

**Strategies of Daily Life:  
Social Capital and the Informal Economy in Russia\***

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Abstract

Social capital, or connections among individuals, is one of many resources or types of capital which people use in problem-solving strategies in daily life. Financial, physical, human and social capital are all utilized in daily strategies by transforming resources from one form to another, depending on the social context and problems that arise. In contrast to the Soviet era, post-socialist transition economy is characterized by the new and growing need to transform other resources into financial capital. This article presents ethnographic material from Novosibirsk, in central Siberia, which illustrates various strategies for transforming social and human capital into financial capital. Mobilization of social and human capital occurs most often in the context of the informal economy, which includes a wide range of activities beyond street selling. Informal economic activity is essential to the problem-solving strategies, and survival, of individuals in this post-Soviet urban environment.

## Strategies of Daily Life:

### Social Capital and the Informal Economy in Russia

Mikhail, 22, lands a series of progressively better-paying jobs through contacts he made working part-time during college.<sup>1</sup> Tatiana, 27, arranges with her father's acquaintance for her son to be enrolled in a factory's day care at the employee price. A mother of five, Natalia turns to the dean of her oldest son's college for help in finding him employment after graduation. Vera, 30, relies on her acquaintance with a wholesale street vendor to learn about new shipments and good prices, saving herself time and money. Anatolii, now retired, turns to acquaintances made through his wife's non-profit organization to sell an herbal health elixir his brother patented. Nadezhda, a divorced mother in her fifties, uses network marketing to sell cosmetics through her job as a college secretary. These examples all represent informal economic activities which use social capital for problem-solving strategies of daily life in Novosibirsk, Russia.

Social network ties have often been studied in relation to finding full time employment (Granovetter 1974; Lin 1999). However, using networks as a resource, that is, as social capital, goes beyond one-time requests, and covers routine, daily events, such as in the lives of Vera, Anatolii and Nadezhda. To understand the use of social capital it is essential to examine routine, repetitive uses of social capital, not only unique events. Likewise, much literature on the informal economy often deals with street vendors or hawkers (Babb 1998; Geertz 1992; Hart 1988; Roeber 1994) (Ussery, this volume), often in developing countries (Bass, this volume). However, the informal economy is more than street vendors and Third World cities. Understanding the informal economy requires studying a broad range of informal economic activities.

This article applies a broad view of the informal economy and social capital to explain strategies of daily life in Novosibirsk, Russia. After defining these key terms, this article briefly describes Novosibirsk and the ethnographic methods used in this study. The article then turns to the substantive job of examining the types of capital available in this city and the strategic uses of social capital and informal economic activities in this post-Soviet urban environment.

## **SOCIAL CAPITAL AND INFORMAL ECONOMY**

Both the terms social capital and informal economy have been used in a wide variety of settings to cover a range of meanings. This research relies on Coleman's description of social capital as concrete social ties and obligations among individuals, which gives them benefits not otherwise obtainable (Coleman 1988; Coleman 1990); these relations are embedded in distinct social networks with boundaries (Silverman 2001). This contrasts with treatments of social capital as simply a normative variable (Foley and Edwards 1999) such as generalized trust (Uslaner 1999), social trust (Fukuyama 1995), or long-standing civic traditions (Putnam 1996; Putnam, Leonardi and Nanetti 1993). In this research, social capital refers to members of an individual's social network, and a shared mutual bond. This includes those to whom an individual can turn for advice, help in resolving problems (big or small), or favors such as borrowing money. Here social capital is treated as "social-networks-in-use," drawing on questions such as included in the name generators used in social network research (Lin 1999). In contrast to social network research, however, this study relies on qualitative, not quantitative, data for understanding the uses of social networks embedded in a specific context.

The informal economy is identified with street vendors both in the popular imagination and in anthropological studies of street vending (Babb 1998; Geertz 1979; Geertz 1992; Smith 1990) (Ussery, Bass, this volume). However, if the formal economy is viewed as all registered economic transactions, then the informal economy comprises all economic transactions which go unrecorded, unlicensed, untaxed or unregulated in a similar environment (Portes 1995; Thomas 1992). The informal economy includes not only a visible, public element, such as street vendors, but also an invisible aspect, off the street, where individuals make unofficial arrangements with others to provide services in exchange for money or other goods or services, as suggested in the examples above.

In contrast to the stereotype of poverty as the primary condition for informal economic activities, the informal economy flourishes under a wide variety of conditions. These include: 1) an insufficiency or failure in the formal economy (Grossman 1989; Hart 1988; Tannenbaum and

Durrenberger 1990); 2) individual exclusion from the formal economy such as through poverty, discrimination or geography (Halperin 1990; Smith 1990); 3) the effects of globalization (Sassen-Koob 1989); 4) sudden crises, such as war or rapid inflation, causing disruption in the formal economy (Bohannon and Dalton 1962; Oliver-Smith 1990; Roberts 1989); or 5) conscious resistance to the terms offered in the formal economy (Halperin 1990; Mogensen 1990; Smart 1990). In any context, some or all of these conditions may be combined in various ways that feeds the continued existence of and individual participation in the informal economy; this is certainly the case in present-day Novosibirsk.

### **THE SETTING: NOVOSIBIRSK**

Founded in 1893, Novosibirsk straddles the Ob' river where the Trans-Siberian railroad crosses this major Siberian waterway 1750 miles east of Moscow. As close to Vladivostok in the east as to Moscow in the west, this city of nearly 2 million inhabitants serves as the official seat of the Novosibirsk *oblast'* (state) of the Russian Federation. With the largest concentration of military, industrial, cultural, transportation and trade resources east of the Ural Mountains, Novosibirsk is often considered the unofficial "capitol of Siberia."

Novosibirsk's national and international reputation stems in part from the prestigious Novosibirsk State University (NSU), located in a suburb of Novosibirsk along with numerous research institutes, under the direction of the Siberian branch of the Russian Academy of Sciences, which is headquartered in Novosibirsk. The highly educated residents of this suburb work at one of the institutes or study or teach at the university. Although the more successful academics have significantly more personal contacts with the West than most other residents of Novosibirsk, their state-paid, fixed-ruble wages hover just above the poverty level.

For local residents, Novosibirsk's primary identity is as a major center of military-industrial production. Novosibirsk played an essential role in arming the nation during WWII with airplanes, tanks and chemical weapons. Military-industrial production, in particular a famous airplane factory in the city's northeast region, continued as the mainstay of Novosibirsk's economy until the collapse of the Soviet Union. In the new economic environment, military

establishments struggle with demilitarization and marketization, which spells unemployment for a large portion of the population.

Demilitarization compounds the rising unemployment caused across economic sectors by the introduction of a labor market and the dismantling of the socialist system of redistribution of labor. In addition, the August 1998 devaluation of the ruble, commonly referred to as “the Crisis,” further compounded economic hardships, increasing the downward spirals of increased unemployment and long-term wage arrears, and fueling the collapse of some newly-privatized and newly-created enterprises.

Yet in the past two years the economy in Novosibirsk shows signs of improvement. Active efforts by government and business leaders have resulted in the payment of most back wages, modest increases in salaries or pensions, and ongoing business growth and investment. Retail selling in both the formal and the informal sectors is thriving, one of the most visible signs of dynamism and change in the post-Soviet environment. New businesses are continually being created in Novosibirsk, which is fast becoming a hub for the formal and informal private trade which connects cities across Siberia with Kazakhstan, Tartarstan, Mongolia and China.

