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‘Post-Soviet informality’: towards theory-building

Abstract

Purpose – This study suggests that informal practices and institutions of post-Soviet countries differ from informality in other post-socialist regions and, therefore, proposes categorizing it as ‘post-Soviet informality’ – a composite definition that extends beyond the concept of ‘informal economy’ and encompasses, along with economic activities, social and political spheres.

Design/methodology/approach – The arguments of the paper are based on a comprehensive analysis of secondary sources.

Findings – This article shows that, owing to the effects of antecedent regime’s legacies and the problems of post-communist transition, for the proper analysis of informality in post-Soviet countries it needs to be based on an own concept.

Originality/value – This study, in contrast to the existing literature on informality in post-communist spaces, specifically focuses on the informal sphere of post-Soviet countries, suggesting that the informal institutions and practices thriving across the vast post-Soviet space not only differ from the informal spheres elsewhere in the world, but also from informality in other post-communist regions.

Keywords informality, post-Soviet, informal institutions, informal economy, informal practices

Paper type Conceptual paper

Introduction

The collapse of communism in Central and Eastern Europe, as well as in the Soviet Union and Mongolia, provided scholars of informality with an opportunity of studying a newly emerged and seemingly fathomless informal sphere of post-communist societies. For nearly two decades, social scientists in the fields of political studies, economics, cultural studies, anthropology, sociology, law, and many other disciplines have published a voluminous amount of literature on informality in post-communist spaces. Although most of scholarship on post-communist informality has focused on informal economy, a large and growing number of studies also discuss informal political institutions, as well as informality in cultural and social spheres.

Scholars such as Williams (2013) and Round (2010) are among the most well-known researchers of informal post-Soviet economy and they are hardly alone; a well-established literature on informal economic practices in the former Soviet Union has attempted to explain various forms of economic informality (Alexeev and Pyle, 2003; Wallace and Latcheva, 2006; Abdih and Leandro, 2013). By contrast, Smith and Stenning (2006) present the post-communist informality as a mixture of cultural and economic practices. Similarly, Misztal (2000) describes informality as a socio-cultural process. A much larger body of literature investigates informal political institutions and practices (Gel'man, 2004; Grødeland, 2007; Hale, 2011; Aasland *et al*., 2012; Ledeneva, 2013). A number of studies have also sought to present the post-Soviet informality as embedded into broader socio-political and socio-cultural traditions (Ledeneva, 1998; Misztal, 2000; Morris and Polese, 2014). However, much of the literature fails to address adequately the difference between informal institutions[1] and practices[2] of post-Soviet countries and the informal spheres of other post-communist societies.

Most of the existing literature treats 'post-Soviet informality' not as a distinct concept, but as an umbrella term with reference to the region where informal activities are studied. This raises a question if informality in the post-Soviet space[3] is indeed not that different from informal spheres of other post-socialist regions. In addition, there is also a lack of agreement in the literature about the precise nature of informality in post-Soviet countries. Heavily dominated by the research on informal economy, the concept of informality in post-Soviet spaces is often seen as synonymous to informal economy. The

latter assumption, however, comes under challenge from a small, but growing number of studies, which discuss informal institutions as transcending economic sphere and functioning in politics, or existing as socio-cultural traditions evolved during historical processes (Round *et al*., 2008; Round and Williams, 2010; Morris and Polese, 2014).

What is the post-Soviet informality? How different is it from informal spheres of other post-communist regions and is it necessary to distinguish informality in former Soviet countries from informal sectors of other post-communist states? This paper investigates the definitional, conceptual and terminological ambiguity surrounding the concept of informality in post-Soviet studies, suggesting that, owing to the influence of Soviet legacies and the depth of post-communist political, economic and social problems, the informal sphere of the former Soviet Union should be treated as distinct from informality elsewhere in the world.

The key assumption suggested in this article is that, owing to the effects of Soviet legacies, in particular informal traditions and practices, established and cemented under Soviet rule, the informal institutions of the former Soviet countries are unique to the post-Soviet region and, therefore, differ notably from informality elsewhere. The analysis of literature, conducted in this study, uncovers that in spite of the extensive research on informality in the former Soviet Union, there is no consensus in post-communist studies about the distinctions between economic and political informality. Hence, this paper argues that the concept of 'post-Soviet informality' extends beyond the definitions of 'informal economy' and 'informal political institutions.' Rather, in the post-Soviet context, the majority of informal institutions and practices operate on boundaries between political, economic and civil sectors.

