The Vanishing Rouble

Barter Networks and Non-Monetary Transactions in Post-Soviet Societies

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10 How is barter done? The social relations of barter in provincial Russia

CAROLINE HUMPHREY

1 Introduction

This chapter will present evidence from two regions of Russia, one close to Moscow and one in Eastern Siberia, to explore the role of trust in barter relationships.

It has been argued (Anderlini and Sabourian, 1992) that although immediate face-to-face barter requires a minimum of trust, the problem of the 'coincidence of wants' means that this kind of barter is difficult to achieve and is a relatively rare occurrence in practice. Therefore barter is more likely than a monetised system to require delays in payment and several exchanges before the transactors are satisfied. This is particularly the case in an agricultural economy, where goods are produced seasonally yet consumption is a year-round constant. The transaction costs of barter are considerably reduced if it can be repeated with the same partners season after season. In such a situation, the practice of barter requires trust at the micro level, as sellers have to wait for returns and trust that the goods they receive will be of the agreed quantity and quality. It also encourages reliable behaviour, since demonstrated unreliability results in the cutting off of previous relations and all the costs of searching for new ones. This chapter asks to what extent these ideas are relevant to the situation in contemporary Russia, and in particular what are the implications of barter for social relations (both between partners and in networks).

Studies of a long-standing barter system among the Lhomi and neighbouring peoples in Nepal (Humphrey, 1985) showed that the trust of barter relies on that found in society more generally. Some petty barter takes place with unknown people, but for valuable deals transactors relied on pre-existing social relations of clanship, friendship and ethnicity. New trade partners are transformed into 'ritual friends' (see chapter 3, in this volume). Village communities establish common rates of exchange each year to prevent cutting of exchange rates by neighbours. I shall argue that in Russia, on the other hand, the 'trust' of barter is largely divorced from other, morally-supported, social relations. Chapter 3 outlines the theoretical case for the emergence in Russia of a new kind of morally ambiguous 'trade partnership' in barter. The present chapter aims to demonstrate ethnographically the basis for this suggestion, describing the emergence of several types of barter chain and the ways in which these relate to surrounding economic conditions. The study refers to the general practice of barter in provincial situations and does not discuss the large, high-value transactions of mega-corporations (oil, gas, etc.).

Although the exigencies of barter do in principle make a kind of trust functional in Russia as in Nepal, there are several inter-related reasons for the weak social legitimation of this 'trust'. Perhaps the most important is the unfamiliarity and moral dubiousness of market mechanisms in general in a country where generations were taught of the evils of capitalism. If market exchange does have validity for Russians, it is that of modernity and prosperity along western lines, based on the power of the dollar and other western currencies. Barter thus has a many-sided illegitimacy: it is seen as a return to pre-modern, uncivilised times, a temporary disaster; at the same time its disutilities as compared with a monetised system are experienced daily. Furthermore, barter is evidently not producing prosperity. Respondents are well aware of what Gaddy and Ickes (1998) refer to as the 'virtual economy', the way that barter is used to prop up loss-making industries. My materials suggest that what we may call the 'moral illegitimacy' of barter influences the ways in which it is actually carried out, and that this in turn affects the social relations on which it relies.

The view that barter is a temporary, abnormal state of affairs encourages short-termism in business decisions and also discourages the formation of new, long-lasting and self-reproducing barter institutions. The absence of such institutions, despite the involvement of local administrations in barter, is puzzling; but perhaps it can be explained by the newness of any kind of commercial practice (e.g. banking) and the tendency for competitive individualism to prevail even when cooperation might be advantageous. At any rate, we do not see in Russia an equivalent of Nepalese villagers cooperating to fix common exchange rates (Humphrey 1985). Even staff working in a single tax-collection office may make individual bargains with firms for the amount of tax to be paid (for a personal consideration, of course).[1] The practice of taking tax in goods, which still continues in many parts of the

[1] Information from a Buriat businessman (summer 1999).

country,[2] ties such bargains into barter and offset networks. This contributes further to the illegitimacy of barter, which becomes tainted by the suspicion of administrative corruption and incompetence. Governmental failure to repay debts and ensure the payment of wages from the budget is seen to be part of the barter economy. At the same time, it is suspected, rightly, that there is money somewhere, and that it is only those outside circles of influence who are forced to manage without it through barter. In provincial Russia, barter is far from a purely market operation – politicians frequently intervene in the setting-up of chains, or forbid certain deals, in order to bolster their own changing power blocs (Woodruff, 1999).

In short, several features of the *current* political economy (notably short-termism of economic decisions, lack of institutions and involvement in power and patronage) influence the way in which barter works. In these circumstances, although barter may make use of previous social relations, including those going back to Soviet times, it does not reproduce them but transforms them. My chapter is an attempt to discover what these transformations are.

To establish the points made above I need to show not only how barter is practised but also how it is talked about – that is, to uncover the attitudes people have to it. The chapter tries to explain the logic of barter operations for those engaging in them. I shall also attempt to disentangle the relations obtaining in barter, from those we can attribute to commercial activity in general. To this end I compare materials from the Republic of Buriatiia,[3] where almost the entire economy is conducted through barter, and Moscow *oblast* (region),[4] where barter is a much

[2] This practice was made illegal by a federal law passed in Moscow in 1998, but several provinces continue to collect various taxes in produce.

[3] The information base is the same as that used for chapter 3. The Buriat data is based on: (1) 24 lengthy tape-recorded interviews conducted by G. Manzanova in July – August 1998 with managers at various levels in a variety of organisations: '*Prin*' computer firm; Bichur Raion Administration of Agriculture; Selenga Raion Administration of Agriculture; '*Lek*' trading firm; '*Bat-Les*' logging company; '*Gunzan*' wholesale trading firm; '*Mayak*' Union of Peasant Holdings; the Presidential Committee for Economic Reform; the '*Dogo-Khudan*' Agricultural Cooperative; the '*Zabaikalsk UPK*' training centre for building workers; two traders in food products; the '*Yumsnyi*' pork products company; the Pensions Fund of Buriatiia. (2) Local statistics and newspaper articles. (3) Discussions with G. Manzanova, economic advisor to the government of Buriatiia. (4) My own field materials collected in 1996 in four collective farms of the Barguzin and Selenga districts of Buriatiia.

[4] Information here comes from two enterprises near Sergiev Posad (formerly Zagorsk), a building materials firm and a rubber-products factory (*NIIRP*). Interviews were conducted by Helena Kopnina in July 1998 with a wide variety of managers and workers within these firms, allowing comparison of different viewpoints on barter from within each enterprise.

smaller part of the economy. As the majority of my information comes from Buriatiia the chapter will start with a brief description of the economy of this region. What are the characteristics of a region where barter has taken over virtually the whole economy?

2 'Complete barter' (*sploshnoi barter*)

In the Buriat Republic barter forms over 80 per cent of economic transactions according to official estimates in August 1998.[5] However, local businessmen say informally that around 90 per cent of transactions are carried out by barter, while farm managers claim not to have used 'living money' for five years. I am told that the central policies since the August 1998 crisis have not so far reduced barter. So this is a region of what people call '*sploshnoi barter*' ('barter everywhere' or 'complete barter'). In this respect, Buriatiia lies towards one end of the spectrum of provinces in Russia, where on average barter is officially estimated to form 47 per cent of circulation.[6]

Buriatiia is a region in deficit, in the sense that its internally generated income does not cover the the regional budget, and the value of its exports (mostly raw materials, electricity and processed metals) is less than its imports (mostly food, technology and fodder). Buriatiia seeks massive transfers from Moscow on an annual basis.[7] Politically it is a conservative place. The president, a Russian, has been in power almost continuously since the 1970s. In late 1996 the President announced a 'special economic regime' and in September 1998 he declared a state of emergency, both times in order to negotiate an additional credit from Moscow. The manufacturing landscape is dominated by a few large, unprofitable and declining factories of Soviet vintage, notably in railway engineering, wool processing, metal-working and machine production for both defence and civilian purposes, open-cast mining and cellulose-cardboard production (I call these 'dinosaurs', for brevity). The main

[5] Oral communication from G. Manzanova, economic advisor to the government of Buriatiia.

[6] Manzanova, oral communication. See also Makarov and Kleiner (1996, p. 5), who quote estimates that barter was between 34 and 50 per cent of the turnover of industrial production in Russia in 1995. According to their own and other surveys, it constituted 70–80 per cent of transactions for industrial inputs. According to my respondents, barter in Buriatiia reached a first peak in 1994-5, was reduced in 1996, but started to expand again in 1997 and has grown ever since.

[7] The credits from Moscow have been between 22 per cent and 32 per cent of the Republic budget income in recent years (*Pravda Buriatii*, 14 August 1998, p. 4). These are loans, but the Republic does not manage to pay them back in full.

profitable industries are the production and sale of electricity, railway services, and oil/petrol sales. It is only the latter companies and the regional government that issue pseudo-currencies (e.g. *veksels*) and these too are often realised in goods rather than money.[8] Agriculture is still organised collectively for the most part and is in desperate straits.[9] Meanwhile, the importing of prepared foods has hit local food processing industries hard.[10] Wages are almost entirely paid in products, not money. To survive, households have increased domestic food production, but this has not prevented a slide towards poverty. In 1998 the population consumed considerably less per head than in the beginning of the 1990s,[11] and local newspapers gave harrowing accounts of hunger (e.g. families in some rural areas reduced to feeding their children with fodder concentrates). Nevertheless, the paradoxical fact is that the money in circulation comes almost entirely from the working population – i.e. from pensions and benefits, as well as the few wages paid in money.

Widespread barter thus correlates with regional economic weakness,[12] poverty among the population and a conservative Soviet-influenced political culture preserved through electoral machinations. Buriatiia is not, however, an odd man out. In its economic indicators at least it is in a similar position to regions like North Caucasus, Kalmykia, Altai, Tyva and Penzensk and other poor *oblasts* of Russia. As in many regions its government has an important role in supporting barter by using tax credits as initators of chains of mutual credits (*vzaimozachety*) between firms, while collective agriculture is kept going by the form of barter called 'commodity credit' (*tovarnyi kredit*). Furthermore, Buriatiia follows general trends in Russia in the growth of small business as a new way of making a living. There are around 5,500 small firms in

[8] For reasons of space *veksels* are not discussed in this chapter. *Veksels* are not used at all by middling and small companies in Buriatiia.

[9] Between 1990 and 1994 agriculture as a whole in the Republic went from a rate of 36.5 per cent in profit (1990) to −44 per cent in 1994 (*Buriatiya, Ekonomika*, 1996, p. 25) and since then has declined further.

[10] Since 1991, meat-processing has declined by 25 times, dairy-processing by 18 times and grain-processing by 7 times (*Pravda Buriatii*, 14 August 1998, p, 4).