Because of the concentration of factories, a large portion of the city has a working-class background, many of whom had good wages and excellent benefits under the Soviet regime’s priority for military production. However, in present conditions, about a quarter of the city’s population have wages below the official poverty level, and many others only just above that. Compounding these difficulties, Soviet-era inequalities of access based on education, occupation and sector of employment persist in this Soviet-era city.

Novosibirsk was built almost exclusively during the Soviet period, and like many other urban areas in Russia, follows Soviet urban planning schemes in its architecture and infrastructure system (Andrusz, Harloe and Szelenyi 1996), displaying many features of the classic socialist city (French and Hamilton 1979). The city is divided into nine administrative areas, or *raioni*, seven on the right bank of the Ob’ and two on the left bank. The careful hierarchic circles and

*mikroraioni* (neighborhoods) so favored by Soviet planners are disrupted by the patchwork of factories, each with its own housing tracts, hastily erected during WWII.<sup>2</sup>

Patchwork aside, in most respects Novosibirsk presents an urban milieu identical to any other mid-sized Soviet city, with its Soviet-era transport and the housing and public buildings built from the 50s through the 80s. From the statue of Lenin dominating the central city square, to Soviet-era neighborhood and street names, the Soviet era remains everywhere inscribed on the urban landscape. The Soviet legacy is particularly important for Novosibirsk which has little pre-Revolutionary history. This legacy is visible not only in the urban landscape but carries over into local politics as well, in a city still run by the same Soviet-era leaders, who, according to locals, continue many habits of patron-client leadership that characterized Soviet-era politics (Clark 1989; Eisenstadt and Roniger 1984).

The most visible changes in post-Soviet Novosibirsk have been the ready availability of goods and the brisk trade at outdoor marketplaces and among street vendors, both registered and informal. Street vending here shares many similar characteristics with informal economic activity in other locations (Portes, Castells and Benton 1989), and lends an almost Third World appearance to this otherwise gray, concrete, high-modern Soviet city.

Products from Europe, the US and the Far East are imported to Novosibirsk both through formal means (companies importing goods through customs) and a wide range of informal channels—including the “shuttle” traders who carry goods by train across the border from China or Kazakhstan.<sup>3</sup> Almost any goods available in the West are also available in the heart of Siberia, many coming directly from factories in China and Korea. This registered and unregistered trade provides unprecedented choice in purchasing options, at least for people with enough money.

Goods that come in by train usually are sold first at the open-air wholesale *rinok* (marketplace) on the eastern outskirts of the city. Arranged in long winding aisles of metal storage containers (similar to train box cars), this wholesale *rinok* plays a key role in the informal economy. Sellers buy their wares wholesale and resell at other markets or in street-corner stalls of Novosibirsk and other nearby cities. Most other open-air marketplaces, where registered and

unregistered sellers are organized into rows of fixed stalls or tents, specialize in particular goods. For example, near the major department store at Karl Marx Square on the left bank is an open-air market with metal stalls that specializes in clothing, including pants, shoes, shirts, jackets, and fur coats and hats. Near the city center is a covered farmer's market, occupying an entire city block, around the edges of which are a collection of tents displaying goods from both registered and unregistered street sellers, and wandering traders who offer to buy gold and coins.

Wholesale and retail trade contributes to the economic growth of the city and provides income-generating opportunities for those suffering unemployment or reduced wages. Street sellers are more often women than men, because women have been harder hit by unemployment.<sup>4</sup> Street trade provides decent wages, though insecure, under difficult conditions.

In summary, traditional mainstays of Novosibirsk's economy are suffering the effects of demilitarization, marketization, and inflation, while other, newer sectors are growing rapidly. With its Soviet legacy of inequality of access, in the post-Soviet period Novosibirsk is becoming a city of inequality of outcome, as many continue to live on small fixed incomes that do not rise with inflation while a few make a great deal of money under new marketizing opportunities.

## **ETHNOGRAPHIC METHODS**

From September 1999 to June 2000 I conducted ethnographic field research while living in Novosibirsk. I used participation, observation and interviewing to collect information about daily life, the problems which people face, and problem-solving strategies. The usefulness of an "insider" ethnographic perspective to shed light on transitions from socialism has been demonstrated in recent ethnographies of other post-socialist environments (Burawoy and Verdery 1999; Glaeser 2000). An ethnographer's primary goal is to enter naturally into the daily life of a community, and I found three natural participant-observer roles in Novosibirsk, as teacher, volunteer, and church member, which allowed me access to ordinary people.

As a sociologist, a very natural role was for me to teach sociology, which I did in a newly-created sociology department at a state technical college (NSTU) near Karl Marx Square. I participated with fellow teachers in normal, ordinary events such as staff meetings and social



hours and became part of their everyday working life. Teachers (both high school and college) form a well defined socio-economic group within Russian society, with above average education and usually “high culture” tastes (such as opera or literature). However, in current post-Soviet conditions most college teachers’ salaries in Novosibirsk are not much above what most people acknowledge is necessary for survival (about 1,000 rubles (\$33) per month per person).

Second, I volunteered at a non-profit organization and became involved in a coalition of volunteer organizations in Novosibirsk. As the coalition met together to plan an annual public fair of third sector (Van Til 1988) activities, I attended their frequent meetings and participated in planning discussions. This situation was ideal for observing patterns of using social capital, not only hearing who turned to whom for assistance (a common topic of social network studies) but also the behaviors associated with calling in favors, and the feelings of obligation or reciprocity that accompanied these requests. Non-profit organizations are new to post-Soviet Russia (Ruffin, McCarter and Upjohn 1996); in Novosibirsk, a few older organizations had been operating almost six years when I arrived. In Novosibirsk, individuals from a wide range of socio-economic groups, various educational levels and occupational backgrounds have been attracted to the third sector in both paid and volunteer positions, some wishing to further a cause, others seeking the salaries generously funded by Western grant money.

Third, I attended a congregation of the Church of Jesus Christ of Latter-day Saints (LDS Church), which has had a formal presence in Novosibirsk since 1995. As a member of the church, I participated in weekly worship services, social events, and monthly women’s gatherings. The women’s gatherings were excellent sources for both observing behavior and listening to women tell each other stories. Through such natural interaction, I learned how women relied on social ties for facing daily challenges, that is, how they used social capital in problem-solving strategies. Members of this particular congregation come from a lower socio-economic background, with low educational levels and state-sector salaries similar to that of teachers.

All of my interactions became the basis for extensive fieldnotes, on which this paper is based, but I also conducted open-ended, loosely structured interviews with key individuals and was often able to tape record meetings at NSTU and in non-profit organizations. Ethnography has not been a traditional avenue for studying social capital. However, in comparing results gained through interviews with information gleaned from participation and observation, I found that I learned more about the informal economy and the use of social capital in it through observing and overhearing natural conversations among Russians than from interviews. Therefore the comments that follow are based primarily upon fieldnotes from participant observation.