Conceptualizing informality

One important conceptual caveat in theory of informality concerns the definition of informality. The term 'informality' has first appeared in works of Boeke (1942), Lewis (1954) and Hart (1973), where it was employed to describe dual economic models, which present the market economy as comprised of formal and informal economic spheres. Over the past 20 years, the term 'informality' became firmly established in studies of institutional economics, as well as in the research on development micro and

macroeconomics. As a result, a plethora of definitions has been created over time to describe the formal-informal economic dichotomy (Castels and Portes, 1989; Kanbur, 2009). The majority of these definitions encapsulate a primarily economic nature of informal institutions and present the term 'informality' as synonymous with such concepts as informal sector, informal sphere, informal employment and, more generally, informal economy (ILO, 2012).

However, the numerous interpretations and classifications of 'informality' also encompass illegal organizations, kinship groups, inter-personal networks, as well as informal political and civic structures (Granovetter, 1973; Lomnitz, 1988; Shelley *et al*., 2007; Thelen, 2011). Inevitably, as emphasized by Sindzingre (2006: 1), "the concept of informality has referred to highly heterogeneous phenomena." Although monopolized by a voluminous literature on informal economy, the term 'informality' has recently begun to acquire a broader meaning in social sciences. As a generic sociological term, 'informality' became more difficult to characterize, conceptualize and categorize. According to Misztal (2000: 17), "[t]he problem with the concept of informality is that it is a mundane term, difficult to define not only in sociological theories but also in everyday language." Hence, "characteristics of informality that could be specific to it are difficult to find" (Sindzingre, 2006: 71). This means that a broad range of phenomena occurring outside of formal, or legal, sphere becomes described by the umbrella concept of 'informality.'

A large and growing literature on informal political institutions (Helmke and Levitsky, 2004; Hale, 2011), as well as, pioneered by Misztal (2000), understanding of informality in broader sociological terms, have further widened the gap between economic and socio-political meanings of 'informality.' In socio-cultural studies, "[t]he traditional use of the concept of informality in the social sciences [that] tends to connect it with the backward looking process" (Misztal, 2000: 18), presented in the works of Mauss (1967), becomes less relevant than understanding of informality as part of cultural processes. In broader terms, informal institutions and practices "…should be conceptualized as existing in any communicational network with a space for interactive indeterminacy and uncertainty" (Misztal, 2000: 20). Given the absence of clear definition of informality in social sciences, the economic interpretations of informality as of "the

pervasive utilization of informal modes of exchange within the formal sector itself" (Lomnitz, 1988: 1), lack validity if applied to such sociological phenomena as informal inter-personal or social networks and other forms of social interactions occurring outside of economic sphere.

To avoid the confusion arising from the plurality of meanings, in the context of contemporary social sciences, the term informality can be presented as a mixture of two strands of literature – economic and socio-political (Guha-Khasnobis *et al*., 2005: 6). Furthermore, unlike the informal sphere of developed capitalist states, informality in the developing world is often difficult to grasp in terms of binary formal-informal divisions. Indeed, in the developing world, where both formal and informal spheres are often closely intertwined, "incompatibility between the formal and informal institutions is more evident than in the developed countries" (Gërxhani, 2004: 282). A vast literature on informal economy in the developing world encompasses both microeconomic and socio-political aspects of informality (Hart, 1973; de Soto, 1989; Maloney, 2004; Blades *et al*., 2011; Charmes, 2012). With the above in mind, this study understands informality as a broad generic concept that encompasses a wide range of activities – social, political and economic – occurring outside of the formal sphere.

Post-communist informality

Reliance on informal practices – contacts, connections, networks, reciprocal exchanges, one-time gifts, arrangements and many other forms of informal social interaction – is not peculiar to the post-communist world. North American '*pull*' and the United Kingdom's *old boy* networks (Ledeneva, 1998) and '*pulling strings*' practices (Smith *et al*., 2012), Chile's *confianza* (Lomnitz, 1971), Mexico's *palanca* (Daymon and Hodges, 2009), Israel's *protetzia* and China and Taiwan's *guanxi* (Gold *et al*., 2002; Chen *et al*., 2013) are among the most well known informal practices that have been thriving at various historical periods in different parts of the world. Similarly well-known are the Arab *wasta* (Hutchings and Weir, 2006; Al-Ramahi, 2008; Barnett *et al*., 2013) and the Brazilian *jeitinho* practices (Ferreira *et al*., 2012; Smith *et al*., 2012). However, with the exception of Chinese *guanxi*, the majority of the above practices are either limited in their scale and spread, or are used only in specific contexts.[4]

