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NUMBER 56

COMPARING CLANS IN HUNGARY AND RUSSIA

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January 2000*

I would like to thank the East European Studies program of the Woodrow Wilson Center, whose 1998 scholarship has allowed me to write this paper. Particular thanks go to Bob Ponichtera, Kristin Hunter and Blair Ruble. My argument benefited from discussions with Ivan Krastev, a policy scholar at WWC, and with Eva and Constantin Iordachi as well as Nikoletta Nagy, students from Hungary. I am grateful to Ben Slay of PlanEcon, Inc. for providing PlanEcon Reports, and to Simon Kordonskii and Aleksei Chaplygin of the Moscow Institute of Research on Civil Society for sharing with me their unpublished materials. I also thank my research assistant, Andrew Konitzer, and William Dinello for their help.

** This paper was completed at the end of the author's term as an East European Studies Scholar in 1998.*

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The phrase, “from plan to clan,” introduced into sociological discourse in 1990, featured a networks-focused and path-dependent interpretation of the transformation of former communist economies.¹ Recognizing the leverage of the past and the durability of pre-existing social networks, the strategic choice was characterized as “not between clans or markets but of clans for markets.”² Distinguishing between market *orientation* and market *coordination*, non-market coordination was presented as compatible with high performance market orientation.³

Relying on the metaphors of plan and clan, this essay endeavors to show the similarities and differences in Hungarian and Russian paths and will evaluate the starting points, factors, processes and outcomes of post-communist transformation in Hungary and Russia. Focusing on clientelistic privatization and corruption networks, as well as on forces countervailing clandestine relationships, I will argue that whereas “clans for market” proved to be an accurate description of Hungary’s development, this interpretation is hardly applicable to Russia. The Russian-style clans endangered market building and prepared the reemergence of “clans for plan.” The following discussion will address what these opposite trajectories may mean for Hungary and Russia, as well as for the world at large.

The year 1998 was catastrophic for Russia. The crash of the stock and bond markets, the devaluation of the ruble, default on foreign debts and a banking crisis were accompanied by growing inflation and impending economic decline. Following a period of exuberance in the Russian markets, the fanfare turned into a death knell for Russia.

The Russian plague caused temporary distress in Hungary, but it did not result in an epidemic. Hungary still anticipated a strong economic recovery and accession to the European Union. Top Hungarian officials triumphantly declared that the country had completed its transition to a market economy, and emphasized that it was no longer an emerging market and especially not a market in any way controlled by Russia.⁴

The puzzle “what went wrong in Russia” goes together with the question “what went right in Hungary.” Responses to these questions, as well as the overview of the corresponding policy implications, require more than an exercise in economics of transition. Similarities and cross-national differences in social relations and cultural heritage will be duly considered here.⁵

Plan Metaphor

During the Communist period, the former Soviet Union and its reluctant satellite, Hungary, were considered centrally planned economies. Their organizational framework was based on five-year plans of economic development, outlined by central agencies, and approved and enforced by political leadership through direct state control.

Planning, however, was neither fully enforceable nor comprehensive. “Plan bargaining” between enterprise directors and planners, as well as revisions of plans, was a common practice as a means of adjustment.⁶ The state-controlled economy coexisted with a second, informal economy which, although constrained by the bureaucracy and legal system, operated according to market principles.⁷ The second economy emerged as a partial correction of the rigidities of the system, thus easing participation in the economy and survival for individuals, households, companies, and even the state itself.⁸ At the same time, the intermingling of the formal plan, shadow plan, and market-based unplanned economy resulted in “opaque” lines of responsibility and accountability.⁹

The Hungarian regime went the furthest of all East-Central European countries in allowing legalized second-economy activity. It promoted household farming as part of the private sector though it was still technically dependent on the state sector. It favored enterprise autonomy and instructed enterprises to maximize profits.¹⁰ It also encouraged Hungarians to find extra employment, welcoming their “moonlighting” in the evenings, on weekends, and during paid vacations.¹¹ Under János Kádár’s “gulash communism,” this second (informal) economy helped individuals satisfy their needs and served as a social mollifier. Since the introduction of the New Economic Mechanism in 1968, economic life in Hungary became largely depoliticized and informal economic activities were widely tolerated. The “social contract” of the regime with its people accepted economic embourgeoisement in exchange for cooperation among various social groups and preservation of the political status quo.¹²

In contrast, the Soviet regime was more driven by dogmatic Communist ideology and was more politicized and less centered on the economy. Although it drifted away from the “gulag communism” of the Stalinist era, it remained suspicious toward the mixed character of “gulash communism.” The informal economy was employed as a

means to circumvent supply bottlenecks in the rigid command economy, but it was also perceived as a direct threat to the state's regulatory powers. Soviet officialdom interpreted private entrepreneurship as a manifestation of "petty bourgeois attitudes" and as parasitic and antagonistic to the building of socialism; thus, it strove to limit the second economy as much as possible. Less flexible, less tolerant, and less pragmatic than the Hungarian elite, the Soviet party elite mythologized plan and suppressed the market. It also severely suppressed public opinion and essentially neglected public needs and interests, sowing the seeds of public dissatisfaction and future confrontation with the elite.

Clan Metaphor

Conspiracies and collisions of clans are among the most intriguing stories of world history and literature: The mystique of the Medici clan, which preserved its prominence for more than two centuries,¹³ rivals an appeal of the Montagues and Capulets story, immortalized by Shakespeare.¹⁴ A clan may be defined as a particularistic and cohesive network of trust and reliability which is dense and tightly interlinked, hierarchical (the exchange is vertical and the obligations are asymmetric), and non-transparent (secretive codes of honor serve to facilitate exchanges among clan members and to protect them from outside competition and other dangers).¹⁵ Each clan shares its own set of values, symbols and interests, enforces particular norms of behavior, maintains strong in-group solidarity, and guards barriers to entry. As a "mutual aid grouping" or a "human network of mutual dependence,"¹⁶ a clan is held together by informal, personal ties of friendship and family relations, but formal ties of authority or equity and credit relationships are also relevant.

Traditional clans are associated with the tribal system of organization and characterized by strong loyalty, personal attachment and commitment, by a stable sense of identity and "village" hierarchy, and by recruitment of members through kinship networks.¹⁷ Similar to tribal clans, contemporary "clan-like" networks can employ violence and even engage in protracted wars for new territories and spoils.¹⁸ In modern economies, quasi-kinship bonds are commonly used for rent seeking, an activity designed to exploit a monopoly position, which is antithetical to profit seeking in a competitive market.¹⁹ Defending and promoting insiders, clans simultaneously stifle outsiders, limiting their business options and increasing the costs of entry into business.

From a more positive perspective, contemporary clans are important for risk management. They serve to correct the deficiencies of both plan and market and provide screening devices, allowing the actors to economize on information and transaction costs of protecting contracts.²⁰ Forging trust, they are the elementary means of combating economic opportunism, defined as "self-interest with guile" (e.g. cheating, withholding information, asymmetrical information, etc.).²¹

When commercial institutions are rudimentary, clans constitute an "intermediate form of organization, lying between markets and hierarchies." They emerge for the protection of contracts, given the conditions of contract uncertainty and the particular

historical-institutional context.²² Personalized exchanges—repetitive dealings and personal contacts within a clan—minimize the need for formal rules and compliance procedures since reciprocity and a consensus ideology constrain opportunistic behavior.²³

In both the Hungarian and Soviet “dual economies,” social networks provided a crucial mechanism through which the first and second economies were integrated. Both formal network ties (explicit, impersonal and functionally specific links among individuals and groups) and informal social network ties (implicit, personal and generic links) were shown to contribute to social achievement.²⁴ Characterized by inflexible political hierarchies, the communist deficit economies produced a demand for informal intermediaries or “go-getters” to sustain economic activities. Wherever money did not work as an effective medium of exchange, the “go-getters” searched for a deal or a trade through personal connections according to the principle “favor for favor, commodity for commodity.” In Hungary, as well as in the Soviet Union, one’s position within or ties with the “inner circle” of the state and communist party elite, or *nomenklatura*,²⁵ determined access to the state system of the distribution of resources. Personal connections were critical both in gaining a foothold on the *nomenklatura* escalator and in assuring a steady rate of ascent.²⁶ The long periods of tenure for party officials encouraged the creation of party fiefdoms and dynastic clans where personal and familial ties, overlapping membership, and patron-client relationships dominated.²⁷

Contrasting the dogmatic conception of “plan versus market,” it was a combination of formal and informal networks that helped to maintain the planned economies. Following the collapse of such state-controlled economies, it was again a combination of formal and informal networks that saved both Hungarian and Russian societies from total breakdown. The deterioration of the first economy, which was run by the bureaucracy, has devalued formal network endowments in favor of the informal endowments in attaining wealth and power.²⁸ Networking became even more important in the post-communist period because of the uncertainties and hardships of a transitional society. New pressures bolstered personal networks as a means of coping with difficulties as well as grabbing new opportunities.²⁹

In both Russia and Hungary, only the upper level of the pre-existing *nomenklatura* was partly dismantled, but there were even more reasons in Russia to rely on personal networks for both “coping and grabbing.”³⁰ In comparison with Hungary, Russian reforms had more “big bang” qualities: the highly centralized Soviet empire was to be transformed into a modern nation-state; an all-embracing state property was to be converted into private property. Russian reforms were also cursed with a series of political, military and economic crises. The very notions of trust and credibility were vague. As a result, both winners and losers of the reforms had no choice but to depend on networks as a tested trust and support system.

Building on preserved networks, financial-industrial groups (FIGs) emerged in Russia as closed clans of interconnected politicians, industrialists, bankers, media figures, consultants and private security forces.³¹ Many FIGs were not officially registered, and were based on personal relations and informal agreements.³² Pursuing expansion, these

tightly organized and impervious groups were also practicing the politics of exclusion: protection and promotion of their gains was achieved through suppressing competition and blocking new entrants to the market.³³ Resulting from Soviet-era institutional legacies, FIGs were also propped up by the difficult transitional conditions in Russia: uncertain property rights, an underdeveloped legal system, poor investment conditions, public distrust and political instability.³⁴

The Russian-style “conglomerates”, which combined diversified and heterogeneous assets from various economic sectors, were in some respects similar to Hungarian “recombinets”—ambiguous structures characterized by the blurred boundaries of public and private, by the fluid boundaries existing among enterprises, and by the discretionary distribution of assets and liabilities.³⁵ The persistence of unofficial bargaining resulted in the further ascension of clans as informal, particularistic, extra-legal, and non-transparent entities.³⁶ Examples ranged from nepotism, displayed by József Torgyán (president of the Smallholders’ Party participating in the Hungarian government coalition) to the authority of Russia’s “first family” and its close entourage over both politics and business. Members of Torgyán’s family held high-level positions in Malév airlines, OTP Travel (exclusive travel organizer of Torgyán’s Ministry of Agriculture and Rural Development) and Szerencsejáték Rt. (a state-owned company controlling lotteries and gambling in Hungary).³⁷ Tatiana Diachenko—daughter and most trusted image adviser of President Boris Yeltsin—was rated among the most powerful Russian politicians,³⁸ while Yeltsin’s son-in-law and the head of Aeroflot, Valerii Okulov, was considered one of the most powerful Russian entrepreneurs.³⁹

Hungarian and Russian networks were, however, different in terms of their potential for learning and change. A resolute and continuous market building in Hungary contrasted a hesitant, “one step forward, two steps backward” development in Russia. Consequently, the trajectory “clans for market,” vigorously pursued in Hungary, meant a metamorphosis of clan networks, supported by particularistic values, strong loyalties and the primary reliance on informal personal ties, into less rigid, loosely coupled networks. Guided primarily by market-style instrumental rationality rather than value rationality,⁴⁰ the latter networks are more adaptable and effective in the pursuit of their goals, although they are also less cohesive. Their greater adaptability to the market can be a result of their increased openness and receptivity to the signals from outside, relative independence of the elements within a network, their ability to manoeuvre and mobilize resources, and their ensuing innovativeness and flexibility in response to outside challenges.⁴¹

In contrast, the metaphor “clans for plan,” describing Russia’s evolution, connotes the persistence of both non-market coordination of activity and non-market orientation. Deep distrust or apprehension of the invisible, impartial hand of the market can reinforce heavy reliance on the visible “hand” of a high-ranking patron as the facilitator of actions and the protector from formal demands. The reconstruction of networks dating from the period of central planning and typified by hierarchical, closed and ambiguous structures, can be either an outcome of perennial resistance to a new economic rationality in the interests of preserving previous monopolies, or a backlash against a poorly implemented,

painful transition to the market. Those clan-like networks that are incapable of developing new ways of strategic action can be easily “locked in” existing paths of development.⁴² The following will attempt to explain how and why the opposite trajectories were taken in Hungary and Russia.