[11] Households in 1996 produced 91 per cent of the potatoes, 86 per cent of other vegetables, 70 per cent of milk, 46 per cent of meat and 18 per cent of the eggs in the Republic. Nevertheless, between 1990 and 1996 the average consumption per head of meat went down from 74 to 54 kg per year, milk from 341 to 167, sugar from 42 to 22, potatoes from 109 to 75, and only grain products stayed on the same level (*Pravda Buriatii*, 14 August 1998, p. 4).

[12] Comparing Buriatiia with other parts of Russia, it has a GDP between 1.2 and 2 times lower than the Russian average, and it occupies the 51st position for investment in the Federation at *oblast*/Republic level (*Pravda Buriatii*, 14 August 1998, p. 4).

Buriatiia – that is, 5.2 firms per 1,000 population – which is near the Russian average. The great majority of these firms are middlemen, not involved in production.[13] As seems to be the case generally in Russia (Makarov and Kleiner, 1996, p. 19), many of these small trader firms cluster round the dinosaurs and other large industrial producers, existing as facilities for the realisation of their over-priced goods through barter.

All economic institutions in Buriatiia engage in barter, irrespective of their type of ownership. This includes not only government agencies but also other institutions like schools, colleges, or hospitals, which have taken up trading partly because they are paid in goods that they cannot use themselves. Barter initiated in Buriatiia is not limited to the region. Even tiny trading firms like the three-man 'Lek' do international barter with China, while others have networks reaching to Sakhalin, Japan, Germany and other countries.

The logic of barter from the participants' point of view

Russian firms categorise transactions into three types, those using physical money (*nalichnyye*), those using notional money (*beznalichnyye*, also known as *zachety*, offsets, when debts are moved between firms) and those involving physical goods (*barter*). In more monetised regions, the price-lists of large firms are often divided in this way, with the lowest prices offered for money, the middle prices for *zachety* and the highest prices (usually around 10 per cent more than money prices) for barter.[14] However, this is not a very useful division for understanding the social relations of barter, as in the strategies of participants, debts and barter are often inextricably linked up in a single complex operation for which the end-goal is often to obtain physical money. It is more enlightening to examine the actual encounters in barter, and to organise this material I shall initially use three variables: (1) Is the transaction immediate or does it require one side to wait? (2) How 'liquid' are the goods transacted by the participants? (3) Are the goods used by the participants, or traded on? These variables have been chosen because they are preoccupations of the barter participants themselves when they explain *why* they take the decisions they do. They are not explanations of the origin of barter in Russia but help us understand the logic of operations by individual firms and the forms taken by chains (*tsepochki*) of barter and debt-trading.

[13] Around 72 per cent of small businesses engage in trade only, and the small business sector as a whole contributed only 3.7 per cent of the productive capacity of the Republic (*Pravda Buriatii*, 14 August 1998, p. 4).

[14] Bogomolov, the head of the Supplies Department at *NIIRP*.

Timing and credit

'Classic barter' – that is, bilateral simultaneous trades in which the goods are used by each side for their own purposes – is not the mainstay of trading for any of my business respondents. This is because of the problem of the 'coincidence of wants', the difficulty of finding the person who wants what you have got at exactly the moment when you want what they have got. This kind of swop is called *bash na bash*, and usually occurs between private individuals. People sometimes say *bash na bash, ne gladya* (swopping without looking), which expresses the idea of an ad hoc satisfaction of desires on either side without bothering about close inspection of the goods or their money prices. On occasion, business people too go for the expediency of *bash na bash* barter when they hear of a possible deal with unknown people. They reason that, since you cannot trust the known partners anyway, at least with an immediate swop you get what you want. The head of a food trading firm in Buriatiia said:

> Agreements (*dogovor*) don't oblige you anything. If the big managers and leaders knew they would sit behind bars for non-return of a barter debt they would think twice before accepting goods. But we have no such effective laws. Many traders suffer from this. Therefore, when doing a barter exchange, and now unfortunately it is necessary to go outside known people, you have to be very careful. So you do it *bash na bash*. You make a prior agreement on the phone, 'I'll bring you goods worth so many roubles', you go over there, give your stuff and take their stuff, and that's it. No-one wants to be the first to give, being afraid of being deceived.

Minimum trust is required in this kind of deal, but even so, such trust is often lacking. A trader in the Buryiat firm '*Lek*' said that one cannot be sure that the other side actually has the goods they agreed on the phone to trade. So before taking over one's own goods, one has to make a preliminary check to see that their goods are in their warehouse in the right quantity. A trader also has to make sure he has the manpower and transport for a quick getaway: 'If you don't grab it quickly, you'll never get it from them afterwards' (*ne vytashil bystro, to potom ee voobshche ne soberesh'*).

This kind of barter seems to happen either as a result of some unplanned fortuity or when traders are desperate, such as farm managers who ring round to find anyone who will give them a spare part for their combine in exchange for any farm products they have on hand. Though such swopping is quite common for small deals, it is almost impossible to rely on it for a regular living, and therefore participants in barter mostly base their operations on other forms.

The extension of immediate trades happens when one side receives a good in one transaction only to trade it on in the next exchange with another partner. Simple forms of such 'linear barter' occur when (a) an item moves from its producer, through several trades to a consumer, becoming a commodity currency on the way (see also Ledeneva and Seabright, chapter 4 in this volume, or (b) when a product is processed at each stage (e.g. live ox, carcass, meat pieces, sausagemeat, sausages) (figure 10.1).

The social implications of such linear series are different from the 'star' and 'circular' chains discussed later, because a linear series tends to consist of disjunct bilateral deals. No one enterprise overviews all exchanges. Transactors show little interest in what happens beyond their own deal. Traders down the line have information but they also have an interest in concealing their sources and prices, so as not to be by-passed.

The most common form of bilateral barter is delayed exchange. Respondents emphasise that this implies an inequality between the two sides, because one gets the goods when they want them, while the other has to wait (and is not necessarily rewarded for waiting). This lack of parity exists even if both sides acquire goods wanted for themselves rather than having to trade onwards. Now all my respondents claimed that they normally take the partner's goods first and pay back later. But of course this cannot be true in general. So, we need to think why people make such claims. From an anthropological point of view, this is a situation which contrasts starkly with 'gift' systems. In barter, people are taking pride in *acquiring*, in holding their partners in the dependency of waiting for repayment, which is quite different from the 'gift' scenario, in which *giving* accrues status, while holding the partners in the lower position of debtors.

A clue to the mentality behind this may lie in a difference in the terminology used for this kind of barter in Moscow *oblast* and Buriatiia. It seems to suggest that the more monetised zone has a higher

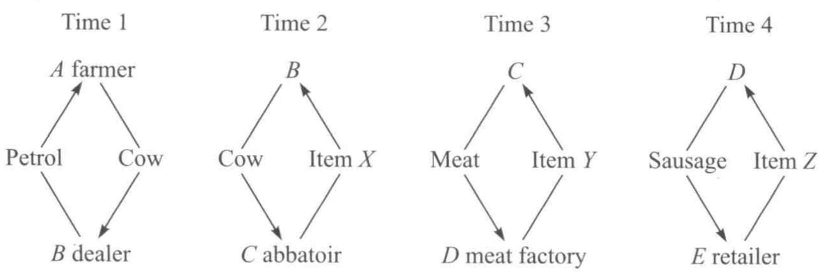

Figure 10.1 A linear series of barter deals in which a farmer's cow reaches the retailer

level of social trust than the de-monetised region. In Moscow *oblast* the expression 'commodity credit' (*tovarnyi kredit*) is used for a transaction in which one enterprise gives goods to the other, to be repaid with return goods after an agreed, quite extended, period (often six months to a year), with a slightly larger than normal amount of return goods being due in order to pay for the time difference. In Buriatiia, the term 'commodity credit' is reserved for large government advances in goods, and the term used for delayed deals in everyday barter between firms is 'prepayment' (*predoplata*) e.g. 'We always demand 100 per cent prepayment'. This Buriat terminology implies not that one enterprise is trusted with a credit arrangement but that the other firm is not trusted, and therefore has to make a prepayment.

As we shall see, lack of trust is not the only reason certain firms are required to pay first. In fact, there may also be good grounds to mistrust the firms that pay second, since the practice is widespread of holding back under one pretext or another (often that the received goods are not up to standard) and paying back only bit by bit, and well beyond the agreed time. What seems to be happening is a trial of powers, a contest that ultimately depends on which side is most needy. 'It's a matter of whether *we* ask for the barter or *they* do,' said one businessman, explaining that the one who 'begs' is normally the one who gets paid later. For everyone, the desired situation (sitting back while the goods you need are fed into your firm on all sides and you pay back later) is counterbalanced by demands made on you to pay first or you will not get what you want.

What makes this different from a money credit situation is that *both* enterprises are acting through goods, which limits their choices. In a place like Buriatiia there may be only one factory producing the needed good, or only one which wants to make a deal for your products. As a result, given the lack of parity between partners in delayed barter, patron-client-like relations arise between firms. When two production enterprises each require the inputs of the other for their own internal use, these relations can be quite stable. For example the *Lenin* collective farm of Baragkhan in Buriatiia, regularly exchanges meat for fuel and spare parts with the large and powerful *Aviazavod* aircraft factory.[15] *Lenin* pays with meat for the factory canteens, and *Aviazavod* pays back later, haphazardly, with spare parts, etc. The *Lenin* farm is 'locked into' this patronal relation because its bargaining position is far weaker (fuel and spare parts very scarce while meat is in plentiful supply), and barter – finding a firm that will accept specifically your meat in payment – limits its options still further. The payoff in such arrangements is often political. The rural

[15] Information based on field research in Buriatiia (1996).

producers are enabled to keep their economies going, but find themselves entangled in voting blocs associated with patronal firms at elections for local deputies.[16]

How do such patronage ties relate to previous Soviet-era distributional links? The *Lenin – Aviazavod* barter is in fact based on a Soviet arrangement called *sheftsvo*, the ideological 'captaincy' of an industrial enterprise over a 'less advanced' socialist form, the collective farm. The content of these relations, however, has changed greatly since Soviet times. Then, an enterprise did not pay for its supplies, nor did industrial 'customers' pay for goods sent to them.[17] Now, *sheftsvo* as an idea has disappeared – replaced by agonised bargaining – agonised, that is, on the farm's side, for whom the spare parts and fuel are essential for its very existence. Competition with alternative meat-producers is part of this new relation. If competition and uncertainty about when they will be paid differentiate the new relation from previous officially planned distribution, the centrality of these deals to the fuctioning of the enterprise distinguish it from the unofficial Soviet practice of swapping of surpluses ('manipulable resources', see Humphrey 1983) left over after fulfilling the plan.

