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Blat and *Guanxi*: Informal Practices in Russia and China

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This paper compares informal practices used to obtain goods and services in short supply and to circumvent formal procedures in Russia and China, and assesses their changes and continuities during the market reforms. I divide my presentation into four parts. The first tackles similarities between *blat* and *guanxi* under socialism: language games and idioms that referred to these practices; similar pressures of the shortage economy that forced individuals to satisfy their needs through informal exchanges; and the contradictory role of informal practices—they supported but also subverted the socialist systems. In the second part I shift my focus to the differences between *blat* and *guanxi* that stem from different cultural traditions in the two societies. These traditions determine the moral force of reciprocity, the degree of codification of informal practices, and their legitimacy. The third part illustrates differences in market reforms in China and in Russia. Finally, I compare *blat* and *guanxi* practices as responses to these reforms and discuss both intriguing similarities and significant differences in the new forms of *guanxi* and *blat*. Thus, the post-Soviet reforms have changed informal practices so much that *blat* has almost lost its relevance as a term that describes the corrupt use of personal networks in contemporary Russia. In contemporary Chinese society, by contrast, *guanxi* has deeper roots in kinship structures and traditions, and both the term and *guanxi* practices continue to be important.[1] The partial nature of reforms in China and the persistence of communist rule may

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[1] A complementary puzzle would be to analyze similarities and differences in the use of *guanxi* practices in socialist societies and societies that have never experienced socialism. In her comparative analysis of *guanxi* practices in China and Taiwan, Ting-Ting Chang argues that in the island economy of Taiwan *guanxi* practices serve the environment of weak state control and facilitate small and medium-sized business by introducing flexibility, information exchange, and customized service. In explaining affinity in informal practices, Chang refers to neo-Confucian values linked to the economic success of Asian economies in the 1980s. Ethics, such as those of coordination and cooperation, have been implemented in the process of industrialization in Hong Kong, Taiwan, Korea, and Singapore (Chang 2005; McBeath 1998: 122).

account for some of this difference, but we must also consider a range of historical and cultural factors that shape and help reproduce informal practices.

I define "informal practices" as people's regular strategies to manipulate or exploit formal rules by enforcing informal norms and personal obligations in formal contexts. Such strategies involve bending both formal rules and informal norms, or navigating between these constraints by following some and breaking others (Ledeneva 2006). I view informal practices as indicators of structural constraints. Their functions and implications are different in different systems: in state centralized economies, informal practices compensate for shortages, defects in the state distribution system, and ideological predicaments that, in turn, limit their spread. Once centralized control is gone, however, informal practices reflect changes in the balance between constraining and enabling qualities of the structure. The functions of informal practices move away from compensating for rigid constraints toward the active exploitation of weaknesses in the new systems, thus serving outright corruption. This is not to say that informal practices are simply responses to political and economic constraints, since they are also shaped by historical and cultural factors. In what follows, I explore these multiple aspects of informal practices by comparative analysis of material presented in the academic literature. Where appropriate, I also draw on field data on *blat* that I have collected myself since the 1990s (in 1995, 1998, and 2003), through observation and semi-structured interviews.

There are obvious methodological difficulties in such comparisons. While the similarities are simple to record, we must "relativize" their meanings for a number of reasons. First of all, the hidden character of informal practices makes measurement problematic. Data collection is difficult because researchers must rely on participants' willingness and ability to articulate what they do. Besides similar activities can have different meanings and functions in different contexts. These may be visible in circumstances of radical change, but much more difficult to identify when changes are less pronounced. For example, reselling commodities for a profit was once criminalized in Soviet societies, but is now viewed as entrepreneurship or a small business. Social, economic, and political changes can transform the very notion of "informal," thus making comparisons between pre-reform and post-reform informal practices difficult even within the same country. With these limitations in mind, it is still possible to make some useful observations about the universality and specificity of informal practices.

When making comparisons, it is also difficult to account for the weight of specific factors that shape, influence, and differentiate the role of informal practices. Take, for example, practices of tax evasion: they are present in all societies and are often similar in modus operandi, but they occupy different niches in different societies, play different roles in national economies, are regulated by different legal frameworks, and are associated with different groups. These factors determine specific defects in the workings of the tax

system in question. Now consider that these specific factors are constantly changing, as in the case of post-socialist societies. The speed and the regional variations of reform affect comparison as well. Informal practices are impossible to link exclusively to political or economic characteristics of state socialism or to historical and cultural factors that predate or postdate socialism. Nevertheless, such comparisons are informative and worthwhile, as I will show.

I. SOCIALISM: SIMILARITIES OF CHINESE *GUANXI* AND SOVIET *BLAT*

Definitions

The most obvious but striking similarity between the Chinese and Soviet cases is the very existence of idioms—*guanxi* and *blat*—to define the use of personal networks for getting things done. Both *guanxi* and *blat* are highly flexible terms in which boundaries are context-specific (Ledeneva 1998; Wank 1996; 1999; Yang 1994). *Guanxixue*—the "art of *guanxi*"—involves the exchange of gifts, favors, and banquets; the cultivation of personal relationships and networks of mutual dependence; and the creation of obligation and indebtedness. What informs these practices and their native descriptions is the primacy and binding power of personal relationships and their importance in meeting the needs and desires of everyday life (Yang 1994: 3, 6). The primacy of personal relationships acquires a particularly important economic function when goods and services are scarce or difficult to obtain. Making friends in the environment of shortages becomes a necessary survival strategy, which in turn makes the mutual obligation in personal relationships so strong that one feels obliged to engage and to use one's own *guanxi* connections in order to help friends.

Similarly, *blat* is the use of personal networks and informal contacts to obtain goods and services in short supply and to skirt formal procedures (Ledeneva 1998: 1). In conditions of shortages and a state system of privileges, *blat* practices serve the needs of personal consumption and reorganize the official distribution of material welfare through an informal exchange of "favors of access" to state resources. Though *blat* practices are often disguised by the rhetoric of friendship or acquaintance, and are expressed in terms of "helping out," "friendly support," and "mutual care," they are exercised at the expense of public resources (Ledeneva 1998: 37) and continue a tradition of give and take practices in Russia (Lovell, Ledeneva, and Rogatchevsii 2000). The moral ambiguity of *guanxi* and *blat* on the level of individuals—that they are simultaneously social and calculating, helpful but at other people's expense—is paralleled on the societal level. The moral obligations imposed by social relationships compel people to break formal rules, which results in the instrumental use of personal networks for achieving goals in other domains, often in a situation of acute need. It is no accident that under socialism both practices became associated with shortage—both gave people access to

state resources through personal channels and other redistributive mechanisms of goods and services in short supply.

Linguistic Similarities

There are telling linguistic parallels between the Chinese and Russian systems of brokers and gatekeepers (Ledeneva 1998: 125; Yang 1994: 99). The terms *you* and *blatmeisters* are used in the household context, and *caigouyuan* and *tolkachi* in the institutional context. The terms all refer to "smooth operators" who socialize easily and nurture relationships with everyone because one day they might be needed.

In China, the adjective *you* means "oily" or "greasy," and is sometimes applied to people who are especially adept at the art of *guanxi*. It describes people who are sly and cunning, possessed of wily social skills, and versed in the arts and guiles of impression management and social persuasion (Yang 1994: 65). Such people are bound to have wide *guanxi* networks because they know how to negotiate their way in social relationships. They possess *shili yan*, an "eye for power," and cultivate relationships only after astutely gauging the other's social position and influence, and yet they maintain smooth relationships with everyone. "Having command of the rhetorical aspects of speech and possessing an acute sense of when, how, and with whom to exercise tact, apply flattery, or feign meekness and humility are essential to being *you*. Thus, favors are extracted from people without evoking resentment and sometimes even without the other being aware of being manipulated" (Yang 1994: 65).

