analyses rely on aggregate figures, which present a uniformly bleak picture of galloping inflation, declining production, falling standards of living, and increasing inequality. Reliance on these figures leads to the pessimistic conclusion that what exists is natural and inevitable. Only governmental intervention as a *deus ex machina* can reverse the direction of change. The reification of statistics that obscures the social processes which produce them corresponds to the reification

of government policy that ignores the social and economic context in which it operates.

Macroindices inevitably obscure the unevenness of microchange. They cannot reveal how the unintended consequences of state policies are produced or why such consequences vary not only by regions and sectors of the economy but also within such broad categories by enterprise and even within enterprises by department. We should start from below not from above. By comparing internal variations, by asking why change assumes different patterns in different contexts, we can identify the mechanisms and responses that lead to success here and failure there. In this way we can arrive at a more profound understanding of the composition of forces moving the Russian economy.

As I have said, the comprehension of microprocesses cannot be inferred from aggregate statistics. It requires an altogether different research strategy, quite new to the Russian scene, namely, the enterprise case study. Only careful, detailed investigation of single economic units, from a comparative perspective, can lead to an understanding of the conditions and interests that motivate different strategic responses to changes in the political and economic environment. As more case studies are included, it is possible to reconstruct and refine the mutual determination of micro- and macroprocesses. However, such extended case studies lead toward a comprehension of the broader economy only when they are based in a theoretical framework. I shall illustrate the technique with examples from research conducted in Russian enterprises—six months in 1991, two months in 1992, and six months in 1993—that was informed by and indeed contributed to the theoretical framework laid out in previous sections.

We can begin with a comparison of two enterprises that responded in very different ways to the disintegration of the party state and central planning.¹⁶ The first, a rubber factory (Rezina) in Moscow, found it very difficult to survive, while the second, a furniture enterprise (Polar) in northern Russia, thrived on the new conditions. The rubber factory was an ancient factory whose employees, mainly women, worked in dungeonlike conditions for very low wages. The factory relied on the demand for a vast assortment of rubber products from major state enterprises. At the same time it faced a severe crisis of supply since rubber production depended on chemicals from all over the Soviet Union. The problem was not only shortage of crucial inputs but also of their transportation. As Rezina's output fell in 1991 and as the external environment ceased to exercise control over or offer benefits for the enterprise, its managers began to battle with each other over the best strategy for the enterprise to follow. Different parts of the enterprise

pursued independence from the center by becoming an *arendu* (leasing arrangement) enterprise, forming themselves into a "small enterprise," or creating their own "cooperatives." The crisis of the enterprise compelled different shops to pursue innovative strategies, while the productive autonomy of each shop, that is, the lack of dependence on other shops, made such divergent strategies possible. Their common dependence on the single subenterprise that produced the basic material for all rubber production—resin—held the enterprise together, although competition for this resin often developed into internecine warfare between shops.

The furniture enterprise that produced wall systems in northern Russia was entirely different. It was eminently successful, the best-paying enterprise in Arctic City, housed in a modern new building, boasting a showroom and a polished, cohesive managerial team. The factory was the only producer of wall systems in the republic, wall systems that in 1991 were not available in the shops. They were a consumer item always in demand and therefore offered great opportunities for barter, whether cars for managers or sugar and sausage for workers. Here lies the first secret of its success. The second secret lies in the character of the product itself—made out of simple and for the most part locally available materials and using a very simple production system that cut up sheets of pressed wood into panels, covered them with textile paper, drilled holes, and then varnished them. There was a very limited variation in the final product. If the shop floor was ceded to the brigades, the overall design of the factory lay in the hands of management. There was no organizational basis for departments to pursue their own independence through *arendu* agreements, small enterprises, or cooperatives. Given their monopoly of the production of such a hot item as wall systems, there was no need for this factory to undertake the sort of innovations that made the difference between the life and death of the rubber factory.

There was another crucial factor in Polar's success, namely, its relation to the republic's wood conglomerate. The conglomerate brought together all enterprises in the wood industry, from the lumber camps to the wood-processing factories. The furniture factory was a key and potentially lucrative member of the conglomerate. Backing Polar's plans for the production of bed frames for export, the conglomerate had invested in expensive German machinery (bought before the collapse of the Soviet Union), paid for by earnings from the export of raw wood. The conglomerate in effect redistributed resources from the lumber camps to the furniture factory in the hope that the return would benefit everyone. The lumber camps depended on the conglomerate for mar-

kets, supplies, and the possibility of new machinery and so had to agree to relinquish control of their wood at relatively unfavorable prices.

