THE CORPORATE ETHIC, THE ETHIC OF 
SAMOSTOYATELNOST AND THE SPIRIT OF CAPITALISM: 
REFLECTIONS ON MARKET-BUILDING IN 
POST-SOVIEt RUSSIA*

Oleg Kharkhordin

Abstract This article attempts to elaborate a culturalist approach to the problems of the current economic reform in Russia, which is based on the works of Karl Polanyi and Max Weber. It argues that the currently predominant corporate ethic of Russian industrialists may not necessarily be viewed as an obstacle to national market-building. On the contrary, it may prove useful in the initial phases of constructing the Russian national market, because it seems to foster the creation of financial and industrial concerns, united in a national network of exchanges. However, the article also argues that a profound cultural change is a prerequisite for the later stages of successful market-building in Russia. The potential for and mechanisms of the transition from the corporate ethic of the currently dominant economic actors to the new individualistic ethic of samostoyatelnost are discussed. The Weber-inspired analysis points to the curious cultural change which has already occurred in some groups of formerly zealous collectivist ascetics.

Introduction

This article attempts to elaborate a culturalist approach to the problems of the current economic reform in Russia. The works of Max Weber (1990) and Karl Polanyi (1944) seem to be particularly pertinent to this task, but are largely ignored in contemporary discussions in Russia. This article tries to redress this situation. I shall concentrate on the problem of the corporate ethic of directors of post-Soviet industrial enterprises and try to demonstrate the institutional and cultural prerequisites for its resolution according to both Polanyi and Weber.

Specifically I shall hold that two distinct types of ethical sanctions coexist in the contemporary Russian economy: the corporate ethic of 'mutual help' and the individualistic ethic of 'samostoyatelnost', the latter having an elective affinity with Weber's 'spirit of capitalism' (1990) and being particularly important for national market-building in Russia. The first ethic is pervasive among post-Soviet industrial directors, although it is not necessarily shared by all of them. The same holds for the ethic of samostoyatelnost: it is characteristic of the new entrepreneurs but does not belong to them as an essential quality.

In the following exposition I shall describe the corporate ethic first, based on research carried out by Russian economists and sociologists in 1991–1992. I shall articulate the main features of the ethic of samostoyatelnost later. In

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discussing it I shall primarily rely on my own research conducted during the summer of 1992.

The corporate ethic of Russian industrialists

Providing an objective description of the Russian economy in 1992 was very difficult as all the standard statistical methods proved to be largely inadequate in these novel conditions. To the best of my knowledge, the only credible report based on continuous monitoring of a rapidly changing economic situation was produced by a group of experts of the Working Center on Economic Reform – Irina Boeva, Tatiana Dolgopiatova and Viacheslav Shironin. The report was based on a set of consecutive interviews with heads of major industrial enterprises. The authors conducted two rounds of interviews in 1991 (40 interviews in Moscow, Leningrad and Saratov in the summer of 1991, 30 interviews in Tatarstan and Bashkortostan in the autumn of 1991). They also carried out a survey of 150 directors together with Yuri Levada’s Center on the Study of Public Opinion in late 1991 in Russia, Ukraine and Kazakhstan. In January 1992 they conducted a survey of 65 directors who gathered for a constituent assembly of the Russian Union of Industrialists and Entrepreneurs, and they completed a series of in-depth interviews with selected directors in Moscow in March of the same year.

The Boeva report, as it will be called in this text, seems to be outstanding compared to other experts’ attempts to give a description of changes in 1992. It is founded on a sound empirical basis, while others are usually results of some unfounded ‘collective brainstorming’ or ‘situational analysis’. The Boeva report is also outstanding in that it escaped the peril of a subjective and frequently hopelessly partisan view, where other analyses did not. In fact, it was accepted by both main warring sides of 1992 struggles – i.e., by the Russian government and the industrialists’ lobby – as the foundation for designing policy solutions. Consequently, I shall rely on this report in my further exposition. (All the data in this section are also taken from the Boeva report.)

According to the authors, after the economic ministries and the state system of planned supplies (Gossnab) collapsed in the wake of the abortive August 1991 coup, enterprises were left largely to their own devices. They had to find partners and secure supplies on their own. A mild panic occurred among economic experts when it became clear that, by the beginning of 1992, 60 per cent of industrial enterprises managed to back up only half of their production programmes with signed contracts on supply purchases. Eight per cent of enterprises did not have any signed contracts at all. The price shock of January 1992 created a situation which was likely to drive a conventional economist mad. Rising prices stripped the majority of enterprises of available liquidity and inter-enterprise debt sky-rocketed. In the absence of signed contracts, with almost no funds to purchase supplies and with their own products rarely being paid for by the buyers, enterprises kept on delivering products to each other in almost complete defiance of price and market incentives. As one of the authors, Viacheslav Shironin, commented, after the price shock enterprises behaved like
Pavlovian dogs who had experienced too much stimulation and stopped responding to economic stimuli altogether.

The economy kept functioning, suggested the Boeva report, because of a certain ‘business ethic’ of industrial directors which helped them keep their enterprises afloat in the crisis conditions of 1992. Although the report did not concentrate on this ethic specifically, it invoked it as an almost self-evident truth to explain price structures, suppliers’ preferences, wage policy, and so on. Descriptions of the ‘business ethic’ which are dispersed throughout the Boeva report can be systematised to give a scheme of the ethical code of an individual director which regulates three main types of his/her interactions: relations with other directors, relations with the new market structures, and relations with the staff (kollektiv) of a given enterprise.

Relations with other directors were extremely important in 1992 as the main form of industrial exchanges comprising the so-called ‘direct ties’ (priamye sviazy) which accounted for no less than 70 per cent of Russian industrial output in the summer of 1991. As a rule directors in 1992 tended to keep up their old ties with major traditional partners from the days of centralised planning. These personal ties then seemed to have become pervaded by a sense of loyalty, mutual help and joint responsibility.

The report used terms from the vocabulary of the life of the Russian peasant commune, krug and mir, to account for the business ethic of contemporary Russian industrialists. This usage strongly suggested that the ethic in consideration was predicated on familiar features of communal life, i.e., on the mutual control of deviance from the established code of behaviour and on joint-help for the failing members of the commune. In the krug, that is in a circle of directors, the personal reputation of a given director became a guarantee for the economic survival of the whole enterprise. This reputation was directly translated into the price/supply policy of a given enterprise’s partners.

The possibility of a monopolistic price policy which many enterprises theoretically enjoyed after the elimination of centralised price regulations was rarely used in practice. In January 1992, almost 100 per cent of major industrial enterprises employed the age-old Soviet method of cost-plus price calculation to establish basic prices in inter-industry exchanges with their traditional partners. These cost-plus prices were then corrected according to the ethical standard which required that they reflected concern for the economic situation of the buyer. Thus, prices for the same product of a given enterprise, delivered to different partners, frequently varied according to the supplier’s estimate of what a buyer would ‘tolerate’. Prices were rarely raised above the cost-plus estimate without a ‘sound’ justification because the threat of a similar retaliatory action by one’s own suppliers persisted. Of course, there were deviants from the common practice who managed to escape this; these were the rare cases of producers of highly scarce supplies or of those few who were able to switch to production for predominantly external markets.

One can interpret the directors’ rhetoric of mutual help and consideration as a ‘collective misrecognition’ of their economic interests (Bourdieu 1990 : 111), that is as a vital lie that makes the existence of the directors’ community at all
possible. Thus, it is easy to discern in the recurrent practice of directors seeking supplies for their own suppliers an elementary attempt to ensure the stability and continuity of production in one's own enterprise. Delivering products to traditional partners without being paid can be similarly interpreted as an attempt to secure traditional markets which should be kept intact to survive the 'hard times'. Sometimes individual interests can be said to be misrecognised as 'national' interests: many directors stated that they were trying to prevent the breakdown of supply chains and thus to avoid inflicting irreparable damages to the Russian economy.