Blatmeisters in the Russian context are people naturally endowed with certain talents to be successful *blat* transactors. Such characters solve problems and arrange things for others, and are thus called "useful people" (*nuzhnye liudi*). They are the "brokers" with many contacts, not necessarily pleasant to everyone but energetic, jolly, and cheerful, a demeanor that allows them to acquire new contacts and sustain *blat* networks (Ledeneva 1998: 114–15). *Blatmeisters* in the socialist system had the broadest needs because they had to satisfy the needs of an entire network and therefore used their contacts most intensely. They were often employed in professions which delivered personal services—doctors, beauticians, or sauna workers—or which gave them special access to goods—shop assistants, or supply and storage employees.

Yang draws parallels between an agent in charge of industrial supplies, *caigouyuan*, and a *tolkach* (from *tolkat'*—to push, to jostle) by underscoring their talents for "pulling strings" and their importance for the command economy (Berliner 1957). "Like their counterparts in the command economy of the old Soviet Union, the *tolkachi*, Chinese supply agents are also assigned to the procurement of supplies for their factories and enterprises. And just as *tolkachi* possessed the talent for *blat*, *caigouyuan* must also be adept at cementing *guanxi* with significant persons in units that are potential suppliers and also find

ways to induce suppliers to sell to *them* instead of other competing buyers. A skilful supply agent can also ensure that supplies are of good quality and that they will be shipped on time" (Yang 1994: 103–4). *Tolkachi* of the Soviet period were much more institutionalized than *blatmeisters* as they used their talents in the interests of the planned economy. They were skilled manipulators of people, procedures, and paperwork, and had the *blat* necessary to "push" the interests of their enterprise in such matters as the procurement of supplies, and the chiefs of factories paid them to apply their talents (Ledeneva 1998: 25). In both Chinese and Russian cultures there seems to be a similar attitude toward these people. They are viewed as calculating and manipulating but are also appreciated and envied because of their cleverness and connections.

The Chinese and Russian terms *shouren* and *svoi* refer to the status of belonging to *guanxi* and *blat* networks, respectively, and highlight that in both societies people are divided into those who belong to the "inner circle" and thus deserve special treatment, and those who do not. The *shouren*, or "familiar person," is part of a circle of friends, relatives, and acquaintances in this broader sense. The circle of the Chinese *shouren* consists of people in a *guanxi* network who can rely on each other for favors and who are in a position to influence the allocation of desirable resources. "Because of preexisting relationships such as friendship, kinship, or *guanxi* indebtedness, [they] can be relied on to help obtain that desirable object or to 'get things done' (*banshi*)" (Yang 1994: 64). The Russian notion of *svoi* denotes an affiliation with a particular social circle of trusted people. The proverb "*Svoi svoemu ponevole drug*" (*Svoi* people are forced into friendship since they belong to the same circle) emphasizes the compulsory nature of such social relationships. Citizens of the Soviet Union fully relied only on their closest relatives and friends (*svoi*), though this inner circle was supplemented with broader networks of acquaintances (such as *nuzhnyie liudi*, "useful people") (Ledeneva 1998: 121).

Divisions of "us" and "them" are found in all societies, but it is ironic that in socialist societies—whose supposed ideological underpinnings, after all, are based on equality of access to public resources—the extension of access to a particular resource becomes a practical test for inclusion in or exclusion from a certain inner circle. To be "*shouren*" or "*svoi*" becomes especially important in conditions of political surveillance when it is crucial to know whom one can trust and count on.

Conditions of Shortage and Individual Needs

The state centralized regimes produce not only conditions of shortage but also, for the majority of people, limitations on the level of individual needs.[2] *Blat* was used in Soviet Russia for four different types of needs: *regular needs*

[2] It should be noted that Mao's socialist system was substantially different from the Soviet-style socialist system (Sachs, Woo, and Yang 2000: 9–11, 12).

such as foodstuffs, clothes, household goods, and housework and hobby materials; *periodical needs* such as holidays, health resort stays, and travel tickets; *life cycle needs* such as birth clinics, kindergartens, schools, escape from compulsory military service, high schools, jobs, flats, hospitals, and funerals; and *the needs of others* (Ledeneva 1998: 118). We can apply the same classification to the use of *guanxi*, and conclude that the *regular needs* Chinese people could satisfy by "pulling *guanxi*" included obtaining goods in short supply, of better quality, or at lower prices. Their *periodical needs* included industrial consumer products such as bicycles, color televisions, refrigerators, travel tickets, and access to recreational activities. *Life cycle needs* in the Chinese context were jobs and promotions, permission to move to bigger cities, admission to good hospitals, housing, and better education. *The needs of others* were served through *guanxi* as well (Yang 1994: 91–99).

In market democracies only certain life cycle needs such as jobs and honors are likely to require "pulling strings," but in state centralized economies *guanxi* and *blat* were required to satisfy *all four types of needs*. Their pervasive use as a "safety-net" or "survival kit" made involvement in informal practices compulsory rather than voluntary. The needs satisfied with help of *guanxi* and *blat* practices typically did not exceed the level of modest personal consumption, at least by Western standards.

The Contradictory Nature of Informal Practices: Supporting or Subverting?

In *Russia's Economy of Favours*, I suggested that *blat* should be viewed as the "reverse side" of an over-controlling center, a reaction of ordinary people to the rigid constraints of the socialist system of distribution. It was an indispensable set of practices that enabled the Soviet system to function, making it tolerable but also helping undermine it. In other words, the existence of informal practices allowed the declared political and economic principles to be "observed" formally and sustained as legitimate. At the same time, informal practices also subverted the formal order, especially its ideological and moral foundations, and produced a specific, mutually exploitative dependence between the formal institutions and informal practices within the Soviet system. For example, while *blat* practices exploited state resources, the state depended on informal solutions to problems of distributing scarce resources. It could not itself address these problems openly within the existing ideological framework because to do so would contradict the practice of granting exclusive privileges to the communist elite. Thus *blat* became an open secret of Soviet socialism, well known but banned from political or academic discourse. The *blat* system of exchange was grounded in the possibility of extending favors at the expense of state property. The dubious nature of state property and the repressive nature of the Soviet state contributed to pervasive practices of cheating and outwitting the state: *blat* and other forms of diverting state property, smuggling out (*vynos*), false reporting (*pripiski*), stealing, or absenteeism.

These practices indicated not only the popular view of the Soviet state as parasitic, due to its highly exploitative nature, but also the mutual tolerance between the state and the citizens, especially in the Brezhnev era.