Competition within conglomerates between enterprises can be very intense. The Vorkuta Coal conglomerate is a case in point.⁴⁷ The executive apparatus of the conglomerate controls the distribution of state subsidies and export quotas that are the lifeblood of the individual mines. The criteria of distribution are not based on profitability but on the cost of production and the type of coal—criteria sufficiently ambiguous to leave considerable space for political struggle within the conglomerate. The more costly the production and the lower the grade of coal, in principle, the greater the subsidies, so that the more-profitable mines support the least-profitable. In the context of an emerging merchant capital, this arrangement gives rise to bitter struggles for independence, which the conglomerate can contain only by virtue of its monopolistic access to state subsidies.

We can move one step further toward the macrolevel by comparing the way the two conglomerates mediate relations between state and enterprise. In 1992 the wood conglomerate had its ties to the Russian government cut and price controls lifted so that criteria of profitability became more important in governing relations between enterprises. It has weaker control over prices and fewer resources to redistribute. Vorkuta Coal, however, remains heavily subsidized, and its price is subject to state regulation. State orders are still in effect for 83 percent of production. The conglomerate represents the common interests of the mines when it bargains with the Russian government for subsidies (including higher wages) and export quotas (bartering 17 percent of coal for Western consumer durables). The conglomerate's bargaining power with the state is enhanced by the militancy of workers, although this power can be disruptive at individual mines. The heavily politicized and publicized miners' strikes of 1989 and 1991, which brought Yeltsin to power, provide a credible threat that the conglomerate and the so-called independent trade union use to demand wage increases. At the same time the mines know that the Russian government could cut off their subsidies altogether, and Vorkuta Coal's survival will be threatened by the cheaper coal from the Kuznetsk Basin.

These case studies reflect the first phase of merchant capital in which lateral relations between enterprises expand through barter. With the consolidation of the reforms of 1992, in particular price liberalization and privatization, the economy has entered a second phase of transition, which can be called primitive finance capital. Despite inflation of 25 percent a month, 1993 has witnessed the substitution of monetary

transactions for barter. Banks, as mediators of monetary transactions, are spreading like weeds, flourishing in an environment of cheap government credit and expanding commerce. Although banks themselves have undergone a major transformation toward a modern capitalist enterprise in both their internal organization and their relations to clients, the effect is to stimulate the expanded reproduction of merchant capital in the wider economy. As in the phase of merchant capital, so in the phase of finance capital the decline in investment continues, and there is little incentive to pursue profit through the transformation of production. Privatization, far from promoting the rise of hard budget constraints, has facilitated the rationalization of soft budget constraints. Through banks, central and regional governments dispense credits to all and sundry, just as before they used to allocate materials, machinery, and labor. There is no reason to believe that building a financial infrastructure will itself transform the Soviet economy into modern capitalism.⁴⁸

Conclusion

In this short paper I have tried to develop and extend Moshe Lewin's insights into the centrality of society in Soviet history. Just as Lewin studied the legacy of the Russian rural nexus in the postrevolutionary period, so I have pointed to the legacy of the Soviet industrial nexus in the post-Soviet period. I have shown how the withering away of the party-state revealed a resilient economy, frustrating and turning to its own purposes efforts at a rapid transition to capitalism. In studying what is reproduced and what disappears one also gains new insights into what was important in the past. Certainly, it would seem that studies of the Soviet Union exaggerated the importance of the party and the strength of the state. The collapse of the party-state will inevitably lead to substantial rewriting of Soviet history, and I suspect the shift will be more in Lewin's direction than in Malia's.

I have also tried to show the importance of comparative analysis. To highlight commonality without losing particularity is, of course, a delicate operation. In many scholarly studies of the Soviet Union the tendency was toward emphasizing its uniqueness, whereas more recently the field has been invaded by those who obliterate history in a search for quick generality. I have tried to straddle the tension by using *analogical* comparisons with other major epochal transitions to generate questions for *systematic* comparisons between and within state socialist societies. Comparisons presuppose theory, the more explicit the better. I have taken advantage of preexisting theories of transitions from capitalism to socialism and from feudalism to capitalism, of development

and dependency as well as of the Soviet economy. In line with Lewin's studies of historical contingency, I have suggested how those theories might be extended to open up the range of possible futures.