Privatization, Investment, Clientelism and Clans

Privatization of state property constituted the core of economic reforms in Hungary, as well as in Russia, and had implications for clans. The collapse of the “plan”—disintegration of the centrally planned system of state control—went together with the process of privatization. In both Hungary and Russia privatization began spontaneously. The incumbent managers took advantage of their positions, transferring their companies from the state sector to the private sector, and became the primary property-owners. This was an act of conversion of their previous politically based status into economic power. Well-positioned and well-connected insiders acquired most of the state properties gratis.⁴³

Such an uncontrolled and inequitable diffusion of public resources proved to be perilous: it both weakened the state and incited public outrage. Both Hungarian and Russian authorities reacted to these perils by the introduction of official privatization programs. In the case of Hungary, efforts were made to carry out a public offering of shares, competitive tenders, and employee-share ownership plans. However, it soon became clear that this official program was doomed to failure due to the lack of cooperation on the part of company managers. Being realistic, the Hungarian government admitted defeat and agreed to self-privatization for small- and medium-sized enterprises. This modified version of spontaneous privatization was implemented under the supervision of small private agencies licensed by the State Privatization Agency, and resulted in the enrichment of both former managers and officials of privatization agencies.⁴⁴

In contrast to Hungarian pragmatism, the official privatization program in Russia was colored by blatant populism. Every citizen received a voucher worth 10,000 rubles for a negligible payment and a right to participate in voucher auctions where major properties were sold.⁴⁵ The irony of this formal “mass” privatization was an evident failure of the masses to acquire any tangible assets. Counter to expectations, average citizens were left impoverished and disillusioned. Only well-connected and well-informed individuals could obtain attractive pieces of state property through accumulating large blocks of vouchers. Moreover, excluded from the voucher privatization program were the most important and profitable export industries. The inner circle of top politicians, bankers and industrialists arbitrarily decided their fate. “Special laws for special cases” favored bidders with better access to President Yeltsin and his entourage.⁴⁶

Despite divergence in the scenarios of official privatization, both in Hungary and Russia inside information, insider lending, and insider privatization were the key tools for the distribution of state property. Under the patronage of the architects of privatization,

the most valuable resources were channeled to their own select clients. Although privatization resembled piratization in both Hungary and Russia, the Russian buccaneer capitalists were most visible, brazen, arrogant, fearless and even violent.⁴⁷

In Russia, privatization was a risk taker's paradise. A giant country, resource-rich Russia had enormous state holdings to be distributed. Access to lucrative assets in the oil, gas, metals and other export industries could produce a private fortune overnight. Moreover, the perception of unlimited resources made their plundering boundless. The overall capital flight from post-Soviet Russia was estimated at \$700 billion.⁴⁸ Secretive and well-armed clans offered the insurance of continued free-riding and a defense against competition in pilfering.

Contrastingly, in Hungary the size of the spoils system was much smaller. Some private ownership already existed in Hungary and merely needed formalization. Poor in natural resources and capital, Hungary could not afford more than "temperate kleptocracy." Pilfering was permissible only if it left enough for the further reproduction of national assets and allowed future political elites to have their own feast.⁴⁹ Greater consensus among elites and smaller privatization stakes rendered expansive, closed and violent clans superfluous.

Even more importantly, economic reforms in Hungary pursued "small transformation"—de-concentration of property by breaking large companies into smaller ones. This stimulated competition and attracted outside capital.⁵⁰ In contrast, the Soviet economy was much more monopolized and militarized,⁵¹ and Russia's "great transformation" reaffirmed the privileges of large enterprises and their managers, or granted large portions of property to select grand owners and celebrities who became known as "oligarchs." Russian privatization was nicknamed *prikhvatizatsiia* meaning "the great grab," irrespective of the economic rationale of this immense accumulation. The result was the survival of the fattest, instead of the fittest. Reinforcing the belief that "big is beautiful," this produced self-sufficient and self-indulgent Byzantine financial empires, driven by an unbridled thirst for expansion and domination, but not equipped to sense changes in the market. A reliance on the "visible hand" of powerful political patrons, particularly in the face of a probable imperial overstretch, remained indispensable.

Hungary's relative openness was related to the simple fact that it could not succeed without foreign investment. Hungarian economic pragmatism was combined with the society-wide intellectual and moral desire to Westernize institutionally.⁵² Several governmental administrations in Hungary acted on this sentiment, nurturing concessions instead of confrontation with foreign capital. During the privatization period, foreigners acquired shares of strategic companies in the oil, gas, telecommunications, and electric industries.⁵³ Hungary attracted over one-third of all foreign direct investment in the former Soviet block,⁵⁴ hence, every Hungarian who aspired to become truly rich had to rely on international networks.⁵⁵

In Russia, many special interest groups wanted to keep the national economy under domestic control. Exploiting the advantages of national monopolies (particularly in the energy sector), the Russian elite managed to protect the Soviet legacy of a closed economy in an increasingly open world market. Participation in the world networks remained limited. Whenever foreign competitors endangered the position of a Russian business, they were expelled from the country. Whenever a politician or a businessperson behaved as a cosmopolite leaning to the West, he/she became a hated figure and an easy target of allegations. The “Great Russia” sentiment, continuous pretensions to a superpower status, a love-hate relationship with the West, combined with excessive expectations of the West, as well as deep crisis of national identity—all contributed to the hostile public attitude toward foreign capital. Russian nationalism and patriotism, as well as the enduring syndrome of moral if not economic superiority, translated into a false perception of a nation’s self-sufficiency.

Russia’s self-closure was orchestrated by domestic financial-political clans who could preserve their power only by remaining exclusive. These clans could marginally admit “friendly” foreigners, but only under conditions of national supervision. Whereas the price for a foreign investor’s participation in the management of a Hungarian company was reported to be a car,⁵⁶ the cost of foreigners’ entry to the Russian market was much higher, and was pre-conditioned by many circumstances. A strong distinction between those who “belong” and who “do not belong” endured.

Operating on commercial grounds and relatively disengaged from the pre-existing personal networks in the country, foreign capital played an anti-clandestine role in Hungary. Russia lacked foreign capital as a benign vehicle for profitability and efficiency; foreigners on the fringes of Russian clans were not strong enough to promote a “clans for market” strategy.

Whereas in Hungary both the communist-era second economy and the post-communist capitalist-style economy were basically legitimized and accepted by the broad public, this was not true in Russia. Public resentment of the new system was reflected in pejorative descriptions of Russian capitalism as “wild,” “predatory,” “mafia,” “bandit,” and “crony capitalism.” *Proizvol* (total arbitrariness) and *bespredel* (total lawlessness) became key words of Russia’s post-communist “dog-eat-dog” world.

During the 1990s, business in Hungary was gradually becoming less personalized and more institutionalized. Russian business clans nevertheless remained instruments of personal vendettas, waged with extraordinary arrogance and coercion. More than a means of risk management, these clans grew into vehicles of economic opportunism, eliminating competition by force. The scores of slain bankers, businesspeople, traders, and enterprise managers beat all world records. Relying on internal strong ties, powerful clans became autonomous of society, using their economic and social capital to pursue their own goals without regard for the public good.

As a telling detail, while the persuasive studies on start-up businesses in Hungary emphasized the role of networks as a resource, they provided no reference to networks

for protection.⁵⁷ Divergent from this, every Russian business begins not with a foundation, but with a “roof” (*krysha*)—protection arrangements.⁵⁸ Racketeering is ubiquitous: in every cell dwells a parasite, on every organ sucks a leach. Semi-legal networks of businesspeople and politicians are intertwined with outright criminal networks, and the border between lawful and illicit is blurred.⁵⁹ Contract killings are a common means of the resolution of business disputes. Hence, “who is who in business” is a life-or-death question: one literally cannot survive in business without thorough knowledge and trust of business partners. A vicious circle results: private contract enforcement injects distrust into economic relations recreating an artificial and costly demand for protection services, and in the process creates rather than dismantles barriers.⁶⁰

The legitimacy of Hungarian business groups encouraged the reinvestment of profits, which in turn contributed to the loosening and flexibility of clans. In contrast, the illicit or marginally legal financial-political clans in Russia paid profits in bribes, protection fees, and flagrant conspicuous consumption: giant mansions, lavish receptions and extravagant vacations. This further cultivated the insulation of clans in Russia where the division of assets became a protracted predatory enterprise. The profound sense of illegitimacy of Russian privatization also encouraged the desperate impetuous pillaging of resources in view of an expected closing of the window of opportunity.

When in 1998 this window did abruptly close due to a financial meltdown, the moment of collapse was also the moment of truth. It revealed clans as heavily armed giants on toothpick legs whose accomplishments throughout the reform period were confined to learning the art of gainful financial transactions, but who proved barren in terms of production. In contrast to Hungarian clans *for* investment and production, Russian clans *for* redistribution remained focused on obtaining the best pieces of the state pie. In the context of the Russian clans’ newly exposed feebleness, “clans for plan” emerged in Russia as an expedient policy option, meaning a halt on the division of state assets and battles among elite groups. The new agenda for the elite’s cooperation was to address the economic disaster for the purpose of both the elites and the country’s survival.

Patron-client Relations: A Comparative History

Patron-client relations involve asymmetric but mutually beneficial, open-ended transactions that are based on differential control by social actors over the access and flow of resources. Patrons place their clients in the strategic positions of power and control, and divert resources in their favor. In exchange, clients offer their gratitude and continuous loyalty to the patron, boosting his/her prestige.⁶¹

Perpetuated by the tension between the public and private spheres,⁶² clientelism is common to all countries—to economically developed, as well as developing countries; to democracies, as well as countries with an authoritarian regime. No society escapes clientelism, although its scope and intensity vary. As a manifestation of private, personal, implicit dynamics, clientelism is a refuge from the repressive and/or inefficient

operation of the public sphere. The more repressive and/or inefficient the formal institutions are, the more informal behavior is likely to be used as a lubricant for the rigid and inept official system. The more formal institutions are distrusted, the more the closely-knit groups serve as networks of trust. At the same time, patron-client relations are a refuge from the fragmented, atomized world of formal rules and rigorous authorities. Clans are thus support systems from both the utilitarian as well as the emotional point of view. Greater indifference of the public sphere to people's concerns, as well as greater alienation of individuals from society at large foster clans as realms for caring and sharing.

Clientelism was and remains a rational strategy in Hungary as well as in Russia—both in terms of instrumentality (patron-client relations as a means to a calculated end) and value (patron-client relations for their own sake). It also represents traditional rationality—one rooted in these countries' culture and history, and reflected in their language and literature. As will be shown below, Hungary and Russia differ, however, in the magnitude of clientelism.