The transformation of social relations is felt to be unpleasant, as can be seen from an example in Moscow *oblast*. I digress briefly here from the theme of credit in order to explain the substratum of barter that is present even in a monetised firm. One important impetus for barter is that even if factories have money they have an interest in paying for their production inputs by bartering their own products with supply firms rather than paying money. One reason for this is that it costs the firm to acquire money. The rubber-products factory *NIIRP* near Zagorsk was founded in the 1940s, is still half state-owned, and continues to support a large workforce. It is not exactly a dinosaur, as its rubber transmission belts are in demand, but they are over-priced and cannot be sold in Russia for money. *NIIRP* sells its goods in Europe for money, but only with some difficulty. Nevertheless, *NIIRP* has to pay taxes in money and it also pays its workforce in money. Altogether this means that *NIIRP* has problems with financing its production cycle and it therefore instructs its supply department never to use money for inputs. It is in the managers' interest

[16] Information on such matters is highly sensitive and therefore I cannot publish chapter and verse. I am reliably informed, however, that threats to cut off barter patronage are highly effective at election times.

[17] Supplies were allocated to enterprises at the direction of the planning board; similarly, the board directed output to different possible users of the firm's outputs (Palmer and Vilis, 1997).

to maintain long-term partnerships with those firms which require belts and at the same time can supply *NIIRP*'s own inputs. The head of the supply department said,

> In the past we did everything through the Ministry. There had to be a mediator, an interface between the factory and the consumers. Now all those people have left the Ministry, migrated (*kochevali*) to set up their own limited companies. But we kept track of them. Let's say one hundred people worked in the Ministry; now, they have set up fifty or a hundred firms. So we do things through old connections, and basically, through them we also find new partners, the people with whom the Ministry used to work – all over Russia, in the Near Abroad, in Azerbaijan, . . .[18]

The people may be the same, but the relations in this vast network have changed.[19] The mediators from the Ministry have turned into businessmen squeezing out their own profits. Barter is seen as something disagreeable (*mutornyi*) and 'dirty work'.[20] It is a task each department of *NIIRP* tries to avoid. Although the General Director of *NIIRP* talks more cosily of oral agreements, especially with European partners ('It's enough to ring up, make an agreement, and carry it out. These are people we have known for a long time, we trust one another'[21]), the people further down the factory's hierarchy, the ones who have to make the practical arrangements and accounting of deals, see barter in a frankly adversarial light. A manager engaged in bartering transmission belts on the Russian market, when asked if she had friendly relations with the people she bartered with, replied:

> Friendly is as friendly does. I have business (*delovyye*) relations with them. We quarrel (*rugaemsya*), and sometimes we send one another away.[22]

In these encounters, the question of when payment is made and whether the transaction is by barter or in money are both up for grabs. Even with

[18] Bogomolov, manager of Supply Department, *NIIRP*.

[19] 'Earlier, everything was clear. The plan just came down from above. You were told how much, from what, what kinds to make, where to send it. If someone did what he was ordered for thirty years, he didn't think whether it was good or bad, he just heard "Make 5,000 pieces", never thought why. But now you have to think, what to make, what quality, who might want them. Of course the psychology of a change from a command to a market economy is difficult for the human being. The main mass of directors are people in their 50s and 60s; they are used to socialism, used to not deciding. They can't think, and this is why we cannot go out and compete' (V. N. Gesko, Vice-Director of *NIIRP* for commercial affairs).

[20] V. N. Gesko, Vice-Director of *NIIRP* for commercial affairs.

[21] V. V. Shvarts, General Director of *NIIRP*.

[22] Plaksina, Worker in Sales Department of *NIIRP*.

long-standing partners, *NIIRP* sometimes has to use sweeteners to get a deal through. To this end the factory has started up a new vodka sector, which makes the Roma (Gypsy) Brand. To get industrial soot used in making rubber from a factory in Komi province, it has to pay in vodka as well as belts.

To return to the theme of time, there is another type of delayed barter, which *NIIRP* tries to avoid. This is taking supply goods 'on consignment' (*na konsignatsii*) – that is, when goods are provided in advance but the ownership remains with the supply firm, which might in principle take the goods away again if they found a more profitable partner. Goods on consignment are paid off gradually by monthly payments to the supply firm. This kind of arrangement is rare and it is done unwillingly by *NIIRP* because it cannot make full use of the supplies until they are all paid off. This shows, of course, what the impetus for 'commodity credit' from *NIIRP*'s point of view really is: that the factory can engage in production, using the supplies, before it has to pay back.

This same rationale is even stronger among small non-productive middlemen firms. In Buriatiia, middlemen demand prepayment rather than immediate swapping not only for practical reasons (time to assemble the return goods, seasonality of production, finding transport, etc.) but also because of their extremely precarious economic circumstances. Dealers explain that it is impossible to repay at exactly the same time you receive the other side's goods unless you have working capital to back up your operations in the meantime. The middlemen do not, of course, live off the goods they trade but from the money they acquire by 'realising' goods – and marketing for money requires time and expense on their part. Unlike producing firms which have fixed resources and can economise in various ways, notably by delaying payment of wages, middlemen depend on the timing of deals. In Buriatiia, few traders admit they have the resources for immediate barter, let alone for deals in which they give the goods first and wait for repayment.

Any advantage, including those afforded by international relations, can be put to work in securing barter credit. This can be seen from Buriat trade with China. Fear among Russian provinical governments along the frontier of an invasion of Chinese business has resulted in restrictive legislation making it difficult for Chinese to obtain visas or register firms (Humphrey 1999b). Interestingly, the Buriats who nevertheless want to trade with China, disguise the edge given to them by these restrictions under the notion of common 'eastern psychology', which as it were affords them access to special long-term exclusive partnerships resting on a remarkably one-sided trust from the Chinese side. Buriats in such partnerships insist on prepayments from China. In this trade, rice, fruit, other foods like pork, and even money from China are exchanged for timber, railway rails and metal waste from Russia. If the goods from China are liable to decay – for example, apples – the Buriats pay back nothing at all if they spoil in the Buriat warehouse.[23] The Chinese ask for a high profit from such 'fast-spoilers', but all the risk lies on their side. The Buriat traders do not interpret common 'Eastern psychology' as meaning they should behave in a specially honest or reliable way with their Chinese partners. A trader said:

> Rice and sugar, well, they are heavy, and nothing much happens to them in the warehouse except rats eat them. To spoil them . . . well, you have to try specially to spoil them. You get my meaning? Ha, ha, ha. They won't spoil by themselves unless you put your mind to it.[24]

He was referring to watering rice and sugar to make them heavier. In the circumstances, it seems likely that 'Eastern psychology' refers less to mutual trust than to a rhetoric for keeping others (Russians) out of the trade. Buriats find it easier than Russians to set up the initial links, since they have relatives living in China, but the prevailing disbalance in trust cannot rest on kinship. Rather, this is another case of the 'trial of powers' mentioned in chapter 3. Here political circumstances enable one side to take disproportionate advantage of the fact that barter payments are made in goods, which take time to transport, require storage, may spoil, etc., rather than in money.

From an economic point of view the China trade is very important for Buriatiia, since advance payments are the impetus that allows the Buriat traders to operate at all (if everyone demanded prepayment there would be a stalemate). Inside Russia, the demand for prepayment is a dynamic force, since it puts pressure on prepaying firms to demand prepayments themselves from other firms.

The situation is an interesting test case for social relations, because here we have *one-sided trust*. One side enjoys the goods, while the other not only has to wait but has all the uncertainty of not knowing if the return goods will be of the agreed quantity and quality. Do participants place this kind of trust on kin and close friends? My evidence is: no, and emphatically so when it is a question of relations with entrepreneurs. For example, the head of the marketing divison of *NIIRP* in Moscow *oblast*, said,

[23] Warehouses are often checked by Russian inspectors, enabling the trader to say the goods are spoiled and need not be paid for (though it probably would not prevent him selling them).

[24] Interview with trader from the Buriat firm, '*Bat-Les*' (1998).

My son, my own son, is a trader. But if I gave him a consignment knowing he mightn't be able to repay, what would happen then? I would only give to him if he were capable of repaying. Otherwise, *not in any circumstances*.

It is different with producing enterprises, which have so many resources we could call on. But with a *kommersant*, first we would ask a higher price, and secondly, whoever he is, a son, a brother, an old friend, or whoever, we give *only* if he can pay back.

The manager continued: she would give a price discount (*skidka*) to a friend or relative – e.g. she would give a low winter price during the summer season of high prices. Acquaintanceship is also used to make a deal move fast, to manage without written contracts, and to agree false 'paper' prices so as to avoid paying taxes. Illegal transactions, especially those which have some chance of being found out, put trust at a premium (Ledeneva, chapter 11 in this volume) and may well be concocted with kin if both sides stand only to gain. But offer commodity credit to someone just because he is your son? That would be to confuse two kinds of trust. It might well destroy the relation with your son.

So even though many firms at the upper end of barter operate to a great extent through accustomed circles and have some difficulty in expanding trade beyond them, in the end the kind of trust involved is the commercial one of the 'trade partnership' (see chapter 3) and inside Russia is determined by two circumstances: (1) by the estimation of the reliability and resources of the firm, and (2) by the type of goods transacted. The evidence of previous transactions are not sufficient to guarantee reliability. The resources of a firm are scrutinised and close attention is paid to whether it has items like computers which can be claimed in the last resort as payment. Another criterion for reliability is the 'political' status of the firm – that is whether it has certain guarantees from above or not. In Buriatiia, barter participants of all kinds say they prefer to work with solid, government-supported firms. With regard to China, for all the talk of 'Eastern psychology', it turns out that traders on the Russian side take good care to find out if the partner has the backing of the Chinese state licensing system.

So far the discussion has concerned the rationale for commodity credit and the criteria for trusting firms with advance payments. But the question remains: why do certain firms agree to pay first? This is where the second of the variables mentioned at the beginning of this section kicks in, because a very important factor in which side pays first is the 'liquidity' (*likvidnost'*) of the goods they hold.

Liquidity

'Liquidity' in barter refers to the facility with which a given commodity can be exchanged for money (roubles and dollars). In Buriatiia, because most of the money in circulation originates from ordinary citizens (as pensions, etc.) and because these citizens are extremely poor, the most 'liquid' commodities are foods that are ready to consume, like bread, meat or cooking-oil. Thereafter, we find a downward trail of goods according to decreasing demand. Essentially, my Buriat material shows that those participants holding 'less-liquid' goods are prepared to pay first to those holding 'more liquid' goods, because only in this way can they enter the barter arena. In summer 1998 all entrepreneurs had as their end-goal acquiring money. Directors of producing enterprises may need goods of various kinds for inputs, but they desire money, too, if only to pay themselves. The result is a barter process that translates 'less liquid' commodities into 'more liquid' ones.