Both participants and observers often attempt to "legitimize" *guanxi* and *blat*. Participants engage in a discourse that boils down to "the system made me do it." Observers conceptualize them as "weapons of the weak," practices of passive resistance and forms of solidarity in response to the over-regulation and political pressures imposed on everyday life (Karklins 2005; Scott 1985). Shlapentokh argues that with the politicization of all aspects of Soviet life people were driven back into the circle of their closest entourage. The inner circle of family and friends became crucial because it was seen as politically secure. By providing each other with assistance in beating the system, "The family had become a symbol of the institutions opposing the state, a development commonly found in non-democratic societies" (Shlapentokh 1989: 11). Involvement in *blat* relationships in Soviet Russia could make one vulnerable to denunciation, unless one's *blat* contact was also a patron who could provide protection if necessary. Thus relatively "open" *blat* channels were conducive to political clientelism.[3]

Chinese people also tend to think that *guanxi* can ensure political security for themselves and "people are less likely to report on someone who has done them a lot of favors" (Yang 1994: 96). According to Yang, Chinese still always worry about informants or those who might "make small reports" to get them into trouble, and they are careful not to offend anyone around them. Such considerations lead people to cultivate good *guanxi* with anyone who might do them harm, and they establish relationships of debt as a form of political security (Yang 1994: 97).

Inadvertently, *guanxi* and *blat* helped to preserve the ideological tenets of state socialism by adapting them to reality: ethics of *shouren* and *svoi liudi* (people of the circle) co-existed with ideological notions of equality, brotherhood, and comradeship and thus allowed people to respect and navigate between both sets of norms without open confrontation. At the same time, such "non-confrontational" use of personal networks for circumventing formal constraints undermined the ideology of a socialist state. By both sustaining and subverting state ideology, informal practices enabled socialist regimes based on mutually parasitic attitudes between the state and the people to survive.

In these socialist regimes, informal practices became indicators of the self-contradictory and self-subversive nature of the state centralized economies. As Berliner (1957) showed, the planned economy could not work without *tolkachi*, who "pushed" for the interests of their enterprise in such matters as the procurement of supplies or the reduction of plan tasks. Their "professional"

[3] See, for example, my analysis of the case of Natalia (Ledeneva 1998, 106). For an analysis of patronage see Hosking (2000).

role was to support the state "command economy" and enable it to work, which paradoxically could only be accomplished by violating its declared principles of allocation. *Caigouyuan* and *tolkachi*, by using methods that contradicted the principles of the planned economy and subverted the procedures of socialist distribution, quite literally allowed them to continue as communist enterprises. Ineffectual contract law could not be relied upon to settle disputes over supplies or enforce obligations, nor, without *caigouyuan* and *tolkachi*, could needed goods and services be obtained from the bureaucratic, prodigal, and expensive state organizations. The practices of *caigouyuan* and *tolkachi* are strong evidence that the command economy could not work according to its acclaimed principles. Instead, goods were redistributed according to different rules, one aspect of which was the idea of competition related to the market (Yang 1994: 188–208). The gift economy and the economy of favors provided a parallel currency in societies where money played only a small role, and in many ways, they were substitutes for market relations. In this way, *guanxi* and *blat* practices cushioned the discrepancies between the institutional and the personal in the authoritarian state: between conditions of shortages and repressed consumerism; between the "flawless" ideological framework and the limitations of human nature; between public demands and private needs.

In everyday social life *guanxi* and *blat* played an important role as a form of sociability, one that often advanced trust and social cohesion (Fitzpatrick 2000). By providing a "survival kit" and a "safety net," *guanxi* and *blat* networks also offered some certainty and protection against the arbitrary nature of the state. *Blat* had some equalizing effects—formal hierarchies could be penetrated and overcome through personal channels (Ledeneva 1998: 124). *Guanxi* created a microcosm in which hierarchical relations were reversed—"Donors become the moral superiors of recipients, who now owe favors to their donors. Symbolic capital compensates for the lack of material, office, or political capital. . . [T]he morality of reciprocity, obligation and indebtedness become in a sense the ammunition of the weak" (Yang 1994: 206). By constraining the exercise of power to the principles of the gift economy, nonofficeholders constrain the effectiveness of political positions and are able to gain certain leverage against official power.

To sum up, practices of *guanxi* and *blat* have contradictory impacts on political, economic, and social spheres: on the one hand, they compensate for defects of the formal rules and thus preserve the declared principles of state centralized systems; on the other, through *guanxi* and *blat* these same principles are undermined and subverted, and the formal rules are ignored or circumvented. Their paradoxical effect on the political and economic regime was replicated socially. For example, people sustained friendships for the purposes of sociability but were also compelled to use their social networks instrumentally. The instrumental deployment of personal relationships—the lack of distinction between friendship and the use of friendship—has had an impact on all

aspects of society, the economy, and the political regime. *Guanxi* and *blat* are thus not only a distinctive element of respective cultures, but also an essential element of the economic and political regime, where forms of reciprocity play a key role.

Similarities between *guanxi* and *blat* testify that people tend to develop similar practices (as well as key words and concepts) in order to survive in state centralized economies characterized by shortages, a state distribution system, and ideological predicaments. The uniform features of these informal practices suggest that their role was essential for the existence of the planned economies and political regimes of Russian and China. Moreover, one can argue that *guanxi* and *blat* contributed to the sustainability of these economies and political regimes by playing down their formal principles.

At the same time, it would be naïve to suggest that what appears to be a uniform response to different oppressive regimes would not show at least some variations in different societies. After all, both practices continue certain traditions of informality that predate these socialist states. Let us now consider differences between *guanxi* and *blat* in their different "socialist" contexts.

II. SOCIALISM: CONTRASTS BETWEEN *GUANXI* AND *BLAT*

An important difference between practices of *blat* and *guanxi* derives from the fact that the notion of informality itself implies varying degrees of codification, compulsion, and legitimacy in China and Russia. Apart from differences in the contexts in which personal networks are used, generic differences between *guanxi* and *blat* can be measured by the degree of pressure to engage in such practices, ranging from forced necessity (a place in a hospital for a sick child) to a consumerist drive to improve one's lifestyle (a dacha in a prestigious neighborhood); from a routine service in an existing network (helping a friend in a difficult situation) to carefully-planned networking (making friends in useful places). For example, we can ask whether *blat* was less vital for Russians than was *guanxi* for the Chinese, who seem to consider it a custom and tradition, and describe moral obligations to reciprocate a gift in much stronger language. In urban Russia, at least, *blat* is less related to kinship and other 'traditional' social forms than is *guanxi* in China.[4]

Confucian Tradition versus Criminal Jargon

One of the most important differences between *guanxi* and *blat* is a substantial gap between their moral connotations. The term *blat* originates in *blatnoi*

[4] In Central Asian republics of the former USSR the situation is different (Collins 2006). Manuela Leonhardt (a Ph.D. student at University College, London) describes a "patronage model of hospitality" there, and suggests that instrumental and affective aspects of communication are merging due to what she called the "security of mutual indebtedness." (Manuscript of the paper presented at the Cambridge-UCL Anthropology Workshop, 19–20 June 2006).

(criminal) jargon and has a rather negative connotation associated with the anti-state codes of the underworld.[5] By contrast, the code of *guanxi* is derived from the kinship ethics and popular Confucianism, and propagates respect and harmony, imposes a duty of moral and proper reciprocity, and makes a gift an object that serves a ritualized relationship.[6] To not return a gift or a favor is unthinkable. The informal norms associated with *guanxi* such as *renqing* (the observance of proper social norm), *yiqi* (loyalty), and *ganqing* (emotional feelings) carry a pronounced ethical dimension, and are very strong. *Blat* lacks the compelling moral aspect of *guanxi*: although it makes use of the ethics of friendship and mutual help, it also carries a connotation of wrongdoing. The term *blat* is used less universally than *guanxi*, and more often in urban than in rural contexts.