However, those traditional partners whose ties were not personal but mediated by local Gossnab supply structures, which was usually the case in small and medium batch deliveries, simply 'lost' each other. These contacts had to be re-established through barter or through the new market structures (commodity exchanges, trading houses, and so on). The residues of the centralised resource allocation system, the infamous fondy, were also becoming a form of barter as, in effect, their delivery was almost always conditioned on some type of 'additional services'. Contrary to popular opinion, the Boeva report concluded that barter comprised only 12 per cent of the total volume of industrial exchanges.

With barter prices being higher than the ones used in 'direct ties' exchanges, many enterprises sought to ameliorate their economic condition by severing some of the 'direct ties' and exchanging their products at higher price ratios or for products which were in high demand. Doing this was extremely difficult as it was watchfully controlled by directors' mutual surveillance. As already mentioned, directors could sever old ties only if they had 'sound' reasons, in the community opinion, and if they did not seriously affect the delicate network of inter-industry exchanges. One of the most widely used pretexts for abandoning old ties and switching to barter arrangements with new partners was claiming that an old partner now belonged to a different successor state (for example, 'you are Ukrainian now'). Every enterprise, thus, tried to keep its 'essential' contacts intact, while trying to sever the 'burdensome' ones.

Relations of state enterprises with new market structures (commodity and stock exchanges, trading houses, private commercial banks, and so on) were very different. As a rule, an enterprise sought to buy or sell products at commodity exchanges only as the last resort when nothing else was available. Interviewed directors cited different reasons for their unwillingness to interact with new commercial structures. These structures were predominantly perceived by directors as unstable and unreliable partners. Even the most successful state enterprises feared abandoning their stable positions in traditional markets in favour of the unpredictable environment of commodity exchanges and trading houses. Another reason for ignoring new market structures, frequently quoted in the interviews, was the volume of purchases at the exchanges which was inappropriately small for huge industrial enterprises. Thus, commodity exchanges were doomed to remain more flea markets than free markets, as David Woodruff (1992) put it. In total, new market structures were estimated to mediate only 3 to 5 per cent of industrial turnover in 1992.
The Boeva report did not say anything specific on a topic that was widely discussed in the Russian mass media in 1992, i.e., whether industrial directors despised the actors of the new market structures and intentionally boycotted them. Taking a stand in this debate is difficult. On the one hand, the directors’ dismissive attitude, which was commonly reported in the interviews (‘These guys have only money’), may mean that a new entrepreneur was habitually viewed as an adventurer engaged in the reprehensible activity of making fast bucks. On the other hand, one could suggest that new entrepreneurs were simply not considered as serious partners unless they invested in industry. My own interviews with a few managers of big private concerns indicate that they did not encounter hostility when dealing with directors of state enterprises. Thus, one of the respondents who owned eight large and ten small enterprises in the chemical industry (producing, according to his estimate, 0.15 per cent of Russian GNP in 1991) reported that he was not treated like an alien at all. According to him, even the directors of military industries frequently told him: ‘You are hardly a private entrepreneur. (Na kakoi ty chastnik.) You are one of us. You have the same problems.’

The mass media may have exaggerated the extent of directors’ conscious opposition to the new market structures. The mass media largely ignore their own role in constituting social phenomena: once the spontaneous economic behaviour of directors was represented as the ‘industrial lobby’ or as ‘the political position of the directors’ corps’, directors became aware of their collective stance and started behaving accordingly in some cases. The self-fulfilling prophecy character of the social sciences also contributed to this effect. Interviews conducted by the authors of the Boeva report during the March 1992 Congress of the Russian Union of Industrialists and Entrepreneurs seem to have been instrumental in transforming the hypothesis of the corporate ethic into virtual reality.

With respect to the staff of their enterprises, directors were compelled to assume a specific noblesse oblige stance. As interviews demonstrated, the two primary objectives of directors’ activities in 1992 were preserving the achieved level of industrial production and maintaining the existing kollektiv, with the latter having the tactical priority. Thus, raising wages to keep up with inflation became the primary concern of directors. Some chose to fight the rising food prices by bartering outputs for foodstuffs to be distributed among the employees; others invested in ‘auxiliary farms’ to produce some basic foodstuffs themselves. This noblesse oblige behaviour was not easy for directors. For example, many of them stated in interviews that they would like to be rid of the responsibility to maintain their employees’ housing (which became very expensive after the price rise), but could not do so because of the formidable social pressures and the potential erosion of the kollektiv.

The corporate ethic and market-building

When 1992 ended with Gaidar losing the position of Prime Minister, the story told by the media throughout the year appeared confirmed. This
conventional story holds that market reforms initiated by the Gaidar Administration was opposed and subverted by the industrial lobby. Tight monetary policy, which was at the heart of the shock therapy, was undermined by the fast growth of the uncontrollable inter-enterprise commodity credit. The expected bankruptcies never happened as almost every enterprise found itself in the red, while the corporate ethic of industrial directors kept all the enterprises afloat.

The moral invectives against ‘reactionary industrialists’, which almost inevitably accompanied this conventional story, uncritically assumed that Gaidar’s policies were inherently market-oriented, while the directors were held to share inherently anti-market orientations. This article will drop the moralising tone, because both Gaidar’s and the directors’ stances can be interpreted as conducive to or restrictive of market-building, depending on the theoretical perspective on market-building one chooses to espouse. The current domination of neo-classical interpretations in Russia obscures this ambiguity. In fact, a Polanyian approach to market-building, which is an alternative to neo-classical economics, could shed a different light on recent developments in Russia.

The *Great Transformation* by Karl Polanyi, which laid out his perspective on market-building, was published in 1944. This coincided with the publication of the currently adulated neo-classical manifesto, Friedrich von Hayek’s *Road to Serfdom* (1944). Both books are equally famous in the West. Both authors even share a similar personal history: both emigrant Austrian economists who had fled from the Fascist threat. However, current debates in Eastern Europe seem to ignore Polanyi completely. The reasons for this neglect are easy to fathom. Polanyi holds a simple thesis which puts him in stark opposition to Hayek: state intervention is necessary to build national markets. According to Polanyi, who was better versed in economic history than Hayek, national markets never appeared without state intervention, or, as the current Eastern European followers of Hayek would hold, with the withdrawal of the state from the economy. The neo-classical illusion, holds Polanyi, can only survive in the absence of attempts to validate it by historical evidence.

I shall first recapitulate the main points of Polanyi’s analysis and then draw some tentative parallels with contemporary Russian experience. Recent work in comparative politics, which shares the Polanyian motives, also seems to warrant the application of the Polanyian thesis to Russia. At the very least, some of the explanations for the spectacular successes in market-building and economic development of East Asian new industrialisers may also provide us with illuminating parallels.

Polanyi argues that history has witnessed three main types of markets. Initially long-distance trade appeared which aimed at moving durable goods from foreign locations to local sites. Local trade also developed of its own later on. It primarily comprised the exchange of perishable goods between cities and countryside. However, historical evidence from all European countries shows that markets of the third type – that is, national markets which were to fuse all the already existing ones into a single universal network of exchanges, never
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appeared on their own and as ‘naturally’ as local or long-distance markets.

Medieval European cities thoroughly regulated both types of existing trade. Almost every city had a corporate regulation which barred foreign traders from the city, because wholesale capitalist long-distance trade tended to subvert the very rationale of these cities’ existence. The medieval city also tended to contain the trade within its walls so as to effectively protect the countryside from the corruption of trading.