No single dominant means of exchange (commodity currency) has emerged out of barter. There was a brief period in 1996 in Buriatiia when vodka seemed about to play this role. For a few months the Ministry of Agriculture used vodka throughout the Republic to pay subsidies to collective farms and the farmers were delighted. But almost immediately false vodkas flooded the market and the experiment was ended. In summer 1998 computers were used as means of exchange and payment, but this was only in a restricted wealthy circle. So in general people have in their heads a shifting index of 'liquidity' for all the various means of exchange. It would be inaccurate to talk of anything as definite as rank or hierarchy, for traders are attuned to the possibility of odd cases when someone really wants something even if that thing is not in general demand. However, the Buriat material shows that there are some regularities. Things necessary for daily existence are most 'liquid' (ready foods, electricity, firewood, petrol), somewhat less so, but still rather 'liquid', are foods needing further processing (e.g. grains), productive livestock and items for health and children (medicines, school textbooks); next come utensils and materials necessary for working the household economy (fodder, fertiliser, building materials); then clothing; and at the bottom, the least 'liquid' are items like furniture or Russian-made electrical goods of dubious quality.

Interwoven with this series of consumer items are goods used in industrial and agricultural production. Here too, there is greater and lesser 'liquidity'. The impetus to industrial barter derives from the continued existence of dinosaurs producing goods that are priced too high and in low demand. In Buriatiia there is often no monetary demand for these goods, but they are needed for production inputs. The most 'liquid' commodities are fuels, electricity, spare parts and railway tariffs.[25] Somewhat less so are construction materials like cement, asbestos roofing (*shifer*), metal tubes, or wooden boards. Lower still are materials only slightly processed from a raw state (cellulose, coarse woollen thread), and least 'liquid' of all are raw materials of low quality that are superseded by better-quality goods on the international market (raw wool is a good example). In Buriatiia, because of the general demand for money and the fact that most of the cash anyone is prepared to spend is held by ordinary citizens, the series of industrial commodities is subordinated in barter to the more 'liquid' consumer goods. In practice, this means that a holder of, say, cement, has to go through a number of transactions, normally ending up with food, to turn it into money.

An example is a barter chain (*tsepochka*) of the trading firm '*Gunzan*' in Buriatiia. The firm starts with railway tariffs and goes through five operations in order to turn them into money. I call this a 'star-shaped' chain, because at each stage (except for the first) the goods return to the centre, '*Gunzan*'. The firm (1) trades railway tariffs with the electricity power station, which (2) 'covers' the electricity bills of a factory making roofing (*shifer*) and the *shifer* is then acquired by '*Gunzan*'. The firm then (3) sends the *shifer* to Sakhalin where it is exchanged for fish. Receiving the fish, '*Gunzan*' then (4) barters part of it for refrigerated storage. The rest of the fish is now (5) bartered for flour. Taking the flour, '*Gunzan*' proceeds (6) to barter it with the bakery for bread and cakes. The final stage (7) is reached when the firm gives the bread and cakes to wholesalers 'for realisation', receiving at last 'living money'. This entire process takes two – three months. Since profits (*nakrutki*) are taken out at each stage, '*Gunzan*' reckons that it receives in the end perhaps only 50 per cent of the rouble value of the railway tariffs it started out with. One could also say, in the abstract, that '*Gunzan*' is paying at each stage for the fact that it is offering goods, not money (though in practice, of course, if there were money around the firm would not bother with this set of transactions at all, but sell the tariffs directly) (see figure 10.2).

From the psychological point of view, people can no longer feel, as they were encouraged to under socialism, that each is producer or holder of something of broadly equivalent value to society. 'The idea of 'liquidity'

[25] To pay for rail transport, firms give goods to the rail stations. These goods are used to pay railway workers and they are also sold in special shops attached to the rail system. The difference between the value of the incoming goods and the cost of transport is known as a 'rail tariff'. Making such a deal is regarded as a coup in Buriatiia and usually requires having some 'connection' in the station. Firms lucky enough to acquire tariffs can trade them on at a profit. G. Manzanova, personal communication.

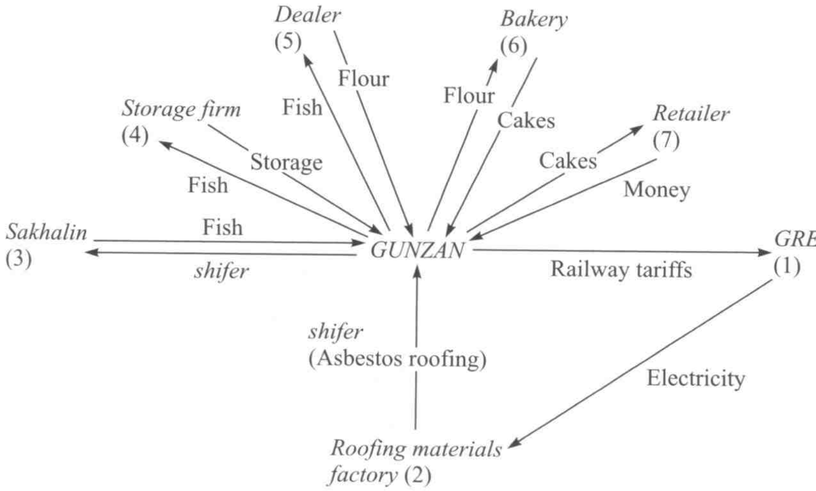

Figure 10.2 Star-shaped barter chain of the trading firm '*Gunzan*', Buriatiia, 1998: seven steps by which railway tariffs are transformed into money. The triangular deal between '*Gunzan*', *GRES* power station and the roofing materials factory is an offset

encourages new kinds of discrimination in micro relations, with traders into money at the top. In practice, however, there are certain distortions in the liquidity series: many dinosaur industries, which would otherwise be at the bottom, have government support, and they (and other more profitable industries like electricity) are frequently maintained as regional monopolies. Farmers, on the other hand, have their position depressed also by government policy, as will be described below.

All this has an impact on exchange rates and leads to the widespread feeling that one is engaged in 'non-equivalent' (*ne-ekvivalentnyi*) barter. One aspect of this idea seems to be a heritage from Soviet times and the idea that goods have an inherent value which is based not on demand but on the cost of production (*sebestoimost*' – lit. the 'self-value'). Affront at 'non-equivalent' rates reflects a general difficulty in adjusting to the fact that prices today are largely determined by supply and demand, but I shall suggest that barter accentuates this feeling.

In Buriatiia certain large firms are forbidden by regional law to sell their products at prices below the cost of production. This is intended to save the jobs of the workforce, but the result is to render these goods 'unliquid'. The spread of barter attitudes suddenly discloses what would previously have been seen simply as 'the fair price' in a new light. Many people are now part-time dealers, looking with an eagle eye for a disjunction between wrongly priced goods and potential buyers and ready to take advantage. An enterprise (or even a person) is no longer the respected holder of an unquestioned value, but more like a clothes-horse, the awkward bearer of something that is now a trade good (*tovar*), but unable because of the absence of general markets to dispose of it at will. The barterer mentally abstracts the good from the person to work out its onward barter track; as several respondents said: 'You never take an item unless you have a scheme (*skhema*) worked out for it.' This might seem like a commonplace aspect of commoditisation. But in a money economy the triangular relation, between the producer, the commodity and the buyer is far less of an affront, because money enables people to buy things in impersonal shops or markets rather than scrutinise each enterprise or person for gains to be made from them. It is the fact the barter involves face-to-face relations, in which the holders of 'non-liquid' goods are personally confronted with the talking-down of their products that makes these encounters stressful and humiliating: 'I fed that cow for three years, and now he tells me it is worth just a few cans of petrol'.[26]

The last of a series of barter deals, when actual cash is in the offing, is a particularly intense encounter known as the 'end-deal' (*konechnaya sdelka*). All those shadowy debts and unwieldy consignments build up to this point where the 'liquidity' variable and the credit variable meet – the acquiring of 'living money' (*zhivyye dengi*) as it is tellingly called. This introduces a new situation. With valuable deals between large firms, because enterprises in debt for tax are liable to have it deducted from any positive bank account, a solution is often to create a satellite firm to hold the incoming money. This is socially highly significant, since it introduces a relation of deception between the firm and the state, *and* because it is all too easy to conceal these financial assets from the workers (see chapter 3).[27] Small firms are less likely to create satellites and the directors tend to spend incoming money immediately. At this level, the desire for money is such that the holder of any commodity invariably gives it up first to the retailer for later money repayment ('for realisation',

26 Farmer in '*Dogo-Khudan*' peasant enterprise, Kizhinga District, Buriatiia.

27 An example of this is the fate of the huge *Lyuberetsk* agricultural machinery factory near Moscow. In 1995 the factory set up a satellite private firm, with almost the same name, and placed a large bank loan of 14.5 million dollars into its account. The existence of this money was concealed from the workers and used to finance a dubious undertaking in Italy. Meanwhile, the *Lyuberetsk* factory fell into steep decline (Chuprin and Gubanova, 1998).

na realizatsii). Sometimes entrepreneurs are even prepared to go without any profit from the 'end-deal' in order to get money fast.[28]

On the other side of such deals, the one with money, wholesaler or retailer, is said to be condescending, make demands and anyway can insist on stringent conditions (when, where and in what condition the goods are to appear in). This high-handedness is particularly resented when, as is very often the case, the holder of goods is a hardworking experienced factory manager and the money-holder is an upstart young entrepreneur (see Makarov and Kleiner 1996 on the role of *malchiki*, 'boy dealers').

How curious then to find an equally topsy-turvy effect in the microcosm of the household, when in Buriatiia suddenly it is the grandmother with her pension who has money. Especially in rural areas, there is no other money at all. Now it is the hitherto perhaps disregarded old person who has the most liquid good, who has to be asked nicely for a loan and who can make her conditions. An example of the social discomfort this can cause is given by Meshcheryakov (1996): a village headteacher in Buriatiia, without an income for months, resorted to trading vodka on credit. On pension day she went round to collect her debts. But the confrontations with the quavering *babushki*, suddenly responsible for all the drinkers in the family, were unbearable for the teacher and she gave up her trade.

The teacher gave up because she could not face putting pressure on the grandmothers to wrest their money from them (money probably already promised away in any case). This is analogous to the position of people giving goods 'on realisation', because it is at this point that default is taken most seriously and pressure is put on the end-dealers to pay up. In Buriatiia the police and the courts are regarded as useless in this respect; private security firms are used instead, and these firms are understood to be 'criminals in disguise'. My evidence is that, however widespread this practice, people do not find it normal.

Businessmen who regard themselves as more or less law-abiding, and at any rate peaceful people, find themselves in an entirely new social situation: they find *themselves* sending out gangs of thugs against traders whose difficulties they understand only too well.