In Roman law, clients were liberated slaves or immigrants who sought the protection of patrician *paterfamilias*. Dependent on the head of the family, clients rendered services in exchange for protection. Reiterating this ancient familism and patriarchy, in imperial Russia a patron was customarily addressed as *otets-kormilets* (father-benefactor), *zastupnik* (protector) or *miloserdnyi pokrovitel* (merciful supporter). The equivalent greeting in Hungary, which also adhered to traditions of patriarchalism and personalism, was *uram-bátyám* (my lord-my brother).⁶³

Patrimonial-bureaucratic⁶⁴ and autocratic political regimes in the two countries encouraged one's reliance upon personal networks for self-protection against suppressive states. In Imperial Hungary, as well as Imperial Russia the core relationship was that between a powerful benefactor (*jótev* in Hungarian and *blagodel* in Russian) and a humble petitioner (*kérelmez* in Hungarian and *prositel* in Russian). The words *protekció* and *patronázs* in Hungarian, and *proteksia* and *patronazh* in Russian mean more than protection and patronage—they signify a central dynamic of recruiting and promoting people from one's inner circle.

Patronage and paternalism were commonly offered by the rich and powerful to their poor relatives and subordinates in tangible forms such as food and shelter, or as emotional support and help in acquiring some occupation. In respect to civil servants, the Russian tsar as the supreme patron extended to his clients the privileges of *kormlenie*—feeding oneself and one's family from the administration of state property and collection of taxes.⁶⁵ These legitimate privileges were exchanged for personal unconditional loyalty and the enhanced prestige of the superiors. The Hungarian patronage system (*patronálás*) involved nepotism (*atyafipártolás*), as well as *paraszolvencia*—a patriarchal relationship of an informal, personal payment for a better service.

By following the *noblesse oblige* principle, Hungarian and Russian aristocracy legitimized the discrepancy but also a union between the patron and the client. In view of

the suspicion toward state authorities, kin and quasi-kin affiliations were opposed to allegiance to formal institutions, and nepotism was perceived as a moral duty. Closely-knit, clientelistic networks were also nurtured by traditions of extensive gift exchange and social togetherness, including the culture of feasting and drink, believed to solidify personal connections and mitigate stress.⁶⁶

The communist-era significance of “personal connections” as a means to obtain access to information and resources was only one step away from imperial-epoch clientelism. The reliance on “our person,” one high in the bureaucratic hierarchy, remained imperative for getting ahead. The closed and strictly hierarchical circle of *nomenklatura* (state-party elite) replaced the power of the emperor’s court, preserving favoritism and the elite’s recruitment by a criteria of personal loyalty to the party leader. The attractions of the so-called Kremlin elite *kormushka* (a “feeding place”) or Budapest “distributor” epitomized bureaucratic perks and privileges, including upscale stores and apartments, which continued the imperial practices of “exclusive networking”.

Despite many similarities, clientelism was, however, relatively more central to the Soviet institutional structure than it was to that of communist Hungary, and the resulting Soviet-style personal networks were more tight, more restrictive and less fluid. This was due to the fact that since the 1960s Hungary was less politically monolithic, less economically monopolized and more market-oriented than the Soviet Union. The Hungarian elite was also less centralized, less dogmatic and more tolerant of opposing views. In contrast, the public sphere in the Soviet Union was relatively more repressive, less open to compromise, and much less efficient. “Whom you know” was more important in the Soviet economy, than the money one had because money did not fulfill its instrumental function as an effective medium in exchange. The tradition of drink, including drinking during business hours, was also more pronounced in the Soviet Union. The Russian expression, “We drank together,” usually indicates the establishment of personal trust, upon which mutually beneficial business can be built.

Patron-client relations are strong whenever there is a low level of trust in society.⁶⁷ Economic and political reforms, which began in both countries at the end of the 1980s, failed to install popular trust of civil or political institutions, which in comparison with the Western countries remains very low in Hungary and Russia.⁶⁸ The attempt to change institutions thus fell short of eradicating clientelism, and the opportunistic privatization could even intensify it. Nonetheless, as reforms were more vigorously pursued and more fully implemented in Hungary, clientelism there compellingly emulated an “addendum to the central institutional modes of organization, interaction, and exchange,” rather than a “core of the institutional structure.”⁶⁹

Several factors contributed to this. The Hungarian *nomenklatura* networks became involved early in the scramble for resources, and the state pie was parceled out quickly since it was not large in the first place. The partnership or competition of the domestic clientelistic networks with foreign investors also mitigated patron-client relations.⁷⁰ Monetization developed rapidly in post-communist Hungary (partly due to its vibrant second economy), and investment-driven restructuring proved to be a viable

alternative to government patronage of select companies. Consequently, Hungarian clientelism was gradually transforming into functional barter relations, under which the exchange of favors results from rational bargaining, while continuous loyalty, emotional involvement and unconditional commitment in a hierarchical clannish relationship became irrelevant.

In contrast, clientelism remained deeply ingrained in Russian life. Despite the increased value of money, non-monetary modes of payment persisted in the Russian economy.⁷¹ Counter to the goal of modernization, many ineffective managers survived without restructuring their enterprises, relying on contacts with government officials. In 1998, the Russian government reshufflings were provoked by personalities behind the scenes and reflected changes in the web of political patrons and their business clients. While select enterprises were granted new exemptions and privileges, national policies remained obscure and national interests suffered.⁷² The August 1998 financial crisis further fueled the patron-client dynamic as a means of “rescuing” particular financial institutions at the government’s expense. Speculation about the possibility of a bail-out barely considered balance sheets and losses of banks; instead, the focus was on their political connections.⁷³

Corruption Networks

Both clientelism and corruption, that is the “abuse of [public] trust in the interest of private gain,”⁷⁴ reflect the tension between the public and private spheres. Patron-client ties may or may not be corrupt, but when a patron occupies a public position or extracts favors from those in public positions, patronage and corruption overlap.⁷⁵

Similar to clientelism, corruption is new to neither Russia nor Hungary. The 19th century Russian revolutionary and writer, Mikhail Bakunin, wrote: “There is more stealing and corruption [in Russia] than in any other state... It is impossible in Russia for a public servant not to become a thief.”⁷⁶ The celebrated Russian novelists Nikolai Gogol and Mikhail Saltykov-Shchedrin created piercing parodies of the tsarist bureaucratic regime pervaded with patronage and corruption. The low salaries paid to officials caused them to “provide for themselves” by accepting bribes. The large size of tsarist bureaucracy was a hotbed for corruption: exercising power was lucrative, and corruption was in essence legalized by the practices of *kormlenie* (feeding).

Under the absolutist bureaucratic regimes, corruption became one’s personal nature, excused by the common view that “everybody else is corrupt.” Moreover, nepotism served as a peculiar support system, and the moral obligation to help relatives, peers and friends superceded the formal rules.⁷⁷ Indicating continuity, the high-level corruption in the Soviet Union disclosed in the late 1980s during the period of *glasnost* (openness) included the diamond scandal involving members of Leonid Brezhnev’s family. The so-called “cotton scandal” involved high-ranking officials in the former Soviet republic of Uzbekistan.⁷⁸

Reflecting a similar preponderance of corruption in Hungarian society, the Hungarian language contains numerous expressions for various manifestations of corruption. These terms can be roughly translated into English as tip, gratuity, greasing someone's palm, and profiteering. Corruption was omnipresent throughout Hungarian history. Although Hungary's first King, St. István, introduced severe punishment for judicial corruption at the turn of the 10th and 11th centuries, five centuries later King Ladislaus II passed a decree canceling the previous prohibition of giving gifts to judges.⁷⁹ This early law contributed to a pervasive "tipping" tradition in Hungary.⁸⁰

Compared to Germany with its Prussian cultural heritage of correctness and belief in legality, corruption of government officials in both the Austro-Hungarian empire and in imperial Russia was more frequent.⁸¹ To make matters worse, East-Central Europe inherited the Prussian tradition of secrecy that was further enriched by the communist tradition of paranoid nondisclosure.⁸² As a result, the culture of corruption was reinforced by the culture of secrecy and silence.

In spite of historical analogies, post-communist Hungary appears less corrupt than post-Soviet Russia. The 1998 Corruption Perceptions Index, which assessed the corruption level in 85 countries (as perceived by business people, risk analysts, investigative journalists and the general public), located Cameroon, Paraguay and Honduras at the very top of the list, and Russia close to the top. Hungary was ranked in the bottom half (as more corrupt than Belgium and Japan, but less corrupt than Poland and Czech Republic).⁸³

Corruption is a response to insecurity and instability. If civil servants consider their positions to be at risk, they are more inclined to take advantage of their temporary opportunities by accepting bribes and looting state property. Insecurity in a formal position and ambiguity of formal rules make informal bargaining particularly insidious. Considering the dire economic situation in Russia, which makes alternative employment for civil servants highly problematic, Russian officials are prone to be more desperate, more arrogant and more assertive in plundering resources at their disposal, in comparison with their Hungarian counterparts. Given greater policy continuity and less economic uncertainty in Hungary, a relatively lower level of corruption should be expected there.

Contemporary Hungary and Russia differ not only in the magnitude of corruption, but also in its predominant type. In Hungary, market or economic exchange corruption seems to prevail. It is a non-organized corruption, characterized by unstable exchange among impersonal and marginally acquainted agents, and unregulated by specific rules. Oppositely, Russian-style corruption tends to embrace political, economic and social exchanges, exemplifying regular and organized type of corruption. Corrupt clientelistic networks are overpowering in Russia, and procedures driven by corruption have a potential to be institutionalized.⁸⁴ This difference between market corruption in Hungary and non-market corruption in Russia stems from several factors.

While until recently Russia was separated from the rest of the world by the Iron Curtain, Hungary has been increasingly positioning itself at the crossroads of well-

traveled European routes and European exchanges since the 1970s. Reflecting the patterns of modernity, the relations among increasingly atomized individuals were becoming more materialistic, formal and utilitarian, acquiring the qualities of financial transactions. During several decades, this was instigating a “cash nexus” of Hungarian corruption, which connotes personal disengagement.⁸⁵

As a side effect of the post-communist economic reforms, such expressions as “dirty money,” “hot money” and “money laundering” have penetrated in both the Hungarian and Russian languages, as well as realities. Hungary was identified as the third largest “money launderer” in Europe (after Wales and Italy).⁸⁶ Influenced by the rapid monetization of the Hungarian economy, during the 1990s corruption evolved there as an impersonal process—how much one could pay began to matter the most, regardless of who were the largest bidders.⁸⁷

In contrast to the highly monetized Hungarian economy, the Russian economy continued to operate on the basis of barter, and became plagued by a non-payment crisis while simultaneously afflicted with tax as well as wage and pension arrears.⁸⁸ Barter exchanges constituted 60 percent of all exchanges in Russia; the official monetization of the economy (the ratio of national currency in circulation to gross domestic product) was 10-12 percent in Russia, in comparison with 60-80 percent in the industrially developed countries of the West.⁸⁹ In Russia’s cashless economy, cash was extremely valuable. But despite the attractiveness of monetary bribes and their creeping spread,⁹⁰ it rarely happened that the exchange of favors over time was either completely monetized or paid in full. The Russian-style big stakes and big favors could not be matched by money in a cashless domestic economy with limited access to the world financial markets. As debts circulated and accumulated, they remained primarily in the form of mutual obligations and expectations of favors. This advanced corruption networks, which combined instrumental and affective links, and embraced political, economic and social exchanges.

Averting world modernity trends, non-market corruption is parochial in that it depends heavily on local knowledge. One has to know whether to give a bribe in order to achieve one’s goals, to whom as well as how and when to give one.⁹¹ Local businesses and other parties are thus ahead of foreigners in the parochial corruption game.