Two steps were taken by the nascent European nation-states to create national markets. The first one was a consistent mercantilist policy which broke through the corporate ties of the cities’ guild regulations. This mercantilism either tied guilds in national networks, as in England, or institutionalised the guilds on the national level, as in France. A formidable amount of coercion was needed in support of this mercantilist policy of the state, which aimed at overcoming corporate resistance. This intervention resulted in a multiplicity of loosely integrated national commodity markets, now thoroughly regulated by the state, which fought against potential monopoly trading.

The second step in state intervention was the marketisation of the labour force, land and money. Polanyi here narrows down his analysis to a meticulous consideration of the classical English case. He argues that the marketisation of the labour force would have resulted in a ‘satanic mill’ which would have destroyed English society if it were carried out by market forces alone. The English state intervened twice to establish a labour market. Initially the English squirearchy defended the majority of the English population from the dislocations of the market system. Forty years later the middle classes had to gain control of the state to eliminate this defence which had become an undisputed barrier to the country’s development.

In legislation adopted in 1795 in Speenhamland, the English squirearchy had authorised the system of the ‘poor rates’, that is, the system of aid-in-wages for every Englishman unable to earn enough money to buy bread to feed himself and his family. The money needed for the administration of this ‘right to live’ programme was levied by local parishes through taxes.

Following the institutionalisation of the Speenhamland system, all England was forced onto the survival minimum of the poor rates. Workers had no incentive to work hard because they could always get the standard minimum. Employers did not pay higher wages because they could always find somebody eager to engage in ‘boon-doggling’ for the minimum wage. The word ‘pauper’, familiar to every student of the classical political economy, became the basic reality of England for more than thirty years. Eventually the situation became intolerable. Squires maintained their power on the basis of their care for the poor; but by virtue of this care the majority of the population was not able to sell its labour force at market prices. Increasing productivity combined with the lowest wages produced new wealth for the middle classes, which coexisted with the poverty of the mass of the population.

Polanyi does not label the behaviour of squirearchy ‘reactionary’ or ‘anti-progressive’. He sees it as an obvious and legitimate response of society to the ravages of the satanic mill of the industrial revolution, which would otherwise
have crushed the community. The system of the poor rates, uniting the lords and the poor against this threat, was a ‘natural’ response for the squirearchy that ruled the country. However, after its initially beneficial impact, the system started to inflict more pain than it alleviated. In the end, all social strata considered anything preferable to the official policy of pauperism.

Another state intervention was needed to complete the transition to the labour market in England. When the middle classes assumed dominance in the political system after the House of Commons was granted decisive rights in 1832, the poor rates system was immediately abolished. The history of England, which lacked trade unions at that time, demonstrated the worst examples of the consequences of the purely market-driven system until their appearance in the 1870s. It is useless to argue whether English history after 1832 could have been less bloody than it actually was. Still, with the elimination of the social support system, the suppression of labour discontent, and linking the newly created labour market to other loosely integrated markets, the English state had finally tied these disparate markets into a national market. This achievement was beneficial to everybody in the long run.

I do not intend to draw straightforward analogies between the historical experience of Britain and the post-Soviet economy, which come easily to mind. An attempt to draw parallels between the corporate regulations of the medieval guilds and the corporate ethic of Russian industrial directors, both of which preclude the formation of national markets, would yield a caricature if done inconsistently and unprofessionally. Nor should the noblesse oblige type of actions of English squirearchy be rigidly mapped onto similar types of action in the Russian context. The easiest way to discredit the Polanyian thesis would be to blindly copy his historical reasoning and predict that the union of the power-holders with the poorest would inevitably force the majority of the Russian population down to the bare subsistence level, accompanied by the spectacular growth of wealth for the few new entrepreneurs, because of the structural impossibility of selling labour at market prices.

Some conclusions are nonetheless worthwhile and useful. It seems plausible to argue that the corporate ethic, which engenders the defences of society against the dislocations of the purely market-driven system, must be reformed by the state for market-building to succeed. No matter whether they are of the guild, of the lord-and-subject or of the krug type, corporate ties that bind together the primary economic actors of non-market economies must be changed by government intervention.

State efforts to change cultures and mores are considered impossible in most cases and pernicious in some, according to the classical works of Edmund Burke on the French Revolution. Thus one may conclude that the strong state should intervene only when it is capable of achieving either of the two connected objectives: either break down the weaker structural obstacles to facilitate desired cultural changes (as it did by breaking the guild to facilitate mercantile capitalism), or provide the structural framework for the cultural change which is already underway so that it is channelled toward desirable outcomes (as it did to enact and then abolish the Speenhamland laws).
strong state should intervene to reform the two main types of corporate relations: ‘horizontal’ corporate ties between the main economic decision-makers and ‘vertical’ corporate ties between these and their subjects/clients.

The Russian national market and the corporate ethic

In this respect the proximity of the current Russian administration to the industrialists should not be deemed as inherently good or inherently bad. It should be considered as one of the existing conditions of the process of national market-building in Russia. In one sense, this proximity – if it is real – may even be beneficial to this process because it creates a stronger Russian state, in comparison to the weak post-coup state that could not enforce its policies. The industrialists’ support for the new administration, which is almost universally seen – even if mistakenly – as representing their interests, may increase the low popularity of the new Russian regime. Given the intra-enterprise ties of employees’ dependence on the director (not infrequently clad in the rhetoric of personal loyalty), this support may perhaps supply a broad mass base for the new administration, and thus a stronger state which may paradoxically be capable of implementing the reform of the corporate ethic needed to build the national market.

The economic programme of the Russian Union of Industrialists and Entrepreneurs, formulated by its March 1992 Congress and partially outlined in the report of its Experts Institute, contained at least three elements which are pertinent to the present discussion of market-building, Reform in Russia: Stage Two proposed to add three state measures to Gaidar’s monetarist policies. These were: controlled inflation to fight the inter-enterprise debt stalemate, targeted bankruptcies of selected enterprises and the enhancement of the formation of industrial conglomerates on the basis of vertical and horizontal integration of the surviving enterprises (Yasin et al. 1992: 7). By the end of 1992, two of the three, the first and the third, seemed to be almost in place. Although inflation, unleashed by additional credits to end the summer stalemate of mutual defaulting, was far from being controlled as prices increased three- to five-fold, it restored the possibility of using the price mechanism.

If the first measure was enacted by state policy, the third one – creating conglomerates – was largely spontaneous. As I have already mentioned, the choices each director had to make during the hard times of shock therapy occasioned the practice of retaining contacts with basic partners while trying to break the ties with the inessential ones. This practice facilitated semi-stable groupings within the formerly indiscriminate mass of enterprises. Another widespread practice, that of converting former industrial ministries into ‘corporations’, also contributed to the process of conglomerater. These corporations existed initially largely on paper. Their two main ‘real’ functions consisted in establishing and mediating contacts of their member enterprises with other branches of industry or foreign trading partners on the basis of the existing personal ties of the former ministry staff. Later some of the corporations evolved into commercial suppliers of some managerial and
consulting services in exchange for money or for a share in the enterprise’s output. New banks, created by the agile ministerial types during the ‘bank boom’ days of 1990, were also quite commonly connected to these corporations. In fact, 20 per cent of the interviewed directors secured some of their investments from these banks. Of all directors polled, 40 per cent were formerly members of some corporation, although of these half were eager to change their affiliation soon (Boeva et al. 1992). Jointly these two practices headed in the direction of bringing together clusters of vertically and horizontally integrated conglomerates. For example, the Boeva report found 14 integrated concerns emerged out of the remnants of the Soviet textile industry, with ‘Russian Wool’ and ‘Russian Cotton’ being the leaders in the conglomeration.