Imposed Reciprocity versus Voluntary Reciprocity

The moral force of *guanxi* reciprocity is so strong that it is difficult for a person to decline the request of a friend or to "fail to repay a debt of *renqing*." Such behavior would mean that the person lacks "human feelings" and does not know how to conduct themselves.[7] A failure to help close relatives is even

[5] An even stronger link between *blat* and prison culture is suggested in Oleinik 2003,

[6] According to Braudel, Confucius (551–479 B.C.) left no writings of his own but his disciples promoted a rationalist doctrine that established an ethic and a rule of life that tended to maintain order and hierarchy in society and the state. His ideas permeated the educated mandarin class during the formation of the first great Empire, that of Han dynasty (206 B.C. to A.D. 220). Starting from ancient religious practices, the Confucians relied for moral serenity and control of the feelings on a series of rites and family and social attitudes: "the virtues inculcated by the Confucians—respect, humility . . . submission and subordination to elders and betters"—powerfully reinforced the social and political authority of their own, educated class. This formal and traditional ethic played a large part in China's continuity and social immobility within society. The Confucians believed that human beings precipitated all the disturbances from which they suffered, whether natural (earthquakes, floods) or human (revolutions). The neo-Confucians, by contrast, limited the scope of human destruction to humanity itself. The mandarins were the 'modern' corps of officials engaged in governing, that is, in "correcting the cruelty of Nature." Despite the religious pressures of Taoism and particularly of Buddhism, which were very strong until the tenth century, in the thirteenth century Confucianism consolidated itself as neo-Confucianism (Braudel 1993 [1987]: 171–98).

[7] "A worker wanted to get a few authorized days off from work to attend to some personal business. He first tried to give presents in private to the factory manager, but the latter declined. So he cunningly worked out a way to make the manager accept. He waited for an opportunity when the manager was in the presence of many other workers to give a gift to him. This time he offered the gift in a different way. He said to the manager, 'Here is the gift which my father, your old comrade-in-arms [. . .], asked me to deliver to you. Please accept it so his feelings are not hurt.' [. . .] In front of so many people, however, the manager was in danger of losing face if he refused to accept the gift unless he could immediately come up with a good reason. [. . .] So all he could do was to accept. Later when the resourceful worker made the inevitable request for authorized days off from work, the manager would have to honor it because so many people had seen him accept the gift. Should he refuse the request, the worker could tell all those people that the manager had accepted a gift without feeling any compunction to repay, then all over the factory people would be talking about how the manager lacked *renqing* [observance of proper social form]" (Yang 1994, 133–34).

worse, and may lead to "ostracism by friends and relatives alike" (Yang 1994: 69). Compared to *blat* practices, which are fairly opportunistic and rely on the "feel for the game," *guanxi* practices are not informal in the same sense—they are much more ritualized, codified, and predictable. Exercising the moral force of reciprocity, *guanxi* transactions can include cunning, compelling, and aggressive tactics in order to not only solicit a favor but also to avoid being approached.

In *blat* exchanges there is much more ambiguity. Although one knows one has to repay favors, reciprocity is often disguised by time delays (sometimes very long-term) and mediation by a third party. To maintain a positive self-image, participants have to perceive a *blat* favor as "help" given altruistically, out of friendship rather than in expectation of a return, even if the "help" is given at the expense of public resources (the distinction between public and private used to be very confusing). Social ostracism results from violating the solidarity of one's group rather than higher ethical principles (Andrle 1994: 56–57). Finally, although *guanxi* includes banquets and favors, it is based mainly on gift-giving where gifts are identifiable. *Blat* favors are more difficult to trace, especially in cases where the re-distributed favor is one a person is entitled to anyway (speeding up the delivery of allocated goods, for example).

Differences in Ethical Principles

Many have maintained that Chinese ethics of *guanxi* are better codified since they follow from and correspond to the tradition of reciprocity and hospitality (Wank 1999: 95). Yeung and Tung argue that the cultural contours of Chinese society are vital for understanding *guanxi*:

(1) Chinese values view the individual as part of a bigger system, rather than as isolated and working for self-interest as in the West; (2) Individuals are encouraged to be righteous and to repay favors; (3) Long-term relationships are a stock to be kept and nurtured rather than for short-term individual benefit; (4) Each person must strive to help the disadvantaged and to keep up a good reputation; (5) Governance is by flexible ethical standards rather than strict rule of law; and (6) The primary deterrent against immoral or illegal behavior is shame and a loss of face rather than feelings of guilt and isolation (1996).

Even though the ubiquity of *blat* was obvious to every citizen of the former Soviet Union and was also reported by Western researchers who first described the phenomenon in the 1950s (Dallin 1951; Berliner 1957; Crankshaw 1956), *blat* rules are more difficult to articulate than those of *guanxi*.[8] The ethics of *blat* are confusing because to get things by *blat* is anti-social

[8] Western research into *blat* has been hampered by the awkwardness of the term, a lack of written sources, and the reluctance of both authorities and individuals to admit to the practice.

and may run against one's own general principles, but at the same time one is morally obligated to help a friend (as a matter of exception, due to specific circumstances). One has to navigate between sets of rules and norms in order to choose which rules to follow and which to break. According to participants in *blat* exchanges, the ethics of *blat* are the same as the ethics of friendship: (1) The obligation to help—help your friends unselfishly and they will come to your aid; (2) Do not expect gratitude but be grateful; (3) Look to the future—long-term reciprocity; (4) Keep within limits—ask within limits; (5) Know the contexts in which the informal friendship code has priority over formal legal codes; (6) Socially ostracize those who follow the letter of law. Although *guanxi* and *blat* share an orientation toward long-term relationships, public attitudes toward the obligations within such relationships differ substantially. The difference is most apparent in differences in the 'misrecognition' of *guanxi* and *blat*. In his *Outline of a Theory of Practice* Pierre Bourdieu points out, "the operation of gift exchange presupposes (individual and collective) misrecognition (méconnaissance) of the reality of the objective 'mechanism' of the exchange, a reality which an immediate response brutally exposes: the *interval* between gift and counter-gift is what allows a pattern of exchange that is always liable to strike the observer and also the participants as *reversible*, that is both forced and interested, to be experienced as irreversible" (1977: 5–6). In other words, every exchange of gifts or favors is grounded in mutual misrecognition of the fact that this gift or favor will have to be returned after a certain lapse of time. In this sense, both *guanxi* and *blat* are based on such misrecognition on the part of the participants. However, when we examine how *guanxi* and *blat* are perceived by observers, then we find substantial differences.

Collective Misrecognition versus Partial Misrecognition

By most accounts, Chinese gift donors expect their gift to be returned in the future, although they do not think of it in terms of the power to impose obligation. Rather, the gift is part of moral and proper behavior, commonly expected, and meant to express affection and "human feelings." For the recipient, on the other hand, this gift is only one part of the exchange transaction, with his or her part to be fulfilled on a future occasion. Both participants believe this exchange to be part of their tradition and culture and misrecognize its economic aspect. Even though most observers of the transaction may disapprove of *guanxi*, and gifts are often given in secrecy, they view the transaction as gift giving, thus making it much more a case of what Bourdieu calls "collective misrecognition." Chinese *guanxi* can be viewed as adherence to traditional ethics and culturally rooted practices rather than economic rationality.