## **STRATEGIES AND CAPITALS**

### ***PROBLEM-SOLVING STRATEGIES***

Life in a transition economy is characterized above all by a sense of uncertainty and unpredictability.<sup>5</sup> In this environment, life is less a process of goal attainment than a perpetual process of solving unexpected problems that inevitably arise. The type of problems depends in part on how ambitious a person's plans are, but making any plans in Russia today demands solving a sometimes bewildering array of both expected and unanticipated problems.

The focus on life as a series of problems that must be solved can be applied to any environment, while it is especially apt for understanding post-socialist societies. Societies everywhere present their members with sets of problems, whether common to the human condition or unique to that environment. The geographical, cultural, political and economic context of a society determines which problems its members must solve in the course of their lives.<sup>6</sup> Patterned responses to the distinctive sets of problems, or a society's "tool kit" (Swidler 1986), that have evolved over time create some of the features that distinguish one society from another.

Individuals in a society share their "tool kits" with one another; they learn strategies for solving problems through their own experience and then transmit these strategies overtly or by example to their families, friends or other observers in the society. These "problem-solving

strategies” can be coherently thought out or consciously taught, or can be customs or habitus (Bourdieu 1977) learned innately from others. “Survival strategies” (Halperin 1990) are an important subset of what I refer to as problem-solving strategies. Survival strategies implies a struggle for basic survival, while the term problem-solving strategies can be applied to any individual or group and to any kinds of problems.

Strategies can be effective or ineffective in solving problems, but they are always specific to local conditions and problems. The immigrant experience of adapting to a new environment (Furnham and Bochner 1986; Gibson 1988; Portes and Rumbaut 1990) illustrates the fact that strategies are context-specific and often maladaptive in other settings.<sup>7</sup>

Problem-solving strategies consist of mobilizing resources which people have themselves or at their disposal through friends or family in order to resolve problems. Resources are everywhere unevenly distributed, with patterns of inequality varying across societies. Since strategies depend upon both the problems and the resources available (or, more accurately, assumed to be available), strategies also differ across social classes within a given society. For example, strategies available to the urban middle-income earner with no accrued wealth will be different from those available to a rural resident possessing land but no source of income. The variety of strategies depends not only on the total sum of resources but also on the specific combination of types of resources. Resources are enabling to those who possess them and limiting to those who do not: relative distributions of resources are essential for understanding the different strategies employed by people in different socio-economic groups.

### ***RESOURCES: FORMS OF CAPITAL***

Because social and material resources can be mobilized to solve problems, they are often described as capital, or a means of storing universal value that can be transferred to other settings. While there are numerous theoretical ways to divide the universe of possible resources, or types of capital, this article will address four broad categories of resources on which people draw for solving problems: financial capital, physical capital, human capital and social capital. Although

this omits other categories, such as symbolic or cultural capital (Bourdieu 1984), these four categories seem to be at present the most salient in problem-solving strategies in Novosibirsk.

*Financial capital* includes money, in cash or bank deposits, as well as other financial instruments such as stocks and investments. Because banks have been notoriously unkind to the average citizen in the post-Soviet period,<sup>8</sup> for most of the population in Novosibirsk financial capital consists of cash kept at home. A common strategy to deal with the unpredictability of the ruble valuation and the sometimes run-away inflation is to exchange rubles for dollars which are kept at home, hoarded under the proverbial mattress. To avoid the loss incurred with official banks' fees for exchanging money,<sup>9</sup> Russians sometimes are willing to exchange money person to person and some (though not all) prefer dollars from foreigners for larger sums in personal transactions (rent being the most common of these), though this is technically illegal.

Because of the prevalence of currency exchange in daily life, official exchange points abound, surrounded by informal alternatives. Informal economic activity in Novosibirsk includes a brisk currency trade just outside many banks and exchange points, with well-dressed young men quietly offering to trade large sums or buy dollars at a more advantageous exchange rate than the bank rate.<sup>10</sup> Not visibly of any minority ethnic group, these young men stand calmly conversing with each other near an exchange point and approach foreigners or well-heeled potential customers of the bank with an offer to trade. The trade benefits both parties, because the traders get the business and the customer gets more than the bank would give and avoids fees.

However, because informal traders act illegally (though are rarely arrested or disturbed by either police or bank owners), not everyone risks patronizing them despite the monetary benefits. Ivana, a graduate student at NSTU, asked me where there was an official exchange point nearby. She and her boyfriend were saving up to buy a computer, and she wanted to exchange rubles for dollars. Not only do dollars keep their value but the stores quote prices in dollars in response to fluctuating exchange rates.<sup>11</sup> Saving for a computer (starting about \$500) would have been impossible on her own graduate student salary of 600 rubles (about \$21) a month, but her

boyfriend is a successful young businessman with a comfortable salary (which she did not disclose).<sup>12</sup>

**Physical capital** includes all possessions that enable people to solve problems, that would either bring money if sold (or rented out) or that would cost money to replace. In the Russian context, significant possessions include apartments (either privatized or rented from government at very low rates), automobiles, dachas or the land to build one, a use-right to land for growing potatoes, electronics (TVs, VCRs), household appliances (*buitovaya technika*), and old collections of china, books, or even extra furniture. In Siberia in particular, adequate winter clothing represents important physical capital. Fur coats and hats are essential for surviving the long winters, and though once in deficit, are now sold everywhere, but are very expensive to replace in the current economy. Objects which can be turned to income-generating activity are also important physical capital. In current conditions, these might include a car, an extra apartment, a sewing machine, home repair tools or materials, etc., as examples later in this article suggest.

Physical capital is the most visible of all forms of capital. Financial capital can be hidden at home or in offshore bank accounts, human capital is not readily apparent, and social ties are known to some and not to others, but tangible possessions are visible to others and hence open to their envy and criticism. The “New Russians,” the new super-rich, are noted for their overtly conspicuous consumption, which has become the object of countless jokes and popular disapprobation.

The cars people drive, the clothing people wear, and the money that is spent in public form a mosaic illustrating the city’s pattern of inequality. Consumer goods can demonstrate obvious changes in inequality, as the new rich can afford new cars, coats, and clothing. Post-Soviet consumption changes the visible appearance of a city, a transformation well underway in Novosibirsk, as post-Soviet Western-style cars jostle old Soviet models, young women’s Western fashions rub shoulders with old-fashioned Soviet clothing. On the other hand, physical capital can also disguise invisible but painful changes in inequality. For example, someone might once have

afforded a fine fur coat but now lives on a meager fixed ruble income and must scrimp to pay for food. Thus although physical capital is the most visible of capitals, in a rapidly changing economic environment it does not always signal complete information about the relative level of resources available to different socio-economic groups.

***Human capital***, as it is “embodied in the skills and knowledge acquired by an individual” (Coleman 1990: 304), includes all of an individual’s attributes which he or she can mobilize to solve problems. Human capital is often measured by education and formal training (Schultz 1961), but also includes other skills and character traits useful for resource acquisition. Time and physical strength and energy are also important facets of human capital.<sup>13</sup> In this research, I describe two key subcategories of human capital: *intellectual capital*, namely formal education and training, and *skill capital*, or skills, information, life experiences, and *mçtis*, or local knowledge (Scott 1998).<sup>14</sup> This distinction is particularly important in Novosibirsk because these two types have unequal returns in a post-socialist economy transitioning to a labor market. In Novosibirsk today, “new” intellectual capital can command the highest monetary rewards, followed by skill capital, then energy, strength or time, with the least rewards going to “old” intellectual capital.