Privatisation also seemed to push in the same direction. According to experts of the RUIE, many large enterprises attempted to acquire stocks of their major partners (so as to create the system of interlocking stockholding), but frequently failed to do it legally, because the position of Goskominushchestvo, a state body supervising privatisations, was staunchly ‘anti-monopolistic’ and therefore forbade vast enterprises to buy each other’s stocks. Hence, the extent of the process of financial integration and conglomeration in large-scale industry is very difficult to evaluate. The ‘third persons’ now probably mediating interlocking stockholding may become unnecessary once the legislation on industrial concerns is adopted.

The extent of the spontaneous formation of financial-industrial conglomerates is one of the primary conditions to be taken into consideration when discussing the contemporary prospects of Russian national market-building. Building compact conglomerates on the basis of corporate ties, while introducing price mechanisms in relations between conglomerates, may perhaps be a viable strategy of market-building in Russia. The nascent national market may be built as a network of exchanges between these conglomerates. Thus the directors’ lobby – the ‘curse of 1992’, as it was presented in the media – may be reformed to become the saving grace for the process of market-building. The internal exchanges of the newly forming conglomerates can initially use the corporate ethic to reduce risks and ensure stability. Of course, the internal structure of conglomerates should also be reformed in the long run.

This scenario, initially proposed by the experts of the RUIE, is not historically unique. A state strategy of building a national market out of financial/industrial conglomerates lies at the heart of recent success stories of East Asia. In Japan, Korea and Taiwan, the state strategy of market-building simultaneously cut across some corporate ties, while retaining others as the foundation for internal structures of conglomerates. These conglomerates, called zaibatsu in Japan, or chaebol in Korea (which intentionally copied the Japanese model), comprise dozens of major industrial enterprises, tied by vertical and horizontal integration and by a system of interlocking stockholding. These enterprises are also customarily attached to a joint-financial institution and a joint-foreign trading company. Zaibatsu were initially controlled by a single family, the best known examples being Misui, Mitsubishi and Sumitomo.
The Korean conglomerates – Samsung, Hyundai, Daewoo – were also based on group membership, but not necessarily of the family kind. The advantages of market-building with the zaibatsu type of conglomerates are widely known (see, for example, Johnson 1987). They internalise risks and information, and substitute for perfect market conditions. They concentrate within themselves scarce capital resources and facilitate easier capital-factor flows within the conglomerate structure.

Of course, the ‘hard authoritarianism’ of Korea and Taiwan, as well as the ‘soft authoritarianism’ of Japan, contributed towards solving the second problem of the corporate ethic, the problem of creating a labour market. Strong paternalistic policies were adopted in all three cases with labour becoming a full commodity sold at low prices because of the presence of strong labour-repressive structures. Trade unions were prohibited under martial law in Korea, and they were co-opted into the ‘state socialist’ structure of the Kuomintang regime of Taiwan. The specific cultural system of seniority and semi-feudal allegiance guaranteed the stable incorporation of the Japanese labour force into the structure of industrial domination. In all three cases the trade-off for abandoning political activity on the part of the working classes was a tangible annual increase in wages, which was directly proportional to increasing productivity. Of course, neither soft nor hard authoritarianism exists in Russian industry at the present time. As Burawoy and Krotov (1992) have persuasively shown, management has few policy options for enforcing its decisions due to the current anarchy in what they call ‘the relations in production’. On the other hand, given the tradition of the Soviet welfare state authoritarianism of the 1960s and 1970s (Zaslavsky 1982), and given a possibly stronger state in the 1990s, these orderly and labour-repressive relations can also be re-established in post-Soviet industry.

The outlined scenario of market-building in Russia rests on one critical assumption which, if mistaken, may undermine the proposed theoretical edifice. This implicit assumption is the willingness of directors (or of economic actors in general) to undergo and facilitate market reforms. For example, Gaidar who had studied Serbo-Croatian, would be likely to ask: who is to guarantee that emerging industrial conglomerates would evolve closer to the zaibatsu model than to the Yugoslav inert monopolies of the 1970s? This question is of the utmost importance. Given the cultural and social similarities with the Yugoslav case, given the sustained shared habits of doing things in a certain traditional manner, which constitutes the practical sense of directors’ business ethic, it seems more plausible to argue that directors, as they exist right now as a corporate body, are unsuitable for the market-based system.

Zaibatsu structures as such do not ensure the will to capitalist development. If this will is present, though, zaibatsu greatly facilitate market-building through the establishment of oligopolistic competition. For example, in the Japanese case, traditional family-owned zaibatsu had to be reformed in 1946 by the American occupation administration to bring in the new managers. Under coercion family stock was sold off to the public, while family members were prohibited from taking zaibatsu executive posts for the next ten years. The
purge of war criminals opened the way for the fast upward mobility of the new managers who came to rule the reformed zaibatsu. 'The third class executives (thus they were called) who filled the vacuum have proved themselves excellent managers. They were young, active and without old interest. If it had not been for them, the postwar economic development of Japan could not have been realized' (Uegaki 1993: 12).

The rest of the article will explore the extent of the presence of the will to capitalist development in Russia. I shall argue that the change in the culture of main economic actors, similar to that which occurred in Japan, is underway in Russia too. This change may eventually substitute a new individualistic economic ethic for the corporate ethic of post-Soviet directors.

**Mechanisms of cultural change**

There are two complementary feasible directions for the change in the directors' corporate ethic to occur. First, the 'old guard' may be replaced by actors who share a radically new business ethic, or, second, the declining mutual enforcement of the uniform directors' behaviour may contribute to a gradual change in prevalent ethical orientations without a physical substitution of actors. I shall concentrate on the first possibility in this article, as there are not yet sufficient data to estimate the probability of the second one.²

In discussing the first possibility (actors' substitution), I shall partly base my argument on the work of one of the most insightful Russian economists of the 1990s, Vitaly Naishul. He became the widely known advocate for the institutionalisation of the largely unregulated process of 'spontaneous privatisation', which may bring the exclusively market oriented managers to directorial positions in industrial enterprises and conglomerates.

Naishul argues that the economic system of the USSR became an administrative market from the 1960s, which traded not only property rights, but what he calls 'administrative rights' as well. The latter included access to a particular status, rights to engage in law-making and to violate laws, the right to obtain educational credentials, and so on. With the collapse of the main section of the Soviet administrative market, i.e., with the collapse of the system of vertical bargaining between the levels of administrative hierarchy in 1991, horizontal personal ties became the only bonds that keep the economy together.

Contrary to a common opinion in the West, which holds that 'spontaneous privatisation' is a phenomenon of the last two or three years during which nomenklatura tried to acquire property rights for state assets, Naishul (1992a) traces it back to the 1960s. According to him, the transformation of state enterprises into private property was gradually happening since then and now has only reached its visible culmination. Based on the horizontal exchanges of the post-Soviet system, potential legal owners are buying out administrative rights from the old 'owners' or legalise the ones they already enjoy. The sale of administrative rights implies paying substantial sums of money or alternative currencies under the counter to those who previously controlled state properties in exchange for the authorisation to privatise.
Naishul (ibid. : 18) holds that this process is regulated according to the 'customary law' of administrative markets (this is his term for the corporate ethic) no matter what type of legal niceties are used to mask the transfer of state properties to private ownership. 'Hidden' spontaneous privatisation had already given all actual controls of the given enterprise to its current director, and he or she would not relinquish these controls without due reimbursement. Thus, Naishul called for the legalisation of administrative rights and for the permission of their free and legal exchange so as to facilitate the swift and peaceful 'open' privatisation of the post-Soviet economy.

If one accepts Naishul's theoretical framework, one can see that Gaidar's decision to hasten legal privatisation in 1992 has finally given spontaneous privatisers a chance to institutionalise their gains. The law on privatisation supplied a socially acceptable framework to legalise the results and transactions of spontaneous privatisation.