In the case of *blat*, misrecognition is not collective in the same sense. As in the gift exchanges, misrecognition of *blat* is normal for participants, who often practice *blat* while recognizing it as a "helping" act of friendship. For any

observer, however, the transaction is seen as a *blat* deal. That *blat* was condemned as antisocial and unfair when practiced by others, but seen as necessary and logical in one's own case, accounts for both the elusiveness and ubiquity of this form of exchange. Perpetual switching between the perspectives of participant and observer enables one to engage in *blat* practices but also to distance oneself from them. In the abstract, *blat* practices are perceived as opportunistic and manipulative, as based on individualistic rather than communitarian ethics.[9]

The large scale of informal practices in the Soviet economy and society was notorious. Some practices are well documented in studies of the second economy and firsthand data.[10] In the literature on the second economy, many informal practices pervading the Soviet command system were identified and thoroughly examined.[11] In an economic analysis of the Soviet system of the 1980s, Grossman (1990) argued that shortage accounted for a large part of the most crucial informal activities. Shleifer and Vishny (1992) concluded that, during the 1990s, shortage itself was reproduced as a way for the party and government officials to extract monopoly rents. It should be noted, however, that the characterization of such practices as "informal" testified to the Soviet regime's ability to ensure that they mostly contributed to, rather than subverted, the formal targets and activities of society. The informal economy took care of many needs not met by the command economy, and as such it contributed to the functioning of the communist system. Ken Jowitt (1992) argued that in this way informal practices balanced the centralized and monopolistic power of the communist party that placed itself above the law. The main conclusion from the comparative discussion of *guanxi* and *blat* so far is that socialism bends informal practices towards similarity. Socialism represented an important effort to integrate the ideas of equality and social justice into a model of governance, the defects of which resulted

[9] The survey of cultural divisions among managers of thirty-five countries indicates Chinese managers are much more communitarian in their values than Russian managers, who score high in individualism. "Individualism" is defined as a prime orientation to the self, and "communitarianism" as a prime orientation to common goals and objectives. Only 41 percent of Chinese respondents opt for "individual freedom as an indicator of the quality of life," similar to the responses in France, Japan, Brazil, and India. Russian respondents score 60 percent on the same question, similar to Sweden, Poland, and Bulgaria, and even superseding Hungary, Norway, and Germany (Trompenaars and Hampden-Turner 1998, 55). A similarly substantial difference occurs in assessing whether individual credit is given for achievement at the workplace. In China, 55 percent of respondents say that individual credit is received, while in Russia the number rises to 86 percent. Russian and East European managers also score highest on individual responsibility for cases of negligence (69 percent for Russia, closely followed by Hungary, Romania, Czech Republic, Poland, and Bulgaria). By contrast, the Chinese (at 37 percent) are in the bottom third, representing communitarian cultures together with Philippines, India, Germany, Brazil, and Japan (ibid., 57).

[10] See the data of the Harvard Interviewing Project conducted in the 1950s and the Illinois Interviewing Project conducted from the late 1970s into the beginning of the 1980s.

[11] See Grossman 1990.

in the emergence of certain patterns, or a distinctive logic, of informal practices that aimed at beating the system. In contrast, a market environment seems to bend these practices toward diversity.

The complexity of post-socialism requires new terms to reflect the transformation of "informality." Same practices acquire new meanings in the course of reforms. Scarcity under socialism and capitalism is different, and the border between what is necessary and what is luxury is shifting as well. The balance between "public" and "private" is also changing, and people engage in bending capitalist rules much more aggressively due to the nature of these rules. In comparison to the widespread practices of "beating the system" under socialism, beating the system under capitalism implies practices that are much more calculating and manipulative than before. These new informal practices emerging in response to the new constraints generated by the market are not included in my analysis here, but they will be an important target for future research. In the literature one finds an overload of "informal" concepts: informal networks, informal institutions, and informal practices dominate accounts of post-socialist reforms. Scholars also invent terms such as "state capture," "stealing the state," or "economy of favors," which refer to the institutional capture and hidden privatization of public institutions (Hellman and Kaufmann 2001; Solnick 1999; Ledeneva 1998). Ethnographic analyses of urban life aimed at demonstrating the "unmaking of Soviet everyday life," and revealing paradoxes occurring on the margins of public and private property and "entrepreneurial governmentality," present such complexities in detail (Ries 1997; Pesman 2000; Humphrey 2002; Verdery 2003; Yurchak 2005). In her analysis of the "public" and "private" spheres in Russia, Michele Rivkin-Fish discovers that they can be "nested" inside each other and introduces further dimensions of the informal by distinguishing personalizing and privatizing strategies (Rivkin-Fish 2005: 9–10). But comparisons of informal practices in such analyses, or even comparisons of literatures, are rare (Michailova and Worm 2003, and Hsu 2005).

III. POST-SOCIALISM: IMPLICATIONS FOR INFORMAL PRACTICES

Whereas in China the market reforms have been partial and relatively slow, in Russia reforms were quickly implemented and covered both political and economic institutions.[12] The case of China has been described as "the marriage between the developmental state with capitalism," with a *guanxi* culture giving rise to increased corruption in business-government realms, which is as strong a development as the much-announced state rational-legal measures (Yang 2002). The speed of change in Russia radicalized the trends of the

[12] Several papers have proposed a theory of absence of ownership. This theory states that the state ownership system is used to purposely divide different components of ownership of the same property between separate institutions (Sachs, Woo, and Yang 2000: 4–5).

evolution of *blat* practices, thus making them easier to discern. *Blat* practices were attuned to the Soviet regime in that they both allowed *blat* to exist and kept it within limits. Once the Soviet formal political and economic framework collapsed, informal practices spiraled out of control. The first Yeltsin government of "young reformers" initiated policies of liberalization, privatization, and financial deregulation that undermined socialist doctrine and openly disregarded the social costs of so-called "shock therapy" reforms. The subsequent process of rapid privatization, in combination with the severe economic trends of the 1990s such as the decline of industrial production, the investment crisis, and the crisis of arrears, resulted in the collapse of the local systems of socialist guarantees. This ruled out previously dominant forms of solidarity and mutual help between industrial enterprises, and destroyed a social security system centered on care for collectives in organizations. People felt betrayed by the state and were left to their own devices to help themselves to whatever they could in the new system. A rapid enrichment of the political and economic elite provided additional stimulus and legitimacy to the abuse of state resources and corruption at all levels. The economic foundations on which *blat* practices rested were undermined by these changes: the establishment of markets for goods and capital, the replacement of the economy of shortage, a speedy privatization of state property, measures taken to deal with over-regulation and property rights, and the disruption of the system of socialist guarantees.

Change and Continuity in Blat *Practices*

Three major changes in *blat* practices should be noted. First, a certain "monetization" of *blat* practices has taken place. With the expansion of the areas of monetary exchange and the elimination of shortages of items of personal consumption, money has become the focus of "shortage" and the driving force by which *blat* connections become reoriented. Such "reorientation" has undermined the non-monetary nature of the *blat* exchange of favors (Ledeneva 2000: 192–93).