Although the differences between informality in post-communist countries and in other parts of the world have not been investigated in the existing literature, a number of studies has shown that the post-communist informal practices are not only more widespread and historically well-established, but are also much more important for the population than informality in capitalist countries, or even in the developing world. The literature on such post-communist informal practices as Russian *blat* (Ledeneva, 1998), Polish *zalatwic´ sprawy* (Butler, 1995) and Bulgarian *blizki* (Begg and Pickles, 1998) demonstrates that over the last 20 years the importance of informality in post-communist countries did not significantly decrease. Sik (1994: 17), in his study on post-communist informal networks, proposed that informality became more widespread "under post-communism than under communism," because "post-communism follows communism, and since under communism … [informality] was very widespread, it follows that it cannot be less widespread in post-communism unless it had been destroyed or made useless" (ibid.: 22). Rose (1997: 94) was one of the first scholars to argue that "[f]ar more people in post-communist societies rely on informal social capital" than people in the developed West. The above assumption, suggested by Rose in the late 1990s, was recently empirically confirmed by Grødeland and Aasland (2011: 132) who conclude "that informal practice is widespread throughout post-communist Europe."

There is a consensus among post-communist scholars that the reliance on informality – use of networks, friends, kin members, acquaintances and contacts – is far more widespread and important in post-communist Central and Eastern European countries than in Western Europe (Uslander, 2004; Pichler and Wallace, 2007; Morris and Polese, 2014). For instance, Böröcz (2000: 125) has noted that "informality has a somewhat greater presence in East Central European social, political, and economic practice than in … 'the West.'" Thelen (2011) insists that the spread and importance of informality distinguishes post-socialist societies from those of the West. In a similar vein, Grødeland (2007: 220) has argued that while "[i]n West European countries formal networks have become quite widespread in recent years. In former communist societies, however, skepticism toward anything formal is (still) widespread and there is considerable disregard for the rule of law."

A number of studies demonstrate that, unlike informality in the West, informal institutions of post-socialist countries are deeply rooted in post-communist social culture (Rose, 1997; Sneath, 2006; Smith and Stenning, 2006). For Smith and Stenning (2006: 192), informality in post-communist spaces is more of a survival strategy – “a regular set of activities” – than a form of economic activity outside of the formal economy, as informality is often portrayed both in capitalist economies and in the developing world. If previously seen as ‘transitional’ (Åslund, 2004; Aage, 2005), and “predicted to wither away as ‘market economy’ institutions are adopted by former socialist countries” (Morris and Polese, 2014: 6), post-communist informality is now understood as “…a version of modernity that the West needs to take note of” (ibid.: 7). Round *et al*. (2008: 172) present that, in to contrast earlier assumptions that the post-communist informality is a short-term phenomenon (Clarke, 1999, Burawoy *et al*., 2000), “it is now accepted that they [post-communist informal practices] are much more than *ad hoc* measures.” A similar assumption has been suggested by Morris and Polese (2014: 1), who argued that post-socialist informality is far from being a ‘transitional’ immediate post-communist phenomenon: rather it “is here to stay”. Hence, according to the literature, informality in post-communist spaces is widespread, ubiquitous and deeply entrenched in popular culture and social traditions. Unlike informality in other parts of the world, where informal practices and institutions are often employed as economic social safety nets (Gërxhani, 2004), or as exchange mechanisms (Smith *et al*., 2012), in post-communist countries informality is a significant part of everyday life for the population.

This raises questions of why informality is of such importance in post-communist spaces and why is it so distinguishable from informal spheres elsewhere. The key explanations in the literature evolve around the legacy of antecedent regimes (Bernhard and Karakoç, 2007; Pop-Eleches and Tucker, 2013). It has been argued that the totalitarian or post-totalitarian past of many post-communist countries has an effect not only on their present political and economic systems, but that it also left an imprint upon their societies. In Howard’s (2003: 27) explanation “[t]he flip side of the public experience of Communism … was [that] the relationships in the private sphere were extremely meaningful and genuine.” As argued by Bernhard and Karakoç (2007), the type of a dictatorship and its longevity are crucial for the survival and persistence of the

former regime's legacy. Given that the majority of post-communist states were governed by totalitarian or authoritarian regimes for much longer periods than many other regions of the world, the antecedent regimes' legacies in post-communist spaces can be expected to last longer and to have stronger effects on the society.