Any epochal change gives rise to new bodies of social theory. The Russian Revolution and the consolidation of the Soviet Union divided the development of Marxism into two divergent paths. It prompted the transformation of the social sciences more generally, making Western thinkers more self-conscious about the virtues and defects of the market. The defeat of fascism in the Second World War led to self-confident celebration of the virtues of democracy in which the Soviet Union became anti-Christ. The crumbling of the totalitarian empire has already given rise to a second wave of modernization euphoria. Like the first wave, it is more than likely to end up in disillusionment, but unlike the first wave, instead of leading to the renaissance of Marxism, it is just as likely to herald the end of confidence in modernity *tout court* and cement the exploration of postmodernity.

Undoubtedly, we have witnessed only the beginning of the reunderstandings that will spring from examining the post-Soviet world—reunderstandings of the transitions to socialism, as well as to capitalism, and more generally of the processes of development and underdevelopment. But who will undertake these reconstructions? Will it be those who have made the Soviet Union their lifework, or interlopers who come after them and stand on their shoulders to offer grand speculations with little intimate understanding of what has been? While debate is still in flux, Sovietologists have a chance to turn their field into a leading rather than a dying edge of social science—but only if they cease to be Sovietologists.

Notes

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¹George Breslauer, "In Defense of Sovietology," *Post-Soviet Affairs* 8, no. 3 (1992): 197–238.

²Elsewhere Breslauer has written about the "present." See, for example, "Reflections on the Anniversary of the August 1991 Coup," *Soviet Economy* 8, no. 2 (1992): 164–71. However, my point is that in *defending Sovietology*, he makes only passing reference to the present, while his discussions of the present virtually ignore traditional studies of the Soviet Union.

³Martin Malia, "From under the Rubble, What?" *Problems of Communism* 41, nos. 1–2 (1992): 89–106.

⁴*Ibid.*, 103.

⁵*Ibid.*, 102.

⁶*Ibid.*, 104.

⁷*Ibid.*, 101.

⁸*Ibid.*, 93.

⁹*Ibid.*, 90.

¹⁰*Ibid.*, 93.

¹¹*Ibid.*, 103.

¹²*Ibid.*, 91.

¹³*Ibid.*, 91.

¹⁴Moshe Lewin, *The Gorbachev Phenomenon*, expanded ed. (Berkeley: University of California Press, 1991), 3.

¹⁵Moshe Lewin, *The Gorbachev Phenomenon*, 1st ed. (Berkeley: University of California Press, 1988), 9.

¹⁶Moshe Lewin, *Political Undercurrents in Soviet Economic Debates* (Princeton: Princeton University Press, 1974).

¹⁷Lewin's "history of the present" is another version of modernization theory. In his study of the collapse of the Soviet Union, the past is seen as leading to a singular present and history loses its contingency. He tries to keep up with the changing present by altering his theory. Instead of the theory of contingency that marked his studies of the rise of Stalinism and collectivization, he now offers us contingency of theory.

¹⁸For example, Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (Cambridge: Cambridge University Press, 1991).

¹⁹In my rendition of the rise of the Soviet order I have borrowed from Moshe Lewin, *Russian Peasants and Soviet Power* (London: George Allen and Unwin, 1968); Lewin, *The Making of the Soviet System* (New York: Pantheon, 1985).

²⁰Rodney Hilton et al., *The Transition from Feudalism to Capitalism* (London: Verso, 1976).

²¹T. H. Aslson and C. H. E. Philpin, eds., *The Brenner Debate: Agrarian Class Structure in Pre-Industrial Europe* (Cambridge: Cambridge University Press, 1985).

²²Maurice Dobb, *Studies in the Development of Capitalism* (New York: International Publishers, 1947).

²³See, for example, Alec Nove, *The Soviet Economic System* (London: George Allen and Unwin, 1977); Tomas Bauer, "Investment Cycles in Planned Economies," *Acta Oeconomica* 21, no. 3 (1978): 243–60.