Second, the post-Soviet privatization of state property revolutionized the *blat* "means of exchange"—a favor of access. Official "gatekeepers" in a centralized state economy provided favors of access on two conditions: (1) the "gate" itself was not alienable (it belonged to the state); and (2) gatekeepers had some certainty in staying in charge of re-distribution. In an economy where money played little role, non-monetary returns—loyalties, obligations, and potential favors of access to another distribution system—made a lot of sense. This created a parallel currency that served everyday needs of both people and the state. In the 1990s, the situation changed radically: most "favors of access" demanded from officials were about privatizing resources or converting them into capital by means of licenses, permissions, or tax allowances. In effect, for officials to provide such favors meant to cut the branch on which they were sitting—it violated the two conditions according to which

"gatekeepers" had formerly operated, and forced them to become players in a commercial field. It is not surprising, therefore, that a collusion of representatives of state and market sectors became so prominent and produced such a range of corrupt practices that went far beyond the scope of *blat* practices. Lump-sum corruption gave way to more sophisticated arrangements by which state officials exchanged their now alienable access to state resources for "inalienable access" to private resources. Commissions, percentages, securities, and shares in businesses have become common forms of repayment for "favors of access."

Third, the scale of *blat* exchange has changed in the post-Soviet economy. On one hand, newly monetized *blat* exchanges have transcended the level of personal consumption and its connection to the state sector, and have expanded into the private sector. Now personal businesses are set up with the help of *blat* connections, state property is privatized, and state budget funds are rerouted in the interests of private businesses. On the other hand, the constituency of *blat* practices has shrunk: where previously *blat* know-how (or knowledge of how the Soviet system really worked) was available to more or less everybody, in the post-Soviet order it belongs to a select few. In other words, in the context of the planned economy, *blat* was functional as a way to make the rigid constraints of the state more tolerable for ordinary people, guided by socialist, even if distorted, values. *Blat*'s damage to society was limited by its modest goals of personal consumption. But in the context of market reforms, *blat*-turned-corrupt practices, driven by profit-making motives and a calculating spirit, serve the protagonists of the market transition—businessmen, state officials, and the criminal underworld—rather than the majority of the population, and thus are strongly associated with damage to society. While contained by the communist restrictive framework, implications of *blat* practices were pervasive but petty. In the market context they are more substantial in scale but less pervasive. Rather than satisfying everyday needs of one's family, friends, and relations, post-Soviet *blat* predominantly serves business.

In present-day Russia, ways of "beating the system" formerly associated with *blat* now amount to at least U.S.$2.8 billion a year in bribes paid by private citizens for services in health and education,[13] according to data provided by INDEM.[14] However, this "household" corruption amounts to only 10 percent of the overall corruption market. About 90 percent of bribes in Russia are paid by businessmen for export licensing and quotas, state budget

[13] These have been referred to as "social bribes," referring to the fact that they include bribes in health and education. See, for example, Op-ed, "Spor o vziatkakh," *Vedomosti*, 18 June 2003, http://dlib.eastview.com/sources/article.jsp?id=5025911. Accessed Oct. 2007.

[14] Russian think-tank "Information for Democracy" (INDEM) regularly publishes its data on corruption at www.indem.ru and elsewhere: "$38 mlrd na lapu," *Vedomosti*, 22 May 2002, http://dlib.eastview.com/sources/article.jsp?id=4142985. Accessed 22 Mar. 2005.

transactions, tax transfers, customs duties, privatization deals, and servicing debts to the federal budget.[15] Whereas the Soviet-era *blat* practices gave place to petty and administrative corruption, then, the new informal practices are related to business. Although in the state sector *blat* has not been transformed as radically as just described, and at times one can still use *blat* to avoid paying or to pay less, there seems to be a generational difference in the usage of the term. Already in the mid-1990s younger respondents were remarking that *blat* was an out-of-date term (Ledeneva 1998: 175). To claim a decline in the use of the term, however, is not the same as to claim a decline in the practice. *Blat* may have become transformed, but its residues are everywhere, even in the present day.[16]

It is important to register the above changes of *blat* practices, but it is also important to observe the continuity of *blat* methods in which non-monetary forms of exchange sustain or adapt to new conditions (Ledeneva 2000: 187). The theme of continuity is normally discussed in the context of "socialist" mentality, associated with the exploitative attitudes toward the state, expectations of support, and a sense of "entitlement" to a share of state resources. Due to the omnipresence of state ownership during the Soviet era, public resources were widely interpreted as quasi-private, as grasped in the Soviet saying "*public* means that part of it is mine." Practices of "petty privatization" of the state, that is, the trickle-down of state property through "carrying out" (*vynos*) and misreporting (*pripiski*), minor theft, and the siphoning of resources from the official into the second economy, have not only been widespread, they have embodied an exploitative attitude toward state resources. The pattern of routine parasitism endures and even expands in the context of the market reforms when "to get away with a bigger piece of the common pie" becomes a core business strategy.[17] *Blat* is no longer used to obtain commodities for personal consumption, but is used to satisfy the needs of business in their dealings with authorities in charge of "tax, customs, banking, and regional

[15] Ibid.

[16] The January 2001 poll showed that 70 percent of respondents answered negatively when asked if "they used any state institution or organization for anything in the last year." Those who chose not to use state institutions but had problems to solve mostly used customary methods. These included informal channels such as friends or relatives, that is, those quasi-personal networks (*blat*, mutual help, acquaintanceship) that used to compensate for the rigidity of repressive distributional mechanisms, and also semiformal institutions—specialists who used their particular expertise, opportunities, and competence for private purposes. Overall, 29 percent of respondents reported using such networks, three times the percentage of those who went through purely formal channels and organizations (Gudkov and Dubin 2002).

[17] In aggregate, estimates of the magnitude of corruption range from 3 to 5 percent of gross domestic product. Kickbacks from government purchases and construction projects account for a large share (about 1.5 percent of GDP). Another principal source of corruption is the illegal use of public funds. In 2001, for example, China's national auditing agency uncovered illegal spending of more than 1.7 percent of GDP (160bn yuan). Because 8 to 13 percent of GDP in government revenues are not spent according to budget rules, huge misuse of public funds is inevitable: (Pei 2002).

administration" (Ledeneva 2000: 189). In one sense, this is a radical change. At the same time, this change can be formulated in terms of continuity as "colonizing" new territories by means of the same acquaintances and the same techniques—using friendly contacts, sauna companions, "constructive drinking," and so forth.

Change and Continuity in Guanxi *Practices*

Similar points about change and continuity of informal exchange practices are reflected in debates about the role of *guanxi* in the course of the Chinese reforms. Whether change or continuity is emphasized has been determined mainly by research methods and the assumptions of particular disciplines. Some authors emphasize change in *guanxi* by registering increases or decreases in its frequency, while others claim continuity and use qualitative methods to assess its adaptation to the changed conditions. For example, some recent literature has disputed the importance of *guanxi* in the absence of socialist planning and has dismissed its role as China moves toward a more market-based economy.[18]

Guthrie argues that as formal law is increasingly respected, the role of *guanxi* practice as an institutionally defined system is diminishing in the urban-industrial sector (1999). Some support for this argument comes from analyses of the role of networks in business. Wang highlights the weaknesses of *guanxi* in the business world: networks can be difficult to sustain and costly to build (2000). Often they depend on key individuals who might lose positions of power, increasing the cost of establishing connections. The lack of transparency in networks means that phony players can increase transaction costs. Furthermore, Kee and Kiong (1998) confirm that firms using *guanxi* can increase market size but not their net profits. Those specializing in highly technical or skill-laden sectors do not have as much use for *guanxi*. Although these authors acknowledge *guanxi* as a cultural fact that shapes the mutual exchange and the manufacture of indebtedness and obligation in Chinese society, their overall conclusion is that *guanxi* is in conflict with rational legal systems. In other words, *guanxi* is not accelerating in commercial economies and is in fact fading and becoming irrelevant.