In Hungary, the word “local” refers to a relatively small place, which is more receptive to the rules of the game imposed from the outside and where the incorporation of outsiders is imperative for business survival. Contrastingly, in Russia the word “local” refers to an enormous and self-contained space, where aspirations for globalism often imply “going global” on Russian terms, in defiance of world realities. Therefore in Russia there is more room for non-market corruption.⁹²

Although both market and non-market corruption operate in an opaque manner, market corruption, which is inclusive in regard to anyone who pays the price, expands its realm at the cost of eroding secrecy. In contrast, a more exclusive non-market corruption carefully designs and guards its camouflage: non-transparency is a key to corruption’s tenacity.

The research on property ownership in Hungary used data drawn from the files of the State Property Agency and the Hungarian Courts of Registry.⁹³ Interviews with Russian market regulators, as well as business people and financiers confirmed that although Russian companies are required to have shareholder registers maintained by independent registrars,⁹⁴ the ownership data is neither consolidated nor available to the general public. However, as one St. Petersburg financier confided during an interview, belonging to a “proper circle” and a willingness to offer money or favors could procure any information. Ironically, the following day, the Russian newspapers’ headlines read “the arrest of the chairman of Goskomstat” (the State Statistics Agency). The charges were for embezzlement and taking kickbacks from companies in exchange for falsifying data to allow firms to evade taxation, and for selling one’s data to competitors.⁹⁵ This example testifies to the scale of corruption in Russian business, as well as the lack of reliability of officially available data.⁹⁶

A distinction between market and non-market corruption has implications for clan structures in Hungary and Russia. Pure market corruption holds no element of clientelism: it is a one-time transaction lacking in affective ties.⁹⁷ Under the strong pressure of the market, Hungarian “addendum”-type clientelism can easily convert into forthright bargaining, removing the need for implicit, deeply personal, exclusive and intense relationships. The high degree of monetization of the Hungarian economy and receptivity to strangers are concomitant with such corrupt transactions that are swift, transient and impersonal, making barriers among clans porous. The resultant loosely coupled networks can facilitate entrepreneurial strategies, additionally aided by the friction of ambiguity.⁹⁸ A “functional,” purely instrumental, operation of *pantouflage* (“revolving door” between the public and private sectors) does not threaten economic efficiency, and can even contribute to it.⁹⁹ Exercising market corruption in passing, Hungarian clans *for* production advance business entrepreneurship more than they endorse bureaucratic entrepreneurship, and thus promote alternatives to corruption in the new market environment.

In contrast, Russia’s strongly entrenched and tightly knit clientelistic networks make an escape from the “vicious circles” of clientelism-corruption-clientelism and poor administration-corruption-poor administration very difficult.¹⁰⁰ Permeating all types of exchange, Russian opaque clans maintained the monopoly of significant actions and procedures. In a situation when “Made in Russia” remained a very rare label, auctioning of state assets continued endlessly and politics persevered as the only consistently lucrative business.¹⁰¹ While further contributing to non-competitiveness, corruption was also employed as an effective response to it.¹⁰² Those who did not belong to corruption networks were out of the game altogether.

An escape from a complex network of interpersonal relationships and associations was equivalent to retreating from public life. When symbolic violence (the war of words and images) went together with physical violence, corruption looked like a benign tool of the Russian clans’ redistributive agenda,¹⁰³ and the reproduction of corrupt exchanges seemed to be the least of all evils. The “clans for plan” strategy would hardly eradicate

corruption, but along the lines of Soviet practices it may limit its confines, decrease its scale, and install better controls of its outcomes.

Countervailing Forces

Social forces discouraging particularism, personalized practices, exclusiveness, and intractable hierarchies may counterbalance the factors bolstering clandestine networks. Such forces include potent political parties, vigorous and independent mass media, as well as autonomous, vocal and cooperative civic associations. It will be shown that these countervailing forces are much stronger in Hungary than in Russia.

Political parties

Pursuing their political agenda and expressing public interest, political parties are able to mobilize the public's rights to access information, monitor monopolies and delve into the "inner circles." They can also challenge the very existence of shady "clubs." In this regard, Russia and Hungary are worlds apart. While political parties are notably weak in post-communist Russia, they are strong in post-communist Hungary.

The starting points of the democratic movement in Hungary and Russia were different. Under Kádár's institutional dualism, the coexistence of the formal and informal economies was supplemented by a coexistence of the formal and informal societies. A co-optation process incorporated intellectuals on the fringes of the state-party elite and allowed regional intellectuals to cultivate their own informal networks, largely ignored by the central elite. In the spring of 1989, these reform circles, bound by common values and interaction, began to connect with one another on a horizontal basis, directly challenging the vertical structure of the Hungarian economy and politics. This produced no significant mass movement, but rather the rise of smaller, well-articulated political organizations. Ultimately, parties in Hungary filled the entire political space.¹⁰⁴

Strong political parties now have their own agenda and their own *raison d'être* in Hungary. Although they welcome political campaign contributions from business groups, they nonetheless preserve relative independence from their donors, and a new political system includes checks and balances on clan activities. Political pluralism goes together with a high degree of agreement among the political elite about the formal and informal rules of the game.¹⁰⁵ All these circumstances favor a trend toward greater accountability and openness of clans in Hungary.

In contrast, although double-think and the duality of behavior (one in the public setting and another in the private setting) were widespread in Soviet society, conformism prevailed there over reformism, dissidence was severely prosecuted, and the second (informal) society was much less influential than in Hungary. The *perestroika*-era democratic movements became effective in denouncing the previous regime but their frantic passions of negation and protest jeopardized the creation of new political organizations that could be both constructive and appealing to the public.

The Communist Party of the Russian Federation is believed to be the only functional party in contemporary Russia. It has preserved familiar values, norms and rules of conduct. It has also established an organizational structure which links the center with the regions and ensures the dissemination of the party's message throughout the country. All other parties, which number at least forty,¹⁰⁶ are coteries around a leader. Their "inner circles" are recruited depending on personal loyalties and relations with the leader, forming a closed narrow clique which has neither audience nor followers outside its core. Once a party leader has flopped, the entire party is in shambles. Once clashes at the leader's entourage occur, the party ceases to exist.

Despite formally democratic institutions, Russian post-communist politics developed as clan politics. Weak parties and individual political contenders actively solicited clans' money and power in exchange for promises of providing favors and privileges if elected. The same clans often embraced several parties to minimize risks and maximize potentially favorable conditions. Instead of challenging clans' exclusiveness and imperviousness, Russian parties became subservient to them, and clan leaders (business moguls and their political patrons) rose as major political figures.

As another dimension of the same phenomenon, the formally strong presidential power in Russia was in fact arbitrary, erratic and ambiguous. Yeltsin sought to implement reforms not through compromise and negotiation, but through decree, expansion of his personal power, and the exclusion of other political actors. In a country whose history is marred by the "cult of personality," individuals, instead of institutions, still dominate politics, and one's connections to the president's circle secure advantageous exemptions from formal rules and norms. This favors clan formation, and makes public scrutiny of patron-client relations and of their outcomes ineffective.

Media

Under the Hungarian "gulash communism," the media were less rigidly controlled than in the Soviet Union, permitting a broader scope for debate. There was greater tolerance for pluralism of ideas in Hungary, and formal censorship on the part of the state was replaced by self-censorship, allowing for fluid lines of debate.¹⁰⁷ Although allegorical and allusive language was also widely used in the Soviet Union, the limits of the acceptable were more stretched in Hungary.

During the transformation of the former communist institutions, and with the involvement of foreign media conglomerates, some media outlets in Hungary spontaneously privatized themselves. France's Hersant, Switzerland's Ringer, Germany's Bertelsmann AG and Springer, and Australia's The News Corp. were among active investors. By 1994 Ringer already owned sixteen of the twenty-five dailies and six magazines in Hungary.¹⁰⁸ During the new 1998 wave of privatization of a state-owned publisher, Hírlapkiadó, Germany's media giant Bertelsmann AG increased its share in the leading national daily, Népszabadság, to two-thirds.¹⁰⁹

Having sacrificed controlling interests in exchange for foreign investment, Hungarian media became dependent on foreign capital, but relatively independent of the government and elites. In due course, a well-equipped and open media could play an important role in exposing fraud, abuse of power, and clientelism. Contingent on the market, rather than political authorities, Hungarian media could also help to deter corruption and reveal clandestine practices simply because sleaze and intrigue sell.¹¹⁰

At the same time, provisions were made to maintain a free and balanced media, building consensus in its regulation. The highest broadcasting authority, National Radio and Television Board (ORTT), included representatives of all political parties.¹¹¹ Also, the ORTT Complaints Committee was established with the goal of implementing the principle of fair and unbiased reporting. Partly as a result of these efforts, public opinion viewed coverage by the four major dailies (Magyar Hírlap, Magyar Nemzet, Népszabadság, Népszava) as mostly objective and unbiased.¹¹²

Media outlets in Russia also attempted self-privatization, but financial pressures soon brought most of them under the control of major Russian financial-industrial groups while foreign investors remained marginal. One ironic exception was the communist newspaper *Pravda*, which came to be owned by the Greek millionaire brothers Theodoros and Christos Yiannikos.¹¹³ This, however, did not make it a conduit of capitalist propaganda. In contrast, the new Russian business elite introduced the principle “he who pays the piper picks the tune” in regard to the media outlets they acquired.¹¹⁴

Judging by both the structure of media ownership and content of the materials and programs, the newspaper *Nezavisimaia gazeta* (Independent Gazette) was far from independent, becoming instead the mouthpiece of Boris Berezovsky—a leading business mogul and the Kremlin’s *éminence grise*. Some other examples of media servility were the radio station *Ekho Moskvy* (Moscow’s Echo), which echoed the ideas of the media and banking tycoon, Vladimir Gusinskii, and the daily *Russkii telegraf* (Russian Telegraph), which transmitted the messages of Vladimir Potanin, a former prime minister and the president of Oneksimbank.¹¹⁵ Moreover, as acknowledged by Gusinskii, there appeared price lists, which specified payments for writing articles of a desired content. Enriching the Russian thesaurus of metaphors, the term “jeans” in post-communist Russian popular vocabulary meant solicited TV programs and episodes for monetary remuneration.¹¹⁶ Prepaid and well-targeted injections of smut were turning clashes among business clans into a “war of all against all.”¹¹⁷ The disclosure of clandestine practices became a side effect of the vicious verbal “fist-fighting” among media outlets owned by different clans, further sharpening divisions and hostilities within the new Russian elite.

The financial collapse in the summer and fall of 1998 hit both the dominant clans and their subservient media organizations. The daily *Russkii telegraf* ceased to exist, many other major newspapers and magazines were financially squeezed, and the government regained tighter control over TV stations. The crisis also put a halt to clans’ wars. Meanwhile, consolidation of the Russian elite took the form of strengthening the government and weakening of business groups.¹¹⁸ The new *étatization* trend, however,

threatened a return to media monopoly, in comparison to which the emerged media oligopoly constituted progress.