Goods for use and goods for exchange

As noted earlier, the side that first asks for a barter deal is normally at a disadvantage in negotiations, since the very fact of asking implies greater

[28] 'We realise food products through small wholesalers, even though they charge a higher price. In fact we buy and sell at the same price. We are not interested in a normal profit when it is a matter of realisation. What we are interested in is quickly getting money', Director of '*Prin*' computer firm, Ulan-Ude, Buriatiia

need to sell.[29] One aspect of such disadvantage is that the other firm is likely to respond: 'I'll take your X only if you will accept my Y' and Y may be something that the first firm does not require for its own production. Businessmen see this as another kind of 'non-equivalence' in barter:

Equivalent exchange is when I definitely know that I need the thing. But if I don't need it and have to turn it into money, that cannot be equivalent exchange. Never. Not for anyone. Even if the trade is equivalent in the financial sense, there is the question of the cost of transforming that item into something I want, the expense of my people and my time. I could be spending that time in some other way. Selling, leisure, going to the cinema. So rather than pricing the item at wholesale market prices, the loss of time should be added to the exchange. And of course you have to add all the marketing research I have to do before starting that barter. You have to work out a scheme for disposing of those goods.[30]

In both Buriatiia and Moscow *oblast*, businessmen made a distinction between 'necessary' and 'forced' barter:

There is barter that is necessary (*neobkhodimyi*) and barter that is forced on you (*vynuzhdennyi*). I divide it this way because, if I need his metallic part and he needs my transmission belts, I call that necessary. Really, there would be no difference if I paid him in money. Barter in that case is just a sort of decoration of normal economic activity. But there is also forced barter. Someone says to me, 'If you want me to take your belts, I'll pay you in my goods, vacuum cleaners and kitchen processors.' And I object to that. Why? Because taking his goods I have to sell them. I am involved in production and I don't have the facilities to organise bartering his un-asked for and un-planned for things. It's a real problem. You break your head on it. But we have to do it, there's no way out.[31]

This situation is one of the main reasons for the dynamism and expansion of barter: the first incoming consignment of vacuum cleaners might be paid to the workers, but in general each firm is likely to end up with some relatively non-liquid goods that have to be passed into barter chains.

At the 'non-liquid' end of production a factory may run into a blank wall: *none* of their suppliers will take their goods. In this case, the factory constructs its own chain (*tsepochka*) to accommodate to a buying parter.

[29] This point was made explicitly by one manager, who said: 'If we ask for barter, there is a rule that the other side prices their goods 10 per cent higher than the market rate; if they ask for the deal, we charge 10 per cent more', (Bogomolov, manager of Supply Department, *NIIRP*).

[30] Tseren Charafa, age 22, director of '*Prin Office Centre*', trading in computers and managerial technology, Ulan-Ude, Buriatiia.

[31] V. N. Gesko, Vice-Director of *NIIRP* for commercial affairs.

Here is a simple case from Buriatiia, where the monopoly *Fine Cloth* wool-processing factory needs to make a deal for raw wool inputs. The problem is that the sheep-raising collective farms, poor as they are, will not accept the factory's yarn in payment. The factory set up a sewing workship so as to be able to pay somewhat more 'liquid', but admittedly clumsily made clothes. Once was enough, however, for the collectives to take a consignment of coats ('everyone in the village cannot wear the same coats yet again'). So to get round this quandary, the factory made an agreement with a timber firm prepared to accept coats, and gets the timber firm to pass planks on to the *kolkhoz*. This is really a deal between *Fine Cloth* and the collective farm, but it has the form of a circle (as distinct from the 'star' form of p. 275). The circle expands when the timber firm decides that it, too, does not want coats. To meet this situation, *Fine Cloth* finds a wholesale dealer prepared to give vodka for coats, establishes that the wood people will take vodka, and one further link is added to the chain.[32]This chain may appear like a closed circle, but evidently it is likely to generate further chains: the wood, the wool and the vodka are all consumed as they reach their destination, but the coats still have to find a final purchaser. It is quite possible that making coats even takes away value (unmade-up cloth and tweed from *Fine Cloth* apparently have a high reputation locally).[33] Nevertheless, once they are in existence the coats circulate until they find their own low final 'price'.

If the push to set up circular barter chains comes from (a) the need to dispose of unwanted incoming goods, and (b) the need to accommodate to the demands of a partner, a third impetus (c) is to acquire some desirable liquidity only attainable at some remove. The strongest chains are those that satisfy all these requirements. In Buriatiia major chains of this kind are set up with government cooperation and are crucial to the regional economy. Such a strong chain can be also be used by further subchains which spin off it. Let us take the example of one of the most important barter chains in Buriatiia, the *TsKK* chain, which performs the extraordinary feat of supporting two loss-making industries, establishing a tie with the West and bringing in goods to the government which can only be bought for money. The main link is between the Republic government and the giant *TsKK* cellulose-cardboard plant. *TsKK* is a

[32] This real-life example was provided by N. S. Timofeeva, head of the the Presidential Committee for Economic Reform, Buriatiia.

[33] This is a feature of the Russian economy emphasised by Gaddy and Ickes (1998. p. 3), who point out that value is redistributed to such enterprises from other sectors (from tax arrears and resources).

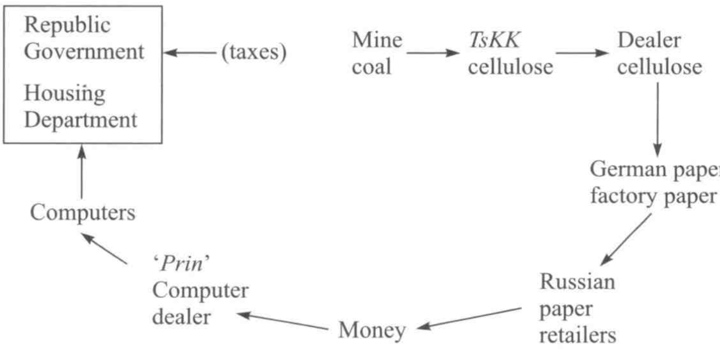

Figure 10.3 Circular chain of the *TsKK* cellulose factory

classic dinosaur, a huge consumer of forests, a polluter of Lake Baikal, and it has a cost of production (and hence fixed money prices) twice that of the paper factory in Arkhangelsk. The chain starts with the fact that the *Kholbol'zhinskii* open-cast mine owes taxes to the government which it is unable to pay. In lieu of these taxes the mine sends coal to *TsKK*. The next step is for *TsKK* to send cellulose via a dealer to a factory in Germany where it is turned into high-quality paper. The paper is then re-exported back to Russia where it is sold for money. The money is then used to buy computers from the firm '*Prin* and '*Prin*' then pays computers to a department of the Republic administration. The government is very happy: it has supported the mine dinosaur and the cellulose dinosaur, helping to keep thousands of people in work and it receives computers (figure 10.3).

Evidently, in this *TsKK* chain, the computer firm could be substituted by any local firm with high-value goods the government wants to acquire. While in the chain, however, '*Prin*' can use it to sell its computers to other firms which are unable to pay what Prin wants (money). Let us take the example of a gold-prospecting company in the far north of the republic which wants computers. '*Prin*', a small firm of 15 people, is not prepared to accept gold ore which it is unable to process. So matters are arranged as follows: the gold company gives ore to a coal mine, the mine pays coal to another firm which will cover taxes for *TsKK*, and then we are now into the *TsKK* chain described above. Eventually, Prin receives either fine-processed western paper (which it can sell for cash) or money and the computers are sent to the gold mine. With so many links in the chain, each of which takes a cut, the gold mine receives very expensive computers indeed. This is fine from the point of view of the directors

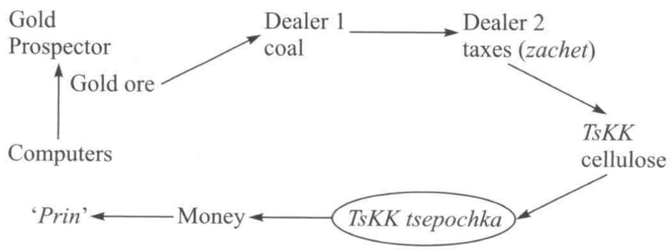

Figure 10.4 Circular chain of the firm '*Prin*' as an offshoot of the *TsKK* chain

of '*Prin*', but one can imagine that the prospectors far off in their tundra are not so happy (figure 10.4).

Sometimes, rather than judging incoming goods on the basis of whether they can be used internally or not, a director with an entrepreneurial cast of mind decides to go into profit-making barter, and soon finds himself acquiring incoming goods for the sole purpose of trade. This process can turn the social relations of the previous institution into something almost unrecognisable. For example, the Zabaikal'skii Training Centre started out in 1982 as a training-cum-production station for construction workers under the Ministry of Education. Allowed to become financially independent under *perestroika*, the Centre set up branches and was soon training up to 10,000 workers a year, mostly from the army. Goods of all kinds started to roll in to pay for the courses. The director said,

Metals and everything were lying around here, well, we decided to barter them with China for clothing for our workers, trainers, leather jackets . . . you know. We went over there and got them ourselves. Then other people started giving us lists of orders. Then we realised: from this you can earn! When we first brought in leather coats in mass, it was not for our workers but for trade, ha, ha. We sold half here to the wholesalers, and the rest were bartered to Moscow in exchange for suede jackets that were in much demand at the time. The first suede jackets in Buriatiia. We were pioneers in a way. I didn't altogether like that life, trading, but even in 1989-90 we understood that there was nowhere to get money. Then what happened? The factories and the army started to economise on training. We had to reduce, we fell into debt.

Now we train 500–600 people a year. It's less than before, but still it is something. If they don't have the money for the fees, the private students propose barter. So they offer nails, or something useful lying around at home, building materials, or if it is an enterprise sending students they offer to pay for our heating. Yes, we make the exchange if the goods are useful for the Centre or we can trade them on.

We've become part of the general economic stream, which is the barter and mutual credit (*vzaimozachet*) system.[34]

Commercialising its operations, the Centre has at the same time transformed the relation between trainee and school such that it has become subject to the general conditions of barter.

Ordinary workers, on the other hand, find it difficult to commercialise and suffer most from the problems of receiving unwanted goods. The items received in return for work are rarely of a kind that one could turn to entrepreneurial advantage. In the following conversation between a worker (F) in a building materials factory in Moscow *oblast* and a researcher from Cambridge (*Q*), the tone is one of bitter humour:

F: This year we get paid wallpaper.
Q: What do you do with it?
F: [joking]. Decorate our big garages. What would you do with wallpaper? Well, I try to sell it.
Q: To whom?
F: Neighbours, friends . . . My friends haven't got enough space in their house for all this wallpaper. Sometimes I get my daughter to try to sell it on the market for me.
Q: How much wallpaper do you get per month?
F: A kilometre, from here to the grave.
Q: So how do you make ends meet?
F: How have we ever made ends meet in Russia? Somebody's got a chicken, somebody's got a carrot, we mix them together and make soup for two.

It has been shown that in a range of ways barter gives rise to a feeling of unfairness (non-equivalence). To understand more generally in the business context what barter means socially it is necessary to look briefly at how prices are agreed, for this has the effect of quantifying and objectifying personal relations.

Pricing in barter

All my respondents without exception state that exchange rates in barter are formed by reference to money prices. Even in rural areas there are no standard arrangements of the 'three bags of sugar go for two bags of flour' type. In principle, pricing is done by each side initially setting a unit money price for their goods and then reckoning how much they will exchange. These money prices are said to be wholesale 'market prices', which are discovered by consulting daily newspaper lists, by visiting

[34] Director of *Zaibaikal'skii Uchebnyi Tsentr*, aged 48. The Centre now has a staff of 25 teachers.

wholesale bases in the city and ringing round to find out what prices other people are using. However, this is just the rhetorical surface on what turns out to be an essentially personalised and discriminatory system.