Returns to intellectual capital depend on the type of education and the demands of a developing labor market. Many Soviet-era organizations, such as those responsible for economic planning, have disappeared completely, while others, such as weapons factories or those producing undesirable consumer goods, have scaled back their operations or are changing their practices in the face of a market economy. With firms disappearing or restructuring, much Soviet-era education, or “old” intellectual capital, is made irrelevant in the new economic conditions; many Soviet degrees no longer are a valued resource in the post-Soviet context.

“New” intellectual capital presents a more hopeful picture. There are growing employment opportunities for those with the “right” credentials, such as accounting, business, law, or English. Since re-training or re-certification is often unavailable or not affordable for the unemployed, this new hope is often only available to the young generation, current students and recent graduates.

Yet these same recent graduates are disadvantaged in Novosibirsk, as in more established labor markets, by employers' demands for "workers with experience." Parents often act on behalf of their children, using their own networks to help their children who have few networks of their own, as Natalia's example in the introduction suggests. The uneven returns to education send mixed signals to young Russians about the value of an education.

Returns to skill capital are less mixed and are consistently, if moderately, rewarded. On the whole, many people in Novosibirsk are quite resourceful in finding ways to earn money or trade goods or services for their skills. People sew clothing at home, repair cars or household machinery, fix plumbing on weekends, teach private English lessons, or bake food to sell, to give but a few examples. Moonlighting at informal economic activity was widespread during the later years of the Soviet Union (Grossman 1989) and many continue using those skills in the new economy, either formally or informally. Information and the ability to gather it also comprises human capital, and some rely on their "insider" knowledge of wholesale markets and prices either to resell goods at a higher price or to obtain better prices for themselves or friends, as does Alyona who works in the wholesale market (see below).

Time and energy are likewise important personal attributes that can be mobilized in problem-solving strategies. In Novosibirsk, many time-intensive and energy-expending activities (planting potatoes, cooking meals from scratch, washing clothing by hand, taking the bus) mean that time and energy function as both resources and limitations in the acquisition of other resources. People with time, such as pensioners or the unemployed, can turn land into self-sustaining gardens or sell the produce on the street, while people with full-time jobs must find other ways of making ends meet. A person's energy influences how many hours she can stand on a street corner and hence how much she sells, how much she can carry home from the store and hence how often she must travel to the store. Limitations on time also affects how many friends a person has, since maintaining friendships is also a time-intensive activity in Novosibirsk.

*Social capital* describes the connections between people that allow other resources to flow among people (Coleman 1988; Coleman 1990). Unlike the other forms mentioned above, social

capital is not characteristic of one individual but rather is “embodied in the relations among persons” (1990: 304). Because social capital is embedded in concrete social situations (Silverman 2001), network structure determines a person’s access to other resources, including goods, information or assistance. Just as inequality can be measured through differences in income and wealth, it can also be observed in differences in the relative composition of network members and unequal access to individuals with greater resources.

In any industrial society, people have connections from a variety of contexts--workplace, school, neighborhood, and family (Fischer 1982); Russia in this sense is no different from other industrialized nations. However, certain network patterns are distinctive to post-socialist societies. In Russia, such patterns are a legacy of Soviet policies that include social isolation, residential permits, and employment distribution.

First, the Soviet state isolated its citizens from access to contact with foreigners, creating a closed society. Social isolation even included separation from other Soviet citizens due to poor communications and transport infrastructure. Both these factors contributed to the cell-like structure of Soviet society, with small clusters of individuals separated by social walls. Second, the policies of *propiska*, or residential permits, limited geographical mobility within and across cities, reducing the frequency of new neighbors and likewise contributing to a closed society.

Third, employment opportunities were distributed by the government, and jobs were generally considered long term or even life-long situations, similar to but less strict than the “iron rice bowl” in China (Bian 1994). Long-term work assignments limited new colleagues and encouraged cohesive work collectives. These factors together combined to create a society of long-term relationships with known others, high social isolation and little contact with strangers. Novosibirsk is characterized on the whole by dense, multiplex, stable networks with a predominance of strong ties and a limited number of weak ties.

Soviet patterns of inequality based on geography and occupational prestige (Szelenyi 1983; Zaslavsky 1995) also affect network structure. Inequality was inscribed on the social landscape through hierarchies of geography (Zaslavsky 1995). People in cities had greater access to



resources than those in smaller towns or villages: the larger the city, the greater the potential access. Novosibirsk as the third largest city in the nation is third in the geographical hierarchy, though this position is lessened in some ways due to its distance from Moscow.

In the Soviet system, status, prestige and non-monetary benefits accruing to an occupation were more important symbols of success than money, and hierarchies of occupations developed within workplaces and across society (Szelenyi 1983). Because the government controlled access to resources, government positions were the most powerful and useful. Through family ties and relative position in employment and geographical hierarchies, some people had networks which included powerful people: they were said to have “access to power” (*dostup k vlasty*) through their networks while others had no such access.

The Soviet legacy is felt not only in the composition of network ties but also in how those networks are mobilized in solving problems. In a socialist system, money was insufficient to obtain deficit goods--that required *dostup* (access) or *blat* (“strings”) and a knowledge of whom to ask. Soviet problem-solving strategies thus featured the use of social capital to a much greater degree than in Western market societies. Because of chronic deficits in the shortage economy (Kornai 1992), friends and family provided services not available through formal channels, an example of relying on the informal economy because of deficiencies in the formal economy (Tannenbaum and Durrenberger 1990).

The limited number of social ties meant that the same ties are utilized for a variety of different requests, creating multiplex social ties. Lower numbers of social ties has also led to the practice of pursuing favors through long chains of indirect ties rather than direct weak ties. A study in the early 1990s comparing Finnish and St. Petersburg school teachers found that while both groups of teachers relied on acquaintances or colleagues for assistance, the Russian teachers were more likely to pursue what they needed through long mediated chains while the Finish teachers used shorter chains (Lonkila 1997).

Obtaining something *po blaty* (“by pulling strings”) often held a negative connotation in Soviet and post-Soviet times but was recognized as occasionally necessary (Millar and Wolchik

1994). Sometimes “string pulling” involves giving gifts, as in China (Yang 1994), or outright cash bribes, to persons in power, but other times it involves only a sense of reciprocal obligation, of indebtedness. Recent research on the concept of *blat* confirms that the long-term importance that using networks had in Soviet society has continued into the post-Soviet era (Ledeneva 1998).

Although the term *blat* is common in Soviet studies, I did not often hear the term *blat* in conversation. In contrast, I frequently heard another term, *po znakomstvy* (by acquaintance), or *khoroshoye znakomstvo* (a useful acquaintance), implying the use of network connections but with a less negative connotation. Many people told me that finding a good job in Novosibirsk is less successful through formal channels (such as unemployment bureaus) than through acquaintances (*chez znakomstvo*).<sup>15</sup>

### **TRANSFORMATION OF CAPITAL**

As examples throughout this article demonstrate, resources must often be transformed from one form to another form in order to be utilized for problem-solving strategies. Any form of capital can be transformed into any other form, and this fluidity is essential in solving problems.<sup>16</sup> This transformation often takes place in the informal sector.