One of the most telling signs of this was the spectacular development of investment companies in 1992. If 1990 witnessed the boom of bank creation, and 1991 was the year of the stock market boom, 1992 became the year of the boom in the setting up of investment companies. By the summer of 1992 Russia already had about 70 investment companies, 38 of which were registered in Moscow alone, according to the database of the Institute for the Study of Organized Markets (INIOR). Investment in privatisation became the main prospect for at least one third of these investment companies, with the proclaimed strategic aim of building 'financial empires' (Danilov 1992 : 12).

In the interviews I have conducted with the managers of these investment companies, some have been very frank about their intentions and techniques. 'No matter which of three legal procedural forms of privatisation are chosen by the staff of a given industrial enterprise, my firm will always be able to acquire a controlling share of stocks if the director cooperates', said one. According to another, his investment company has researched the privatisation legislation thoroughly and has indicated at least 32 (!) ways to circumvent the legislation and gain control over any privatising enterprise, given a 'sufficient amount of capital'.

One widespread operation which allowed the transfer from an old director to the new owners was putting a given enterprise on trust by the investment company, in a hidden corollary to which the old managerial board acquired a substantial share of the stocks of the investment company itself. Ways and means varied, but the result was almost always the same: either the transfer of a former state enterprise to the new private-corporate owner, or the legalisation of the old management's administrative rights as private property titles. Through the activity of private investment companies new conglomerates were also being forged, the most highly visible in 1992 being the RINAKO ('Russian Investment Company'), Neverov (based on the Hermes oil exchange) and the MENATEP groups.

However, two additional difficulties stood in the way of a smooth transition to an economy of private conglomerates headed by capitalist entrepreneurs. The first one seemed to stem from the fact that government officials themselves
tended to become thoroughly enmeshed in economic transactions. As *Kommersant*'s annual economic review ironically commented, the fact that not all of privatised enterprises ended up in the possession of governmental officials should be considered as the primary achievement of the year (Kirichenko et al. 1993).

This highlighted the weakness of Naishul’s argument. His initial 1992 article stated the need for disinterested rational bureaucracy to supervise the exchange of legalised administrative rights, but did not address the obvious question of where it would come from. In a sense, this was self-undermining: if according to Naishul himself, people got used to trading bureaucratic positions in the Soviet administrative markets, why should those who occupy these positions now suddenly become innocent angels? Why should the middle-level economic bureaucracy of the contemporary Russian state, which paved its way into their current positions through innumerable sacrifices and countless exchanges on administrative markets, fail to recoup its losses and realise its vested interest by acquiring shares in privatising companies? If this happened it would lead once again to the state bureaucracy becoming one of the main economic actors stalling the transition to the national market.

As 1992 progressed, Naishul corrected his initial omission, claiming that Russia needed ‘statesmen of Idea’ who would find it ‘shameful’ and intolerable to engage in redistribution and corruption (Naishul 1992b). With widespread stories of corruption in the higher echelons of economic bureaucracy and even among the members of the Gaidar team reported in the media, this appeal seemed to be rather unrealistic.

The second difficulty was the motivation of a new legal-owner or CEO him or herself. Who was to guarantee that having bought out administrative rights from the former director, and thus having acquired a potential monopoly position, he or she would not become the lookalike of the previous quasi-owner?

Both difficulties pertain to the same problem of the motivational core of rational capitalism, ‘the spirit of capitalism’ as Max Weber called it (1990), which gives rise to rational-legal bureaucrats and rational-capitalist entrepreneurs. The emphasis of this study, thus, has to be shifted. With institutional prerequisites almost in place, that is, with spontaneous privatisation being capable of contributing to oligopolistic market-building, the discussion should now deal with cultural matters. We need to estimate the potential for the sort of cultural shift capable of bringing about the capitalist spirit in Russia.

*The ethic of samostoyatelnost*

Russia seems to have a potential for a strong individualistic ethic, which I have dubbed ‘the ethic of samostoyatelnost’, in accordance with entrepreneurial language. *Samostoyatelnost* in Russia is more than just ‘self-striking’ or ‘self-reliance’, which is the most straightforward translation into English. It is a belief in the inherent worthiness of living independently, of standing on one’s own feet, a kind of grassroots Russian individualism. I have found this kind of
ethical claim to be recurrently used by entrepreneurs to justify their existential decisions in a series of interviews conducted during the summer of 1992. I would claim that this ethic of samostoyatelnost is shared by many members of the ‘civilised entrepreneurial movement’ as this ethic distinguishes them from the ‘old guard’ of economic actors in post-Soviet society.

Two Russian sociologists – Ona-Grazhena Rakovskaia and Lyudmilla Balashova – collected in 1992 a series of life story accounts of the students of the school for young entrepreneurs at the Moskow Plekhanov Economic Academy. Their research, which was based on the method of extensive 3–4 hour long interviews, aimed at finding out the life-course strategies of respondents who were 21–24 years old, and all engaged in entrepreneurial activity of some kind. The questions posed were primarily concerned with the formation of the middle class in Russia. Hence, sometimes they involved open questions on the respondents’ perceptions of the middle class, whether they belonged to it, and so on. Another research objective was testing the hypothesis on the relevance of continuous family work traditions for the development of civilised entrepreneurship in contemporary Russia. The results are soon to be published in a forthcoming book (Rakovskaia 1994).

Exploiting the graciously given opportunity to work with the actual texts of interviews, I have concentrated on the analysis of the statements on entrepreneurial motivation. Two types of statement were of particular interest. The first type included answers to the questions of what were the primary motives of the respondent’s current activity. The second comprised those which unintentionally revealed the shared background for actions, a kind of ultimate justification invoked when one had to explain existentially important, but sometimes economically irrational behaviour.

Among the most frequently mentioned motives for current entrepreneurial activity were: getting normal money for a normal job; satisfaction of particular personal needs (to go abroad, to go skiing, to have enough time and money to write a book, and so on); to live better than one’s parents; to live like normal people; to live according to common sense. When pressed to elaborate further on their answers – for example, to clarify what ‘normal life’ meant to them – respondents frequently took what they had just said as self-evident truths which did not require any further justification. Some completely refused to clarify their statements. Others engaged in tautology or explained their initial answers by what seemed as a cross-reference to what other respondents said. For example, one respondent replied that ‘normal life’ meant ‘living according to common sense, that is, getting the fruits of one’s labour in reasonable activity’.

This frequently cited idea of life for individual reward sounds rather banal. However, attributing banality to it is profoundly mistaken. In so doing, one takes for granted the values of Western civilisation and fails to compare these statements of entrepreneurs with the values of Soviet civilisation some 30 years earlier, when the idea of life for a higher cause was still predominant. The shift from charismatic sacrifice for a higher cause (the role model of Soviet civilisation) to a mundane individual achievement measured by everyday acquisition is of epochal significance. How did this shift occur? A plausible
hypothesis can be formulated if we could locate the ultimate moral justification of contemporary entrepreneurial behaviour which would hinge somehow on the ultimate moral grounds of the Bolshevik ethic which preceded it.

The analysis of this ultimate justification contained in the second set of young entrepreneurs’ statements shows that it is almost invariably the idea of *samostoyatelnost*. Many explanations of the existentially important situations, for example, breaking off from the state organisation and starting an independent life full of unknown dangers and basic insecurity, end up with the phrase: ‘One should be *samostoyateln*’. This is strongly reminiscent of the practical injunctions Weber (1946) was seeking in the doctrinal content of the world religions. Here these injunctions function on the more basic level of the background justification of action, but they rarely stem from some articulated coherent doctrine shared by young entrepreneurs. Thus, talking about *samostoyatelnost*, young entrepreneurs use strongly normative language but still stay at the level of the Wittgensteinian ‘That’s the way we do it’ instead of appealing to some doctrine. I shall quote some statements to convey the different shades of the meaning of *samostoyatelnost* as employed by entrepreneurs.