Hence, the entrenchment and persistence of informality in all spheres of life in post-communist spaces appears to be in a direct association with the effects of the communist legacy. The day-to-day survival in communist regimes required the continuous reliance on and fostering of informal institutions and practices. As explained by Gold *et al*. (2006: 3), it is owing to the effects of communism, in China "[g]uanxi is absolutely essential to successfully complete any task in virtually all spheres of social life". Howard (2003: 28) reminds that "[t]oday, over a decade after the collapse of the system that had created and sustained this vibrant private sphere, networks of close friends and family remain extremely prominent and important throughout the post-communist region." He validates this assumption with the data from interviews in East Germany and Russia, adding that "a large number [of both East Germans and Russians] claim that their personal networks have not changed greatly since the collapse of communism" (ibid.: 130).

Apart from the socio-political effects of communism, economic shortages have also played a significant part "forcing people to rely on personalized networks to secure necessary goods and services" (Misztal, 2000: 207). As a result, "in social shortage economy impersonal relations at work were replaced by personal ones" (ibid.: 212). Similarly, Pop-Eleches and Tucker (2013: 46) insist that "the logic of communist shortage economies promoted the proliferation of informal friendship networks, which continued to thrive during the uncertainty of the post-communist transition." The literature that prioritizes the socio-political effects of communism as explanations for the uniqueness of post-communist informality is supported by studies which identify economic deficiencies of communist 'command' economies as reasons behind the development and persistence of informal institutions and suggest that informality was indispensable for both "the social provision of households" and "for the functioning of the formal economy" (Neef, 2002: 299).

The definitive characteristic of informal institutions in communist societies, which distinguished them from informal spheres elsewhere, was their ability to penetrate and to

‘informalize’ formal state institutions. Ledeneva (2009: 261) explains that: “[t]he power of networks to tackle the economic, political, ideological, and social pressures of the socialist system effectively meant that the system worked against its own proclaimed principles.” However, the ability of networks to infiltrate formal institutions is also presented as detrimental for intra-network relations because “…the nature of pure or intimate relationships was eroded since their task was not only to provide affection and companionship but also to provide instrumental support” (Misztal, 2000: 217). Having presented the concept of post-communist informality as distinct from the definition of informality in other parts of the world, this study approaches its next goal – conceptualizing the term ‘informality’ in the context of the former Soviet Union. How different is informality in post-Soviet spaces from post-communist informality? Is it necessary to categorize it as a distinct concept and what exactly the ‘post-Soviet informality’ is?

Towards the theory of post-Soviet informality

This study argues that in the context of former Soviet states informal institutions and practices assume numerous distinctive characteristics which require distinguishing them from informal spheres in other former socialist countries. Owing to their spread and scale, as well as to their centrality for post-Soviet citizens, informal institutions and practices in post-Soviet spaces are easier to understand as a distinct phenomenon defined by a composite term ‘post-Soviet informality,’ rather than as a geographical variation of a broader concept of post-communist informality. In particular, unlike informality of Central European and Balkan post-communist societies, the post-Soviet informal institutions and practices are more widespread, more significant for the population and more closely associated with political and socio-cultural spheres (EBRD, 2011). In most of non-Baltic former Soviet states, informality not only constitutes a part of popular social culture, but it also provides indispensable social safety nets and serves as everyday coping mechanisms, equally important in economics, politics, civil association and in inter-personal relations. According to the ‘Life in Transition’ survey (ibid.), over 60% of post-Soviet households currently rely on informal private safety nets. In contrast, only

30% of households in Central European post-socialist countries and around 35% in Balkans employ private safety nets on a daily basis.

Only a few studies have paid attention to differences between informality in former Soviet states and in other post-communist countries (Miller *et al.*, 1997; Rose, 1997; Raiser, 2001). However, it would be erroneous to assume that informal institutions and practices are similar across the entire post-communist area. In Kopecký and Spirova's (2011: 900) opinion:

> … communist regimes were … not crafted on the same type of societies and same type of institutional structures that preceded them. In that sense, it is better to speak about a plurality of communist regimes, rather than the communist regime.

In line with this, Kitschelt (1995: 21-8) distinguishes between three types of communist regimes: patrimonial communism, national-accommodative communism and bureaucratic-authoritarian communism. Based on Kitschelt's (ibid.) classification, Dimitrova-Grajzl and Simon (2010: 214) include all Soviet socialist republics of the former USSR into the category of *patrimonial* communist regimes.[5] They have classified such regimes by "low levels of bureaucratic professionalism and, consequently, high levels of corruption and nepotism, few opportunities for contestation, little to no economic freedom, high degree of restrictiveness and isolationism, and no access to the West" (ibid.: 210). In contrast, the Central Eastern European regimes of the socialist bloc, as well as the Baltic and Balkan republics, were classified as either *national-accommodative* or *bureaucratic-authoritarian* communist regimes. Both of these types of regimes are defined by less pervasive state machinery, higher level of political and economic freedoms and more effective bureaucratic apparatuses.