David Wank's *Commodifying Communism* (1999) argues quite the opposite: the revival of private business does not lead to the decline of patron-client ties but rather to the emergence of new commercialized forms of clientelism. He shows how entrepreneurs draw on preexisting ties and create new ones to influence local state agents. Generally, rather than talking about enhanced

[18] In support of the same point in Russia, a survey of 170 top-level managers there demonstrates that the growth of competition undermines the importance of personal connections, while professionalism and leadership receive highest ranks in managers' assessment of factors contributing to their success. For details, see Promptova and Chernov 2004.

entrepreneurial autonomy from the state, Wank describes new patterns of bargaining and alliance across the local boundaries of state and society.

Yang also insists, again from an ethnographic perspective, that there is much evidence to suggest that, with the consolidation of the new consumer economy, *guanxi* practices have moved out of the area of the acquisition of consumer goods and provision of everyday needs, and into a more restricted domain, exactly the area that Guthrie claims is declining (2002: 463). That is, *guanxi* now flourishes in the realm of business and the urban-industrial sphere, whether in dealings among private entrepreneurs and state managers, or between entrepreneurs and officials (see Yan 1996 on rural China). Because previously scarce items such as televisions, train tickets, restaurant seats, lean meat, and nursery school space are now easily available through the market, ordinary people have less need to practice *guanxi*. As in the case of Russia, it is the world of business where Chinese entrepreneurs and managers still need to engage with what remains of the state economy, with "official controls over state contracts, access to imports, bank loans, favorable tax incentives, access to valuable market information and to influential persons, and exemptions from troublesome laws and regulations. It is here that *guanxi* finds nurture in the new economy" (Yang 2002, 464).

IV. POST-SOCIALISM: NEW SIMILARITIES

By comparing the findings presented in the literature on *guanxi* and the updated research on *blat*, a number of common practices in the use of *blat* and *guanxi* networks can be established. In generic terms, informal practices of *blat* and *guanxi* in the post-communist period serve to provide access to the "new shortage" in the economy: money. Rather than serving various parallel currencies, and thus contributing to the social economy, informal networks become instrumental for earning, borrowing, saving, or making income. In this way they corrupt the market economy in both countries. It is therefore not surprising to find similarities in how the potentials of informal networks are converted into ways of earning, borrowing, saving, or making money.[19] With the decline of state job assignments and rising unemployment in China, finding job opportunities with the help of *guanxi* has grown common. In Russia, too, well-paid jobs are reportedly being given through contacts (Clarke 2002).

Both *blat* and *guanxi* provide opportunities to borrow. *Guanxi* networks are used to locate sources for loans to finance new economic ventures or to purchase a home. In Russia people use their contacts to obtain loans for both personal and business purposes. Yang notes the transnational use of *guanxi* for the purposes of attracting overseas Chinese investors, linking up with relatives overseas for business and emigration, and obtaining passports and exit

[19] The differences stem from China's slower privatization of large state enterprises and a more developed small business sector.

permissions to leave the country (2002). China has managed to attract foreign direct investments on an unprecedented scale and to generate considerable growth. The role of informal institutions in these developments is hard to deny. Standifird and Marshall argue that the use of *guanxi* in business is an alternative to formal contracts and can give one structural advantages over competitors (2000). They analyze the role of *guanxi* in reducing transaction costs and argue that it offers an efficient alternative to formal contract law. At the same time, as already mentioned, the institution of *guanxi* is evolving in response to changes, which might eventually transform the nature of the informal institution as happened to the Soviet *blat*.

It is said that, to save money, *guanxi* is used for organizing business banquets at lower costs and for negotiating reduced hotel rates for conferences and personal holidays. In Russia, good contacts can reduce the risk of keeping deposits in a bank by ensuring access to them when banks freeze public transactions. Gudkov and Dubin note that *blat* contacts are used to get access to unpaid or discounted medical services which are otherwise provided on a paid basis, and to enter universities or prestigious schools on a non-fee basis with insufficient exam grades, often in order to get exemption from or delay of service in the army (2002). A reported but under-researched reincarnation of *blat* in the market environment is so-called 'discount cards' that shops, restaurants, and service outlets give to their clientele (Arakcheeva 2003: 80). The logic of loyalty cards resembles the practice in Western retail outlets of issuing credit cards to clients that entitle them to discounts at their outlets. The difference is that the Russian cards are not credit cards and are not openly available to whoever wants to open an account; discounts are given on a non-transparent basis. Similar to Chinese practices, these discounts often privilege not just valued customers but also a circle of friends.

The most important moneymaking opportunities are created through access to administrative resources and decision-makers. In China, *guanxi* is relied upon to launch businesses or locate and maintain supply sources for new commercial ventures, and to find export and import opportunities (Yang 2002). *Guanxi* can also be employed to circumvent bureaucratic decision-making procedures and to influence the allocation of state contracts and public procurement. Negotiating favorable deals is most common, and David Wank particularly notes "patterns of clientelist transactions with tax officials, customs and public security" (1999: 73). Similarly, *guanxi* can be used to contact influential persons, particularly government officials who can help with beneficial business opportunities and find valuable market information to aid transactions. Officials in positions of power can help one gain access to customers and keep existing clients (Dunfee and Warren 2001).

Similarly in Russia, *blat* networks are instrumental in providing access to "administrative resources." Just as in China, they are the basis for launching business and trading activities. Export licenses, tax exemptions, permissions

to use state resources, property, and business information can also be attained through *blat*. As with *guanxi*, *blat* is used to negotiate with tax authorities, customs, regional and local administrations, and to circumvent bureaucratic procedures. In Russia, state budget funds and other administrative resources have often benefited private businesses. The privatization framework is commonly used to collect money in order to make up for a lack of government funding for maintaining state services: for example, money is collected from parents to maintain their children's school or gymnasium, and state property is be rented out to private businesses. Gudkov and Dubin mention *blat* in the context of circumventing additional taxation for newly introduced services, such as VIP privileges to medical and airport services and special programs in schools and universities (2002).

Contacts also play an important role in establishing personal relationships with patrons, partners, and clients. A more recent form of *guanxi* in the business world is the cultivation of useful officials or business contacts by enjoying nightlife together, known as *goudui*. This practice, which emerged in the reform period, entails provisioning women's sexual services to those who are objects of *guanxi* overtures. Yang reports that the reform period has produced a highly visible male business culture in large cities, complete with cultural inputs from overseas Chinese and Japanese male entertainment cultures and their business-entertainment institutions such as karaoke bars, dance halls, nightclubs, saunas, restaurants, hotels, and massage parlors. In these new *guanxi* rituals gifts or banquets are no longer sufficient; a long night sharing the pleasures of masculine heterosexuality and giving women's sexual services as gifts will cement *guanxi* better (Yang 2002). In Russia, too, bonding rituals that resemble the Chinese *goudui* take place in saunas and nightclubs. Moreover, these can be video-recorded and kept for future reference. Trust is created by such rituals and the participants' willingness to provide discrediting information about themselves (Gambetta 2002).[20]

Such alliances can be used as informal leverage to intervene in law enforcement. A common example in Russia is interventions in decisions of the Arbitration Court regarding business disputes and ownership-related conflicts. In China, *guanxi* can be used to gain exemptions from troublesome laws and regulations and to avoid government investigations (Dunfee and Warren 2001). In accordance with similar logic, both *guanxi* and *blat* networks can help protect business and capital against the uncertainties of the high-risk environment through access to alternative forms of contract enforcement. Chinese managers use *guanxi* not only to compensate for the distrust of state institutions and to

[20] Diego Gambetta has analyzed the purposeful disclosure of compromising facts about oneself as a way to buy trust in his 2004 paper "The Exchange of Compromising Information and Its Effects on Networks of Law Breakers." Http://www.gprg.org/events/2004-12-networks.htm. Accessed Apr. 2005.

manipulate the hybrid economy (combining both state and market elements); it also substitutes for other underdeveloped market mechanisms. In this capacity, *guanxi* operates as a set of informal constraints framing actor's ability to deal with uncertainty in business and as a network enabling one to overcome the defects of the market.