An administrative director of the tourism/trading firm: ‘I perceive my career only as a a director. I cannot imagine that I will work from 9–5. I should have some *samostoyatelnost*. If I am not the director, I should have the problem clearly defined, and I will solve it independently (*samostoyateln*).’

A broker/trader on a commodity exchange: ‘I did not want to become a programmer [after college] because I could not tolerate another three years of unfreedom.’

A broker of a credit search firm: ‘I could earn more money in another place… But I want to direct myself. I do not want to be ruled…. This is more important.’

The manager of a private R&D firm selling innovations to the automobile industry: ‘I should allocate my time myself (*sam*). I love setting my own agenda so that I know when I will work and when I will rest.’

A self-employed repairer of apartments: ‘There are always the leader and the led. The led would perfectly calculate and fulfil the task. He might know how to make it better but he is always dependent on someone else’s will. In serious cases he must always seek advice. [That’s why] I wanted something of my own.’

A head of a foreign trade company: ‘I wanted *samostoyatelnost*… And having watched my parents, I started to do something of my own (*delat chto-to svoe*). I felt pity for my mother who works so much [she is manager of a state construction trust] and gets nothing for it.’

A manager/owner of a toy-manufacturing factory: ‘I like business because it is always interesting. It is even more so when you do business yourself (*sam*). What you can do depends only on yourself.’

A manager of a windshield production firm: ‘I should have more *samostoyatelnost* in my current position. I still do not define the price policy of our business.’
THE CORPORATE ETHIC, THE ETHIC OF SAMOSTOYATELNOST

An owner of the electronic dating firm: ‘Happiness is to have freedom of choice, that is to do what you want and in a manner you want it… Business gives freedom because a person is more free when he has more money.’

Different shades of meaning depend on the implicit individual interpretation of the core ethical idea. It seems, however, that the word samostoyatel’nost is most frequently used by entrepreneurs in two senses. The first set of meaning conveys the word’s derivative origin from the root sam (self, own): standing on one’s own, self-reliance, self-assertion, self-fashioning. The second set is derived from the ‘samostoyatel’nyj dependent, unfree’ opposition. In this sense samostoyatel’nost is understood as independence from somebody else’s will or from this will embodied in institutional constraint. (All respondents virtually hated the experience of serving in the Soviet Army which seems to be the epitome of individual unfreedom because, as one respondent put it, ‘A free person suddenly finds himself in a situation when he is being told for two years what he should do’).

Still, in entrepreneurs’ usage, samostoyatel’nost rarely means independence from cultural or procedural norms. A constraint of imposed procedural norms was frequently accepted without complaint, which would seem counter-intuitive. The counter-intuitive quality fades away when one grasps the condition which was crucial for the acceptance of procedural constraint. For example, requirements of professionalism and of methodical work (‘One should be persistent in fulfilling the task – kap! kap! – as dripping water gradually erodes the stone it hits’), even the tedious 9–5 routine is not perceived as unfreedom – if it is imposed by an individual on him or herself freely. Samostoyatel’nost here becomes the Hegelian freedom of the self-imposition of constraint. This somehow explains why new entrepreneurs can work long hours in a methodical manner, but still hate to appear at work at 9 a.m.

A genealogy of samostoyatel’nost

Summing up the previous section, one may single out self-reliance and independence from somebody else’s or some other entity’s will as the two ultimate values of new Russian entrepreneurs. Once again, this should not be treated as a banality. Samostoyatel’nost, as it was defined in the classical nineteenth-century dictionary of Vladimir Dal’, seems to apply primarily to matters of belief. The examples of actual word usage given by Dal’ are revealing. The first example tells the reader that ‘only God is independent [samostoyatel’nyj] and unconditioned’. The second defines the ‘samostoyatel’nyj individual’, who is ‘the one who has firm beliefs and who does not vacillate’ (Dal’ 1980 : 133).

This concept of the samostoyatel’ny individual, as defined in nineteenth-century Russian, may be elucidated by an analysis of both roots, constitutive of the word: ‘sam’ – ‘self’ and ‘stoyat’ – ‘to stand’. One may propose the following exegesis. Samostoyatel’ny was a man capable of standing on his own, alone in a hostile world full of evil and temptations. This individual was not guaranteed complete and unconditional self-standing, however; only God had

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this attribute. A person could stand on his own because he never stood alone, in a sense; he always depended on higher support. That is, an individual gained samostoyatel'nost only through his contact with God who provided constant support in the form of the kernel of firm faith. This kernel sustained stern resolution and forebearance amidst the hardships of life, for faith provided a set of clear unambiguous recipes for action. A person could become samostoyatel'ny only because divine guidance was inherently present in his soul. Thus, this religious notion of independence and self-reliance was totally different from the modern Russian understanding which implies a free self-defining subject which does not depend on any entity. Religious samostoyatel'nost did not grant an individual freedom to define himself, it gave freedom to act independently in accordance with God’s will.

This notion of samostoyatel'nost seems to be closer to Luther’s mystical ‘communion with God’ than to the modern notion of autonomy, i.e., the self-legislation of a mature individual. Luther’s ‘Here I stand, I can do no other’ nicely fits with the Russian religious notion of samostoyatel'nost: I stand on my own in accordance with divine will as revealed to me in a mystical communion. This communion gives me an assurance of grace and, thus, a firmness of belief which provides guidance for action.

The religious notion of samostoyatel'nost did not disappear after 1917. On the contrary, it became the backbone of the notion of the Soviet individual. Although an individual was supposed to be an atheist in outward appearance, the religious mechanism of action depending on a mystically revealed higher truth remained the same. The essence of Soviet citizenship, wrote Stalin in Short Course of the History of the CPSU, was the firm belief in the Communist doctrine. This belief gave grounding for individual samostoyatel'ny action. A dictionary of the Russian language, published in the 1950s, gave the following example of ordinary usage to clarify the meaning of the word samostoyatel'nost. The example came from the novel with a characteristic title Zakipela Stal’ (The Boiling Steel): ‘The Bolshevist style consists in endowing people with initiative and samostoyatel'nost, while directing them when needed, and, what is essential, preventing them from making mistakes’ (quoted in Barkhudarov 1957, Vol. 4 : 29).

This quasi-religious notion of the Bolshevik vocation assigned a role model of Soviet civilisation. An individual (now not only a man but a woman also), who found him or herself in a given professional occupation not through divine providence but through the Party will, was supposed to achieve the utmost in this occupation. In so doing, he or she became an efficient cog in the machine of ‘socialist construction’. This effective functioning was ensured by an individual’s mystical communion with Communist truths as revealed in reading certain quasi-sacred texts. The Soviet individual had the initiative and samostoyatel'nost to ardently seek and achieve the objectives set by the Party, the sole embodiment of Communist truth in this world.

This Bolshevik samostoyatel'nost was also self-reliance, but of a curious kind. As the Higher Being, the Party could rely on the selves of its subjects, for they were infused with firm belief. Stated in ordinary language, this was captured in
a slogan widely used at that time: if everybody works well in their assigned place – that is, works conscientiously – the system will work as it should.

And it worked. Soviet people did their utmost to meet the planned objectives, following their Bolshevik vocation, or at least claimed that they did so. This continued until the quasi-religious notion of samostoyatel'nost was eroded and superseded by what now seems a banal and obvious notion of self-reliance, shared by contemporary Russian entrepreneurs.