²⁴Janos Kornai, *The Economics of Shortage*, 2 vols. (Amsterdam: North-Holland Publishing Co., 1980).

²⁵Joseph Berliner, *Factory and Manager in the USSR* (Cambridge, Mass.: Harvard University Press, 1957); Jerry F. Hough, *The Soviet Prefects: The Local Party Organs in Industrial Decision-Making* (Cambridge, Mass.: Harvard University Press, 1969).

²Vladimir Andrić, *Workers in Stalin's Russia* (New York: St. Martin's Press, 1988); Walter Connor, *The Accidental Proletariat* (Princeton: Princeton University Press, 1991); Donald Filtzer, *Soviet Workers and Stalinist Industrialization* (Armonk, N.Y.: M. E. Sharpe, 1986); Holubenko, "The Soviet Working Class," *Critique* 4, no. 4 (1975): 5–26.

³Simon Johnson and Heidi Kroll, "Managerial Strategies for Spontaneous Privatization," *Soviet Economy* 7, no. 4 (1991): 293. See also Heidi Kroll, "Monopoly and Transition to the Market," *Soviet Economy* 7, no. 2 (1991): 143–74.

⁴Michael Burawoy and Pavel Krotov, "The Soviet Transition from Socialism to Capitalism: Worker Control and Economic Bargaining in the Wood Industry," *American Sociological Review* 57, no. 1 (1992): 16–38.

⁵See Michael Burawoy and Kathryn Hendley, "Between Perestroika and Privatization: Divided Strategies and Political Crisis in a Soviet Enterprise," *Soviet Studies* 44, no. 3 (1992): 371–402.

⁶Simon Clarke, "Privatization and the Development of Capitalism in Russia," *New Left Review*, no. 196 (1992): 3–28.

⁷Hilton et al., *Transition from Feudalism to Capitalism*.

⁸See, for example, Alec Nove, *The Economics of Feasible Socialism* (London: George Allen and Unwin, 1983); David Stark, "Coexisting Organizational Forms in Hungary's Emerging Mixed Economy," in *Remaking the Economic Institutions of Socialism: China and Eastern Europe*, ed. Victor Nee and David Stark, with Mark Selden (Stanford: Stanford University Press, 1989): 137–68; Nigel Swain, *Hungary: The Rise and Fall of Feasible Socialism* (London: Verso, 1992); Ivan Szelenyi, *Socialist Entrepreneurs* (Madison: University of Wisconsin Press, 1988).

⁹Istvan Gábor, "Modernity or a New Kind of Duality?" in *The Unofficial Legacy of Communism: The Ironies of Transition in Eastern Europe*, ed. G. M. Kovács (New Brunswick: Transaction Publishers, forthcoming).

¹⁰Michał Federowicz and Anthony Levitas, "Polish State Enterprises and the Properties of Performance," *Politics and Society* 19, no. 4 (1991): 403–37; Levitas, "The Trials and Tribulations of Property Reform in Poland: From State-Led to Firm-Led Privatization, 1989–1991" (paper presented at the conference "The Political Economy of Privatization and Public Enterprise in Eastern Europe, Asia and Latin America," Brown University, April 1992); Jadwiga Staniszkis, *The Dynamics of the Breakthrough in Eastern Europe: The Polish Experience*, trans. Chester A. Kisiel (Berkeley: University of California Press, 1991).

¹¹Anthony Jones and William Moskoff, *Ko-ops: The Rebirth of Entrepreneurship in the Soviet Union* (Bloomington: Indiana University Press, 1991).

¹²In making the following comparison between the United States and Japan I have drawn on Neil Fligstein, *The Transformation of Corporate Control* (Cambridge, Mass.: Harvard University Press, 1990); Chalmers Johnson, *MITI and the Japanese Miracle* (Stanford: Stanford University Press, 1982); Rodney Clark, *The Japanese Company* (New Haven: Yale University Press, 1979); Michael Gerlach, *Alliance Capitalism* (Berkeley: University of California Press, 1992); John Zysman, *Governments, Markets and Growth* (Ithaca: Cornell University Press, 1983).