Civil Society, Oligarchy, Polyarchy

Civil society is usually described as an arena of friendships, clubs, churches, business associations, unions, and other voluntary associations that mediate social life between the household and the state, contributing to a delicate balance of private interests and public concern.¹¹⁹ Many thinkers since Nicolò Machiavelli maintained that whether free institutions succeeded or failed depended on the citizens' "civic virtue" or civic culture – "a pluralistic culture based on communication and persuasion, a culture of consensus and diversity."¹²⁰

It is believed that "civic community is bound together by horizontal relations of reciprocity and cooperation, not by vertical relations of authority and dependency."¹²¹ Horizontal networks do not merely sustain cooperation *within* each group, they also cut across social cleavages and thus nourish wider cooperation.¹²²

During the communist era, both Hungarian and Soviet "dual" societies contained elements of civil society. The informal networks, which initially formed out of family ties, friendships, and intimate social circles, provided practical benefits and helped to satisfy needs for belonging and a purpose in life. The degree of social autonomy that informal circles enjoyed was higher in Hungary than in the Soviet Union, but in both countries a variety of quasi-civic groups and collectives, particularly in academia and among technocratic cadres, was established. In addition, there was also a variety of sports clubs, community centers, summer camps, youth groups and pensioners' clubs.¹²³ This was "a form, albeit a highly distorted form, of civil society, developing within the state but gradually coming up from under the state's shell."¹²⁴ Developed as a defense against and adaptation to the official world, these informal connections ultimately questioned the logic of the formal communist institutions.¹²⁵

The legitimization of the "second" society in the aftermath of the communism's collapse was expected to bring about a plethora of civic associations. Contrary to expectations, after having reached its apex during the short period of societal disintegration, civic engagement then sharply declined. In Hungary, strong political parties superseded civic groups, retarding the development of the intermediary forms of political organization, such as trade unions, corporatist institutions or broad social movements.¹²⁶ In Russia, economic pressures impeded the development of non-governmental organizations and civic participation while simultaneously further fostering patron-client relations as a more familiar and reliable means of survival and prosperity.¹²⁷

Despite a few similarities, there are significant differences between Hungary and Russia in terms of the past and present of civic engagement which have implications for the status of financial-political clans. Throughout Hungary's history there were opportunities for autonomous business initiatives independent of the state and respected

by the public. The protagonist of the embourgeoisement trajectory in Hungary was the urban burgher or *polgár*.

In contrast, reinforcing the sentiment of French intellectuals,¹²⁸ Russia's patrician culture was repugnant of *meshchanin* (petty bourgeois, similar to the Hungarian *kispolgár*), and did not have an equivalent to the Hungarian "enlightened bourgeois," or *polgár*. The transition "from rags to riches" ("*iz griazi v kniazi*" in Russian, literally meaning "from the dirt to a prince") was scorned as vulgar and indecent in imperial Russia, the social status of entrepreneurs and merchants was low, and any private initiative had to be approved by the tsarist court. Business enterprise could consistently flourish if sanctioned and patronized by the imperial state.¹²⁹

The 1917 Bolshevik revolution annihilated Russian nobility, but the portrayal of financiers and capitalists as profiteering parasites persisted during the following seven decades. It is no wonder that right from the inception of the market-style reforms at the end of the 1980s the new Russian business people were labeled as unscrupulous and illegitimate *nouveaux riches*. As a self-fulfilling prophecy, many of them indeed behaved like wheeler-dealers linked to criminal networks rather than respected entrepreneurs. Suppression of competition and markets by state-empowered business clans resulted in sustenance of economic monopoly and in obstruction of small business. Under these conditions, civil self-organization had little chance to develop. Although several dozen business associations appeared in post-communist Russia, most of them were welfare outlets for the former "red directors" rather than vehicles of business entrepreneurship.¹³⁰ Instead of civic arrangements, the leaders of business clans relied on "wild" lobbying, whose methods included extortion and death threats.¹³¹

Civil society connotes more than the presence of strong, internally cooperative and autonomous social groups. The exceedingly solidaristic self-organization of Mafiosi, whether in Sicily or, by emulation, in Moscow, are far removed from the civic orientation.¹³² As another dimension, although civic associations are independent from the state, they nonetheless require a state that is both strong, able to safeguard social freedoms and initiatives, and self-limiting in that it does not monopolize society's powers.¹³³ Moreover, a strong civil society reinforces a strong state which, if claimed to be civil, is expected to be both responsible and responsive.¹³⁴

Lacking a true civil society, as well as strong state, Russia's post-communist political system has been labeled an "oligarchy." A small group of financial and industrial tycoons, closely connected with the government, controlled the country's economy and politics through their ownership of banks, industrial enterprises and media outlets. They also dominated political organizations and succeeded in privatizing state services, including protection of business. This group seems to fit Aristotle's definition of oligarchy as "a rule by few in the interests of themselves."¹³⁵ The source of their power was new wealth, obtained through arbitrary privatization of lucrative state assets. Their strategies are perceived by public opinion as ruthless and selfish, insensitive to public concerns and unaffected by public discontents.¹³⁶ These so-called "oligarchs" made serious efforts to form a united ruling elite, which culminated in a generously

endowed partnership between the holders of political office and the business elite during the 1996 presidential elections. However, having defeated a common enemy—the Communist contender—and having reinstated president Yeltsin as their patron, the triumphant coalition split, returning to clan wars after a brief truce.¹³⁷ This indicated the unfinished experience of elite-formation in contemporary Russia.

Contrastingly, Hungary's political system succeeded in advancing toward polyarchy—a civil system with “broad electorates, extensive opportunities to oppose the government and contest it in elections, competitive political parties, [and] peaceful displacement of officials defeated in honestly conducted elections.”¹³⁸ Hungarian elites appear to have completed a shift toward relations and behaviors characteristic of consolidated democracies.¹³⁹

The critical realm of Hungarian civil society was able to form linkages with reformists within the government to create coalitions and thus increase pressure for reform.¹⁴⁰ The new elite emerged as possessing all “three C’s” of a ruling elite—a *coherent* group, not immune to *conspiracy*, but also characterized by common *consciousness*, displaying a high degree of agreement about goals and norms of society.¹⁴¹ Although political parties ultimately superseded civic associations in Hungary, whenever civic movements persevered they gained momentum from the support of politicians, non-elected officials, and the media. One example of a study of environmental movements showed that politicians and environmental groups in Hungary mostly cooperated, while in Russia the relationship was either hesitant or hostile.¹⁴²

Cleavages of Russia's clan politics are deeply rooted in the Soviet “gulag”-style contraposition of “us versus them”: “reds” versus “whites,” “commissars” versus “the enemies of the people,” guards versus inmates. Fervent, irreconcilable antitheses endured in the post-Soviet era: “democrats” versus “communists”; “young reformers” versus “old hard-liners”; Russians versus foreigners; vicious, but glamorous “haves” versus virtuous, but miserable “have nots.” The slogan “Whoever is not with us is against us” persisted, spawning “enemy” phantoms. The traditional Russian perception of a compromise as a weakness buttressed the principle “our way or no way,” thus discouraging concessions. Strong in-group solidarity, codes of secrecy, and treatment of friends as confidantes reinforced distinctions among dense, personal and exclusive clans.

In contrast, Hungary's non-confrontational pluralism and elite consensus emerged from Kádár's “gulash communism,” which introduced a slogan “Who is not against us is with us.” Receptivity toward strangers molded networks in Hungary which were much more open, inclusive and fluid than those in Russia. A bourgeois tradition of pragmatic profit-seeking contributed to a behavioral pattern of bargaining that works according to the principle of “give in order to get.” Today's losers can be tomorrow's winners, and both cannot afford to face each other as perennial enemies. Winning and losing are therefore relative and partial rather than absolute. Similarly, one's association with a particular clan is not necessarily absolute and everlasting; numerous shifting affiliations with various groups are acceptable. This results in diffuse and ambiguous elite networks

of interest that, while coherent, constantly change members and positions and are driven by instrumental rationality rather than primordial concerns about values and identity.

Starting from Hungary's "gulash" communism and from Russia's communism with "gulag" overtones, the recent reforms produced different outcomes in the two countries. In regard to openness and freedom of political debate and rights of association, Hungarians live now in a society classified by Freedom House as "free," while Russians live in a country rated as "partly free."¹⁴³ From an economic perspective, the 1997 Index of Economic Freedom rated Hungary as "mostly free," while Russia received a rating of a "mostly not free" country. Compared to Hungary, Russia was characterized by a higher level of protectionism, black market activity, and government intervention, as well as by the lower level of protection of private property rights and foreign investment.¹⁴⁴

The maturing polyarchy propped by the competitive economy in Hungary contrasts Russia's incomplete, though arrogant, oligarchy linked to an oligopolistic economy and media. This divergence reflects distinct clan dynamics in the two countries. In turn, the variations in political system, media and overall civility translate into differences in social forces countervailing clans' preponderance and into dissimilar accountability of financial-political clans.

Vertical and Horizontal Accountability

Vertical accountability is related to presidential, parliamentary and regional elections. These elections allow citizens to express their will and candidate preferences, and to vote politicians out of the office if their policies contradict public interests.¹⁴⁵ Elections, however, occur only periodically, and their effectiveness in securing accountability depends on the development of the party systems and the ability of parties to clearly outline their goals and programs, as well as to consistently pursue the implementation of these programs.¹⁴⁶ Considering these criteria, the supremacy of strong party politics in Hungary positively affects vertical accountability, while the weakness and volatility of parties in Russia hinder it.

In any case, vertical accountability is insufficient to challenge the authority of clans or other power groups; to restrain corruption and to maintain civility of society a horizontal accountability is imperative. This type of accountability is linked to the existence of state agencies that are authorized and willing to oversee, control, redress and sanction unlawful actions by other state agencies. This implies a separation of powers and checks and balances among the executive, legislative, and judicial branches of power. This also requires various oversight agencies, ombudsmen and accounting offices. Effective horizontal accountability is thus not the product of isolated agencies, but of networks of agencies committed to upholding the rule of law.¹⁴⁷

As shown above, robust and independent media, vibrant non-governmental organizations and public interest groups are also crucial to the pursuit of accountability.¹⁴⁸ Horizontal networks of civic engagement help to ensure that the leaders are responsive and responsible to their fellow citizens. Civic associations can

mobilize the public and, if necessary, exert pressure in an effort to incorporate and accommodate citizens' interests in political and economic decision-making.

The so-called "extended" accountability requires "networks of autonomous political institutions that limit the arbitrariness of incumbents."¹⁴⁹ Extended in both time (permanent, rather than episodic) and scope (involving a broad range of institutions and organized actors), it extends accountability horizontally by relying on a network of state institutions exercising mutual supervision and control. It is believed that extended accountability helps to prevent the squandering of resources and promotes investor confidence. Not less important, such accountability extends authority to undertake reforms by public consent.¹⁵⁰

Hungary is further along on all these dimensions of accountability than Russia. Nurtured by its pre-war history of a well-functioning legal system and rule of law, and having experienced a relatively short period of totalitarian communism, Hungary is more successful than Russia in developing a court system and in the enforcement of legal norms. While formal legal institutions are welcomed in Hungary, the Russian public continuously distrusts them. This remains a serious impediment to horizontal accountability. Although the "watchdog" institutions such as accounting and credit rating firms, securities regulation agencies and bar associations remain weak in Hungary, they grow more impressively there than in Russia.¹⁵¹ Whereas both political parties and civic associations are feeble and impotent in Russia, competition among the party forces in Hungary is capable of safeguarding the public's interest and protecting society from the abuse of special interests. Finally, while most of Russia's media is under tight control of special business interests, Hungary's media is freer and less biased.

As a result, it is the utter secrecy of decision-making, an overbearing resistance to legal and public oversight, and a sense of impunity that differentiates Russian clans from Hungarian elite groups. In Russia, the rule of select individuals superceded the rule of laws. The supremacy of personal patronage rendered formal legal institutions, as well as political and civic organizations, either inferior or irrelevant. There were simply no organized actors capable of curtailing the elite's *proizvol* (arbitrariness) and *bespredel* (lawlessness) in society. Clans were neither for markets nor for society. Clan domination in Russia meant resources and unrestrained freedoms for the connected insiders and no opportunities, no dignity, and no rights for the unconnected outsiders.