Given that the post-communist regimes differ not only in terms of their socialist-era socio-political and socio-economic characteristics, but also in their post-communist performance, the concept of post-communist informality appears to be in a need of theoretical re-examination. This study proposes that owing to historical communist-era and the post-communist period differences between the former Soviet countries and other post-socialist regimes, it is erroneous to conceptualize informal institutions and practices

of post-Soviet spaces by the generic concept of 'post-communist informality.' However, any suggestion to classify post-Soviet informality under a separate concept on the basis of socio-historical differences of former Soviet regimes raises two interrelated questions. How the communist legacies affect post-communist informality in the former Soviet Union? And, how the post-communist political and economic developments influence informality?

Soviet legacy

Many scholars have demonstrated that communist institutional (political and economic) and individual (attitudinal-behavioural) legacies have a long-lasting and continuous effect on former communist societies (Jowitt, 1992; Magner, 2005; Bernhard and Karakoç, 2007; Dimitrova-Grajzl and Simon, 2010; Pop-Eleches and Tucker, 2013). The impact of the former regime's legacy on informal institutions has also been discussed in the literature (Rose, 1995; Gibson, 2001; Howard, 2003; Gel'man, 2004; Grødeland, 2007). In particular, there is a broadly accepted in post-communist studies consensus that the Soviet legacy, as compared to communist legacy in non-Soviet regimes, left a significant impact on post-communist informal institutions of former Soviet countries. For instance, Gel'man (2003: 97) argues that "the Soviet legacy has developed a sustainable dominance of informal institutions both on the level of policy making and in the everyday life of ordinary citizens." Smith and Stenning (2006: 197) insist that present-day informal institutions in post-Soviet societies were brought to life as a result of economic challenges of the Soviet state and that owing to "economic shortage under Soviet systems of centralized planning, individuals and households developed all kinds of complex ways of negotiating access to scarce goods, based upon networks of reciprocal exchange." Similar hypothesis was also suggested by Round and Williams (2010: 188), who state that "during the Soviet era households had to undertake numerous [informal] practices to access the goods and services they needed." Ledeneva (1997: 154) echoes that opinion, adding that "the use of informal channels in Soviet-type society was not a matter of choice, it was an enforced practice necessitated by perpetual conditions of shortage." While comparative research on informal practices under communism is limited, studies on informal economy posit that economic informality was far more widespread in

Eastern, Caucasian and Central Asian Soviet republics than in Baltic Soviet republics (Greenslade, 1980), or in socialist Poland and Hungary (Sampson, 1987: 126).

Although the economic functions of Soviet informal institutions – serving as coping mechanisms and private safety nets – are often mentioned as the key characteristics of Soviet informality, the main distinction of Soviet informal institutions from their counterparts in other socialist countries is their presence and significance in virtually all aspects of everyday life. According to Rasanayagam (2011: 682) "[t]he formal and the informal were organically linked within the everyday lives of Soviet citizens" and, therefore, "informal economic activity is just one expression of a more general informalisation of state, society and life worlds following the collapse of the Soviet Union". This informalisation is a distinctive feature of Soviet republics, where "[t]he functioning of informal contacts and connections was predicated upon the structural characteristics of the Soviet-type system" (Ledeneva, 1997: 154).

However, most studies that examine the effects of communist legacy on informality have largely focused on specific issues, such as the development of political institutions (Gel'man, 2004), political parties (Kitschelt, 1995), civil society (Aasland *et al*., 2012) or political trust (Dimitrova-Grajzl and Simon, 2010). The research on whether the effects of socialist legacy encourage post-Soviet informal institutions to acquire particular characteristics distinguishing them from informal spheres of other socialist countries is scarce. An exception is a comparative study by Rose (2000), who contrasts Soviet informal institutions with those of other socialist regimes. Rose (2000: 166) argues that the Soviet system:

> … was 'over-organized,' using bureaucratic commands and ideological coercion in efforts to make people do what the regime wanted. But it was simultaneously 'under-bureaucratized,' in that the rule of law did not apply and the system encouraged people to create informal networks as protection against the state and to circumvent or subvert its commands.

As a result of such 'over-organization' and 'under-bureaucratization,' "… a 'dual society' of formal versus informal networks was far more developed in the Soviet Union, where it had been in place for more than 70 years, than in the Czech Republic" (ibid.). Yet, having

presented the differences between informality of former Soviet states and other ex-socialist or non-communist states, Rose, however, avoided conceptualizing, based on the above mentioned distinctions, the post-Soviet informality as a phenomenon distinct from post-communist informality.