As mentioned above, obtaining goods and services in a socialist environment required mobilizing far more social capital than financial capital. In socialist Russia, those with less social capital, or without influential network members, were unable to obtain scarce goods or services. In contrast, in a market economy, financial capital becomes the universal medium for problem-solving strategies. With enough money, there are few problems that cannot be solved.<sup>17</sup> In post-Soviet Russia, those without large sums of money must continue to rely on their social ties; before, ties compensated for shortages of consumer goods, but now for the lack of money.

Tatiana, mentioned in the introduction, represents one example of using social ties to compensate for the lack of money. A former colleague of Tatiana’s retired father agreed to register Tatiana’s three-year-old son in the daycare center of a factory near her home. Although originally intended for children of the factory employees, in the post-Soviet commercialized environment the daycare accepts other children for a higher fee. Paying the employee price of

200 rubles (or \$7) a month instead of the public fee of 500 rubles (or \$18) a month has made a big difference for Tatiana in her ability to make ends meet on her limited wages. In this way she has transformed social capital into significant savings of her limited financial capital.

Pavel, a young college student, proudly showed off his new winter parka, which in stores retailed for over \$100. Since college students are considered among the poorest people in Russia, I was surprised at this significant acquisition. When I asked where he got it, he explained that his mother Alyona got it through her job at the open-air wholesale *rinok* (marketplace) on the eastern outskirts of Novosibirsk. Alyona could never have afforded the coat at retail price, but was able to buy it from her supplier for less than the wholesale price because it was slightly damaged. Working off the books, Alyona receives no fringe benefits (health insurance, sick leave) from her work; her only non-monetary remuneration comes in what she can purchase at cost, including small items (such as house slippers) which she can use as gifts to friends and acquaintances.

In the Soviet era, retail employees, such as shopkeepers, store clerks or managers, were considered *khoroshoye znakomstvo* (a useful acquaintance) because they could provide friends or family with deficit items. In the post-Soviet era, street traders (especially in the wholesale *rinok*) can provide friends and family with merchandise at a discount like Alyona, or pass along information of wholesale prices, helping their friends save money or the time it would take to search out such prices on their own.

Another transformation, in this case physical capital into financial capital, is made available through the informal traders in antique coins and medals who form a ubiquitous part of Novosibirsk street trade. Less subtle and less obviously well-off than the money changers described above, coin buyers stand in heavily-trafficked areas holding or wearing signs pinned to their jackets notifying passersby what they seek, with words such as *kuplyu zoloto, cerebro, znaki, monetki* (“[I] will buy gold, silver, medals, coins”). Always present at the markets where those with lower incomes shop, including the central food market, the wholesale market and the clothing market on the left bank, these figures in the informal economy buy Soviet-era medals, coins or gold from individuals who need cash. Many of the medals and coins end up being sold

to foreigners and collectors for many times the buying price. Though they exploit the needy, these traders offer individuals rich in old Soviet possessions but short on cash an opportunity (which exists only in the informal economy) to transform physical capital into financial capital.

In problem-solving strategies, one form of capital must often be combined with another form to transform it into a third. An example in Novosibirsk of the combination of capital forms is in renting out apartments, demonstrating in this instance a combination of physical and social capital. Despite the stereotype of overcrowded, inadequate Russian housing, crowded apartments in Novosibirsk today are more indicative of economic problems than of a housing shortage. There are many empty apartments on the market for sale or rent, and people have both formal and informal options for renting out apartments.

Galina, a medical intern, inherited an apartment on the death of her grandmother. Twenty-six and not married, she lives with her mother and rents out the inherited apartment to a foreigner, an acquaintance of a fellow doctor. Like most doctors in public hospitals in Russia, Galina's official monthly salary is well below the 1,000 ruble "living wage." By renting her apartment through an acquaintance, she receives the rent payment in cash in US dollars (about \$100 per month). This arrangement in the informal economy gives her more than enough to live on and the ability to save for the future, a luxury many do not have in the current economy.

In contrast, Ludmilla, a technician in the airplane factory and single mother of a nine-year-old boy, suffered wage delays of several months and moved in with her mother in order to rent out her own apartment for badly-needed cash. Because her acquaintances were unable to help her find a tenant, she rented out her apartment through a formally registered rental agency. Therefore, she received payment in rubles, not dollars, income furthermore that was reported to the government, which meant that she was then required to pay the 20% tax, further reducing her net income. Thus the financial return on Ludmilla's physical capital (an apartment) minus social capital (a useful acquaintance) was less than Galina's return on her combination of physical plus social capital.

## **THE INFORMAL ECONOMY**

The above examples demonstrate how indispensable social capital is for the informal economy. In fact, “the more [the informal economy] approaches the model of the true market, the more it is dependent on social ties for its effective functioning” (Portes 1994: 430). The informal economy plays a role in the everyday lives of individuals in all social classes of any industrial society, and social capital plays a role in many uses of the informal economy. Some informal economic transactions, such as selling through a garage sale, flea market or as a street vendor, require primarily local knowledge and time. Other informal transactions, however, such as finding a babysitter or paying a contractor off the books, require a personal connection, or some kind of social capital.

Because the informal economy exists in a variety of countries (Portes, Castells and Benton 1989), it is little surprise that it thrives in Russia as well. It is well known that during the Soviet period, transactions in the black market were necessary to compensate for the shortages of goods and services in the formal economy (Grossman 1989; Millar 1987). As Russia moves toward a market economy, informal economic transactions have continued to play an essential role in the lives of ordinary citizens, filling the vacuum of incompletely developed formal institutions for various economic transactions. Yet even while formal institutions develop in Russia, formal and informal alternatives will continue to coexist, just as parallel alternatives coexist in wealthier countries.

One example of coexisting alternatives in Novosibirsk is the above-mentioned example of renting out apartments, using informal ties versus a formal agency. Another example is seen in the professional but unregistered currency traders waiting outside the bank, spatially mirroring their registered counterparts. Even when formal institutions exist, people continue to rely on informal arrangements, because participation in the informal economy is easier, less expensive, more profitable (at least in the short term) and has lower barriers to entry,<sup>18</sup> as the following examples of the informal economy in Novosibirsk demonstrate.

## ***STREET SELLING***

Another literal example of parallel institutions can be found in the thriving street trade in Novosibirsk. A wide range of food, clothing and household products are available in either in the large open-air markets or in tents, trailers, kiosks or booths on the street conveniently located to transportation intersections (bus stops, metro stations, pedestrian underpasses). Some this lively and colorful street trade is registered in the formal economy, some is not. Some kiosk and tent sellers represent a larger organization, for example, a retail establishment with a store and a chain of distributors selling on the street in different neighborhoods.<sup>19</sup> Other sellers in tents and kiosks are registered as independent businesses (*chastniye predprinimateli*), representing only themselves but likewise participating in the formal economy.<sup>20</sup> Still other sellers represent no registered business, but trade informally, and these tend to have no stand or stall.