¹³See Joel Hellman, "Bureaucrats vs. Markets?" unpublished paper, Department of Political Science, Columbia University, 1991; "The Revenge of the Past: Building Market Institutions in Soviet-Type Economies" (paper presented at the annual meeting of the American Political Science Association, Chicago, September 3–6, 1992).

¹⁴The classic formulations are Paul Baran, *The Political Economy of Growth* (New York: Monthly Review Press, 1957); Andre Gunder Frank, *Latin America: Underdevelopment of Revolution* (New York: Monthly Review Press, 1969); Samir Amin, *Unequal Development* (New York: Monthly Review Press, 1976); Immanuel Wallerstein, *The Modern World System* (New York: Academic Press, 1974).

¹⁵Geoffrey Kay, *Development and Underdevelopment* (New York: St. Martin's Press, 1975).

¹⁶See, for example, the many articles in both the Soviet and Western press on the spoils from Russian oil and aluminum deals that flowed to the infamous international commodities trader, Marc Rich, who is wanted by the U.S. Justice Department on a fifty-one-count indictment for fraud, racketeering, and tax evasion. "Rich, Influential and Very Dangerous," *Izvestia*, June 2, 1992; "Artem Tarasov, Marc Rich and Others," *Izvestia*, July 8, 1992; "Again on the Mysteries of 'Big Business,'" *Izvestia*, August 3, 1992; "How the USW Hit Marc Rich Where It Hurts," *Business Week*, May 11, 1992; "How Rich Got Rich," *Forbes*, June 22, 1992; "Rich Pickings," *Independent Magazine*, March 27, 1993.

¹⁷See Fernando Cardoso and Enzo Falletto, *Dependency and Development in Latin America* (Berkeley: University of California Press, 1979); Peter Evans, *Dependent Development: The Alliance of Multinational, State and Local Capital* (Princeton: Princeton University Press, 1979).

¹⁸See Frederic Dedyo, ed., *The Political Economy of New Asian Industrialism* (Ithaca: Cornell University Press, 1987); Gary Geraffi and Donald Wyman, *Manufacturing Miracles* (Princeton: Princeton University Press, 1990).

¹⁹For analyses of the "developmental state" and "embedded autonomy," see Dietrich Rueschmeyer and Peter Evans, "The State and Economic Transformation: Toward an Analysis of the Conditions Underlying Effective Intervention," in *Bringing the State Back In*, ed. Dietrich Rueschmeyer, Peter Evans, and Theda Skocpol (Cambridge: Cambridge University Press, 1985), 44–77; Peter Evans, "The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change," in *The Politics of Economic Adjustment*, ed. Stephan Haggard and Robert Kaufman (Princeton: Princeton University Press, 1992), 139–81; Vedat Milor, *The Comparative Study of Planning and Economic Development in Turkey and France* (Madison: University of Wisconsin Press, forthcoming); Gary Hamilton and Nicole Biggart, "Market, Culture, and Authority: A Comparative Analysis of Management and Organization in the Far East," *American Journal of Sociology*, Supp. (1988): 52–94.

²⁰This is the argument of Kiren Chaudhry, "The Myths of the Market and the Common History of Late Developers," *Politics and Society* 21, no. 3 (1991): 245–74.

²¹Victor Nee, "Organizational Dynamics of Market Transition: Hybrid Forms, Property Rights, and Mixed Economy in China," *Administrative Science Quarterly* 37, no. 1 (1992): 1–27; Andrew Walder, "Corporate Organization and Local State Property Rights: The Chinese Alternative to Privatization" (paper presented at the conference "The Political Economy of Privatization and Public Enterprise in Eastern Europe, Asia and Latin America," Brown University, April 1992).

²²Burawoy and Hendley, "Between Perestroika and Privatization"; Michael Burawoy and Pavel Krotov, "The Soviet Transition from Socialism to Capitalism: Worker Control and Economic Bargaining in the Wood Industry," *American Sociological Review* 57, no. 1 (1992): 16–38.

¹Michael Burawoy and Pavel Krotov, "The Rise of Merchant Capital: Monopoly, Barter, and Enterprise Politics in the Vorkuta Coal Industry," *Harriman Institute Forum* 6, no. 4 (1992).

²These conclusions are based on six months' research into banking in northern Russia during the first half of 1993.

Part II

Nationalism and National Identities