Elite agreement in Hungary contrasted the "warlike" character of Russian elite relations.¹⁵² The confrontational nature of Russian political culture, excited by granting and auctioning state assets and further aggravated by prolonged economic decline, brought ferocious clan struggles to their apex. Since 1995 the official endorsement of financial-industrial groups in Russia was viewed as a constructive alternative to the Soviet-style "plan" in the hope that these groups could introduce order in a society suffering from transitional chaos. Contrary to expectations, the warring financial-political clans intensified chaos and further eroded accountability in society while handsomely benefiting from the disorder. At the same time clientelistic monopolies impeded pro-market developments. They also harmed the entire project of

transformation from communism to capitalism by enforcing the most dreadful images of financiers and capitalists as self-serving greedy crusaders. Bleeding society to death, the clans' free-riding also jeopardized long-term prospects for doing business. Unleashing an anti-foreign sentiment within Russia, clan adventurism in meeting financial obligations aroused furor on the part of businesses and governments worldwide.

The pendulum has swung again. A scenario of "clans for plan" became probable. Rather than reversing to the Soviet-era planned economy, this turnaround means an elite consolidation away from divisive clan politics and toward an integrated hierarchical network under centralized state control. Not one or several factors, but a combination of many factors has produced such an effect. Situational adaptation has played as much a role in this trend as did the perennial stumbling blocks of Russian culture and history.¹⁵³ Justified in 1998 by the emergency economic situation, the vice of clan politics, and the need for more predictable and stable development, "clans for plan" represent the rearrangement of social ties and the integration of institutions that were expected to offer a program for change. As a means of coordination, this scenario does not necessarily symbolize a complete failure of market-style reform and can feasibly designate a temporary detour on its path.

It is not more authoritarian state policies in Russia that should raise special concerns, but the Russian leaders' revived perception of the rest of the world as "them" against "us" that should alarm the world community.¹⁵⁴ Within a dichotomy of *svoi* ("one of our kind") and *chuzhoi* (an outsider), there is a high standard of obligations owed to group members and a very low standard of obligations to outsiders.¹⁵⁵ If the consolidated Russian elite transfers the "us versus them" distinction from the national to the international level, reanimating the Cold War spirit, this would be a blueprint for disaster. In contrast to Hungary benefiting from eliminating barriers, the erection of barriers would condemn Russia to a parochial, bleak and lonely existence on the margins of the global economy and society. Contrapositions and hostilities would improve neither Russia's nor the world's condition.

NOTES

¹ The term "communist economy/society" is used here in regard to the Soviet Union and countries of East-Central Europe, which were incorporated into the Soviet bloc in the aftermath of World War II.

² David Stark, "Privatization in Hungary: From Plan to Market or from Plan to Clan?" *Cornell Project on Comparative Institutional Analysis: Working Papers on Transitions from State Socialism* (Ithaca, NY: Center for International Studies, Cornell University, 1990), 34-35; see also Ákos Róna-Tas, "Path Dependence and Capital Theory: Sociology of the Post-Communist Economic Transformation," *East European Politics and Societies* 12, no.1 (Winter 1998).

³ Stark, "Recombinant Property in East European Capitalism," *American Journal of Sociology* 101, no. 4 (January 1996), 1018.

⁴ “Is the ‘Balance versus Growth’ Dilemma Over,” *Hungarian Economic Monitor, PlanEcon Report* 14, nos. 27-28 (October 21, 1998), 2; Anna Van Hise, “Eastern Nation Embraces a New, More Western Identity,” *The Wall Street Journal*, October 7, 1998, B11; “Young Leader Has Message of Change,” *The Wall Street Journal*, October 7, 1998, B11.

⁵ On social and cultural embeddedness of economic systems see Mark Granovetter, “Economic Action and Social Structure: The Problem of Embeddedness,” *American Journal of Sociology* 91, no.3 (1985), 481-510; Brigitte Berger (ed.), *The Culture of Entrepreneurship* (San Francisco: ICS Press, 1991); Thomas Owen, *Russian Corporate Capitalism from Peter the Great to Perestroika* (New York-Oxford: Oxford University Press, 1995); Mark Granovetter and Richard Swedberg (eds.), *The Sociology of Economic Life*, (Boulder, CO: Westview Press, 1992).

⁶ Jim Leitzel, *Russian Economic Reform* (London and New York: Routledge, 1995), 18-25; Adrian Smith and Adam Swain, “Regulating and Institutionalizing Capitalisms: The Micro-foundations of Transformation in Eastern and Central Europe,” in J.Pickles and A. Smith (eds.), *Theorising Transition: The Political Economy of Post-Communist Transformations* (New York: Routledge, 1998), 35.

⁷ János Kornai, “The Hungarian Reform Process: Visions, Hopes and Reality,” in V.Nee and Stark (eds.), *Remaking the Economic Institutions of Socialism: China and Eastern Europe* (Stanford: Stanford University Press, 1989), 56-57; Steven Sampson, “‘May You Live Only by Your Salary!’: The Unplanned Economy in Eastern Europe,” *Social Justice* 15, nos. 3-4 (Fall-Winter 1988), 135, 136, 138.

⁸ Alejandro Portes and József Böröcz, “The Informal Sector under Capitalism and State Socialism: A Preliminary Comparison,” *Social Justice* 15, no.3-4 (Fall-Winter 1988), 19.

⁹ Smith and Swain, “Regulating and Institutionalizing Capitalisms,” 36.

¹⁰ Ákos Róna-Tas, *The Great Surprise of the Small Transformation: The Demise of Communism and the Rise of the Private Sector in Hungary* (Ann Arbor, MI: The University of Michigan Press, 1997), 97-98.

¹¹ Kornai, “The Hungarian Reform Process,” 57.

¹² Janina Frentzel-Zagorska, “Civil society in Poland and Hungary,” *Soviet Studies* 42, no.4 (1990), 759-78.

¹³ Christopher Hibbert, *The House of Medici: Its Rise and Fall* (New York: William Morrow & Company, Inc., 1974/1975); George Pottinger, *The Court of the Medici* (Totowa, NJ: Rowman and Littlefield, 1978); John Padgett and Christopher Ansell, “Robust Action and the Rise of the Medici,” *American Journal of Sociology* 98 (1993), 1259-1319.

¹⁴ William Shakespeare’s “Romeo and Juliet” is based on Arthur Brooke’s “The Tragical History of Romeus and Juliet,” published in 1562.

¹⁵ This definition is influenced by Stark, “Privatization in Hungary: From Plan to Market or From Plan to Clan?” *East European Politics and Societies* 4, no.3 (Fall 1990), 390; Robert Putnam, with Robert Leonardi and Raffaella Nanetti, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton, NY: Princeton University Press, 1993), 174; and Sampson, “‘May You Live Only by Your Salary!’,” 152.

¹⁶ Janet Landa, *Trust, Ethnicity, and Identity: Beyond the New Institutional Economics of Ethnic Trading Networks, Contract Law, and Gift-Exchange* (Ann Arbor, MI: The University of Michigan Press, 1994), 127.; F.L.K. Hsu, *Clan, Caste, and Club* (Princeton, NJ: D. Van Nostrand Company, Inc., 1963), 2.

¹⁷ Thomas Franck, “Clan and Superclan: Loyalty, Identity and Community in Law and Practice,” *American Journal of International Law* 90, no.3 (July 1996), 359-383; Jean Cartier-Bresson, “Corruption Networks, Transaction Security and Illegal Social Exchange,” *Political Studies* 45, no.3 (Special Issue 1997), 475.

¹⁸ Blair Ruble, "Oligarchs, Retread Nomenklaturshchiki, Clansmen, Warlords, and Polyarchs: Five Divergent Paths to the Russian Future," *Demokratizatsiya: The Journal of Post-Soviet Democratization* 6, no.3 (Summer 1998), 578-586.

¹⁹ Paul Hutchcroft, "The Politics of Privilege: Assessing the Impact of Rents, Corruption, and Clientelism on Third World Development," *Political Studies* 45, no.3 (Special Issue 1997), 640; Anders Aslund, "Reform Vs. 'Rent-Seeking' in Russia's Economic Transformation," *Transition*, 26 January 1996, 13.

²⁰ Landa, *Trust, Ethnicity, and Identity*, xi-xii, 13, 126.

²¹ James Acheson (ed.), *Anthropology and Institutional Economics* (Lanham, MD: University Press of America, Inc., 1994), 11.

²² Landa, "Culture and Entrepreneurship in Less-Developed Countries: Ethnic Trading Networks as Economic Organizations," in Berger (ed.), *The Culture of Entrepreneurship* (San Francisco: ICS Press, 1992), 65.

²³ Douglass North, *Structure and Change in Economic History* (New York: W.W.Norton & Company, 1981), 204.

²⁴ Böröcz and Caleb Southworth, "'Who You Know' Earnings Effects of Formal and Informal Social Network Resources Under Late State Socialism in Hungary, 1986-87," *Journal of Socio-Economics* 27, no. 3 (1998), 401-426.

²⁵ The word describing this layer is exactly the same in Hungarian and in Russian, the difference is merely in the accent: nomenklătura and nomenklatura.

²⁶ Tatiana Vorozheikina, "Clientelism and the Process of Political Democratization in Russia," in L.Roniger and A. Güne• -Ayata (eds.), *Democracy, Clientelism, and Civil Society* (Boulder, CO: Lynne Rienner Publishers, 1994), 109-110.

²⁷ Patrick O'Neil, "Revolution from Within: Analysis, Transitions from Authoritarianism, and the Case of Hungary," *World Politics* 48, no.4 (1996), 589-90.

²⁸ Böröcz and Southworth, "'Who You Know' Earnings Effects"; Endre Sik, "From the Second to the Informal Economy," *Journal of Public Policy* 12, no.2 (1992), 153-75.

²⁹ Sik, "Network Capital in Capitalist, Communist, and Post-Communist Societies," *Working Paper #212, The Helen Kellogg Institute for International Studies* (Kellogg Institute, University of Notre Dame, February 1995), 15-21.

³⁰ Ibid.

³¹ Natalia Dinello, "Financial-Industrial Groups and Russia's Capitalism," in J. Micgiel (ed.), *Perspectives on Political and Economic Transitions after Communism* (New York: The Institute on East Central Europe, Columbia University, 1997), 197-212.

³² Lev Makarevich, *Rossiiskie banki v 1994-1997 godakh: mezhdueffektivnost'iu i stabil'nost'iu* (Russian Banks in 1994-1997: Between Efficiency and Stability) (Moskva: Analiticheskii Tsentri Finansovoi Informatsii, 1997), 147-148.

³³ Vorozheikina, "Clientelism and the Process of Political Democratization in Russia," 113-114; Lilia Shevtsova and Scott Bruckner, "Toward Stability or Crisis?" *Journal of Democracy* 8, no.1 (1997), 14-16,

25.

³⁴ Juliet Johnson, "Russia's Emerging Financial-Industrial Groups," *Post-Soviet Affairs* 13, no.4 (1997), 360-362.

³⁵ Stark, "Recombinant Property in East European Capitalism," 995-997.

³⁶ Olga Kryshstanovskaia, "Kto segodnia pravil bal v Rossii (Who Rules Today in Russia)," *Argumenty i fakty* 21 (May 1997), 4.

³⁷ "Torgyán's Family Prospers," *HVG Online*, November 21, 1998, available http://www.access-hungary.hu/hvg/h_hvg_data.html.

³⁸ Andrei Shmarov, "Ekspert-50: vliiatel'nost': avgust-97 (Expert-50: The Power, August 1997)," *Ekspert*, September 22, 1997, 59-67. Also see Dinello, "The Russian F-Connection: Finance, Firms, Friends, Families and Favorites," *Problems of Post-Communism* 45, no.1 (January-February 1999), 24-33.

³⁹ Sergei Turanov, "Samye vliiatel'nye predprinimateli Rossii (The Most Powerful Russian Entrepreneurs)," *Nezavisimaia gazeta*, November 6, 1998, 8.

⁴⁰ On distinctions among instrumental, value and traditional rationality see Max Weber, *Economy and Society: An Outline of Interpretive Sociology* (Berkeley and Los Angeles: University of California Press, 1922/1978), 24-25.