One may note a curious feature of this erosion. My interviews have consistently pointed to the substantial presence of former collectivist ascetics among older entrepreneurs who currently share in the ethic of samostoyatel'nost. As the interviews I conducted centred specifically on qualitative similarities and differences among entrepreneurs, it is difficult to present a reliable quantitative estimate. However, a hypothesis on the quality of recent cultural change may be proposed. It seems plausible to argue that the change from the old, quasi-religious notion of samostoyatel'nost to a new one happened during the lifetime of one generation, which underwent something similar to a religious conversion. In contradistinction to the younger entrepreneurs who grew up as individualists, the majority of the older entrepreneurs initially adhered to Communist ideals to a greater or lesser extent. They have experienced an acute crisis of the collectivist ethic, and have intentionally accepted the individualist ethic after a prolonged and intensive quest for a solution to this crisis. Thus, they experienced the change to a modern notion of samostoyatel'nost as a deep personal drama.

Two features make 'the converts' especially interesting for the present discussion. First, their present adherence to individualism and samostoyatel'nost is still predicated on the quasi-religious faith in revealed truth. This new truth is now frequently some kind of grassroots Hayek-style doctrine of the inherent value of capitalism as a civilisation promoting human freedom and samostoyatel'nost, which is expressed in the rhetoric of 'normal life' and 'common sense'. The strong faith is a result of the individual quest for lost meaning and a quasi-religious conversion from the former collectivist/Communist beliefs. This motivational core engenders deep individual intolerance to any forms of collectivist activity or to other residues of the former Soviet system. The converts have a strong moral injunction against corruption and redistribution which they identify with the abandoned system.

Second, the Communist ascetics, turned into believers in and practitioners of individualist samostoyatel'nost, invest the energies of their methodical or heroic asceticism into ardent activity to achieve the new professed ideals. In other words, although the ascetic drive supports beliefs which are radically opposed to the ones formerly held, everyday practices have not changed: individuals still methodically or heroically work 'in good conscience'.

I would further hold that among these converts the formerly strongly motivated Communist ascetics are the ones needed for core positions in the state bureaucracy and new economic structures. Two characteristics discussed above make them exceptionally well suited for the tasks of market-building. An
ardent belief in individualism coupled with an ascetic imperative gives this group the motivational core needed to break through the corporate ethic.

**Collectivist and individualist asceticism**

Given the interpretive character of the present study, I can only tentatively distinguish between two types of conversion from collectivist to individualist asceticism, and provide examples of both. The first one is characterised by high doctrinal sophistication. The second one, which the majority of entrepreneurs of the ‘convert’ group underwent, lacks it.

Mark Masarsky, the president of the association of independent entrepreneurs, which is rather awkwardly called ‘The International Association of CEOs’ (the primary organisational alternative to Volsky’s RUIE in 1992), is a good example of the first type. He can also be regarded as the paradigmatic figure for Communist asceticism converted to the new ethic of *samostoyatel’nost* in general.

When Hedrick Smith described Masarsky as a representative of the new ‘cooperative movement’ of the Gorbachev era in *The New Russians* (1990), Masarsky was still a fervent believer in ‘socialism with a human face’. At that time he was a director of a cooperative in Northern Russia which constructed roads and houses. He has profoundly changed since the bitter conflict within the cooperative on the matter of the allocation of profits in March 1988. Masarsky insisted on investment, while the majority of the members of the cooperative were eager to convert profits into higher wages. After these events Masarsky acquired a ‘strong idiosyncrasy towards any collectivist assembly engaged in economic activity’, as he put it himself in an interview with a popular Russian weekly (Sirotkin 1992).

His ascetic profile did not undergo any substantial changes. His life story is a narrative of methodical labour. A rural child, he felt deprived when his older brothers did not take him to work in the fields. A true Stalinist in his teens, he espoused the doctrine of work in good conscience and tried to live up to its standards in reality. A university philosophy lecturer after the XXth CPSU Congress, he sought ‘true collectivity’ which finally led him to abandon his scholarly career. Masarsky joined the famous *Pechora* cooperative of gold-diggers, an island of ‘normal life’ amidst the economic irrationality of the Brezhnevite economic system.

Since then he has adhered to the ‘philosophy of Pechora’, as he calls it, which combines Protestant sternness with ultimate individual freedom. Protestant overtones are not accidental because Pechora is the name of the river in Northern Russia where many methodical ascetics, the Old Believers of Tzarist Russia, settled after they fled from official religious persecution. Until 1988, however, Masarsky thought that individual self-realisation could be achieved within a free collectivity. Having dropped this belief after intense disillusionment with collective management, he now holds Hayek and Milton Friedman as the two authors who make most sense in economics.

‘People’s capitalism’ is what he now considers the most desirable outcome.
of Russian development. The latest Masarsky effort to make people’s capitalism real is his Your Own House multi-billion rouble investment project (initially $35 million at summer 1992 prices). The project is constructing housing for the burgeoning mass of entrepreneurs and landholders, and is supposed to create a firm basis for the new individualism. In doing this, Masarsky sees himself not only as a road and house builder, but as the builder of a new society and as a preacher of the new faith (verouchitel’) – the traditional role of the Russian intellectual. This newly preached belief is the belief in the ultimate value of human individuality and freedom.

In many respects this faith is not entirely novel for Masarsky. His Marxism was always of a very individualistic kind. His Ph.D. dissertation on the concept of personality in Sartre’s philosophy, which he defended in 1972, asserted that ‘Marx always positively treated human individualization...in fact, he measured human progress by the degree of this individualization’ (Masarsky 1972: 28). This was coupled with an assertion that ‘true human individualisation’ is possible only within a collectivity. This early concept of individualisation recalls samostoyatel’nost in achieving aims as defined by a collectivity, a version of the quasi-religious Bolshevik vocation. Later Masarsky drops this ‘dialectical’ individualisation through collectivity and aspires for individualisation through self-definition, i.e., for a modern version of samostoyatel’nost: ‘What I liked in Sartre is his insistence on human freedom, the possibility to transform oneself by one’s own effort’ (Sirotkin 1992).

The doctrinal change in Masarsky did not simply substitute one thesis for another, but it radically transformed the whole system of emphases within the doctrine and adopted a totally new concept of the individual. What the radical conversion did not affect at all, though, was his methodical style of practical activity. In both the former and the new doctrine, truths arrived at through reflection or revelation are supported by methodical action to achieve them in this world. The majority of ‘convert’ entrepreneurs did not experience a personal crisis at a high level of doctrinal sophistication, comparable to Masarsky’s. However, their personal dramas ended up with similar results: ascetic energies channelled into the realisation of capitalism and individualism, even if these concepts were not as clearly defined as for Masarsky.

The second type of converts to the modern ethic of samostoyatel’nost may be adequately represented by the example of MZhK, which stands for ‘Youth Housing Complex’ in Russian. The former members of MZhK movement seem to have contributed disproportionately much to the development of entrepreneurial culture in Russia. Initially MZhK was the last grassroots attempt of the late Brezhnev period to revitalise the Communist ideal. The young ascetics who initiated the MZhK movement shared a firm belief in ‘true collectivism’ as a remedy for the stale atmosphere of the official kollektiv, and were literally poised to build this collectivity with their own hands. The idea was straightforward: a group of young people temporarily abandoned the state enterprises at which they worked to construct the house they were to live in.

The majority of MZhK members were ‘young specialists’ in dire need of housing. Thus, one can be cynical about the real reasons for the ascetic drive,
and present-day MZhK inhabitants are indeed cynical about it. At the time of
the movement’s inception, however, the majority of MZhK members believed
that they were aiming at constructing not only tangible apartment blocks but
also intangible better communities. The MZhKs were to be built as ‘true
communes’. Yuri Korolev, the leader of MZhK #1, still believes in Fourier’s
falansteries and Jonestown in Guyana as two ‘worthy’ models of social
organisation. In his opinion, and in the opinion of the core of his followers in
1979 when the construction of MZhK #1 began in Sverdlovsk, the
neighbourhood’s ‘cultural centre’ was the heart of the community to be
constructed. Once finished, the cultural centre housed kindergartens, schools
and 46 (!) different amateur clubs; it organised community holidays and strove
to provide means for the solution of any communal problem.