Even if market prices are stable, all barter prices are agreed anew each time because they are essentially a contest between traders. In Buriatiia, someone who wishes to trade even mildly 'unliquid' goods, like flour, for office equipment has to drop below the wholesale market money price for flour to cover the equipment trader's estimation of his own 'costs of realisation'. The flour usually comes out about one and a half times cheaper in such deals, but there is no firm rule.[35]

At the same time, price confrontations reflect the value the trader of the more liquid good puts on his own tax and other costs, which determines the mark-up (*nadtsenka*) he adds to the price he paid for the item. Such a mark-up can seem remarkably high (e.g. 400-500 per cent for a computer). The computer dealer explains that this has to cover the tax on profits, VAT, the city tax, the tax for bridge-maintenance, etc. as well as his own profits. The result is that the actually agreed exchange price in a barter deal of flour for computers, say, differs from the market price for either commodity, the flour being priced below the market price and the computers well above it. Figure 10.5 is my representation of how participants conceptualise such agreements. This kind of calculation crystallises yet another way in which barter is said to be 'non-equivalent' or unfair.

Now, it is clear to all concerned that the *nadtsenka* is largely notional, since the computer trader probably will not pay all the taxes. In the interviews, he claims in one breath that this mark-up barely allows him to break even; in the next he explains how he drops it considerably for a favoured customer or someone who offers a particularly desirable good in exchange. Thus, the value of a sale is not determined solely by profit but also by other factors (avoiding tax, currying favour, laying grounds for repeat deals, keeping a *tsepochka* going . . .). As Makarov and Kleiner (1996, pp. 23–4) point out, prices formed in this way cannot be used to measure supply and demand.

Furthermore, in Buriatiia, prices when agreed are only provisional. The standard barter contract form has a space for the participants to specify the conditions under which the agreed price will change.[36] This is not just a matter of reacting to inflation or changes in market conditions during the repayment period. It is also used to cut a partner in on the

[35] Director of '*Prin Office Centre*', Ulan-Ude, Buriatiia.

[36] N. S. Timofeeva, vice-director of the Agrarian Union, Buriatiia.

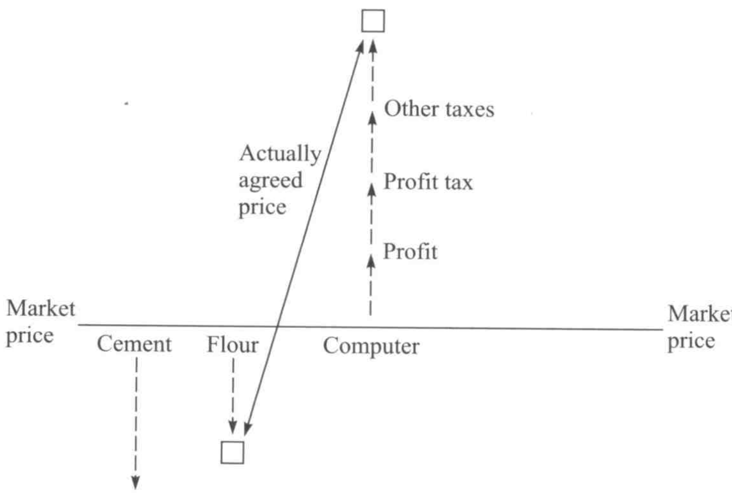

Figure 10.5 Model of the formation of barter prices

trading luck of the other: in this case the agreement states that, if the partner makes more profit than expected from trading on ones' goods, one can renegotiate the price.

The social relations of pricing encounters seem peculiarly ambivalent. On the one hand, although the prices are negotiated face-to-face, all the calculations that go into them on either side are rarely transparent – even your 'old friend' is probably hiding something from you. As for strangers you can be certain they will be trying to take some kind of advantage ('You have to remember,' I was told, 'our market is the "wild market" (*dikii rynok*)'). On the other hand, there is a certain complicity inherent in very many deals, mainly because of the very widespread practice of tax avoidance. It is extremely common, for example, to agree on two prices, one low price 'on paper' to avoid the turnover and profit taxes, and the other the actual price paid. The difference between the two is known as 'black' (*chernyi*) wealth. One businessman estimated around half the turnover of the Buriat economy to be 'black'.[37]

Despite this complicity, trust between partners in different firms is definitely less strong than that found within the firm. Inside a small trading firm, it is common to find that all staff have a common liability for debts (all must pay up if any one of them makes a mistake). Often

[37] Director of '*Prin Office Centre*', Ulan-Ude, Buriatiia.

there is a general director who takes charge of the most important barter chain, while the other three or four members each 'warm' their own *tsepochka*. Perhaps, such small firms indeed sometimes consist of kin.[38] Judging from my materials, this kind of strong, internal trust is only equalled in between-enterprise relations when one of the firms is essentially fictive – that is, when in reality it is part of the other one. Aside from such illegal compacts, confidence in exchange parters is in short supply. 'You have to feed the wolves,' is how one businessman from Moscow *oblast* put it.

What is the relation between discriminatory pricing in barter and the social relations between the directors and the workers in producing enterprises? My materials indicate a difference between Moscow *oblast*, where workers are still mainly paid in money, and Buriatiia, where they are not. In both cases, directors are mostly trying to shift 'non-liquid goods'. If they have the interests of the whole firm at heart, including the workers, they try to keep prices high, raise the general income, and pay employees a decent return for their work (as is done, with some difficulty, in *NIIRP* in Moscow *oblast*, where it is rewarded with loyalty from the workers).[39] However, it is not difficult to see that such a policy does not necessarily advantage the directors. It is far easier to barter at a lower price and/or *not* to demand full repayment. As several of my respondents pointed out (see also Makarov and Kleiner 1996, p. 27) the directors only have to get a small percentage back, significant for themselves, for this to be better for them than the full 'honest' price if it is distributed in full to the workforce. It is to prevent this kind of deal that the Buriat regional government has forbidden the dinosaurs to sell below cost price and has made a list of enterprises producing 'liquid' goods that are forbidden to barter rather than sell for money (interestingly, this is called the 'black list' by traders who depend on barter for a living). Both of these laws are widely flouted. As a consequence, the workers' share in barter deals is often squeezed to a minimum, causing great resentment.

[38] This is said to be the case in Buriatiia, but none of the respondent firms were composed of kin.

[39] 'The pay is low, but you have to be an optimist. We have a workers' contingent here. I wouldn't think of moving. This is my enterprise (*svoe predpriyatiye*), you understand. These are people who have spent their whole working lives in one place. This explains their optimism, or rather, their attitude to work, to their place of work,' L. Z. Vetrova, worker in the Sales Department of *NIIRP*. The managers of *NIIRP* respect such attitudes and have made minimal staff cuts in the 1990s (workforce down from around 600 to about 500).

Makarov and Kleiner argue (1996, p. 27) that the emergence of managers' interests as separate from those of the workers has had macro effects. This fact, not just the lack of money, gave significant impetus to the lowering of inflation in 1995–6. The non-payment of wages is not just a matter of lack of resources and unfulfilled contracts, but is also due simply to the unwillingness of directors to pay wages, a situation apparent on a very wide scale.[40] In this perspective, they argue (1996, p. 28), the failure to fulfil barter contracts (to pay up in full, on time) should be seen not so much as the defrauding of one director by another so much as a conspiracy of the two directors to defraud their workers and the government. Barter is more apt for this kind of back-door deal than money sales because its prices are so cloudy and haphazard and its accounting so opaque.

To summarise: from an *economic* point of view, pricing in barter has a paradoxical effect. Because of transaction costs and profits, barter raises prices at each deal (so that at the end of a chain you may receive only 50-60 per cent of the value of what you gave at the beginning) and therefore it has an inflationary tendency. But at the same time, because of the high general demand for money and under-pricing to avoid tax, etc. there is also an anti-inflationary pressure. From an *anthropological* point of view, the way pricing is done increases personalisation – i.e. the positional situation of the person trading affects the price. Instead of a general price which is paid by anyone, different prices are paid each time, even for the same goods. This may be to the advantage of traders, but consumers feel disadvantaged in a climate of mistrust.

Let me now turn to barter at the district and regional level, particularly the role of government in integrating barter between diverse sectors.

Regional configurations of barter (Buriatiia)

Left to itself, barter would probably have the effect of separating the agricultural and the industrial-cum-energy sectors, as the latter have relatively little interest in acquiring the goods of the former. The farmers would be left almost without fuel, spare parts and farm machinery. The impetus for integration comes from the administrations, at both Republic and district levels.

In the Selenga district of Buriatiia, for example, the administration has set up a vital integratory chain through debt-trading. This *tsepochka* starts with 36,000 roubles owed to the state by the open-cast mine for

[40] In Nizhegorod *oblast* in March 1996 around 90 per cent of the directors of industrial enterprises were fined for witholding wages without good reason (Makarov and Kleines, 1996, p. 28).

taxes. In lieu of paying taxes, the mine sends coal to the *Gusinoozersk* electricity station (GRES), which sends slightly less than an equivalent value of electricity to *Buriat Energo*, the electricity company. This electricity is then partly sent direct to collective farms and partly sent to a factory in Krasnoyarsk region producing spare parts. On account of this electricity the factory sends spare parts to the farms. The circle is then closed when the farms repay the government for the electricity and spares by means of food products (figure 10.6).