Street selling, registered or informal, is often an income-generating activity of last resort, which means that those who sell outdoors cannot afford not to sell year round. Few vendors take off weekends or regular holidays, and some have worked years without vacation. Year-round selling has distinct hardships in Siberia. Not only do market and street sellers face the hours of setting up and dismantling and the physical exertion of transport which vendors around the world experience, but they also stand on a street corner or market exposed to the elements during the long Siberian winters. Snow does not melt from October through April, and for three months (December to February), Novosibirsk has daytime temperatures that vary from  $-20^{\circ}$  C to  $-40^{\circ}$  C. Street vendors often suffer frostbite, heightened susceptibility to disease and other side effects of extended exposure to cold.<sup>21</sup>

While many street vendors are formally registered, their location in a public space encourages the participation of unregistered sellers, because of the easy market in passing pedestrians and the lower barriers (literally) to the use of public space. Informal street vendors contribute both to a lively street life and to greater convenience for consumers in Novosibirsk. Where official kiosks, tents or trailers set up on a corner, informal sellers congregate. Informal vendors set up small tables, cardboard boxes, wooden slat crates or simply hold items for sale in

outstretched hands. These range from wholesale consumer goods resold for a small profit, food they have grown on their plots of land, homemade food (sauces, salads) or other handmade items (mittens, scarves, etc). Standing and holding a few items is especially common in areas where the high traffic makes for good selling, but police are known to check registration papers. When the police are spotted, a seller can cram items into a bag and easily disappear into the crowds.

Another feature of informal street vendors in Novosibirsk is that they tend not to be “hawkers” in the literal sense of the word, because they do not usually shout out their merchandise or verbally encourage buyers. They typically stand or sit behind their table or box and wait, only speaking to answer questions of passers-by, regarding price or quantity. They are silent but visible participants in the informal economy that exists on the literal fringes of registered street selling.

### ***HUSTLING IN RUSSIA***

A common phrase of the post-Soviet period, “*nado umet’ krutit’ sya,*” or “you have to know how to hustle” comes from the verb *krutit’ sya* meaning to twist or turn oneself around.<sup>22</sup> This phrase or one like it is heard frequently when people in Novosibirsk discuss difficulties in their lives. The following examples of hustling all involve transforming some type of capital in order to solve the problem of getting cash to live on. That these and other examples demonstrate strategies for acquiring cash should not suggest that making money is now the only problem that concerns residents of Novosibirsk. Although money has taken on an importance it did not have in the Soviet era, the acquisition of money for its own sake has not become the aim of most people in Novosibirsk. Acquiring money is but one of the many problems they face every day.

#### ***Peripatetic Selling***

Obviously, selling on the street behind a cardboard box is one form of “turning around” or hustling to make a living. Another type is peripatetic selling, one type of which occurs in the open-air markets. These peripatetic sellers offer usually homemade food or tea and typically operate through the aisles of the open-air markets, which are often a square city block or larger.

With a very small investment of physical capital in a small cart<sup>23</sup> or even just a sturdy bag, people can turn time, effort and *mçtis*, local knowledge of the market and its schedule, into a living.

In this bag or cart they transport up and down the market aisles a variety of drinks (such as hot tea, coffee, or vodka in the winter), and homemade food, such as salad (pickled cabbage and carrots), *pelmeni* (Siberian dumplings), or *belash* (Siberian fried dough). In the summertime, such offerings are complemented by cold sodas, beer, or *kvas* (a mild ale). Sellers are predominantly women over forty, since they are the most disadvantaged in the formal labor market, though in the summertime there were also young boys and a few men selling cold drinks.

Peripatetic food sellers pull the cart or haul the bags up and down the aisles announcing to those in stalls and aisles what they have for sale. Their primary customers are other sellers, people in tents or metal market stalls who must remain constantly with their merchandise for the eight to ten hours that the market is open. These peripatetic sellers thus transform their time, skill capital (the ability to cook) and local knowledge of the market into the extra money they need.

### ***Indoor Selling***

While such peripatetic food sellers can be expected in an open-air marketplace, itself a liminal space encompassing both the formal and informal economy, this peripatetic marketing technique can also be observed inside buildings and registered businesses. Every day, a middle-aged woman with hot food in a bag, similar to those carried by her market counterparts, visits the headquarters of the non-profit foundation where I volunteered. She works her way through the several floors of this office building, arriving at our rented offices about one p.m. and announcing herself by asking who will be eating. Those interested (about half the staff) step out into the hall where she serves them up a hearty home-cooked lunch out of plastic containers onto paper plates for a reasonable price (18 rubles, or 60 cents).<sup>24</sup>

Marina, 27, a single mother of two, explained how she began supporting herself by taking spice mixtures around to various schools, hospitals and other places with cafeterias, offering them for sale to the cooks or anyone who was interested. At the university, occasionally someone (usually a woman) would stop by our department asking if anyone was interested in buying



cosmetics or theatre tickets. In the lobby of the economics institute, there is occasionally a woman selling scarves, earrings and other small trinkets (which she buys for resale in the wholesale market). She has a regular route, visiting lobbies of different institutes on different days. Like her counterparts on the street, she sits silently with her goods unless approached by a customer.

### ***Taxi Driving***

Another form of “turning around” that requires more physical capital is moonlighting as a taxi driver in the informal economy. This strategy is employed only by a subset of men, since women are far less likely to know how to drive in Novosibirsk, and not all men have drivers’ licenses and a car. Although car ownership has increased dramatically in the post-Soviet period, a car is still a rare possession, and not all drivers work as taxis. However, the percentage of drivers on the road willing to take passengers on demand for a fee is enough that finding an informal “taxi” in Novosibirsk is quite simple. A potential rider points his hand out signaling a desire for a ride, and very soon a car pulls over and the driver and potential rider negotiate a price on the spot. Drivers of older and domestic cars are more likely to take paying riders than drivers of new and import cars, which indicates this strategy is utilized by people with more physical capital than current financial capital. The price which drivers will accept for a given destination varies, demonstrating the incomplete institutionalization of prices in this market, driven in part by a stream of newcomers to this type of “turning around” in the informal sector of Novosibirsk.

### ***EARNING ON THE SIDE***

Street vending, peripatetic selling, and “taxi” driving are only a few ways in which people “turn themselves around” to solve their financial problems. Problem-solving strategies vary by profession (intellectual and skill capital), skill capital, and current employment status. Full-time selling is only possible to those with resources of time and energy, and hence is a strategy of retired persons or the unemployed. However, those with full-time jobs often need extra income, because most salaries in the *budgetnii* (state) sector are not keeping up with rising prices and inflation. Having multiple sources of income has become so common that Russian sociologists

no longer use a person's salary (*zarplata*) to measure income but rather total "intakes" (*dokhodi*). A contemporary joke includes the curse, "May you live on only one income!"

Many who are employed full-time frequently seek secondary work that can be done evenings or weekends, though working two full-time jobs is quite common. Although side earnings can often bring in more money than the first job, people still have a strong sense of which is their primary occupation. People "earn a living" (*zarabativat'*) at what they consider their primary job and "earn on the side" (*podrabativat'*) at secondary work that they consider less important—even if, as is common, the "side" earnings are higher. The primary job is usually more related to a person's formal education, although with increasing unemployment, working "not in one's specialty" (*ne po spetsial'nosti*) is becoming more and more common. Despite the increased frequency of such occurrences, admitting their primary work is *ne po spetsial'nosti* still makes many Soviet-raised adults apologetic.