This intense collectivist faith was one of the reasons for state support of this
project which defied established structures. Communist ideologists perceived
the MZhK as one of the few signs of hope in the decaying regime. In fact, the
MZhK would never have happened without state support because the state
supplied construction materials, machinery and infrastructure. Perhaps it is no
accident that the first and most famous MZhK originated in Sverdlovsk. This
city in the Urals was the most natural site for Communist asceticism. According
to the polls, Sverdlovsk still has a higher percentage of atheists than any other
Russian city, which may be seen as highly indicative of secular utopianism. The
Urals were one of the regions where methodical Old Believers also fled to in
the past.

Collectivist utopianism, coupled with the quasi-religious idea of podvig
(herculean heroic sacrifice), engendered the heroic asceticism of the MZhK members.
When it became clear that the situation was ‘do or die’, they unleashed their
ascetic energies to the fullest. By December 1979 only half of the construction
programme was finished. The collectivist experiment was in serious danger of
being stopped in 1980 for various bureaucratic reasons if an apartment block
was not completed by the end of 1979. Having understood this, MZhK
members organised continuous shifts so that construction proceeded 24 hours a
day. In the frequent cases of absent technological or institutional support, they
had to resort to primordial methods of conquering nature. Thus, in a manner
reminiscent of the Bolshevik hero Pavel Korchagin, they burnt fires to melt the
frozen winter soil.

By 31 December 1979, the construction of the first apartment block was
completed. This ‘impressive achievement’ immediately produced a tidal wave
of media interest in the Sverdlovsk MZhK. In part, this interest was facilitated
by the imitation campaign which was instigated by the local party officials in
other regions of the USSR. MZhKs appeared in every major city all over the
country. Korolev says that in the early 1980s MZhK #1 was annually visited by
about 700 delegations of those who wanted to learn ‘how one can make it’.

Members of the first MZhK were respected because ‘making it’ not only
signified ascetic drive but was also a common euphemism for the immense
labour of overcoming bureaucratic red tape. In fact, evading and circumventing
the innumerable prohibitions of the late Brezhnevite system constituted a
greater achievement than working 24 hours a day. MZhK members managed to achieve their objectives by seizing all the available opportunities in the slow and inefficient economic system which seemed to preclude all rational possibilities of independent initiative.

The unintended consequence of this fight with the system was the fast conversion of MZhK members into modern individuals. Everyday confrontations with different levels of bureaucracy led many members to an acute value crisis. The Machiavellian low view of the nature of man, inspired by wheeling and dealing within the Brezhnevite system, starkly contrasted the professed higher ideals of building a radiant future in a given apartment block. ‘We were all turned into individualists after some time’, said one of the former chairmen of the Moscow MZhK Yakimanka in an interview. ‘We became opportunists. In its third year of existence our MZhK started to resemble a ship of desperate people going to America. We were ready to do anything of doubtful moral quality and we could attain any objective’. It took seven years for Yakimanka to erect a tiny apartment complex right in the centre of Moscow. The respondents describe the feelings engendered by these seven years: ‘When we had finally finished construction, the [then] chairman concluded: “All of these Communists [in the Moscow City CPSU Committee] should be shot”.’

Disillusionment in Moscow was rather more acute than anywhere else because in many MZhKs in the capital the heroic MZhK format was easily transformed into a hollow form devoid of any collectivist content. MZhKs were employed by middle and low level officials as a convenient organisational innovation to acquire spacious housing in prestigious city districts. Membership became ‘formal’, that is one could buy it, send somebody to work at the construction site instead of appearing oneself, and so on. By the mid-eighties clashes with local officials in the old, ‘real’ MZhKs and bureaucratisation and naked gain practised under cover of the new MZhKs subverted the collectivist utopianism that originally characterised the movement.

Two other factors contributed to the individualist conversion of members of ‘real’ MZhKs. Powerful interpersonal mechanisms challenged the ideal of true collectivity once initial construction was over. Urban dwellers suddenly found themselves amidst the ‘idiocy of rural life’. This Marxian phrase was used by one of my respondents (and many of them are well versed in Marx, as they were zealous believers) to characterise the unexpected grip of community surveillance recreated in the modern city. Individuals were constantly watched by their neighbours, even if unintentionally, and they ardently wished to break loose from this almost total surveillance.

Finally, the fact that ‘real’ MZhKs were constituted as direct democracies also contributed to individualisation. Nobody could gain power or pass an important measure without persuading the majority of the members right on the spot. All the tragedies and farces of democracy were staged in the tiny smoke-filled rooms where the MZhK members assembled to discuss their production plans. The history of the MZhKs witnessed the totalitarian rule of self-appointed committees, popular rebellions, the tyranny of the majority and manipulated public opinion. In the end everybody learned by trial and error the

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way to defend one's own, private interest. 'When we saw Gorbachev manipulating the first Congress of the USSR People's Deputies in 1989', we laughed, said one of the respondents. 'We were schooled in democracy by that time. We had learned it by the bitter experiences of the early 1980s'.

The unintended transformation of collectivist experiments into schools of virulent individualism had an enormous influence on the entrepreneurial movement. Many opportunists, schooled in democracy and disillusionment with professed collectivism, could not tolerate the work conditions of the state enterprises to which they returned after completing the MZhK construction. Most could not and did not stay for long, even if leaving involved abandoning the benefits and security of the military industries – as in the case of Sverdlovsk. According to a former deputy chairman of MZhK #1, now a manager of the city's independent cable TV network, at least half of the former MZhK members are now independent entrepreneurs.

**Conclusion**

Building on the insight of Karl Polanyi, this article has argued that the corporate ethic of the Russian industrialists may not necessarily be viewed as an obstacle to national market-building. On the contrary, it may prove useful in the initial phases of the construction of the Russian national market, if it is employed to foster the creation of zaibatsu-type structures united in a national network of exchanges. However, the article has also argued that a profound cultural change is a prerequisite for later stages of successful market-building in Russia. A potential for and mechanisms of transition from the corporate ethic of the currently predominant economic actors to the new individualist ethic of samostoyatelnost has been discussed. Weberian analysis points to the cultural change which has already occurred amongst former zealous collectivist ascetics. They have undergone a quasi-religious conversion that may make them disproportionately influential in the entrepreneurial movement and especially well suited for essential posts in the government and economic units to carry out the tasks of constructing the national market in Russia.

**Notes**

1. All quotations without references are taken from the texts of interviews conducted by the author in the summer of 1992. Interviews primarily centred on exposing the new entrepreneurs' motivation for such obviously irrational behaviour as long-term industrial investment in the Russia of 1992. A series of 27 interviews was conducted with economic experts, first, and entrepreneurs who ran medium-sized businesses, second.

2. However, substitution of the new economic actors for the 'Old Guard' was most visible only in the privatisation of small and medium-sized enterprises. At least, this was the case in 1992. Although 1993 has witnessed some picturesque assaults by the new businesses to achieve control of large enterprises (for example, a brokerage firm acquired 18 per cent of Uralmash stocks in a successful aggressive bid at the privatisation auction), the control over the majority of industrial giants has not yet changed hands. Further research should complement the perspective of this article (i.e., 'the substitution scenario') by evaluating the potential of change in the ethical orientations of directors ('the transformation scenario') in the new economic conditions.
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Biographical Note: Oleg Kharkhordin graduated from Leningrad University, did his postgraduate study at the Institute of World Economy and International Relations (IMEIO) in Moscow, and is currently completing his Ph.D. dissertation at University of California, Berkeley.

Address: Department of Political Science, University of California, Berkeley, CA 94720, USA.