⁴¹ This understanding is influenced by Gernot Grabher and Stark, "Organizing Diversity: Evolutionary Theory, Network Analysis, and Post-socialism," in G.Grabher and D.Stark (eds.), *Restructuring Networks in Post-socialism: Legacies, Linkages, and Localities* (New York: Oxford University Press), 1-32.

⁴² See Smith and Swain, "Regulating and Institutionalizing Capitalisms," 43.

⁴³ Róna-Tas, *The Great Surprise of the Small Transformation*, 170-175; Joseph Blasi, Maya Kroumova, and Douglas Kruse, *Kremlin Capitalism: The Privatization of the Russian Economy* (Ithaca, NY: Cornell University Press, 1997), 34, 52.

⁴⁴ Róna-Tas, *The Great Surprise of the Small Transformation*, 197.

⁴⁵ A voucher's value was equivalent to \$84 when the law on privatization was passed in June 1992; the average monthly wage was then \$50. The price for a voucher was equivalent to 8 cents. See Blasi, Kroumova, and Kruse, *Kremlin Capitalism*, 43.

⁴⁶ Jeffrey Sachs and Katharina Pistor, "Introduction," in J. Sachs and K. Pistor (eds.), *The Rule of Law and Economic Reform in Russia* (Boulder, CO: Westview Press, 1997), 10, 16; Pistor, "Company Law and Corporate Governance," in *The Rule of Law and Economic Reform in Russia*, 176.

⁴⁷ Dinello, "Bankers' Wars in Russia: Trophies and Wounds," *Post-Soviet Prospects* 6, no. 1 (February 1998); Dinello, "The Russian F-Connection."

⁴⁸ Makarevich, *Rossiiskie banki v 1994-1997 godakh*, 107.

⁴⁹ Andras Sajó, "Corruption, Clientelism, and the Future of the Constitutional State in Eastern Europe," *East European Constitutional Review* 7, no.2 (Spring 1998), 44-45.

⁵⁰ Róna-Tas, *The Great Surprise of the Small Transformation*, 175.

⁵¹ Four-fifth of all Soviet industrial capacities (most of which were located in Russia), $\frac{3}{4}$ of the country's total labor and 9/10 of research and development projects worked for the military-industrial complex. See Makarevich, *Rossiiskie banki v 1994-1997 godakh*, 279.

⁵² Sajó, "Corruption, Clientelism, and the Future of the Constitutional State in Eastern Europe," 41.

⁵³ "Successful Finale," *The Investment Guide*, 1996, available http://www.kenpubs.co.uk/invetguide/hungary/hug_priv.html.

⁵⁴ *Country Commercial Guide*, courtesy of the U.S. Commercial Section of the U.S. Embassy in Budapest, Hungary, Fiscal Year 1998, available <http://www.access-hungary.hu/poleco/commercial/uscomrc.htm>; "Investors Prefer Hungary," *MTI News*, November 30, 1998, available http://www.mti.hu/mti_demo/newseng.htm. Whereas Russia (a nation of 150 million people) since the end of the Cold War has attracted only \$8 billion in foreign direct investment, Hungary with a population of 10.2 million, has received more than \$20 billion from Western companies. See Donald Blinken, "Message to Moscow: Putting the Market Before the Society is an Invitation to Trouble," *The Washington Post*, November 11, 1998, A-23.

⁵⁵ Sajó, "Corruption, Clientelism, and the Future of the Constitutional State in Eastern Europe," 40-41.

⁵⁶ Péter Kazár, "Corruption in Privatization," in Duc V. Trang (ed.), *Corruption and Democracy: Political Institutions, Processes and Corruption in Transition States in East-Central Europe and in the former Soviet Union* (Budapest, Hungary: Institute for Constitutional & Legislative Policy, 1994), 77.

⁵⁷ See Agnes Czako and Sik, "The Role of the Network as a Resource in Economic Transactions in Post-Communism," in M. Mendell and K. Nielsen (eds.), *Europe: Central and East* (Montreal, Canada: Black Rose Books, 1995), 230-233.

⁵⁸ Vladimir Brovkin, "Fragmentation of Authority and Privatization of the State," *Demokratizatsiya: The Journal of Post-Soviet Democratization* 6, no.3 (Summer 1998), 514.

⁵⁹ Indicating the scale of Russian criminal networks, the joint effort of the United States and Hungary to crack down on international organized crime has been aimed primarily at Russian-speaking criminal groups based in Budapest. See "U.S. and Hungary Join Forces Against Crime Groups," *Central Europe Online*, October 7, 1998, available <http://centraleurope.com/ceo/news/05html>.

⁶⁰ See Diego Gambetta, *The Sicilian Mafia: The Business of Private Protection* (Cambridge, MA: Harvard University Press).

⁶¹ Luis Roniger, "Civil Society, Patronage and Democracy," *International Journal of Comparative Sociology* 35, no.3-4 (September/December 1994), 211-213.

⁶² Ay• e Güne• -Ayata, "Clientelism: Premodern, Modern, Postmodern," in *Democracy, Clientelism, and Civil Society*, 26.

⁶³ András Ger• , *Modern Hungarian Society in the Making: The Unfinished Experience*, translated by James Patterson and Enik• Koncz (Budapest: Central European University Press, 1993).

⁶⁴ Patrimonial bureaucracy, in contrast to rational bureaucracy, regulates "all relationships through individual privileges and the granting of favor " on a "case-by-case basis," rather than on an "abstract basis." See Weber, *Sociological Writings* (New York: Continuum, 1994), 107, 62.

⁶⁵ Mikhail Afanas'ev, "Klientelizm: istoriko-sotsiologicheskii ocherk (Clientelism: A Historical and Sociological Essay)," [part 1], *Polis*, no. 6 (1996), 101; Donald Jensen, "How Russia Is Ruled—1998," *Radio Free Europe/Radio Liberty*, available <http://www.rferl.org/nca/special/ruwhorules/index.html>.

⁶⁶ Sampson, “‘May You Live Only by Your Salary!’,” 144; Jack Martin, Paul Roman and Terry Blum, “Job Stress, Drinking Networks, and Social Support at Work: A Comprehensive Model of Employees’ Problem Drinking Behaviors,” *The Sociological Quarterly* 37, no.4 (1996): 579-599.

⁶⁷ Shmuel Eisenstadt, “Introduction: Social Structure, Culture, Agency, and Change,” in S.Eisenstadt, *Power, Trust, and Meaning: Essays in Sociological Theory and Analysis* (Chicago: The University of Chicago Press, 1995), 14.

⁶⁸ William Mishler and Richard Rose, “Trust, Distrust and Skepticism: Popular Evaluations of Civil and Political Institutions in Post-Communist Societies,” *The Journal of Politics* 59, no.2 (May 1997), 424-427, 429.

⁶⁹ Eisenstadt and Roniger, *Patrons, Clients and Friends: Interpersonal Relations and the Structure of Trust in Society* (Cambridge: Cambridge University Press, 1984), 184-185; Roniger, “The Comparative Study of Clientelism and the Changing Nature of Civil Society in the Contemporary World,” in *Democracy, Clientelism, and Civil Society*, 5.

⁷⁰ Sajó, “Corruption, Clientelism, and the Future of the Constitutional State in Eastern Europe,” 41.

⁷¹ Clifford Gaddy and Barry Ickes, “Beyond a Bailout: Time to Face Reality About Russia’s ‘Virtual Economy’,” The Brookings Institution, 1998, available <http://www.brookings.org/fp/w-papers/gaddy/gaddick1.html>.

⁷² Ivan Tolokonnikov, “Estestvennaia monopol’ka (A Natural Petite Monopoly),” *Kommersant daily*, April 3, 1998: 1; Konstantin Levin, “Nemtsov grozit oligarkham sudom i prezidentom (Nemtsov Threatens Oligarchs With Court and the President),” *Kommersant daily*, April 4, 1998, 1; Gleb Baranov and Elena Kiseleva, “Svoi chelovek v pravitel’sve (One’s Person in the Government),” *Kommersant den’gi* no.16-17 (May 13, 1998), 12-15; Mikhail Berger, “Shtuchnaia rabota (Piecework),” *Itogi*, November 10, 1998, 40.

⁷³ Turanov, “Samye vliiatel’nye predprinimateli Rossii (The Most Powerful Russian Entrepreneurs),” 8; Vladislav Kuz’michev, “Gerashchenko nazval pervye pomilovannye banki (Gerashchenko Named the First Pardoned Banks),” *Nezavisimaia gazeta*, November 6, 1998, 4.

⁷⁴ Paul Heywood, “Political Corruption: Problems and Perspectives,” *Political Studies* 45, no.3 (Special Issue 1997), 425.

⁷⁵ Hutchcroft, “The Politics of Privilege,” 645.

⁷⁶ Bakunin, as quoted in Sajó, “Traditions of Corruption,” in *Corruption and Democracy*, 43.

⁷⁷ Josip Kregar, “Deformation of Organizational Principles: Corruption in Post-Socialist Societies,” in *Corruption and Democracy*, 54.

⁷⁸ Åse Grødeland, Tatyana Koshechkina and William Miller, “‘Foolish to Give and Yet More Foolish Not to Take’—In-depth Interviews with Post-Communist Citizens on Their Everyday Use of Bribes and Contacts,” *Europe-Asia Studies* 50, no.4 (1998), 651, 675.

⁷⁹ Mariann Kránitz, “Corruption in Hungary,” in *Corruption and Democracy*, 105-106.

⁸⁰ *Ibid.*, 106.

⁸¹ Ulrich von Alemann, “Bureaucratic and Political Corruption Controls: Reassessing the German Record,” in A. Heidenheimer, M. Johnston and T. LeVine (eds.), *Political Corruption: A Handbook* (New Brunswick, NJ: Transaction Publishers, 1989), 859.

- ⁸² Sajó, "Corruption, Clientelism, and the Future of the Constitutional State in Eastern Europe," 44.
- ⁸³ *Transparency International 1998 Corruption Perceptions Index: Graphical Presentation*, available <http://www.gwdg.de/~uwwv/Graphics1998.html>.
- ⁸⁴ On the difference between two types of corruption see Cartier-Bresson, "Corruption Networks," 466.
- ⁸⁵ On the "cash nexus" of modernity see Ferdinand Toennies, *Community and Society (Gemeinschaft und Gesellschaft)* (New Brunswick, NJ: Transaction Books, 1887/1988; Georg Simmel, *The Philosophy of Money* (Boston: Routledge and Kegan Paul, 1900/1978).
- ⁸⁶ Kránitz, "Corruption in Hungary," in *Corruption and Democracy*, 108.
- ⁸⁷ J.C. Scott, as quoted in Hutchcroft, "The Politics of Privilege," 644.
- ⁸⁸ Gaddy and Ickes, "Beyond a Bailout."
- ⁸⁹ Makarevich, *Rossiiskie banki v 1994-1997 godakh*, 264.
- ⁹⁰ Alena Ledeneva, *An Economy of Favors: Informal Exchanges and Networking in Russia* (Cambridge, UK: Cambridge University Press, 1998).
- ⁹¹ Ivan Krastev, "Dancing with Anticorruption," *East European Constitutional Review* 7, no. 3 (Summer 1998), 57.
- ⁹² The potential sphere of corruption has expanded in post-Soviet Russia as the bureaucracies of the executive branch of power have grown by fifty percent during 1991-1995, and the number of their staffs has reached 1,025,000 people in 1995. Salaries constitute only 12 percent of a state bureaucrat's work compensation in Russia; the rest are non-pecuniary privileges and perks. See Iurii Rosenbaum, "Ekspansiia apparata: pochemu rastut riady i zarplata chinovnikov (The Expansion of the Apparatus: Why Do the Number of Bureaucrats and Their Wages Grow?)," *Nezavisimaia gazeta*, May 8, 1997, 4; "Bednyi chinovnik opasen (A Poor Bureaucrat Is Dangerous)," *Izvestiia*, June 4, 1998, 5.
- ⁹³ Stark, "Recombinant Property in East European Capitalism," 997, 1002.
- ⁹⁴ It was reported that less than one-half of Russian companies complied with this regulation by 1997. See Blasi, Kroumova, and Kruse, *Kremlin Capitalism*, 164.
- ⁹⁵ Leonid Berres and Ekaterina Zapodinskaia, "Zaderzhana gruppirovka statistikov (A Group of Statisticians Detained)," *Kommersant daily*, June 10, 1998, 1, 15; Iurii Snegirev, Sergei Chugaev and Sergei Pavlovskii, "Delo statistikov (The Case of Statiticians)," *Izvestiia*, June 10, 1998, 1-2.
- ⁹⁶ Anatolii Druzenko, "Kak by 'delo statistikov' ne zaslonilo problem statistiki (The Case of Statisticians Should Not Overshadow the Problems of Statistics)," *Izvestiia*, June 17, 1998, 2.
- ⁹⁷ Hutchcroft, "The Politics of Privilege," 645.
- ⁹⁸ See Grabher and Stark, "Organizing Diversity," 22.
- ⁹⁹ Cristina Bicchieri and John Duffy, "Corruption Cycles," *Political Studies* 45, no.3 (Special Issue 1997), 477-478.
- ¹⁰⁰ Heywood, "Political Corruption," 427.