What secondary work people seek depends on their unique combination of resources, their specific intellectual and skill capitals. Some professions, such as teaching, easily lend themselves to part-time work, while others, such as factory work, do not. Most elementary and secondary teachers find extra work in their field, either by taking on additional remunerated administrative duties or additional classes, or by teaching at another school. Even salaries in higher education must be augmented: full-time, tenured colleagues at NSTU supplement their incomes by teaching additional courses or teaching at another college or high school, not unlike adjunct faculty in the US. Teaching at multiple locations is a common strategy for teachers throughout the city, except for teachers at the prestigious NSU, who combine teaching with paid work at the nearby research institutes. Finding second positions relies almost solely on social capital: teachers learn of positions through colleagues who also work at other schools, which leads to significant overlap of teaching staff across schools.

Although it takes social capital to arrange a secondary teaching position, these jobs are usually registered in the formal economy. However, teachers and others with higher degrees or specialized training also have the option of tutoring private students, which typically occurs in the

informal economy. Tutors are in high demand for preparing for high school leaving exams and college entrance exams, because scores on these exams make the difference between subsidized (free) and unsubsidized or paid (*platnii*) places in colleges and universities.<sup>25</sup>

Likewise, individuals with music or foreign language or other specialized skill capital also have the option of finding registered employment at music or language schools, either as primary or secondary work, or of tutoring private pupils in the informal economy. Both finding employment (in this environment of increasing unemployment) and taking private pupils requires networking, or mobilizing social capital, similar to such jobs in the US. In the US, “word of mouth” advertising is highly effective (Rogers 1983) and networking is recognized as one of the most effective means of finding a job (Granovetter 1974). However, word of mouth is more effective in post-Soviet Russia as a legacy of the Soviet era, when much information about the black market in deficit goods or services was transmitted from person to person. Mobilizing social capital has been a core problem-solving strategy for Russians for many years; today the type of problems have changed, but the strategy remains.

People with lower levels of education (less intellectual capital) face different labor market situations in finding both primary and secondary employment, but they too rely on strategies involving social capital. Low-skill jobs such as bus conductor (ticket-taker), cloak-room attendant, or cleaning woman can be hard to find because workers are not distinguished among themselves by high intellectual capital, and employers will tend to hire referrals of current employees (similar to the US labor market for low-skill labor). Competition is particularly high for jobs that require little skill or effort, or “filler” jobs, because they make ideal second jobs.

“Filler” jobs—cloak-room attendants, doorkeepers, ticket-takers, and the like—are a legacy of the Soviet system, which created countless “empty” positions to meet the ideological demands for full employment of the population. Doorkeepers, for example, are omnipresent across former Soviet institutions (banks, schools, hospitals, government offices). Their job is to check the passes of people who enter, answer questions or simply keep an eye on the entry. Since many buildings keep 24-hour doorkeepers, the evening, night or weekend shifts, with little real work,

make excellent second jobs for people employed elsewhere full-time. Vera, 30, explained that the job of night doorkeeper in her daycare is never vacant long and is only possible to get through one's connections (social capital). In this case, the true benefit of the job is not the income (a very small amount) but the free childcare for employees. Vera works half-days as a seamstress in the daycare for 300 rubles a month (about \$11) so that her son, 4-year old Misha, can have free daycare, for which she otherwise would have to pay about 500 rubles (\$18) a month. Workers' in-kind benefits often outweigh the actual salary, continuing a Soviet pattern of employment compensation of token monetary payments with genuine fringe benefits.

To supplement her meager salary and that of her husband's two jobs, Vera also takes orders for sewing at home. Women pay for or supply the fabric, explain what they want, and she charges for the time she takes to sew it. Sewing to order (*na zakaz*) is a very popular way for women to earn extra money. The skills necessary to make basic clothing are fairly common, and even complicated sewing projects are often undertaken at home. Those who do not sew to order often spare their budgets by sewing clothing for themselves and their families. For those like Vera who own a sewing machine (physical capital), sewing *na zakaz* represents a readily accessible entry into the informal economy, since it requires neither the physical stamina nor the available daytime hours of selling in the market. Sewing can be done at home and on one's own schedule (after work, for example), and is a very reliable source of income. Vera said that as soon as people hear (by word of mouth) that she sews to order, she has more orders than she can take; many of her orders come through her contacts at the daycare.

Nadezhda, the divorced college secretary in her fifties, recently quit selling cosmetics through network marketing in order to spend her time sewing *na zakaz* because it is more reliable income. Network marketing has a higher earning potential, she admits, but her total earnings are so low that she cannot afford the higher risk that network marketing represents. Being risk averse is a rational response to being on the edge of poverty, like the fiscally "conservative" peasants in Southeast Asia (Scott 1976), unwilling to take risks for higher yields because of their lower

margin for error. In Novosibirsk, many people cannot afford one month of lower yield for a possible higher future intakes because they can barely pay for food on their already low incomes.

Private lessons, sewing, cooking and driving all represent work not registered in the formal economy, and though less visible than street vending, form a core element of the informal economy. In contrast to the U.S., Novosibirsk residents from unemployed blue-collar workers to college professors use their human or social capital in informal economic activities which provide their main source of income. A professor in Novosibirsk might earn 2,500 rubles (about \$90) per month as salary, but can make three times that amount tutoring private students. Vera can earn more than her monthly daycare salary in one or two orders for clothing sewn to order. A driver picking up passengers in his own car can easily make 400 rubles (\$15) in a day, or what his factory work would pay in a week. Therefore, understanding the informal economy, and the social capital which makes it possible, is truly central to understanding the broader economic situation in Russia today.

## **CONCLUSION**

Why is the informal economy so prevalent in Novosibirsk, indeed throughout Russia? In part because of low barriers to entry, enabling cash-poor segments of the population to make a living without high financial capital outlay. But it also thrives because transactions in the informal economy often require social capital and most Russians are rich in social capital. The socialist legacy includes an abundance of social ties that were mobilized to cope with a shortage economy. These are now being mobilized to cope with a marketizing economy. Social capital is one of many resources and is used in combination with them in problem-solving strategies. As examples in this article suggest, the spatial, social and economic context are crucial for understanding the use of social capital and reliance on the informal economy in Novosibirsk, as indeed anywhere in the world.

## Endnotes

<sup>1</sup> All names used in this article are pseudonyms.

<sup>2</sup> Novosibirsk residents are proud of the military significance of their city. Several people told me that in the frantic pace of wartime production in World War Two, supplies were simply thrown from moving freight cars of the Trans-Siberian railroad, and people worked where the supplies landed. Workers labored year-round under open skies as factories were built up around these emergency workstations, while workers remained in temporary barracks for years. After the war, factories began construction on workers' housing clustered around each factory, throwing the ideal plans of Soviet urban planners into disarray. This urban patchwork also makes constructing a sensible transport system difficult, which continues to plague city planning officials.

<sup>3</sup> These shuttle traders (*chelnoki*) are named for the action of a weaving shuttle (*chelnok*), moving back and forth under the warp. Traders buy goods cheap in China, pack them in bags and check the bags as private luggage on trains, because customs inspections on trains are extremely lax in comparison to airports. Shuttle traders either sell along their route or have a fixed destination, often selling to prearranged buyers. Some shuttle traders take goods on the return trip to sell in China; others simply take the profit from their sale and return to buy more goods. They often travel in pairs for personal safety and for help in hauling bags that may weigh hundreds of pounds each.