How does the administration deal with the incoming farm products? The following *tsepochka* shows how wages are directly involved in barter, since the task of this chain is to transform the raw products into items acceptable in lieu of money wages to the *byudzhetniki* (i.e. all those on state salaries, teachers, accountants, administrators, and so forth). This chain starts with tax owed the government by *GRES*, the electricity station. In lieu of tax, *GRES* gives electricity to the dairy, food-processing factory and food importer. Of the incoming raw farm products, 25 per cent are sold for money, which is used to pay the food importers, while 75 per cent are passed to the dairy, meat-processing plant, etc. In return for

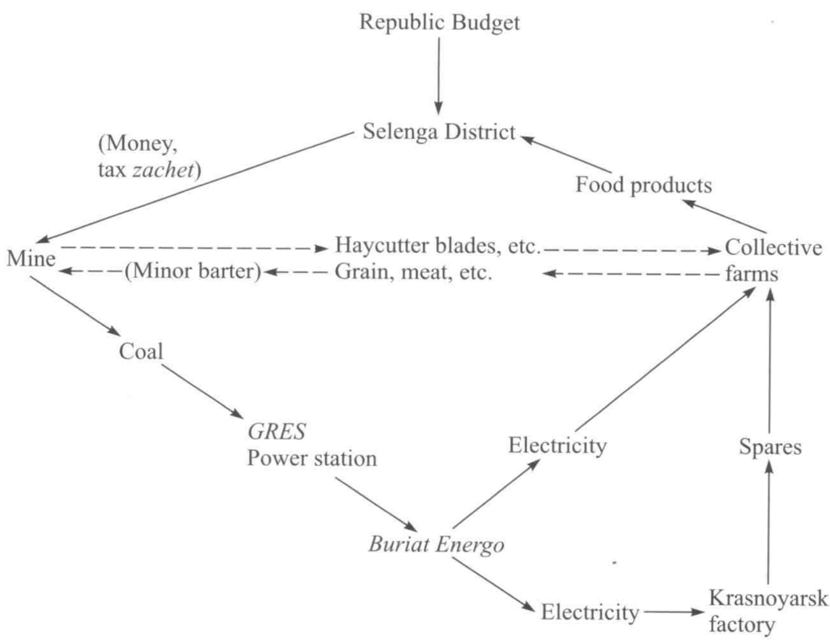

Figure 10.6 District government chain (*tsepochka*)

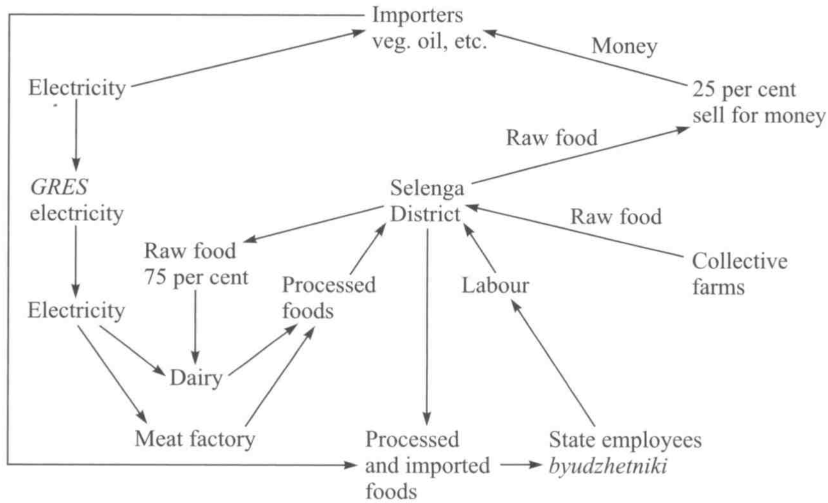

Figure 10.7.Payment for government workers as part of the district chain

their labour, the *byudzhetniki* thus receive a mixed 'wage' of locally processed and imported foods (figure 10.7)

A breakdown anywhere in such chains, not just malign greed of the administration, can cause the well known delays to wage payments. As noted earlier, each chain is likely to be dependent on the working of other chains. In the event, the *byudzhetniki* may be passive or active links in such chains. Some just accept the goods, others turn to entrepreneurial barter themselves, like the Zabaikalskii Training College. Some leave the chain – they go out on strike. Yet others flout the authority of their own seniors in the administration and resort to direct action. In Buriatiia, tax inspectors sometimes go to enterprises and simply appropriate goods, which they then count as their own pay. In other words, they by-pass the government-designated links in the chain, and this reminds us yet again that barter chains are structures of *power and contest*.

The two interlinked chains (figures 10.6 and 10.7) are subvariants of a much wider system of aid to agriculture, organised at the Republic level, called 'commodity credit' (*tovarnyi kredit*, or CC) described in detail in Humphrey (1999a). Providing credit in the form of commodities such as chemical fertilisers, seed corn, spare parts, fuel and heating oil at the beginning of the agricultural year, the government receives harvest products at the end of the year. CC is organised by a state company called the Products Corporation (PC), which barters directly with each farm director, issues credit notes to be used in specific factories and receives the agricultural products in repayment. The factories pay out to the farms in lieu of taxes owed to the government.

So far, so good. The farmers are in theory appreciative of CC. But problems arise with this system that go back directly to the variables discussed at the beginning of the chapter. Many farmers do not, or cannot, pay back CC (in 1997 only around 50 per cent was returned by Buriat farms). Sanctions on default are non-existent, except for perhaps being exluded from the scheme in the following year, and this encourages farms which could pay not to do so. The prices paid by the PC are below market prices; and the PC may abruptly decide not to accept, say, grains, because an import deal covers their needs, and this means that farms have to restructure their production. Worst of all, the system lacks legitimacy because it places farmers in an economic straitjacket – they have to accept inputs from firms chosen by the PC with no control at all over quality and they have to accept low prices for farm products because if they did not do so, most would simply not be able to start the agricultural cycle in spring. Paternalistic attitudes appear within the PC. 'Why do we not give the farms money?' said one administrator in 1996, 'Because we could not trust them to use it sensibly. They might buy themselves cars.'[41] This is 'barter' in the sense that individual farm directors have to haggle for prices and conditions, but in another way the system is reminiscent of quasi-feudal dependency. The acceptance of individual farms for CC in 1998 was done on the basis of guarantees by the local administration, with all the politics this implies.[42] Farm directors, I know, feel the whole system to be humiliating.[43] One can only imagine their reaction when it was announced, in summer 1998, that the system might be stopped: the budget was not receiving what it should from the PC and the head of the PC was being charged with embezzlement.

This news must have fed into the stream of rumours concerning corruption in other major enterprises close to the government. However, in my view, to see the matter as only one of corruption is to miss the real quandaries faced by an organisation like the PC as a direct

[41] In 1998, an official said: 'The farmers are put in this position, well, they put themselves in the situation, because they cannot be credited as civilised economic enterprises, as subjects in a civilised economy', N. S. Timofeeva, vice-director of the Agrarian Union, Buriatiia.

[42] This was an attempt to raise the level of repayment of CC by making district authorities responsible for debts of defaulting farms. It enabled officials to debar disfavoured farms. No one seems to expect, however, that the rate of repayment of CC will be much improved.

[43] Fieldwork in Barguzin and Selenga districts, Buriatiia (1996). See also Humphrey (1999a).

result of the barter system. The PC is faced with 'realising' the unwieldy mass of agricultural products of every collective in the Republic. A warning of the impending impasse was given by the failure of the Products. Tax, which was also organised by the PC in five districts of Buriatiia in 1997. Instead of non-payment in money, it was decided that farms could pay tax in products, that these would be realised by the PC, which would fund the budget in money. The PC thus became the single tax-payer on behalf of dozens of farms. The system failed because, perhaps surprisingly, the farms paid up.[44] The PC was unable to cope: it had insufficient storage facilities and few links with retail outlets. It was forced to rent its own shops and this forced up its prices, and many products spoiled before they could be sold. For this reason alone the PC was unable to pay the budget what was due. The products tax experiment was ended, although it was popular with farmers;[45] but the PC continues to experience the same difficulties with the CC system – which is kept going, despite the impending law suit, because no-one can think of another way to keep the farms afloat.

The same problems are experienced by all large receivers of barter goods – for example the electricity companies and pension funds. This is the main reason for the the widespread creation of local substitute monies or coupons in Russia (see Anderson, chapter 12 in this volume), especially in 'company towns', where a large enterprise like a power station is the main employer. As Ryabchenko writes (1998):

> In the Ukraine all atomic energy enterprises receive from their consumers, who do not have money, the products of those same consumers. These items could be given out to the electricity workers, who haven't seen the national money for years. But that is bothersome. So the enterprise issues its own money, gives it a name, and workers can volunteer to accept it as wages. The known number of such private and self-accounting moneys in the Ukraine is in the hundreds, and in Russia must amount to tens of thousands.
>
> Thus, in the town of Slavutiche, at the Chernobyl Station and attached enterprises, around one thousand (!) such moneys were issued in 1996-8. Of these, around half have been studied and classified. These are one-day moneys – received, taken to the shop, spent and cancelled. There are cases of workers saving up such a money to buy furniture, only to find next month that it had been annulled.

44 The general tax repayment rate for Republic taxes in Buriatiia was 43 per cent in 1996; the 'repayment rate' for the Products Tax was set at 88.3 per cent in 1997 and it was all collected, N. S. Timofeeva, vice-director of the Agrarian Union, Buriatiia.

45 The tax was popular with farmers because it was levied at the end of the year and all they had to do was to deduct some products from their income and send them off - far less burdensome that having to 'realise' the products to get money to pay taxes.

This is a method of reducing costs for the enterprise (it no longer needs to realise goods for roubles to pay workers); but it reduces the workers' choice of goods to those received in barter. In Buriatiia, *all* the main disadvantages of barter are heaped on the shoulders of the workers: they have to wait, they have to accept goods they may not need, and they have the trouble and expense of 'realising' such goods. In the region, the result is a new kind of class conflict, of which the outcomes are difficult to predict. One exceptional gain for ordinary people has been the 'win' of the pensioners in Buriatiia, who succeeded in April 1998 in their battle to get pensions paid in cash rather than in products.[46]

Struggles for power, barter chains and information

The push to start and maintain a strong government-supported *tsepochka* comes from large factories like *Fine Cloth* or the *TsKK* in whose interests the chain works. Yet I was told that small firms like to enter such chains, even if it is not in their immediate interest, because they are reliable and ongoing. This tendency is all the greater when the factory is a monopoly, like *Fine Cloth*, whose director (of Soviet vintage) is so close to the President and is known to the entire Republic as Klavdia Ivanovna. 'I gave 500 kilos of wool to Klavdia Ivanovna,' a farm director might say. This does not mean he knows her, only that he participates in the personalised, patron-imbued talk of society. There are downsides to such chains. Buriat farmers have almost no other buyers for their wool and 'Klavdia Ivanovna' – or her managers – is often reviled for her abysmal prices. There was a time when to be dropped from *Fine Cloth*'s schemes would have been very detrimental, but now farms enter the chains on a slightly more equal footing as *Fine Cloth* has difficulties in getting the wool it needs for even reduced production. Today, farms take part mainly because Klavdia Ivanovna's chain is a form of ongoing patronage that allows them to plan.

Essentially, it is political support for *Fine Cloth* that maintains a situation that is unsatisfactory to everyone: for farmers it is hardly worth keeping sheep at such low prices, *Fine Cloth* has to construct elaborate *tsepochki* to get even a minimum of inputs, and the region is

[46] Enterprises have been paying into the Republic pension fund (PF) in goods for at least three years. At first, the PF sold these goods through retail outlets and used the money to pay pensions. Then, in 1997, the PF paid pensions in one-third money and two-thirds goods. Pensioners demonstrated and wrote petitions. As of April 1998, they succeeded in getting pensions paid 100 per cent in money by government decree. Pensions are (summer 1999) paid two months late.

flooded with the unpleasing coats. *Fine Cloth* claims not to have enough money to invest in changing its production lines, yet its status as a factory of All-Russia designation means that it receives enough subsidies to plough on.