Whereas the Soviet condition contributed to the creation and proliferation of informal traditions different from informality in other communist societies, the end of state communism in the late 1980s and the break up of the USSR in the early 1990s allowed the former communist regimes to begin transformation. The Soviet legacy, however, continued affecting the post-Soviet societies, creating distinctions between former Soviet and other post-socialist societies. On comparing the results of 'New Democracies Barometer' surveys, Rose (2000: 164) has found that "[t]he impact of the Soviet Union on Russians and Ukrainians is confirmed by their consistent differences from Czechs" and it is because of these differences:

> Former Soviet citizens are four times more likely than Czechs to turn to anti-modern behaviour to get a youth into university; two to three times as likely to use corruption or connections to get a better flat; almost twice as likely to break the law if they are having trouble getting a government permit; and up to twice as likely to use anti-modern methods to get prompt hospital treatment.

Differences between Ukrainian and Czech attitudes to informality, as well as the higher levels of reliance on informal institutions among Ukrainians, were also emphasized by Miller *et al*. (1997: 625), who hypothesized that different perceptions towards corruption and the use of informal networks between Ukrainians and Czechs are due to the Soviet influence in Ukraine.

Problems of post-socialism

Along with effects of Soviet legacy, the post-Soviet informality is also sustained by the lack of political transformation, which, in conjunction with economic crises, has led to further entrenchment of informality in the former Soviet countries. Unlike many Central European, Baltic and some of the Balkan post-socialist states, Russia, Belarus, Ukraine,

Moldova, South Caucasus and Central Asia have not experienced political transformation resulting in democratization (Bunce, 2003). In addition, as explained by Misztal (2000: 208), "the process of new institutional changes has not … blocked the role and functioning of the old informal norms and networks, the legacies of the past."

Economic growth in post-Soviet spaces, if occurred, was often accompanied by social inequality (Karakoç, 2013). In consequence, rather than loosing their significance and steadily disappearing, informal institutions of post-Soviet societies retained their significance and, as argued by scholars (Miller *et al*., 1997; Ledeneva, 2009), in post-communist period became even more widespread and important than under communism. For instance, as concluded by Grødeland (2007), informal networks in present-day Czech Republic became limited to politics, and in Slovenia and Romania networks are primarily used in business. In contrast, as revealed by the 'Life in Transition' survey (EBRD, 2011), informal contacts and networks remain very important virtually in all areas of public life in the majority of former Soviet states. These findings correspond with the results of numerous studies on the importance of informality in post-communist spaces (Ledeneva, 1998; Smith and Stenning, 2006; Williams and Round, 2007; Round *et al*., 2008; Aliyev, 2013).

According to Round and Williams (2010: 191), informal institutions "have greater importance [in post-Soviet context] than in more mature economies because of the severity and longevity of economic marginalization … and the rent-seeking nature of many of their state officials." They explain that "what is different in the post-Soviet context is their [informal institutions'] importance to everyday life" (ibid.: 189). In accord with this, Smith and Stenning (2006: 208) emphasize that informality remains essential for post-Soviet citizens because "a whole range of non-market practices enabled through community and wider family connections enables a greater level of social inclusion than might be the case in the absence of such connections." Dershem and Gzirishvili (1998: 1834) revealed that during the 1990s "overall informal social networks remain vital resources to individuals and households in post-Soviet Georgia." As pointed out by Ledeneva (1998) rather than vanishing with the collapse of the USSR, informal *blat* practices in Russia continued providing the population with public goods and served as important private safety nets. It is noteworthy, that unlike many non-Soviet former

socialist countries where informality plays an important, yet, not essential role in everyday lives of the population, such as Mongolia (Sneath, 2006), Hungary (Sik, 1994) and Romania (Kim, 2005), informal institutions in the former Soviet Union are often a part of popular culture. For instance, Oka (2013: 1) mentions that in Kazakhstan "[i]nformal practices circumventing official procedures … have so widely and strongly permeated into the life of common people that they have *de facto* became social norms." Similar conclusion has been drawn by Rasanayagam (2011) on informality in Uzbekistan and by Schatz (2004) on informal networks elsewhere in Central Asia.