Evidence from the Russian and Chinese cases suggests that both the continuity of and change in aspects of informal practices are essential for explaining the post-communist era. My position coincides with that of Yang, who both accepts that "impersonal money has begun to replace some of the affectively charged relationships created by gifts and reciprocal favors," and argues that *guanxi* has also "found new territory to colonize" (Yang 2002: 465–66). In a changed institutional framework, informal practices would play a different role, even if the practices themselves remain unchanged. It is clear from both Russian and Chinese data, however, that they have changed, and had fueled corruption. Although trust and social capital remain vital to the Chinese economy, the increasing use of networks in corrupt contexts indicates the decline of *guanxi* ethics and undermines traditional values. It is important to reflect on the fact that whereas under communism informal practices were petty and served to empower the majority, in post-communist conditions they are much more lucrative and used for the benefit of a limited constituency. This does not only reflect the nature of the political and economic system, but it also changes the 'socialist' meaning of informal practices. Thus, while *guanxi* may lose its significance in many aspects of business if the Chinese state decides to implement further market reforms and to privatize large state enterprises,[21] it will remain an important indicator of changes in the economy and society. *Guanxi* is unlikely to loosen the grip in those areas in which it is still effective, and it is essential to know at which levels it is an efficient tool for decision makers. Just as in the case of Russia, where the division between markets and official power is unclear, and where the rules of the game are not transparent, such knowledge provides an insight into how things really work. Given the scale of informal practices in both cases, they are important indicators of both continuity and change, of both the defects in the workings of formal institutions and their enabling features. They illuminate the nature of the political and economic system.

CONCLUSION: POST-SOCIALIST DIVERGENCE?

Social networks are a universal characteristic of human societies, and the questions of why social networks play such a central role in state centralized

[21] The list of sectors in which domestic private firms are not allowed to operate includes "the banking sector, post and telecommunications, railroads, airlines, insurance, the space industry, petroleum chemistry, steel and iron, publications, wholesale business, news, and others. In addition to the thirty sectors, private firms are restricted from operating in another dozen sectors, including automobile manufacturing, electronic appliances, and travel agencies" (Huang 1993: 88).

economies and serve as channels for exploitative practices should be answered with reference to the uniform features of these economies. Having compared the informal practices of *guanxi* and *blat* in detail, we can conclude that people tend to develop similar responses (as well as idioms) in order to survive in conditions of shortages, a state distribution system, and ideological predicaments. Informal practices allow actors to make use of social networks[22] based on non-contractual but binding ties such as kinship, friendships, and other trust-centered relationships to get what they can out of the existing system and avoid the entrapments of economic and political regimes. Informal practices constitute a uniform response to similar challenges across societies with state centralized regimes. At the same time, informal practices display features that are culture-specific. For example, corrupt practices are estimated to be less damaging in China than in Russia (Sun 1999), and the slow and partial nature of reforms in China and the communist rulership there do not prevent foreign investment and economic success.[23]

Given that informal practices navigate between formal and informal sets of rules and norms, they change their patterns when those rules and norms change, especially when changes are as radical as they have been in Russia. The post-Soviet reforms have changed the Soviet-type *blat* practices radically: the networks have been transformed, *blat*'s previous role as a counter to the state centralized system has become redundant, and the very meaning of the word has changed. In contemporary China, where reforms were much slower and the practices of *guanxi* are more culturally and historically grounded, the term *guanxi* has not only been retained but it has become a label for the Chinese system—*guanxi* capitalism. In Chinese studies there is much more awareness of, and research and debate on the role of *guanxi* than was ever the case in Russian studies regarding *blat*.[24] It is more common to speak of kleptocratic, crony, or oligarchic capitalism in Russia.[25] Although the tendency is much more pronounced in Russia, the logic of transformation of informal practices in post-reform China and Russia is similar. Before the reforms, both *guanxi* and *blat* were often beneficial to ordinary people in allowing them to satisfy their personal needs and in organizing their own lives,

[22] The role of networks in market economies deserves serious consideration. Wank (1999) argues that the emergence of China's market economy in the late twentieth century challenges fundamental Western beliefs on the link between markets and politics. It is a basic tenet that markets, (economic activity driven by capital interests in competition with each other) and democracy (political freedom and popular participation in government) go hand in hand.

[23] China's deeper integration in the global economy and Russia's vulnerability to the 'natural resource curse' are also discussed in this context.

[24] Chinese reforms took much longer, and so *guanxi* has become topical. The related themes of obstacles to the market reforms, investment climate, and the successful future of Russia, are usually formulated in terms of corruption.

[25] See for example Wedel 2001, Hoffman 2002, and Brady 2000.

whereas now their shift into corruption benefits the official-business classes and harms the majority of the population.[26] New practices emerge to compensate for the defects of the market system: the business elites make use of personal networks both in the state and in the private sectors of the economy but they also make use of the law. The legal framework is actively manipulated in order to comply with the law in letter but not in spirit. The centrality of law and the association of informal practices with elites and new popular professions (businessman, lawyer, political consultant) point to the direction of change (Ledeneva 2006).

Guanxi and *blat* practices in pre-reform China and Russia played a similarly contradictory role in these economies: on the one hand, they compensated for the defects of the formal rules, thus enabling the declared principles of the economy to exist; on the other hand, they undermined them. Neither should these informal practices be seen as simply detrimental during the post-socialist transformation. In many ways they are responsible for its success: they are both supportive and subversive of post-socialist institutions.

Interestingly, it is not the subversive nature of informal practices that makes the authorities with certain political and economic agendas unwilling to acknowledge their pervasiveness. Subversive aspects of informal practices are often stigmatized and fought against in various ineffective and often politicized anti-corruption campaigns. Less noticed is that informal practices are not only the cause or the outcome of the defects of formal institutions but also the solution to them. Their supportive role should be researched more, and policies revised accordingly. From the perspective of the economy, informal practices should be viewed both as an impediment and a resource. Informal practices point up defects of formal institutions, and in this sense they constitute an important indicator of how formal constraints are operating. Informal practices also illuminate changes that are occurring in society and people's responses to them. Insights gained from comparative studies of informal practices can help us understand economies and political regimes both in general and in particular. Most importantly, they indicate how they are changing: post-socialist informal practices in Russia are closer to those in other economies, while Chinese *guanxi* in post-socialist perspective resembles *guanxi* in pre-socialist Confucian-influenced economies. These trends indicate not only Russia's or China's respective progress in overcoming economic defects of socialism, but also how they are taking part in wider processes of informalization in the world economy.

[26] A January 2002 official press story in China claimed that more than 4,000 corrupt officials were on the run with U.S.$600 million in stolen funds (many of them were supposedly abroad). Officials fleeing with stolen assets have become so routine that a vivid term, "evaporation," has been coined to describe sudden disappearance by fugitive officials (Pei 2002).

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