When a lesser enterprise sets up a chain in its own interests, however, it may run into difficulties with the dinosaurs. This happened to '*Prin*' the computer firm, which tried to set up a lengthy *tsepochka* involving *TsKK*, silk from China, an export firm in Moscow, and desirable money on the return path. Even though '*Prin*' was a part of another chain organised by *TsKK* (see figure 10.4), the giant firm was not in the end prepared to oblige '*Prin*' by becoming a mere link in its chain. *TsKK* dumped '*Prin*' by not sending its products to the next stage; the entire chain fell apart and Prin was left in debt, having made some expenditure in the expectation that the chain would work. This shows that the mutually protective aspect of chain barter (Ledeneva and Seabright, chapter 4 and the Introduction in this volume), which is evident in my materials among mid-level firms of equivalent standing, can be distorted by power relations, when one large enterprise can afford to include or exclude a given minor partner.

For this reason, personal connections (*svyazi*) are at a premium.

> Here in Buriatiia personal relations are essential. Only people with understanding (*ponimayushchiye*) can create offset schemes for taxes, heating, electricity, etc. and then it always comes to those who make agreements and give permission, the Ministry of Finance, *GORFO, GORFIN*. I am not saying you have to give bribes, but you have to know which level the decision is taken on. If you don't have this knowledge you will get nowhere. Among us, the President of the Republic may forbid some offset at some particular time, others in the Ministries too, they can say, 'No, that won't happen' (*eto ne budet*). Suddenly you can't get electricity, you can't get money – all these things, new decrees, decisions, you must know, simply in order not to waste your life . . .[47]

I suggest that it is circular chains which are subject to most political pressure, because they are ones that otherwise would be most fragile. In 'lineal' and 'star-shaped' chains (see also chapter 3 in this volume), some kind of satisfaction of wants is accomplished at each deal. This is not the case with circular chains. For the same reason, circles cause more damage when they fall apart, since that affects a whole series of relations. Circular chains also tend to be vulnerable because the progression from 'non-liquid' towards 'liquid' goods has to be reversed at some point – in other words, the circle, which is an essentially egalitarian form, runs up

[47] Director of '*Prin Office Centre*', Ulan-Ude, Buriatiia.

against the various types of *non-parity* so prevalent in barter. This is why we often find that extra-economic factors are required to keep a circle together.

One of the inflexible aspects of barter is that relatively few people have the information to penetrate and take part in a new circular chain. Those who have it guard it closely, and even so, like the Director of '*Prin*', they may be excluded or dumped. Smaller firms – such as my respondents who are pork producers, managers of bakeries, etc. – stand no chance of entering an eminent chain except as a minor subsidiary, and even then they would need connections. It is simpler for them to work with other small firms. It is interesting that the *obkom* (Republic-level Communist Party) is still mentioned as a source of information on reliable partners. Even so, among disadvantaged enterprises, and particularly with linear chains, the lack of information is remarkable.[48] At the bottom, a farm official – not the director but the man actually charged with carrying out barter deals – may not know where his meat is destined, may know nothing about the middleman firm who comes to buy it, not know what mark-up is being charged, and have only cloudy knowledge of prices at the meat packing factory.[49] One senses that this 'lack of knowledge' is partly a self-protection against the unwelcome idea of oneself venturing out of the farm into the 'wild market'. This is a kind of passive resistance to barter. In effect, it limits the farmer's own initiatives to *bash na bash.* swaps. Knowledge and power thus constrain barter operations. Barter in Russian conditions is far from Aristotle's vision of 'the most natural of economic forms.' Yet this chapter suggests that barter does also have internally generated characteristics, that these take a social form and consequently affect other social relations they become tangled with. In the conclusion, I summarise some suggestions as to what these social effects might be.

3 Conclusion

It is undoubtedly the case that without barter there would be widespread bankruptcies and mass unemployment, and this situation provides the general political – economic framework in which barter continues

[48] A farm director, for example, may have almost no 'connections', so he finds partners through newspaper advertisements or goes travelling almost at random in slightly richer areas looking for people with extra spare parts. Vice-Director of '*Dogo-Khudan*' peasant enterprise, Kizhinga District, Buriatiia.

[49] Head-engineer of '*Mayak*', Union of Peasant Holdings, Mukhor-Shibir District, Buriatiia.

(Woodruff 1999). This chapter has attempted to delineate the micro – social relations of barter that appear to be emerging within this overall situation.

1 The market mechanism is unfamiliar to Russians as a way of organising the economic fundaments of life (as opposed to petty trade) and barter as a type of market exchange arouses particular resentment by the way it seems to create 'non-equivalence' between partners. This is seen in (a) the non-parity of timing of returns, (b) differential 'liquidity' of goods as compared with earlier notions of value and (c) unequal distribution of the costs of onward barter. In a monetary world, transactors would be freer to choose new partners. But barter, because the non-coincidence of wants creates an enhanced requirement for credit and repeat transactions, tends to 'lock' participants into social relations of *dependency and patronage*.
2 There is a contrast in forms of trust between relations *within and between firms*. Despite the potential advantages in terms of reliability of doing deals with kin and friends, barter between firms is felt to be incompatible with true, multi-faceted friendship/kinship.
3 *Pricing is discriminatory*; at the same time, it is affected by the use of barter to avoid tax. These two conditions mean that bargaining encounters are ambivalent and confrontational on the one hand and complicit on the other.
4 The network effects of barter are not simple. Linear series provide few, if any, integrative effects. Star-shaped chains are dependent on the initiative of one firm. Circular chains encourage mutual reliance, but the 'political', extra-economic forces required to keep them in place also have other effects, such as dependency on patrons, and can result in *arbitrary dumpings and exclusions*.
5 Barter deals between firms affect *social relations within them*. Accepting a 'low' price for the enterprise's products may reflect an actual market price, but it may also be an excuse, a device to share profits with the entrepreneurial partner, while not even attempting to distribute income throughout the enterprise. The prevalence of such practices, which are clouded in secrecy, separates the interests of directors and workers. Workers do not know whether to believe the excuse ('there is no money') or to suspect that income is being concealed from them. In either case, the inclusion of wages in the barter calculations of an enterprise changes definitively the previous social relations between workers and managers. A similar change occurs when fees at schools, hospitals, etc. are paid in goods that are used for entrepreneurial trade rather than as payment for the service.

6 The coexistence of barter and money in Russia has had the effect of making the latter highly desirable while the former is not only cumbersome but regarded as backward. The point where barter and money meet (the 'end-deal') becomes a particularly pressurised encounter. The liquidity, transportability, etc. of money relative to any other good makes this moment the most vulnerable to default. At the same time, tax law encourages the concealment of incoming money. This, it seems, is why the 'end deal' is especially characterised by *shadowy deals, high-handed capriciousness and use of thugs to enforce payments.*
7 The involvement of government agencies in barter has divergent effects. On the one hand, agencies tend to solidify patronal arrangements by creating lasting barter institutions (like CC in Buriatiia). On the other, political infighting brings about haphazard changes and new edicts that intensify unpredictability and thus further undermine possibilities for creating *long-term trust.*

What does all this add up to in social terms? In the most general sense, barter encourages the *estimation of other people (and oneself) by goods.* Furthermore, it promotes the advantage of perceiving weaknesses in others, such as their lack of information, their inability to move, or their incapacitating ties. Because its transaction costs are so high and so various (assembly of goods, storage, transport, acquiring information, managing the timing of deals, etc.) as compared with money transactions, where one side at least does not have such costs, barter magnifies the positional inequalities between people. At the same time, the practice of quoting 'prices' in money objectifies and quantifies such disadvantages. Finally, because it takes place in face-to-face encounters, barter personalises all this, renders it experiential, causing feelings of affront and resentment.

For all Russia's cultural traditions of collectivism, there is no evidence from my materials that people now condemn self-interest as such. Even farmers, who are highly disadvantaged by the *nakrutki* (lit. squeezings) levied as manufactures wend their way to the countryside, recognise in a resigned way that traders must make their profits. The problem is that self-interest enacted through a barter system does not deliver a successfully functioning economy. Even though, in Russia as in Nepal, it could be said that barter is a means to reproduce an overall socio – economic organisation (producing at least something from the dinosaur industries, keeping at least some people in work, paying them with at least some things), the difference is that in Russia people see the current state of affairs as unsustainable in the long run and therefore see its prop, barter, as *inherently defective and probably temporary*. Consequently, Russian barter does not subordinate itself to general social morality, unlike in

Nepal. One important reason why 'non-equivalence' is seen as such a problem in Russia is that time horizons are so short; the likelihood that transactions will be repeated over a long time with the same partners is not thought strong enough to make it worth while developing a 'moral economy' inside barter itself (in Nepal, barter patterns are repeated over generations). The objective reasons for the Russian attitude are the rapid changes of government policy, inflation, unpredictable actions of politicians, and so forth. 'Squeeze your partner while you can,' is a quite rational response to this situation. I would suggest that, in conditions of general social mistrust, barter itself serves to *reinforce short-termism in a vicious circle*. The characteristic of money is that it can be used to defer wishes. Without money, people are delivered up to what is immediately there, the goods available. Without money people are cut off from the possibility of a universal intercourse: they are forced to have narrow interests.

So this chapter makes the case that whatever integration is provided by circular chains it exists at the expense of (1) wider economic disintegration and sclerosis – such chains exclude other enterprises and discourage flexibility – and (b) equivocal social relations at the micro level, in which pre-existing ties are seen in the light of temporary advantage. Barter is becoming a somewhat independent transactional – social mechanism, such that we can even talk of the 'barterisation' of society. Few if any, institutions are untouched by it. At the same time, it enters the imagination, so that even family and gender relations can be reconfigured in its image.[50]

The entry of workers' wages into barter chains is particularly difficult to interpret. On the one hand, it could be argued that workers' reactions are coming to be part of the barter process – i.e. transforming the idea of labour or service into a barterable commodity. On the other hand, one might argue that since workers mostly do not take part in the wage negotiations and they receive nothing commensurable for their work, their labour becomes part of another realm, beyond barter and maintained by other rationalities (pride, habit, identity with one's profession, altruism . . .). In any case, it is clear that barter is overlaid on a substratum of many other social values and processes, such as attempts to produce

[50] For example, the male workers of the foundering *Lyuberetsk* Factory near Moscow said to a journalist: 'They should not have privatised factories; they should have privatised wives. We'd barter our factory shares for wives!' They were referring to the fact that in this region it is mostly men who have dead-end jobs in factories where they are paid in tins of chicken-liver paste, while some at least of their wives have better white-collar jobs in Moscow where they are paid in money. Wives, in the imagination, become negotiable economic assets (Chuprin and Gubanova, 1998).

something well for its own sake or attempts to govern well. Unfortunately, when these well-meaning impulses surface and people atttempt to activate them *through barter*, the inherent disutilities of barter (that is, barter as currently done in Russia) tend to create an impasse – as, for example, with the foundering of CC in Buriatiia which has the intention of supporting the farmers but instead ties them hands and feet.

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