<sup>4</sup> Women are the majority of both registered and unregistered street vendors because unemployment has hit women more than men. However, men work as street traders in certain sectors, for example wholesale and retail sale of expensive items (fur coats, stereos) and parts for auto and home repair.

<sup>5</sup> Research in the early post-Soviet years indicated that public opinion was "characterized by the widespread belief in the unpredictability of the immediate future and the growth of a general anxiety and lack of certainty" (Zaslavsky 1995: 134).

<sup>6</sup> Problems can vary in their *time frame* (short, medium or long term)--for example, storing water versus getting an education; in their *ease of solution* (easy or difficult)--finding food in stores versus finding a spouse; or in the *necessity of finding a solution* (necessary or optional)--getting a new dress versus getting medical care. These contrasts are not meant as discrete categories but rather as possible endpoints along a continuum in each of these dimensions.

<sup>7</sup> Research with post-Soviet immigrants in the US in 1993-94 suggests that citizens of the USSR had developed "Soviet-adaptive behavior" which were effective strategies in the Soviet system but were shown to be less effective as problem-solving strategies in the US (Busse 1994).

<sup>8</sup> Each time there has been a currency devaluation (such as in 1992 and 1997), there have been banks that have refused to transfer holdings in the old denomination to the new. In the August 1998 crisis, many banks closed their doors on investors, especially of small accounts, refusing to give them their cash or credit. They did this claiming bankruptcy, claims that were sometimes

accurate, but sometimes a convenient cover for malfeasance by bank owners. In my opinion, much of the economic crisis of 1998 was engendered by such opportunist behavior.

<sup>9</sup> Most banks and currency exchanges offer “buy” and “sell” rates for foreign currency (often only US dollars) which, in Novosibirsk at the end of 1999, was between 1 and 2 rubles spread around the central bank exchange rate (usually but not always the midpoint). In Moscow the spread was narrower, often around 5 kopecks (100 kopecks = 1 ruble). In addition to this rate spread, on which exchanges made their profit, federal law required a 1% tax on the purchase of foreign currency by Russian citizens, which price was added to the cost of the transaction.

<sup>10</sup> The informal currency traders would offer a rate that split the difference between the bank’s “buy” and “sell” rates, that often worked out to be similar to the Central Bank’s rate. A 50 kopeck difference on a transaction can be sizable when exchanging large sums (over \$100). I never observed such informal currency traders in Moscow; this is likely due to the narrow trading margins already offered by exchange points.

<sup>11</sup> Russian law forbids cash transactions in any foreign currency, but to deal with inflation, sellers of expensive or import goods often post prices in dollars and the purchase is made in rubles at a given exchange rate. Consumers tend to think this is a fair solution, since fluctuations in the exchange rate can sometimes make this arrangement work in their favor.

<sup>12</sup> Russians have not traditionally been reticent to discuss income, as Americans often are (Wuthnow 1996). This is in part a socialist legacy because Soviet wages were uniform by occupation and hence were public knowledge. In the post-Soviet context, a few Russians now earn competitive market-based wages in fields like accounting, marketing and sales, and have been more hesitant to disclose income amounts for fear of inciting jealousy.

<sup>13</sup> Because time is both more fungible and more universally distributed than other resources—it can be transformed into any other resource, and everyone has the same 24 hours—it perhaps should more properly be treated as a separate type of capital with its own unique properties. However, since time is linked to energy and skill, I include it here as a component of human capital for brevity of presentation. Human capital thus subsumes the training and skills a person has and the time and energy the deploying of these skills require.

<sup>14</sup> Some of what Bourdieu (Bourdieu 1977; Bourdieu 1984) refers to as cultural capital (the knowledge of behaviors, attitudes, and tastes relevant to one’s social class) I would include in skill capital, insofar as a knowledge of those tastes can be utilized in gaining access to other types of resources.

<sup>15</sup> Of course finding a good job is one area in which “useful acquaintances” is essential in the US economy.

<sup>16</sup> I am indebted to Ivan Light for suggesting this point.

<sup>17</sup> One negative, envious view of the super-rich is that “they believe that with money they can do anything they want.” Unfortunately, in Novosibirsk, this is often true. In the process of throwing

money at a problem (a common problem-solving strategy of the wealthy in the US), the new Russian super-rich violate Soviet-era norms of fairness and equality that were blind to income that are still valued by many other citizens.

<sup>18</sup> For example, registration of a business for trading on the street represents a barrier to entry, and the taxes required of small firms makes selling in the formal economy more costly than informal selling.

<sup>19</sup> Kiosks are not always located on the street. Some retailers rent out space for small kiosks, usually made of glass walls, inside their stores. This practice benefits both parties: the renter can sell in additional locations without buying or renting whole stores, and the host gains both the rental revenue and increased foot traffic for their own goods because of the variety of goods offered in kiosks.

<sup>20</sup> Even registered street sellers, like Russian business owners in general, conduct some portion of their transactions either “off the books” or keep double books (one for their own records, a different one to show the tax police). Small and large businesses alike provide inaccurate accounts to tax inspectors to minimize the impossible tax burden the government lays on trade (sometimes amounting to 120% of profits).

<sup>21</sup> One of the side effects of extended exposure to Siberian winters is alcoholism, from the vodka that some drink all day long in an effort to stay warm.

<sup>22</sup> The phrase “*krutit'sya*” has made its way into contemporary literature. In a short story by the popular writer Victoria Tokareva, “Papa didn’t work at all. After perestroika, his planning institute collapsed and everyone ended up on the street. You had to hustle (*krutit'sya*), and papa didn’t know how to hustle. So Mama had to hustle for two....” “Christmas Story” Victoria Tokareva, *Smooth Face* (1999), p 163-164 (trans. this author)

<sup>23</sup> The cart consists of an enclosed box the size of a small suitcase affixed to a small wheeled luggage cart, the box usually insulated to keep the food or tea warm. These impromptu food service carts are usually self-made.

<sup>24</sup> In this case, this informal arrangement, created on the initiative of the cook, benefited both her and the roughly twenty employees of the non-profit foundation, because of the previous lack of affordable lunch alternatives in that location. This tall office building, located along the left bank of the Ob’ river, was near only one recently opened lunch counter, which was considered expensive by most average Russians. In this case, the informal economic institution filled a gap in the formal economy rather than providing a parallel service.

<sup>25</sup> Before 1992, all higher education was free. Since the collapse of the Soviet Union, some previously existing institutions of higher education (*vuz*) have begun charging tuition in certain departments, particularly in newly-created fields, while most of the institutions established in the past 8 years charge tuition. At the college where I taught, the sociology department charged 7,000 rubles (about \$250) a year for tuition, at a time when the average state-sector wage was



about 18,000 rubles a year. Many professions of college-educated persons (teachers, doctors), those most likely to want a college education for their offspring, are well below this, sometimes as low as 3,600 rubles (\$128) per year. Thus getting in to a free department versus one that charges tuition makes the difference between the child attending college or not. Hence the market for paid preparatory lessons at what seem like high prices: tutoring is less expensive than the alternative of paying tuition.

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