While the failure of political institution-building and democratization, as well as incomplete or ineffective economic reforms (Gel'man, 2004; Round and Williams, 2010), are presented as the key causes behind the uniqueness of post-Soviet informality, the post-Soviet informal sector is also different from informal spheres of other regions owing to inherent post-communist problems. Of these problems, rampant unemployment and systemic corruption are perhaps the most conducive towards the entrenchment of informal practices. In Round and Williams's (2010: 184) explanation "given the duration of the problems, the ubiquitous nature of corruption and worsening state–society relations, such practices are an important part of everyday life for a far greater number of households than they are in more mature economies." Although it is difficult to include all post-Soviet countries into one category – because of their differences in political systems, economic development and social structures – they all are affected by common problems of transition from the Soviet past (Kotkin and Sajó, 2002). For instance, study by Aliyev (2014) on the relationship between institutional reforms and informality in Georgia, as well as by Round *et al.* (2008) about the effects of reforms on informal practices have demonstrated that informality persists despite institutional changes.

Several key observations emerge from this analysis. Firstly, the post-Soviet informality differs from informal institutions and practices of non-Soviet former socialist countries not only owing to the effects of historical legacies, but also because of the contemporary problems affecting the former Soviet states. Entrenchment of autocratic forms of governance, failure of democratization and deeply-rooted economic inequality ensure the continuity of informality. Although these problems are not fundamentally different from issues affecting other developing regions of the world, owing to the effects

of (post)totalitarian Soviet legacy, in the post-Soviet context they influence continuity and pervasiveness of informal practices not only in economic – as it is often the case in other developing countries – but also in social and political spheres. Secondly, because of the above mentioned problems, informal institutions and practices became deeply engraved into the popular culture. They also serve as important coping mechanisms and private safety nets for the post-Soviet citizens. Thirdly, considering the spread, the scale and the importance of informality in post-Soviet societies, this article suggests conceptualizing the informal sphere of former Soviet countries under the term 'post-Soviet informality' – a concept that defines the post-Soviet informal sphere as a socio-political, socio-economic and socio-cultural phenomenon intrinsic and peculiar to the former Soviet Union. However, this paper also argues that the post-Soviet informality differs from informal institutions elsewhere not only owing to its immense scale and importance, but also because of its expanse across economic, political and socio-cultural spheres.

Beyond the definition of informal economy

As detailed at the beginning of this article, present-day scholarship on informality is dominated by both the research on informal economy and by the overall conceptual understanding of informality as an economic phenomenon. For decades, the informal sphere, also defined by the International Labour Organization (ILO) as 'informal sector', has been a part of 'informal economy' definition (ILO, 2012). From Hart (1973) to Loayza (1997) and Schneider *et al*. (2010), studies on informality are centred on the research of informal employment, manufacturing, black markets and other forms of economic activities occurring outside of the realms of formal economy.

Although many informal institutions in post-socialist countries function within the boundaries of economic sphere and the majority of informal practices are profit or gain-seeking, their economic functions are closely entwined with political and social realms. Hence, in order for informal institutions operating either in economic or in political and/or social spheres to survive and thrive, it is essential for informality to function in more than one sphere. While no single study has yet sought to specifically investigate the claim that the post-Soviet informal institutions and practices extend beyond the informal

economy, many scholars have emphasized that informality in post-Soviet societies cannot be understood only from an economic perspective (Hann and Hart, 2009).

In accord with this assumption, Ledeneva (1998: 51) insists that "…contrary to informal economic practices, [informal] *blat* practices relied on unwritten laws according to which 'by *blat*' ways were normal and unproblematic." Following the same line of argument, she explains that "… *blat* cannot be adequately grasped in terms of informal economic practices … It implies ties of reciprocity within personal networks, rather than profit-oriented activities and market-type exchanges, on which informal economic practices are often based" (ibid.). In a similar vein, Round *et al*. (2008: 182) argue that the post-Soviet informal practices "cannot be placed into binary divisions" because "they are concerned with far more than just the 'economic' as they rely on historical antecedents, cultural knowledge, non-monetised reciprocity and the ability to negotiate power relationships as well as formal exchange" (ibid.: 183). Morris and Polese (2014: 8) explain that informality is "embedded in social life rather than part of rationalist economic reasoning" and it "is often connected to sociality, kinship relations, and a continuity of everyday tactics".

Indeed, even for such profit-seeking informal practices as moonlighting, informal manufacturing and retail, as well as for many other forms of material gain-oriented informal institutions, the use of social networks and, at times, connections to power elites are indispensable. As explained by Sindzigre (2006: 9) even "economic networks may depend on 'fundamental social relationships' between individuals". For instance, providing cover (*krysha*) for informal industries and businesses requires political contacts, as much as receiving and distributing monetary and material gifts in exchange for services (in hospitals and universities) requires maintaining and expanding social networks. As stated by Polese (2008) and other scholars (Patico, 2002; Ledeneva, 2006), bribe giving, favour exchanges and gift-giving is never a straightforward process: it's a triadic relationship that almost always requires mediation by the 'people of the circle' (*svoi lyudi*) and contacts (*znakomye*). It follows that the lack of individual trust to strangers (Tymczuk, 2006) is exacerbated by the distrust of formal institutions (Belli *et al*., 2004), which necessitates relying on multifunctional informal structures operating not only in economic, but also in political and social spheres (Misztal, 2000).