¹⁰¹ On auctioneer states see Böröcz, "From Comprador State to Auctioneer State: Property Change, Realignment and Peripheralization in Post-State-Socialist Central and Eastern Europe," (February 1997), available <http://www.rci.rutgers.edu/~jborocz/state.html>.

¹⁰² Krastev, "Dancing with Anticorruption," 57.

¹⁰³ On corruption networks see Cartier-Bresson, "Corruption Networks," 469, 476. On Russian multidimensional financial-industrial-political-media clans see Dinello, "Financial-Industrial Groups and Russia's Capitalism."

¹⁰⁴ O'Neil, "Revolution from Within," 579-603.

¹⁰⁵ Ibid.

¹⁰⁶ Grigory Yavlinsky, "An Uncertain Prognosis," *Journal of Democracy* 8, no.1 (1997), 8.

¹⁰⁷ András Láncki and O'Neil, "Pluralization and the Politics of Media Change in Hungary," *Journal of Communist Studies and Transition Politics* 12, no.4 (December 1996), 82-84.

¹⁰⁸ Chelsea Barker Benham, "Hungarian Media After Communism," (1994), available <http://www.utexas.edu/ftp/pub/eems/hungary.html>.

¹⁰⁹ "National Daily Scene to Change Soon, with Népszabadság to Retain Top Position," *HVG Online*, November 21, 1998, available http://www.access-hungary.hu/hvg/h_hvg_data.html.

¹¹⁰ Sajó, "Corruption, Clientelism, and the Future of the Constitutional State in Eastern Europe," 42.

¹¹¹ "National Radio and Television Board," *Hungarian Media Newsletter* 6, no.3 (March 1996), available <http://www.szignummedia.hu/3marc96/newslet.html>.

¹¹² "The Political Dailies: How the Public Sees Them," *Hungarian Media Newsletter* 6, no.10 (October 1996), available <http://www.szignummedia.hu/3marc96/newslet.html>.

¹¹³ Lee Hockstader, "Truth Told, Pravda Lives," *Washington Post*, April 15, 1997, A14.

¹¹⁴ In their speeches at the World Press Congress, Yeltsin as well as Russian publishers themselves, acknowledged the owners' censorship of Russian media. See Natalia Timakova, "Khoroshikh vam novostei (Wishing You Good News)," *Kommersant daily*, May 26, 1998, 1; "Boris Berezovskii: vlast' dolzhna ponimat' trebovaniia kapitala (Boris Berezovskii: The Government Must Understand the Demands of the Capital)," *Kommersant daily*, May 26, 1998, 2.

¹¹⁵ See "Russian Media Empires," available <http://www.rferl.org/bd/ru/russian/rumedia/index.html>; Floriana Fossato, "Russia: Media, Money and Power -- An Analysis," available <http://www.rferl.org/nca/features/1997>.

¹¹⁶ Vladislav Dorofeev, "Vladimir Gusinsky: ya ne fanat televideniya, ya fanat zarabatyvaniya deneg (Vladimir Gusinsky: I am not a TV Fanatic, I am a Fanatic of Earning Money)," *Kommersant*, February 18, 1997, 10-13.

¹¹⁷ Dinello, "Bankers' Wars in Russia."

¹¹⁸ A partnership of strengthened government with restrained business groups has been recommended by Russian analysts as the optimal model for Russia. See I.M.Bunin, I.S. Pappe, V.E.Dement'ev, B.I.Makarenko, P.Venediktov, A.Zudin, *Finansovo-promyshlennye gruppy i konglomeraty v ekonomike i politike sovremennoi Rossii (Financial-Industrial Groups and Conglomerates in the Economy and Politics*

of *Contemporary Russia*) (Moskva: Tsentr politicheskikh tekhnologii [Center of Political Technologies], 1998), available <http://www.nns.ru/analytdoc/fpg1.html>.

¹¹⁹ Robert Hefner, "Civil Society: Cultural Possibility of a Modern Ideal," *Society*, 35, no.3 (March/April 98), 16.

¹²⁰ Gabriel Almond and Sidney Verba, *The Civic Culture: Political Attitudes and Democracy in Five Nations* (Boston: Little, Brown and Company, 1963/1965), 6.

¹²¹ Putnam, *Making Democracy Work*, 88.

¹²² *Ibid.*, 175.

¹²³ Aleksander Smolar, "From Opposition to Atomization: Civil Society After Communism," *Journal of Democracy* 7, no.1 (1996), 34; Vorozheikina, "Clientelism and the Process of Political Democratization in Russia," 108.

¹²⁴ Vorozheikina, "Clientelism and the Process of Political Democratization in Russia, 110.

¹²⁵ Smolar, "From Opposition to Atomization," 35.

¹²⁶ László Bruszt and Stark, "Remaking the Political Field in Hungary: From the Politics of Confrontation to the Politics of Competition," *Journal of International Affairs* 45, no.1 (Summer 1991), 201-246.

¹²⁷ Shevtsova and Bruckner, "Toward Stability or Crisis?", 15-17.

¹²⁸ John Frey, "Mammon's Finger in the Novels of Balzac, Zola, and Gide," in J.DiGaetani (ed.), *Money: Lure, Lore, and Literature*, edited by (Westport, CT: Greenwood Press, 1994), 175-183.

¹²⁹ See Boris Anan'ich et al. (eds.), *Vlast i reformy (Authority and Reforms)* (St.Petersburg: Dmitrii Bulanin, 1996).

¹³⁰ A.Iu.Zudin, N.V.Nazarova, B.I. Makarenko, *Sistema predstavitel'stva rossiiskogo biznesa: formy kollektivnogo deistviia (A System of Representation of the Russian Business: The Forms of Collective Action)* (Moskva: Tsentr politicheskoi tekhnologii, 1997), 20, 47

¹³¹ Afanas'ev, "Praviashchaia elita Rossii: obraz deiatel'nosti (The Ruling Elite of Russia: The Mode of Action)," *Mirovaia ekonomika i mezhdunarodnye otnosheniia (The World Economy and International Relations)*, no.4 (April 1996), 34.

¹³² Federico Varese, "Is Sicily the Future of Russia? Private Protection and the Rise of the Russian Mafia," *Archives Européennes de Sociologie: European Journal of Sociology* 35, no.2 (May 1994), 224-258.

¹³³ Hefner, "Civil Society: Cultural Possibility of a Modern Ideal," 16-28.

¹³⁴ Putnam, *Making Democracy Work*, 182.

¹³⁵ *The Politics of Aristotle*, translated with an introduction notes and appendixes by Ernest Barker (Oxford: Clarendon Press, 1946/1961), 110, 115-116; Robert Dahl, *Modern Political Analysis* (Englewood Cliffs, NJ: Prentice-Hall, Inc., 1963/1984), 64.

¹³⁶ Afanas'ev, "Praviashchaia elita Rossii: obraz deiatel'nosti (The Ruling Elite of Russia: The Mode of Action)," 48.

- ¹³⁷ “Vyiti iz tupika (To Get Out of a Dead-End Situation),” *Izvestiia*, April 27, 1996, 2; “Reestr oligarkhov (Register of Oligarchs),” July 1998, unpublished material (Moskva: Institut izucheniia grazhdanskogo obshchestva, 1998); Dinello, “Bankers’ Wars in Russia.”
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- ¹⁴² Katy Pickvance, “Democracy and Grassroots Opposition in Eastern Europe: Hungary and Russia Compared,” *The Sociological Review* 46, no.2 (May 1998), 187-207.
- ¹⁴³ Rose, “Where Are Postcommunist Countries Going?” *Journal of Democracy* 8, no.3 (1997), 95.
- ¹⁴⁴ Kim Holmes, Bryan Johnson and Melanie Kirkpatrick (eds.) *1997 Index of Economic Freedom* (New York: The Wall Street Journal and The Heritage Foundation, 1997), 223-225, 377-380.
- ¹⁴⁵ Rose, “Where Are Postcommunist Countries Going?”, 95.
- ¹⁴⁶ Guillermo O’Donnell, “Horizontal Accountability in New Democracies,” *Journal of Democracy* 9, no.3 (1998), 112-113.
- ¹⁴⁷ *Ibid.*, 119.
- ¹⁴⁸ Trang, “Foreword,” in *Corruption and Democracy*, 9.
- ¹⁴⁹ Stark and Bruszt, *Postsocialist Pathways: Transforming Politics and Property in East Central Europe* (Cambridge, UK: Cambridge University Press, 1998), 188.
- ¹⁵⁰ *Ibid.*, 189, 195-196.
- ¹⁵¹ Cheryl Gray and Kathryn Hendley, “Developing Commercial Law in Transition Economies: Examples from Hungary and Russia,” in *The Rule of Law and Economic Reform in Russia*, 139-164.
- ¹⁵² Higley, Kullberg, and Pakulsk, “The Persistence of Postcommunist Elites,” 133-147.
- ¹⁵³ See Weber, *Economy and Society*, 53; Gary Hamilton and Nicole Woolsey Biggart, “Market, Culture, and Authority: A Comparative Analysis of Management and Organization of the Far East,” in *The Sociology of Economic Life*, 199–200, 209–10; Owen, *Russian Corporate Capitalism from Peter the Great to Perestroika*.
- ¹⁵⁴ In the disputes around Russia’s foreign debts and foreign financial assistance to Russia, the former Russia’s prime minister, Yevgeny Primakov, described officials of the International Monetary Fund as “young kids who’ve seen almost nothing in life.” At the same time, the Central Bank chairman, Victor Gershchenko, characterized some Western creditors as “greedy,” and made a distinction between those Western banks “which are with us and [those] which are against us.” See Andrew Jack, “IMF: Primakov Hits at Officials as ‘Young Kids’,” *Financial Times*, November 30, 1998, available <http://www.ft.com/hippocampus/qd967e.htm>; Irina Andreeva and Maria Kozlova, “Kogda bol’noi sviazan,

narkoz ne nuzhen (When the Patient is Tied Up, Anaesthesia Isn't Necessary)," *Itogi*, November 10, 1998, 35; "Shell-Shocked Banks Face D-Day as Moratorium Expires," Russia Today, November 16, 1998, available <http://www.russiatoday.com/rtoday/business/news/01.html>.

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