Apart from social functions of informal institutions, the post-Soviet informality is also closely entwined into political sphere. As demonstrated by Ledeneva (2013), the so-called *sistema* networks in the Russian politics, although primarily used for political purposes, are also engaged in profit-seeking activities and bogged down in corruption and bribery. Similarly, Gel'man (2004) discusses politicized informal institutions in Russia and Hale (2011) describes that informal networks in post-Soviet politics transcend market, civil society and politics. However, these and many other studies focusing on informality as not limited to the concept of 'informal economy', tend to present informal institutions as a single-dimensional phenomenon, occurring either in political or social spheres. Although many scholars suggest that political and social informal institutions also engage in for-profit activities and even perform some, or many, of informal economy's functions, studies on informality in post-Soviet spaces as a sociologically-grounded phenomenon are scarce. Hence, building on numerous references in the literature on informality in post-Soviet countries about the 'embedded' nature of informal practices and institutions, this study insists on understanding the post-Soviet informality as closely associated with three interrelated spheres: market, politics and society (Morris and Polese, 2014).

Conclusion

This study has put forth a suggestion that the informal sphere of post-Soviet countries should be distinguished from informality elsewhere in the world. A thorough analysis of academic literature indicates that, although no single study has sought to purposefully differentiate informal institutions and practices flourishing in post-Soviet spaces from informality in other post-socialist regions, or to conceptualize it as a distinct phenomenon, numerous references in the literature about the distinctiveness of informality in the former Soviet Union support the arguments proposed by this article. Building on the plentiful evidence in the literature, this study suggests that 'post-Soviet informality' should be treated not as an umbrella term, but as a distinct concept.

The findings from this study make several contributions to the current literature. Firstly, it provides a much needed, albeit absent in the literature, analysis on post-

communist informality, its distinctions from informal spheres in other parts of the world and offers an in-depth examination of literature on informality in post-Soviet spaces. Secondly, this study has demonstrated that both historical legacies of the Soviet past and the problems of post-communist transition have left an imprint upon informal sphere of post-Soviet countries that has influenced not only the structure and functions of informal institutions, but also their spread and significance. While as demonstrated by the recent empirical research informality becomes less important in Central Europe, informal practices and institutions are still widespread in the post-Soviet space. Thirdly, owing to the ubiquitous nature of informal institutions and interconnectedness of politics, economics and social life, the analysis of informality in post-Soviet spaces requires expanding the scope of research beyond the definition of informal economy. This means that economic functions and activities of informal institutions should not be treated as separate from political and socio-cultural spheres. All three are closely intertwined. Taken together, these findings demonstrate that the here introduced concept of 'post-Soviet informality' provides a missing in the current literature level of classification for informal institutions and practices of the former Soviet Union. Further research needs to examine more closely specific differences between post-Soviet and post-communist informality, as well as to further support suggested in this article assumption on mutual interdependency of economic, political and social informal spheres.

Notes

[1] Institutions are understood here as "humanly devised constraints that shape human interaction … they structure incentives in human exchange, whether political, social, or economic." (North, 1990: 3). The distinction between formal and informal institutions is presented here in Gel'man's (2004: 1021) terms, who defines institutions as based on universal (formal) and particularistic (informal) norms and sanctions.

[2] Informal practices are described by Misztal (2000: 18) as "either more intimate, face-to-face social relationships or more personal modes of social control or types of social organizations and pressures".

[3] 'Post-Soviet space' here includes all territories which became parts of the Soviet Union during its creation in the 1920s. This leaves out Baltic states – Estonia, Latvia and Lithuania – included into the Soviet state at a later stage.

[4] For instance, Mexico's *palanca* is usually associated with bribery, Brazilian *jeitinho* practices are used occasionally and mainly in the business sector and the Arab *wasta* is commonly understood as a form of indigenous mediation.

[5] Although Dimitrova-Grajzl and Simon (2010: 214) also include Baltic republics, Mongolia, Albania, Bulgaria and Romania into the category of patrimonial socialist regimes, a number of studies has argued that neither during the communist period nor in post-communist years, informality in these countries has became as widespread and important as in Russia, Moldova, Ukraine, South Caucasus and Central Asia (Begg and Pickles, 1998; Raiser, 2001; Neef, 2002; Kim, 2005; Sneath, 2006).

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